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

FINANCIAL STATEMENTS - YEAR ENDED

MARCH 31, 2020

TABLE OF CONTENTS - MARCH 31, 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES - YEAR ENDED MARCH 31, 2020

Under the Company law, it is required to prepare Financial Statements give a true and fair view of the state of affairs, for each financial year.

In preparing those Financial Statements, the Bank has:

- Ensured adequate accounting records and accounting standard;
- Ensured maintenance of an effective system of internal controls and risk management;
- made estimates which are reasonable and prudent;
- state whether applicable accounting standards have been adhered to, subject to any material departures disclosed, explained and quantified in the Financial Statements;
- ensured that the Financial Statements fairly present the state of affairs of the Group, as at the financial year end, and the results of its operations and cash flows.
- ensured that the Financial Statements have been prepared in accordance with and comply with International Financial Reporting Standards and the Mauritian Companies Act 2001.

The external auditors are responsible for reporting on whether the Financial Statements are fairly presented. The management team are also responsible for safeguarding the assets and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The management report that:

- adequate accounting records and an effective system of internal controls and risk management have been maintained;
- the Financial Statements fairly present the state of affairs at the financial year end, and the results of its operations and cash flows for that period;
- appropriate accounting policies supported by reasonable and prudent judgments and estimates have been consistently used;
- International Financial Reporting Standards and the Mauritian Companies Act 2001 and the Banking Act of Mauritius have been adhered to.

....	....	....
(Alok Kumar)	**(Ritesh Kumar)**	**(Hitesh Vyas)**
Assistant General Manager	**Vice President**	**Senior Manager**
	Mauritius Operations	**IT and Operations**

"The Management is presenting the Annual Report of the Bank with the audited Balance Sheet, Profit & Loss Account and the Report on Business and Operations for the year ended March 31, 2020 (FY 2020)."

Analysis Global Economy

Growth in the global economy slowed down to 2.9% in Calendar Year (CY) 2019 compared with 3.6% in CY 2018. With the ongoing COVID-19 pandemic, global GDP growth is expected to contract sharply by 4.5% in CY 2020 as per latest estimates by IMF. The sluggishness in GDP growth was driven by contraction in world trade volume from 3.8% in CY 2018 to 0.9% in CY 2019 as trade and tariff wars disrupted global value chains. This in turn impacted global manufacturing activity and investments. Apart from this, higher interest rates, Brexit and waning effects of US fiscal stimulus also contributed to the moderation in growth. Further, global commodity prices also fell by 10.2% in CY 2019 after increasing by 29.4% in CY 2018.

According to IMF, growth slowdown was more pronounced in Emerging Market and Developing Economies (EMDEs) from 4.5% in CY 2018 to 3.7% in CY 2019 led by India and China. Advanced Economies (AEs) too slowed down to 1.7% versus 2.2% in CY 2019 led by Germany and US. In Germany, growth slowed down to 0.6% in CY 2019 from 1.5% in CY 2018 due to the disruptions in the auto industry resulting from new emission standards in the Euro Area.

Indian Economy

India's FY 2020 growth slipped to 4.2% from 6.1% in FY 2019, its lowest since FY 2009. The decline was led by investment demand at (-) 2.8% from an increase of 9.8%. Even consumption slipped to 5.3% in FY 2020 from 7.2% in FY 2019. Government spending maintained its momentum during the year. From a sectoral perspective, agriculture sector was the only one which stood out in the year and supported rural consumption and demand. Even this year, monsoon is expected to be normal which should support the rural economy.

Industrial activity was relatively subdued in FY 2020 and increased by only 0.9% compared with an increase of 4.6% in FY 2019. The dip in industrial activity was led by manufacturing sector which registered an increase of only 0.1% in FY 2020. Services activity was also muted and increased by 5.5% compared with an increase of 7.7% in FY 2019. Growth slipped in Q4 FY 2020 on the back of domestic and global disruptions on account of measures taken to restrict the spread of COVID-19.

While growth came off, CPI inflation edged up to 4.8% in FY 2020 from 3.4% in FY 2019. This was on account of higher food inflation. Food inflation build-up was visible in H2 FY 2020 at 10.9% compared with (-) 1.5% in H2 FY 2019. Unusual supply disruption due to weather and higher vegetable prices were responsible for increase in food inflation. Core inflation, however moderated to 4% in FY 2020 compared with 5.8% in FY 2019, especially on account of muted oil prices and slowdown in demand.

While this year is expected to be challenging due to disruptions caused by COVID-19, rural consumption may remain buoyant due to higher output and increase in Minimum Support Prices. Migration from urban to rural areas and higher government spending on Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) imply rural demand will be higher in the year. The government along with RBI has announced a monetary and fiscal package of ` 21 lakh crore to mitigate the impact on the economy.

Mauritian Economy

Mauritius has had low but steady growth rates over the last few years (averaging 3.8% during 2015–19) and is among the most dynamic economies in Sub-Saharan Africa. Growth is estimated to have reached 3.7% of GDP in FY 2019 – from 3.8% the previous year – fuelled by tourism, financial services, retail and wholesale trade, and ICT sectors. Earlier, the IMF had forecasted a growth of 3.8% for FY2020 and 3.9% for FY 2021, based on strong household demand and an expected increase in tourism arrivals.

The Mauritian economy had started showing signs of decline in last quarter of FY 2019, where in the growth was estimated to at 3% in FY 2019, lowest among the last 5 years growth. Moreover, with the outbreak of the pandemic and subsequent travel ban and eventual lockdown, the key propellers of the economy viz Tourism, hotel & ancillary sector and the financial sector has come to a standstill. Under a favourable scenario, the financial sector may be able to revive in the 2nd HY of the current FY, but the Tourism sector will have a long battle to come back to normal, for which the recovery period may extend between 12-18 months after the COVID-19 is over. Considering the colossal impact of the pandemic, IMF in its April outlook estimated the Mauritian GDP to contract by 6.8% in FY 2020, which itself speaks about the economic challenges before the country. This kind of economic scenario will be the first such case in last 40 years for the island country to experience.

As a result of it, several key economic parameters of the economy are at high risk such as:

- Increase in the fiscal deficit to GDP ratio for the FY 2020 & 2021 on account of revenue contraction and uncertainties
- Widening of Current Account Deficit due to contraction in export receipts
- Sharp increase in the inflation
- Increase in the unemployment rate from the levels of 6.7% to higher side of 17%

The most aggrieved sector being the Tourism & allied sector which on a gross basis contributes 245 of the GDP, 22% of the employment & 35% of export receipts and the revival of which will dependent on domestic as well as global actions.

The government and the Bank of Mauritius has been on the forefront in supporting the economy and its key operator sectors through slew of measures such as; credit support to industries affected in form of running capital and moratorium on repayment terms; providing credit lines to the tune of MUR 12 bn; allowing moratorium to households for next 6 months and also paying interest for next 3 months on house hold loans to the eligible class to inject liquidity, the BOM has reduced the CRR from 9% to 8% and to make the credit availability easier for the customers BOM has reduced the KRR by 150 bps, and also supporting the FX market and the Banks through injecting FX lines and funds.

However, the duration of the pandemic and its implications in the world economy, the sustenance of global trade or origination of new form of bilateral relationships will be key for the timeline for recovery of the economy. Adding to that the Brexit and Mauritius bilateral trade deals with the UK & Europe will also impact the shape of the economy in medium to long run.

As per the saying of the Governor of BOM "This pandemic should sound a wake-up call and provide food for thought for our long term national and sectoral strategies. Our policies should be based on long term rationale rather than meet short term expediency".

Subject Descriptor	Units	2018	2019	2020	2021
Gross domestic product,constant prices	Percent change	3.76	3.48	(6.80)	5.90
Inflation, average consumer prices	Percent change	3.23	0.45	4.68	6.97
Inflation, average consumer prices	Percent of total labor force	6.90	6.70	17.00	9.00
Current account balance	Percent of GDP	(5.78)	(5.81)	(8.44)	(7.91)

Shaded cells indicate IMF staff estimates

Digital Transformation

The Bank is committed to digitization and continuously strives to migrate transactions to digital channels which lead to better customer experience. The major focus of digital banking is to make Bank's products available to customers through digital and alternate delivery channels such as Baroda M-connect Plus, Baroda Connect, debit card, Instant Payment System (IPS).

Bank has taken up responsibility of leading the initiative on "Promotion of Digital Transactions including Digital Payments" and is working on various strategies to create an ecosystem to enable digital journeys for customers. The Bank is working on strengthening of digital payment infrastructure and creating awareness through promotions of digital payments to achieve Government's vision of making citizens of the country digitally empowered.

With an increased number of customers looking to transition to digital modes of payment, the Bank seeks to handhold and guide them through this journey. Several initiatives were undertaken to promote digital payments and achieve the targets in a mission mode. They are outlined as below:

Information Technology (IT)

The Bank is constantly evolving its products, systems and structure to meet the growing aspirations of the customers. Digitisation requires continuous upgradation of the IT infrastructure. Some of the measures taken in the year are:

Extension of TAB based products to:
Pre-Approved personal loan and auto loan . Pre-approved loan offers are sent to eligible customers through SMS. Interested customers can walk into a branch to avail the loans.

Current accounts which offer an end-to-end digitised, simplified on-boarding journey for customers to open individual, sole-proprietor and non-individual current account.

FASTag issuance for new and existing customers. If customer is New to Bank (NTB) the KYC details will be captured first.

Cyber Security

Over the years, the Bank has built a strong foundation for cyber security comprising of a comprehensive set of information security measures to counter cyber attacks. The Bank has a well-defined cyber security governance framework in place that is operated through a combination of management structure, policy framework and operational controls. The Bank took major steps towards improving the cyber security preparedness in each of the five cyber security domain areas (Identify, Protect, Detect, Respond and Recover) defined in NIST (National Institute of Science and Technology, USA cyber security framework and RBI cyber security framework.

In order to detect and prevent cyber incidents, the Bank upgraded its captive security operations centre to Cyber Security Operations Centre (C-SOC) which operates round the clock on a 24x7 basis. Further, the Bank has placed the following controls to enhance cyber security:

- ISO 27001:2013 certified data centre and disaster recovery operations (set of international best practices related to information security).
- Implementation of multi-layered security architecture to protect IT assets such as Data Leakage Prevention and Implementation of File Integrity Monitoring (FIM) solution for detection of any changes in configuration of critical servers and devices.
- Periodic audits of applications and infrastructure to identify weaknesses in the existing system and to take steps to rectify deficiencies.
- Monitoring of phishing sites, rogue mobile apps and social media sites for malicious activities/contents and the same are taken down on detection through anti-phishing and brand protection services.
- Implementation of Network Behavior Anomaly Detection (NBAD) and forensic solutions.
- Compromise Assessment (CA) activity in place for secure migration of the systems of eVB and eDB branches to Bank's network as per amalgamation plan.
- Assessment of cyber security preparedness of SWIFT system as per SWIFT Customer Security Controls Framework v2019.
- Implementation of technology to protect the systems from Distributed Denial of Service (DDoS) and obtained clean pipe to ensure uninterrupted customer service.

The Bank also took various initiatives for educating customers for cyber security through various channels such as SMS, ATM slips and digital displays. Employees were also given training to enhance cyber security. The Bank participated in the cyber security drills conducted by agencies such as IDRBT, CERT-In to test its capabilities and further strengthen defence against cyber attacks. The Bank has an emergency response team and cyber crisis management plan in place and their effectiveness is periodically tested through drills.

Marketing

The Bank has ensured impactful presence in electronic media through regular TV and radio campaigns. In terms of external event associations, the Bank expanded its horizon to include more number of signature events.

The Bank released awareness messages for the public during the COVID-19 pandemic with the tagline "Stay Safe, Bank Safe" which helped register the brand name in mind of the public as a Bank with social commitment. Bank continues its transformation journey from physical to digital marketing with the Bank's website as the convergence point for all the data and customer engagement.

With the above strategic direction, Bank ramped up the digital marketing activities including social media and series of campaigns were conducted for customers for building awareness, creating brand engagement and business generation.

The details of Bank's social media presence are as below:

Social Media Channels	Statistics (No of likes / Followers) as on 31.03.2020
Facebook Likes	14,45,000+
Twitter Followers	95,000+
YouTube Subscribers	44,000+
LinkedIn Followers	77,000+
Instagram Followers	1,10,000+

As the Bank continues to build modern day digital marketing ecosystem and create an equilibrium between the physical and digital marketing, the objective is to be an aspirational brand which engages, empowers and educates digital audience by providing relevant content and fulfill banking needs by constantly analysing, measuring and improving experience, response and capabilities.

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, 2020 are given in the statement of profit or loss and other comprehensive income on page 38.

Net interest income for the year has been **Rs.304.748 million** (2019: Rs. 352.834 million) and a profit before taxation of **Rs.246.958 million** was reported (2019: Rs. 320.061 million).

Reserves

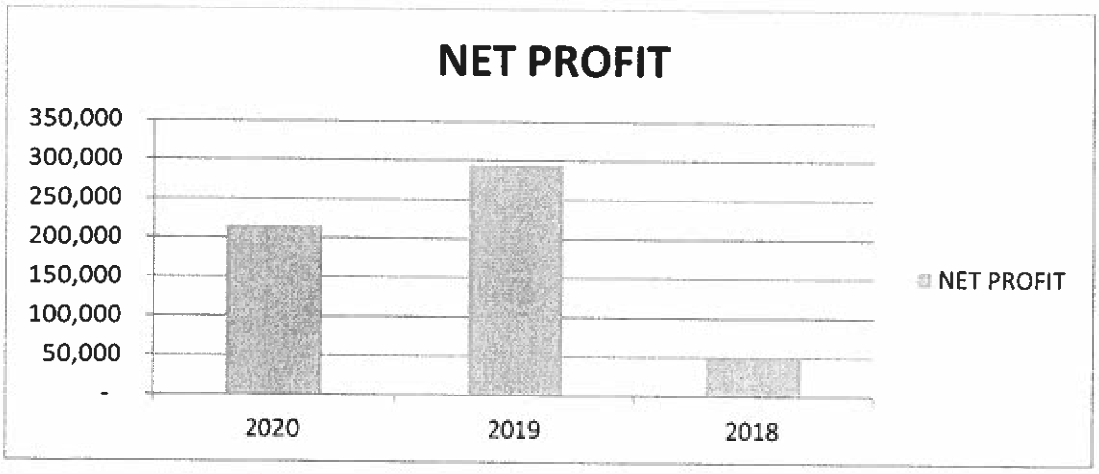
Net profit for the year after taxation amounted to **Rs. 214.235 million** (2019: profit of Rs.294.472 million). The retained earnings stand at **Rs. 928.095 million** (2018: Rs 843.088 million). There was no remittance to Head Office on account of remittable retained profits of previous years (2019: Nil).

Authorized Agents

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

Net Profit

The Bank Net profit after Tax (PAT) stood to 214.235 million as at 31st March 2020 against MUR 294.473 million as on 31st March 2019 and 50.270 million as on 31st March 2018.



Income Analysis

NET INTEREST INCOME

MUR 000's

Interest Income	
FY 2017-18	402,205
FY 2018-19	656,164
FY 2019-20	649,162

MUR 000's

Interest Expense	
FY 2017-18	205,179
FY 2018-19	303,330
FY 2019-20	344,414

NON INTEREST INCOME

MUR 000's

Other Operating Income	
FY 2017-18	7,570
FY 2018-19	8,867
FY 2019-20	53,864

MUR 000's

Net Fee and Commission	
FY 2017-18	12,251
FY 2018-19	14,497
FY 2019-20	14,779

MUR 000's

Profit Exchange	
FY 2017-18	41,800
FY 2018-19	50,027
FY 2019-20	52,915

Operating Expenses

MUR 000's

Staff Expenses	
FY 2017-18	44,701
FY 2018-19	48,007
FY 2019-20	52,163

MUR 000's

Other Expenses	
FY 2017-18	59,470
FY 2018-19	60,115
FY 2019-20	70,915

Cost Control

	2018-19	2019-20	2020-21
	Actual	Actual	Projection
Personal Expenses	48,007	52,163	57,993
Legal & professional fees	1,494	650	715
Rent, repairs, maintenance and security costs	25,851	24,757	27,233
Utilities	7,159	6,579	7,237
Advertising, marketing costs and sponsoring	2,183	2,551	2,806
Postage, courier and stationery costs	2,766	2,777	3,055
Insurance costs	2,534	3,104	3,414
Others	7,316	16,217	17,839
Depreciation	10,812	14,280	15,708
Total	108,122	123,078	136,000
Productivity Ratio	16.48%	18.96%	20.00%

A. Business Analysis

Liability Mix

MUR 000's

Head office Funds	
FY 2017-18	1,401,158
FY 2018-19	1,736,386
FY 2019-20	2,117,351

MUR 000's

Customer Deposits	
FY 2017-18	10,334,113
FY 2018-19	9,003,670
FY 2019-20	12,712,944

MUR 000's

Borrowing	
FY 2017-18	5,731,117
FY 2018-19	10,768,226
FY 2019-20	5,625,556

Capital Resources

Capital & reserve stood at MUR'000 2,117,351 at March 20 which include the profit of MUR 000's 214,235 for FY 20 as compare MUR 000's 1,736,387 as at end of March 19.

Deposits

The bank has experience a increase in its Customer deposit from MUR 000,s 9,003,670 to MUR 000's 12,712,945 from March 2019 to March 2020. Bank is Focusing more In CASA deposit .

Customer Deposits	
FY 2017-18	10,334,113
FY 2018-19	9,003,670
FY 2019-20	12,712,944

Borrowings

The bank Enjoying Credibility In the interbank M=market market and is able to access the call money market as per the business needs. The outstanding as at end of march 20 constitutes of borrowing from Inter Branch.

Borrowing	
FY 2017-18	5,731,117
FY 2018-19	10,768,226
FY 2019-20	5,625,556

MUR 000's

Net Loans and Advances	
FY 2017-18	7,811,743
FY 2018-19	9,055,358
FY 2019-20	8,524,209

MUR 000's

Investment	
FY 2017-18	1,879,386
FY 2018-19	1,157,006
FY 2019-20	2,212,672

Assets Mix

MUR 000's

Placement	
FY 2017-18	-
FY 2018-19	1,748,525
FY 2019-20	4,413,084

MUR 000's

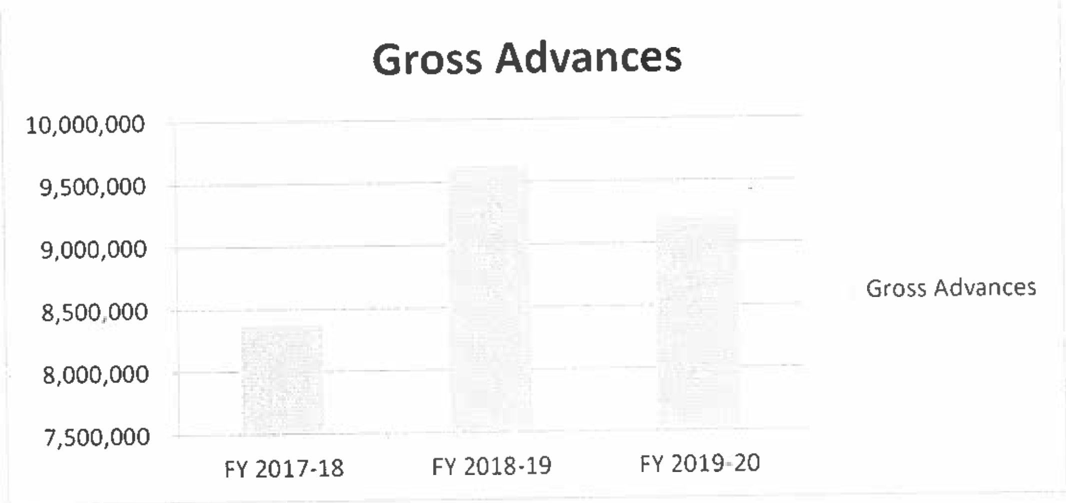
Others Assets	
FY 2017-18	705,863
FY 2018-19	626,670
FY 2019-20	599,142

MUR 000's

Cash and Cash Equivalents	
FY 2017-18	6,945,962
FY 2018-19	8,814,508
FY 2019-20	4,615,444

Gross Loans & Advances

Gross advances figures went down by MUR 531.15mn during FY 2019-20 to MUR 000s 8,524,210`against MUR 000's 9,055,358 in FY 2018-9 due to limited lending opportunities. However, the bank is making ongoing efforts in sourcing new clients and encouraging existing clients to use more of the bank's product and services which have been tailor made to suit their needs.



Credit Quality

The Bank has been complying with the guidelines issued by Bank of Mauritius and Reserve Bank of India which ever most stringent for indenting non – performing assets and making appropriated provisions. The credit quality for the last three years has been as follows.

			MUR 000's
	Standard Assets	Impaired Assets	Total Loans
FY 2017-18	7,449,095	874,180	8,323,275
FY 2018-19	8,842,502	749,368	9,591,870
FY 2019-20	8,276,108	918,550	9,194,658

Industry Wise Breakup of credit quality in the current year is as under:

						March 31,	March 31,
	March 31, 2020					2019	2018
			Specific	Portfolio	Total	Total	Total
	Gross amount of loans	Impaired loans	allowance for credit impairment	allowance for credit impairment	allowance for credit impairment	allowance for credit impairment	allowance for credit impairment
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
						Restated	Restated
Segment A							
Agriculture and fishing	502,277	166,885	166,885	3,342	170,227	168,750	168,670
Manufacturing	146,096	51,076	12,443	947	13,390	10,019	6,284
Tourism	490	-	-	5	5	5	15
Transport	80,670	4,605	1,653	759	2,412	2,498	1,551
Construction	686,135	3,658	3,658	10,213	13,871	11,840	11,862
Financial & business services	224,800	-	-	2,243	2,243	1,566	4,053
Traders	462,845	9,803	4,792	4,520	9,312	10,468	5,625
Personal	468,516	5,371	2,773	7,525	10,298	6,217	8,021
Professional	8,098	-	-	81	81	172	96
Education	83,402	-	-	832	831	1,691	2,472
Media, entertainment and recreational activities	165	-	-	2	2	1	2
Others	25,100	-	-	250	250	250	42
	2,688,593	241,398	192,204	30,719	222,922	213,477	208,693
Segment B							
Global business operations	6,506,065	677,152	386,272	58,137	447,526	354,289	348,640
Total	9,194,658	918,550	578,476	88,856	670,448	567,766	557,333

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 has always been well above the stipulated level of LCR on a solo basis as well as on a consolidated basis. The Bank is also 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.

The Bank also has a comprehensive Internal Capital Adequacy Assessment Process and stress test policy. The Pillar 2 risks such as Liquidity Risk, Interest Rate Risk, Concentration Risk, Business and Strategic Risk, Reputation Risk, Pension Obligation Risk etc. and Capital Adequacy under both normal and stressed conditions are assessed as per the extant policies.

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, and
- 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 2020, there is no deficiency of capital and the Capital Adequacy Ratio (CAR) and CET-1 of the Bank stood at 13.30% and 9.44% respectively as on March 31, 2020. The consolidated group capital adequacy ratio was 13.87%.

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-20	**31-Mar-19**
	Rs'000	**Rs'000**
Tier 1 Capital	**1,598,594**	1,368,581
Tier 2 Capital	**79,405**	83,300
Total Capital	1,677,999	1,451,881
Eligible Tier 2 Capital	79,405	83,300
Total Eligible Capital	**1,677,999**	1,451,881
Weighted amount of on-balance sheet assets	**2,191,549**	1,628,170
Weighted amount of off-balance sheet exposures	**550,692**	276,378
Weighted risk assets for operational risk	**246,316**	229,698
Aggregate net open foreign exchange position	**40,032**	27,113
Total Weighted Risk Assets	**3,028,589**	2,161,358
Capital Adequacy Ratio	**55.41%**	67.17%

The Bank's capital adequacy ratio (CAR) is comfortable at 55.41 % under Basel III as at 31 March 2020.
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.

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.

