Bank of Baroda

Mauritius Operations

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

TABLE OF CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Bank's operations in Mauritius presented in this annual report have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder have been applied and management has exercised its judgement and made best estimates where deemed necessary.

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

The Bank's senior management is responsible for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions. The Bank's Internal Auditor, who has full and free access to the Audit Committee both in Mauritius and at the Head Office level, conducts a well-designed program of internal audits. In addition, the Bank's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Bank as it deems necessary.

The Bank's external auditor, Deloitte, has full and free access to senior management and the local advisory board to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

FOR BANK OF BARODA – MAURITIUS OPERATIONS

....	....	....
(Sushil K. Pande) **Chief Manager** **(Port-Louis Branch Mauritius)**	**(Dr Sunil Patil)** **Chief Financial Officer** **(Mauritius Operations)**	**(Diwakar P. Singh)** **Vice President** **(Mauritius Operations)**

Date: 27 June 2022

Bank of Baroda, Mauritius Operations ("BoB-MU") was incorporated in Mauritius on 19 October 1962, as a Branch of Bank of Baroda ("BoB") incorporated in India. The ultimate holding entity of BoB is the Government of India.

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-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 its various areas of operations in Mauritius; however, wherever the guidelines issued by the local regulatory authorities are more stringent, the Bank adopts the local regulations.

BoB believes that there is a need to view Corporate Governance as more than just regulatory requirements and sound corporate governance is a culture of accountability, fairness, transparency, consistency and effectiveness which is practiced across BoB globally to ensure continuity and success.

Compliance with the National Code of Corporate Governance for Mauritius (2016)

During the year under review, BoB-MU has through its Senior Management Team assessed the requirements and provisions as specified under the Code and took the necessary steps, to the best of its knowledge, to design, implement and maintain internal control and other procedures to ensure compliance with the principles sets out under the National Code of Corporate Governance 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.

The disclosures pertaining to the eight principles of the Code have been made in different sections of the annual report as outlined below:

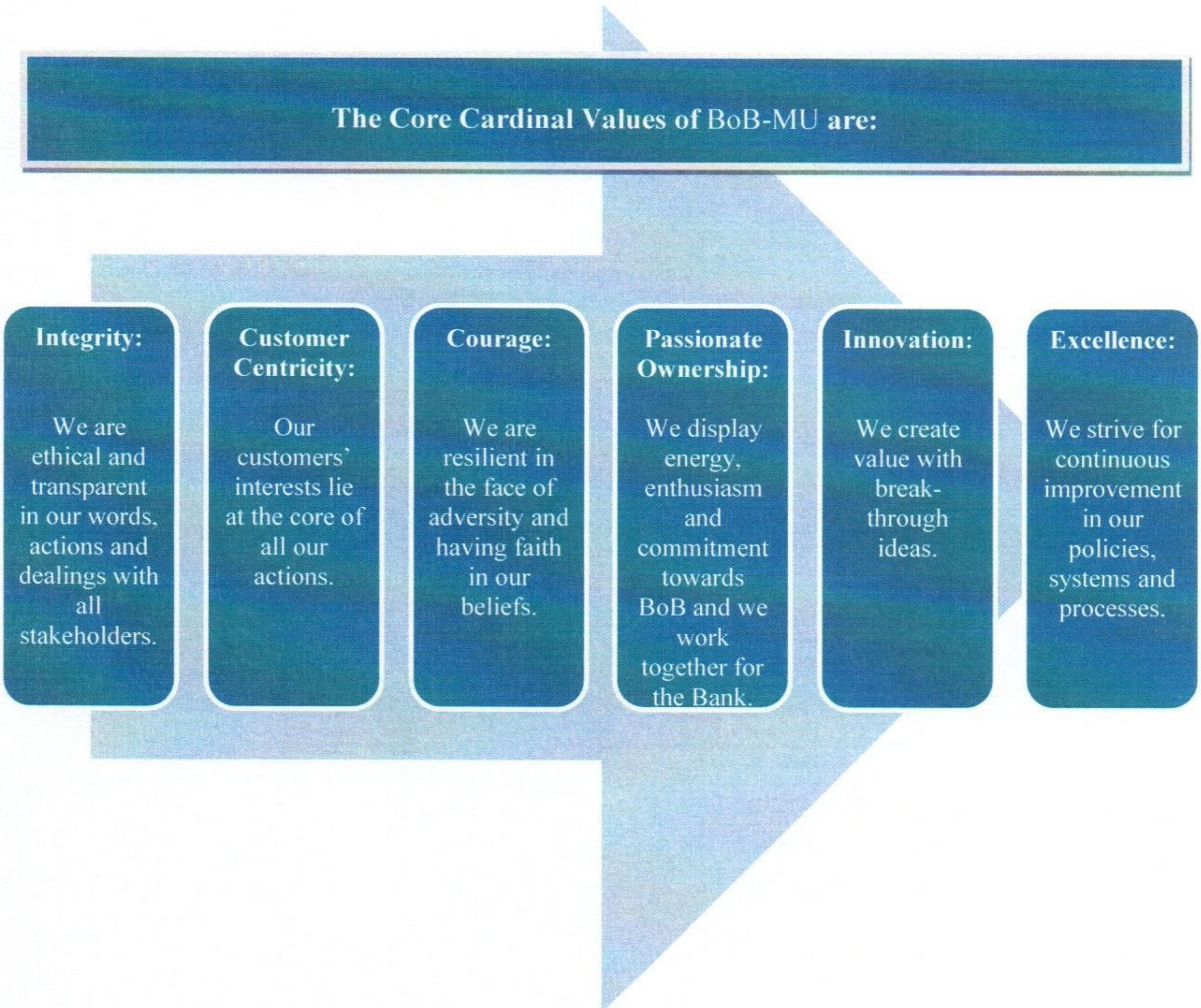
Principle 1	• Governance Structure
Principle 2	• The Structure of the Board and its Committees
Principle 3	• Director Appointment Procedures
Principle 4	• Director Duties, Remuneration and Performance
Principle 5	• Risk Governance and Internal Control
Principle 6	• Reporting with Integrity
Principle 7	• Audit
Principle 8	• Relations with Shareholders and Other Key Stakeholders

BoB-MU's Philosophy on Corporate Governance and Code of Conduct

Since corporate governance has emerged as an essential tool in the organisational management globally, strong corporate governance practices have become crucial in achieving competitive advantage and positively impacting profitability.

BoB-MU is committed to adopting the best recognised corporate governance practices and is continuously benchmarking itself against each such practice. Adherence to the best corporate governance practices is an integral part of BoB-MU's operations. BoB-MU constantly strives towards betterment of these aspects which perpetuates into generating long term economic value for all its stakeholders, i.e. our customers, employees and other society members and most importantly the regulators.

BoB-MU's corporate governance philosophy is reflected by the values of transparency, professionalism and accountability and its core cardinal values are given below:



The employees of BoB-MU are required have the highest standards of integrity, conduct, ethics and performance and to also act with due skill, care and diligence besides complying with all guidelines, laws and regulations applicable to our business.

BoB-MU's corporate governance is also governed by the following principles:

- Enhance and maximize the shareholders' value;
- Fair, ethical and transparent in dealings with all the stakeholders;
- Protection of the interest of all stakeholders 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;
- Adherence to our core values; and
- Creating corporate leadership of highest standard.

BoB (including BoB-MU) Code of Conduct

BoB is governed by Code of Conduct approved by its Board which is posted on the Bank's website i.e., www.bankofbaroda.in. In addition to its corporate guidelines, BoB-MU has also adopted the Code of Ethics and Banking Practices issued by the Mauritius Bankers Association to align its practices with all the other players of the local banking sector.

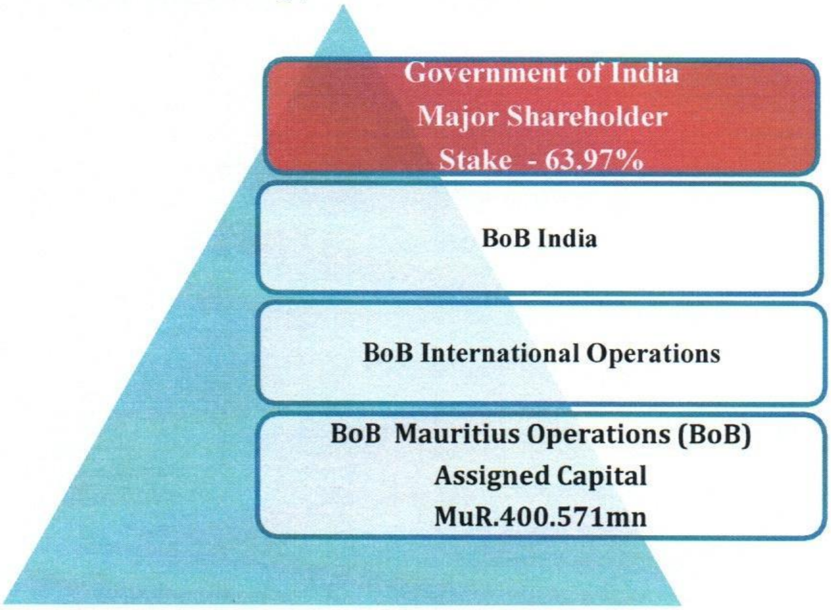
BoB-MU ensures effective management in line with the above values and its Code of Ethics. Employees are empowered through the Code to support responsible decision making and to adhere to the highest standards of business practices. Incident reporting is encouraged and a dedicated confidential reporting line is available for all employees.

The Senior Management Team is responsible for ensuring the Bank is in compliance with all the relevant laws, regulations and guidelines. The team is also ensuring integrity of the annual financial statements and compliance of the Code of Conduct by the employees.

1. Principle One – Governance Structure

1.1 Shareholding Structure

As on March 31, 2022, the shareholding pattern of BoB was as follows:



1.2 Responsibilities of the Local Advisory Board

In Mauritius to be in line with section 10 of the Bank of Mauritius Guideline on Corporate Governance and to comply with the local regulatory requirements, BoB-MU has established a Local Advisory Board ("LAB") in an advisory capacity. In exercising its duty, the LAB is responsible to have an overview over the management of BoB-MU and to ensure that the management is working within its risk appetite framework to achieve its strategic objectives.

1.3 Responsibilities of the Management of BoB-MU

The administration and operations of BoB-MU have been conferred to a local management team comprising IBOs and Local Senior Officials.

Management is responsible for ensuring that the internal control systems in place are effective and that the Bank's operations are properly controlled and comply with policies approved by the Bank as well as applicable laws and regulations.

It is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Management has made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

2. Principle Two – The Structure of the Board and its Committees and Senior Management

BoB-MU has constituted various Committees at different levels to look into different areas of strategic importance. The most significant Committees are as under:

2.1 Local Advisory Board of BoB-MU and its mandate

The Bank of Mauritius, in its role as the regulator of financial institutions and as per requirements under Section 50 of the Bank of Mauritius Act 2004, Section 100 of the Banking Act 2004, and the relevant requirements under the Banking Act 2004 and the Companies Act 2001, issued the minimum requirements for establishment of a Local Advisory Board by branches of foreign banks in the Banking Act 2004 under its Guideline on Corporate Governance. The guideline broadly sets out the minimum standards of corporate governance that the Bank of Mauritius expects from a financial institution.

The LAB of BoB-MU meets on quarterly basis and operates as a general committee under the direction of the Board of BoB. The Board of BoB has assessed the size, composition and balance of the LAB which they consider to be appropriate with respect to the scope and nature of the operations of the Bank in Mauritius.

LAB OF BoB-MU			
Frequency of Meeting	:	Quarterly	
Composition	:	Name	Title
		Mr. Sanjay Mudaliar	Non-Executive Member Chief General Manager & Chief Technology Officer
		Mr. Lalam Jakkaiah	Non-Executive Member General Manager, International Banking, BoB
		Mr. Priyaved Jhugroo	Non-Executive Member, Independent Director
		Mr. Diwakar P. Singh	Executive Member, CEO/Vice President, BoB-MU
Main Responsibilities	:	The responsibilities of LAB include among others: ▪ to have effective board oversight; ▪ to ensure strong risk management process is in place, by determining appropriate policies and processes; ▪ to ensure effective internal controls are is in place; ▪ to ensure compliance with statutory requirements, and related areas; ▪ to ensure safety and soundness of the Bank; ▪ to ensure safeguarding the interests of customers and other stakeholders; ▪ to ensure that the internal audit reports are discussed in the meetings and a time-frame stipulating corrective action to be taken is set; ▪ to discuss new business avenues/prospects; ▪ function independently of Management and put in place appropriate structures and procedures to achieve and project its independence; ▪ ensuring that Bank's policies and systems are effective enough 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 operations at all times; and	

		▪ ensure that adequate systems and procedures have been established, and sufficient resources committed to ensure compliance with the requirements of laws, regulations and guidelines issued by the Bank of Mauritius. It is the responsibility of LAB members to keep abreast with the developments pertaining to Mauritius regulatory and supervisory environment and the long-term national growth strategies.
Other Commitments	:	The Chairperson of the LAB also ensures that: ▪ changes taking place in the local regulatory and supervisory environment and other relevant developments are apprised to LAB members; ▪ there is an appropriate structure in place for identifying, monitoring and managing solvency, financial, operational, strategic, compliance, liquidity risk and necessary feedback is obtained for an effective monitoring on a timely basis; ▪ appropriate management information is received on a timely basis; and ▪ the staff members obtain appropriate training.

2.2 Management Committee of BoB

In addition to the LAB, BoB-MU has in place four comprehensively structured Management Committees for more in-depth analysis and evaluation of various matters as per their duly approved responsibilities which are subject to review as and when required or on any change in regulatory/statutory guidelines.

2.2.1 Asset & Liability Management Committee ("ALCO") and its mandate

ALCO has been entrusted with a formal schedule of matters. It is responsible for assets and liability management with regard to liquidity, interest rate and exchange rate movements.

ALCO OF BoB-MU			
Frequency of Meeting	:	Monthly	
Composition		Diwakar P. Singh	Vice President (Mauritius Operations)/Chairperson
		Sushil K. Pande	Chief Manager, Port-Louis Branch
		Dr Sunil Patil	Chief Financial Officer, (Mauritius Operations)
		Vibhu Gupta	Chief Manager, Global Business Branch
		Sagar Panchal	Head of Credit Department
		Aloke Dubey	Head of Risk Management Department
		Aditya Gupta	Head of Treasury
		Hitesh N. Vyas	Head of IT & Operations
		Jayantee Raghunandan	Officer, Treasury Department
		Munjula Banymandhub	Compliance Officer
Main Responsibilities	:	The responsibilities of ALCO include among others: • ensuring that the liquidity / interest rate risks are managed and controlled within the liquidity and funding /interest rate risk management parameters, and to ensure that corrective actions are initiated wherever necessary by putting in place strategies; • ensuring that the liquidity and interest rate sensitivity position is properly analysed and duly reported to International Banking Division & ALM Cell [Global Mid Office] Risk Management Department, BCC; • ensuring that the exceptions are reported to International Banking Division & ALM Cell [Global Mid Office], Risk Management Department, BCC Mumbai; • facilitating the Internal Audit Department, to review the liquidity and funding operations and management of interest rate risk, independently, to ensure that the liquidity management / interest rate risk policies and Procedures are being adhered to; • monitoring the cost and yield pattern of resources / deployment and take necessary corrective actions in case of need;	

		• looking into the associated areas of funding and liquidity management such as currency risk, interest rate risk; • reviewing the position of top 20 deposit accounts; • providing directions in respect of credit proposals with repayment period exceeding 5 years; • setting the parameters for interest rates on deposits / advances; • reviewing the investment portfolio of the domestic branches / OBU Mauritius at monthly intervals and ensure that the approved investment policy guidelines are adhered to; • setting Net Interest Margin ("NIM") targets for the territory; • determining the lending benchmark and deposits rates; • assessing the vulnerability of the liquidity risk and interest rate risk profiles of the Territory in respect of all stress scenarios including market wide stress scenario on a regular basis and to formulate contingency plans and strategies to meet the stress scenarios; and • complying with all regulatory requirements and disclosure of information on liquidity risk and interest rate risks of the Territory as required by the host country and other regulatory norms and market practices.
Other Commitments	:	The Chairperson of ALCO also ensures: ▪ review of transfer pricing; ▪ review of contingency scenarios; ▪ timely discussion of forward planning; and ▪ discussion of any other matters that may warrant the attention of ALCO.

2.2.2 Management Committee (Territorial Office Committee ["TO"]) and its mandate

TO is responsible for overall balance sheet strategy, funding and capital management and monitors exposure to key business risks and its impact on the balance sheet. TO also monitors the external factors including market trends monetary and fiscal policies as well as the actions of the competitors. TO is also responsible for administrative, staff related as well as other establishment matters.

TO OF BoB-MU			
Frequency of Meeting	:	Monthly	
Composition		Diwakar P. Singh	Vice President (Mauritius Operations)/Chairperson
		Sushil K. Pande	Chief Manager, Port-Louis Branch
		Dr Sunil Patil	Chief Financial Officer,(Mauritius Operations)
		Vibhu Gupta	Chief Manager, Global Business Branch
		Sagar Panchal	Head of Credit Department
		Aloke Dubey	Head of Risk Management Department
		Aditya Gupta	Head of Treasury
		Hitesh N. Vyas	Head of IT & Operations
		Neha Singh	Head of Human Resource Management
		Ravin Ballgobin	Senior Manager IT, Mauritius
		Munjula Banymandhub	Compliance Officer
Main Responsibilities	:	The responsibilities of TO include among others: • to oversee the business strategy; • to review the performance of the Branches against the target set; • to measure the performance of BoB-MU against the target set; • to formulate and interprete various enterprise-wide credit risk	

		strategies including lending policies; • to take decisions on IT, administrative, staff related as well as establishment matters; • to discuss and review any corporate governance matters; • to review the external auditor's report pertaining to systems, procedures and internal controls; • to monitor the Bank's credit risk management function; and • to monitor, manage and mitigate operational risk.

2.2.3 Enterprise Risk Management Committee ("ERMC") and its mandate

BOB-MU has also set up an Enterprise Risk Management Committee. ERMC is required to have an oversight on all the risks associated to the enterprise and ensures that risk-taking activities are in-line with the BoB-MU's strategy and risk appetite, and covers all material risk categories applicable to the Bank.

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 BoB.

BoB also 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 recognised, escalated and addressed in a timely manner.

The risk appetite framework of the Bank, apart from setting the minimum CAR 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. and also ensuring to meet the requirements under Basel Committee on Banking Supervision (BCBS).

ERMC OF BoB-MU			
Frequency of Meeting	:	Quarterly	
Composition		Diwakar P. Singh	Vice President (Mauritius Operations)/Chairperson
		Sushil K. Pande	Chief Manager, Port-Louis Branch
		Dr Sunil Patil	Chief Financial Officer, (Mauritius Operations)
		Vibhu Gupta	Chief Manager, Global Business Branch
		Sagar Panchal	Head of Credit Department
		Aloke Dubey	Head of Risk Management Department
		Aditya Gupta	Head of Treasury
		Hitesh N. Vyas	Head of IT & Operations
		Neha Singh	Head of Human Resources Management
		Ravin Ballgobin	Senior Manager IT, Mauritius
		Munjula B	Compliance Officer

Main Responsibilities	:	The responsibilities of ERMC include among others: • to develop/oversee the business strategy including review of the business performance of the Bank against performance targets; • to review credit related and compliance matters; • to take note of audit reports submitted by both the internal and external auditors; and • to ensure the risk management process supports the Management.
Other Commitments	:	The Chairperson of ERMC also ensures to discuss: ▪ any fraud related matters; and ▪ any other matters that may warrant the attention of ERMC.

2.2.4 Audit Review Committee ("ARC") and its mandate

BoB-MU has set up 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 Management 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 at Corporate Office Level.

ARC OF BoB-MU			
Frequency of Meeting	:	Quarterly	
		Diwakar P. Singh	Vice President (Mauritius Operations)/Chairperson
		Sushil K. Pande	Chief Manager, Port-Louis Branch
		Dr Sunil Patil	Chief Financial Officer, (Mauritius Operations)
		Vibhu Gupta	Chief Manager, Global Business Branch
		Sagar Panchal	Head of Credit Department
		Aloke Dubey	Head of Risk Management Department
		Aditya Gupta	Head of Treasury
		Hitesh N. Vyas	Head of IT & Operations
		Arvind Yadav	Internal Auditor
		Neha Singh	Head of Human Resource Management
		Ravin Ballgobin	Senior Manager IT, Mauritius
		Munjula Banymandhub	Compliance Officer
Main Responsibilities	:	The key responsibilities of the Audit Committee include: • reviewing the financial statements of the Bank before they are approved by the directors, to monitor the integrity of such statements; • reviewing, evaluating and where necessary, approving, the Bank's financial and accounting policies and practices; • reviewing the Bank's internal financial controls and its internal control and risk management systems; • monitoring and reviewing the internal audit plan, the effectiveness of the internal audit function and co-ordination between the internal and external auditors, considering the major findings of internal investigations and management's response; • reviewing such transactions as could adversely affect the sound financial condition of the Bank as the auditors or any officers of the Bank may bring to the attention of the Committee; • reviewing the terms of appointment, re-appointment or removal of the external auditors and approve the terms of engagement; and reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process.	

2.2.5 Compliance Committee ("CC") and its mandate

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 with a Compliance Committee responsible for monitoring the compliance related matters.

CC OF BoB-MU			
Frequency of Meeting	:	Monthly	
		Diwakar P. Singh	Vice President (Mauritius Operations)/Chairperson
		Sushil K. Pande	Chief Manager, Port-Louis Branch
		Sunil Patil	Chief Financial Officer, (Mauritius Operations)
		Vibhu Gupta	Chief Manager, Global Business Branch
		Sagar Panchal	Head of Credit Department
		Aloke Dubey	Head of Risk Management Department
		Aditya Gupta	Head of Treasury
		Hitesh N. Vyas	Head of IT & Operations
		Arvind Yadav	Internal Auditor
		Neha Singh	Head of Human Resource Management
		Ravin Ballgobin	Senior Manager IT, Mauritius
		Munjula Banymandhub	Compliance Officer
Main Responsibilities	:	The responsibilities of CC include among others: ▪ monitoring compliance related matters; ▪ providing advice with regard to compliance with applicable laws and any changes / developments in the area; and ▪ educating employees about compliance related issues by ensuring periodic trainings and workshops for business staff.	

2.3 Corporate Governance Committee

BoB-MU does not have a separate Corporate Governance Committee. All corporate governance matters are discussed in the TO committee.