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 20	**31 Mar 19**	**31 Mar 18**
	Rs'000	**Rs'000**	**Rs'000**
I: CAPITAL BASE			
Paid up or assigned capital	**400,571**	300,285	200,860
Statutory reserve	**277,482**	245,347	201,177
Other disclosed free reserves, incl. retained earnings	**713,860**	548,616	638,749
Current year's retained profits/(losses)	**214,235**	245,347	50,270
Deferred tax	**(7,554)**	(20,139)	(20,729)
Core capital (A)	**1,598,594**	1,319,456	1,070,327
Portfolio provision	**28,607**	31,068	19,358
Reserves on revaluation of securities not held-for-trading	**50,796**	52,233	53,454
Supplementary capital (B)	79,403	83,301	73,027
CAPITAL BASE (A+B)	**1,677,997**	1,402,757	1,143,354
Total risk-weighted assets	**3,028,588**	2,161,358	1,720,795
CAPITAL ADEQUACY RATIO (%)			
BIS risk adjusted ratio	**55.41%**	67.17%	67.05%
of which Tier 1	**52.78%**	63.32%	62.82%

Risk weighted assets and off-balance sheet exposures

Risk weighted on-balance sheet assets

	BASEL III (Rs 000)			
	31 Mar 20 Actual	31 Mar 20	31 Mar 19 Weighted	31 Mar 18
Cash Items	39,824	45	11,622	6,437
Investments	3,028,714			
Loans and advances to customers	2,688,595	1,289,340	1,267,560	915,734
Investment properties	32,000	32,000	32,000	32,000
Property, plant and equipment	116,842	116,842	124,048	131,121
Other assets	105,655	105,655	75,126	122,606
	6,011,630	1,515,082	1,510,356	

Risk weighted off-balance sheet exposures

	BASEL III (Rs 000)			
	31 Mar 20 Actual	31 Mar 20 Weighted	31 Mar 19	31 Mar 18
Letters of credit, guarantees, acceptances, endorsements	1,167,988	317,797	274,610	212,610
Other obligations	1,164,477	232,896	198,260	250,001
	2,332,465	550,693	472,870	462,611

	BASEL III		
	31 Mar 20 Rs'000	31 Mar 19 Rs'000	31 Mar 18 Rs'000
Annual gross income for the last 3 years (Segment A)	167,408	185,628	139,596
Average income for the last 3 years (Segment A)	164,210	153,132	137,825
Capital charge	24,632	22,970	20,673
Equivalent risk-weighted assets	246,316	229,697	206,738
Foreign exchange position	40,032	27,113	25,506

Technological Upgrade

- Bank continues to invest in technology initiatives to improve customer experience (viz. Green Pin, robust execution platform, digital adoption, revamped website and customer service portal with robotics-based solutions for flaw less processing)
- The Mobile Banking Unit which is a doorstep banking service provided by Bank of Baroda to remote areas where there are no banks, has been provided with connectivity and our customers are now able to have updated information on their accounts . We are also proposing to install an ATM in the Unit.

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.

Risk Governance and Internal Controls

The Bank has implemented an integrated risk management framework for embedding a strong risk culture within the organisation. The framework ensures the tools and capability are in place to facilitate risk management and decision-making across the organisation.

Risk Management Governance

Risk management governance ensures that risk-taking activities are in-line with the Bank's strategy and risk appetite and covers all material risk categories applicable to the Bank. The Board establishes the tone at the top by promoting risk awareness to promote a sound risk culture. The Bank ensures that material risks and risk-taking activities exceeding the risk appetite and limits, if any, are recognized, escalated and addressed in a timely manner.

The risk appetite framework of the Bank, apart from setting the minimum CRAR reflecting the Bank's risk appetite at the aggregate level, also defines risk appetite for Pillar 1 risks, viz. credit risk, market risk for the trading book and operational risk and Pillar 2 risk, namely Liquidity Risk, Reputation Risk etc.

Three Lines of Defence

To implement effective risk management governance and address the full spectrum of possible risks, the responsibilities among different units of the Bank are defined in such a way that there are three lines of defence which are independent from each other. The Bank uses the industry-standard three lines of defence model to articulate accountabilities and responsibilities for managing risk. It supports the embedding of effective risk management throughout the organisation.

- First Line of Defence is the business verticals and operating units where risks are taken. In the course of conducting business activities, staff in the business verticals and operating units hold frontline positions and undertake the primary responsibility for the proper identification, assessment, management and reporting of risk exposures on an ongoing basis, having regard to the Bank's risk appetite and the limits/caps therein, policies, procedures and controls.

- Second Line of Defence is provided by risk management function and compliance functions which operate and function independently of each other and of the first line of defence. It is primarily responsible for overseeing the measurement and reporting of risk while monitoring and remaining compliant with applicable laws, regulations, corporate governance rules and internal policies.

- Third Line of Defence is provided by the internal audit function, which is responsible for providing independent assurance by conducting internal risk-based and other audits. The reviews provide assurance to the Board that the overall governance framework including the risk governance framework is effective and that policies and processes are in place and consistently applied. The role of the audit function is defined and overseen by the Audit Committee of the Board.

Risk Management and Compliance

Risk is an integral part of the banking business and the Bank aims to achieve an appropriate trade-off between risk and returns. To ensure sustainable and consistent growth, the Bank has developed a sound risk management framework so that the risks assumed by the Bank are properly assessed and monitored. The Bank undertakes business activities within the defined risk appetite limits and policies approved by the Board of Directors of the Bank. Specific committees of the Board have been constituted to facilitate focused oversight on various risks. The Board has also constituted a Risk Management Committee of the Board which oversees the different type of risks. It is supported by on-boarding specialists in the area. Policies approved from time to time by the Board of Directors or Committees of the Board form the governing framework for each type of risk.

The Bank has a comprehensive Internal Capital Adequacy Assessment Process and stress test policy. The Pillar 2 risks such as Liquidity Risk, Interest Rate Risk, Concentration Risk, Business and Strategic Risk, Reputation Risk, Pension Obligation Risk etc. and Capital Adequacy under both normal and stressed conditions are assessed as per the extant policies. A brief outline of the mechanism for identifying, evaluating and managing various risks within the Bank is as follows:

Enterprise Risk Management

The diversity of business lines requires a comprehensive Enterprise Risk Management approach to promote an enterprise-wide strong risk management culture to help in the early identification, assessment, measurement, aggregation and management of all risks and to facilitate capital allocation among various business lines. All risks are approved within the overarching risk appetite framework and are adequately hedged.

The Bank is constantly endeavoring to create a strong risk culture by imparting trainings to the employees at all levels.

Credit Risk

Credit risk is managed through a Board approved framework that sets out policies, procedures and reporting which is in-line with international best practices. Adequate attention is given to the independence of the risk evaluators and business functions for establishing a sound credit culture and a well-structured credit approval process. Credit risk measurement models are validated by independent model validators for their discriminatory power, accuracy and stability.

The Bank's experience in internal ratings over the years has enabled the Bank to obtain the regulator's approval for running the Foundation Internal Rating (F-IRB) approach of credit risk under Basel II guidelines from March 31, 2013. Under the IRB approach, banks develop their own empirical model to quantify required capital for credit risk.

Bank has well established models for awarding internal rating to the borrowers and these models are calibrated and validated periodically by dedicated internal team as well as external agencies. The Bank has put in place prudential caps across industries, sectors and borrowers to manage credit concentration risk. The portfolio review cell carries out detailed reviews on sectoral exposure, credit concentration, rating distributions and migration.

The Bank has implemented 'Risk Adjusted Return on Capital (RAROC)' framework for corporate credit exposures for evaluating credit risk exposures from the point of 'economic value addition' to the shareholders.

The Bank has also implemented Enhanced Access and Service Excellence (EASE) Risk Scoring Model for independent risk based review of the credit proposals by risk vertical of the Bank, including classification of credit proposals into high/ medium/ low risk along with risk decisions of go/ no go.

Market Risk

Market Risk implies the risk of loss of earnings or economic value due to adverse changes in market rates or prices of trading portfolio. The change in economic value of different market products is largely a function of change in factors such as interest rates, exchange rates, economic growth and business confidence. The Bank has well defined policies to control and monitor its treasury functions which undertake market risk positions.

The Bank measures and monitors interest rate risk in its trading book through duration, modified duration, PV01 and Value at Risk (VaR) on a daily basis. The foreign exchange risk is measured and monitored in terms of Net Overnight Open Position limits (NOOPL), VaR limits, Aggregate Gap Limits (AGL), Individual Gap Limits (IGL) on a daily basis. Equity price risk is measured and monitored through VaR limits and portfolio size limits, etc. At a transaction level, stop loss limits and dealer wise limits have been prescribed and implemented. Under its stress testing framework, the Bank conducts comprehensive stress tests of its trading book portfolio on a quarterly basis.

Asset Liability Management

Liquidity Risk is the inability to meet expected and unexpected cash and collateral obligations at reasonable cost. In the Bank, the liquidity risk is measured and monitored through Flow Approach and Stock Approach and other prudential stipulations as per the latest guidelines of the RBI. The Bank has implemented the 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 days' time horizon under a significantly severe liquidity stress scenario. The Bank has always been well above the stipulated level of LCR on a solo basis as well as on a consolidated basis. The Bank discloses simple average of daily LCR for the respective quarter as part of Notes to Accounts on its website.

Interest Rate Risk in the Banking Book (IRRBB) arises due to mismatch between rate sensitive assets and liabilities which may adversely impact the earnings/economic value of equity of the Bank with the change in interest rates in the market. For measurement and monitoring of interest rate risk in banking book, the Bank uses risk management tools such as Traditional Gap Analysis, Earning at Risk and Modified Duration of Equity. The short- term impact of interest rate movements on NII is worked out through the 'Earnings at Risk' approach by taking into consideration parallel shift in yield curve, yield curve risk, basis risk and embedded options risk. The long-term impact of interest rate movements is measured and monitored through change in Market Value of Equity (MVE).

Operational Risk

The Bank has a well-defined Operational Risk Management Framework (ORMF) and Operational Risk Management System (ORMS) for effective management of Operational Risk in the organisation. ORMF comprises of the organisational structure for management of operational risk, governance structures, policies, procedures and processes whereas ORMF consists of the systems used by the Bank in identifying, measuring, monitoring, controlling and mitigating operational risk.

The Bank implemented a web based Operational Risk Management System SAS Enterprise Governance, Risk and Compliance (SAS EGRC) for systemic and integrated management of Operational Risk.

Roll out of Key Risk Indicators Programme (KRI), Risk Control and Self-Assessment Programme (RCSA) and root cause analysis further strengthened the control environment. The Bank created a repository of Internal Loss Data as part of Operational Risk Management.

To mitigate and control operational risk at a transaction level, the Bank has established a Centralised Transaction Monitoring Unit for monitoring of all domestic transactions from the KYC/ AML/ CFT perspective. The Bank segregated customer interface (front office) from the execution of transactions (back office) by centralising a number of back office functions. The Centralised Trade Finance Back Office (TFBO) has been set up to minimise operational risk in forex transactions.

The Bank has put in place an incentive scheme to promote risk culture at enterprise wide level. Financial and non -financial incentives were announced for the employees for reporting of near miss events.

Compliance

Compliance function in the Bank is one of the key elements in its corporate governance structure. The compliance function in the Bank is adequately enabled and made sufficiently independent. The compliance function ensures strict observance of all statutory / statutory guidelines issued from time to time. It also ensures adherence to the Bank's internal policies and fair practices code. The Bank has put in place a robust compliance system including a well-documented compliance policy, outlining the compliance philosophy of the Bank, role and set up of the compliance department.

The compliance function advises senior management and the Board on the Bank's compliance with applicable laws, rules and global standards and keeps them informed of developments in the area. It also educates employees about compliance issues by conducting periodic trainings and workshops for business staff and designated compliance officers. The compliance function also conducts on-site and off-site compliance test checks on KYC-AML.

In the process of capacity building, the Bank imparted training to all compliance officers and nominated its officials to various external training programmes conducted by reputed institutions on latest developments in the areas of compliance. In order to promote professionalism, the Bank is encouraging staff members to pursue professional courses from reputed institutes like IIBF, ACAMS etc.

There were no significant incidents reported during FY 2020 relating to compliance failure.

<u>KYC/ AML Compliance</u>

The Bank has a well-defined KYC-AML-CFT policy. On the basis of this Policy, KYC norms, AML standards and CFT measures and obligations of the Bank under Prevention of Money Laundering Act (PMLA) 2002, are implemented.. The Bank has established a Central Transaction Monitoring Unit and put in place an AML Solution for monitoring and detection of unusual transaction patterns in customers' accounts and generation of system based transaction alerts on the basis of predefined alert parameters in the system. The bank has also in place a System based risk categorization of customers' accounts which is done on half yearly basis.

Internal Audit

The Bank's Central Internal Audit Division (CIAD) is responsible for Internal Audit. CIAD administers various streams of audits besides Risk Based Internal Audit (RBIA) of branches and offices. The Audit Committee of the Board oversees overall internal audit function and guides in developing effective internal audit, concurrent audit, IS Audit and all other audit functions of the Bank.

The committee monitors the functioning of the audit committee of executives and internal audit department in the Bank and the internal auditor is normally reporting to the CIAD but he also has the option of reporting directly to the Board.

Vigilance

Vigilance administration in the Bank is an integral function like other functions of management. While carrying out these functions every endeavor is made that not only procedure and processes are efficient but also ethical, just and fair. The Bank's vigilance administration comprises of three segments:

- Preventive Vigilance
- Punitive Vigilance
- Surveillance and Detection

While punitive actions are certainly important, preventive and surveillance measures are deemed to be more important as these are likely to be more helpful in reducing occurrence of punitive actions.Punitive and surveillance functions are undertaken as per well-defined regulations. On the one hand, the Bank ensures that officers and employees at all levels resorting to unfair means, indulging in wilful and malafide practices, lacking in integrity are not allowed to go unpunished, while on the other hand the Bank also ensures that bonafide decisions taken in normal course of business with objectivity and required prudence are protected if the decision is proven wrong in hindsight.

Corporate Governance

Corporate Governance is a set of processes, customs, policies, laws and institutions affecting the way a company is directed, administered or controlled. The Bank is committed to the best international practices in corporate governance and believes that proper corporate governance facilitates effective management and control of business enabling the Bank to optimize the value for all its shareholders, to protect their interests as well as that of other stakeholders.

Bank has complied with all the requirements of the guidelines on Corporate Governance issued by the Bank of Mauritius and the Code of Corporate Governance for Mauritius.

The Bank also ensures that guidelines on all information that is required to be disclosed on the website, in the annual report are complied with in a timely manner.

The Bank's website also provides additional useful information for its key stakeholders in particular and to the public at large. The Bank ensures that there is an open line of communication with the stakeholders and their queries and complaints if any are disposed of within a reasonable period of time.

....	....	....
(Alok Kumar)	**(Ritesh Kumar)**	**(Hitesh Vyas)**
Assistant General Manager	**Vice President Mauritius Operations**	**Senior Manager IT Operations**

September 28, 2020

BoB-Mauritius Operations
A Branch of Bank of Baroda, India a Government of India undertaking

Statement of Corporate Governance Practices

Bank of Baroda (BoB) a Government of India undertaking incorporated in India in 1908, is a listed entity; not a company but body corporate under The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and is regulated by Reserve Bank of India. BoB has complied with the guidelines issued by Reserve Bank of India and Government of India.

BoB was incorporated in Mauritius in the year 1962, as a Branch of BoB India (a foreign bank). BoB Mauritius (BoB-MU) is regulated by the Bank of Mauritius (host regulator) and the Reserve Bank of India (home regulator). BoB-MU has developed its own policies relating to different areas of the Mauritius operations, but wherever guidelines issued by the local regulatory authorities are more stringent, the Bank adopts the local regulations.

BoB-MU is a public interest entity as defined under the Mauritian Financial Reporting Act 2004, and is guided by the Bank of Mauritius *Guideline on Corporate Governance*, and the National Code of Corporate Governance for Mauritius (2016) (the "Code").

BoB believes that sound corporate governance is a culture of accountability, fairness, transparency, consistency and effectiveness which is practiced across the organization.

The core cardinal values of the BoB are:

A. Integrity	:	We are ethical and transparent in our words, actions and dealings with all stakeholders.
B. Customer Centricity:		Our customers' interests lie at the core of all our actions.
C. Courage	:	We are resilient in the face of adversity and having faith in our beliefs.
D. Passionate Ownership	:	We display energy, enthusiasm and commitment towards our Bank and we work together for the Bank.
E. Innovation	:	We create value with break-through ideas.
F. Excellence	:	We strive for continuous improvement in our policies, systems and processes.

I. Bank's Philosophy on Corporate Governance

BoB is committed to adopting best recognized corporate governance practices and continuously benchmarking itself against each such practice. The adherence to best corporate governance practices is an integral part of BoB's operations.

Corporate Governance is emerged as an essential tool in the organizational management globally. Strong corporate governance practices have become crucial in achieving competitive advantage and positively impacting profitability.

BoB's corporate governance philosophy is reflected by the values of transparency, professionalism and accountability.

I. Bank's Philosophy on Corporate Governance (cont'd)

BoB believes that there is a need to view Corporate Governance as more than just regulatory requirements as there is a generic connection among the organization of business, corporate responsibility and shareholder's wealth maximization.

BoB has infused the philosophy of corporate governance into all its activities. BoB constantly strives towards betterment of these aspects and thereby perpetuates it into generating long term economic value for all its stakeholders including shareholders, customers, employees and other society members. BoB's corporate governance is governed by the following principles:

- Enhance and maximize the shareholders value;
- Fair, ethical and transparent in dealings with all the stake holders;
- Protection of the interest of all stake holders including customers, employees and society at large;
- Ensuring accountability for performance and customer service and to achieve excellence at all levels;
- Timely and accurate disclosures on all matters pertaining to the performance and operations of the Bank;
- Carrying the business adhering to our core values; and
- Creating corporate leadership of highest standard.

II. Compliance with the National Code of Corporate Governance for Mauritius

The responsibility of the Management includes the design, implementation and maintenance on internal control and procedures to ensure the compliance with conditions of Corporate Governance stipulated in the guidelines, as amended from time to time, and issued by the regulatory and statutory bodies. During the year, the management has assessed the requirements and provisions as specified in the Code, and took the necessary steps to ensure adherence thereto to the best of its knowledge and wherever certain principles set out in the Code has not been applied on account of its status as a Branch, the reasons for non application are listed out in the relevant sections of the report.

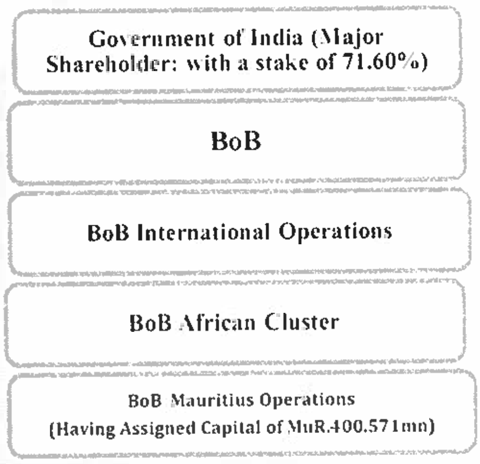
III. Principles of the Code

A.	**Principle 1**	:	Governance Structure
B.	**Principle 2**	:	The Structure of the Board and its Committees
C.	**Principle 3**	:	Director Appointment Procedures
D.	**Principle 4**	:	Director Duties, Remuneration and Performance
E.	**Principle 5**	:	Risk Governance and Internal Control
F.	**Principle 6**	:	Reporting with Integrity
G.	**Principle 7**	:	Audit
H.	**Principle 8**	:	Relations with Shareholders and Other Key Stakeholders

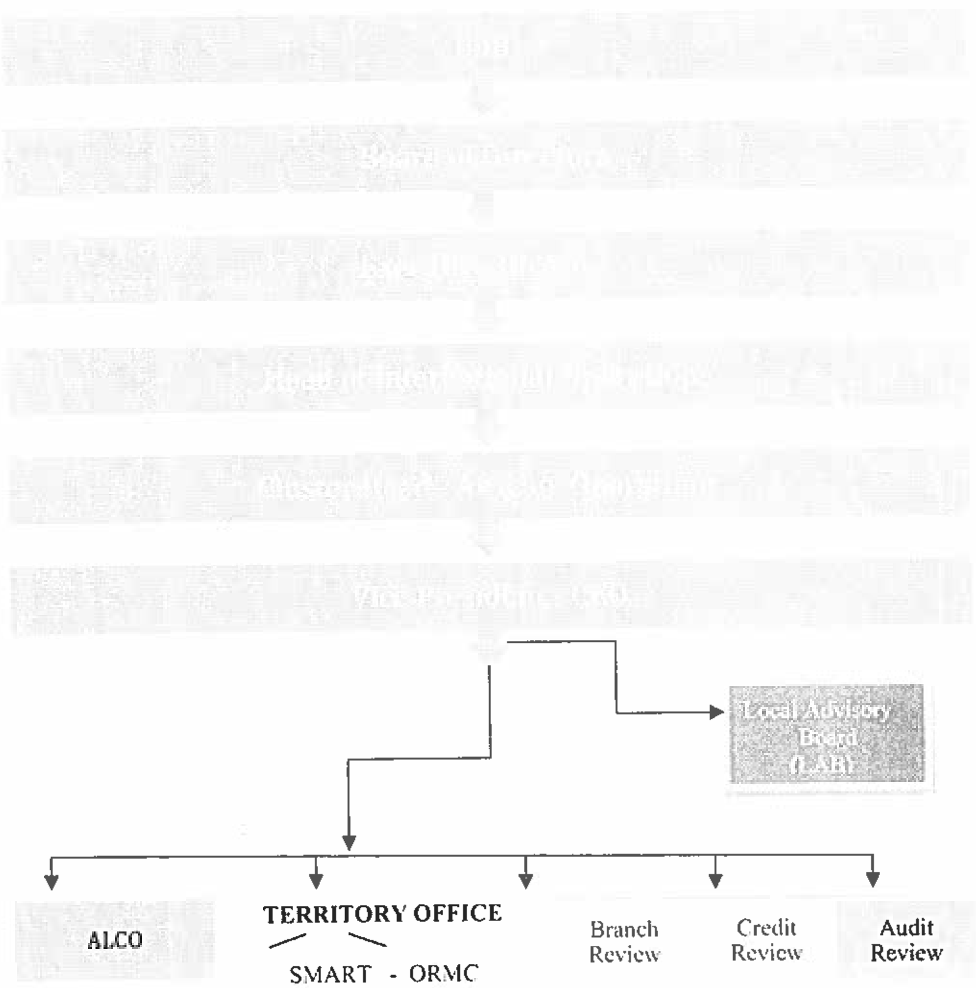
IV. Implementation on provisions of Corporate Governance in the Bank is given below:

A. Principle 1 : Governance Structure

- **The shareholding structure of the bank is as illustrated below:**



- **The Governance Structure of BoB - Mauritius Branch as at March 31, 2020**



IV Implementation on provisions of Corporate Governance in the Bank is given below (cont'd):

- **BoB and BoB-MU Vision and Mission Statement**

BoB Vision and Mission Statement

To be a Top ranking National Bank of International Standards committed to augmenting stake holders' value through concern, care and competence.

BoB-MU Vision and Mission Statement

Preparing best employees capable of facing the upcoming challenges in the growing economy of Mauritius and enhancing them to provide best banking services in the competitive industry.

B. Principle 2 : The Structure of the Board and its Committees

(a) Board of Directors - Role of the Board of the Bank

The role of the Board includes amongst others:

- To establish policies and policy framework;
- To make significant and strategic decisions;
- To oversee the pursuit of objectives;
- To protect and maximize the interest of the stakeholders; and
- To oversee the risk profile of the Bank.

(b) Composition of the Board of the Bank

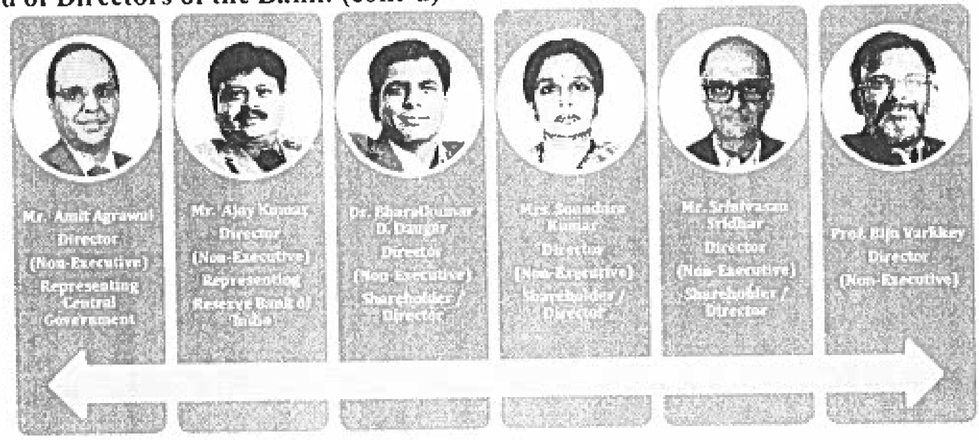
Each Director and Senior Management Personnel i.e. Core Management Team comprising all General Managers and Departmental Heads are governed by Code of Conduct approved by the Board which is posted on the Bank's website i.e. www.bankofbaroda.in. All the Board Members and Senior Management Personnel have also affirmed the compliance of the "BoB- Code of Conduct for Directors and Senior Management Personnel" for the Financial Year ended on 31st March, 2020.

In Mauritius to be in line with section 10 of the Bank of Mauritius Guideline on Corporate Governance and to comply with the local statutory requirements, the bank has established a Local Advisory Board (LAB) and the administration and management of the bank is conferred to a Management Team comprising of IBOs.

(c) Board of Directors of the Bank:

B. Principle 2 : The Structure of the Board and its Committees (cont'd)

(c) Board of Directors of the Bank: (cont'd)



(d) Composition of the Local Advisory Board of BoB Mauritius

Mr. Venugopal Menon
Non-Executive Member / General Manager & Head of International Banking

Profile:
B Com (Honors)
MA Business Economics
Certified Associate of Indian Institute of Bankers

The job profile and responsibilities involves basically overview of the entire international operations of BoB

DR. Mudumba Krishna Chary
Non-Executive Member
General Manager & Head of International Banking (Africa) Up to August 23, 2020

Profile:
LLB
Certified Associate of Indian Institute of Bankers
PHD (Hounres Causa) in Banking & Finance by Common Wealth Vocational University
The job profile and responsibilities involves basically business developments in the African Region.

Mr. Priyaved Jhugroo
Non-Executive Member / Independent Director

Profile:
Fundamentals in Accountancy at North East London Polytechnic (Grade- Credit)
Institute of Chartered Accountants in England & Wales in 1994

Mr. Ritesh Kumar
Executive Member/Vice President/CEO
Profile:
M.A Economics
MBA (Finance)
CAIIB
Joined Service in April 2008 / Joined BOB, Mauritius in April 2017

The job profile and responsibilities involves basically four segment of functionality that is Operational function, administration function, regulatory compliance function and business development function.

B. Principle 2 : The Structure of the Board and its Committees (cont'd)

(e) The different committees, their responsibilities and their members:

(i) The Role of the LAB includes amongst others:

- Determining appropriate policies and processes to ensure the integrity of BoB-MU risk management practices and internal controls;
- Functioning independently of management and putting in place appropriate structures and procedures to achieve and project its independence;
- Ensuring that the bank's policies and systems are effective to achieve a prudential balance between the risks and potential returns to the stakeholders;
- Monitoring and assessing risks in order to achieve the continuous viability of the bank's Mauritius operations at all times;
- Ensuring that adequate systems and procedures have been established and sufficient resources have been committed to ensure compliance with the requirements of laws, regulations and guidelines issued by the Bank and ;
- Assessing the effectiveness of the applicable systems and controls from time to time.
- review at least once a year the credit concentration risk policy and related techniques, procedures and information systems; and on a quarterly basis, all significant exposures to credit concentration risks.
- LAB meets on quarterly basis.

The Members of the LAB are given as per table below:

S. No.	Name	Title	No. of Meetings Attended
1.	Mr. Venugopal Menon	Non-Executive Member General Manager & Head of International Banking	4/4
2.	Dr. Mudumba Krishnama Chary	Non-Executive Member General Manage	4/4
3.	Mr. Priyaved Jhugroo	Non-Executive Member Independent Director	4/4
4.	Mr. Ritesh Kumar	Executive Member Vice President	4/4

(ii) Asset & Liability Management Committee (ALCO)

The ALCO is responsible for the management of the bank's market risk and balance sheet management and for overseeing the liquidity/interest rate risk management function. It has also the delegated authority and responsibility of managing deposit rates, lending rates and spreads. The meeting of the ALCO is held at least once in a month.

B. Principle 2 : The Structure of the Board and its Committees (cont'd)

(e) The different committees, their responsibilities and their members (cont'd):

(ii) Asset & Liability Management Committee (ALCO) (cont'd)

The Members of the ALCO are given as per table below:

S. No.	Name	Title	No. of Meetings Attended
1.	Mr. Ritesh Kumar	Vice President	11/11
2.	Mr. Alok Kumar	Assistant General Manager	11/11
3.	Mr. Sushil Kumar Pande	Chief Manager - OBU	10/11
4.	Mr. Aditya Gupta	Senior Manager - Treasury	8/11
5.	Mr. Sagar M. Panchal	Senior Manager – Credit	11/11
6.	Mr. Aloke Dubey	Senior Manager Risk Management	9/11
7.	Mrs. Jayantee Raghunandhan	Officer - Treasury Dept	8/11

(iii) Territorial Office Committee (TO)

TO has the responsibility to oversee the business strategy and measure the performance against the target set. TO also has the authority to formulate and interprete various enterprise wide credit risk strategies including lending policies. It also monitors the bank's credit risk management function on a regular basis and has the authority and responsibility of mitigation of operational risk. Further, it is responsible to take decisions on IT, administrative as well as establishment matters. It also reviews the external auditor's report pertaining to systems, procedures and internal controls.

The Members of the TO are given as per table below:

S. No.	Name	Title	No. of Meetings Attended
1.	Mr. Ritesh Kumar	Vice President	10/10
2.	Mr. Alok Kumar	Assistant General Manager	9/10
3.	Mr. Sushil Kumar Pande	Chief Manager - OBU	10/10
4.	Mr. Aditya Gupta	Senior Manager - Treasury	10/10
5.	Mr. Sagar M. Panchal	Senior Manager – Credit	10/10
6.	Mr. Aloke Dubey	Senior Manager Risk Management	9/10
7.	Mr. Hitesh Natvarlal Vyas	Senior Manager IT & Operations	7/10
8.	Mr. Ravindranath Ballgobin	Senior Manager IT	9/10

(iv) Branch Review Committee (BRC)

BRC has the responsibility to oversee the business strategy and measure the performance against the target set of all the Branches. It also discusses and reviews the internal auditor's report pertaining to systems, procedures and internal controls.

B. Principle 2 : The Structure of the Board and its Committees (cont'd)

(e) The different committees, their responsibilities and their members (cont'd):

(iv) Branch Review Committee (BRC) (cont'd)

The Members of the BRC are given as per table below:

S. No.	Name	Title	No. of Meetings Attended
1.	Mr. Ritesh Kumar	Vice President	4/4
2.	Mr. Alok Kumar	Assistant General Manager	4/4
3.	Mr. Sushil Kumar Pande	Chief Manager - OBU	4/4
4.	Mr. Aditya Gupta	Senior Manager - Treasury	4/4
5.	Mr. Sagar M. Panchal	Senior Manager - Credit	4/4
6.	Mr. Aloke Dubey	Senior Manager Risk Management	4/4
7.	Mr. Hitesh Natvarlal Vyas	Senior Manager IT & Operations	3/4
8.	Mr. Ravindranath Ballgobin	Senior Manager IT	4/4
9.	Mr. Sonah D. Bholah	Senior Manager - Curepipe Branch	4/4
10.	Mrs. Sheetal Bhorrah	Branch Manager - Vacoas Branch	4/4
11.	Mr. Pawan Tauckoorchand	Branch Manager - Rose-Hill Branch	4/4
12.	Mr. Raj Seegoolam	Branch Manager - Quatre-Bornes Branch	4/4
13.	Mrs. Devianee Seepaul	Branch Manager - Flacq Branch	4/4
14.	Mrs. Bilkish Bissessur	Branch Manager - Rose-Belle Branch	4/4

(v) Credit Review Committee (CRC)

CRC has the responsibility to oversee all credit matters that is sanction and review of credit facilities. The committee meets as and when required.

The Members of the CRC are given as per table below:

S. No.	Name	Title
1.	Mr. Ritesh Kumar	Vice President
2.	Mr. Alok Kumar	Assistant General Manager
3.	Mr. Sushil Kumar Pande	Chief Manager - OBU

B. Principle 2 : The Structure of the Board and its Committees (cont'd)

(e) The different committees, their responsibilities and their members (cont'd):

(vi) Audit Review Committee (ARC)

The ARC is responsible for the review of all audit reports submitted by the Internal Auditor and to build up strategies to address the issues/matters raised. The meeting of the ARC is held on quarterly basis.

The Members of the ARC are given as per table below:

S. No.	Name	Title	No. of Meetings Attended
1.	Mr. Ritesh Kumar	Vice President	4/4
2.	Mr. Alok Kumar	Assistant General Manager	4/4
3.	Mr. Sushil Kumar Pande	Chief Manager - OBU	3/4
4.	Mr. Arvind Yadav	Senior Manager/Internal Auditor	4/4
5.	Mr. Sagar M. Panchal	Senior Manager - Credit	4/4
6.	Mr. Aloke Dubey	Senior Manager Risk Management	4/4

(vii) Solid Monitoring and Recovery Team (SMART)

SMART has the responsibility to oversee and monitor all the non-performing accounts. The committee meets as and when required.

The Members of the SMART are given as per table below:

S. No.	Name	Title
1.	Mr. Alok Kumar	Assistant General Manager
2.	Mr. Sushil Kumar Pande	Chief Manager - OBU
3.	Mrs. K. Khushboo	Senior Manager - Credit
4.	Mr. Sagar M. Panchal	Senior Manager - Credit

(viii) Operational Risk Management Committee (ORMC):

The ORMC is responsible for setting up risk mitigation strategies and assessing and monitoring the risk against the risk appetite set. The ORMC also takes care of the review of the internal policies. The meeting of the ORMC is held as and when required.

S. No.	Name	Title
1.	Mr. Ritesh Kumar	Vice President
2.	Mr. Sagar M. Panchal	Senior Manager - Credit
3.	Mr. Aloke Dubey	Senior Manager Risk Management
4.	Mr. Hitesh Natvarlal Vyas	Senior Manager IT & Operations
5.	Mr. Ravindranath Ballgobin	Senior Manager IT

B. Principle 2 : The Structure of the Board and its Committees (cont'd)

(e) The different committees, their responsibilities and their members (cont'd):

(ix) Health and Safety Committee

The Health and Safety meets every two months to discuss employee' health and work environment safety related issues. The Committee is headed by the Country Manager.

C. Principle 3: Director Appointment Procedures.

(i) Board Evaluation

BoB is following Government of India guidelines dated August 30, 2018 for Governance Reforms. The Board of Directors is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out Government of India notifications and are in compliance with the provisions of the law.

(ii) Appointment of the Independent Director of BoB-MU

There is currently 1 independent director out of a total of 4 members of the LAB. Since BoB-MU is a foreign branch, the responsibility of the operations of the Bank has been conferred to a local management team therefore there are no Directors appointed at the Bank's level.

The independent director is independent of the management.

(iii) Operations of BoB-MU

The Mauritius operation is entrusted to the Vice President who is assisted by a team of Indian Based Officers comprising of:

- The Chief Manager (Port-Louis Branch)
- The Chief Manager (OBU)
- The Senior Manager (Treasury)/Dealer
- The Senior Manager (Credit)
- The Senior Manager (IT)
- The Senior Manager (Risk Management)
- The Manager Credit posted at Port-Louis Branch

(iv) Director's and Shares

Since BoB-MU is operating as a Branch of a foreign Bank that is BoB India, there is no issuance of share with regard to its operations in Mauritius.

D. Principle 4: Director Duties, Remuneration and Performance

The Bank does not have a Board of Directors locally. The administration and operations of the Bank have been conferred to a local management team. The Management team is responsible for the control, decision making, policy making, and compliance of all statutory/regulatory guidelines as well as for any accountability of the Bank and day to day running of the business.

D. Principle 4: Director Duties, Remuneration and Performance (cont'd)

The Management Team comprises members as detailed in the table below:

S.No.	Name	Title	Job Profile and Responsibilities
(i)	Mr. Ritesh Kumar	Vice President - CEO	Involves basically four segment of functionality that is Operational function, administration function, regulatory compliance function and business development function.
(ii)	Mr. Alok Kumar	Assistant General Manager	In charge of Port-Louis Branch. Takes care of all operations/compliance matters of Port-Louis Branch and Treasury Department
(iii)	Mr. Sushil K. Pande	Chief Manager/In charge of OBU	In charge of OBU. Takes care of all operations/compliance matters of OBU
(iv)	Mr. Aditya Gupta	Senior Manager/ Head of Treasury	In charge of the Treasury Department and dealing operations
(v)	Mr. Hitesh K. Vyas	Senior Manager - IT & Operations	In charge of all IT and Operations related matters.
(vi)	Mr. Sagar Panchal	Senior Manager - Credit	In charge of all credit related matters
(vii)	Mr. Aloke Dubey	Senior Manager - Risk Management	In charge of Risk Management of Mauritius Operations
(viii)	Mrs. K. Khushboo	Senior Manager – Credit	In charge of all credit related matters of Port-Louis Branch
(ix)	Mr. Arvind Yadav	Senior Manager/ Internal Auditor	Conducts audit of all the Branches of Mauritius.
(x)	Mr. Ravin Ballgobin	Senior Manager	In charge of all IT related matters.

Nomination and Remuneration Committee/Philosophy

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

E. Principle 5: Risk, Governance and Internal Control

➢ The Bank has implemented an integrated risk management framework for embedding a strong risk culture within the organisation. The framework ensures the tools and capability are in place to facilitate risk management and decision making across the organisation.

➢ Risk management governance ensures that risk-taking activities are in-line with the Bank's strategy and risk appetite, and covers all material risk categories applicable to the Bank. The Board establishes the tone at the top by promoting risk awareness to promote a sound risk culture. The Bank ensures that material risks and risk-taking activities exceeding the risk appetite and limits, if any, are recognized, escalated and addressed in a timely manner.

E. Principle 5: Risk, Governance and Internal Control (cont'd)

- The risk appetite framework of the Bank, apart from setting the minimum capital requirements reflecting the Bank's risk appetite at the aggregate level, also defines risk appetite for Pillar 1 risks, credit risk, market risk for the trading book and operational risk and Pillar 2 risk, namely liquidity risk, reputation risk, etc.

- To implement effective risk management governance and address the full spectrum of possible risks, the responsibilities among different units of the Bank are defined in such a way that there are three lines of defence which are independent from each other. The Bank uses the industry-standard three lines of defence model to articulate accountabilities and responsibilities for managing risk. It supports the embedding of effective risk management throughout the organisation.
  - First Line of Defence is the business verticals and operating units where risks are taken. In the course of conducting business activities, staff in the business verticals and operating units hold frontline positions and undertake the primary responsibility for the proper identification, assessment, management and reporting of risk exposures on an ongoing basis, having regard to the Bank's risk appetite and the limits/caps therein, policies, procedures and controls.
  - Second Line of Defence is provided by risk management function and compliance functions which operate and function independently of each other and of the first line of defence. It is primarily responsible for overseeing the measurement and reporting of risk while monitoring and remaining compliant with applicable laws, regulations, corporate governance rules and internal policies.
  - Third Line of Defence is provided by the internal audit function, which is responsible for providing independent assurance by conducting internal risk-based and other audits. The reviews provide assurance to the Board that the overall governance framework including the risk governance framework is effective and that policies and processes are in place and consistently applied. The role of the audit function is defined and overseen by the Audit Committee of the Board.

- Risk is an integral part of the banking business and the Bank aims to achieve an appropriate trade-off between risk and returns. To ensure sustainable and consistent growth, the Bank has developed a sound risk management framework so that the risks assumed by the Bank are properly assessed and monitored. The Bank undertakes business activities within the defined risk appetite limits and policies approved by the Board of Directors of the Bank. Specific committees of the Board have been constituted to facilitate focused oversight on various risks. The Board has also constituted a Risk Management Committee of the Board which oversees the different type of risks. It is supported by on-boarding specialists in the area. Policies approved from time to time by the Board of Directors or Committees of the Board form the governing framework for each type of risk.

- The Bank has a comprehensive Internal Capital Adequacy Assessment Process and stress test policy on a consolidated level for all domestic and overseas branches. The Pillar 2 risks such as Liquidity Risk, Interest Rate Risk, Concentration Risk, Business and Strategic Risk, Reputation Risk, Pension Obligation Risk etc. and Capital Adequacy under both normal and stressed conditions are assessed as per the extant policies.

- The Bank has also put in place an incentive scheme to promote risk culture at enterprise wide level.

- The Compliance function in the Bank is one of the key elements in its corporate governance structure. The compliance function in the Bank is adequately enabled and made sufficiently independent. The compliance function ensures observance of all statutory and regulatory provisions contained in the various legislations and guidelines.

E. Principle 5: Risk, Governance and Internal Control (cont'd)

- On the basis KYC/AML-CFT norms, the Bank has in place an AML tool for monitoring and detection of unusual transaction patterns in customers' accounts and generation of system-based transaction alerts on the basis of predefined alert parameters in the system. System-based risk categorization of customers' accounts is done on half yearly basis.

- The journey that the Bank started in 2017, through formulating a Shared Services Centre (SSC) to centralize the key operations and activities has come a long way. Through centralization, Bank has not only enhanced focus on customer service and risk management but also improved scalability, standardization and risk management. Baroda Global Shared Services (BGSS) helps branches by migrating routine and repetitive transactions to a centralized hub. With this, branches are able to free up to 30 - 35% of their resources and redeploy this capacity in sales, recovery and customer service.

- SSC operates from four locations (Mumbai, GIFT City, Gandhinagar, Bengaluru and Hyderabad) and has more than 1400 full time employees (FTEs) in non-voice (transaction processing) and 850 FTEs in voice (call centre with multilingual capabilities).

- Functions such as trade and forex operations, account management services, mortgage based lending operations, agriculture loan processing, credit card operations, digital banking operations (reconciliations)/vendor management/ATM monitoring/IPG) and pension services have been centralized. Further, centralization of activities such as migration of collection services, CMS operations, international operations, establishing login shops at SMS and MSME lending operations, would help in releasing even more capacity for sales and customer service.

- During the year, a 'Priority Desk' was set-up to provide services to customers such as corporate customers

- Whistle Blower Guidelines:
  The details of the Bank's Whistle Blower Guidelines for the public based on Government of India Resolution on Public Interest Disclosure & Protection of Informer (PIDPI) are available on the Bank's website at https://www.bankofbaroda.in/writereaddata/Images/pdf/whistle-blower-guidelines-for-website-new.pdf

F. Principle 6: Reporting with Integrity

- The management is responsible for the integrity, consistency, objectivity and reliability of the financial statements. In complying with International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the statutory/regulatory guidelines issued.

- The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amount of assets and liabilities (including contingent liabilities) as of date of the financial statements and the reported income and expenses for the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to the accounting estimates is recognized prospectively in the current and future periods unless otherwise stated.

F. Principle 6: Reporting with Integrity (cont'd)

- As BoB-MU continues to build modern day digital marketing ecosystem and create an equilibrium between the physical and digital marketing, the objective is to be an inspirational brand which engages, empowers and educates digital audience by providing relevant content and fulfill banking needs by constantly analyzing, measuring and improving experience, response and capabilities.

- There is no non-compliance by the Bank in respect of Regulations/Guidelines issued on any matter related to assigned capital during the last 3 years and as such no penalties/strictures imposed on the Bank.

- The Bank ensures that the internal control frameworks in place are in compliance with the internal established procedures and relevant laws and regulation of home/host country.

- The Management maintains a high level of integrity in its dealing with the public and aims to keep the trust reposed by the investing public in Mauritius.

- The bank, as a policy, gives paramount importance to adherence/compliance with all regulatory/statutory guidelines of host/home country.

- BoB-MU has adopted a policy of openness and trust between management and employees. This is an on-going process which yielding successful results.

- **Compliance Function:**
    - Compliance function in the Bank is one of the key elements in its corporate governance structure. The Compliance function in the Bank is adequately enabled and made sufficiently independent. The Board of Directors of the Bank oversees the management of the Bank's compliance risk. The Bank has put in place a robust compliance system including a well-documented and Board approved Compliance Policy outlining the Compliance philosophy of the Bank.
    - The Compliance Function ensures strict observance of all statutory provisions contained in various legislations such as Banking Regulation Act, Reserve Bank of India Act, Foreign Exchange Management Act, Securities and Exchange Board of India Act and Prevention of Money Laundering Act etc. as well as ensures observance of other regulatory guidelines issued from time to time.
    - Bank also ensures adherence to regulations of various Regulatory Authorities where the Bank is having its Offices/Branches at overseas Centers. The Bank is a member of Banking Codes and Standard Board of India and ensures compliance of Standards and Codes prescribed by BCSBI. It also ensures adherence of various guidelines/instructions issued by IBA (Indian Banks Association), FEDAI (Foreign Exchange Dealers Association of India), FIMMDA (Fixed Income Money Market and Derivatives Association of India), and National, State and Local Body laws and requirements.

- **Data Protection Act/Data Controllers in BoB, Mauritius:**
    - The Bank cares and takes seriously the personal privacy interests of its customers and staff members.
    - To ensure compliance in this regard, the Bank has appointed two data Controllers; one is responsible for the data of the customers and the other for the staff members.
    - The Bank is committed to protecting the privacy of its customers and staff members and it ensures the personal data collected is used properly and lawfully and with the consent of the concerned parties.

F. Principle 6: Reporting with Integrity (cont'd)

- **Data Protection Act/Data Controllers in BoB, Mauritius: (cont'd)**
  - If the Bank shall share or transfer any personal data, it shall be in accordance with the Data Protection Act.

- ***Health & safety***
  BoB-MU has always promoted a working environment in which health and safety are inculcated in the culture of the Bank to this effect BoB-MU has also established a Health and Safety Committee in which matters of safety and health of employees and customers is a significant feature.

- The bank has in place a proper Management Information System for periodic reporting of data to the Board.

- ***Related Party Transactions***
  The management also ensures there is no conflict of interest and that related-party transactions are conducted in accordance with the guidelines. During the year under review, there is no materially significant Related Party Transaction that has potential conflict with interests of the Bank at large. The Related Party Disclosure is made in the Notes on accounts in compliance with the BOM Guidelines in this regard.

- ***Website***
  BoB-MU's website provides useful information to the stakeholders. The un-audited quarterly accounts and the Annual reports are also made available on the website.

- ***Environmental Position***
  BoB-MU is fully committed and supports a Go Green Organizational Culture with special focus on making the work environment paperless and saving energy. BoB-MU has also sponsored plantation of trees around the island to promote Go Green culture.

G. Principle 7: Audit

Internal Audit

- BoB's Central Internal Audit Division (CIAD) is responsible for Internal Audit. CIAD administers various streams of audits besides Risk Based Internal Audit (RBIA) of branches and offices. The Audit Committee of the Board oversees overall internal audit function and guides in developing effective internal audit, concurrent audit, IS Audit and all other audit functions of the Bank. The committee monitors the functioning of the audit committee of executives and internal audit department in the Bank.

- BoB has a system of sending an Expatriate Officer to carry out the internal audit function.

- The Internal Auditor is reporting directly to the Central Inspection and Audit Division he also has the option of reporting to the Audit Committee.

- The Bank also sends Senior Executives for inspection of the Territory at least once every three years. This executive will report to the Board through the Central Audit and Inspection Division. The board monitors compliance of such reports through its Audit Committee.

G. Principle 7: Audit (cont'd)

Internal Audit (cont'd)

- The composition and terms of reference of the Audit Committee of the Board inter-alia covers Internal Audit function and are governed through the guidelines / circulars issued by the Regulators i.e. Reserve Bank of India/Bank of Mauritius, which the Bank complies with.

- Vigilance administration in the Bank is an integral function like other functions of management. While carrying out these functions every endeavor is made that not only procedure and processes are efficient but also ethical, just and fair.

- ***External auditors***
  Moore Stephen has been replaced by BDO & Co. as statutory auditors for the year ended 31st March 2020. The audited accounts including the audit findings are duly discussed and reviewed by the TO. In the financial year 2019-20, total fees paid to the statutory auditors for audit carried out is as per table below:

S. No.	Name of the Company	Amount paid inclusive of VAT (MuR full figure)
(a)	BDO & Co.	750,000

H. Principle 8: Relations with Shareholders and Other Key Stakeholders

- In Mauritius, BoB is not issuing any shares and hence does not have to call for a shareholder's meeting.

- The financial results of the Bank are submitted to the Bank of Mauritius (Regulators), the Registrar of Companies and the Financial Reporting Council immediately on finalization of the report. The results are also published on our Website, the Government Gazette and in one daily newspaper.

- BoB recognizes the need for keeping its members and stakeholders informed of the events of their interests through present means of communication.

- **Company Secretary**
  Since BoB Mauritius is operating as a Branch, there is no requirement for appointment of a Company Secretary. However a secretary is appointed at Bank level to look after the affairs of the Bank as per prevailing laws and regulations.

- **Dividend Policy:**
  The profit realized by the Territory is remitted to the Corporate Office after obtaining necessary approval from the Board of the Bank, the Reserve Bank of India and the Bank of Mauritius and a certificate from an External Auditor.

- **Customers:**
  Customer prosperity is the top most priority of the Bank. BoB-MU offers a wide range of products to its customers and ensures that services are provided in a professional manner.

H. Principle 8: Relations with Shareholders and Other Key Stakeholders (cont'd)

- **Regulators:**

  BoB-MU views relationship with its regulators as essential to the development of the Bank and in maintaining best practices.

- **Employees**

  (a) BoB has an employee engagement programme designed to foster the spirit of team bonding and collaboration, and creating a happy and fun workplace.

  (b) BoB continuously undertakes multiples initiatives for strengthening and developing its human resources viz., recruitment, addressing training needs of employees, employee engagement and capability building.

  (c) BoB acknowledge and thank all its employees for their hard work, dedication and commitment.

  (d) BoB also look forward to the continued patronage, support and goodwill of all its employees as it marches ahead in its quest for excellence.

(Section 75(3) of the Financial Reporting Act)

Reporting Period: April 01, 2019 to March 31, 2020

We, the undersigned Senior Officers representing the Management of BoB-Mauritius, confirm that, to the best of our knowledge, the Company has complied with all of its obligations and requirements under the National Code of Corporate Governance (2016) and the disclosures pertaining to the principles of the Code have been incorporated the Annual Report.