2.4 Remuneration Committee

BoB-MU does not have a separate Remuneration Committee. Any matter related to remuneration of staff is discussed in the TO committee.

2.5 Committee Attendance

	LAB	ALCO	TO	ERMC	ARC	CC
No. of Meetings during the financial year	4	12	12	4	4	10
Mr. Sanjay Mudaliar	4	-	-	-	-	-
Mr. Jakkaiah Lalam	4	-	-	-	-	-
Mr Priyaved(Panna) Jhugroo	4	-	-	-	-	-
Mr Diwakar P Singh	4	12	12	3	3	10
Mr Sushil K Pande	-	12	12	3	3	10
Dr Sunil Patil	-	8	8	2	3	7
Mr Vibhu Gupta	-	12	12	3	3	10
Mr Sagar K Panchal	-	12	12	3	3	10
Mr Aloke Dubey	-	12	12	3	3	10
Mr Aditya Gupta	-	11	11	3	3	10
Mr Hitesh K Vyas	-	12	12	3	3	10
Mr Arvind K Yadav	-	-	-	3	3	-

Mrs Neha Singh	-	8	2	-	-	7
Mr Ravindranath Ballgobin	-	-	12	3	-	10
Mrs Jayantee Raghunandan	-	9	-	-	-	10
Ms Munjula Banymandhub	-	12	12	2	2	10

2.6 Local Advisory Board Profile

1. Mr Sanjay Mudaliar (Non –executive member of LAB)
Mr Mudaliar is the Chief General Manager & Chief Technology Officer Bank of Baroda, India and holds a Bachelor of Science, Post Graduate Diploma in Computer Science & Application Master of Science professional qualification.

2. Mr Lalam Jakkaiah (Non-Executive member of LAB)
Mr, Jakkaiah is the General Manager-International Banking, India and holds Bachelor of Agriculture at Andhra Pradesh Agriculture University and a Post-Graduation Diploma In Computer Application and JAIIB at the Indian Institute of Banking and Finance-IIBF.

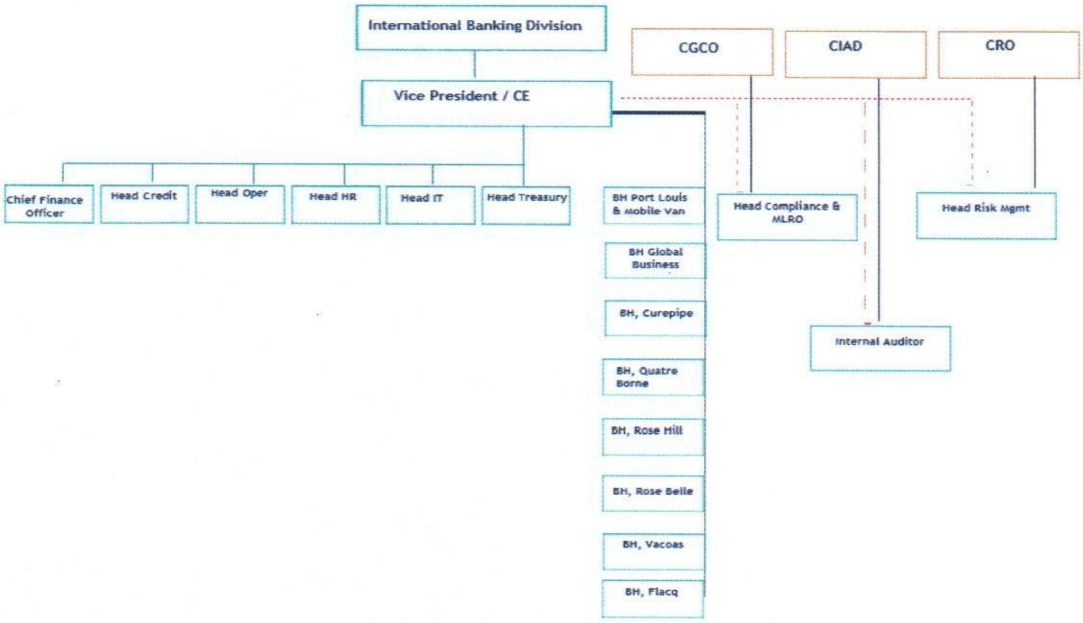
3. Mr Priyaved (Panna) Jhugroo (Non-Executive independent member of LAB)
Mr. Jhugroo is a Fellow Member of the Institute of Chartered Accountants in England and Wales and the Senior Partner at Lancasters Chartered Accountants.

4. Mr Diwakar P. Singh
Vice President -Chief Executive, Mr Singh is the Chief Executive Officer of Bank of Baroda Mauritius Operations in Mauritius. He joined BOB in 1996 in the India, and he has a BSc-(Hons) Degree, Certification in IT & Cyber security for Senior Management from IDRBT Hyderabad (an RBI Institute), and is also a Certified Associate of Indian Institute of Bankers (IIBF). He is currently the Chief Executive Officer of Bank of Baroda Mauritius Operations. Prior to this, he has held several positions in bank, he was Regional Head, Bank of Baroda, Indore Region and Prayagraj Region and he had an overseas assignment at Bank of Baroda (Kenya) Ltd and also Headed the African operations of the Bank and His experience also includes institutional banking, strategic management, government relations and business, Institutional banking and International Banking & apart from the various operational aspects of banking.

2.7 Senior Management Profile

BoB-MU is headed by the Vice President (Mauritius Operations) Mr. Diwakar P. Singh.

The set-up of BoB-MU is given below:



1. Diwakar P. Singh (IBO)
Refer to the profile of Mr Singh under Section 2.6.

2. Sushil K. Pande (IBO)
Chief Manager-Port Louis Branch since November 2020, Mr Pande joined Bank in 1984 in India, and he is MA Political Science, from Kanpur University, MBA banking & Finance IGNOU, and is also a Certified Associate of Indian Institute of Bankers. Prior to the present position he was Branch Head, Bank of Baroda in Lucknow Zone. His experience includes Branch Banking, training and business banking.

3. Dr Sunil Patil (IBO)
Chief Finance Officer Mauritius Operations since 12 July 2021, Dr Patil is responsible for Finance, Strategic Planning, Business Finance, Internal Control, Investor Relations, Taxations, Stress Asset Management. He is also a member of the Credit Sanctioning Committee, and has as additional role that of the Bank's Information Security Officer. He joined Bank as Probationary Manager in India and occupied several positions during his tenure in India, last assignment being Officer on Special Duty of a Region under BoB, Mangalore Zone. He has an MBA in Strategy & Finance from the Indian Institute Management Indore, PGDHRM, Acharya Nagarjuna University, Andhra Pradesh and is an alumnus of NTU Singapore. He is also Certified Associate of the Indian Institute of Bankers ("IIBF"). He holds multiple other accreditations including a Certificate in Green, Social and Sustainability Bonds Executive Online Training / International Capital Markets Association (ICMA) & International Finance Corporation (IFC) and is a Certified Blockchain Associate (CBA) from the Kerala Block Chain Academy. His has over 15 years in Branch Management, Retail & Corporate Credit, New Age Digital Banking, Business, Finance, Business Development & Marketing apart from the various operational aspects of banking.

4. Vibhu Gupta (IBO)

Chief Manager-Global Business Branch since January 2021, Mr Gupta joined Bank in 2008 in India as Probationary Manager (Finance-Specialist), and he has PGD in Banking and Finance from NIBM, Pune. He also holds a certificate from IIBF as Treasury Dealer has varied experience in Treasury Forex Operation of the Bank. Prior to the present position, he was at the treasury department of the Bank of Baroda, Mumbai.

5. Piyush Beniwal (IBO)

Chief Manager-Global Business Branch since -July 2021, Mr Beniwal joined the Bank in 2012 in India as Probationary Manager, and he has a MBA from the ICFAI, Hyderabad , and along with a Certificate- Green, Social and Sustainability Bonds Executive Online Training / International Capital Markets Association (ICMA) & International Finance Corporation (IFC), a World Bank Group His experience in the banking sector expands over 12 years and covers Branch Management, Business Development & Marketing apart from the various operational aspects of banking.

6. Sagar Panchal (IBO)

Head Credit Department since September 2017, Mr Panchal joined Bank in 2010 in the India as Credit Officer, and he has MBA-Finance from MS University, Baroda, and along with a JAIIB from Indian Institute of Bankers ("IIBF"), has experience in the banking sector expands over 12 years and covers Branch Management, Retail & Corporate Credit apart from the various operational aspects of banking.

7. Aditya Gupta (IBO)

Head Global Treasury since September 2017, Mr Panchal joined Bank in 2010 in the India as Finance Specialist, and he has MBA-Finance from ICFAI Mumbai, and along with a Certified Associate of the Indian Institute of Bankers ("IIBF") is experience in the banking sector expands over 12 years and covers Branch Management, experience in Dealer, Investments and Treasury Operations of the Bank Corporate Credit apart from the various operational aspects of banking.

8. Aloke Dubey (IBO)

Chief Risk Officer of the Bank since 17 June 2019, Mr. Dubey is responsible all risk areas across the territory alongside having an administrative reporting line to the Chief Risk Officer of the Parent Bank on risk matters relating to credit risk, operational risk, liquidity risk and market risk. He joined the Bank as credit specialist officer in India in 2010 and occupied several positions during his tenure in India, with last assignment being Senior Manager-ALM global Mid office. He has a Post Graduate Diploma in Management (Finance and marketing) from AIM, Noida, is a NSE certified Market professional, level 1, certified program in Quantitative Finance and Risk Management, and also Certificate in Risk in Financial Services – IIBF. His has over 12 years in Branch Management, Retail & Corporate Credit Finance, Business Development & Marketing apart from the various operational aspects of banking.

Following are list of Senior officials heading the verticals

SI No.	Name of the Official	Designation	Vertical
1.	Hitesh Vyas	Senior Manager	Operations
2.	Arvind Yadav	Senior Manager	Internal Audit
3.	Neha Singh	Senior Manager	HR & Admin
4.	Ravin Ballgobin	Senior Manager	IT Department
5.	Munjula Banymandhub	Manager	Compliance Department

The Senior Officers of the Bank do not hold any external directorships outside the organization.

2.8 Company Secretary

Since BoB Mauritius is operating as a Branch, there is no requirement for the 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.

3. Principle 3: Director Appointment Procedures

Appointment of the Independent Director on Local Advisory Board of BoB-MU

There is currently one independent director out of the total of four members of the LAB. Since BoB-MU is a branch of a foreign bank, the responsibility of the operations of the BoB has been conferred to a Management Team comprising senior officials. The LAB is constituted so that there is a diverse mix of competencies, knowledge and experience in order for constructive discussions and judicious decision making.

- **Succession Planning**

Succession Planning and the development of management are part of the standard Baroda Group processes which are required by the Head Office in India. The Board of BoB assumes the responsibility that the Bank has an effective management team. The Bank has formal succession plans for all the critical management and senior officer roles.

- **Board Composition at BoB level**

In India, 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 as per Government of India notifications and are in compliance with the provisions of the law.

The Board of Directors at BoB also comprises 2 female directors, and the Bank remains committed to improving female representation amongst its Senior Officers. As at date, there are 3 female Senior Officers at BoB-MU.

- **Management of BoB-MU**

The management of BoB-MU is entrusted to the Vice President who is assisted by Senior Executives.

- **Induction & Orientation for senior management**

It is crucial that new senior managers receive a proper induction when being appointed to ensure that they are familiarised, as soon as possible, with the Bank's operations, business environment and corporate strategy, as well as their duties and responsibilities. Senior Management go through induction and orientation process including mandatory training relevant for their roles.

Management and employees of the Bank are all familiar with the Bank's business model. Each member of the Management is aware of his/her legal duties and roles and responsibilities and is kept informed on the Bank's operations and business environment, so as to enable him/her to effectively contribute to strategic discussions and oversight.

- **Continuous Training & Development**

Continuous training is essential to cope with the constant changes in the business environment. Management has a duty to keep up-to-date with industry, legal and regulatory developments. It is also the responsibility of the Bank to provide adequate training and development programme to its senior managers.

BoB-MU has always believed that learning and development plays a vital role in shaping the organisation's human capital and accordingly in the process of capacity building, it is constantly endeavoring to create a strong culture by imparting trainings to the employees at all levels.

BoB also educates employees about compliance issues by conducting periodic trainings and workshops for business staff and designated compliance officers. Knowledge management tools for this purpose have also been uploaded on the Bank's intranet.

4. Principle 4: Management Duties, Remuneration and Performance

4.1 Position Statement and Statement of Accountabilities

Each member of the management team has a clear job description which has been reviewed and approved by his respective business or functional head, outlining the incumbents' roles and responsibilities. Refer to section 2.6 for a description of the key responsibilities of each senior officer.

4.2 Remuneration Policy

BoB-MU advocates a high standard while selecting its employees so as to ensure continuous positive contribution to the growth of the organisation. The CEO and the Management Team are remunerated by way of salary and other fringe benefits in accordance with the rules framed by the Government of India for the IBOs and as per the agreement reached for the local staff members. The aim of the Board of BoB is to ensure that the remuneration of each Senior Officer is in line with the market practices and that the remuneration reflects the demands, competencies and efforts in light of the scope of their work.

The payment of salary, allowances, etc. to the expatriate staff members, during their tenure in Mauritius is 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 of the Expatriate Officers (Senior Management of BoB) are as per Government of India Guidelines on Nationalized Banks.

With regard to staff appointed locally the payment of salary, allowances, etc. is as per agreement reached between the Union of Local staff and the Management.

The Bank does not have long term incentive plans in place, and there is no remuneration paid in the form of share options or bonuses linked with organizational performance. Senior Officer remuneration is fixed and there is no variable components. There has been no change in the remuneration policy of the Bank since the past reporting period.

The non-executive members of the LAB have not received any emoluments during the current financial year, whilst USD 4,000/- have been paid out to Mr. Jhugroo, the independent director for the current financial year as directors' emoluments.

During the financial year 2022, senior management received emoluments which included salaries and other benefits as disclosed in Note 31 on related party transactions.

4.3 Conflict of Interest and Related Party Transactions

There is no materially significant related party transaction that has potential conflict with interests of the Bank at large. Personal interests of management or persons closely associated with management must not take precedence over those of the Bank. Management should make the best effort to avoid conflicts of interests or situations which others may reasonably perceive to be conflicts of interests.

The Bank strictly follows the *Guideline on Related Party Transactions* issued by the Bank of Mauritius and has in place policies, processes and governance structures to comply with the regulatory requirements. Refer to Note 31 for the disclosures on related party transactions.

4.4 Information Governance

BOB-MU has in place all the necessary framework to ensure security, confidentiality, integrity and availability of information as per the requirements under the Data Protection Act. IT software is implemented across various lines of business and ensures that same caters to various business needs across different business verticals of the Bank. The management is also having an oversight on all the IT projects and monitors all the expenses related to this area.

The staff members are also required to ensure that confidentiality is maintained with regard to any information that they come across while performing their duties.

The Bank has an Information Technology Risk Policy, which is complemented by many standards emanating from its Head Officer. The Policy Framework takes into account the local law, regulation to ensure all local regulatory requirements are maintained for enhanced compliance.

4.5 Access to information

Members of the LAB as well as Directors at BoB have full unrestricted access to the Senior Officers of the Bank for any matters, they wish to discuss either at Committee or LAB level. There are no restrictions placed on right of access to information.

4.6 Board evaluation

Good governance encourages the Local Advisory Board to undertake an evaluation of its own performance and of its individual members. The LAB also acknowledges that a continuous and constructive review of its performance is an important factor in achieving its objectives and realising its full potential. A formal performance evaluation of the LAB and individual members will be carried out in the foreseeable future, aligned with the approach taken at the level of the Head Office in India.

Any findings which will result from the evaluation performed will be shared with the LAB and any remedial actions and recommendations arising from the evaluation will be followed up and implemented as far as possible to ensure the best corporate governance practices prevail

5. Principle 5: Risk, Governance and Internal Control

5.1 Risk Governance

Risk is an integral part of the banking business and BoB-MU aims to achieve an appropriate trade-off between risk and returns. To ensure sustainable and consistent growth, BoB-MU has developed a sound risk management framework so that the risks assumed are properly assessed and monitored. BoB-MU undertakes business activities within the defined risk appetite limits and duly approved policies. The ERMC has been constituted to facilitate focused oversight the different type of risks.

Management has ultimate responsibility for monitoring and managing the risk appetite. However, all the employees of BoB-MU are also required to play an important role in the management of risk. Hence BoB-MU 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 BoB-MU's strategy and risk appetite, and covers all material risk categories applicable to BoB. BoB-MU ensures that material risks and risk-taking activities exceeding the risk appetite and limits, if any, are recognised, escalated and addressed in a timely manner.

5.2 Risk Appetite framework

The risk appetite framework of BoB-MU, apart from setting the minimum capital requirements reflecting BoB'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.

5.3 Risk Management Responsibilities:

To implement effective risk management and governance framework and address the full spectrum of possible risks, the responsibilities among different units of BoB-MU are defined in such a way that there are three lines of defence which are independent from each other.

BoB-MU 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 BoB-MU'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 management 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 at Corporate Office Level.

5.4 Risk Management Process

BoB 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 and Capital Adequacy under both normal and stressed conditions are assessed as per the extant policies.

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

The Compliance function at BoB-MU is one of the key elements under the corporate governance structure. The compliance function 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.

On the basis KYC/AML-CFT norms, BoB-MU 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.

BoB-MU is also constantly monitoring the economic scenario of the country to be able to identify any pressures that may arise in the various sectors of the economy.

The Bank has identified the ongoing war between Ukraine and Russia (which has resulted in a global inflationary environment) as a top and emerging risk which is likely to impact the wider banking industry.

5.5 Internal Control

- The Bank's internal controls help ensure it achieves its objectives in operational effectiveness and efficiency, reliable financial reporting, and in compliance with laws, regulations and policies. They also help ensure that the Bank's risk management activities operate as designed and that the management of risk is carried out appropriately.

- BOB-MU has a robust internal control system to ensure compliance with the relevant regulatory and statutory guidelines as well as the internal guidelines.

- The internal policies are reviewed on regular basis to ensure that all the regulatory/statutory charges are incorporated and same are kept updated.

- BOB-MU through its ERMC ensures that the risks are identified and manged effectively.

- During the year under review, BOB-MU has not come across any significant/material deficiencies in the Bank's Internal Control System that Management was not aware of.

5.6 Compliance Function:

- Compliance function in BoB-MU is one of the key elements in its corporate governance structure. The Compliance function is adequately enabled and made sufficiently independent. The Board of Directors at Corporate Office level oversees the management of the Bank's compliance risk.

- BoB-MU has put in place a robust compliance system including a well-documented Board approved Compliance Policy outlining the Compliance philosophy of BoB.

- The Compliance Function ensures strict observance of the statutory provisions contained in various legislations such as the Banking Act, Bank of Mauritius Act, FIAMLA, POCA, POTA, etc. it also ensures observance of the regulatory guidelines.

5.7 Whistle-Blower Guidelines

- BOB-MU has adopted the Whistle Blower Policy of its Corporate Office.

- The CVC shall, as the Designated Agency, receive written complaints or disclosure on any allegation of corruption or of misuse of office by any employee.

- The designated agency will ascertain the identity of the complainant; if the complainant is anonymous, it shall not take any action in the matter. The identity of the complainant will not be revealed unless the complainant himself has made either the details of the complaint public or disclosed his identity to any other office or authority.

- While calling for further report/investigation, the Commission shall not disclose the identity of the informant and also shall request the concerned head of the organization to keep the identity of the informant a secret, if for any reason the head comes to know the identity.

- The Commission shall be authorized to call upon the police authorities, as considered necessary, to render all assistance to complete the investigation pursuant to the complaint received.

- If any person is aggrieved by any action on the ground that he is being victimized due to the fact that he had filed a complaint or disclosure, he may file an application before the Commission seeking redress in the matter, wherein the Commission may give suitable directions to the concerned person or the authority.

- If the Commission is of the opinion that either the complainant or the witnesses need protection, it shall issue appropriate directions to the concerned government authorities.

- In case the Commission finds the complaint to be motivated or vexatious, it shall be at liberty to take appropriate steps.

- The Commission shall not entertain or inquire into any disclosure in respect of which a formal and public inquiry has been ordered.

- In the event of the identity of the informant being disclosed in spite of the Commission's directions to the contrary, it is authorized to initiate appropriate action as per extant regulations against the person or agency making such disclosure

6 Principle 6: Reporting with Integrity

6.1 Statement of Management's Responsibility for Financial Reporting

It is required under the Mauritius Companies Act 2001 that financial statements are prepared for each financial year which present fairly the financial position, financial performance and cash flows of the Bank. In preparing the financial statements, the Bank is required to:

- select suitable accounting policies and apply them consistently;
- make estimates and judgements that are reasonable and prudent;

- state whether International Financial Reporting Standards have been followed and complied with, subject to any material departures being disclosed and explained in the financial statements;
- prepare the financial statements on going concern basis unless it is inappropriate to presume that the Bank will continue in business; and
- ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained.

Senior Management confirms that they have complied with all of the above requirements in preparing the financial statements for the year ended 31 March 2022. Senior Management is responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Bank and are also required to ensure that the financial statements comply with the Mauritius Companies Act, 2001, the Banking Act 2004 and the Financial Reporting Act 2004. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

BOB-MU, 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.

6.2 Overview of performance

Please refer to the Management Discussion and Analysis document within this annual report for an overview of the Bank's performance for the current and prior financial periods.

6.3 Challenges and Outlook

Russia's invasion of Ukraine has disrupted energy markets and food exports, forcing many developing countries to pay more to import staples at a time when they are already struggling with increased level of indebtedness following their responses to protect their economies during the pandemic. The IMF World Economic Outlook estimates that inflation in developing economies would reach 5.7%. In response to the fears of a galloping inflation, regulatory authorities across the world have been increasing their interest rates. In June 2022, the US Federal Reserve increased the benchmark lending rate by the largest amount since 1994 and the Bank of England raised interest rates from 1% to 1.5% which is the highest increase for 13 years. Locally, the key repo rate was increased to 2.25% in June 2022 against 2% in March 2022 and 1.85% in December 2021. Locally, the Mauritian economy has not been spared by the increased inflationary environment which has led to multiple measures being announced in the last budget presented by the Minister of Finance in June 2022. The Bank is closely monitoring the performance of its loan book as there are expectations that a lower disposable income for customers in the retail segment might impact their repayment capacity. The fluidity of the current circumstances and any potential impact precludes management from making any future financial estimates as to the ultimate impact of the war on the Bank's overall performance. Nevertheless, the Bank remains well capitalized under the various stress tests performed and management does not foresee any material adverse impact on the Bank's future performance.

6.3 Website

BoB-MU's website provides useful information to the stakeholders. The unaudited quarterly accounts as well as the Annual reports are also made available on the website.

6.4 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.

- BOB-MU has employed a part time qualified Health and Safety Officer registered with the Ministry of Labour.

- The Health and Safety Officer main role is to review, address and manage health and safety risks within the premises. He is also required to recommendation on risk mitigation.

6.5 Data Protection Act / Data Controllers in BoB, Mauritius:

- BoB-MU is committed to protecting the personal 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 To ensure compliance in this regard, BoB-MU has registered itself with the Data Protection Office of Mauritius and appointed data Controllers who are responsible for the data of the customers and the staff members. BoB-MU also ensures to keep customer data safe from identity fraud where information is transferred to our Corporate Office in BoB-India. The transfer of any personal information is done in accordance with the Data Protection Act.

6.6 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.

7 Principle 7: Audit

7.1 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.

- The Group's internal audit approach is risk based and the audit coverage is driven by the annual risk assessment results and regulatory expectations identified for the Bank.

- 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.

- 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 to ensure that procedure and processes are not only efficient but ethical, just and fair as well.

- The internal audit function has direct access to the Audit Committee of both the Bank and BoB. Management of the Bank and has no restrictions to access the employees or Management of the Bank. For the year under review, the Internal Audit had an opportunity to discuss matters directly with the Management of the Bank.

- Executive management is responsible for ensuring that issues raised by the Internal Audit function are addressed within an appropriate and agreed timetable.

7.2 External Auditors

- As at 31 March 2022, the Bank's auditor is Deloitte Mauritius, who was first appointed for the statutory audit for the financial year ended 31 March 2021 following a competitive tender exercise.

- Re-appointment of External Auditor is subject to the approval of the Corporate Head Office and the regulatory authorities both in India and Mauritius.

- Members of the LAB have a solid financial experience in both banking and financial services. Mr. Jhugroo, independent member of the LAB, is a Senior Partner at Lancasters Chartered Accountants.

- Senior Management reviews the effectiveness and efficiency of the external auditor and assesses the external audit firm annually.

- The provision of non-audit services is subject to a tender process so as to ensure that the nature of the non-audit services, if provided by the external auditor, could not be perceived as impairing their independence on the external audit exercise. The Company may engage the firm responsible for its external audit to provide non-audit services. This is done with prior approval of the Corporate Head Office which ensures that the non-audit work does not entail any conflict with the audit work.

- Senior Management has discussed the accounting policies for the year under review with the external auditor. The external auditor is also invited to present the audit plan at the start of the audit, as well as the management letter, the report on the conduct of the audit, and any significant matters arising from the audit. No significant issues have been identified in relation to the financial statements for the current and prior years.

- In the financial year 2021-22, total fees, exclusive of VAT, paid to the statutory auditor, Deloitte, were as follows:

Year	Statutory audit Rs,000	Tax compliance Rs,000	Other audit related services Rs 000
2022	1,150	125	200
2021	1.050	125	350

8 Principle 8: Relations with Shareholders and Other Key Stakeholders

8.1 Information for 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, the Registrar of Companies and the Financial Reporting Council immediately on finalisation 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 the present means of communication.

8.2 Reporting to the Head Office

Since the Bank is a branch of BoB, the management has constant access to and regularly reports to the Corporate Head Office in India. Communications happen on a day-to-day basis between the Bank and BoB-India.

8.3 Customers

Customer prosperity is the topmost 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.

8.4 Employees

- BoB has an employee engagement programme designed to foster the spirit of team bonding and collaboration,and creating a happy and fun workplace.
- BoB continuously undertakes multiples initiatives for strengthening and developing its human resources viz., recruitment, addressing training needs of employees, employee engagement and capability building.
- BoB acknowledges and thanks all its employees for their hard work, dedication and commitment. BoB also look forward to the continued patronage, support and goodwill of all its employees.

8.5 Regulators

BoB-MU views relationship with its regulators as essential to its development and for the maintenance of best practices.

8.6 Third Party Management Agreement

Presently BoB Mauritius does not have any Third-Party Management Agreement.

8.7 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 the statutory external auditor of the Bank. No profits have been remitted to the Head Office during the current and prior financial reporting periods.

8.8 Corporate Social Responsibility ("CSR")

- BoB has a long legacy and tradition of actively contributing to the social and economic development of the communities through various developmental activities. BoB as a responsible corporate citizen, continuously strives to contribute to the welfare of the society, particularly for the upliftment of the underprivileged sections of the society to make sustainable social changes in their lives.
- BoB-MU is providing skill development through training for gainful employment to individual registered under the Youth Empowerment Programme.
- BoB-MU is also helping different organizations engaged in various community development and socio-economic welfare activities for the benefit of weaker sections.
- BoB is also having a Mobile Banking service providing door-to-door services in various parts of the island where there are no Banks.
- BoB has not sponsored any political donation but made donations to various charities in Mauritius. These are disclosed in the tax note in the financial statements.

FOR BANK OF BARODA – MAURITIUS OPERATIONS

....	....	....
(Sushil K. Pande)	**(Dr Sunil Patil)**	**(Diwakar P. Singh)**
Chief Manager	**Chief Financial Officer**	**Vice President**
(Port-Louis Branch Mauritius)	**(Mauritius Operations)**	**(Mauritius Operations)**

Date: 27 June 2022

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

Reporting Period: April 01, 2021 to March 31, 2022

We, the undersigned Senior Officers representing the Management of Bank of Baroda - Mauritius Operations, confirm that, to the best of our knowledge, the Bank has complied with all of its obligations and requirements under the National Code of Corporate Governance (2016).

FOR BANK OF BARODA – MAURITIUS OPERATIONS

....	....	....
(Sushil K. Pande)	**(Dr Sunil Patil)**	**(Diwakar P. Singh)**
Chief Manager	**Chief Financial Officer**	**Vice President**
(Port-Louis Branch Mauritius)	**(Mauritius Operations)**	**(Mauritius Operations)**

Date: 27 June 2022

Deloitte.

7th-8th floor, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Independent auditor's report to the Management of Bank of Baroda - Mauritius Operations

Opinion

We have audited the financial statements of **Bank of Baroda - Mauritius Operations** (the "Bank" and the "Public Interest Entity") set out on pages 27 to 107, which comprise the statement of financial position as at March 31, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at March 31, 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001 in so far applicable to foreign companies, the Financial Reporting Act 2004 and the Banking Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the *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 Standard Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit 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.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses	
IFRS 9 requires the Bank to recognise expected credit losses ("ECL") on financial instruments, which involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and estimates and therefore increased levels of audit focus in the application of IFRS 9 are: • Model estimations – Statistical modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loans portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. • Economic scenarios – Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment. • Qualitative adjustments - Adjustments to the model-driven ECL results are accounted by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts.	Our procedures included the following amongst others: • Evaluating the appropriateness of the impairment methodologies applied by the Bank against the requirements of IFRS 9; • Reviewing 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; • Assessing the appropriateness of the macro-economic forecasts used; • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models; • Using our specialist team for assessing the appropriateness of PD, LGD and EAD used in the ECL calculation; • Testing the accuracy and completeness of ECL by reperformance; and • Assessing the appropriateness of post model adjustments made by management, and assess the underlying analysis and rationale.

Deloitte.

7th-8th floor, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Independent auditor's report to the Management of Bank of Baroda - Mauritius Operations (Cont'd)

Key audit matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses	
For impaired credits, the most significant judgements/ matters are whether impairment events have occurred and the valuation of collaterals and the determination of the PD and LGD. Due to the significance of the judgements and estimates applied in the computation of the ECL, this item is considered as key audit matter. The details of the policies and processes followed for the determination of ECL are disclosed in Note 4 (b) of the financial statements.	For impaired credits, we have further: • Obtained audit evidence in respect of key controls over the processes for identification of impaired assets and impairment assessment; • Inspected the minutes of governance committees and the latest status notes from management on the non-performing assets to ensure that there are controls in place in relation to assessment of allowance for credit impairment; • Involved our specialist team to validate the critical assumptions in the computation of the stage 3 ECL; and • Performed a risk-based test of loans and advances to customers to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment is made. We have also assessed whether the disclosures are in accordance with the requirements of IFRS 9.

Other information

Management is responsible for the other information. The other information comprises the statement of management's responsibility for financial reporting, the corporate governance report and other statutory disclosures, the statement of compliance and the management discussion and analysis 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 2004 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 2004, complied with the requirements of the Code.

Responsibilities of Management for the financial statements

Management is 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 Mauritius Companies Act 2001, the Banking Act 2004, and the Financial Reporting Act 2004 and they are also responsible for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Management is responsible for overseeing the Bank's financial reporting process.

Deloitte.

7th-8th floor, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Independent auditor's report to the Management of Bank of Baroda - Mauritius Operations (Cont'd)

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:
- we have no relationship with, or interest in, the Bank other than in our capacity as auditor and tax advisor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

Banking Act 2004

- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius; and
- the explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

Use of this report

This report is made solely to the Bank's management, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's management those matters we are required to state to the management 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 management, for our audit work, for this report, or for the opinions we have formed.

Deloitte.

Deloitte

Chartered Accountants

27 June 2022

Agrawal.

Vishal Agrawal, FCA

Licensed by FRC

BANK OF BARODA - MAURITIUS OPERATIONS

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2022

	Notes	2022	2021	2020
		Rs'000	Rs'000	Rs'000
ASSETS				
Cash and cash equivalents	5	**1,190,005**	1,565,862	2,578,644
Placements with banks	6	**1,408,630**	13,060,445	5,602,094
Loans and advances to banks and customers	7	**10,655,624**	6,286,429	8,524,209
Investment securities	8	**4,184,128**	2,900,325	3,060,462
Investment property	9	**18,500**	18,500	32,000
Property and equipment	10	**163,675**	143,770	116,842
Right-of-use assets	11A	**24,718**	27,523	30,618
Intangible asset	12	**-**	-	2,027
Deferred tax assets	13	**41,192**	16,514	7,554
Other assets	14	**742,027**	626,755	599,142
Total assets		**18,428,499**	24,646,123	20,553,592
LIABILITIES				
Deposits from banks and customers	15	**15,631,334**	12,542,341	12,712,944
Other borrowed funds	16	**712,623**	9,774,395	5,625,556
Current tax liabilities	17	**216**	11,311	12,607
Lease liabilities	11B	**27,779**	30,253	32,216
Other liabilities	18	**58,423**	50,614	36,277
Retirement benefit obligations	19	**23,565**	19,068	16,642
Total liabilities		**16,453,940**	22,427,982	18,436,242
SHAREHOLDERS' EQUITY				
Assigned capital	20(a)	**400,571**	400,571	400,571
Retained earnings		**879,586**	1,288,131	1,326,417
Other reserves	20(b)	**694,402**	529,439	390,362
Total equity		**1,974,559**	2,218,141	2,117,350
Total equity and liabilities		**18,428,499**	24,646,123	20,553,592

These financial statements have been approved by Management and authorised for issue on 27 June 2022.

(Dr Sunil Patil)	**(Sushil K. Pande)**	**(Diwakar P. Singh)**
Chief Financial Officer	**Chief Manager**	**Vice President**

The notes on pages 27 to 107 form an integral part of these financial statements.

BANK OF BARODA - MAURITIUS OPERATIONS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2022

	Notes	2022	2021	2020
		Rs'000	Rs'000	Rs'000
Interest income calculated using the effective interest method	22	**294,541**	438,186	649,162
Interest expense	23	**(69,524)**	(192,010)	(347,150)
Net interest income		**225,017**	246,176	302,012
Net fees and commission income	24	**27,666**	24,846	31,896
Net trading income	25	**2,931**	66,997	219,644
Other income	26	**2,047**	4,895	36,747
		4,978	71,892	256,391
Operating income		**257,661**	342,914	590,299
Allowance for credit impairment losses	27	**(367,334)**	(132,481)	(56,270)
Net operating income		**(109,673)**	210,433	534,029
Personnel expenses	28	**(68,398)**	(50,518)	(52,163)
Depreciation of property and equipment	10	**(10,112)**	(8,245)	(9,070)
Depreciation of right-of-use assets	11A	**(4,926)**	(5,162)	(5,210)
Other expenses	29	**(60,482)**	(46,756)	(44,406)
Total operating expenses		**(143,918)**	(110,681)	(110,849)
(Loss)/profit before taxation		**(253,591)**	99,752	423,180
Income tax credit/(expense)	17	**15,675**	(10,276)	(42,216)
(Loss)/profit for the year		**(237,916)**	89,476	380,964
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Revaluation of property and equipment	10	**-**	16,232	-
Remeasurement of retirement benefit obligations	19(iii)	**(6,093)**	(4,367)	-
Deferred tax on remeasurement of retirement benefit obligations and revaluation of property and equipment	13	**427**	(550)	-
Other comprehensive income for the year		**(5,666)**	11,315	-
Total comprehensive income for the year		**(243,582)**	100,791	380,964

The notes on pages 27 to 107 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2022

	Notes	Assigned capital	Statutory reserve	Revaluation reserve	General banking 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		300,285	245,347	108,513	7,559	231,594	843,088	1,736,386
Effect of prior year adjustments		-	-	-	-	(231,594)	231,594	-
At April 1, 2019 (as restated)		300,285	245,347	108,513	7,559	-	1,074,682	1,736,386
Profit for the year		-	-	-	-	-	380,964	380,964
Other comprehensive income for the year		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-	380,964	380,964
Depreciation transfer for buildings		-	-	(3,192)	-	-	3,192	-
Appropriation from retained earnings	20(a)	100,286	-	-	-	-	(100,286)	-
Transfer to statutory reserve		-	32,135	-	-		(32,135)	-
At March 31, 2020		400,571	277,482	105,321	7,559	-	1,326,417	2,117,350
At April 1, 2020		400,571	277,482	105,321	7,559	-	1,326,417	2,117,350
Profit for the year		-	-	-	-	-	89,476	89,476
Other comprehensive income for the year		-	-	15,988	-	-	(4,673)	11,315
Total comprehensive income for the year		-	-	15,988	-	-	84,803	100,791
Transfer to statutory reserve		-	123,089	-	-		(123,089)	-
At March 31, 2021		400,571	400,571	121,309	7,559	-	1,288,131	2,218,141

The notes on pages 27 to 107 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2022

	Assigned capital	Statutory reserve	Revaluation reserve	General banking reserve	Translation reserve	Retained earnings	Total equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At April 1, 2021	400,571	400,571	121,309	7,559	-	1,288,131	2,218,141
Loss for the year	-	-	-	-	-	(237,916)	(237,916)
Other comprehensive income for the year	-	-	-	-	-	(5,666)	(5,666)
Total comprehensive income for the year	-	-	-	-	-	(243,582)	(243,582)
Transfer to General banking reserve	-	-	-	164,963	-	(164,963)	-
At March 31, 2022	400,571	400,571	121,309	172,522	-	879,586	1,974,559

The notes on pages 27 to 107 form an integral part of these financial statements.

BANK OF BARODA - MAURITIUS OPERATIONS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2022

	Notes	2022	2021	2020
		Rs'000	Rs'000	Rs'000
Operating activities				
(Loss)/profit before taxation		**(253,591)**	99,752	423,180
Adjustments for:				
Allowance for credit impairment losses	7	**367,334**	132,481	56,270
Depreciation on property and equipment	10	**10,112**	8,245	9,070
Profit on disposal of plant and equipment	26	**-**	-	(1,266)
Profit on termination of lease	26	**-**	(29)	-
Retirement benefit obligations	19	**1,699**	(1,664)	4,950
Gain on fair value of investment property	9	**-**	(2,476)	-
Depreciation of right-of-use of assets	11A	**4,926**	5,162	5,210
Write off of property and equipment	10	**-**	-	617
Write off of intangible asset	12	**-**	2,027	-
Interest expense on lease liabilities	23	**2,350**	2,505	2,736
Changes in operating assets and liabilities				
(Increase)/decrease in other assets		**(115,272)**	(27,613)	27,528
Increase/(decrease) in other liabilities		**7,892**	14,337	6,684
Decrease/(increase) in placements		**11,651,815**	(7,458,351)	(358,569)
(Decrease)/increase in other borrowed funds		**(9,327,565)**	4,603,878	3,776,913
(Increase)/decrease loans and advances		**(4,728,075)**	2,105,299	474,879
Increase/(decrease) in deposits from customers		**3,088,993**	(170,603)	3,709,274
Net cash flows generated from/(used in) operations		**710,618**	(687,050)	8,137,476
Tax paid	17	**(18,489)**	(19,998)	(39,864)
CSR paid	17	**(1,182)**	(1,564)	(1,371)
Payment of gratuity	19	**(3,295)**	(277)	(5,311)
Net cash generated from/(used in) operating activities		**687,652**	(708,889)	8,092,196
Cash flows from investing activities				
Acquisition of property and equipment	10	**(30,017)**	(2,965)	(2,481)
Proceeds from sale of property, plant and equipment		**-**	-	1,825
Acquisition of intangible assets	12	**-**	-	(2,027)
Purchase of investment securities		**(6,817,255)**	(4,231,503)	(2,651,941)
Proceeds from sale and redemption of investment securities		**5,524,914**	4,391,640	1,629,344
Net cash (used in)/from investing activities		**(1,322,358)**	157,172	(1,025,280)
Cash flows from financing activities				
Payment of lease liabilities		**(6,944)**	(6,506)	(6,348)
Net cash used in financing activities		**(6,944)**	(6,506)	(6,348)
Net (decrease)/increase in cash and cash equivalents		**(641,650)**	(558,223)	7,058,743
Movement in cash and cash equivalents				
At April 1,		**1,119,032**	1,676,775	(5,382,803)
(Decrease)/Increase		**(641,650)**	(558,223)	7,058,743
Net foreign exchange difference		**-**	480	835
At March 31,	5	**477,382**	1,119,032	1,676,775

The notes on pages 27 to 107 form an integral part of these financial statements.

1. GENERAL INFORMATION

Bank of Baroda - Mauritius Operations (the "Bank") was incorporated in Mauritius in 1962 under section 276 of the Mauritius Companies Act 2001 and operates as a foreign branch of Bank of Baroda, India. 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 fianancial services sector, principally commercial banking.

2 Application of new and revised International Financial Reporting Standards (IFRS)

In the current year, the Bank has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 April 2021.

New and revised standards that are effective but with no material effect on the financial statements

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for current and prior periods (other than the impact of the IBOR transition which has been disclosed below) but may affect the accounting for future transactions or arrangements.

IFRS 7	Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform
IFRS 9	Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform
IFRS 9	Lease - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification
IFRS 16	Lease - Amendments regarding replacement issues in the context of the IBOR reform

Impact of the initial application of the Interest Rate Benchmark Reform

In the current year, the Bank adopted the Phase 2 amendments Interest Rate Benchmark. Adopting these amendments enables the Bank to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates without giving rise to the accounting impacts that would not provide useful information to the users of the financial statements. Refer to note 4(c)(iii) for more details.

New and revised Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1	Presentation of Financial Statements - Amendment to defer the effective date of the January 2020 amendments (effective 1 January 2023)
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities (effective 1 January 2023)
IAS 1	Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies (effective 1 January 2023)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates (effective date 1 January 2023)
IAS 12	Income Taxes – Amendments regarding deferred tax on leases and decommissioning obligations (effective 1 January 2023)
IAS 16	Property, plant and equipment – Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective 1 January 2022)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective 1 January 2022)
IAS 39	Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (effective 1 January 2022)

New and revised Standards and Interpretations in issue but not yet effective

The directors anticipate that these standards and interpretation will be applied on their effective dates in future periods. The directors have not yet assessed the potential impact of the application of these amendments.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the financial statements are set out below.

(a) Basis of preparation

Basis of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and in compliance with the Mauritius Companies Act 2001, the Banking Act 2004, the Guidelines and Guidance Notes issued by the Bank of Mauritius and the Financial Reporting Act 2004.

Basis of measurement

The financial statements of the Bank have been prepared on a historical cost basis except for the revaluation of certain properties and financial instruments which are measured at their revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Basis of preparation

The financial statements are presented in Mauritian Rupees ('Rs') and all values are rounded to the nearest thousand except when otherwise indicated.

(b) Foreign currency

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

[This space is intentionally left blank.]

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(b) Foreign currency (Cont'd)

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date and all differences are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

(c) Recognition of income and expenses

(i) Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at fair value through profit or loss (FVTPL) are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in profit or loss using the effective interest method.

The effective interest rate ('EIR') is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses ('ECLs')).

(ii) Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part of EIR. The Bank earns fee and commission income from a diverse range of services being provided to its customers. Fee income can be categorised as follows:

Fee income earned from services provided

These fees include commission income, 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 EIR 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.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(c) Recognition of income and expenses (Cont'd)

(ii) Net fee and commission income (Cont'd)

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 relate mainly to transaction and service fees, which are expensed as the services are received.

(iii) Net trading income

Net trading income comprises all fair value changes, interest, dividends, and gains/losses on dealings in foreign exchange currency as well as realised/unrealised gains/losses on retranslation.

(d) Financial instruments

Financial assets and financial liabilities

Financial assets and financial liabilities are recognised in the statement of financial position when the Bank become a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);

- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

The Bank has not applied hedge accounting to its financial instruments during the years ended March 31, 2022, March 31, 2021 and March 31, 2020.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) Financial instruments (Cont'd)

Financial assets and financial liabilities (Cont'd)

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

For all financial assets, the amount presented in the statements of financial position represents all amounts receivable including interest accruals.

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); and
- all other debt instruments 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).

The Bank has not designated any debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL at March 31, 2022, March 31, 2021 and March 31, 2020.

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.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) Financial instruments (Cont'd)

Financial assets (Cont'd)

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

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 considers all relevant information available when making the business model assessment.

However, this assessment is not performed on the basis of scenarios that the Bank do not reasonably expect to occur, such as 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- 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 model at each reporting period to determine whether the business models have changed since the preceding period.

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

The Bank has assessed its financial assets at amortised cost at March 31, 2022, March 31, 2021 and March 31, 2020.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) Financial instruments (Cont'd)

Financial assets (Cont'd)

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.

The Bank has not designated any financial assets measured at FVTPL at March 31, 2022, March 30, 2021 and March 30, 2020.

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.

The Bank does not have equity instruments designated at FVTOCI at March 31, 2022, March 31, 2021 and March 31, 2020.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents also include placements with banks and investment securities having an original maturity of up to three months.