FOR BOB (MAURITIUS OPERATIONS)

....	....	....
(Alok Kumar)	**(Ritesh Kumar)**	**(Hitesh Vyas)**
Assistant General Manager	**Vice President**	**Senior Manager**
	Mauritius Operations	**IT and Operations**

September 28, 2020

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

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Bank of Baroda - Mauritius Branches (Including offshore Banking Unit)

Report on the audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Bank of Baroda - Mauritius Branches (including offshore Banking Unit) (the "Bank"), on pages 7 to 97 which comprise the statement of financial position as at March 31, 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements on pages 7 to 97 give a true and fair view of the financial position of the Bank as at March 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards in compliance with the requirements of the Companies Act 2001, Banking Act 2004 and Financial Reporting Act 2004.

Basis for Qualified Opinion

Other reserves include an amount of Rs.398m as at March 31, 2020 (2019: Rs.232m) representing translation reserves, for which we were unable to obtain satisfactory explanation on the existence and accuracy thereof. Corresponding monetary items on which the translation reserves movements arose could not be obtained and reconciled with the respective accounting entries to substantiate the movements in translation reserves for the year under review and preceding years. As at March 31, 2019, an amount of Rs.148m representing other assets was included in other reserves, out of which Rs.133m has been reversed through translation reserves for the year ended March 31, 2020.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Bank of Baroda - Mauritius Branches (Including offshore Banking Unit)

1. Loans and advances

Key Audit Matter

As at March 31, 2020, the Bank had gross loans and advances portfolio amounting to Rs.9,195m, representing 41% of the Bank's total assets. These loans are measured at amortised costs under IFRS 9, less an allowance for the expected credit loss, which amounts to Rs.671m at reporting date.

IFRS 9 requires the Bank to recognise expected credit losses (ECL) on financial instruments which involves significant judgement and estimates to be made by the Bank. The determination of ECL on loans and advances which are not credit impaired involves the highest level of management judgement, thus requiring greater audit attention. Specific areas of judgement and estimation uncertainty include:

- Identification of significant increase in credit risk (SICR), and in particular the selection of criteria to identify a SICR. These criteria are highly judgemental and can materially impact the ECL recognised for certain portfolios where the life of the facilities is greater than 12 months;
- Complexity of the ECL model involving a number of critical assumptions in the determination of probabilities of default (PD), loss given default (LGD) and Exposure at default (EAD).
- Use of forward-looking information to determine the likelihood of future losses being incurred.
- Qualitative adjustments made to model driven ECL results raised to address model limitations, emerging risks and trends in underlying portfolios which are inherently judgemental.
- Accuracy and adequacy of the financial statement disclosures.

Loans and advances are considered to be credit impaired in accordance with IFRS 9 when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Failure to recognise adequate allowance for credit impairment can result in a potential overstatement of the loans and advances balance in the financial statements. Identification of credit-impaired facilities (i.e. those classified in Stage 3) and determination of the expected credit losses thereon involves significant judgement, estimates and assumptions regarding (i) determination of whether a facility is credit impaired and (ii) in estimating the forecasted cash flows the Bank expects to receive from the obligors. This includes an estimate of what the Bank can realise from the collaterals it holds as security on the impaired facilities.

Given the inherent risk associated and the nature of the business and size of the loans and advances, we deemed the valuation of loans and advances as well as the expected credit loss allowance a key audit matter.

Related Disclosures

Refer to note 7 and note 2.3 (accounting policies) and note 3(b), 3(c) (financial risks) of the accompanying financial statements.

1. Loans and advances (cont'd)

Audit Response

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 and collateral valuation. For stage 1 and stage 2 loans, we assessed the appropriateness of the model used including the inputs and assumptions by performing the following procedures:

- Reviewing the methodology adopted by the Bank for calculation of ECL and the segmentation of loans in appropriate portfolios reflecting different risk factors. Our review also included an assessment of the design of the models used for determination of PD, LGD and EAD for different types of loans including inter-alia term loans, overdraft facilities, guarantees and other off-balance sheet exposures.
- Assessed the adequacy and quality of the data used for the calculation of PD, LGD and EAD;
- Reviewed the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology;
- Reviewed the minutes of Asset and Liability Management Committee and ensure proper classification to Stage 2 is made for all clients on watchlist;
- Tested the accuracy and completeness of the ECL model by reperformance;
- Assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards.

For stage 3 loans, we have tested the list of all credit impaired loans identified by management by performing the following procedures

- We obtained and tested loan arrears reports and ensured all that arrears exceeding 90 days past due were included in the NPA category for specific impairment assessment;
- We reviewed and challenged management in respect of the extent of provision made on impairment accounts and ensured impairment allowance booked was in accordance with IFRS and the guidelines of the Bank of Mauritius.

2. Financial Reporting close process and opening balances

Key Audit Matter

We were appointed auditors on February 12, 2020. We have not been able to perform review of previous auditor's file in line with ISA 510, Initial Audit Engagements - Opening balances. Opening balances are significant and dependent on nature of events in prior years. We performed substantive audit procedures to ensure the opening balances are fairly stated. We came across several differences in opening balances which did not reconcile to the audited accounts and we were not able to validate completeness and accuracy of opening balances and to satisfy ourselves by alternative means as provided by management. We were unable to determine whether any other adjustments, other than those put through during the year under review, might have been necessary in respect of reported opening balances or corresponding presentation in notes to the financial statements. The Bank did not have a proper organisational structure in place for the finance department, resulting in the absence of effective internal control and four eyes principle, and poor communication to those charged with governance in the closure of books at reporting date.

2. Financial Reporting close process and opening balances (cont'd)

Audit Response

Several audit adjustments have been put through in the financial statements for year ended March 31, 2020 as well as restatement of prior year figures We discussed with management and requested representation of same.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Management Discussion Analysis Report but does not include the financial statements and our auditor's report thereon.

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

Corporate Governance Report

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

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 200, Banking Act 2004 and Financial Reporting Act 2004, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Bank of Baroda - Mauritius Branches (Including offshore Banking Unit)

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all information and explanations we have required except for the matters described in the *Basis for Qualified Opinion* section of our report.

In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records except for the matters described in the *Basis for Qualified Opinion* section of our report.

Banking Act 2004

In our opinion, the financial statements have been prepared on a basis consistent with the preceding years and are complete and fair and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius except for matters described in the *Basis for Qualified Opinion* section of our report.

The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory except for the matters described in the *Basis for Qualified Opinion* section of our report.

Other Matter

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

BDO & Co

BDO & Co

Chartered Accountants

Port Louis,
Mauritius.

Ameenah Ramdin FCCA, ACA

Licensed by FRC

September 28, 2020

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2020

	Notes	2020	2019	2018
		Rs'000	Rs'000	Rs'000
ASSETS			Restated	Restated
Cash and cash equivalents	5	**4,615,444**	8,814,508	6,945,962
Placements with banks	6	**4,413,084**	1,748,525	-
Loans and advances to customers	7	**8,524,209**	9,055,358	7,811,743
Investment securities	8	**2,212,672**	1,157,006	1,879,386
Investment property	9	**32,000**	32,000	32,000
Property and equipment	10	**116,842**	124,048	131,121
Right of use assets	10A	**30,618**	-	-
Intangible asset	11	**2,027**	-	-
Deferred tax assets	12	**7,554**	20,139	20,729
Other assets	13	**599,142**	626,670	705,863
Total assets		**20,553,592**	21,578,254	17,526,804
LIABILITIES				
Deposits	14	**12,712,944**	9,003,670	10,334,113
Other borrowed funds	15	**5,625,556**	10,768,226	5,731,117
Current tax liabilities	16	**3,114**	23,657	12,587
Lease liabilities	10B	**32,216**	-	-
Other liabilities	17	**45,769**	29,593	33,080
Retirement benefit obligations	18	**16,642**	16,722	14,749
Total liabilities		**18,436,241**	19,841,868	16,125,646
SHAREHOLDERS' EQUITY				
Assigned capital	19	**400,571**	300,285	200,860
Retained earnings		**928,095**	843,088	689,019
Other reserves	19	**788,685**	593,013	511,279
Total equity		**2,117,351**	1,736,386	1,401,158
Total equity and liabilities		**20,553,592**	21,578,254	17,526,804
CONTINGENT LIABILITIES				
Guarantees, letters of credit		**512,251**	501,105	407,927
Others		**655,737**	23,406	12,215
	20	**1,167,988**	524,511	420,142

These financial statements have been approved on: **September 28, 2020**

(Alok Kumar)	**(Ritesh Kumar)**	**(Hitesh Vyas)**
Assistant General Manager	**Vice President**	**Senior Manager**
	Mauritius Operations	**IT and Operations**

The notes on pages 12 to 97 form an integral part of these financial statements.
Auditor's report on pages 6 to 6(e).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31, 2020

	Notes	2020	2019	2018
		Rs'000	Rs'000	Rs'000
			Restated	Restated
Interest income	21	649,162	656,164	402,205
Interest expense	22	(344,414)	(303,330)	(205,179)
Net interest income		304,748	352,834	197,026
Net fee and commission income	23	14,779	14,497	12,251
Net trading income	24	52,915	50,027	41,800
Other income		53,864	8,867	7,570
		106,779	58,894	49,370
Operating income		426,306	426,225	258,647
Allowance for credit impairment losses	25	(56,270)	1,958	(88,667)
Net operating income		370,036	428,183	169,980
Personnel expenses	26	(52,163)	(48,007)	(44,701)
Depreciation of property and equipment	10	(9,070)	(10,806)	(9,134)
Depreciation of right use assets	10A	(5,210)	-	-
Other expenses	27	(56,635)	(49,309)	(50,336)
Total operating expenses		(123,078)	(108,122)	(104,171)
Profit before taxation		246,958	320,061	65,809
Income tax expense	16	(32,723)	(25,589)	(15,539)
Profit for the year		214,235	294,472	50,270
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Revaluation of property and equipment	10	-	-	10,354
Items that may be reclassified subsequently to profit or loss:				
Gains/(losses) on foreign exchange rates		166,729	40,756	(56,895)
Other comprehensive income for year, net of tax		166,729	40,756	(46,541)
Total comprehensive income for the year, net of tax		380,964	335,228	3,729

The notes on pages 12 to 97 form an integral part of these financial statements.

Auditor's report on pages 6 to 6(e).

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020

	Note	Assigned capital	Statutory reserve	Revaluation reserve	Capital reserve	Translation reserve	Retained earnings	Total equity
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At April 1, 2017								
As previously stated		200,860	201,177	101,351	7,559	247,733	653,687	1,412,367
Effect of prior year adjustments	32	-	-	-	-	-	(14,938)	(14,938)
As restated		200,860	201,177	101,351	7,559	247,733	638,749	1,397,429
Profit for the year		-	-	-	-	-	50,270	50,270
Other comprehensive income for the year		-	-	10,354	-	(56,895)	-	(46,541)
Total comprehensive income for the year		-	-	10,354	-	(56,895)	50,270	3,729
At March 31, 2018		200,860	201,177	111,705	7,559	190,838	689,019	1,401,158
At April 1, 2018								
As previously stated		200,860	201,177	111,705	7,559	190,838	699,664	1,411,803
Effect of prior year adjustments	32	-	-	-	-	-	(10,645)	(10,645)
As restated		200,860	201,177	111,705	7,559	190,838	689,019	1,401,158
Profit for the year		-	-	-	-	-	294,472	294,472
Other comprehensive income for the year		-	-	-	-	40,756	-	40,756
Total comprehensive income for the year		-	-	-	-	40,756	294,472	335,228
Depreciation transfer for buildings		-	-	(3,192)	-	-	3,192	-
Appropriation from retained earnings		99,425	-	-	-	-	(99,425)	-
Transfer to statutory reserve		-	44,170	-	-	-	(44,170)	-
At March 31, 2019		300,285	245,347	108,513	7,559	231,594	843,088	1,736,386

The notes on pages 12 to 97 form an integral part of these financial statements.
Auditor's report on pages 6 to 6(e).

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2020

	Note	Assigned capital	Statutory reserve	Revaluation reserve	Capital reserve	Translation reserve	Retained earnings	Total equity
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At April 1, 2019								
As previously stated		300,285	201,177	108,513	7,559	367,760	892,110	1,877,404
Effect of prior year adjustments	32	-	44,170	-	-	(136,166)	(49,021)	(141,017)
As restated		300,285	245,347	108,513	7,559	231,594	843,089	1,736,387
Profit for the year		-	-	-	-	-	214,235	214,235
Other comprehensive income for the year		-	-	-	-	166,729	-	166,729
Total comprehensive income for the year		-	-	-	-	166,729	214,235	380,964
Depreciation transfer for buildings		-	-	(3,192)	-	-	3,192	-
Appropriation from retained earnings		100,286	-	-	-	-	(100,286)	-
Transfer to statutory reserve		-	32,135	-	-		(32,135)	-
At March 31, 2020		400,571	277,482	105,321	7,559	398,323	928,095	2,117,351

The notes on pages 12 to 97 form an integral part of these financial statements.

Auditor's report on pages 6 to 6(e).

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2020

	Notes	2020	2019	2018
		Rs'000	Rs'000 Restated	Rs'000 Restated
Operating activities				
Profit before taxation		**246,958**	320,061	65,809
Adjustments for:				
Net allowance for credit impairment	20	**56,656**	9,919	88,667
Depreciation on property and equipment	10	**9,070**	10,812	9,134
(Profit)/loss on disposal of plant and equipment		**(1,266)**	351	(104)
Retirement benefit obligations	18	**(361)**	1,893	58
Gain on fair value of investment property		-	-	(868)
Depreciation of right of use of assets	10A	**5,210**	-	-
Write off of property and equipment	10	**78**	-	-
Profit on disposal of financial assets	10B	**(32,677)**	-	-
Interest expense on lease liabilities		**2,736**	-	-
Exchange difference		**(52,914)**	24,956	19,951
Changes in operating assets and liabilities				
Increase/(decrease) in other assets		**27,528**	(641,152)	(607,035)
Increase in other liabilities		**16,181**	24,761	56,354
(Decrease)/increase in placements		**(2,650,101)**	(2,261,997)	3,698,804
Increase/(decrease) in loan and advances		**428,465**	(1,299,848)	218,191
Increase/(decrease) in deposits from customers		**3,709,275**	(1,326,497)	(2,796,949)
Net cash flows generated from/(used in) operations		**1,764,838**	(5,136,741)	752,012
Tax paid	16	**(41,235)**	(14,122)	(16,180)
Net cash generated from/(used in) operating activities		**1,723,603**	(5,150,863)	735,832
Cash flows from investing activities				
Acquisition of property and equipment	10	**(2,482)**	(4,042)	(7,965)
Proceeds from sale of property, plant and equipment		**1,825**	660	138
Acquisition of intangible assets		**(2,028)**	-	-
Purchase of investment securities		**(2,117,603)**	(2,606,500)	(6,424,800)
Proceeds from sale and redemption of investment securities		**1,629,344**	5,447,319	7,723,583
Net cash (used in) / from investing activities		**(490,944)**	2,837,437	1,290,956
Cash flows from financing activities				
Net change in borrowings with banks		**3,776,912**	(995,248)	(4,702,621)
Principal paid on lease liability		**(3,612)**	-	-
Interest paid on lease liability		**(2,736)**	-	-
Net cash generated from/(used in) financing activities		**3,770,564**	(995,248)	(4,702,621)
Net increase/(decrease) in cash and cash equivalents		**5,003,223**	(3,308,674)	(2,675,833)
Movement in cash and cash equivalents				
At April 1,		**(1,006,944)**	2,152,874	4,917,720
Increase/(decrease)		**5,003,223**	(3,308,674)	(2,675,833)
Net foreign exchange difference		**(282,704)**	148,856	(89,013)
At March 31,	5	**3,713,575**	(1,006,944)	2,152,874

The notes on pages 12 to 97 form an integral part of these financial statements.
Auditor's report on pages 6 to 6(e).

1. GENERAL INFORMATION

Bank of Baroda (the "Bank") was incorporated under the Mauritius Companies Act 2001 on 15 July 2005 as a Foreign company. The registered office and the principal place of business of the Bank is Sir William Newton Street, Port Louis, Republic of Mauritius.

The Bank operates in the financial services sector, principally commercial banking.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Mauritian Companies Act 2001, the Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius, in so far as the operations of the Bank are concerned.

Where necessary, comparative figures have been amended to conform with changes in presentation,or in accounting policies in the current year. The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs'000) except when otherwise indicated.

The financial statements are prepared under the historical cost convention, except that:
(i) land and buildings are carried at revalued amounts;
(ii) investment properties are stated at fair value;
(iii) relevant financial assets and liabilities are carried at their fair value; and
(iv) relevant financial assets and liabilities are carried at amortised cost.

Standards, Amendments to published Standards and Interpretations effective in the reporting period

IFRS 16 Leases results in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The Bank has adopted IFRS 16 from April 1, 2019, but has not restated comparatives for 2019, as permitted under the specific transition provisions. The reclassifications and adjustments arising from the new leasing rules are recognised in the opening balance sheet on April 1, 2019. The new accounting policies are disclosed in note 33.

On adoption of IFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of April 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on April 1, 2019 was 8%.

IFRIC 23 Uncertainty over Income Tax Treatments explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. There are no new disclosure requirements but required to provide information about judgements and estimates made in preparing the financial statements. The interpretation has no impact on the Bank's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations effective in the reporting period (cont'd)

Prepayment Features with negative compensation (Amendments to IFRS 9) enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. The amendments have no impact on the Bank's financial statements.

Long- term Interests in Associates and Joint Ventures (Amendments to IAS 28) clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28. The amendments have no impact on the Bank's financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

- IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 - clarified that party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 - clarified that income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 - clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The amendments have no impact on the Bank's financial statements.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) clarify that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.
- recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling.
- separately recognise any changes in the asset ceiling through other comprehensive income.

The amendments have no impact on the Bank's financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after April 1, 2020 or later periods, but which the Bank has not early adopted.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective (cont'd)

At the reporting date of these financial statements, the following were in issue but not yet effective:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
IFRS 17 Insurance Contracts
Definition of a Business (Amendments to IFRS 3)
Definition of Material (Amendments to IAS 1 and IAS 8)
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

Where relevant, the Bank is still evaluating the effect of these Standards, Amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

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

2.2 Foreign currencies

(i) Functional and presentation currency
Items included in the financial statements are measured using Mauritian rupees ("Rs"), the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Mauritian rupees, which is the Bank's presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Financial instruments

A financial instrument is recognised if the Bank becomes a party to the contractual provisions of the instrument. The Bank initially recognises receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Bank becomes a party to the contractual provisions of the instrument.

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Bank enters into transactions whereby they transfer assets recognised on the statement of financial position, but retain either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, they derecognise the asset if they do not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, the Bank continues to recognise the asset to the extent of their continuing involvement, determined by the extent to which they are exposed to changes in the value of the transferred asset.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Bank has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Bank assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event") has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the receivables or a group of debtors is experiencing significant financial difficulty, default or delinquency in profits or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Bank first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in the portfolio assessment of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Financial instruments (cont'd)

Impairment of financial assets (cont'd)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "allowance for credit impairment losses" in the statement of profit or loss. The credit impairment assessment is carried out in accordance with the requirement of Bank of Mauritius Guidelines on credit Impairment Measurement & Income Regulation.

Recognition and initial measurement

The Bank initially recognises loans and advances and deposits, liabilities on the date on which they are originated. All other financial instrument (including regular way purchases and sales of financial assets) are recognized on trade date, which is the date on which the Bank becomes party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than those at FVTPL) are added to or deducted from their respective fair values as appropriate on initial recognition.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

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

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

- the entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- the entity may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Financial instruments (cont'd)

Debt instruments measured at amortised cost or at FVTOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The entity determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The entity's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing their financial instruments which reflect how they manage their financial assets in order to generate cash flows. The business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassesses their business models at each reporting period to determine whether the business models have changed since the preceding period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Financial instruments (cont'd)

Debt instruments measured at amortised cost or at FVTOCI (cont'd)

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

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

In the current reporting period, the Bank has not applied the fair value option and so have not designated debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Financial assets measured at FVTPL

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

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

Equity instruments designated at FVTOCI

On initial recognition, the entity may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the entity manages together and has evidence of a recent actual pattern of short term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Financial instruments (cont'd)

Reclassifications

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

Impairment of financial assets

The Bank applies a three-stage approach to measuring expected credit losses (ECL) on debt instruments accounted for at amortised cost and FVTOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

i. Stage 1: 12-months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

ii. Stage 2: Lifetime ECL - not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

iii. Stage 3: Lifetime ECL - credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Bank's methodology for specific provisions remains unchanged. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Bank uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in credit quality of a financial asset.

The Bank assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Financial instruments (cont'd)

Impairment of financial assets (cont'd)

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Bank and all the cash flows that the Bank expects to receive. The amount of the loss is recognised using a provision for doubtful debts account.

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

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

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

<u>Presentation of allowance for ECL in the statement of financial position</u>
Loss allowances for ECL are presented in the statement of financial position as follows:

(i) financial assets measured at amortised cost:
- as a deduction from the gross carrying amount of the assets;

(ii) loan commitments and financial guarantee contracts:
- generally, as a provision;

(iii) where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component:
- the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Financial instruments (cont'd)

Impairment of financial assets (cont'd)

(iv) debt instruments measured at FVOCI:
- no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:
- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

This definition of default is used by the Bank for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore credit impaired assets will include defaulted assets, but will also include other non-defaulted asset given the definition of credit impaired is broader than the definition of default.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Financial instruments (cont'd)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

(i) If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and

(ii) If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Modification of financial assets and liabilities

(a) <u>Financial assets</u>
If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

(b) <u>Financial Liability</u>
The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents comprise unrestricted cash and balances with Central Bank, treasury bills and amounts due to and from other banks which are short term, highly liquid with original maturities of 3 months or less.

Other receivables
Other receivables are stated at amortised cost, less impairment losses, if any.

Receivables from related companies
Current account with related companies is stated at amortised cost, less impairment losses, if any.

Financial liabilities

The Bank's financial liabilities represent mainly deposits from customers and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Financial instruments (cont'd)

Financial liabilities (cont'd)

Classification of financial liabilities remained largely unchanged for the Bank. Financial liabilities continue to be measured at amortised cost.

All financial liabilities are recognised initially on the trade date, which is the date that the Bank becomes a party to the contractual provisions of the instrument. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expires.

Other payables
Other payables are measured at amortised cost.

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

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 offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.4 Revenue

Revenue earned by the Bank is recognised on the following bases:

<u>Interest income</u>
Interest income is recognised in profit or loss for financial instruments measured at amortised cost using the effective rate of return method.

The effective rate of return method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the return on the financial asset over the relevant period. The effective rate of return is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset of financial liability. When calculating the effective rate of return, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees received between parties to the contract that are an integral part of the effective rate of return, transaction costs and all other premiums or discounts. When a receivable is impaired, the Bank reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective rate of return of the instruments, and continues unwinding the discount as income. Income on impaired loans is recognised using the original effective rate of return.

<u>Net fee and commission income</u>
Fee and commission income and expense include fees other than those that are an integral part of effective rate of return (ERR).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Revenue (cont'd)

Net fee and commission income (cont'd)
The Bank earns fee and commission income from a diverse range of services being provided to its customers. Fee income can be categorised into the following two categories:

Fee income earned from services provided
These fees include commission income and other management and advisory fees. The fees are recognised as the related services are provided.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the ERR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Fee income from providing transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the performance obligations.

Fee and commission expense
Fee and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

Net trading income
Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities.

2.5 Investment property

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

Recognition of investment property 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Investment property (cont'd)

Investment property is 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 property is stated at fair value, which reflects market conditions at the date of the statement of financial position. Gain or loss arising from changes in the fair value of investment property is 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 property 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.

2.6 Property and equipment

All property 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 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.

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

Buildings	4.87%
Furniture, fittings and equipment	18.10% - 45.07%
ATM	20.00%
Computer Equipment	33.33%
Motor vehicles	31.23%

Land is not depreciated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Property and equipment (cont'd)

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 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.

2.7 Leases and rentals

(a) In 2019, leases were classified as finance leases where the terms of the lease transferred substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases.

Finance leases were capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment was allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were charged to profit or loss unless they were attributable to qualifying assets in which case, they were capitalised in accordance with the policy on borrowing costs.

Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From April 1, 2019, all leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Identifying Leases

The Bank accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the

(a) There is an identified asset;
(b) The Bank obtains substantially all the economic benefits from use of the asset; and
(c) The Bank has the right to direct use of the asset.