For the purposes of the statement of cash flows, cash and cash equivalents include unrestricted balances held with the Bank of Mauritius and highly liquid financial assets and liabilities(e.g. other borrowed funds) with original maturities of three months or less from the acquisition date including balances with financial institutions.

Cash and cash equivalents do not include the mandatory balances with the Central Bank.

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

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) Financial instruments (Cont'd)

Financial assets (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 and previous financial years there were no change in the business model under which the Bank hold financial assets and therefore no reclassifications were made.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost, exchange differences are recognised in profit or loss;
- For debt instruments measured at FVTOCI, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss and other exchange differences are recognised in the OCI in fair value reserve;
- For financial assets measured at FVTPL, exchange differences are recognised in profit or loss; and
- For equity instruments measured at FVTOCI, exchange differences are recognised in the OCI in the fair value reserve.

Financial guarantees

In the ordinary course of business, the Bank give financial guarantees, consisting of letters of credit, bank guarantees and acceptances.

Financial guarantee contracts issued by an entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the entity's revenue recognition policies.

Any increase in the liability relating to financial guarantees is recorded in the statement of profit or loss and other comprehensive income. The premium received is recognised in the statement of profit or loss and other comprehensive income in 'Fees and commission income' on a straight-line basis over the life of the guarantee.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

The Bank recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Loans and advances to banks and customers;
- Cash and cash equivalents;
- Placements with banks;
- Debt instruments at amortised cost (Investment securities);
- Loan commitments issued; and
- Financial guarantee contracts issued.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instruments that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instruments (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the entity under the contract and the cash flows that the entity expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the entity if the holder of the commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down.

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the entity expects to receive from the holder, the debtor or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) Financial instruments (Cont'd)

Financial assets (Cont'd)

Credit impaired financial assets (Cont'd)

Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment.

For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

The Bank does not have purchased or originated credit impaired financial assets at March 31, 2022, March 31, 2021 and March 31, 2020.

Definition of 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.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) Financial instruments (Cont'd)

Financial assets (Cont'd)

Definition of default (Cont'd)

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.

Significant increase in credit risk (SICR)

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. The Bank allocates their counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- The remaining lifetime PD at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) Financial instruments (Cont'd)

Financial assets (Cont'd)

Significant increase in credit risk (SICR) (Cont'd)

The PDs used are forward-looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD. As a back-stop when an asset becomes 30 days past due, Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. In addition, loans that are individually assessed and are included on a watch list are in stage 2 of the impairment model. As noted, if there is evidence of credit impairment, the assets are moved to stage 3 of the impairment model.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness), change in interest rates and amendments to covenants.

When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy, a modification results in derecognition when it gives rise to substantially different terms.

To determine if the modified terms are substantially different from the original contractual terms, the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) Financial instruments (Cont'd)

Financial assets (Cont'd)

Modification and derecognition of financial assets (Cont'd)

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest rate. If the difference in present value is greater than 10% the Bank deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Bank considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the entity considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation. In the case where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification.

The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the entity determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified, where modification did not result in derecognition, the estimate of PD reflects the ability to collect the modified cash flows taking into account the previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Bank performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) Financial instruments (Cont'd)

Financial assets (Cont'd)

Modification and derecognition of financial assets (Cont'd)

Where a modification does not lead to derecognition, the Bank calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account. Then, the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continue to control the transferred asset, the Bank recognises their retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss. On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Loans and debt securities are written off when the Bank have no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is 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. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'allowance for credit impairment losses' in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

Financial assets (Cont'd)

Presentation of allowance for ECL in the statements of financial position

Loss allowances for ECLs are presented in the statements of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for loan commitments and financial guarantee contracts: as a provision under other liabilities; and
- where a financial instrument includes both a drawn and an undrawn component, and the entity cannot identify the ECL on the loan commitment component separately from those on the drawn component: the entity 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.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either the financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank are or may be obliged to deliver a variable number of their own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs. Repurchase of the the Bank's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) Financial instruments (Cont'd)

Derecognition and modification of financial liabilities

The Bank derecognise financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the entity exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. To determine if the modified terms of a liability are substantially different to the original terms a similar process with modification of financial assets is followed. The modification is assessed at first on a qualitative basis, factors such as a change in currency or the introduction of a non-closely related embedded derivative that significantly modifies the cash flows are regarded as substantially different.

If it is not clear from the qualitative assessment that a modification has resulted in a substantial change in a financial liability, a quantitative assessment is applied. It is assumed that the terms of the financial liability are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the Bank recalculates the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. The Bank recognises any adjustment to the amortised cost of the financial liability in profit or loss as income or expense at the date of the modification.

(e) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

Income and expense will not be offset in the statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies.

(f) Property and equipment

Property includes land and buildings which are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(f) Property and equipment (Cont'd)

Land is not depreciated.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Equipment are initially recorded at stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values on a straight-line method over the estimated useful lives at the following rates:

	Rates
Buildings	4.87%
Furniture, fittings and equipment	18.10% - 45.07%
ATM	20%
Computer equipment	33.33%
Motor vehicles	33.33%

The estimates useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

Work in progress ('WIP') is not subject to depreciation. Once the WIP is ready to be used, it will be capitalised and will be depreciated over its useful life. Capitalisation will start once the below criterias are met:

•The technical feasibility of completing the asset so that the asset will be available for use or sale.
•Its intention to complete and its ability and intention to use or sell the asset.
•How the asset will generate future economic benefits.
•The availability of resources to complete the asset.
•The ability to measure reliably the expenditure during development

(g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. It is in the Bank's policy to perform an independent fair valuation of the investment propoerty every 3 years.

(h) Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses.
Amortisation is charged so as to write off the cost of assets to their estimated residual values, over their estimated useful lives, using the straight line method.

The estimated useful life and amortisation method are reviewed at the end of each reporting date with the effect of any changes in estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Intangible assets (Cont'd)

An item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statements of profit or loss and other comprehensive income when the asset is derecognised.

(i) Leases

The Bank has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from April 1, 2019

The Bank as a lessee

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as printers).

For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(i) Leases (Cont'd)

Policies applicable from April 1, 2019 (Cont'd)

The Bank as a lessee (Cont'd)

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other operating expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The lease contracts do not have lease and non-lease components and hence Bank has not used this practical expedient.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(i) Leases (Cont'd)

Policies applicable from April 1, 2019 (Cont'd)

The Bank as a lessor

The Bank enters into lease agreement as a lessor with respect to its investment property.

Leases for which the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease substantially all the risks and rewards of ownership of the lessee, the contract is a classified as a finance lease.

All other leases are classified as operating leases.

Rental income from operating lease is recognised on a straight line basis over the term of the relevant lease.

Policies applicable prior to April 1, 2019

The Bank as a lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(j) Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ('CGU') fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(j) Impairment of non-financial assets (Cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(k) Provisions and other contingent liabilities

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, they are involved in various litigation, arbitration and regulatory investigations and proceedings both in local and in other jurisdictions, arising in the ordinary course of the Bank's business. When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in their financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

(l) Pension benefits

Retirement and other benefit obligations

The present value of retirement gratuities under The Workers' Rights Act 2019 is recognised in the statement of financial position as a liability. Re-measurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(l) Pension benefits (Cont'd)

Retirement and other benefit obligations (Cont'd)

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

State pension plan

During the year ended March 31, 2021, Contribution to Sociale Généralisee (CSG) has been introduced by the Finance (Miscellaneous Provisions) Act 2020 and replaced the National Pension Scheme and is recognised as an expense to profit or loss in the period in which they fall due.

Defined contribution pension plan

The Bank operats a defined contribution pension plan. The contribution is payable by both the employer and employee in a saving account of the Bank bearing interest.

(m) Taxation

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. The Bank is subject to the Advance Payment System (APS) whereby it pays income tax on a quarterly basis.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

The income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(m) Taxation (Cont'd)

(i) Current tax (Cont'd)

Effective from the year of assessment commencing 01 July 2020, banks are taxed as follows:

Chargeable income
Up to 1.5 billion Mauritian rupees (MUR)
Remainder

The Bank is also liable to pay a special levy on its leviable income (Net interest income and other income from banking transactions with residents before deduction of expenses) as per the below criteria:

Leviable income
Up to 1.2 billion Mauritian rupees (MUR)
More than 1.2 billion Mauritian rupees (MUR)

The special levy is included in the income tax expense and tax liability in the financial statements.

CSR is also payable by the Bank at the rate of 2% of the segment A chargeable income of the preceding year.

The Bank is subject to the Advances Payment System ("APS") whereby it pays income tax on a quarterly basis.

(ii) Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences;

- except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

[This space is intentionally left blank.]

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(m) Taxation (Cont'd)

(ii) Deferred Tax (Cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Corporate Social Responsibility

The Corporate Social Responsibility ('CSR') was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its chargeable income of the preceding financial year under Segment A.

The required CSR fund for the year is recognised in tax expense in the statement of profit or loss and other comprehensive income. The net amount of CSR fund payable to the taxation authority is included in current tax liabilities in the statements of financial position.

(iv) Special Levy

The Bank is liable to pay a special levy on its leviable income (Net interest income + other income from banking transactions with residents, before deduction of expenses) at the rate of 5.5% if the leviable income is less than MUR 1.2bn or at 4.5% if the leviable income exceeds MUR 1.2bn.

The special levy is currently recorded in 'income tax expenses' in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(n) Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

The Bank has prepared its financial statements in line with the requirements of the Bank of Mauritius Guideline on 'Segmental Reporting under a Single Banking Licence Regime' and Bank of Mauritius Guideline on Public Disclosure of Information which require that segment information should be provided by Segment A and Segment B banking businesses.

Segment A

Segment A activity relates to all banking business other than Segment B activity. The financial services provided under Segment A may be funded and/or non-fund based. Segment A business will essentially consist of transactions with residents of Mauritius, both on the liability side and asset side.

Segment B

Segment B activity essentially relates to the provision of international financial services that give rise to 'foreign source income'. Such services may be fund based and/or non-fund based.

(o) Related parties

For the purpose of these financial statements, parties are considered to be related to the entity, if they have the ability, directly or indirectly to control the Bank and exercise significant influence over the Bank in making financial and operating decisions, or vice versa or where the Bank is subject to common control or common significant influence. Related parties may be individuals or other entities.

(p) Expenses

All expenses are accounted for in profit or loss on the accrual basis.

(q) Comparatives

Where necessary, comparative figures are restated or reclassified to conform to the current year's presentation.

3.1 **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of financial statements in accordance with IFRS requires 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.

3.1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Judgements

Going concern

The management has made an assessment of the Bank's ability to continue as a going concern and are satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Hence, the financial statements continue to be prepared on the going concern basis.

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. Management has considered those factors therein and have determined the functional currency of the Bank as Mauritian Rupees (Rs).

Deferred tax assets

Recognition of deferred tax assets depends on management's intention of the Bank to generate future taxable profits which will be used against temporary differences and to obtain tax benefits thereon. The outcome of their actual utilisation may be different.

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 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.

Calculation of ECL allowance

- Significant increase of credit risk: 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.

3.1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Judgements (Cont'd)

Calculation of ECL allowance

- 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. 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.

Determination of lease term

In determining the lease term, management considers all fact and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, there was no revision of lease terms.

Estimates

Valuation of investment property and freehold land and buildings

Investment property and freehold land and buildings have been valued by external valuer at March 30, 2021. In arriving at their valuation, the valuers have taken into consideration market conditions prevailing at the date of the valuation.

Further information on the carrying amounts of these assets and the sensitivity of those amounts to changes in unobservable inputs are provided in notes 9 and 10.

Provision for retirement benefit obligations

Retirement benefit obligation has been valued by Actuary on accounting estimates and as per provision of the Workers' Rights Act 2019. Management considers that they have used their best estimates to value the retirement benefit obligation provisions. Actual results may be different from their estimates.

Further information on the carrying amounts of the Bank's defined benefit obligation and the sensitivity of those amounts to changes in discount rate are provided in note 19.

3.1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Estimates (Cont'd)

Impairment losses on financial assets

The Bank's ECL calculation is output of complex models with underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting estimates include:

- Forward looking information: When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical information, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Actual loss experience may differ from changes in estimated forward looking information and economic drivers.

The Bank also reviews their individually credit-impaired loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statements of profit or loss and other comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the the Bank make judgements about the borrower's financial situation and the net realisable value of collaterals. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

4. FINANCIAL RISK MANAGEMENT

(a) Introduction

The Bank has exposure to the following risks from financial instruments:

•credit risk
•liquidity risk
•market risks (including interest rate and foreign currency risks)

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risks, and the Bank's management of capital. The measurement of ECL under IFRS 9 uses the information and approaches that the Bank uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed in note 4(b).

Risk Management Framework

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to banks and customers (including related commitments to lend such as loan) and investments in debt securities. The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

The Bank's management are responsible to manage its credit risk by:

- Ensuring that it has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the stated policies and procedures, IFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Bank, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Bank against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Bank's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Bank's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

Significant increase in credit risk

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

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

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

Significant increase in credit risk (Cont'd)

As documented in the loan policy, the Bank uses different criteria to determine whether credit risk has increased significantly as follows:

Corporate segment

- The breach of contract such as delinquency of more than 30 days;
- Significant financial difficulty to the borrower;
- Granting by the lender to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, of a concession that the lender would not otherwise consider;
- A high probability of bankruptcy or other financial reorganisation of the issuer;
- Recognition of an impairment loss on that asset in a prior financial reporting period;
- A historical pattern of collections of accounts receivables that indicates that the entire face amount of a portfolio of accounts receivable will not be collected;
- Funds obtained under the loan agreement were not used for the purpose for which they were loaned;
- The project financed by the loan has become non-viable;
- When the restructuring occurs prior to the classification of the loan as impaired, the restructured loan shall be classified as impaired when, in aggregate, the period of time the loan is in arrears before restructuring and after restructuring is 90 days or more;
- The borrower is engaged in a large number of undertakings leading to over-extension of its resources. It has begun shifting support from one undertaking to another which may lead to potential delinquency of the loan under review;
- The underlying collateral, which was heavily relied upon in granting the loan, has lost value significantly; and
- The underlying collateral, which was heavily relied upon in granting the loan, has lost value significantly; and
- There is a loss of confidence in the borrower's integrity.

Treasury segment

- The breach of contract such as delinquency of more than 30 days;
- Rating downgrades where the issuer's one year default rate increases by 1%;
- Significant financial difficulty of the issuer;
- A high probability of bankruptcy or other financial reorganisation of the issuer;
- Recognition of an impairment loss on that asset in a prior financial reporting period;
- A historical pattern of collections of accounts receivables that indicates that the entire face amount of a portfolio of accounts receivable will not be collected; and
- There is a loss of confidence in the issuer's integrity.

Retail segment

- The breach of contract such as delinquency of more than 30 days;
- Negative market information;
- Layoff by Ministries or any other public/private sector organisation being the macroeconomic factor; and
- Significant financial difficulty of the borrower.

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

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

Portfolio - Stage 1 and 2	**Exposure at default**	**Average PD**	**Average LGD**
March 31, 2022	Rs '000	%	%
Individual	1,973,483	0.28	31.86
Corporate	8,342,625	1.55	39.89

Measurement of ECL

The key inputs used for measuring ECL are probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Probability of default

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

With respect to stage 1 and stage 2, the Bank used:

- Statistical regression analysis to determine the probability of default for loans and advances to banks and customers. The loan portfolio has been segmented into Individual and Corporate, and Individual portfolio has been further segmented into Male and Female; and

- Country rating model to determine the probability of default for treasury instruments.

For stage 3 accounts, PD is considered 100% for computing ECL.

Loss given default

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

The Bank used Basel Framework to derive LGD for stage 1 and 2.

Exposure at default

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Bank uses EAD models that reflect the characteristics of the portfolios.

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

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

Exposure at default (cont'd)

The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice. However, for financial instruments such revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Bank does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are canceled only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items).

The Bank has factored in post model adjustment to take into account the unlikeliness to pay criteria on certain sectors impacted by the COVID-19 pandemic. The adjustment is based on the borrowers' non-payment behaviour observed in the current economic environment which may result in an increasing amount of balances becoming past due and having a higher probability of default in the future.

Incorporating forward looking information

IFRS 9 requires the Bank to use forward looking information for the computation of ECL. The macro-economic sensitive PD model involves computing the historical default rate of the Bank which is then converted into macro sensitive PD by fitting a statistical regression model with macro-economic independent variables. Forward looking information for both Individual and Corporate portfolio considered was Gross Domestic Product (GDP) for Mauritius.

The Bank uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Bank uses external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Bank has not made changes in the estimation techniques or significant assumptions made during the reporting period.

The Bank has performed a sensitivity analysis on how ECL on stages 1 and 2 would change if the ECL rate increases by 5%.

Macro-economic data	**ECL impact**
At March 31, 2022	Rs '000
ECL rate increases by 5%	(5,778)
ECL rate falls by 5%	5,778

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

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:

	2022	2021	2020
Credit risk exposures relating to on-balance sheet assets are as follows:	**Rs'000**	Rs'000	Rs'000
Cash and cash equivalents	**1,160,391**	1,521,114	2,539,046
Placement with banks	**1,408,630**	13,060,445	5,602,094
Loans and advances to banks and customers	**10,655,624**	6,286,429	8,524,209
Investment securities	**4,184,128**	2,650,325	2,860,462
Other assets*	**37,155**	4,257	228

* *Other assets exclude mandatory balance with central bank and other non financial asset such as prepayments and suspense account.*

Credit risk exposures relating to off-balance sheet items are as follows:			
Guarantees and other credit related liabilities	**616,538**	466,332	1,167,988
Undrawn credit facilities	**486,590**	1,761,986	45,219
Total	**18,549,056**	**25,750,888**	**20,739,246**

As shown above, 57% of the maximum exposure is derived from loans and advances to banks and customers and placement with banks (2021: 24% and 2020: 41%). The Bank has in place policies to mitigate credit concentration risk in line with regulatory requirements.

[This space is intentionally left blank.]

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

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

Collateral on loans and advances to banks and customers

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral for credit risk mitigation.

The Bank prepares a valuation of the collaterals obtained as part of the loan origination process. This asessement is reviewed periodically. The principal collateral types for loans and advances are mortgages over residential properties and charges over business assets such as premises, inventory and accounts receivable. Longer term finance to corporate entites are generally secured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. The Bank's policies regarding collateral has not significantly changed during the reporting period and there has been no significant change in the overall quality of the collaterals held by the Bank since the prior period.

The Bank closely monitors collaterals held for financial assets considered to be credit impaired, as it becomes more likely that the Bank will take possession of the collateral to mitigate potential credit losses.

Write off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Bank's recovery method is foreclosing on the collateral. The Bank may also write off financial assets that are still subject to enforcement activity. The Bank will still seek to recover amounts it is legally owed in full but which have been partially written off due to no reasonable expectation of a full recovery.

[This space is intentionally left blank.]

4. **FINANCIAL RISK MANAGEMENT (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, 2022, March 31, 2021 and March 31, 2020. The table shows the Bank's assets and liabilities at carrying amounts categorised by currency.

	EURO	USD	GBP	MUR	OTHERS	TOTAL
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
At March 31, 2022						
Financial assets						
Cash and cash equivalents	1,717	45,647	130,386	1,008,605	3,650	**1,190,005**
Placements with banks	-	-	1,408,630	-	-	**1,408,630**
Loans and advances to banks and customers	750,556	6,487,121	10,689	3,407,258	-	**10,655,624**
Investment securities	-	-	-	4,184,128	-	**4,184,128**
Other assets	-	-	-	37,155	-	**37,155**
Total	**752,273**	**6,532,768**	**1,549,705**	**8,637,146**	**3,650**	**17,475,542**
Financial liabilities						
Deposits from banks and customers	591,353	7,154,782	1,570,135	6,315,061	3	**15,631,334**
Other borrowed funds	149,399	563,224	-	-	-	**712,623**
Lease liabilities	-	-	-	27,779	-	**27,779**
Other liabilities	-	-	-	58,423	-	**58,423**
Total	**740,752**	**7,718,006**	**1,570,135**	**6,401,263**	**3**	**16,430,159**

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

(c) **Market risk (Cont'd)**

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

	EURO	USD	GBP	MUR	OTHERS	TOTAL
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
At March 31, 2021						
Financial assets						
Cash and cash equivalents	4,419	664,767	10,514	871,897	14,265	1,565,862
Placements with banks	-	11,577,253	1,483,192	-	-	13,060,445
Loans and advances to banks and customers	211,865	3,710,104	-	2,364,460	-	6,286,429
Investment securities	-	-	-	2,900,325	-	2,900,325
Other assets	-	-	-	4,257	-	4,257
Total	216,284	15,952,124	1,493,706	6,140,939	14,265	23,817,318
Financial liabilities						
Deposits from banks and customers	22,431	4,853,610	1,493,896	6,172,402	2	12,542,341
Other borrowed funds	190,029	9,584,366	-	-	-	9,774,395
Lease liabilities	-	-	-	30,253	-	30,253
Other liabilities	-	50,614	-	-	-	50,614
Total	212,460	14,488,590	1,493,896	6,202,655	2	22,397,603

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

(c) **Market risk (Cont'd)**

(i) Currency risk (Cont'd)

	EURO	USD	GBP	MUR	OTHERS	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	2,341,437	3,527	221,466	9,527	2,578,644
Placements with banks	-	5,602,094	-	-	-	5,602,094
Loans and advances to banks and customers	254,656	5,811,927	-	2,457,626	-	8,524,209
Investment securities	-	-	-	3,060,462	-	3,060,462
Other assets	-	-	-	228	-	228
Total	257,343	13,755,458	3,527	5,739,782	9,527	19,765,637
Financial liabilities						
Deposits from banks and customers	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
Lease liabilities	-	-	-	32,216	-	32,216
Other liabilities	-	4,561	-	31,716	-	36,277
Total	362,924	11,084,665	1,189,396	5,770,008	-	18,406,993

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Market risk (Cont'd)

(i) Currency risk (Cont'd)

Sensitivity analysis

If the Mauritian rupee had weakened/strengthened against the following significant 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%
Impact on result for the year	Rs'000	Rs'000	Rs'000
March 31, 2022	**(1,022)**	**(59,262)**	**576**
March 31, 2021	498	78,268	191
March 31, 2020	(59,199)	143,268	(5,279)

The Bank manages foreign curreny exposures through regular monitoring of foreign exchange rates movements and ensuring that foreign currency denominated outgoing payments and inflows are reviewed and approved before processing the transactions.

(ii) Interest rate risk

Interest rate risk arises from investment securities, placements with banks, loans and advances to banks and customers, other borrowed funds and deposits from banks and customers 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 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 Bank of Mauritius 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:

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Impact on earnings	**198,172**	108,005	103,612

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.

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities

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

	Fixed interest bearing	Floating interest bearing	Non-interest bearing	Total
At March 31, 2022	**Rs '000**	**Rs '000**	**Rs '000**	**Rs '000**
Financial assets				
Cash and cash equivalents	-	822,095	367,910	1,190,005
Placements with banks	-	1,408,630	-	1,408,630
Loans and advances to banks and customers	-	11,400,959	(745,335)	10,655,624
Investment securities	-	4,184,129	-	4,184,129
Other assets	-	-	37,155	37,155
	-	17,815,813	(340,270)	17,475,543
Financial liabilities				
Deposits from banks and customers	6,656,156	7,194,584	1,780,594	15,631,334
Other borrowed funds	-	712,623	-	712,623
Lease liabilities	27,779	-	-	27,779
Other liabilities	-	-	58,423	58,423
	6,683,935	7,907,207	1,839,017	16,430,159
Net balances	(6,683,935)	9,908,606	(2,179,287)	1,045,384

	Fixed interest bearing	Floating interest bearing	Non-interest bearing	Total
At March 31, 2021	**Rs '000**	**Rs '000**	**Rs '000**	**Rs '000**
Financial assets				
Cash and cash equivalents	-	804,907	760,955	1,565,862
Placements with banks	-	13,060,445	-	13,060,445
Loans and advances to banks and customers	-	7,101,611	(815,182)	6,286,429
Investment securities	-	2,900,325	-	2,900,325
Other assets	-	-	4,257	4,257
	-	23,867,288	(49,970)	23,817,318
Financial liabilities				
Deposits from banks and customers	3,029,312	8,692,637	820,392	12,542,341
Other borrowed funds	-	9,774,395	-	9,774,395
Lease liabilities	30,253	-	-	30,253
Other liabilities	-	-	50,614	50,614
	3,059,565	18,467,032	871,006	22,397,603
Net balances	(3,059,565)	5,400,256	(920,976)	1,419,715

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

(c) **Market risk (Cont'd)**

(ii) Interest rate risk (Cont'd)

Interest sensitivity of assets and liabilities (Cont'd)

At March 31, 2020	Fixed interest bearing Rs '000	Floating interest bearing Rs '000	Non-interest bearing Rs '000	Total Rs '000
Financial assets				
Cash and cash equivalents	-	2,329,842	248,802	2,578,644
Placements with banks	-	5,602,094	-	5,602,094
Loans and advances to banks and customers	-	9,194,658	(670,449)	8,524,209
Investment securities	-	3,060,462	-	3,060,462
Other assets	-	-	228	228
	-	20,187,056	(421,419)	19,765,637
Financial liabilities				
Deposits from banks and customers	2,560,350	9,380,908	771,686	12,712,944
Other borrowed funds	-	5,625,556	-	5,625,556
Lease liabilities	32,216	-	-	32,216
Other liabilities	-	-	36,277	36,277
	2,592,566	15,006,464	807,963	18,406,993
Net balances	(2,592,566)	5,180,592	(1,229,382)	1,358,644

(iii) IBOR Transition

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank is currently in the process of amending or preparing to amend contractual terms in response to IBOR reform and expects to complete all transitional reforms by the end of 2022 whereby some benchmarks including LIBOR will be replaced with alternative risk-free benchmark rates that will meet regulatory and market requirements. For this purpose, the Bank has set up a cross business unit task force, comprising Finance, Compliance, IT, Treasury and Risk to monitor and implement the IBOR reform.

As part of the transition journey, management has identified clients with LIBOR exposures and engaged with them to update their contracts. As at 31 March 2022, fall back clauses have been incorporated in all syndicated and billateral loans as per the clauses provided by the Bank's corporate office in India. The identified alternative rate to the USD LIBOR is the Secured Overnight Financing Rate ('SOFR'). In line with the Bank of Mauritius Guidance on LIBOR Transition issued in September 2021, the Bank has not onboarded any new clients with LIBOR linked interest rates as from 1 January 2022.

Operationally, the Bank has already upgraded all its critical processes and systems for the use of the alternative rates. Management has assessed the tax and accounting implications of the transition, in particular, whether the change in the benchmark interest rate would constitute a substantial modification in the loan agreement and hence qualify as a derecognition as per the criteria of IFRS. No such instances have been identified by management. At the same time, management has considered any underlying tax implications which they do not foresee to be significant.

(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.

4. **FINANCIAL RISK MANAGEMENT (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.

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity items	Total
At March 31, 2022	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Financial assets								
Cash and cash equivalents	490,865	699,140	-	-	-	-	-	1,190,005
Placements with banks	-	1,408,630	-	-	-	-	-	1,408,630
Loans and advances to banks and customers	2,224,463	2,347,830	1,375,489	1,469,483	473,995	3,509,699	(745,335)	10,655,624
Investment securities	1,357,999	182,902	826,680	334,796	947,290	534,462	-	4,184,129
Other assets	-	-	-	-	-	-	37,155	37,155
	4,073,327	4,638,502	2,202,169	1,804,279	1,421,285	4,044,161	(708,180)	17,475,543
Financial liabilities								
Deposits from banks and customers	390,081	3,871,503	306,422	3,540,938	482,698	13,505	7,026,187	15,631,334
Other borrowed funds	361,219	351,404	-	-	-	-	-	712,623
Lease liabilities	356	720	1,098	2,169	7,007	16,429	-	27,779
Other liabilities	-	-	-	-	-	-	58,423	58,423
Total	751,656	4,223,627	307,520	3,543,107	489,705	29,934	7,084,610	16,430,159
Net liquidity gap	3,321,671	414,875	1,894,649	(1,738,828)	931,580	4,014,227	(7,792,790)	1,045,384

4. FINANCIAL RISK MANAGEMENT (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, 2021	Up to 1 month Rs '000	1-3 months Rs '000	3-6 months Rs '000	6-12 months Rs '000	1-3 years Rs '000	Over 3 years Rs '000	Non-maturity items Rs '000	Total Rs '000
Financial assets								
Cash and cash equivalents	760,955	804,907	-	-	-	-	-	1,565,862
Placements with banks	-	3,893,870	-	-	4,074,033	5,092,542	-	13,060,445
Loans and advances to banks and customers	2,519,071	955,030	306,108	201,805	897,549	2,222,048	(815,182)	6,286,429
Investment securities	1,149,324	-	1,089,306	-	657,107	-	4,588	2,900,325
Other assets	-	-	-	-	-	-	4,257	4,257
	4,429,350	5,653,807	1,395,414	201,805	5,628,689	7,314,590	(806,337)	23,817,318
Financial liabilities								
Deposits from banks and customers	7,091,331	1,657,560	382,067	2,585,960	822,765	2,658	-	12,542,341
Other borrowed funds	-	446,706	119,076	71,446	4,060,963	5,076,204	-	9,774,395
Lease liabilities	356	720	1,098	2,169	7,007	18,903	-	30,253
Other liabilities	-	-	-	-	-	-	50,614	50,614
Total	7,091,687	2,104,986	502,241	2,659,575	4,890,735	5,097,765	50,614	22,397,603
Net liquidity gap	(2,662,337)	3,548,821	893,173	(2,457,770)	737,954	2,216,825	(856,951)	1,419,715

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

(d) **Liquidity risk (Cont'd)**

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-maturity items	Total
At March 31, 2020	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Financial assets								
Cash and cash equivalents	2,220,706	357,938	-	-	-	-	-	2,578,644
Placements with banks	-	1,189,010	312,380	1,171,030	-	2,929,674	-	5,602,094
Loans and advances to banks and customers	4,851,119	1,200,472	501,431	485,374	578,749	1,577,513	(670,449)	8,524,209
Investment securities	-	847,790	901,809	219,852	1,016,046	74,965	-	3,060,462
Other assets	-	-	-	-	-	-	228	228
	7,071,825	3,595,210	1,715,620	1,876,256	1,594,795	4,582,152	(670,221)	19,765,637
Financial liabilities								
Deposits from banks and customers	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
Lease liabilities	317	640	1,006	1,985	7,095	21,173	-	32,216
Other liabilities	-	-	-	-	-	-	36,277	36,277
Total	4,997,816	3,892,439	626,929	2,607,988	1,164,709	5,080,835	36,277	18,406,993
Net liquidity gap	2,074,009	(297,229)	1,088,691	(731,732)	430,086	(498,683)	(706,498)	1,358,644

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) **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.

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;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There are no financial assets or liabilities under level 3 of the fair value hierarchy.

The carrying amount of financial assets and liabilities of the Bank at 31 March 2022, 2021 and 2020 approximate their fair value.

(h) **Capital risk management**

Capital risk is the risk that the Bank has insufficient capital resources to meet the minimum regulatory requirements, to support its credit rating and to support its growth and strategic options.

The Bank's regulator is the Bank of Mauritius and sets the capital requirements for the Bank. The Bank of Mauritius has adopted Basel III as from June 2014 through the Guideline on Scope of Application of Basel III and Eligible Capital.

The Bank's regulatory capital consists of the sum of the following elements:
-Tier 1 capital, which comprises Common Equity Tier 1 ("CET1) and Additional Tier 1 Capital. This comprises ordinary share capital, statutory reserve and retained earnings reserves.

-Tier 2 capital which includes the general banking reserve.

For each of the three categories above, there is a single set of criteria that the instruments are required to meet before they can be included in the relevant category. For the purpose of determining the capital adequacy ratio, the capital base is the sum of Tier 1 and Tier 2 capital net of regulatory adjustments applied.

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(h) Capital risk management (Cont'd)

As of 31 March 2022, the Bank has complied with all externally imposed capital requirements. The Bank's Capital Adequacy Ratio is well above the regulatory requirement at 31 March 2022, 2021 and 2020.

Please refer to the disclosures in the Management and Discussion Analysis part of the annual report for more details on capital risk management disclosures.

(i) Financial instruments by category

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Financial assets at amortised cost			
Cash and cash equivalents	**1,190,005**	1,565,862	2,578,644
Placements with banks	**1,408,630**	13,060,445	5,602,094
Loans and advances to banks and customers	**10,655,624**	6,286,429	8,524,209
Investment securities	**4,184,129**	2,900,325	3,060,462
Other assets	**38,870**	22,977	52,838
Total	**17,477,258**	23,836,038	19,818,247
Financial liabilities at amortised cost			
Deposits from banks and customers	**15,631,334**	12,542,341	12,712,944
Other borrowed funds	**712,623**	9,774,395	5,625,556
Lease liabilities	**27,779**	30,253	32,216
Other financial liabilities	**58,423**	50,614	36,277
Total	**16,430,159**	22,397,603	18,406,993

5. CASH AND CASH EQUIVALENTS

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Current			
Cash in hand (including foreign currency notes and coins)	**29,614**	44,748	39,598
Unrestricted balances with Central Bank*	**323,925**	676,293	182,519
Placements and investment securities**	**822,095**	804,907	2,329,842
Balances with banks	**14,371**	39,914	26,685
	1,190,005	1,565,862	2,578,644
Segment A			
Cash in hand (including foreign currency notes and coins)	**29,614**	44,748	39,598
Unrestricted balances with Central Bank*	**323,925**	676,293	182,519
Placements and investment securities**	**699,140**	150,856	-
	1,052,679	871,897	222,117
Segment B			
Placements and investment securities**	**122,955**	654,051	2,329,842
Balances with banks	**14,371**	39,914	26,685
	137,326	693,965	2,356,527

5. CASH AND CASH EQUIVALENTS (CONT'D)

* 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 is immaterial.

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

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Cash and cash equivalents	**1,190,005**	1,565,862	2,578,644
Other borrowed funds (note 16)	**(712,623)**	(446,830)	(901,869)
Net cash and cash equivalents	**477,382**	1,119,032	1,676,775

6. PLACEMENTS WITH BANKS

	2022	2021	2020
Segment B	**Rs'000**	Rs'000	Rs'000
(i) Placements with banks			
- Outside Mauritius	**1,408,630**	13,060,445	5,602,094
(ii) Remaining term to maturity			
Current			
Up to 3 months	**1,408,630**	3,920,980	1,184,429
Over 3 months and up to 6 months	-	-	276,104
Over 6 months and up to 12 months	-	-	1,183,303
Non-Current			
Over 1 year and up to 5 years	-	9,139,465	2,958,258
	1,408,630	13,060,445	5,602,094

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 BANKS AND CUSTOMERS

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Retail customers	**1,183,583**	920,341	847,127
Mortgages	**356,259**	449,509	435,053
Corporate customers	**1,409,218**	1,249,237	1,379,730
Governments	-	13,333	26,682
Entities outside Mauritius	**2,818,503**	2,138,912	3,699,095
Banks	**5,986,525**	2,330,279	2,806,971
	11,754,088	7,101,611	9,194,658
Less: allowance for credit impairment Losses (note (iii))	**(1,098,464)**	(815,182)	(670,449)
	10,655,624	6,286,429	8,524,209

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

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Segment A			
Loans and advances to banks and customers			
Retail customers	**1,183,583**	920,341	847,127
Mortgages	**356,259**	449,509	435,053
Corporate customers	**1,409,218**	1,249,237	1,379,730
Governments	**-**	13,333	26,682
Less: allowance for credit impairment losses (Note (iii))	**(59,658)**	(267,960)	(226,193)
	2,889,402	2,364,460	2,462,399
Segment B			
Entities outside Mauritius	**2,818,503**	2,138,912	3,699,095
Bank	**5,986,525**	2,330,279	2,806,971
Less: allowance for credit impairment losses (Note (iii))	**(1,038,806)**	(547,222)	(444,256)
	7,766,222	3,921,969	6,061,810
Total	**10,655,624**	6,286,429	8,524,209

(ii) Remaining term to maturity

	2022	2021	2020
Current			
Up to 3 months	**4,216,343**	3,788,901	1,808,641
Over 3 months and up to 6 months	**1,375,489**	493,606	1,658,854
Over 6 months and up to 12 months	**1,469,483**	225,809	722,981
Non-Current			
Over 1 year and up to 5 years	**1,574,988**	1,343,771	1,212,145
Over 5 years	**2,019,321**	434,342	3,121,588
	10,655,624	6,286,429	8,524,209
Segment A			
Current			
Up to 3 months	**939,433**	1,312,667	1,125,457
Over 3 months and up to 6 months	**40,563**	218,686	25,398
Over 6 months and up to 12 months	**22,857**	4,370	17,740
Non-Current			
Over 1 year and up to 5 years	**384,535**	394,395	428,863
Over 5 years	**1,502,014**	434,342	864,941
	2,889,402	2,364,460	2,462,399
Segment B			
Current			
Up to 3 months	**3,276,910**	2,476,234	683,184
Over 3 months and up to 6 months	**1,334,926**	274,920	1,633,456
Over 6 months and up to 12 months	**1,446,626**	221,439	705,241
Non-Current			
Over 1 year and up to 5 years	**1,190,453**	949,376	783,282
Over 5 years	**517,307**	-	2,256,647
	7,766,222	3,921,969	6,061,810
Total	**10,655,624**	6,286,429	8,524,209

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

Credit concentration of risk by industry sectors

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Name of sector			
Agriculture and fishing	**352,087**	368,619	330,875
Manufacturing	**90,401**	69,582	144,298
Tourism	**9,476**	8,041	489
Transport	**285,199**	249,727	79,676
Construction	**950,726**	511,574	703,201
Financial & business services	**257,629**	269,906	219,448
Traders	**402,469**	385,299	449,854
Personal	**347,517**	254,612	458,567
Professional	**30,460**	1,445	8,079
Education	**1,699**	993	82,375
Global business operations	**7,766,223**	3,921,969	6,022,392
Media, entertainment and recreational activities	**13,675**	286	165
Others	**148,063**	244,376	24,790
Total	**10,655,624**	6,286,429	8,524,209
<u>**Segment A**</u>			
Name of sector			
Agriculture and fishing	**352,087**	368,619	330,875
Manufacturing	**90,401**	69,582	144,298
Tourism	**9,476**	8,041	489
Transport	**285,199**	249,727	79,676
Construction	**950,726**	511,574	703,201
Financial & business services	**257,629**	269,906	219,448
Traders	**402,469**	385,299	449,854
Personal	**347,517**	254,612	458,567
Professional	**30,460**	1,445	8,079
Education	**1,699**	993	82,375
Media, entertainment and recreational activities	**13,675**	286	165
Others	**148,063**	244,376	24,790
	2,889,401	2,364,460	2,501,817
<u>**Segment B**</u>			
Name of sector			
Global business operations	**7,766,223**	3,921,969	6,022,392
Total	**10,655,624**	6,286,429	8,524,209

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

(iii) Allowances for credit impairment

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.

	March 31, 2022						
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**
Performing							
Standard grade	**2,643,429**	**7,423,318**	-	-	-	-	**10,066,747**
Past due but not impaired	-	-	**260,414**	**13,783**	-	-	**274,197**
Non-performing							
Individually impaired	-	-	-	-	**45,216**	**1,367,928**	**1,413,144**
Total	**2,643,429**	**7,423,318**	**260,414**	**13,783**	**45,216**	**1,367,928**	**11,754,088**

	March 31, 2021						
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
Performing							
Standard grade	1,376,636	2,759,329	-	-	-	-	4,135,965
Past due but not impaired	-	-	1,051,826	608,756	-	-	1,660,582
Non-performing							
Individually impaired	-	-	-	-	203,839	1,101,225	1,305,064
Total	1,376,636	2,759,329	1,051,826	608,756	203,839	1,101,225	7,101,611

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

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

	March 31, 2020						
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
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

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

	March 31, 2022						
	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, 2021	**1,376,636**	**2,759,329**	**1,051,826**	**608,756**	**203,839**	**1,101,225**	**7,101,611**
Additions during the year	**1,279,363**	**5,966,376**	**52,294**	**13,783**	**682**	**266,703**	**7,579,201**
Other movements	**(12,570)**	**(1,302,387)**	**(843,706)**	**(608,756)**	**(159,305)**	**-**	**(2,926,724)**
At March 31, 2022	**2,643,429**	**7,423,318**	**260,414**	**13,783**	**45,216**	**1,367,928**	**11,754,088**

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

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

	March 31, 2021						
	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, 2020	2,348,950	3,548,475	98,244	2,280,439	241,398	677,152	9,194,658
Additions during the year	690,064	1,648,208	953,582	226,538	341	424,073	3,942,806
Other movements	(1,662,378)	(2,437,354)	-	(1,898,221)	(37,900)	-	(6,035,853)
At March 31, 2021	1,376,636	2,759,329	1,051,826	608,756	203,839	1,101,225	7,101,611

	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

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

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

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

	March 31, 2022						
	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, 2021	**56,698**	**42,290**	**18,517**	**13,684**	**192,626**	**491,367**	**815,182**
Additions during the year	**3,919**	**43,037**	**1,499**	**102**	**136**	**910,597**	**959,290**
Amounts written off out of provision	**-**	**-**	**-**	**-**	**(166,885)**	**-**	**(166,885)**
Other movements	**(38,782)**	**(26,609)**	**(5,120)**	**(1,097)**	**(3,069)**	**(517,279)**	**(591,956)**
Exchange movements	**-**	**-**	**-**	**-**	**-**	**82,833**	**82,833**
At March 31, 2022	**21,835**	**58,718**	**14,896**	**12,689**	**22,808**	**967,518**	**1,098,464**

	March 31, 2021						
	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, 2020	14,368	69,141	25,432	39,718	186,393	335,397	670,449
Additions during the year	1,589	14,351	5,994	2,694	6,233	147,282	178,143
Other movements	40,741	(41,202)	(12,909)	(28,728)	-	8,688	(33,410)
At March 31, 2021	56,698	42,290	18,517	13,684	192,626	491,367	815,182

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

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

	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

[This space is intentionally left blank.]

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

(iv) Allowance for credit impairment by industry sectors

	March 31, 2022					March 31, 2021	March 31, 2020
	Gross amount of loans	Impaired loans included in gross amount	Stage 3 allowance for credit impairment	Stage 1 & 2 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	Rs'000
Segment A							
Agriculture and fishing	357,876	5,669	2,267	3,522	5,789	180,338	170,227
Manufacturing	97,033	13,937	5,801	831	6,632	14,108	15,952
Tourism	9,669	-	-	193	193	697	5
Transport	290,802	6,307	2,758	2,845	5,603	19,561	2,412
Construction	972,183	8,341	7,625	13,832	21,457	12,585	13,871
Financial & business services	260,231	-	-	2,602	2,602	4,612	2,243
Traders	406,534	-	-	4,065	4,065	19,611	9,312
Personal	356,258	3,994	1,696	7,045	8,741	4,624	11,005
Professional	30,768	-	-	308	308	11	81
Education	1,716	-	-	17	17	10	832
Media, entertainment and recreational	-	-	-	-	-	-	-
activities	13,813	-	-	138	138	-	2
Others	152,176	6,968	2,661	1,452	4,113	11,802	251
	2,949,059	45,216	22,808	36,850	59,658	267,959	226,193
Segment B							
Global business operations	8,805,029	1,367,928	967,518	71,288	1,038,806	547,223	444,256
Total	11,754,088	1,413,144	990,326	108,138	1,098,464	815,182	670,449

8. INVESTMENT SECURITIES

	2022 Rs'000	2021 Rs'000	2020 Rs'000
Investment securities measured at at amortised cost (Debt Instruments)	**4,184,128**	2,900,325	3,060,462
Details of investments at amortised cost:			
Government of Mauritius and Bank of Mauritius bonds	**2,068,726**	1,254,352	1,120,788
Treasury bills	**2,118,223**	1,645,973	1,939,674
Overseas government bonds	**5,064**	4,588	3,829
	4,192,013	2,904,913	3,064,291
Less allowance for credit impairment losses	**(7,885)**	(4,588)	(3,829)
	4,184,128	2,900,325	3,060,462

Remaining term to maturity	2022						2021	2020
	Within 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	Total Rs'000	Total Rs'000
Segment A								
Government of Mauritius and Bank of Mauritius bonds	250,731	100,583	235,622	1,481,790	-	2,068,726	1,254,352	1,120,788
Treasury bills	1,292,990	726,097	99,136	-	-	2,118,223	1,645,973	1,939,674
Less allowance for credit impairment losses	(1,300)	(552)	(172)	(797)	-	(2,821)	-	-
	1,542,421	826,128	334,586	1,480,993	-	4,184,128	2,900,325	3,060,462
Segment B								
Overseas government bonds	-	-	-	-	5,064	5,064	4,588	3,829
Less allowance for credit impairment losses	-	-	-	-	(5,064)	(5,064)	(4,588)	(3,829)
	-	-	-	-	-	-	-	-
	1,542,421	826,128	334,586	1,480,993	-	4,184,128	2,900,325	3,060,462

9. INVESTMENT PROPERTY

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
At fair value			
At April 1,	**18,500**	32,000	32,000
Transfer to property and equipment (note 10)	**-**	(15,976)	-
Gains from fair value adjustment (note 26)	**-**	2,476	-
At March 31,	**18,500**	18,500	32,000

The fair value of the Bank's investment property at March 31, 2021 has been arrived at on the basis of a valuation carried out at that date by S. M. Ikhlaas Belath, an independent valuer not in connection with the Bank. The valuation conforms to International Valuation Standards. The fair value was determined based on estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion.The valuation is performed every three years. Based on management's assessment, the fair value of the investment property at 31 March 2022 would not differ from its carrying amount.