The Bank considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Bank obtains substantially all the economic benefits from use of the asset, the Bank considers only the economic benefits that arise from the use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Bank has the right to direct use of the asset, the Bank considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Bank considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Bank applies other applicable IFRSs rather than IFRS 16.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Leases and rentals (cont'd)

Identifying Leases (cont'd)

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Bank's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:
- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Bank if it is reasonable certain to assess that option and;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Bank is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Bank revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Bank renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:
- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Leases and rentals (cont'd)

Identifying Leases (cont'd)

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Bank to use an identified asset and require services to be provided to the Bank by the lessor, the Bank has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(b) Accounting for leases - where Bank is the lessor

Lease income from leases where the Bank is a lessor is recognised in income on a straight line basis over the lease term. Initial direct costs incurred in obtaining the lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Bank did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting IFRS 16.

2.8 Intangible asset

Computer Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of the five years.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 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.

2.10 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.

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.

2.11 Retirement benefit obligations

Gratuity on retirement
Gratuity on retirement shall be payable at the rate of one-month basic pay for each completed year of service as per personal policy of the Bank and local regulations.

The present value of the unfunded obligations (gratuity on retirement) is calculated by management under the Worker's Rights Act 2019 (2018 : Employment Rights Act 2008) and is provided for as a non-current liability in the statement of financial position. The obligations arising under this item are not funded.

2.12 Other borrowed funds

Other borrowed funds are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Other borrowed funds 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 tther borrowed funds using the effective yield method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Bills for collection

Bills for collection 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. Bills for collection are accounted for as off-balance sheet transactions and are disclosed under contingent liabilities.

2.14 Related parties

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

2.15 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.16 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.

2.17 Off-balance sheet arrangements

In the normal course of business, the Bank enters into arrangements that, under IFRS, are not recognised on the statements of the financial position and do not affect the statements of comprehensive income. These types of arrangements are kept off-balance sheet as long as the Bank does not incur an obligation from them or become entitled to an asset itself. As soon as an obligation is incurred, it is recognised on the statements of financial position, with the resulting loss recorded in the statements of comprehensive income.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

(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.

Credit risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk in the Bank arises mainly from various forms of lending from all its core activities covering all the credit portfolios; credit facilities, money lending, credit cards, as well as deposits and balances held with banks. The effective management of credit risk is a critical component of risk management and essential to the long-term success of the organisation. The Local Advisory Board as well as corporate office has oversight of the management of the credit risk framework.

The objective of the Bank's credit risk management framework is to ensure all material credit risks to which the organisation is exposed are identified, measured, managed, monitored, mitigated and reported on a consistent basis.

This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment. The Bank's credit processes are designed with the aim of combining an appropriate level of authority in its credit approval processes with timely and responsible decision-making and customer services. Within the powers to act granted by the Board (Corporate Office), credits are approved by decision making authorities at different levels in the organisation depending on the riskiness and the credit exposure of the customer during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognising credit impairment. The Bank's credit processes are designed with the aim of combining an appropriate level of authority in its credit approval processes with timely and responsible decision-making and customer services.

The Bank's credit risk management framework incorporates governing principles that are defined in a series of credit-related policies and standards, which are further applied to more specific operating procedures.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit risk (cont'd)

The Bank's policies and procedures include the setting of limits on the amount of risk it is willing to accept for individual counterparties and industry concentrations, by monitoring exposures in relation to such limits. The Bank maintains a credit risk grading to categorise exposures according to their risk of default. Large credit risk exposures are subject to regular monitoring through the various Credit Monitoring tools available which are being submited to Corporate Office for onward submission to Board level committe on a monthly basis for closer attention and action to be taken, when appropriate.

The Bank concentration of credit risk is with exposure with Offshore Banking Unit which forms 70.81% loans and advances portfolio. The proportion of loans of the bank contracted with Corporates is 55.29%, 13.89% are with individuals, 30.53% are with Exposure on Financial Institutions and 0.29% are with Governments.

The Bank also makes the calculations of credit impairment in accordance with the guidelines of the Bank of Mauritius.

Impairment assessment (Policy applicable from October 1, 2018)

Definition of default and cure

The Bank considers default of a financial asset for the purpose of determining expected credit losses, that is credit impaired assets classified in stage 3, when:

- Instalments of principal and/or interest are due from an obligor and remain unpaid for 90 days or more; and/or
- The Bank considers that the obligor is 'unlikely to pay' its credit obligations in full, without recourse to actions such as realising security (if held).

The indicators for unlikeliness to pay include the following:

(i) The Bank puts the credit obligation on non-accrual status.

(ii) The Bank makes account-specific provision resulting from a significant perceived decline in credit quality subsequent to the Bank granting the credit facility.

(iii) The Bank sells other credit obligations from the same counterparty at a material credit-related economic loss.

(iv) The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or, where relevant.

(v) The Bank has filed for the debtor's bankruptcy or a similar order in respect of the obligor's credit obligation to the Bank.

(iv) The debtor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation to the financial institution.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk. Where a significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the criteria are no longer met. Where instruments were transferred to stage 2 due to assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit risk (cont'd)

Impairment assessment (Policy applicable from October 1, 2018) (cont'd)

Definition of default and cure (cont'd)

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The calculation of the Expected Credit Losses

Expected Credit losses are computed as probability weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering the reasonable and supportable information including that which is forward-looking. The Bank made use of logistic regression techniques to determined the PD, LGD and EAD where adequate default data was available.

The period over which cash flows are determined is generally limited to the maximum contractual period for which the Bank is exposed to credit risk. These expected cash flows are discounted using the effective interest rate on the financial instruments. ECL for financial assets classified under stage 3 is measured at the individual obligor level except for individually insignificant facilities with similar risk characteristics which are grouped together and the ECL is determined based on history of losses.

Probability of Default

The probability of default (PD) refers to the likelihood that a borrower will default over a particular time horizon. The PD of an obligor is a fundamental risk parameter in credit risk analysis and depends on obligor specific characteristics as well as on macroeconomic risk factors. The Bank has adopted the IFRS 9 macroeconomic sensitive model for PD computation, which is based on following set of assumptions:

Assumption	Description
Default observation	An obligor is assumed to enter default state in any month wherein it crosses 90 days past due. Any observation following such default has been excluded.
Macro-sensitive PD	PD is assumed to be sensitive to changes in macroeconomic conditions.
PD term structure	The PD term structure is computed for a period of next 5 years and considered constant above this horizon. The basis for the assumption is validated by the convergence of macroeconomic forecasts post the 5 year period.

There are two levels of PD relevant for ECL calculation:

(i) 12-months PD - This represents the estimated probability of default occurring within the next 12 months from the reporting date.

(ii) Lifetime PDs - This represents the estimated probability of a default occurring over the remaining life of the financial instrument and may be further broken down into marginal probabilities for smaller time periods within the remaining life.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit risk (cont'd)

Impairment assessment (Policy applicable from October 1, 2018) (cont'd)

Probability of Default (cont'd)
The PD models were derived using logistic regression. As part of the modelling phase, the variables having the most significant predictive default power were identified using the information value statistics. Variables were shortlisted based on their significance in predictive default and possible combinations were assessed using multifactor analysis to achieve the best-fit model. The performance of the final models was assessed to test the fit of the estimated PD curves against the historical default rate.

Loss Given Default
By definition, loss given default refers to the magnitude of the likely loss on a given facility in the event of default. It takes into account the loss of principal, interest foregone and workout expenses.

The Bank has derived estimates of LGD for Stage 1 and Stage 2 exposures using the Cured LGD methodology for its credit facilities as adequate historical information was available. The LGD methodology takes into consideration recoveries through insurance covers and value of collaterals. The models were derived using logistic regression and yielded to statistically significant estimates. Where historical data was insufficient for modelling, Basel estimates of loss given default for unsecured exposures were applied.

Exposure at Default
The exposure at default (EAD) refers to the gross carrying amount of the financial instruments in the event of obligor default. For Stage 1 exposures, the EAD is derived based on possible default events within 12 months. For Stage 2 exposures, the exposure at default is considered for events over the lifetime of the instruments.

The EAD framework adopted by the Bank considers two separate methods dependent on the underlying financial asset: the current exposure method for deposit with banks and loan and advances except for revolving facilities such as buyer's credit and off-balance sheet items where the credit conversion factor approach is used. Under the current exposure method, the expected outstanding exposure is derived from the expected future cash flows as the best estimate of EAD. The credit conversion factor method takes into account the sum of the actual outstanding exposure and expected drawdown until default as the best estimate of EAD.

Forward looking information
Forward-looking economic assumptions are incorporated into ECL models. The Bank has taken into account GDP growth rate forecasts when deriving the expected credit losses. This variable was significant in the models that were built. The GDP forecasts are constantly updated with new estimates and are sourced from reputed local and international organisations.

Credit quality
For stage classification, the Bank utilises a combination of quantitative and qualitative factors to determine whether the credit risk of a borrower has increased significantly since initial recognition.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit risk (cont'd)

Impairment assessment (Policy applicable from October 1, 2018) (cont'd)

Credit quality (cont'd)

Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

- On a quantitative basis, the days past due (dpd) indicator is employed and exposures above 30 dpd are classified under Stage 2.
- On a qualitative basis, accounts show signs of deteriorating early warning indicators (such as default on covenants), macroeconomic factors and external market information where relevant.

The Bank maintains a credit risk rating based on the days past due and the obligor is categorised as follows:

Risk rating	Description
Performing	None of the facilities of the obligor have been due for more than 30 days.
Watchlist	Any one of the facilities granted to the obligor has been in arrears for more than 30 days but is not considered to be credit-impaired.
Non-performing assets	Any one of the facilities granted to the obligor has been in arrears for more than 90 days or the obligor is unlikely to pay its credit obligations in full, without recourse to actions such as realising security.

Write-offs

Financial assets are written off either partially or in their entirety only when there is no reasonable expectation of recovery such as the death or liquidation of a debtor. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. It constitutes a derecognition event. Any subsequent recoveries are credited to the credit loss expense.

Rescheduled loans

Sometimes the Bank makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce disposal/repossession of collateral. Indicators of financial difficulties include default on covenants, bankruptcy, or significant concerns raised. Once the terms have been renegotiated, any impairment is measured using the original interest rates as calculated before the modification of terms.

These accounts are classified as high risk and derecognition decisions and classifications between stage 2 and stage 3 are determined on a case-by-case basis. If the accounts were impaired, they will be closely monitored until it is collected or written off. And if the accounts were classified in the underperforming category, the Bank will reassess whether there has been a significant increase in credit risk.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit risk (cont'd)

Impairment assessment (Policy applicable from October 1, 2018) (cont'd)

Rescheduled loans (cont'd)

Once an account has been classified as forborne, it will remain forborne for a minimum probation period of 12 months. In order for the accounts to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing;
- The minimum probation of period of 12 months has passed; and
- Regular payments have been made in accordance with the terms and conditions agreed.

If modifications are substantial either quantitatively or qualitatively, the loan is derecognised as explained under write offs.

Grouping financial assets measured on a collective basis

The Bank calculates ECL on a collective basis for all assets classified under stage 1 and stage 2.

The Bank combines these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the facilities which are described below.

The Bank considers the customer type for grouping of the portfolio which are grouped under Corporate customers or individuals.

Maximum exposure to credit risk The maximum exposure to credit risk at the reporting date equals the carrying amount of the respective financial assets and is as follows:

	March 31, 2020	March 31, 2019	March 31, 2018
	Rs'000	Rs'000 Restated	Rs'000 Restated
Bank balances and cash	**66,283**	110,346	172,341
Deposits with banks	**182,519**	193,449	88,050
Placement with banks	**4,366,642**	8,510,713	6,685,571
Investment securities	**2,212,672**	1,157,006	1,879,386
Loans and advances	**8,524,209**	9,055,358	7,811,743
Other assets	**599,142**	626,670	705,863
	15,951,467	19,653,542	17,342,954

Loans such as Housing Loans, Mortgage Loans, Personal Loans (Life Insurance available), Car Loans and all other loans where the primary and collateral securities are tangible such as buildings, equipments are mitigated by insurance covers which are directly linked to the facilities and entered at the same time of the credit origination.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit risk (cont'd)

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

	2020	2019	2018
Credit risk exposures relating to on-balance sheet assets are as follows:	**Rs'000**	Rs'000 Restated	Rs'000 Restated
Loans and advances to individuals	**606,958**	402,595	7,104
Loans and advances to corporates	**7,917,251**	8,652,763	7,804,639
Pledged assets	**200,000**	200,000	229,800
Investment securities	**2,212,672**	1,157,006	1,879,386
Other assets	**599,142**	626,670	705,863
Credit risk exposures relating to off-balance sheet items are as follows:			
Financial guarantees	**127,308**	86,014	36,762
Loan commitments and other credit related liabilities	**1,040,680**	438,497	383,380
Total	**12,704,011**	11,563,545	11,046,934

The above table represents a worst-case scenario of credit risk exposure to the bank at March 31, 2020, 2019 and 2018, 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, 67% of the maximum exposure is derived from loans and advances to companies and customers (2019: 78% and 2018: 71%).

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 (2019: 100% 2018: 100%).

(ii) Loans and advances neither past due nor impaired

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

	Loans and advances to customers				
	Individual		Companies		Total loans and advances
	Overdrafts	Demand loan	Overdrafts	Demand loan	
Grades:	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Standard monitoring					
31/03/2020	**125,063**	**1,106,864**	**798,259**	**3,867,239**	**5,897,425**
31/03/2019	96,352	740,027	460,554	5,796,372	7,093,305
31/03/2018	150,139	1,305,178	662,069	4,711,732	6,829,118

3. **FINANCIAL RISK MANAGEMENT (CONT'D)**

3.1 **Financial risk factors (cont'd)**

(b) **Credit risk (cont'd)**

(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 per below. Loans and advances to banks and buyer's credit are collateral free.

	Loans and advances to customers				
	Individual		**Companies**		**Total loans and advances**
	Overdrafts	**Demand loan**	**Overdrafts**	**Demand loan**	
31/03/2020	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Past due up to 30 days	**50,245**	**242**	**117,228**	**2,206,324**	**2,374,039**
Past due up to 30-60 days	**-**	**40**	**-**	**4,019**	**4,059**
Past due up to 60-90 days	**-**	**-**	**-**	**585**	**585**
Total	**50,245**	**282**	**117,228**	**2,210,928**	**2,378,683**
Fair value of collateral	**417,232**	**478,659**	**106,882**	**1,952,162**	**2,954,935**

	Loans and advances to customers				
	Individual		Companies		Total loans and advances
	Overdrafts	Demand loan	Overdrafts	Demand loan	
31/03/2019	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Past due up to 30 days	6,542	66,934	354,630	1,263,933	1,692,039
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	1,320,742	1,780,451
Fair value of collateral	1,139,164	98,537	25,003	222,394	1,485,098

	Loans and advances to customers				
	Individual		Companies		Total loans and advances
	Overdrafts	Demand loan	Overdrafts	Demand loan	
31/03/2018	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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit risk (cont'd)

(iv) Loans and advances individually impaired

	Individual		Companies		Total loans and advances
	Overdrafts	Demand loan	Overdrafts	Demand loan	
31/03/2020	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Individually impaired loans	**4,552**	**16,347**	**36,094**	**861,557**	**918,550**
Fair value of collateral	**23,000**	**28,908**	**394,362**	**1,002,152**	**1,448,422**

	Individual		Companies		Total loans and advances
	Overdrafts	Demand loan	Overdrafts	Demand loan	
31/03/2019	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Individually impaired loans	4,624	19,458	39,439	685,847	749,368
Fair value of collateral	26,953	67,608	76,850	30,000	201,411

	Individual		Companies		Total loans and advances
	Overdrafts	Demand loan	Overdrafts	Demand loan	
31/03/2018	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

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

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
Against neither past due nor impaired			
Property	**10,896,743**	40,552,094	18,034,454
Fixed Deposits	**161,185**	335,533	597,462
Others	**707,780**	132,153	517,964
Total	**11,765,708**	41,019,780	19,149,880
Past due but not impaired			
Property	**2,759,784**	1,121,910	1,266,850
Fixed Deposits	**107,746**	11,523	6,645
Others	**87,405**	351,665	96,095
Total	**2,954,935**	1,485,098	1,369,590
Against individually impaired			
Property	**1,448,422**	201,411	123,800
Others	-	-	-
Total	**1,448,422**	201,411	123,800

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(b) Credit risk (cont'd)

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)

	2020		2019		2018	
	Fund based	**Non-fund-based**	Fund based	Non-fund-based	Fund based	Non-fund-based
	Rs'000	**Rs'000**	Rs'000 Restated	Rs'000 Restated	Rs'000 Restated	Rs'000 Restated
Agriculture & fishing	**502,277**	-	295,968	-	287,477	-
Manufacturing	**146,096**	-	193,206	-	95,628	2,920
Tourism	**490**	-	547	-	739	-
Transport	**80,670**	-	92,363	-	77,985	-
Construction	**686,135**	**330,801**	642,605	259,819	431,944	185,552
Financial & business services	**224,800**	**320**	157,163	360	271,669	170
Traders	**462,844**	**768,111**	537,465	26,431	241,543	31,926
Personal	**468,515**	-	424,339	-	370,160	-
Professional	**8,098**	-	-	-	9,624	-
Statutory and para-statal bodies	-	-	17,263	-	-	-
Education	**83,402**	-	169,663	100	248,570	20
Global business operations	**6,506,066**	-	7,067,778	-	6,329,431	-
Media, entertainment and recreational activities	**165**	-	32	-	227	-
Other customers	**25,100**	**68,774**	24,732	237,801	4,079	199,554
	9,194,658	**1,168,006**	9,623,124	524,511	8,369,076	420,142

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(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.

(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, 2020, 2019 and 2018. The table shows the Bank's assets and liabilities at carrying amounts categorised by currency.

Concentration of assets, liabilities and off-balance sheet items	EURO	USD	GBP	MUR	OTHER	TOTAL
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
At March 31, 2020						
Financial assets						
Cash and cash equivalents	2,687	3,530,447	3,527	886,737	9,527	4,432,925
Mandatory balances with central banks	-	57,990	3,366	121,163	-	182,519
Loans to and placements with banks	-	4,413,084	-	-	-	4,413,084
Loans and advances to customers	254,656	6,256,183	-	2,683,819	-	9,194,658
Investment securities	-	-	-	2,212,672	-	2,212,672
Other financial assets	-	194,568	1,896	402,678	-	599,142
	257,343	14,452,272	8,789	6,307,069	9,527	21,035,000
Less allowances for credit impairment						(670,449)
Total						20,364,551
Financial liabilities						
Deposits	19,710	5,972,768	1,189,396	5,531,070	-	12,712,944
Other borrowed funds	343,214	5,107,336	-	175,006	-	5,625,556
Other financial liabilities	-	4,561	-	73,424	-	77,985
Total	362,924	11,084,665	1,189,396	5,779,500	-	18,416,485
Net on-balance sheet position	(105,581)	3,367,607	(1,180,607)	527,569	9,527	2,618,515
Less allowances for credit impairment						(670,449)
Total						1,948,066
Off balance sheet net notional position						
Credit commitments	-	-	655,755	512,251	-	1,168,006

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(c) Market risk (cont'd)

(i) *Currency risk (cont'd)*

Concentration of assets, liabilities and off-balance sheet items

	EURO	USD	GBP	MUR	OTHER	TOTAL
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
At March 31, 2019						
Financial assets						
Cash and cash equivalents	2,553	7,077,302	120,181	1,405,530	5,973	8,611,539
Mandatory balances with central banks	-	25,847	3,053	174,069	-	202,969
Placements with banks	-	1,748,525	-	-	-	1,748,525
Loans and advances to customers	255,342	6,871,347	-	2,496,435	-	9,623,124
Investment securities	-	-	-	1,157,006	-	1,157,006
Other financial assets	-	260,713	1,913	364,044	-	626,670
	257,895	15,983,734	125,147	5,597,084	5,973	21,969,833
Less allowances for credit impairment						(567,766)
Total						21,402,067
Financial liabilities						
Deposits	45,942	3,866,220	119,477	4,972,031	-	9,003,670
Other borrowed funds	219,861	10,548,365	-	-	-	10,768,226
Other financial liabilities	-	3,214	-	26,379	-	29,593
Total	265,803	14,417,799	119,477	4,998,410	-	19,801,489
Net on-balance sheet position	(7,908)	1,565,935	5,670	598,674	5,973	2,168,344
Less allowances for credit impairment						(567,766)
Total						1,600,578
Off balance sheet net notional position						
Credit commitments	-	41,862	-	482,649	-	524,511

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

Concentration of assets, liabilities and off-balance sheet items

At March 31, 2018	EURO	USD	GBP	MUR	OTHER	TOTAL
Financial assets	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Cash and cash equivalents	14,390	4,307,597	336,838	2,188,008	21,741	6,868,574
Mandatory balances with central banks	-	12,121	3,707	61,560	-	77,388
Loans to and placements with banks	-	-	-	-	-	-
Loans and advances to customers	58,349	6,271,608	7,464	2,031,656	-	8,369,077
Investment securities	-	-	-	1,879,386	-	1,879,386
Other financial assets	-	137,352	1,457	567,054	-	705,863
	72,739	10,728,678	349,466	6,727,664	21,741	17,900,288
Less allowances for credit impairment						(557,334)
Total						17,342,954
Financial liabilities						
Deposits	49,665	3,674,288	334,655	6,275,502	-	10,334,113
Other borrowed funds	20,923	5,685,194	-	25,000	-	5,731,117
Other financial liabilities	-	7,410	-	25,670	-	33,080
Total	70,588	9,366,892	334,655	6,326,172	-	16,098,310
Net on-balance sheet position	2,151	1,361,786	14,811	401,492	21,741	1,801,978
Less allowances for credit impairment						(557,334)
Total						1,244,644
Off balance sheet net notional position						
Credit commitments	-	12,215	-	407,927	-	420,142

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

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 Change by 5%	USD Change by 5%	EURO Change by 5%	OTHERS Change by 5%
Impact on result for the year	Rs'000	Rs'000	Rs'000	Rs'000
March 31, 2020	**273**	**8,994**	**96**	**-**
March 31, 2019 - restated	394	51,100	(627)	254
March 31, 2018 - restated	840	482	161	859

(ii) Interest rate risk

Interest rate risk arises from investments in fixed income securities, 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.