The valuation was determined using the Income Capitalisation Approach which is a level 3 in the fair value hierarchy.

For the investment property categorised into level 3 of the fair value hierarchy, the following information is relevant:

Details	Valuation technique	Significant unobservable input	Relationship of unobservable inputs to fair values
Investment property	Income capitalisation approach	Discount rate used, taking into account the nature of the industry and prevailing market condition.	A slight increase in the discount rate would result in a decrease in fair value, and vice versa.

During the year for the year ended March 31, 2022, the Bank received rental income from the investments amounting Rs 2,046,643 (2021: Rs 2,390,144 and 2020: Rs 2,153,522).

[This space is intentionally left blank.]

10. PROPERTY AND EQUIPMENT

	Freehold land and buildings	Computer equipment	ATM	Furniture, fittings and equipment	Motor vehicles	Work in Progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000		Rs'000
Cost or valuation							
At March 31, 2019	119,404	20,944	22,900	75,017	4,126	-	242,391
Additions during the year	-	1,219	-	1,262	-	-	2,481
Assets written off		(198)		(1,759)	-	-	(1,957)
Disposals during the year	(559)	-	-	-	-	-	(559)
At March 31, 2020	118,845	21,965	22,900	74,520	4,126	-	242,356
Additions during the year	-	1,393	85	1,487	-	-	2,965
Revaluation decrease	(5,021)	-	-	-	-	-	(5,021)
Transfer from investment property (note 9)	15,976	-	-	-	-	-	15,976
At March 31, 2021	129,800	23,358	22,985	76,007	4,126	-	256,276
Additions during the year	**-**	**2,711**	**-**	**1,286**	**-**	**26,020**	**30,017**
Write off during the year	**-**	**(2,105)**	**-**	**(1,142)**	**-**	**-**	**(3,247)**
At March 31, 2022	**129,800**	**23,964**	**22,985**	**76,151**	**4,126**	**26,020**	**283,046**
Accumulated depreciation							
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
Charge for the year	3,027	1,032	637	3,474	75	-	8,245
Eliminated on revaluation	(21,253)					-	(21,253)
At March 31, 2021	-	21,498	22,278	65,324	3,406	-	112,506
Charge for the year	**5,124**	**1,203**	**698**	**3,049**	**38**	**-**	**10,112**
Assets written off	**-**	**(2,105)**	**-**	**(1,142)**	**-**	**-**	**(3,247)**
At March 31, 2022	**5,124**	**20,596**	**22,976**	**67,231**	**3,444**	**-**	**119,371**
Carrying amount							
At March 31, 2020	100,619	1,499	1,259	12,670	795	-	116,842
At March 31, 2021	129,800	1,860	707	10,683	720	-	143,770
At March 31, 2022	**124,676**	**3,368**	**9**	**8,920**	**682**	**26,020**	**163,675**

Management is of the opinion that there are no indication of impairment of property and equipment at March 31, 2022, March 31, 2021 and March 31, 2020.

Freehold land and buildings

The land and buildings were revalued in March 2021, by S. M. Ikhlaas Belath, an independent valuer. The valuation was made on the basis of open market value. The fair value was determined based on estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion.

Based on management's assessment, the fair value of the land and buildings at 31 March 2022 will not differ from its carrying value.

10. PROPERTY AND EQUIPMENT (CONT'D)

The valuation of land was determined using the sales comparison approach which is level 2 in the fair value hierarchy and the valuation of the building was determined using the depreciated replacement cost approch which is level 3 in the fair value hierarchy.

For the buildings categorised into level 3 of the fair value hierarchy, the following information is relevant:

Details	Valuation technique	Significant unobservable input	Relationship of unobservable inputs to fair values
Building	Depreciated replacement approach	Depreciation rate used, taking into account the nature of the industry and prevailing market condition.	A slight increase in the depreciation rate would result in a decrease in fair value, and vice versa.

If freehold land and building had been stated as historical cost the carrying amount would have been as follows:

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Cost	**52,134**	52,134	52,134
Accumulated depreciation	**(38,360)**	(37,744)	(37,128)
Net book value	**13,774**	14,390	15,006

11A. RIGHT-OF-USE ASSETS

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Cost			
At April 1,	**37,345**	35,828	-
Adoption of IFRS 16	**-**	-	35,828
Addition during the year	**2,121**	2,811	-
Termination	**-**	(1,294)	-
At March 31,	**39,466**	37,345	35,828
Accumulated depreciation			
At April 1,	**(9,822)**	(5,210)	-
Charge for the year	**(4,926)**	(5,162)	(5,210)
Termination	**-**	550	-
At March 31,	**(14,748)**	(9,822)	(5,210)
Carrying amount			
At March 31,	**24,718**	27,523	30,618

11A. RIGHT-OF-USE ASSETS (CONT'D)

The Bank leases buildings to operate its branches and residential property for its expatriate staff. The average lease term is 4 years (2021: 5 years).

The Bank does not have option to purchase the buildings and residential property at the end of the lease term.

Management has reviewed the carrying amount of right-of-use assets and is of the opinion that no impairment is required as at March 31, 2022, March 31, 2021 and March 31, 2020.

During the year ended March 31, 2022, the Bank has incurred Rs 155,822 (2021: Rs 134,000 and 2020: Rs Nil) for a short term lease which relates to rental for the residence for its expatriate staff.

11B. LEASE LIABILITIES

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
At 31 March	**27,779**	30,253	32,216
Analysed as:			
Current	**4,471**	4,413	3,879
Non-current	**23,308**	25,840	28,337
	27,779	30,253	32,216
Maturity analysis of operating lease payments:			
Year 1	**6,800**	6,615	6,384
Year 2	**5,724**	5,579	6,421
Year 3	**5,226**	4,897	5,494
Year 4	**3,715**	3,607	4,827
Year 5	**3,050**	3,050	3,607
Year 6 onwards	**19,279**	19,089	22,139
	43,794	42,837	48,872

The Bank does not face a significant liquidity risk with regard to its lease liabilities. The lease liabilities are monitored within the Bank's treasury function.

All lease obligations are denominated in Mauritian Rupees.

12. INTANGIBLE ASSET

	2022	**2021**	**2020**
	Rs'000	**Rs'000**	**Rs'000**
At April 1,	-	2,027	-
Addition during the year	-	-	2,027
Write off during the year	-	(2,027)	-
At March 31,	-	-	2,027

13. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax is calculated on all temporary differences under the liability method at 7% (2021 and 2020: 7%).

(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:

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Deferred tax assets (see (c) below)	**54,226**	28,371	19,260
Deferred tax liabilities (see (d) below)	**(13,034)**	(11,857)	(11,706)
	41,192	16,514	7,554

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

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
At April 1,	**16,514**	7,554	20,139
Effect of change in deferred tax rate from 17% to 7%	**-**	-	(11,866)
Amount credited / (charged) to profit or loss	**24,251**	9,510	(719)
Amount credited / (charged) to other comprehensive income	**427**	(550)	-
At March 31,	**41,192**	16,514	7,554

(c) **Deferred tax assets**

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
<u>Provision for credit impairment allowances</u>			
At April 1,	**24,879**	15,605	36,291
Effect of change in deferred tax rate from 17% to 7%	**-**	-	(21,347)
Amount credited to profit or loss	**25,713**	9,274	661
At March 31,	**50,592**	24,879	15,605
<u>Retirement benefit obligations</u>			
At April 1,	**1,335**	1,165	3,541
Effect of change in deferred tax rate from 17% to 7%	**-**	-	(2,083)
Amount (charged) / credited to profit or loss	**(112)**	170	(293)
Amount credited to other comprehensive income	**427**	-	-
At March 31,	**1,650**	1,335	1,165
<u>Lease liabilities</u>			
At April 1,	**2,157**	2,490	-
Effect of adopting IFRS 16	**-**	-	2,508
Amount charged to profit or loss	**(173)**	(333)	(18)
At March 31,	**1,984**	2,157	2,490
Total	**54,226**	28,371	19,260

13. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

(d) Deferred tax liabilities

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Asset revaluations			
At April 1,	**(5,526)**	(4,670)	(11,436)
Effect of change in deferred tax rate from 17% to 7%	**-**	-	6,728
Amount (charged)/ credited to other comprehensive income	**-**	(856)	38
At March 31	**(5,526)**	(5,526)	(4,670)
Accelerated tax depreciation			
At April 1,	**(4,212)**	(4,554)	(8,256)
Effect of change in deferred tax rate from 17% to 7%	**-**	-	4,857
Amount (charged)/ credited to profit or loss	**(1,566)**	342	(1,155)
At March 31	**(5,778)**	(4,212)	(4,554)
Right-of-use assets			
At April 1,	**(2,119)**	(2,482)	-
Effect of adopting IFRS 16	**-**	-	(2,508)
Amount credited to profit or loss	**389**	363	26
At March 31,	**(1,730)**	(2,119)	(2,482)
Total	**(13,034)**	(11,857)	(11,706)

14. OTHER ASSETS

	2022	2021	2020
Segment A	**Rs'000**	Rs'000	Rs'000
Balances due in clearing	**36,797**	3,976	228
Mandatory balances with central bank	**704,564**	603,778	546,304
Others	**666**	19,001	52,610
	742,027	626,755	599,142

[This space is intentionally left blank.]

15. DEPOSITS FROM BANKS AND CUSTOMERS

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
(a) Deposits from banks			
Demand deposits	**15,399**	18,870	23,585
Savings accounts	**5,334**	4,469	4,326
Money market deposits with remaining term to maturity:			
Up to 3 months	**551,090**	50,000	50,000
	571,823	73,339	77,911
(b) Deposits from customers			
(i) Retail customers			
Current accounts	**53,187**	45,485	74,177
Savings accounts	**3,793,178**	3,444,173	3,095,190
Time deposits with remaining term to maturity:			
Up to 3 months	**213,875**	217,429	1,710,081
3 months to 6 months	**269,490**	226,737	307,435
6 months to 12 months	**2,535,766**	2,332,145	534,530
1 year to 5 years	**451,560**	479,311	649,970
	3,470,691	3,255,622	3,202,016
	7,317,056	6,745,280	6,371,383
(ii) Corporate customers			
Current accounts	**781,501**	756,037	673,924
Savings accounts	**2,384,510**	2,495,155	2,361,514
Time deposits with remaining term to maturity:			
Up to 3 months	**3,477,163**	1,703,474	220
3 months to 6 months	**36,932**	153,479	2,083,689
6 months to 12 months	**1,003,744**	241,287	895,785
1 year to 5 years	**44,640**	342,113	176,994
Over 5 years			118
	4,562,479	2,440,353	3,156,806
	7,728,490	5,691,545	6,192,244
(iii) Government			
Savings accounts	**305**	158	656
(c) Accrued interest payable	**13,660**	32,019	70,750
Total	**15,631,334**	12,542,341	12,712,944
(d) Deposits from banks			
Segment A			
Demand deposits	**15,399**	18,870	23,585
Savings accounts	**5,334**	-	4,326
Money market deposits with remaining term to maturity:			
Up to 3 months	**-**	50,000	50,000
	20,733	68,870	77,911
Segment B			
Savings accounts	**-**	4,469	-
Money market deposits with remaining term to maturity:			
Up to 3 months	**551,090**	-	-
	551,090	4,469	-
Total	**571,823**	73,339	77,911

15. **DEPOSITS FROM BANKS AND CUSTOMERS (CONT'D)**

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
(e) Deposits from customers			
(i) Retail customers			
Segment A			
Current accounts	**53,187**	45,485	74,177
Savings accounts	**3,393,811**	3,162,546	2,750,086
Time deposits with remaining term to maturity			
Up to 3 months	**199,218**	180,935	13,197
3 months to 6 months	**226,316**	218,130	222,929
6 months to 12 months	**311,454**	309,172	287,563
1 year to 5 years	**451,560**	479,311	648,732
	1,188,548	1,187,548	1,172,421
	4,635,546	4,395,579	3,996,684
Segment B			
Current accounts	**-**	-	-
Savings accounts	**399,367**	281,627	345,104
Time deposits with remaining term to maturity			
Up to 3 months	**14,657**	36,494	1,696,884
Over 3 months and up to 6 months	**43,174**	8,607	84,506
Over 6 months and up to 12 months	**2,224,312**	2,022,973	246,967
Over 1 year and up to 5 years	**-**	-	1,238
	2,282,143	2,068,074	2,029,595
	2,681,510	2,349,701	2,374,699
	7,317,056	6,745,280	6,371,383
(ii) Corporate customers			
Segment A			
Current accounts	**781,501**	756,037	673,924
Savings accounts	**232,327**	1,485,097	450,475
Time deposits with remaining term to maturity			
Up to 3 months	**93,057**	89,925	7,332
3 months to 6 months	**36,798**	132,600	33,168
6 months to 12 months	**461,220**	155,317	78,346
1 year to 5 years	**44,640**	342,113	176,994
Over 5 years	**-**	-	118
	635,715	719,955	295,958
	1,649,543	2,961,089	1,420,357
Segment B			
Current accounts	**-**	-	-
Savings accounts	**2,152,183**	1,010,058	1,911,039
Time deposits with remaining term to maturity			
Up to 3 months	**3,384,106**	1,613,549	1,132,739
3 months to 6 months	**134**	20,879	1,531,325
6 months to 12 months	**542,524**	85,970	196,784
	3,926,764	1,720,398	2,860,848
	6,078,947	2,730,456	4,771,887
	7,728,490	**5,691,545**	**6,192,244**

15. DEPOSITS FROM BANKS AND CUSTOMERS (CONT'D)

(e) Deposits from customers (cont'd)	**2022** **Rs'000**	2021 Rs'000	2020 Rs'000
Government			
Segment A			
Savings accounts	**305**	158	656
	305	158	656
Deposit			
Segment A	**6,306,127**	7,430,165	5,495,608
Segment B	**9,311,547**	5,080,157	7,146,586
Accrued interest payable			
Segment A	**8,931**	19,867	35,523
Segment B	**4,729**	12,152	35,227
Total	**15,631,334**	12,542,341	12,712,944

16. OTHER BORROWED FUNDS

	2022 **Rs'000**	2021 Rs'000	2020 Rs'000
- In Mauritius - Segment A	**-**	-	175,006
- Abroad - Segment B	**712,623**	9,774,395	5,450,550
	712,623	9,774,395	5,625,556
Includes borrowings with original maturity of less than 3 months as shown in note 5	**712,623**	446,830	901,869

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

Remaining term to maturity	**2022** **Rs'000**	2021 Rs'000	2020 Rs'000
Current			
Up to 3 months	**712,623**	446,830	901,869
3 months to 6 months	**-**	138,590	403,600
6 months to 12 months	**-**	83,154	1,380,087
Non-Current			
1 year to 5 years	**-**	9,105,821	2,940,000
	712,623	9,774,395	5,625,556

17. TAXATION

(a) Tax liability

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
At April 1,	**11,311**	12,607	23,657
Tax charge for the year	**-**	10,316	16,705
Overprovision in previous years	**(1,629)**	-	712
Bank levy	**9,023**	7,906	9,493
Tax paid	**(18,489)**	(19,998)	(39,864)
Corporate social responsibility tax	**1,182**	1,564	3,392
Corporate social responsibity tax paid	**(1,182)**	(1,564)	(1,371)
Exchange gains	**-**	480	(117)
At March 31,	**216**	11,311	12,607

(b) Income tax (credit)/ expense

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Current tax	**-**	10,316	15,993
Bank levy	**9,023**	7,906	9,493
Deferred tax (note 13)	**(24,251)**	(9,510)	12,585
(Overprovision)/ underprovision in previous years	**(1,629)**	-	712
Exchange gains	**-**	-	41
Corporate social responsibility tax	**1,182**	1,564	3,392
	(15,675)	10,276	42,216

[This space is intentionally left blank.]

17. TAXATION (CONT'D)

(b) Income tax expense (Cont'd)

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Tax (credit)/charge			
Segment A	(15,675)	7,779	25,363
Segment B	-	2,497	16,853
	(15,675)	10,276	42,216
Current tax liabilities			
Segment A	216	10,777	12,389
Segment B	-	534	218
	216	11,311	12,607

(c) Tax reconciliation

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:

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
(Loss)/profit before tax	(253,591)	99,752	423,180
Tax calculated at 5%	(12,680)	4,988	21,159
Expenses not deductible for tax purposes	19,410	130	13
Income not subject to tax	-	(31)	(8,874)
Special levy	9,023	7,906	9,493
(Overprovision)/ underprovision in previous years	(1,629)	-	712
Corporate Social Responsibility contribution	1,182	1,564	3,392
Deferred tax not recognised	2,323	-	-
Other movements	(33,304)	(4,281)	(2,253)
Effect from change in deferred tax rate	-	-	18,574
Tax (credit)/charge	(15,675)	10,276	42,216

18. OTHER LIABILITIES

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Bills payable	33,819	36,678	17,972
Others	24,035	13,936	18,305
Provisions for impairment allowances on off balance sheet items	569	-	-
	58,423	50,614	36,277
Analysed as follows:			
Segment A			
Bills payable	33,819	36,678	17,972
Others	24,035	13,210	13,302
Provisions for impairment allowances on off balance sheet items	569	-	-
	58,423	49,888	31,274
Segment B			
Others	-	726	5,003
	-	726	5,003
Total	58,423	50,614	36,277

19. RETIREMENT BENEFIT OBLIGATIONS

The liability relates to retirement gratuity payable under the Workers' Right Act 2019 (WRA). WRA provides for a lump sum at retirement based on final salary and years of service. The actuarial valuation was carried out at March, 31 2022 by MUA Pension Ltd. The present value of the defined benefit liability, and the related current service cost were measured using the projected unit credit method.

(i) The amount included in the statement of financial position arising from the Bank's obligations in respect of its retirement benefit plan is as follows:

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Present value of unfunded obligations	**23,573**	19,068	16,642
Fair value of plan assets	**(8)**	-	-
Net liability arising from defined benefit obligations	**23,565**	19,068	16,642

(ii) The amounts recognised in profit or loss are as follows:

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Current service cost	**1,255**	(1,664)	4,950
Net interest expense	**444**	-	-
Components of defined benefit cost recognised in profit or loss	**1,699**	(1,664)	4,950

The amounts recognised in other comprehensive income are as follows:

	2022	**2021**	**2020**
	Rs'000	**Rs'000**	**Rs'000**
Actuarial gains arising from changes in financial assumptions	**6,093**	4,367	281

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

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
At April 1,	**19,068**	16,642	16,722
Current service cost	**1,263**	(1,664)	4,950
Interest cost	**444**	-	-
Actuarial losses arising from changes in financial assumptions	**6,093**	4,367	281
Benefit paid	**(3,295)**	(277)	(5,311)
At March 31	**23,573**	19,068	16,642

(iv) Movement in the fair value of the plan assets in the year were as follows:

	2022	**2021**	**2020**
	Rs'000	**Rs'000**	**Rs'000**
At April 1,	-		
Contributions to plan assets	9	-	-
Benefits paid	(1)	-	-
At March 31,	8	-	-

(v) The principal assumptions used for accounting purposes are:

	2022	2021	2020
Discount rate	**4.42%**	2.50%	3.64%
Salary rate	**5.00%**	0.50%	0.50%

19. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(vi) Sensitivity analysis

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

In presenting the below sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The figures shown are the resulting retirement benefit obligations from an increase/ decrease in each of assumptions outlined:

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Increase in discount rate by 1%	**20,434**	9,727	12,389
Decrease in discount rate by 1%	**27,451**	11,869	15,228
Increase in salary rate by 1%	**27,398**	11,923	15,273
Decrease in salary rate by 0.25%	**20,416**	10,436	13,329

(vii) The Bank is exposed to risks as follows:

Interest rate risk

A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's investments.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

(viii) The average duration of the benefit obligation at the end of the reporting period is 15 years.

20. SHAREHOLDERS' EQUITY

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
(a) **Assigned Capital**			
At April 1, and March 31,	**400,571**	400,571	400,571

(b) **Other reserves**

(i) Statutory reserve

The Bank maintains a statutory reserve and transfers each year to the statutory reserve out of the profit for the year, a sum equal to not less than 15% of the profit for the year until the balance in the statutory reserve is equal to the amount paid as stated capital. During FY 2021, the Bank transferred an amount higher than 15% of its profit for the year so as to equalise the balance in statutory reserve to its assigned capital. As at 31 March 2021 and 2022, the statutory reserve is equal to the assigned capital of the Bank.

(ii) Revaluation reserve

This reserve represents revaluation gains arising on periodical revaluation of land and buildings owned by the Bank.