Interest Rate Risk Earnings Impact Analysis

The Bank incurs interest rate risk (IRR) mainly in the form of repricing risk and uses an interest rate risk gap analysis as shown below to measure and monitor this source of risk. Amongst other methodologies, it applies BOM framework of a 200 basis point parallel shift in interest rates to estimate the one-year earnings impact on a static balance sheet basis as follows:

	2020	2019	2018
	Rs'000	Rs'000 Restated	Rs'000 Restated
Impact on Earnings	**19,835**	23,098	23,390

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

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:

At March 31, 2020	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing	Total
Financial assets	**Rs '000**	**Rs '000**	**Rs '000**	**Rs '000**	**Rs '000**	**Rs '000**	**Rs '000**	**Rs '000**
Cash and cash equivalents	2,220,706	2,212,219	-	-	-			4,432,925
Mandatory balances with central banks	-	-	-	-	-	-	182,519	182,519
Placements with banks	-	-	312,380	1,171,030	-	2,929,674	-	4,413,084
Loans and advances to customers	4,851,119	1,200,472	501,431	485,374	578,749	1,577,513	-	9,194,658
Investment securities	-	-	901,809	219,852	1,016,046	74,965	-	2,212,672
Other financial assets	-	-	-	-	-	-	599,142	599,142
	7,071,825	3,412,691	1,715,620	1,876,256	1,594,795	4,582,152	781,661	21,035,000
Less: allowances for credit impairment								(670,449)
Total								20,364,551
Financial liabilities								
Deposits	4,767,995	3,219,434	222,323	1,225,916	1,157,614	2,119,662	-	12,712,944
Other borrowed funds	229,504	672,365	403,600	1,380,087	-	2,940,000	-	5,625,556
Other financial liabilities	-	-	-	-	-	-	77,985	77,985
Total	4,997,499	3,891,799	625,923	2,606,003	1,157,614	5,059,662	77,985	18,416,485
On balance sheet interest sensitivity gap	2,074,326	(479,108)	1,089,697	(729,747)	437,181	(477,510)	703,676	2,618,515
Less: allowances for credit impairment								(670,449)
								1,948,066

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest sensitivity of assets and liabilities - repricing analysis (cont'd)

At March 31, 2019	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing	Total
Financial assets	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Cash and cash equivalents	3,724,296	4,887,243	-	-	-	-	-	8,611,539
Mandatory balances with central banks	-	-	-	-	-	-	202,969	202,969
Placements with banks	-	-	-	1,748,525	-	-	-	1,748,525
Loans and advances to customers	1,146,001	135,470	1,624,564	1,083,043	464,047	5,169,999	-	9,623,124
Investment securities	-	-	245,895	-	632,647	278,464	-	1,157,006
Other financial assets	-	-	-	-	-	-	626,670	626,670
	4,870,297	5,022,713	1,870,459	2,831,568	1,096,694	5,448,463	829,639	21,969,833
Less allowances for credit impairment								(567,766)
Total								21,402,067
Financial liabilities								
Deposits	7,534,729	268,194	326,159	320,587	298,306	255,695	-	9,003,670
Other borrowed funds	4,578,952	5,242,500	946,774	-	-	-	-	10,768,226
Other financial liabilities	-	-	-	-	-	-	29,593	29,593
Total	12,113,681	5,510,694	1,272,933	320,587	298,306	255,695	29,593	19,801,489
On balance sheet interest sensitivity gap	(7,243,384)	(487,981)	597,526	2,510,981	798,388	5,192,768	800,046	2,168,344
Less allowances for credit impairment								(567,766)
								1,600,578

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest sensitivity of assets and liabilities - repricing analysis (cont'd)

At March 31, 2018	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-interest bearing	Total
Financial assets	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Cash and cash equivalents	3,861,780	3,006,794	-	-	-	-	-	6,868,574
Mandatory balances with central banks	-	-	-	-	-	-	77,388	77,388
Loans and advances to customers	2,318,475	1,812,616		1,523,183	1,159,706	1,287,632	-	8,101,612
Investment securities	-	-	1,879,386	-	-	-	-	1,879,386
Other financial assets	-	-	-	-	-	-	705,863	705,863
	6,180,255	4,819,410	1,879,386	1,523,183	1,159,706	1,287,632	783,251	17,632,823
Less allowances for credit impairment								(289,869)
Total								17,342,954
Financial liabilities								
Deposits	6,440,108	1,125,431	382,652	861,498	593,979	930,445	-	10,334,113
Other borrowed funds	4,793,088	-	78,286	-	859,743	-	-	5,731,117
Other financial liabilities	-	-	-	-	-	-	33,080	33,080
Total	11,233,196	1,125,431	460,938	861,498	1,453,722	930,445	33,080	16,098,310
On balance sheet interest sensitivity gap	(5,052,941)	3,693,979	1,418,448	661,685	(294,016)	357,187	750,171	1,534,513
Less allowances for credit impairment								(289,869)
								1,244,644

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest sensitivity of assets and liabilities - repricing analysis (cont'd)

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

At March 31, 2020	**EURO**	**USD**	**GBP**	**MUR**
Assets	%	%	%	%
Treasury bills and other securities	-	-	-	**3.26**
Placements	-	**2.73**	-	-
Loans and advances to customers	**0.25**	**3.79**	-	**4.26**
Liability				
Due to customers	0.21	0.43	0.21	1.82

At March 31, 2019	**EURO**	**USD**	**GBP**	**MUR**
Assets	%	%	%	%
Treasury bills and other securities	-	-	-	4.35
Placements	-	2.41	-	-
Loans and advances to customers	0.27	3.10	-	5.15
Liability				
Due to customers	0.25	0.39	0.18	2.19

At March 31, 2018	**EURO**	**USD**	**GBP**	**MUR**
Assets	%	%	%	%
Loans and advances to customers	1.38	2.57	1.44	5.83
Liability				
Due to customers	0.30	0.51	0.28	2.06

(d) Liquidity risk

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(d) Liquidity risk (cont'd)

The tables below show the expected timing of cash flows for financial assets and liabilities of the Bank, slotted as per the rules defined by the Bank of Mauritius.

At March 31, 2020	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity items	TOTAL
Financial assets	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Cash and cash equivalents	2,220,706	2,212,219	-	-	-	-	-	4,432,925
Mandatory balances with central banks	-	-	-	-	-	-	182,519	182,519
Placements with banks	-	-	312,380	1,171,030	-	2,929,674	-	4,413,084
Loans and advances to customers	4,851,119	1,200,472	501,431	485,374	578,749	1,577,513	-	9,194,658
Investment securities	-	-	901,809	219,852	1,016,046	74,965	-	2,212,672
Other financial assets	-	-	-	-	-	-	599,142	599,142
	7,071,825	3,412,691	1,715,620	1,876,256	1,594,795	4,582,152	781,661	21,035,000
Less allowances for credit impairment losses								(670,449)
Total								20,364,551
Financial liabilities								
Deposits	4,767,995	3,219,434	222,323	1,225,916	1,157,614	2,119,662	-	12,712,944
Other borrowed funds	229,504	672,365	403,600	1,380,087	-	2,940,000	-	5,625,556
Other financial liabilities	-	-	-	-	-	-	77,985	77,985
Total	4,997,499	3,891,799	625,923	2,606,003	1,157,614	5,059,662	77,985	18,416,485
Net liquidity gap	2,074,326	(479,108)	1,089,697	(729,747)	437,181	(477,510)	703,676	2,618,515
Less allowances for credit impairment losses								(670,449)
								1,948,066

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(d) Liquidity risk (cont'd)

At March 31, 2019	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity items	TOTAL
Financial assets	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Cash and cash equivalents	3,738,753	4,872,786	-	-	-	-	-	8,611,539
Mandatory balances with central banks	-	-	-	-	-	-	202,969	202,969
Placements with banks	-	-	-	1,748,525	-	-	-	1,748,525
Loans and advances to customers	1,146,001	135,470	1,624,564	1,083,043	464,047	5,169,999	-	9,623,124
Investment securities	-	-	245,895	-	632,647	278,464	-	1,157,006
Other financial assets	-	-	-	-	-	-	626,670	626,670
	4,884,754	5,008,256	1,870,459	2,831,568	1,096,694	5,448,463	829,639	21,969,833
Less allowances for credit impairment losses								(567,766)
Total								21,402,067
Financial liabilities								
Deposits	7,299,952	268,194	350,178	531,345	298,306	255,695	-	9,003,670
Other borrowed funds	4,578,951	5,242,500	946,775	-	-	-	-	10,768,226
Other financial liabilities	-	-	-	-	-	-	29,593	29,593
Total	11,878,903	5,510,694	1,296,953	531,345	298,306	255,695	29,593	19,801,489
Net liquidity gap	(7,008,607)	(502,438)	573,506	2,299,198	798,388	4,625,320	831,745	1,617,112
Less allowances for credit impairment losses								(567,766)
								1,049,346

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(d) Liquidity risk (cont'd)

At March 31, 2018	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity items	TOTAL
Financial assets	**Rs '000**	**Rs '000**	**Rs '000**	**Rs '000**	**Rs '000**	**Rs '000**	**Rs '000**	**Rs '000**
Cash and cash equivalents	3,861,780	3,006,794	-	-	-	-	-	6,868,574
Mandatory balances with central banks	-	-	-	-	-	-	77,388	77,388
Loans and advances to customers	2,318,475	1,812,616	-	1,523,183	1,159,706	1,287,632	-	8,101,612
Investment securities	-	-	1,879,386	-	-	-	-	1,879,386
Other financial assets	-	-	-	-	-	-	705,863	705,863
	6,180,255	4,819,410	1,879,386	1,523,183	1,159,706	1,287,632	783,251	17,632,823
Less allowances for credit impairment losses								(289,869)
Total								17,342,954
Financial liabilities								
Deposits	6,440,108	1,125,431	382,652	861,498	593,979	930,445	-	10,334,113
Other borrowed funds	4,793,088	-	78,286	-	859,743	-	-	5,731,117
Other financial liabilities	-	-	-	-	-	-	33,080	33,080
Total	11,233,196	1,125,431	460,938	861,498	1,453,722	930,445	33,080	16,098,310
Net liquidity gap	(5,192,544)	3,693,979	1,224,443	984,044	(294,017)	357,187	761,421	1,534,513
Less allowances for credit impairment losses								(289,869)
								1,244,644

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

(e) 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.

(f) 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.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments and instruments for which a market, which is considered to be the most representative price, is readily available. These financial assets have been classified as fair value through Profit or loss and fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant input required to fair value an instrument is observable, the instrument is included in level 2.

If one or more significant inputs are not based on observable market data, the instrument is included in level 3.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2 Fair value estimation (cont'd)

Specific techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest swaps is calculated as the present value of the estimated future cashflows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using foreign exchange rates at the end of the reporting period, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values.

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3
	Rs'000	Rs'000	Rs'000
March 31, 2020	-	-	-
March 31, 2019	-	-	-
Comparative figures under IAS 39			
March 31, 2018			
Available for sale investment securities	-	743,544	-

3.3 Capital risk management

Disclosures relating to capital risk management are available in the Management Discussion and Analysis report.

3.4 Financial instruments by category

	Amortised cost
At March 31, 2020	Rs'000
Financial assets	
Cash and cash equivalents	4,615,444
Placements with banks	4,413,084
Loans and advances to customers	8,524,209
Investment securities	2,212,672
Other financial assets	599,142
Total	20,364,551
Financial liabilities	
Deposits	12,712,944
Other borrowed funds	5,625,556
Other financial liabilities	77,985
Total	18,416,485
Net on-balance sheet position	1,948,066

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.4 Financial instruments by category (cont'd)

	Amortised cost
At March 31, 2019	Rs'000
Financial assets	
Cash and cash equivalents	8,814,508
Placements with banks	1,748,525
Loans and advances to customers	9,055,358
Investment securities	1,157,006
Other financial assets	626,670
Total	21,402,067
Financial liabilities	
Deposits	9,003,670
Other borrowed funds	10,768,226
Other financial liabilities	29,593
Total	19,801,489
Net on-balance sheet position	1,600,578

Comparative figures under IAS 39

	Other financial liabilities at amortised cost
At March 31, 2018	Rs'000
Financial assets	
Cash and cash equivalents	6,945,962
Placements with banks	-
Loans and advances to customers	7,811,743
Investment securities	1,879,386
Other financial assets	705,863
Total	17,342,954
Financial liabilities	
Deposits	10,334,113
Other borrowed funds	5,731,117
Other financial liabilities	33,080
Total	16,098,310
Net on-balance sheet position	1,244,644

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and re based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or 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.

Judgements

The following are significant management judgements in applying the accounting policies of the Bank that have the most significant effect on the financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Bank's future taxable income against which the deductible temporary differences can be utilised.

Segment reporting

The Bank has prepared its financial statements in line with requirements of the Bank of Mauritius Guideline on 'Segmental Reporting under a Single Banking Licence Regime' which requires the segment information should be provided by Segment A and Segment B banking business. The directors determine the revenues and expenses directly attributable to each Segment. For those revenues and expenses that cannot be directly allocated to their specific segment, the classification between Segment A and Segment B involved significant judgement.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives and residual values of property and equipment

Management reviews its estimate of the useful lives and residual value of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment. At March 31, 2020, the directors believe that the useful lives represent the expected utility of the assets of the Bank.

Impairment of non-financial assets

The Bank assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, the directors must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Estimation uncertainty (cont'd)

Impairment losses on loan portfolios

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a bank, or national or local economic conditions that correlate with defaults on assets in the Bank. The directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. 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 discounted as per requirements of the Bank of Mauritius Guidelines on Credit Impairment.

Portfolio provisioning/stage 1&2

In assessing the portfolio provisioning, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance. The Bank's accounting policy for impairment of financial assets changed significantly under IFRS 9, and the expected credit loss model was applied for the financial year ended March 31, 2019 and 2020.

Determination of functional currency

The determination of the functional currency of the Bank is critical since the way in which every transaction is recorded and whether exchange differences arise are dependent on the functional currency selected. The directors have considered those factors therein and have determined the functional currency of the Bank as Mauritian Rupees (MUR).

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through profit or loss that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Estimation uncertainty (cont'd)

Calculation of ECL allowance

- Significant increase of credit risk: As explained in Note 2.3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.
- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 2.3 for details of the characteristics considered in this judgement. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differs.
- Models and assumptions used: The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effects of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impact should be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Bank's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty.

Specific allowance for credit impairment

The calculation of specific allowance for credit impairment requires management to estimate the recoverable amount of each impaired asset, being the present value of expected cash flows, including amount recoverable from guarantees and collaterals, discounted as appropriate.

Portfolio allowance for credit impairment

The portfolio allowance for credit impairment is estimated based upon historical patterns of losses in each component of the portfolio of credit facilities as well as management estimate of the impact of current economic and other relevant conditions on the recoverability of the credit facilities portfolio.

5. CASH AND CASH EQUIVALENTS

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Cash in hand	**38,769**	28,376	25,340
Foreign currency notes and coins	**857**	381	1,230
Unrestricted balances with Central Bank*	**182,519**	193,449	88,050
Placements and investment securities**	**4,366,642**	8,510,713	6,685,571
Balances with banks	**26,657**	81,589	145,771
	4,615,444	8,814,508	6,945,962

* Unrestricted balances with Central Bank represent amounts above the minimum cash reserve requirement.

** The balances include placements with banks and investment securities having an original maturity of up to three months.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Cash and cash equivalents as shown in the statement of cash flows

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Cash and cash equivalents	**4,615,444**	8,814,508	6,945,962
Other borrowed funds (note 15)	**(901,869)**	(9,821,452)	(4,793,088)
Net cash and cash equivalents	**3,713,575**	(1,006,944)	2,152,874

6. PLACEMENTS WITH BANKS

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
Segment B		Restated	Restated
(i) Loans to and placements with banks			
- Outside Mauritius	**7,931,936**	8,871,933	4,533,190
Less:			
Loans and placements with original maturity less than 3 months and included in cash and cash equivalents	**(3,518,852)**	(7,123,408)	(4,533,190)
	4,413,084	1,748,525	-

Segment B			
(ii) Remaining term to maturity			
Up to 3 months	-	-	-
Over 3 months and up to 6 months	**312,380**	-	-
Over 6 months and up to 12 months	**1,171,630**	1,748,525	-
Over 1 year and up to 5 years	**2,929,074**	-	-
	4,413,084	1,748,525	-

While placements with banks are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

7. LOANS AND ADVANCES TO CUSTOMERS

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
(i) Loans and advances to customers			
Retail customers	**847,127**	537,388	263,622
Mortgages	**435,053**	433,291	300,815
Corporate customers	**1,379,730**	1,538,284	1,413,840
Governments	**26,682**	40,025	53,417
Entities outside Mauritius	**3,699,095**	3,840,943	1,276,649
Bank	**2,806,971**	3,233,193	5,060,733
	9,194,658	9,623,124	8,369,076
Less : allowance for credit impairment (note (iii))	**(670,449)**	(567,766)	(557,333)
	8,524,209	9,055,358	7,811,743
Segment A			
Loans and advances to customers			
Retail customers	**847,127**	537,388	263,622
Mortgages	**435,053**	433,291	300,815
Corporate customers	**1,379,730**	1,538,284	1,413,840
Governments	**26,682**	40,025	53,417
Less : allowance for credit impairment (Note (iii))	**(226,193)**	(213,477)	(208,693)
	2,462,399	2,335,511	1,823,001
Segment B			
Entities outside Mauritius	**3,699,095**	3,840,943	1,276,649
Bank	**2,806,971**	3,233,193	5,060,733
Less : allowance for credit impairment (Note (iii))	**(444,256)**	(354,289)	(348,640)
	6,061,810	6,719,847	5,988,742
Total	**8,524,209**	9,055,358	7,811,743

(ii) Remaining term to maturity	**2020**	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Up to 3 months	**1,808,641**	1,180,029	3,834,218
Over 3 months and up to 6 months	**1,658,854**	1,363,288	1,262,713
Over 6 months and up to 12 months	**722,981**	1,192,960	166,857
Over 1 year and up to 5 years	**1,212,145**	1,195,351	1,707,832
Over 5 years	**3,121,588**	4,123,730	840,123
	8,524,209	9,055,358	7,811,743
Segment A			
Up to 3 months	**1,125,457**	937,880	440,528
Over 3 months and up to 6 months	**25,398**	76,149	30,846
Over 6 months and up to 12 months	**17,740**	7,045	33,066
Over 1 year and up to 5 years	**428,863**	494,290	784,571
Over 5 years	**864,941**	820,147	533,990
	2,462,399	2,335,511	1,823,001

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

(ii) Remaining term to maturity (cont'd)	**2020**	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Segment B			
Up to 3 months	**683,184**	242,149	3,393,690
Over 3 months and up to 6 months	**1,633,456**	1,287,139	1,231,867
Over 6 months and up to 12 months	**705,241**	1,185,915	133,791
Over 1 year and up to 5 years	**783,282**	701,061	923,261
Over 5 years	**2,256,647**	3,303,583	306,133
	6,061,810	6,719,847	5,988,742
Total	**8,524,209**	9,055,358	7,811,743

Credit concentration of risk by industry sectors	**2020**	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Name of sector			
Agriculture and fishing	**330,875**	126,247	117,234
Manufacturing	**144,298**	192,573	95,105
Tourism	**489**	546	735
Transport	**79,676**	92,060	77,559
Construction	**703,201**	637,810	429,581
Financial & business services	**219,448**	156,648	270,183
Traders	**449,854**	525,234	240,222
Personal	**458,567**	422,947	368,135
Professional	**8,079**	17,207	9,572
Education	**82,375**	169,107	247,210
Global business operations	**6,022,392**	6,690,303	5,951,930
Media, entertainment and recreational activities	**165**	32	226
Others	**24,790**	24,644	4,051
Total	**8,524,209**	9,055,358	7,811,743
Segment A			
Name of sector			
Agriculture and fishing	**332,050**	126,248	117,234
Manufacturing	**130,144**	182,554	88,821
Tourism	**485**	541	720
Transport	**78,258**	89,562	76,008
Construction	**672,264**	628,657	409,768
Financial & business services	**222,557**	155,092	266,131
Traders	**453,532**	525,234	234,597
Personal	**457,511**	418,429	371,275
Professional	**8,017**	17,035	9,476
Education	**82,570**	167,416	244,738
Media, entertainment and recreational activities	**163**	31	224
Others	**24,848**	24,712	4,009
	2,462,399	2,335,511	1,823,001

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

(ii) Remaining term to maturity (cont'd)

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

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Segment B			
Name of sector			
Global business operations	**6,061,810**	6,719,847	5,988,742
Total	**8,524,209**	9,055,358	7,811,743

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

(iii) Allowances for credit impairment

From April 1, 2019
The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 3.1(b) and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.3.

	March 31, 2020						
Internal rating grade	**Stage 1**		**Stage 2**		**Stage 3**		**Total**
	Segment A	**Segment B**	**Segment A**	**Segment B**	**Segment A**	**Segment B**	
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Performing							
Standard grade	2,348,950	3,548,475		-	-	-	5,897,425
Past due but not impaired	-	-	98,244	2,280,439	-	-	2,378,683
Non-performing							
Individually impaired	-	-	-	-	241,398	677,152	918,550
Total	2,348,950	3,548,475	98,244	2,280,439	241,398	677,152	9,194,658

	March 31, 2019						
Internal rating grade	Stage 1		Stage 2		Stage 3		Total
	Segment A	Segment B	Segment A	Segment B	Segment A	Segment B	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	Restated	Restated	Restated	Restated	Restated	Restated	Restated
Performing							
Standard grade	2,138,289	4,955,016	-	-	-	-	7,093,305
Past due but not impaired	-	-	199,537	1,580,914	-	-	1,780,451
Non-performing							-
Individually impaired	-	-	-	-	211,162	538,206	749,368
Total	2,138,289	4,955,016	199,537	1,580,914	211,162	538,206	9,623,124

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

(iii) Allowances for credit impairment (cont'd)

	March 31, 2018						
Internal rating grade	Stage 1		Stage 2		Stage 3		
	Segment A	Segment B	Segment A	Segment B	Segment A	Segment B	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	Restated	Restated	Restated	Restated	Restated	Restated	Restated
Performing							
Standard grade	1,831,350	4,997,768	-	-	-	-	6,829,118
Past due but not impaired	-	-	-	665,778		-	665,778
Non-performing							
Individually impaired	-	-	-	-	200,344	673,836	874,180
Total	1,831,350	4,997,768	-	665,778	200,344	673,836	8,369,076

An analysis of changes in the gross carrying amount and the corresponding ECL allowances for the year is as follows:

	March 31, 2020						
	Stage 1		**Stage 2**		**Stage 3**		
	Segment A	**Segment B**	**Segment A**	**Segment B**	**Segment A**	**Segment B**	**Total**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Gross carrying amount as at April 1, 2019	**2,138,289**	**4,955,016**	**199,537**	**1,580,914**	**211,162**	**538,206**	**9,623,124**
Additions during the year	**264,717**	**113,313**	**352,634**	**699,525**	**30,236**	**138,946**	**1,599,371**
Assets derecognised or repaid (excluding write offs)	**(54,056)**	**(1,519,854)**	**(453,927)**	**-**	**-**	**-**	**(2,027,837)**
At March 31, 2020	**2,348,950**	**3,548,475**	**98,244**	**2,280,439**	**241,398**	**677,152**	**9,194,658**
Assets impaired during the year					**129,700**	**1,705,596**	**1,835,296**
Transfers to Stage 1	**145**	**1,705,596**	**-**	**-**	**-**	**-**	**1,705,741**
Transfers to Stage 2	**-**	**-**	**2,285**	**-**	**-**	**-**	**2,285**
Transfers to Stage 3	**-**	**-**	**-**	**-**	**127,271**	**-**	**127,271**

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

(iii) Allowances for credit impairment (cont'd)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances for the year is as follows: (cont'd)

	March 31, 2019						
	Stage 1		Stage 2		Stage 3		
	Segment A	Segment B	Segment A	Segment B	Segment A	Segment B	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	Restated	Restated	Restated	Restated	Restated	Restated	Restated
Gross carrying amount as at April 1, 2018	1,831,350	4,997,768	-	665,778	200,344	673,836	8,369,076
Additions during the year	322,253	916,857	199,537	915,136	72,439	-	2,426,222
Assets derecognised or repaid (excluding write offs)	(15,314)	(959,609)	-	-	(61,621)	(135,630)	(1,172,174)
At March 31, 2019	2,138,289	4,955,016	199,537	1,580,914	211,162	538,206	9,623,124
Transfers to Stage 2	123	-	-	-	-	-	123
Transfers to Stage 3	-	-	-	-	159,077	-	159,077
Amounts written off	-	-	-	-	19,979	340,500	360,479

An analysis of changes in ECL allowances by staging as follows:

	March 31, 2020						
	Stage 1		**Stage 2**		**Stage 3**		
	Segment A	**Segment B**	**Segment A**	**Segment B**	**Segment A**	**Segment B**	**Total**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
ECL allowance as at April 1, 2019	**2,711**	**81,406**	**31,397**	**48,234**	**179,369**	**224,649**	**567,766**
Additions during the year	**11,657**	**32,266**	**14,224**	**104,890**	**2,315**	**114,267**	**279,619**
Assets derecognised or repaid (excluding write offs)	-	**(44,531)**	**(20,189)**	**(113,406)**	**(49,397)**	**(255,839)**	**(483,362)**
Assets impaired during the year	-	-	-	-	**54,106**	**252,320**	**306,426**
At March 31, 2020	**14,368**	**69,141**	**25,432**	**39,718**	**186,393**	**335,397**	**670,449**
Transfers to Stage 1	**275**						**275**

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

(iii) Allowances for credit impairment (cont'd)

An analysis of changes in ECL allowances by staging as follows: (cont'd)

	March 31, 2019						
	Stage 1		Stage 2		Stage 3		
	Segment A	Segment B	Segment A	Segment B	Segment A	Segment B	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
	Restated	Restated	Restated	Restated	Restated	Restated	Restated
ECL allowance as at April 1, 2018	10,577	50,654	18,747	9,733	179,369	288,253	557,333
Additions during the year	8,036	30,752	12,650	38,501	-	-	89,939
Assets derecognised or repaid (excluding write offs)	(15,902)	-	-	-	-	(117,540)	(133,442)
Assets impaired during the year	-	-	-	-	-	53,936	53,936
At March 31, 2019	2,711	81,406	31,397	48,234	179,369	224,649	567,766
Transfers to Stage 2	-	-	1,591	-	-	-	1,591
Transfers to Stage 3	-	-	-	-	72,096	-	72,096

	Specific		Portfolio allowance for credit impairment		
	Segment A	Segment B	Segment A	Segment B	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At April 1, 2017	184,625	24,993	20,014	60,237	289,869
Allowance for credit impairment for the year (Note 25)	1,341	255,739	2,903	16082	276,065
Exchange differences	-	-	-	(3,427)	(3,427)
Loans written off	(190)	(4,984)	-	-	(5,174)
At March 31, 2018	185,776	275,748	22,917	72,892	557,333

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

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

	March 31, 2020					March 31, 2019	March 31, 2018
	Gross amount of loans	Impaired loans	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total allowance for credit impairment	Total allowance for credit impairment	Total allowance for credit impairment
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000 Restated	Rs'000 Restated
Segment A							
Agriculture and fishing	502,277	166,885	166,885	3,342	170,227	168,750	168,670
Manufacturing	146,096	51,076	12,443	947	15,952	10,019	6,284
Tourism	490	-	-	5	5	5	15
Transport	80,670	4,605	1,653	759	2,412	2,498	1,551
Construction	686,135	3,658	3,658	10,213	13,871	11,840	11,862
Financial & business services	224,800	-	-	2,243	2,243	1,566	4,053
Traders	462,845	9,803	4,792	4,520	9,312	10,468	5,625
Personal	468,516	5,371	2,773	7,525	11,005	6,217	8,021
Professional	8,098	-	-	81	81	172	96
Education	83,402	-	-	832	832	1,691	2,472
Media, entertainment and recreational activities	165	-	-	2	2	1	2
Others	25,098	-	-	250	251	250	42
	2,688,592	241,398	192,204	30,719	226,193	213,477	208,693
Segment B							
Global business operations	6,506,066	677,152	386,272	58,137	444,256	354,289	348,640
Total	9,194,658	918,550	578,476	88,856	670,449	567,766	557,333

8. INVESTMENT SECURITIES

(a) Investment securities

	2020 Rs'000	2019 Rs'000 Restated	2018 Rs'000 Restated
Amortised cost (note (i))	**2,212,672**	1,157,006	-
Available-for-sale (note (ii))	-	-	743,544
Held-to-maturity (note (ii))	-	-	1,135,842
	2,212,672	1,157,006	1,879,386

(i) *Amortised cost*

	2020 Rs'000	2019 Rs'000 Restated	2018 Rs'000 Restated
Government of Mauritius and Bank of Mauritius bonds	**1,120,788**	53,235	53,235
Treasury bills	**1,091,884**	1,103,771	1,103,771
	2,212,672	1,157,006	1,157,006

(ii) *Remaining term to maturity*

	Up to 3 months Rs'000	3-6 months Rs'000	6-12 months Rs'000	1-5 years Rs'000	Over 5 years Rs'000	Total Rs'000	2019 Rs'000 Restated
Government of Mauritius and Bank of Mauritius bonds	-	-	43,991	1,076,797	-	1,120,788	53,235
Treasury bills	-	943,955	147,929		-	1,091,884	1,103,771
	-	943,955	191,920	1,076,797	-	2,212,672	1,157,006

Comparative information under IAS 39

(b) *Investment securities*

	2018 Rs'000
(i) Available-for-sale	
Treasury bills (note 32)	743,544
	743,544
(ii) *Held-to-maturity*	
Government of Mauritius and Bank of Mauritius bonds (note 32)	352,959
Treasury bills (note 32)	782,883
	1,135,842
Total	**1,879,386**

8. INVESTMENT SECURITIES (CONT'D)

(c) Remaining term to maturity
(i) *Available-for-sale by levels*

	2020						2019	2018
	Within 3 months	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**	Total	Total
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	Rs'000 Restated	Rs'000
Securities								
Amortised cost								
Segment A								
Government of Mauritius and Bank of Mauritius bonds	-	-	43,991	1,076,797	-	1,120,788	53,235	-
Treasury bills	-	943,955	147,929	-	-	1,091,884	1,103,771	-
	-	943,955	191,920	1,076,797	-	2,212,672	1,157,006	-
Held-to-maturity								
Segment A								
Government of Mauritius and Bank of Mauritius bonds	-	-	-	-	-	-	-	352,959
Treasury bills	-	-	-	-	-	-	-	782,883
	-	-	-	-	-	-	-	1,135,842
Available for sale								
Segment A								
Treasury bills	-	-	-	-	-	-	-	743,544
Total								
Segment A	-	943,955	191,920	1,076,797	-	2,212,672	1,157,006	1,879,386
	-	943,955	191,920	1,076,797	-	2,212,672	1,157,006	1,879,386

9. INVESTMENT PROPERTY

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
At fair value			
At April 1	**32,000**	32,000	31,132
Net gains from fair value adjustment	**-**	-	868
At March 31 - Segment A	**32,000**	32,000	32,000

The investment property was revalued in March 2018, by S. M. Ikhlaas Belath MRICS (Chartered Valuation Surveyor). The valuation was made on the basis of open market value. The fair value measurement for investment properties of Rs.32m has been categorised as a Level 2 fair value based on the inputs to the valuation technique used in note 2.5. Investment properties generated in 2020 a rental income of **Rs.2.2m** (2019: Rs.2.3m). Direct operating expenses recognised in the statement of profit or loss and other comprehensive income were nil.

10. PROPERTY AND EQUIPMENT

	Land and buildings	Computer equipment	ATM	Furniture, fittings and equipment	Motor vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST OR VALUATION						
At April 1, 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)
At March 31, 2019	119,404	20,944	22,900	75,017	4,126	242,391
Additions	-	1,219	-	1,262	-	2,481
Assets written off		(198)		(1,759)	-	(1,957)
Disposals	(559)	-	-	-	-	(559)
At March 31, 2020	**118,845**	**21,965**	**22,900**	**74,520**	**4,126**	**242,356**
DEPRECIATION						
At April 1, 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)	(41)	(190)
At March 31, 2018	11,764	18,026	20,304	54,283	3,160	107,537
Charge for the year	3,301	1,544	713	5,216	32	10,806
At March 31, 2019	15,065	19,570	21,017	59,499	3,192	118,343
Charge for the year	3,161	1,094	624	4,052	139	9,070
Assets written off	-	(198)	-	(1,701)	-	(1,899)
At March 31, 2020	**18,226**	**20,466**	**21,641**	**61,850**	**3,331**	**125,514**
NET BOOK VALUES						
At March 31, 2018	107,949	2,821	2,525	16,860	966	131,121
At March 31, 2019	104,339	1,374	1,883	15,518	934	124,048
At March 31, 2020	**100,619**	**1,499**	**1,259**	**12,670**	**795**	**116,842**

10. PROPERTY AND EQUIPMENT (CONT'D)

Land and buildings

The land and buildings were revalued in March 2018, by S. M. Ikhlaas Belath MRICS (Chartered Valuation Surveyor). The valuation was made on the basis of open market value. The book values of the properties were adjusted to the revalued amounts and the resulting surplus credited to "Revaluation reserve" in shareholders' equity; the revalued amount has been categorised as a Level 2 fair value based on the inputs to the valuation technique used in note 3.2. If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2020	2019	2018
	Rs'000	Rs'000 Restated	Rs'000 Restated
Cost	**52,134**	52,134	52,134
Accumulated depreciation	**(37,128)**	(36,512)	(35,865)
Net book value	**15,006**	15,622	16,269

10A RIGHT-OF-USE ASSETS

	Land and buildings Rs'000
Additions during the year	35,828
Depreciation	(5,210)
At March 31, 2020 - Segment A	**30,618**

10B LEASE LIABILITIES

	Land and buildings Rs'000
Additions during the year	35,828
Interest expense	2,736
Lease payments	(6,348)
At March 31, 2020 - Segment A	32,216

	Rs'000
Current	3,879
Non-current	28,337
	32,216

The following are the amounts recognised in statement of profit or loss:	Land and buildings Rs'000
Depreciation expense on right-of-use assets	5,210
Interest expense on lease liabilities	2,736
Total amount recognised in statement of profit or loss	**7,946**

Maturity analysis of lease liabilities are as follows:

	Up to 1 year	1 to 5 years	5 to 25 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Lease liabilities	3,879	13,032	15,305	32,216

11. INTANGIBLE ASSET

	Computer Software Work in progress
	Rs'000
Cost	
Addition during the year	2,027
At March 31, 2020	2,027
Accumulated amortisation	
At March 31, 2020	-
Net book value	
At March 31, 2020 - Segment A	**2,027**

12. DEFERRED TAX ASSETS

Deferred tax is calculated on all temporary differences under the liability method at 7% (2019: 17%).

(a) Deferred tax liabilities and assets are offset when they relate to the same fiscal authority. The following amounts are shown in the statement of financial position:

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Deferred tax assets	**19,260**	39,832	38,715
Deferred tax liabilities	**(11,706)**	(19,693)	(17,986)
	7,554	20,139	20,729

(b) The movement on the deferred tax account is as follows:

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
As previously stated	**32,291**	35,667	32,221
Effect of prior year adjustments (note 32)	**(12,152)**	(14,938)	(12,146)
As restated	**20,139**	20,729	20,075
Effect of change in deferred tax rate from 17% to 7%	**(11,866)**	-	-
Amount (charged)/credited to:			
- Profit or loss (7%/17%)	**(719)**	(590)	654
At March 31	**7,554**	20,139	20,729

12. DEFERRED TAX ASSETS (CONT'D)

Deferred tax assets	**2020**	2019	2018
	Rs'000	Rs'000 Restated	Rs'000 Restated
Provisions for credit impairment			
As previously stated	**32,022**	34,066	29,336
Effect of prior year adjustments (note 32)	**4,269**	1,412	4,101
As restated	**36,291**	35,478	33,437
Effect of change in deferred tax rate from 17% to 7%	**(21,347)**	-	-
Amount credited to:			
- Profit or loss (7%/17%)	**661**	813	2,041
At March 31	**15,605**	36,291	35,478
Retirement benefit obligations			
As previously stated	**3,125**	2,587	2,944
Effect of prior year adjustments (note 32)	**416**	650	388
As restated	**3,541**	3,237	3,332
Effect of change in deferred tax rate from 17% to 7%	**(2,083)**	-	-
Amount (charged)/credited to:			
- Profit or loss (7%/17%)	**(293)**	304	(95)
At March 31	**1,165**	3,541	3,237
Lease Liabilities			
Effect of adopting IFRS 16 (note 36)	**2,508**	-	-
Amount charged to:			
- Profit or loss (7%)	**(18)**	-	-
At March 31	**2,490**	-	-
Total	**19,260**	39,832	38,715

Deferred tax liabilities	**2020**	2019	2018
	Rs'000	Rs'000 Restated	Rs'000 Restated
Asset revaluations			
As previously stated	**(1,021)**	(1,021)	-
Effect of prior year adjustments (note 32)	**(10,415)**	(10,467)	(10,647)
As restated	**(11,436)**	(11,488)	(10,647)
Effect of change in deferred tax rate from 17% to 7%	**6,728**	-	-
Amount charged to:			
- Profit or loss (7%)	**38**	51	(843)
At March 31	**(4,670)**	(11,437)	(11,490)
Accelerated tax depreciation			
As previously stated	**(1,835)**	35	(59)
Effect of prior year adjustments (note 32)	**(6,421)**	(6,532)	(5,988)
As restated	**(8,256)**	(6,497)	(6,047)
Effect of change in deferred tax rate from 17% to 7%	**4,857**	-	-
Amount charged to:			
- Profit or loss (7%/17%)	**(1,155)**	(1,759)	(449)
At March 31	**(4,554)**	(8,256)	(6,496)

12. DEFERRED TAX ASSETS (CONT'D)

Deferred tax liabilities (cont'd)	**2020**	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Right of use Assets			
Effect of adopting IFRS 16 (note 36)	**(2,508)**	-	-
Amount credited to:			
- Profit or loss (7%)	**26**	-	-
At March 31	**(2,482)**	-	-
Total	**(11,706)**	(19,693)	(17,986)

13. OTHER ASSETS

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Balances due in clearing	**228**	58,111	32,186
Mandatory balances with Central Bank	**546,304**	562,462	656,108
Others	**52,610**	6,097	17,569
	599,142	626,670	705,863
Analysed as follows:			
Segment A			
Balances due in clearing	**228**	58,111	32,186
Mandatory balances with central bank	**52,817**	432,787	548,433
Others	**52,610**	6,097	17,379
	105,655	496,995	597,998
Segment B			
Mandatory balances with central bank	**493,487**	129,675	107,675
Others	-	-	190
	493,487	129,675	107,865
Total	**599,142**	626,670	705,863

14. DEPOSITS

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
(a) **Deposits from banks**		Restated	Restated
Demand deposits	**23,585**	2,981	780
Savings accounts	**4,326**	3,857	-
Money market deposits with remaining term to maturity:			
Up to 3 months	**50,000**	-	-
	77,911	6,838	780

14. DEPOSITS (CONT'D)	2020	2019	2018
	Rs'000	Rs'000 Restated	Rs'000 Restated
(b) **Deposits from customers**			
(i) **Retail customers**			
Current accounts	74,177	131,094	129,972
Savings accounts	3,095,190	4,391,329	4,444,410
Time deposits with remaining term to maturity:	3,202,016	2,344,404	3,930,040
Up to 3 months	1,710,081	1,719,943	2,272,350
Over 3 months and up to 6 months	307,435	302,418	382,652
Over 6 months and up to 12 months	534,530	320,587	861,498
Over 1 year and up to 5 years	649,970	1,456	413,540
	6,371,383	6,866,827	8,504,422
(ii) **Corporate customers**			
Current accounts	673,924	416,098	585,083
Savings accounts	2,361,514	1,486,411	988,247
Time deposits with remaining term to maturity:	3,156,806	155,624	202,255
Up to 3 months	220	131,765	109,887
Over 3 months and up to 6 months	2,083,689	23,741	-
Over 6 months and up to 12 months	895,785	-	-
Over 1 year and up to 5 years	176,994	-	91,651
Over 5 years	118	118	717
	6,192,244	2,058,133	1,775,585
(iii) **Government**			
Savings accounts	656	-	-
	656	-	-
(c) **Accrued interest payable**	70,750	71,872	53,326
	12,712,944	9,003,670	10,334,113
(d) **Deposits from banks**			
Segment A			
Demand deposits	23,585	2,981	780
Savings accounts	4,326	-	-
Money market deposits with remaining term to maturity:			
Up to 3 months	50,000	-	-
Over 3 months and up to 6 months	-	-	-
Over 6 months and up to 1 year	77,911	2,981	780
Segment B			
Savings accounts	-	3,857	-
Over 6 months and up to 1 year	-	3,857	-

14. DEPOSITS (CONT'D)	2020	2019	2018
	Rs'000	Rs'000	Rs'000
(d) Deposits from customers		Restated	Restated
(i) Retail customers			
Segment A			
Current accounts	74,177	131,094	129,972
Savings accounts	2,750,086	2,589,980	2,408,818
Time deposits with remaining term to maturity	1,172,421	993,891	2,218,060
Up to 3 months	13,197	844,982	865,432
Over 3 months and up to 6 months	222,929	148,309	143,021
Over 6 months and up to 12 months	287,563	600	796,067
Over 1 year and up to 5 years	648,732	-	413,540
Over 5 years	-	-	-
	3,996,684	3,714,965	4,756,850
Segment B			
Current accounts	-	-	-
Savings accounts	345,104	1,801,349	2,035,592
Time deposits with remaining term to maturity	2,029,595	1,350,513	1,711,980
Up to 3 months	1,696,884	874,961	1,406,918
Over 3 months and up to 6 months	84,507	154,109	239,631
Over 6 months and up to 12 months	246,967	319,987	65,431
Over 1 year and up to 5 years	1,237	1,456	-
Over 5 years	-	-	-
	2,374,699	3,151,862	3,747,572
(ii) Corporate customers			
Segment A			
Current accounts	673,924	416,098	585,083
Savings accounts	450,475	56,965	329,493
Time deposits with remaining term to maturity	295,958	131,159	202,255
Up to 3 months	7,332	107,300	109,887
Over 3 months and up to 6 months	33,168	23,741	-
Over 6 months and up to 12 months	78,346	-	-
Over 1 year and up to 5 years	176,994	-	91,651
Over 5 years	118	118	717
	1,420,357	604,222	1,116,831
Segment B			
Current accounts			
Savings accounts	1,911,039	1,429,446	658,754
Time deposits with remaining term to maturity	2,860,848	24,465	-
Up to 3 months	1,132,739	24,465	-
Over 3 months and up to 6 months	1,531,325	-	-
Over 6 months and up to 12 months	192,591	-	-
	4,771,887	1,453,911	658,754
Government			
Segment A			
Savings accounts	656	-	-
	656	-	-

14. DEPOSITS (CONT'D)

(d) Deposits from customers (cont'd)

	2020	2019	2018
	Rs'000	Rs'000 Restated	Rs'000 Restated
Deposit			
Segment A	**5,495,608**	4,322,168	5,874,461
Segment B	**7,146,586**	4,609,630	4,406,326
Accrued interest payable			
Segment A	**35,523**	37,489	40,935
Segment B	**35,227**	34,383	12,391
Total	**12,712,944**	9,003,670	10,334,113

15. OTHER BORROWED FUNDS

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
- In Mauritius	**175,006**	-	-
- Abroad	**5,450,550**	10,768,226	5,731,117
	5,625,556	10,768,226	5,731,117
Other borrowed funds include borrowings with original maturity of less than 3 months as shown in note 5	**901,869**	9,821,452	4,793,088

The carrying amounts of other borrowed funds are not materially different from their fair values.

	2020	2019	2018
Remaining term to maturity	**Rs'000**	Rs'000	Rs'000
Up to 3 months	**901,869**	9,821,452	4,793,088
Over 3 months and up to 6 months	**403,600**	946,774	93,106
Over 6 months and up to 12 months	**1,380,087**	-	-
Over 1 year and up to 5 years	**2,940,000**	-	844,923
	5,625,556	10,768,226	5,731,117

16. CURRENT TAX LIABILITIES

	2020	2019	2018
	Rs'000	Rs'000 Restated	Rs'000 Restated
(a) Statement of financial position			
At April 1	**23,658**	12,587	10,782
Tax charge for the year	**16,705**	25,302	17,963
Tax paid	**(39,864)**	(14,230)	(16,180)
Corporate social responsibility tax	**3,392**	717	1,022
Corporate social responsibity tax paid	**(1,371)**	(717)	(1,022)
Exchange gains/(losses)	**594**	(2)	22
At March 31,	**3,114**	23,657	12,587

16. CURRENT TAX LIABILITIES (CONT'D)

Statement of profit or loss and other comprehensive income

		2020	2019	2018
		Rs'000	Rs'000	Rs'000
(b)	Current year tax expense	**15,993**	30,862	14,125
	Deferred tax (note 12)	**12,585**	590	(654)
	(Over)/under provision in previous years	**712**	(5,560)	1,888
	Exchange loss/(gain)	**41**	(303)	(842)
	Corporate Social Responsibility	**3,392**	-	1,022
		32,723	25,589	15,539
	Tax charge			
	Segment A	**15,870**	14,031	8,575
	Segment B	**16,853**	11,558	6,964
		32,723	25,589	15,539
	Current tax liabilities			
	Segment A	**2,896**	14,612	5,499
	Segment B	**218**	9,045	7,088
		3,114	23,657	12,587

(c) 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:

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
Profit before tax	**246,958**	320,061	65,809
Tax calculated at 5%/15%	**12,348**	48,009	9,871
Expenses not deductible for tax purposes	**13**	2,633	374
Income not subject to tax	**(63)**	(2,200)	(971)
Foreign tax credit	-	(28,249)	(13,044)
Special levy	-	10,089	5,484
Over/(under) provision in previous years	**712**	(5,560)	1,888
Exchange loss/(gain)	-	(355)	-
Corporate Social Responsibility contribution	**3,392**	-	1,022
Other movements	**(2,253)**	1,222	10,915
Effect from change in deferred tax rate	**18,574**	-	-
Tax charge	**32,723**	25,589	15,539

Corporate Social Responsibility (CSR) tax

Corporate Social Responsibility (CSR) tax was legislated by the Government of Mauritius in July 2009. The Bank is entitled to allocate a percentage of its chargeable income of the preceding year to a CSR programme approved by the National Social Inclusion Foundation (formerly known as National CSR Foundation) and the remaining to the Mauritius Revenue Authority.

16. CURRENT TAX LIABILITIES (CONT'D)

Bank Levy

During the year under review, special levy has been removed from the Income Tax Act 1995 (Consolidated up to Finance Act 2018) and was included in the Value Added Tax Act 1998 (Consolidated up to Finance Act 2019). However, in the prior years, the Bank was subject to a Special Levy which was calculated as follows:

(i) 3.4 per cent on book profit and 1.0 per cent on operating income with regard to its income derived from banking transactions with non-residents and corporations holding a Global Business Licence under the Financial Services Act 2007; and

(ii) 10 per cent on the chargeable income with regard to its income derived from sources other than from transactions referred in subparagraph (i). No levy is paid in a year where the Bank incurred a loss or its book profit did not exceed 5% of its operating income in the preceding year.

17. OTHER LIABILITIES

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Bills payable	**17,972**	19,237	14,328
Others	**27,797**	10,356	18,752
	45,769	29,593	33,080
Analysed as follows:			
Segment A			
Bills payable	**17,972**	19,237	14,328
Others	**13,961**	7,160	11,481
	31,933	26,397	25,809
Segment B			
Others	**13,836**	3,196	7,271
	13,836	3,196	7,271
Total	**45,769**	29,593	33,080

18. RETIREMENT BENEFIT OBLIGATIONS

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

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Present value of unfunded obligations	**16,642**	16,722	14,749
Analysed as:			
Segment A	**15,155**	14,396	12,718
Segment B	**1,487**	2,326	2,031
Total	**16,642**	16,722	14,749

18. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Current service cost	**4,950**	2,936	2,947
Total included in staff costs	**4,950**	2,936	2,947

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

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
As previously stated	**20,831**	19,042	19,602
Effect of prior year adjustments (note (32))	**(4,109)**	(4,293)	(4,877)
As restated	**16,722**	14,749	14,725
Amount recognised in profit or loss	**4,950**	2,936	2,947
Employer's contributions	**(5,311)**	(1,043)	(2,889)
Exchange differences	**281**	80	(34)
At March 31	**16,642**	16,722	14,749

Retirement benefits comprise mainly of gratuity payable under the Worker's Right Act 2019 (2018: 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 2.10.

19. ASSIGNED CAPITAL

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
(a) At April 1 and March 31	**400,571**	300,285	200,860

The assigned capital was increased by Rs.99m on 27th June 2018 and a further Rs.100m was increased on June 2, 2019, to meet the requirements as per the Bank of Mauritius to increase the assigned capital to Rs.400m.

(b) **Other reserves**

(i) **Statutory reserve**

Statutory reserve represents accumulated transfers from retained earnings in accordance with relevant local banking legislations. These reserves are not distributable.

(ii) **Revaluation reserve**

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

19. ASSIGNED CAPITAL (CONT'D)

(iii) Capital reserve

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

(iv) 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.

20. CONTINGENT LIABILITIES

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
(a) Instruments			
Guarantees on account of customers	**505,645**	487,539	392,523
Letters of credit on account of customers	**6,606**	13,566	15,404
	512,251	501,105	407,927
(b) Others			
Inward bills for collection	**655,724**	23,336	12,027
Outward bills for collection	**13**	70	188
	655,737	23,406	12,215
	1,167,988	524,511	420,142
Segment A			
Instruments			
Guarantees on account of customers	**481,929**	473,559	392,523
Letters of credit on account of customers	**6,606**	9,090	15,404
	488,535	482,649	407,927
Others			
Inward bills for collection	**655,724**	23,336	12,027
Outward bills for collection	**13**	70	188
	655,737	23,406	12,215
	1,144,272	506,055	420,142
Segment B			
Instruments			
Guarantees on account of customers	**23,716**	13,980	-
Letters of credit on account of customers	**-**	4,476	-
	23,716	18,456	-
Total	**1,167,988**	524,511	420,142

21. INTEREST INCOME

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
Loans to and placements with banks	**162,624**	191,163	25,269
Loans and advances to customers	**395,293**	341,323	265,612
Investments at amortised cost	**91,245**	123,678	-
Interest on available-for-sale securities	**-**	-	111,324
	649,162	656,164	402,205

21. INTEREST INCOME (CONT'D)

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
Segment A			
Interest on available-for-sale securities	-	-	39,019
Interest on held to maturity securities	-	-	68,975
Loans and advances to customers	145,895	117,350	128,580
Investments at amortised cost	89,064	120,016	-
	234,959	237,366	236,574
Segment B			
Interest on held to maturity securities	-	-	3,330
Placements with banks	162,624	191,163	25,269
Loans and advances to customers	249,398	223,973	137,032
Investments at amortised cost	2,181	3,662	-
	414,203	418,798	165,631
Total	649,162	656,164	402,205

22. INTEREST EXPENSE

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
Deposits from banks	149,240	181,419	55,895
Deposits from customers	195,174	121,911	149,284
	344,414	303,330	205,179
Segment A			
Deposits from banks	314	380	99
Deposits from customers	120,134	109,139	128,558
	120,448	109,519	128,657
Segment B			
Deposits from banks	148,926	181,039	55,796
Deposits from customers	75,040	12,772	20,726
	223,966	193,811	76,522
Total	344,414	303,330	205,179

23. NET FEE AND COMMISSION INCOME

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
Retail and private banking fees	914	701	754
Corporate banking fees	5,371	894	3,098
Guarantee fees	1,818	2,654	3,446
Interbank transaction fees	613	409	75
Cards and other related fees	4,039	3,307	3,159
Trade finance fees	99	266	531
Others	1,925	6,266	1,188
	14,779	14,497	12,251

23. NET FEE AND COMMISSION INCOME (CONT'D)

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
Segment A			
Guarantees	**1,818**	2,654	3,446
Letters of credit and foreign bills for collection	**701**	701	262
Service charges	**5,379**	4,876	8,461
Others	**5,149**	4,511	-
	13,047	12,742	12,169
Segment B			
Processing charges	**1,732**	1,755	82
Total	**14,779**	14,497	12,251

24. OTHER INCOME

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
Net trading income	**52,915**	50,027	41,800
Others	**53,864**	8,867	7,570
	106,779	58,894	49,370
Segment A			
Net trading income	**26,004**	25,402	23,355
Others	**13,846**	7,728	7,321
	39,850	33,130	30,676
Segment B			
Net trading income	**26,911**	24,625	18,445
Others	**40,018**	1,139	249
	66,929	25,764	18,694
Total	**106,779**	58,894	49,370

25. ALLOWANCE FOR CREDIT IMPAIRMENT LOSSES

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
Loans and advances	**56,270**	(1,958)	88,667
Segment A			
Loans and advances	**7,219**	8,463	2,054
Segment B			
Loans and advances	**49,051**	(10,421)	86,613
Total	**56,270**	(1,958)	88,667

26. PERSONNEL EXPENSES

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Wages and salaries	**40,989**	35,060	36,491
Other social security obligations	**1,875**	1,700	1,751
Contributions to defined contribution plans	**300**	2,752	2,363
Amount recognised in respect of defined benefit plans	**2,214**	2,231	2,247
Others	**6,785**	6,264	1,849
	52,163	48,007	44,701
Segment A			
Wages and salaries	**35,432**	31,194	32,842
Other social security obligations	**1,718**	1,534	1,562
Contributions to defined contribution plans	**300**	2,752	1,123
Amount recognised in respect of defined benefit plans	**1,998**	2,001	2,026
Others	**6,022**	5,452	783
	45,470	42,933	38,336
Segment B			
Wages and salaries	5,557	3,866	3,649
Other social security obligations	157	166	189
Contributions to defined contribution plans	-	-	1,240
Amount recognised in respect of defined benefit plans	216	230	221
Others	763	812	1,066
	6,693	5,074	6,365
Total	**52,163**	48,007	44,701

27. OTHER EXPENSES

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
Legal & professional fees	**650**	1,494	437
Rent, repairs, maintenance and security costs	**24,757**	25,851	27,648
Utilities	**6,579**	7,159	6,288
Advertising, marketing costs and sponsoring	**2,551**	2,183	1,273
Postage, courier and stationery costs	**2,777**	2,766	1,296
Insurance costs	**3,104**	2,534	3,248
Others	**16,217**	7,322	10,146
	56,635	49,309	50,336
Segment A			
Legal & professional fees	**593**	1,494	437
Rent, repairs, maintenance and security costs	**24,048**	25,145	25,127
Utilities	**6,117**	6,735	5,995
Advertising, marketing costs and sponsoring	**2,551**	1,236	1,273
Postage, courier and stationery costs	**2,391**	2,380	1,090
Insurance costs	**1,337**	1,465	1,535
Others	**8,260**	6,298	9,663
	45,297	44,753	45,120

27. OTHER EXPENSES (CONT'D)

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
Segment B			
Legal & professional fees	57	-	-
Rent, repairs, maintenance and security costs	709	706	2,521
Utilities	462	424	293
Advertising, marketing costs and sponsoring	-	947	-
Postage, courier and stationery costs	386	386	206
Insurance costs	1,767	1,069	1,713
Others	7,957	1,024	483
	11,338	4,556	5,216
Total	56,635	49,309	50,336

28. COMMITMENTS

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
(a) Undrawn credit facilities	45,219	1,071,843	792,998

(b) **Securities pledged**

The Bank has pledged Government of Mauritius bonds as collateral for the purpose of overnight facility from the Bank of Mauritius.