20. SHAREHOLDERS' EQUITTY (CONT'D)

(b) Other reserves (Cont'd)

(iii) General banking reserve

The reserve includes the shortfall between the provisions for impairment allowances as required by the Reserve Bank of India and the Bank of Mauritius and the impairment provisions computed under IFRS 9 *Financial Instruments.*

21. CONTINGENT LIABILITIES

		2022	2021	2020
		Rs'000	Rs'000	Rs'000
(a)	**Instruments**			
	Guarantees on account of customers	**368,520**	299,663	505,645
	Letters of credit on account of customers	**155,207**	83,998	6,606
		523,727	383,661	512,251
(b)	**Others**			
	Inward bills for collection	**92,811**	82,671	655,724
	Outward bills for collection	**-**	-	13
		92,811	82,671	655,737
		616,538	466,332	1,167,988
	<u>**Segment A**</u>			
	Instruments			
	Guarantees on account of customers	**254,260**	244,914	481,929
	Letters of credit on account of customers	**-**	-	6,606
		254,260	244,914	488,535
	Others			
	Inward bills for collection	**92,811**	82,671	655,724
	Outward bills for collection			13
		92,811	82,671	655,737
		347,071	327,585	1,144,272
	<u>**Segment B**</u>			
	Instruments			
	Guarantees on account of customers	**114,260**	54,749	23,716
	Letters of credit on account of customers	**155,207**	83,998	-
		269,467	138,747	23,716
	Total	**616,538**	466,332	1,167,988

22. INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
<u>Financial assets at amortised cost</u>			
Loans to and placements with banks	**24,808**	142,691	162,624
Loans and advances to customers	**197,594**	221,781	395,293
Investment securities	**72,139**	73,714	91,245
	294,541	438,186	649,162

22. INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD (CONT'D)

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Segment A			
Loans and advances to customers	**117,981**	107,637	145,895
Investment securities	**72,079**	73,668	89,064
	190,060	181,305	234,959
Segment B			
Loans to and placements with banks	**24,808**	142,691	162,624
Loans and advances to customers	**79,613**	114,144	249,398
Investment securities	**60**	46	2,181
	104,481	256,881	414,203
Total	**294,541**	438,186	649,162

23. INTEREST EXPENSE

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Financial liabilities at amortised cost			
Deposits from banks	**15,539**	97,035	149,240
Deposits from customers	**51,635**	92,470	195,174
Interest expense on lease liabilities	**2,350**	2,505	2,736
	69,524	192,010	347,150
Segment A			
Deposits from banks	**10**	41	314
Deposits from customers	**31,091**	45,050	120,134
Interest expense on lease liabilities	**2,350**	2,505	2,736
	33,451	47,596	123,184
Segment B			
Deposits from banks	**15,529**	96,994	148,926
Deposits from customers	**20,544**	47,420	75,040
	36,073	144,414	223,966
Total	**69,524**	192,010	347,150

24. NET FEE AND COMMISSION INCOME

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Retail and private banking fees	**821**	921	914
Corporate banking fees	**6,413**	4,896	5,371
Guarantee fees	**2,200**	1,892	1,818
Interbank transaction fees	**440**	1,378	613
Cards and other related fees	**3,320**	2,949	4,039
Trade finance fees	**285**	749	99
Others	**14,187**	12,061	19,042
	27,666	24,846	31,896

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

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Segment A			
Retail and private banking fees	**821**	921	914
Corporate banking fees	**6,413**	4,896	5,371
Guarantee fees	**1,957**	1,374	1,758
Interbank transaction fees	**402**	-	-
Cards and other related fees	**3,320**	2,949	4,039
Trade finance fees	**96**	-	-
Others	**5,798**	4,237	4,511
	18,807	14,377	16,593
Segment B			
Guarantee fees	**243**	518	60
Interbank transaction fees	**38**	1,378	613
Trade finance fees	**189**	749	99
Others	**8,389**	7,824	14,531
	8,859	10,469	15,303
Total	**27,666**	24,846	31,896

25. NET TRADING INCOME

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Foreign exchange gain (Segment B)	**2,931**	66,997	219,644

26. OTHER INCOME

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Segment A			
Rental income (note 9)	**2,047**	2,390	2,154
Fair value gain on revaluation of investment property (note 9)	**-**	2,476	-
Gain on disposal of securities	**-**	-	33,327
Profit on sales of property and equipment			1,266
Gain on termination of lease	**-**	29	-
	2,047	4,895	36,747

27. ALLOWANCE FOR CREDIT IMPAIRMENT LOSSES

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Loans and advances to banks and customers	**367,334**	132,481	56,270
Segment A			
Loans and advances to banks and customers	**(35,700)**	42,758	7,219
Segment B			
Loans and advances to banks and customers	**403,034**	89,723	49,051
Total	**367,334**	132,481	56,270

28. PERSONNEL EXPENSES

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Wages and salaries	**54,595**	44,527	40,989
Other social security obligations	**2,110**	1,878	1,875
Amount recognised in respect of retirement benefit obligations	**1,699**	(1,664)	4,950
Contributions to provident fund	**3,230**	2,791	2,214
Others	**6,764**	2,986	2,135
	68,398	50,518	52,163
Segment A			
Wages and salaries	**51,600**	40,037	35,432
Other social security obligations	**2,059**	1,703	1,718
Amount recognised in respect of retirement benefit obligations	**1,699**	(1,664)	4,950
Contributions to provident fund	**3,103**	2,543	1,998
Others	**6,593**	1,915	1,372
	65,054	44,534	45,470
Segment B			
Wages and salaries	**2,995**	4,490	5,557
Other social security obligations	**51**	175	157
Contributions to provident fund	**127**	248	216
Others	**171**	1,071	763
	3,344	5,984	6,693
Total	**68,398**	50,518	52,163

29. OTHER EXPENSES

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Legal and professional fees	**1,455**	953	650
Rent, repairs, maintenance and security costs	**24,912**	20,372	18,811
Utilities	**10,193**	6,745	6,579
Advertising, marketing costs and sponsoring	**2,732**	2,689	2,551
Postage, courier and stationery costs	**2,177**	1,742	3,104
Insurance costs	**3,414**	3,232	2,777
Others	**15,599**	11,023	9,934
	60,482	46,756	44,406
Segment A			
Legal & professional fees	**1,455**	953	593
Rent, repairs, maintenance and security costs	**24,363**	19,646	18,255
Utilities	**10,113**	5,689	6,117
Advertising, marketing costs and sponsoring	**2,732**	2,689	2,551
Postage, courier and stationery costs	**2,029**	1,432	2,391
Insurance costs	**3,414**	1,862	1,337
Others	**11,878**	7,601	7,034
	55,984	39,872	38,278
Segment B			
Legal & professional fees	**-**	-	57
Rent, repairs, maintenance and security costs	**548**	726	556
Utilities	**79**	1,056	462
Postage, courier and stationery costs	**149**	310	713
Insurance costs	**-**	1,370	1,440
Others	**3,722**	3,422	2,900
	4,498	6,884	6,128
Total	**60,482**	46,756	44,406

30. COMMITMENTS

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
(a) Undrawn credit facilities	**486,590**	1,761,986	45,219

(b) **Securities pledged**

The Bank has pledged Government of Mauritius bonds of Rs 250m (2021: Rs 250m; 2020: Rs 200m) as collateral for the purpose of overnight facility from the Bank of Mauritius.

31. RELATED PARTY TRANSACTIONS

Below details are balances and transactions with related parties in accordance with IAS 24.

	2022	2021	2020
	Rs'000	Rs'000	Rs'000
Fellow subsidiaries and inter-branch			
Balances and placements with banks*	**1,528,155**	13,647,620	7,599,880
Accrued interest on placements with banks	**3,430**	52,905	33,107
Loans and advances to banks	**550,197**	4,165	1,562
	2,081,782	13,704,690	7,634,549
Fellow subsidiaries and inter-branch			
Borrowings from banks**	**712,620**	9,748,008	5,543,487
Accrued interest on borrowings from banks	**3**	26,387	27,558
	712,623	9,774,395	5,571,045
Directors and key management personnel			
Deposits	**1,019**	1,068	838
Fellow subsidiaries and inter-branch			
Interest income	**23,671**	139,619	88,281
Interest paid	**15,982**	97,035	146,425
Management fees paid to parent bank	**704**	572	514
	40,357	237,226	235,220
Directors and key management personnel			
Interest income	**2**	2	2
	2	2	2
Key management personnel			
Salaries and short-term employee benefits	**17,024**	15,214	10,220
Post-employment benefits	**924**	589	1,464
Other benefits	**3,475**	2,726	1,062
	21,423	18,529	12,746

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

* Placements are unsecured with tenor varying from 1 day to 5 years with rate of interest from 0.05% to 2.67%. The amounts will be settled in cash on respective due dates.

** Borrowings are unsecured with tenor varying from 6 months to 5 years and rate of interest from 0.12% to LIBOR based. The amounts will be settled in cash on the respective due date.

At 31 March 2022, 2021 and 2020, the balances with related parties were allocated to stage 1 of the ECL model and have an immaterial loss allowance.

The Bank is a branch of Bank of Baroda, incorporated in the Republic of India, with the Government of India as ultimate controlling party.

32. SEGMENTAL REPORTING

Statement of financial position as at March 31,

		2022			2021			2020		
	Notes	**Segment A**	**Segment B**	**Total**	Segment A	Segment B	Total	Segment A	Segment B	Total
ASSETS		**Rs'000**	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Cash and cash equivalents	5	**1,052,679**	**137,326**	**1,190,005**	871,897	693,965	1,565,862	159,252	2,419,392	2,578,644
Placements with banks	6	**-**	**1,408,630**	**1,408,630**	-	13,060,445	13,060,445	-	5,602,094	5,602,094
Loans and advances to banks and customers	7	**2,889,401**	**7,766,223**	**10,655,624**	2,364,460	3,921,969	6,286,429	2,462,399	6,061,810	8,524,209
Investment securities	8	**4,184,128**	**-**	**4,184,128**	2,900,325	-	2,900,325	3,060,462	-	3,060,462
Investment property	9	**18,500**	**-**	**18,500**	18,500	-	18,500	32,000	-	32,000
Property and equipment	10	**163,675**		**163,675**	143,607	163	143,770	116,671	171	116,842
Right of use assets	11A	**24,718**	**-**	**24,718**	27,523	-	27,523	30,618	-	30,618
Intangible asset	12	**-**	**-**	**-**	-	-	-	2,027	-	2,027
Deferred tax assets	13	**41,192**	**-**	**41,192**	16,514	-	16,514	7,554	-	7,554
Other assets	14	**742,027**		**742,027**	626,755		626,755	599,142		599,142
Total assets		**9,116,320**	**9,312,179**	**18,428,499**	6,969,581	17,676,542	24,646,123	6,470,125	14,083,467	20,553,592
LIABILITIES										
Deposits from banks and customers	15	**6,315,058**	**9,316,276**	**15,631,334**	7,445,563	5,096,778	12,542,341	5,531,131	7,181,813	12,712,944
Other borrowed funds	16	**-**	**712,623**	**712,623**	-	9,774,395	9,774,395	175,006	5,450,550	5,625,556
Current tax liabilities	17	**216**		**216**	10,777	534	11,311	12,389	218	12,607
Lease liabilities	11B	**27,779**	**-**	**27,779**	30,253	-	30,253	32,216	-	32,216
Other liabilities	18	**58,423**		**58,423**	49,888	726	50,614	22,440	13,837	36,277
Retirement benefit obligations	19	**23,565**	**-**	**23,565**	19,068	-	19,068	15,155	1,487	16,642
Total liabilities		**6,425,041**	**10,028,899**	**16,453,940**	7,555,549	14,872,433	22,427,982	5,788,337	12,647,905	18,436,242
SHAREHOLDERS' EQUITY										
Assigned capital	20(a)			**400,571**			400,571			400,571
Retained earnings				**879,586**			1,288,131			1,326,417
Other reserves				**694,402**			529,439			390,362
Total equity				**1,974,559**			2,218,141			2,117,350
Total equity and liabilities				**18,428,499**			24,646,123			20,553,592

32. SEGMENTAL REPORTING (CONT'D)

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

		2022			2021			2020		
	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
Interest income	22	**190,060**	**104,481**	**294,541**	181,305	256,881	438,186	234,959	414,203	649,162
Interest expense	23	**(33,451)**	**(36,073)**	**(69,524)**	(47,596)	(144,414)	(192,010)	(123,184)	(223,966)	(347,150)
Net interest income		**156,609**	**68,408**	**225,017**	133,709	112,467	246,176	111,775	190,237	302,012
Net fees and commission income	24	**18,807**	**8,859**	**27,666**	14,377	10,469	24,846	16,593	15,303	31,896
Net trading income	25	**2,931**		**2,931**	-	66,997	66,997	-	219,644	219,644
Other income	26	**2,047**		**2,047**	4,895		4,895	36,747		36,747
		4,978	**-**	**4,978**	4,895	66,997	71,892	36,747	219,644	256,391
Operating income		**180,394**	**77,267**	**257,661**	152,981	189,933	342,914	165,115	425,184	590,299
Allowance for credit impairment losses	27	**35,700**	**(403,034)**	**(367,334)**	(42,758)	(89,723)	(132,481)	(7,219)	(49,051)	(56,270)
Net operating income		**216,094**	**(325,767)**	**(109,673)**	110,223	100,210	210,433	157,896	376,133	534,029
Personnel expenses	28	**(65,054)**	**(3,344)**	**(68,398)**	(44,534)	(5,984)	(50,518)	(45,470)	(6,693)	(52,163)
Depreciation of property and equipment		**(10,112)**		**(10,112)**	(8,210)	(35)	(8,245)	(9,015)	(55)	(9,070)
Depreciation of right of use assets		**(4,926)**	**-**	**(4,926)**	(5,162)	-	(5,162)	(5,210)	-	(5,210)
Other expenses	29	**(55,984)**	**(4,498)**	**(60,482)**	(39,877)	(6,879)	(46,756)	(33,068)	(11,338)	(44,406)
Total operating expenses		**(136,076)**	**(7,842)**	**(143,918)**	(97,783)	(12,898)	(110,681)	(92,763)	(18,086)	(110,849)
(Loss)/profit before taxation		**80,018**	**(333,609)**	**(253,591)**	13,930	85,822	99,752	13,930	85,822	423,180
Income tax credit/(expense)	17(b)	**15,675**		**15,675**	(7,779)	(2,497)	(10,276)	(25,363)	(16,853)	(42,216)
(Loss)/profit for the year		**95,693**	**(333,609)**	**(237,916)**	6,151	83,325	89,476	(11,433)	68,969	380,964
Other comprehensive income:										
Items that will not be reclassified to profit or loss:										
Revaluation of property, plant and equipment		**-**	**-**	**-**	16,232	-	16,232	-		-
Remeasurement of retirement benefit obligations		**(6,093)**	**-**	**(6,093)**	(4,367)		(4,367)			
Deferred tax on remeasurement of retirement benefit obligations and revaluation of property and equipment		**427**	**-**	**427**	(550)		(550)			
Other comprehensive income		**(5,666)**	**-**	**(5,666)**	11,315	-	11,315	-	-	-
Total comprehensive income for the year		**90,027**	**(333,609)**	**(243,582)**	17,466	83,325	100,791	(11,433)	68,969	380,964

33. SUBSEQUENT EVENT NOTE

There were no events subsequent to the year-end which require adjustment and/or disclosure.

1. OVERVIEW OF THE MACROECONOMIC ENVIRONMENT

Global economy

Russia's invasion of Ukraine has disrupted energy markets and food exports, forcing many developing countries to pay more to import staples at a time when they are already struggling with increased level of indebtedness following their responses to protect their economies during the pandemic. The war in Ukraine and economic sanctions on Russia is putting pressure on global energy and commodity supplies at risk.

The sanctions are not likely to be rescinded any time soon. Russia which is supplying a major supply of the world's energy, including natural gas and oil. The jump in oil and gas prices have added to industry costs and also reduced consumers' real incomes. Higher energy prices are a given. Fitch Ratings has cut its world GDP growth forecast for 2022 by 0.7pp to 3.5%, with the eurozone cut by 1.5pp to 3.0% and the US by 0.2pp to 3.5%. This reflects the drag from higher energy prices and a faster pace of US interest rate hikes than anticipated.

The war has unleashed more uncertainty, new disruptions to trade and supply chains and spiraling commodity prices, which fans the flames of inflation. This has put particular strain on the central banks globally sparking a considerable risk of policy mistakes.

Indian economy

India's economic recovery from COVID-19 is moving along successfully, with growth rates that are better than anticipated. This trend will continue, but persistently high oil prices could jeopardize the outcome.

Widespread vaccination coverage, benefits from supply-side reforms and regulatory easing, healthy export growth, and the availability of budgetary space to ramp up capital spending will all contribute to growth in 2022–2023. With the financial system in a strong position to support the recovery of the economy, the coming year is likewise well positioned for a pick-up in private sector investment.

After recording the strongest GDP rebound in the G20 in 2021, the Indian economy is progressively losing momentum as inflationary expectations remain elevated due to rising global energy and food prices, monetary policy normalises and global conditions deteriorate. Real GDP is projected to grow by 6.9% in fiscal year (FY) 2022-23 and 6.2% in FY 2023-24, despite a pick-up of corporate investment facilitated by the Production-Linked Incentive Scheme. While inflation will gradually decline, the current account deficit will widen due to the surge in energy import costs.

Mauritian economy

The domestic economic dashboard continues to show positive signals. Sectoral analysis shows that nearly all economic sectors, including the main pillars of the economy, have registered positive growth. The full opening of borders to international travel in October 2021 has helped support aggregate demand through strengthened consumer and business confidence. The deployment of vaccination and of booster doses has also greatly helped in uplifting sentiment and in supporting ongoing recovery.

Financial services have gained further traction, the more so in the aftermath of the exit of Mauritius from the FATF list of countries under enhanced monitoring and from the EU blacklist. As a result of these positive developments, the external sector is expected to improve further this year with the current account deficit to GDP ratio projected to decline to around 12 per cent in 2022 compared to a revised estimate of 13.8 per cent in 2021.

The openness of the Mauritian economy means that inflation is influenced, to a great extent, by pressures stemming from outside, namely hikes in freight costs as well as soaring prices of energy and of other commodities. Given that Mauritius imports a relatively large proportion of what it consumes, these foreign disturbances are likely to affect the prices of imported items which account for an important share of the CPI Basket. In the first two months of 2022, inflation accelerated mainly on the back of upward price pressures emanating from fuel and food items.

Seasonal factors also played an important part in influencing the prices of domestically produced food items, namely fresh vegetables. Headline inflation stood at 5.2 per cent in February 2022 while year-on-year inflation stood at 9.0 per cent. Inflationary developments in the short to medium term will be impacted by the ongoing war, given the disruptions being brought to global supply chains and to pressures on global prices of commodities and of energy. The longer the duration of the war, the more likely it is that global inflation will persist for some time and will influence inflation in Mauritius.

The extension of the moratoria and of some of the COVID-19 measures up to June 2022 have helped ease the cash flow constraints of households and corporates. The economic recovery which is under way has, in parallel, enabled banks extend new loans to growth-enhancing sectors. The drop in the amount of restructured loans since December 2020 is a tell-tale sign of activities picking up. These positive developments will enhance the ability of households and corporates to service debt. All these developments point towards improved indebtedness, with reduced risks to financial stability.

2. FINANCIAL REVIEW

This Management Discussion document contains forward-looking statements. It is possible that the forecasts, projections, and assumptions contained therein will not be realized. Actual outcomes may differ significantly from the planned and assumptions. Before the end of the next financial year, the Bank has no intention to revise any forward-looking statements. As a result, the reader should be cautious about putting too much faith in these forecasts.

2.1. Performance against Objective

OBJECTIVES FOR FY 2021-22	PERFORMANCE FOR FY 2021-22	OBJECTIVE FOR FY 2022-23
Net Profit To achieve Net Profit after tax (PAT) of MUR 100 Mio	Incurred a Loss of MUR 237.9 Mio.	To achieve Net Profit (PAT) of MUR 100 Mio.
Return on Average Equity (ROAE) To achieve a ROAE of above 7.8%	Achieved a ROAE of (10.4) %.	To achieve a minimum ROAE of 10%.
Return on Average Assets (ROAA) Aim to keep a ROAA of above 1.0%	ROAA stood at (1.1)%.	To achieve ROAA above 1.32%.
Net Interest Margin To achieve a NIM of 1.2%	Achieved a NIM of 1.3%.	To achieve a NIM of 1.60%.
Expense Ratio The Expense Ratio is forecast to increase but remain below 39.3%	The Expense Ratio stood at (55.9)%.	To keep Expense Ratio below 40%.
Gross Loans and Advances growth Loans and advances portfolio by around 28.5% over the March 21 level	Loans and advances increased by 65.5%.	To sustain the growth in the loan portfolio, similar to FY 2021.
Deposits growth Growth of 8.40% over Mar 21 level	Deposits have gone up by 24.6% from the March 21 level.	Deposits to grow by 9% from the March 22 level.
Investment To forecast a growth of 31.4% over March'21 level	Increased by 44.3%.	The investment portfolio to grow by 5% over March 22 level.
Total Assets Asset growth 10.5% over March 21 level	Total assets decreased by 25.2%.	Total Assets to grow by 10% over March 22 level.

Gross NPA Forecast to reduce the Gross NPA to below 1.7%	GNPA stood at 12.0%.	To keep GNPA to below 10%.
Net NPA Forecast to reduce the Net NPA to below 0.5%	Net NPA stood at 3.0%.	To keep Net NPA at 0%.
Capital Adequacy Ratio (CAR) CAR around 45%	CAR is at 57.7% as at March 22.	CAR around 45 %.

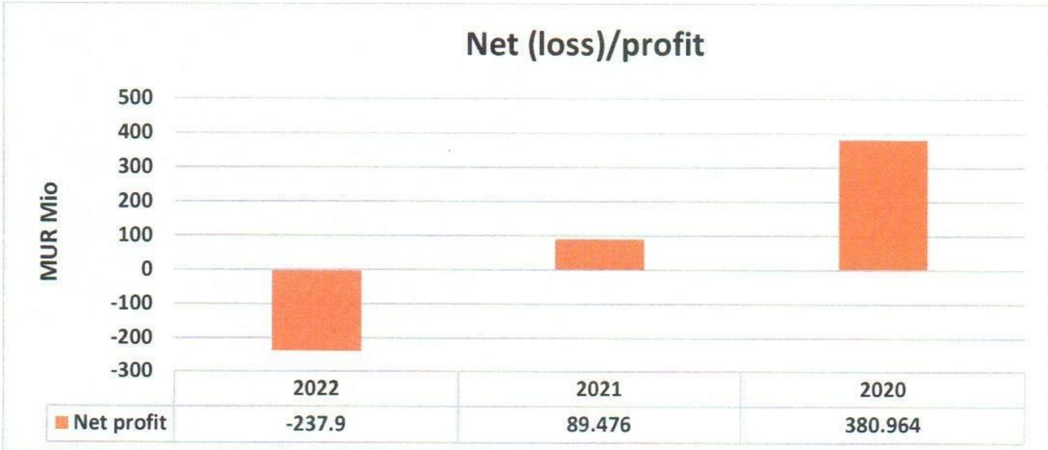
2.2. Performance Highlight – (Year –on-year comparison)

(MUR mio)

For the Year	2019-20	2020-21	2021-22
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
Net Interest Income	302	246	225
Non-Interest Income	256	72	5
Total Operating Income	590	343	258
Total Operating Expenses	111	111	144
Profit/(Loss) After Tax	381	89	(238)
STATEMENT OF FINANCIAL POSITION			
Total assets	20,554	24,646	18,428
Loans and advances (Net)	8,524	6,286	10,656
Deposits from customers	12,713	12,542	15,629
Total equity	2,117	2,218	1,974
PERFORMANCE RATIOS (%)			
Return on average equity	18.0	4.0	(11.4)
Loan to deposit ratio	67.1	50.1	68.2
Total operating expenses to total operating income	18.8	32.3	55.9
CAPITAL ADEQUACY RATIO (%)	65.5	53.3	57.7

2.2.1 Net (loss)/profit

The Bank's net loss after tax (LAT) stood at Rs (237.9) million as at March 31, 2022 against Rs 89.48 million as on March 31, 2021 and Rs 380.96 million as on March 31, 2020.