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
Government of Mauritius bonds with Bank of Mauritius	200,000	200,000	229,800

29. RELATED PARTY TRANSACTIONS

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
		Restated	Restated
Fellow subsidiaries and inter-branch			
Balance and Placements with Banks	4,413,084	218,950	4,668,012
Money Market Placements	3,186,796	3,454,693	-
Accrued Interest	33,107	15,483	3,839
	7,632,987	3,689,126	4,671,851
Directors and key management personnel			
Loans	9,720	10,737	8,939
Fellow subsidiaries and inter-branch			
Borrowings from Bank	5,543,487	10,737,142	4,867,422
Accrued Interest	27,558	31,085	7,411
	5,571,045	10,768,227	4,874,833
Directors and key management personnel			
Deposits	20,944	18,763	16,203
Fellow subsidiaries and inter-branch			
Interest Income	88,248	65,630	21,708
Interest Paid	146,425	172,822	43,167
Management Fees paid to parent bank	514	973	
	235,187	239,425	64,875

29. RELATED PARTY TRANSACTIONS (CONT'D)

	2020	2019	2018
	Rs'000	Rs'000	Rs'000
Directors and key management personnel			
Interest income	**331**	326	314
Interest expense	**527**	478	517
	858	804	831
Key management personnel			
Salaries and short-term employee benefits	**10,220**	11,196	11,788
Post-employment Benefits	**1,464**	639	520
Other benefits	**1,062**	937	1,034
	12,746	12,772	13,342

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

30. SEGMENTAL REPORTING

Statement of financial position as at March 31,

		2020			2019 (Restated)			2018 (Restated)		
	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
ASSETS										
Cash and cash equivalents	5	1,007,042	3,608,402	4,615,444	1,579,599	7,234,909	8,814,508	2,249,568	4,696,394	6,945,962
Placements with banks	6	-	4,413,084	4,413,084	-	1,748,525	1,748,525	-	-	-
Loans and advances to customers	7	2,462,399	6,061,810	8,524,209	2,335,511	6,719,847	9,055,358	1,823,001	5,988,742	7,811,743
Investment securities	8	2,212,672	-	2,212,672	1,157,006	-	1,157,006	1,879,386	-	1,879,386
Investment property	9	32,000	-	32,000	32,000	-	32,000	32,000	-	32,000
Property and equipment	10	116,671	171	116,842	123,889	159	124,048	130,926	195	131,121
Right of use assets	10A	30,618	-	30,618	-	-	-	-	-	-
Intangible asset	11	2,027	-	2,027	-	-	-	-	-	-
Deferred tax assets	12	7,554	-	7,554	20,139	-	20,139	20,729	-	20,729
Other assets	13	105,655	493,487	599,142	496,995	129,675	626,670	597,998	107,865	705,863
Total assets		5,976,638	14,576,954	20,553,592	5,745,139	15,833,115	21,578,254	6,733,608	10,793,196	17,526,804
LIABILITIES										
Deposits	14	5,531,131	7,181,813	12,712,944	4,359,657	4,644,013	9,003,670	5,915,396	4,418,717	10,334,113
Other borrowed funds	15	175,006	5,450,550	5,625,556	-	10,768,226	10,768,226	-	5,731,117	5,731,117
Current tax liabilities	16	2,896	218	3,114	14,612	9,045	23,657	5,499	7,088	12,587
Lease liabilities	10B	32,216	-	32,216	-	-	-	-	-	-
Other liabilities	17	31,933	13,836	45,769	26,397	3,196	29,593	25,809	7,271	33,080
Retirement benefit obligations	18	15,155	1,487	16,642	14,396	2,326	16,722	12,718	2,031	14,749
Total liabilities		5,788,337	12,647,904	18,436,241	4,415,062	15,426,806	19,841,868	5,959,422	10,166,224	16,125,646
SHAREHOLDERS' EQUITY										
Assigned capital	19			400,571			300,285			200,860
Retained earnings				928,095			843,088			689,019
Other reserves				788,685			593,013			511,279
Total equity				2,117,351			1,736,386			1,401,158
Total equity and liabilities		5,788,337	12,647,904	20,553,592	4,415,062	15,426,806	21,578,254	5,959,422	10,166,224	17,526,804

30. SEGMENTAL REPORTING (CONT'D)

Statement of profit or loss for the year ended 31 March,

	Notes	2020			2019 (Restated)			2018 (Restated)		
		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
Interest income	21	234,959	414,203	649,162	237,366	418,798	656,164	236,574	165,631	402,205
Interest expense	22	(120,448)	(223,966)	(344,414)	(109,519)	(193,811)	(303,330)	(128,657)	(76,522)	(205,179)
Net interest income		114,511	190,237	304,748	127,847	224,987	352,834	107,917	89,109	197,026
Net fees and commission income	23	13,047	1,732	14,779	12,742	1,755	14,497	12,169	82	12,251
Net trading income										
Profit arising from dealing in foreign currencies		26,004	26,911	52,915	25,402	24,625	50,027	23,355	18,445	41,800
Other income	24	13,846	40,018	53,864	7,728	1,139	8,867	7,322	248	7,570
		39,850	66,929	106,779	33,130	25,764	58,894	30,677	18,693	49,370
Operating income		167,408	258,898	426,306	173,719	252,506	426,225	150,763	107,884	258,647
Allowance for credit impairment losses	25	(7,219)	(49,051)	(56,270)	(8,463)	10,421	1,958	(2,054)	(86,613)	(88,667)
Net operating income		160,189	209,847	370,036	165,256	262,927	428,183	148,709	21,271	169,980
Personnel expenses	26	(45,470)	(6,693)	(52,163)	(42,933)	(5,074)	(48,007)	(38,336)	(6,365)	(44,701)
Depreciation of property and equipment		(9,015)	(55)	(9,070)	(10,748)	(58)	(10,806)	(9,059)	(75)	(9,134)
Depreciation of right of use assets		(5,210)	-	(5,210)	-	-	-	-	-	-
Other expenses	27	(45,297)	(11,338)	(56,635)	(44,753)	(4,556)	(49,309)	(45,120)	(5,216)	(50,336)
Total operating expenses		(104,992)	(18,086)	(123,078)	(98,434)	(9,688)	(108,122)	(92,515)	(11,656)	(104,171)
Profit before taxation		55,197	191,761	246,958	66,822	253,239	320,061	56,194	9,615	65,809
Income tax expense	16	(15,870)	(16,853)	(32,723)	(14,031)	(11,558)	(25,589)	(8,575)	(6,964)	(15,539)
Profit for the year		39,327	174,908	214,235	52,791	241,681	294,472	47,619	2,651	50,270
Other comprehensive income:										
Items that will not be reclassified to profit or loss:										
Revaluation of property, plant and equipment		-	-	-	-		-	10,354	-	10,354
Items that may be reclassified subsequently to profit or loss:										
Gains/(losses) on foreign exchange rates		-	166,729	166,729	40,756	-	40,756	-	(56,895)	(56,895)
Other comprehensive (loss)/income		-	166,729	166,729	40,756	-	40,756	10,354	(56,895)	(46,541)
Total comprehensive income for the year		39,327	341,637	380,964	93,547	241,681	335,228	57,973	(54,244)	3,729

31. COVID-19 PANDEMIC

The COVID-19 outbreak was declared a global pandemic by the World Health Organization on March 21, 2020 and affected world economy as well as Indian and Mauritian economy.

On account of continuous volatility in financial market, the Bank has considered internal and external sources of information including economic forecasts and industry reports up to the date of approval of financial statements in determining the impact on various elements of its financial statements including recoverability of advances and provision thereon, investment valuation, other assets and liabilities of the Bank.

The Bank has performed analysis and on the assumptions used and based on the current indicators, the Bank expects the carrying amount of assets, including advances and investments, will be recovered and sufficient liquidity is available.

Given the uncertainty due to the COVID-19 pandemic, the Bank is continuously monitoring any material change in future economic condition which may impact the Bank's operations and its financial results in future depending on the developments which may differ from that estimated as at the date of approval of these financial statements.

The Government and the Bank of Mauritius have introduced several measures to alleviate the obligations of borrowers in response to the Pandemic so that their disposable income may be used for more immediate needs. These measures as mentioned hereunder will also help to mitigate the foreseeable financial difficulties being faced by businesses, which would in turn contribute to keeping in check the credit-negative effects of the pandemic on banks' asset quality and liquidity.

- Selective payment moratorium (a six-month moratorium on the capital repayments) which has now been extended from September 30, 2020 to December 31, 2020. This moratorium is not applicable for overdrafts, credit cards and other credit facilities.
- interest subsidy on home loans;
- the provision of USD-denominated loan facilities for businesses; and
- in addition, for households earning a combined basic monthly salary of up to MUR50 000, the interest for the period April 1, 2020 to June 30, 2020 on the outstanding household loans has been paid by Bank of Mauritius.

Further to the Regulatory/Statutory Package on Asset Classification and Provisioning our Bank has granted a moratorium on the payment of instalments and/or interest, as applicable to eligible borrowers classified as standard, even if overdue, as on 31st March 2020 without considering the same as restructuring. In accordance with the guidelines, the moratorium period, wherever granted, is excluded by the Bank from the number of days the account is past due for the purpose of Asset Classification under BOM's Income Recognition and Asset Classification norms. The Bank, accordingly, show provision as at 31st March 2020 against the potential impact of COVID 19 based on the information available up to that point in time. Following are the details of such accounts and provisions made by the Bank.

31. COVID-19 PANDEMIC (CONT'D)

S. No.	Particulars	Amount in MUR'M
1.	Amounts outstanding in SMA/overdue categories, where the moratorium/deferment was extended as per COVID -19 Regulatory Package	412,377
2.	Amount outstanding where asset classification benefits is extended up to 31.03.2020	21,001
3.	Provisions made during the Q4FY2020 in terms of paragraph 5 of COVID -19 Regulatory Package as at 31.03.2020 (Domestic)	4,200
4.	Provisions adjusted during the respective accounting periods against slippages and the residual provisions in terms of paragraph 6 of COVID -19 Regulatory Package as at 31.03.2020	**Nil**

Dividend

The Bank has not declared dividend pay outs from the profits pertaining to the financial year ended March 31, 2020.

Global Economy

Growth in the global economy slowed down to 2.9% in Calendar Year (CY) 2019 compared with 3.6% in CY 2018. With the ongoing COVID-19 pandemic, global GDP growth is expected to contract sharply by 4.5% in CY 2020 as per latest estimates by IMF. The sluggishness in GDP growth was driven by contraction in world trade volume from 3.8% in CY 2018 to 0.9% in CY 2019 as trade and tariff wars disrupted global value chains. This in turn impacted global manufacturing activity and investments. Apart from this, higher interest rates, Brexit and waning effects of US fiscal stimulus also contributed to the moderation in growth. Further, global commodity prices also fell by 10.2% in CY 2019 after increasing by 29.4% in CY 2018.

According to IMF, growth slowdown was more pronounced in Emerging Market and Developing Economies (EMDEs) from 4.5% in CY 2018 to 3.7% in CY 2019 led by India and China. Advanced Economies (AEs) too slowed down to 1.7% versus 2.2% in CY 2019 led by Germany and US. In Germany, growth slowed down to 0.6% in CY 2019 from 1.5% in CY 2018 due to the disruptions in the auto industry resulting from new emission standards in the Euro Area.

Mauritian Economy and Developments in Mauritian Banking

- Mauritian economy is being buffeted by the pandemic.
- Household consumption and private investment are expected to remain subdued in 2020.
- The sectors which have taken the hardest hit are: the tourism sector, the manufacturing sector and the trade sector.
- The tourist arrivals have dropped by around 70 per cent in 2020 compared to 2019 and revenue from this industry in the first half of 2020 has fallen short of 2019 receipts by around Rs18 billion. In the event the national borders remain closed for the rest of the year, the shortfall could rise to around Rs50 billion, which represents a significant drop in FX inflows from the tourism sector.
- Statistics Mauritius has estimated an economic contraction of 2.0 per cent in the first quarter of 2020. The fall in real output occurred primarily in the accommodation and food service sector, the manufacturing sector, and the distributive trade sector. Real output is projected to decline substantially in the second and third quarters of 2020.

31. COVID-19 PANDEMIC (CONT'D)

Mauritian Economy and Developments in Mauritian Banking (cont'd)

- Domestic inflation has remained low and stable. Inflation in June 2020 was at 1.8 per cent.
- The economic fallout is adversely altering labor market dynamics.
- Since the onset of the crisis, activity on the foreign exchange (FX) market has been low. FX turnover fell by around 53 per cent in the second quarter of 2020, relative to the corresponding period of 2019.
- The Bank of Mauritius (BoM) has been consistently supplying FX to the market. Since March 18, 2020, taking into account swap transactions, the FX lines of credit to banks and FX interventions, the BoM has supplied an aggregate amount of USD656 million (or equivalent to around Rs.26.0 billion) to the banking sector. BoM has also sold USD242 million directly to banks through intervention. BoM has also supplied the State Trading Corporation a total of USD67.0 million. BoM is normally ready to intervene and supply FX to the market as and when required.
- Lower interest rates have eased the financial burden on borrowers. Savings on debt servicing reaped by households and corporate entities are estimated at around Rs1.4 billion and Rs2.2 billion, respectively that is an estimated total of around Rs3.6 billion.
- Liquidity in the banking system has gone up since March 2020, partly reflecting the policy decision to substantially ease monetary conditions and ensure the financial system had sufficient liquidity to withstand the crisis. BoM will gradually endeavor to normalize liquidity conditions in the banking system.

Audit and Covid-19

The lockdown announced due to Covid 19 pandemic by the Government restricted the physical visit to be Branch. Thus we have had to rely on alternative audit procedures.

Based on the advisory, bank has provided documents/ information required by us through electronic medium. As a result of the above, part of the statutory audit of the advances of the branches has been carried out based on data in the form of reports and documents, in an electronic form including scanned copies of the documents and excel worksheet and other documents as furnished by the respective units as well as additional documents provided to us in response to our requirements.

It may be noted that the data and information provided electronically through reports; records etc for the purpose of our audit are correct, complete, reliable and are directly generated from the accounting system of the Bank extracted from the borrower files, without any further manual modifications so as to maintain its integrity, authenticity, readability and completeness.

32. PRIOR YEAR ADJUSTMENTS

The prior year adjustments and their effects are as follows:

THE BANK

	Notes	Retirement benefit obligation Rs'000	Deferred tax assets Rs'000	Translation reserves Rs'000	Retained earnings Rs'000	Statutory reserve Rs'000
At April 1, 2017						
- as previously reported		19,602	32,221	247,733	653,687	201,177
- restatement of residual gratuity	(a)	(4,877)	-	-	-	-
- effect of change in deferred tax rate and misstatements	(b)	-	(12,146)	-	(14,938)	-
- as restated		**14,725**	**20,075**	**247,733**	**638,749**	**201,177**
At March 31, 2018						
- as previously reported		19,042	35,667	190,838	699,664	201,177
- restatement of residual gratuity	(a)	(4,293)	-	-	4,293	-
- effect of change in deferred tax rate and misstatements	(b)	-	(14,938)	-	(14,938)	-
- as restated		**14,749**	**20,729**	**190,838**	**689,019**	**201,177**
At March 31, 2019						
- as previously reported		20,831	32,291	367,760	892,110	201,177
- restatement of residual gratuity	(a)	(4,109)	-	-	4,109	-
- effect of change in deferred tax rate and misstatements	(b)	-	(12,152)	-	(12,152)	-
- effect of correct exchange rates for intermediary accounts	(c)	-	-	(132,974)	-	-
- Statutory reserve not accounted	(d)	-	-	-	(44,170)	44,170
- Release of revaluation reserves	(e)	-	-	(3,192)	3,192	-
- as restated		**16,722**	**20,139**	**231,594**	**843,089**	**245,347**

32. PRIOR YEAR ADJUSTMENTS (CONT'D)

The effects on the statements of profit or loss and other comprehensive income to the Bank are as follows:	**2019**	2018
	Rs'000	Rs'000
The effect on profit or loss is as follows:		
As previously reported:		
- restatement of residual gratuity	**184**	(584)
- deferred tax assets	**2,787**	(2,791)
Net increase/(decrease) in profit for the year	**2,971**	(3,375)
As restated	**2,971**	(3,375)

(a) **Retirement benefit obligation (residual gratuity)**
Retirement benefit obligations for the financial years ended March 31, 2019 and March 31, 2018 were wrongly calculated and were not in line with local regulatory (Workers Rights Act 2019). In addition, the retirement gratuity were not being discounted. These balances and the corresponding impact on deferred tax have now been recognised with retrospective effect and comparative figure have been restated accordingly.

(b) **Restatement of deferred tax assets**
The Bank's deferred tax rate changed from 15% to 17% to include the 2% Corporate Social Responsibility (CSR) contribution as imposed by the government. Prior year figures have been adjusted accordingly.

(c) **Wrong exchange rates used for intermediary accounts**
As at March 31, 2019, other assets included intermediary accounts held in foreign currency and misstated as as a result of wrong exchange rates being taken in calculation. This resulted in an overstatement of other assets and translation reserve by Rs133m as at March 31, 2019.

(d) **Statutory reserves not accounted**
As at March 31, 2019, the Bank did not transfer, as per section 21 of the Banking Act 2004, 15% of the net profit to statutory reserve account. As a result of it, Rs44m has been transferred from retained earnings to statutory reserves.

(e) **Release of revaluation reserves to retained earnings**
Release of annual revaluation reserve surplus for the year ended March 31, 2019 was wrongly transferred to retranslation reserve. As a result, an amount of Rs3,192 has been transferred from retranslation reserve to retained earnings.

32. PRIOR YEAR ADJUSTMENTS (CONT'D)

(f) Reclassification adjustments

The following reclassifications have been performed in accordance with Bank of Maurtius Public Disclosure guideline and respective IFRSs:

(i) Balances maintained with the Central Bank as cash reserve requirements, have been reclassfied from Cash and cash equivalents to other assets.

(ii) Investment securities maturing in less than three months have been reclassified from investment securities to balances with banks.

(iii) Interest accrued on financial assets and financial liabilities have been reclassified from other assets and other liabilities to placement with bank, investment securities and other borrowed funds to meet requirements of respective IFRS.

THE BANK	Cash and cash equivalents	Loans and advances	Placements with banks	Other assets	Investment securities	Deposits	Other borrowed funds	Other liabilities
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At March 31, 2018								
- as previously reported	931,345	7,765,943	4,529,350	118,491	3,997,825	10,289,379	5,722,525	86,406
- Reclassification (i)	(670,954)		-	670,954	-	-	-	-
- Reclassification (ii)	6,685,571		(4,533,189)	-	(2,152,382)	-	-	-
- Reclassification (iii)	-	45,800	3,839	(83,582)	33,943	44,734	8,592	(53,326)
- as restated	**6,945,962**	**7,811,743**	-	**705,863**	**1,879,386**	**10,334,113**	**5,731,117**	**33,080**
At March 31, 2019								
- as previously reported	856,581	9,024,104	8,856,450	290,128	2,507,779	8,962,882	10,737,142	101,464
- Reclassification (i)	(552,786)	-	-	552,786	-	-	-	-
- Reclassification (ii)	8,510,713	-	(7,123,407)	-	(1,387,306)	-	-	-
- Reclassification (iii)	-	31,254	15,482	(216,244)	36,533	40,788	31,084	(71,871)
- as restated	**8,814,508**	**9,055,358**	**1,748,525**	**626,670**	**1,157,006**	**9,003,670**	**10,768,226**	**29,593**

33. CHANGES IN ACCOUNTING POLICIES

(a) Impact on the financial statements

The Bank adopted IFRS 16 with a transition date of April 1, 2019. The Bank has chosen not to restate comparatives on adoption of the standard, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. April 1, 2019) and recognised in the opening equity balances.

Effective March 1, 2019, IFRS 16 has replaced IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease.*

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lesssor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Bank does not have significant leasing activities acting as a lessor.

<u>Transition Method and Practical Expedients Utilised</u>

The Bank adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (April 1, 2019), without restatement of comparative figures. The Bank elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after April 1, 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Bank applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the
(c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
(d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Company previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Bank recognise right-of-use assets and lease liabilities for its leases.

33. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(a) Impact on the financial statements (cont'd)

On adoption of IFRS 16, the Bank recognised right-of-use assets and lease liabilities as follows:

Classification under IAS 17	Right-of-use assets	Lease liabilities
All other operating leases	Office space: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. All other: the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.	Measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate as at March 1, 2019. The Bank's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 8.00%.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at April 1, 2019:

	Adjustment	March 31, 2019 As originally Presented Rs'000	IFRS 16 Rs'000	April 1, 2020 Rs'000
Assets				
Right-of-use assets	(i)	-	35,828	**35,828**
Deferred tax liabilities (note 12)	(ii)	-	(2,508)	**(2,508)**
Liabilities				
Lease liabilities	(i)	-	35,828	**35,828**
Deferred tax assets (note 12)	(ii)	-	2,508	**2,508**

(i) The adjustment to right-of-use assets is as follows:

	The Bank Rs'000
Operating type leases	35,828
Right-of-use assets	35,828

(ii) Deferred tax assets were adjusted to reflect the tax effect of the other adjustments recorded.

33. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(a) Impact on the financial statements (cont'd)

(iii) The following table reconciles the minimum lease commitments disclosed in the Bank's March 31, 2019 annual financial statements to the amount of lease liabilities recognised on April 1, 2019:

	April 1, 2019
	MUR '000
Minimum operating lease commitment at March 31, 2019	53,462
Undiscounted lease payments	53,462
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(17,634)
Lease liabilities for leases classified as operating type under IAS 17	35,828
Plus: leases previously classified as finance type under IAS 17	-
Lease liability as at April 1, 2020	35,828
Of which are:	
Current lease liabilities	3,612
Non-current lease liabilities	32,216
	35,828

34. 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.