2.2.2 Income Analysis

A) Net Interest income

NET INTEREST INCOME

Rs'000

Interest income	
FY 2019-20	649,162
FY 2020-21	438,186
FY 2021-22	294,541

Rs'000

Interest expense	
FY 2019-20	347,150
FY 2020-21	192,010
FY 2021-22	69,524

B) Non-Interest income

NON-INTEREST INCOME

Rs'000

Other income	
FY 2019-20	36,747
FY 2020-21	4,895
FY 2021-22	2,047

Rs'000

Net fee and commission income	
FY 2019-20	31,896
FY 2020-21	24,846
FY 2021-22	27,666

Rs'000

Net trading income	
FY 2019-20	219,644
FY 2020-21	66,997
FY 2021-22	2,931

C) Operating expenses

OPERATING EXPENSES

Rs'000

Personnel expenses	
FY 2019-20	52,163
FY 2020-21	50,518
FY 2021-22	68,398

Rs'000

Other expenses	
FY 2019-20	44,406
FY 2020-21	46,756
FY 2021-22	60,482

D) Cost control

	2020-21	2021-22	2022-23
	Actual (Rs'000)	Actual (Rs'000)	Projection (Rs'000)
Personnel expenses	50,518	68,398	79,000
Legal and professional fees	953	1,455	2,000
Rent, repairs, maintenance and security costs	20,372	24,912	29,000
Utilities	6,745	10,193	12,000
Advertising, marketing costs and sponsoring	2,689	2,732	4,000
Postage, courier and stationery costs	1,742	2,177	3,000
Insurance costs	3,232	3,414	4,000
Others	11,018	15,599	18,000
Depreciation	13,412	15,038	18,000
Total	110,681	143,918	169,000
Productivity Ratio	27.50%	20.69%	25.00%

2.2.3 Business Analysis

A. Equity and Liability Mix

Liability Mix

Rs'000

Total equity	
FY 2019-20	2,117,350
FY 2020-21	2,218,141
FY 2021-22	1,974,559

Rs'000

Deposits from banks and customers	
FY 2019-20	12,712,944
FY 2020-21	12,542,341
FY 2021-22	15,631,334

Rs'000

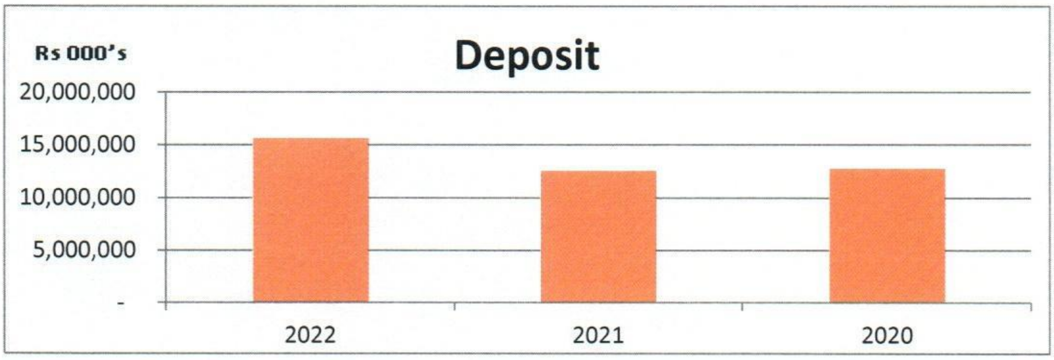
Other borrowed funds	
FY 2019-20	5,625,556
FY 2020-21	9,774,395
FY 2021-22	712,623

A1. Total equity

Capital and reserves stood at Rs 1,974 million at March 31, 2022 (2021: Rs 2,218 million and 2020: Rs 2,117 million).

A2. Deposits from banks and customers

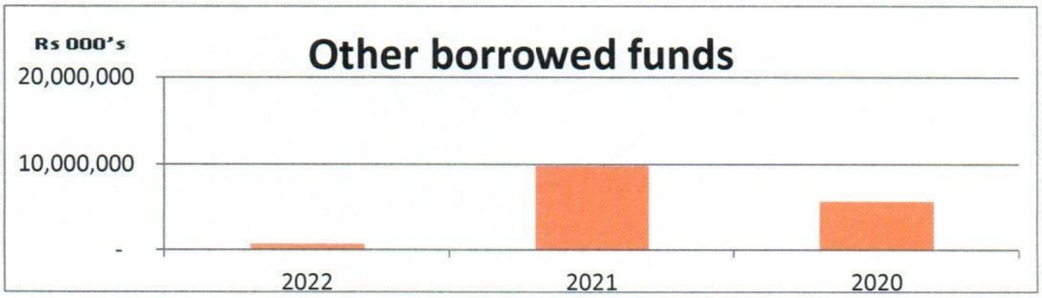
The Bank has experienced a decrease in its customer deposit stood at March 31, 2022 Rs 15,631million (2021: Rs 12,542 million and 2020: Rs 12,713 million).



A3. Other borrowed funds

The Bank has been successful in raising borrowing from interbank counterparties at competitive rates. The outstanding as at end of March 31, 2022 constitutes of borrowing from Inter Branch.

The other borrowed funds as at March 31, 2022 stood at Rs 712 million against Rs 9,774 million for March 31, 2021 and Rs 5,625 million for March 31, 2020.



A4. Asset mix

Assets Mix

Rs'000

Net Loans and Advances	
FY 2019-20	8,524,209
FY 2020-21	6,286,429
FY 2021-22	10,655,624

Rs'000

Other Assets	
FY 2019-20	599,142
FY 2020-21	626,755
FY 2021-22	742,027

Rs'000

Investment	
FY 2019-20	3,092,462
FY 2020-21	2,918,825
FY 2021-22	4,184,128

Rs'000

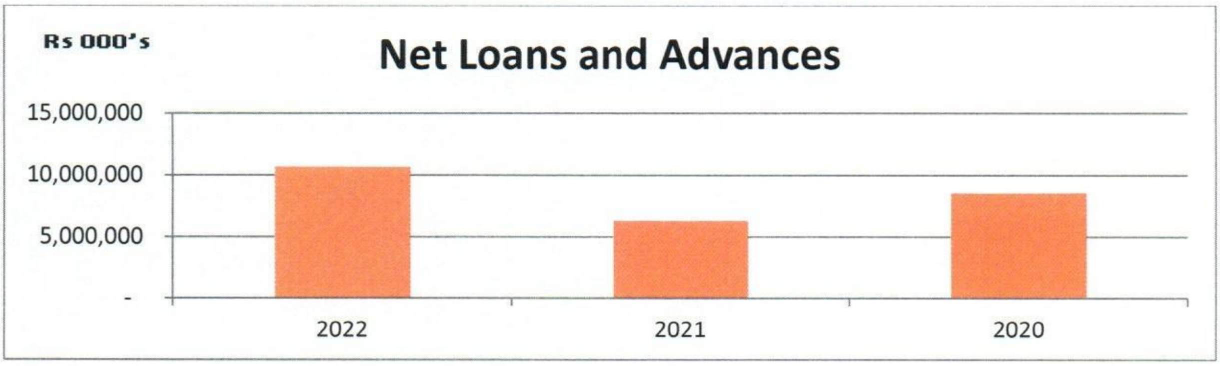
Placements with banks	
FY 2019-20	5,602,094
FY 2020-21	13,060,445
FY 2021-22	1,408,630

Rs'000

Cash and Cash Equivalents	
FY 2019-20	2,578,644
FY 2020-21	1,565,862
FY 2021-22	1,190,005

Net loan and advances

Net loan and advances figures went up by Rs 4,201 million during FY 2021-22 to Rs 10,656 million against Rs 6,286 million in FY 2020-21. 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.



2.3 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 disclosed in Note 7 (iii) of the financial statements.

The management have increased our efforts to recover our dues in sticky accounts while closely monitoring the loan portfolio to prevent any slippages, and we predict further recoveries/upgradation in some accounts in the current financial year.

Industry Wise Breakup of credit quality has been disclosed in Note 7 on page 79 of the financial statements.

2.3.1 Geographical Distribution of Exposures (Top 5 countries)

S. No.	Name of Country	Exposure (in MUR Mio)	Exposure as % of Tier-I Capital
1	Mauritius	3,514	216.91%
2	India	6,862	423.58%
3	Hong Kong	638	39.38%
4	UAE	460	28.40%
6	Tanzania	192	11.85%

2.3.2 Industry wise Distribution of Loan Portfolio (Top 5 Sectors)

S. No.	Industry/ Sector	Fund Based Exposure (in MUR Mio)	Exposure as % of Tier-I Capital
1	Global business operations (exempted)	8,805	543.52%
2	Construction	972	60.00%
3	Traders	406	25.06%
4	Agriculture and Fishing	358	22.10%
5	Personal	356	21.98%

2.4 Review by Business lines/ Segments

2.4.1 Domestic Business (Segment A)

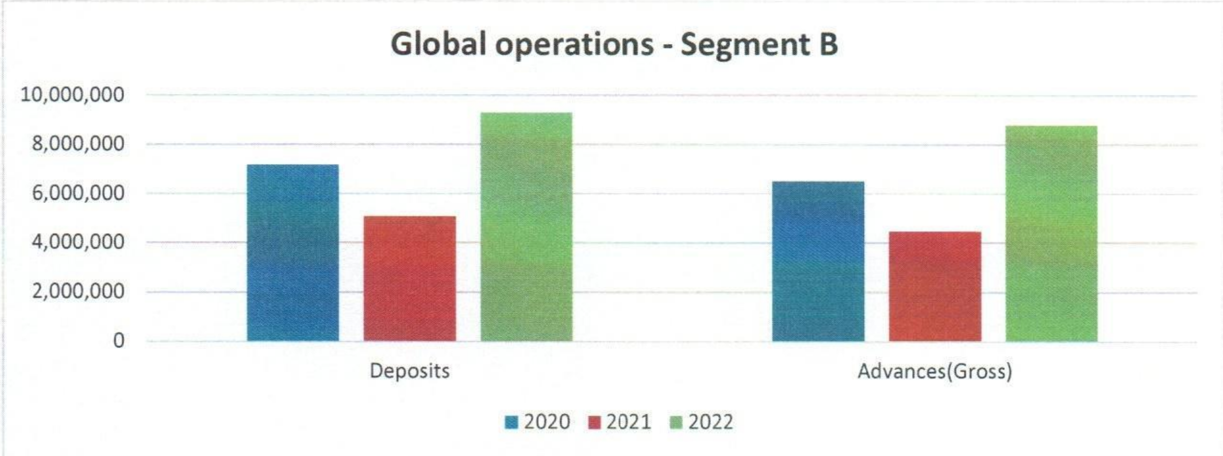
	2019-20	2020-21	2021-22
	Rs000	Rs000	Rs000
Deposits	5,531,131	7,445,563	6,315,028
Advances (Gross)	2,688,592	2,632,420	2,949,059

Deposits in domestic segment have decreased by 15% to MUR 6,315 Mio against MUR 7,445.56 Mio at 31 March 2021. The Bank has restrategized to selectively build the deposit book.

[This space is intentionally left blank.]

2.4.1 Global Operations (Segment B)

	2019-20	2020-21	2021-22
Deposits	7,181,813	5,096,778	9,316,276
Advances (Gross)	6,506,066	4,469,191	8,805,029



Global Business constitutes more than 59 % of total deposits and 75% (approx.) of Total Advances of the Bank. The Deposits in Global segment have increased by a significant margin of 82.79% to Rs 9,316 Mio against MUR 8,805 Mio. The gross advances have increased by 97 % to Rs 8,805 Mio against Rs 4,469 Mio a year before. Though we are living in tough environment post COVID 19, the targets set by Head office for total deposit and advances have been achieved.

External Credit Assessment Institutions

External ratings |(ECRA) is factored for the Global Business loan to large corporate, the Bank uses the ratings assigned by External Credit Assessment Institutions (ECAIs) recognised by BOM/*RBI for evaluation of credit/exposure related to high value advances and investment, if any.

[This space has been intentionally left blank.]

3. RISK MANAGEMENT POLICIES AND CONTROLS

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.

The 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, 2022; 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.

The 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;
- The future capital planning is done on a three-year outlook.

The capital plan is revised on an annual basis and submitted to our corporate office.

The Bank maintains capital to cushion the risk of loss in value of exposure, business 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 March 31, 2022, March 31,2021 and March 31, 2020 are summarized as follows:

	March 31, 2022	March 31, 2021	March 31, 2020
	Rs'000	Rs'000	Rs'000
Tier 1 Capital	1,639,536	2,050,440	1,996,916
Tier 2 Capital	257,701	138,502	79,405
Total Capital	1,897,237	2,188,942	1,996,917
Eligible Tier 2 Capital	257,701	138,502	79,405
Total Eligible Capital	1,897,237	2,188,942	2,076,320
Weighted amount of on-balance sheet assets	2,677,561	3,043,031	2,191,549
Weighted amount of off-balance sheet exposures	374,333	845,011	753,495
Weighted risk assets for operational risk	249,245	186,666	185,202
Aggregate net open foreign exchange position	(12,742)	31,239	40,032
Total Weighted Risk Assets	3,288,397	4,105,946	3,170,277
Capital Adequacy Ratio	57.7%	53.3%	65.5%
Minimum capital requirement	12.5%	12.5%	11.9%

The Bank's capital adequacy ratio (CAR) is comfortable at 57.7% under Basel III as at March 31, 2022.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 the Bank's capacity to sustain such vulnerability. The Bank of Baroda India conducted its ICAAP tests at quarterly intervals along with the stress test as per the ICAAP Policy of the Bank.

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.

Capital Structure

	March 31, 2022	March 31, 2021	March 31, 2020
	Rs'000	Rs'000	Rs'000
I: CAPITAL BASE			
Paid up or assigned capital	400,571	400,571	400,571
Statutory reserve	400,571	283,128	277,482
Other disclosed free reserves, incl. retained earnings	1,117,502	1,315,976	945,453
Current year's retained profits/(losses)	(237,916)	50,765	380,964
Deferred tax	(41,192)	(16,514)	-7,554
Core capital (A)	1,639,536	2,050,440	1,996,916
Portfolio provision	38,149	70,901	28,609
General banking Reserve	164,963	-	-
Reserves on revaluation of securities not held-for-trading	54,589	67,601	50,796
Supplementary capital (B)	257,701	138,502	79,405
CAPITAL BASE (A+B)	1,897,237	2,188,942	2,076,320
Total risk-weighted assets	3,288,397	4,105,946	3,170,277
CAPITAL ADEQUACY RATIO (%)			
BIS risk adjusted ratio	57.7%	53.3%	65.5%
of which Tier 1	49.9%	49.9%	63.0%

Risk weighted on-balance sheet assets

	BASEL III (Rs'000)			
	March 31, 2022	**March 31, 2022**	**March 31, 2021**	**March 31, 2020**
	Actual	**Weighted**		
Segment A only				
Cash items	1,757,243	-	795	45
Investments	4,184,128	-	-	-
Loans and advances to customers	2,889,401	2,433,205	960,499	1,289,340
Investment properties	18,500	18,500	18,500	32,000
Property, plant and equipment and Right-of-use assets	188,393	188,393	143,770	116,842
Other assets	37,463	37,463	22,977	105,655
	9,075,128	**2,677,561**	**1,146,541**	**1,515,082**

Risk weighted off-balance sheet exposures

	BASEL III (Rs'000)			
	March 31, 2022	**March 31, 2022**	**March 31, 2021**	**March 31, 2020**
	Actual	**Weighted**		
Segment A only				
Letters of credit, guarantees, acceptances, endorsements	254,260	131,038	142,445	317,797
Other obligations	486,590	243,295	-	1,321
	740,850	**374,333**	**142,445**	**319,118**

Operational risk under the Basic Indicator Approach

	BASEL III		
	March 31, 2022	**March 31, 2021**	**March 31, 2020**
	Rs'000	**Rs'000**	**Rs'000**
Segment A only			
Annual gross income for the last 3 years (Segment A)	180,394	152,981	165,115
Average income for the last 3 years (Segment A)	166,163	124,444	112,124
Capital charge	24,925	18,667	16,819
Equivalent risk-weighted assets	249,245	186,666	168,187
Foreign exchange position	(12,742)	31,239	40,032

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 CAR 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 of the Bank at head office level and the Local Advisory Board at territory level 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 at head office level.

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 at head office level. Specific committees at territory level have been constituted to facilitate focused oversight on various risks. The Bank has also constituted an Enterprise Risk Management Committee which oversees the different type of risks. It is supported by on-boarding specialists in the area.

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.

The 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.

Concentration Risk

The Bank's internal Loan Policy and Risk Appetite Statement, as well as the BoM Guideline on Credit Concentration Limits, are used to monitor concentration risk. The Bank assesses the risk concentration of any single client or group of connected counterparties that has the potential to cause losses significant enough to jeopardize a financial institution's stability. The Bank's credit exposures are globally diversified to reduce credit concentration concerns, however India and Mauritius account for the majority. RCOM monitors concentration risk on a monthly basis, and the Bank guarantees that its exposures are within the regulator's requirements. For Mauritian Rupees bank has put a cap limit on single party borrower i.e.,25% of Banks's Tier -I capital, for other currencies there is no cap limit, however we are governed by our corporate office policy and hence for other currencies the single party exposure cap limit is 25% of Bank of Baroda India Tiers-I capital and the same is monitored through various committees at corporate office level.

The Top 6 Single Borrowers (Excluding Exposures to Banks) of the Bank as on 31-03-2022 are as below:

Borrower	Exposure as on 31.03.2022 (in MUR Mio)	% of Bank's Tier 1 Capital as on 31.03.2022	Tolerance level
Borrower 1	458.73	28.32%	Exempted
Borrower 2	447.00	27.59%	Exempted
Borrower 3	447.00	27.59%	Exempted
Borrower 4	394.40	24.35%	Exempted
Borrower 5	324.56	20.03%	Exempted
Borrower 6	260.00	16.05%	Within Limit

Related party transactions

The Bank stands guided by the principles outlined in the Bank of Mauritius *Guideline on Related Party Transactions*. All related party transactions go through the governance process set out by the Bank and are reported quarterly to the Bank of Mauritius.

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 organization. ORMF comprises of the organizational 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 2022 relating to compliance failure.

KYC/ AML compliance

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 Financial Intelligence and Anti-Money Laundering Act (FIAMLA) 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.

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 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 willful 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.

4. OTHER INITIATIVES BY THE BANK

Digital & Information Technology transformation

In order to maintain sustainable business growth in the Mauritian competitive banking ecosystem, we are required to innovate and provide new mode of banking, to satisfy the demand of the customers, in connection to these following digital initiatives were taken up with the help of International IT Dept:

- SMS alerts to Customers for non-financial transactions;
- Implementation of IRAC in CBS;
- Implementation of Encryption in ATMs;
- Implementation of VAT charge in CBS;
- SMS alerts to customers during account opening;
- Mobile banking facility to One Director Company;
- Introduce Card Management in Mconnect;
- Green Pin in Mconnect;
- Card blocking facility in Mconnect;
- VMN facility implemented in Mconnect;
- Transaction limit setup in Mconnect;
- Inward Consent registration facility in Mconnect;
- Centralisation of Website at BCC;
- Implementation of chat bot in Local web site;
- Implementation of RFR in replacement of LIBOR; and
- Introduce new RTO Loan schemes in CBS.

Cyber security

In today's world, new risks emerge every hour of the day. Increased risk of cybercrime has led to a focused approach to mitigate the emerging cyber risk. Monetary and reputational risks are high and have been mitigated with appropriate Cyber Security Policy and Cyber Security Crises Plan. 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 follows both NIST (National Institute of Science and Technology, USA) Cyber Security Framework and RBI Cyber Security Framework. In addition to the existing checks and controls, the Bank undertook the following measures to enhance cyber security:

- Deception Technology, which aims at preventing cybercriminals who have managed to infiltrate network from doing any damage to the Bank.

- Regular Random Early Detection (RED) team exercise carried out to provide valuable and objective insights about vulnerabilities and the efficacy of defenses and mitigating controls already in place.

- Cyber Insurance Policy from a reputed insurance provider to protect business and individuals from Internet-based risks and frauds.

Technological upgrade

- The 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.

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 a greater number of signature events. The 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, the 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 Bank has taken up following Marketing & Branding Initiatives.

- Social Media: Retail loan product's advertisement is done on Social Media Face Book, with the assistance of our social media Cell, BCC Mumbai, the result of this campaign on social media has been encouraging, large number of leads are been generated through this platform which are passed to the branches for conversion into real business. The territory office is monitoring the conversion of theses leads by branches.
- FM radio: The territory office has taken marketing and branding of products on a popular communication media, FM radio i.e., Radio Plus, this has resulted in canvassing of a greater number of retail loans.
- The territory has done advertisement and branding of the Metro Station, the Metro and local buses in Mauritius.
- Advertisement in business magazine for our products have also been carried out by the Territory for wider reach of branding activities in the country.

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

Social Media	Statistics (No of likes)
Facebook Likes	2,153,983+
Twitter Followers	395,000+
YouTube Subscribers	103,937+
LinkedIn Followers	173,605+
Instagram Followers	214,473+

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 analyzing, measuring and improving experience, response and capabilities.

Corporate Governance

The Bank stands guided by the National Code of Corporate Governance and the principles and requirements outlined by the Bank of Mauritius in the *Guideline on Corporate Governance.* Refer to the Corporate Governance report within this Annual Report for more details.

(Dr Sunil Patil)
Chief Financial Officer

(Sushil K. Pande)
Chief Manager

(Diwakar P. Singh)
Vice President
Mauritius Operations

Date: 27 June 2022