Annual report

BANK OF BARODA – MAURITIUS OPERATIONS

Annual Report for the financial year ended March 31, 2023
BANK OF BARODA | MAURITIUS OPERATIONS

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REPORT OF THE MANAGEMENT

The Management of Bank of Baroda – Mauritius Operations ("the Bank") has the pleasure to submit the Annual Report of the Bank which includes the audited financial statements for the financial year ended March 31, 2023. The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), and the requirements of the Mauritius Companies Act 2001, the Banking Act 2004, the Financial Reporting Act 2004 and the Guidelines and Guidance Notes issued by the Bank of Mauritius.

PRINCIPAL ACTIVITIES

The Bank is a branch of Bank of Baroda – India and is involved in the provision of banking facilities both within and outside Mauritius, to retail and corporate clients.

OVERVIEW AND FUTURE OUTLOOK

Refer to Note 6.3 in the Corporate Governance Report.

FINANCIAL RESULTS

The Bank's results can be found on page 32 of the annual report and further analysed in the Management Discussion and Analysis section of the annual report.

Auditor

Deloitte has been appointed as external auditor of the Bank for the year ended March 31, 2023, following a competitive tender exercise. The remuneration of the auditor for the current and prior financial years have been disclosed in Note 7.2 of the Corporate Governance Report. The external auditor also acts as tax advisor for the Bank and the fees paid in relation to these non-audit services amount to **Rs140,000** for the financial year ended March 31, 2023 (2022: Rs 125,000).

The Bank has in place policies and procedures to ensure that there is no threat to objectivity and independence of the external auditor, resulting from the provision of non-audit services. Any such services need to be pre-approved by Management.

Senior Management and Members of the Local Advisory Board

The names and profiles of Senior Management and members of the Local Advisory Board have been disclosed in Notes 2.6 and 2.7 of the Corporate Governance Report.

Senior Management's share interests and service contracts

Management has no direct or indirect interest in the assigned capital of the Bank. Furthermore, the Senior Management or Members of the Local Advisory Board do not have service contracts with the Bank.

Senior Management's emoluments

Refer to Note 4.2 of the Corporate Governance Report.

Donations

There were no political donations made during the current and prior years.

Corporate Governance

The Bank adheres to the principles of good governance as outlined in the National Code of Corporate Governance 2016 (the "Code")and the Guideline on Corporate Governance issued by the Bank of Mauritius. Please refer to the Corporate Governance Report, within this annual report, for more details.

Statement of management's responsibilities in respect of the financial statements

Company law requires management to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank.

In preparing those financial statements, the management is required to:

- ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been adhered to, subject to any material departures disclosed, explained and quantified in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business;
- keep proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Bank while ensuring that the financial statements fairly present the state of affairs of the Bank, as at the financial year end, and the results of its operations and cash flows for that period; and
- ensure that the financial statements have been prepared in accordance with and comply with International Financial Reporting Standards and the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

Management confirms that they have complied with the above requirements in preparing the financial statements.

Management 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. Other main responsibilities of the management include assessing their performance relative to corporate objectives; overseeing the implementation and upholding of the Code of Corporate Governance; and ensuring timely and comprehensive communication to all stakeholders on events significant to the Bank.

Acknowledgements

Management expresses its deep appreciation of the support provided by all its stakeholders, most importantly by its employees and regulators.

Management is also thankful to its customers and stakeholders for their loyalty and trust and would like to thank its staff for their dedicated effort and commitment to the Bank.

Management also wishes to convey its deepest condolences to the family and friends of late Ms Manjula Banymandhub, the Bank's long serving Compliance Manager, who has served diligently the Bank throughout her career until her demise during the current financial year.

FOR BANK OF BARODA – MAURITIUS OPERATIONS

(Vibhu Gupta)	**(Dr Sunil Patil)**	**(Diwakar P. Singh)**
Chief Manager	**Chief Financial Officer**	**Vice President**
(Global Business Branch)	**(Mauritius Operations)**	**(Mauritius Operations)**

Date: June 28, 2023

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 senior management, who are 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 at the corporate office level in India and the Audit Review Committee in Mauritius, 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

....	....	....
(Vibhu Gupta) **Chief Manager** **(Global Business Branch)**	**(Dr Sunil Patil)** **Chief Financial Officer** **(Mauritius Operations)**	**(Diwakar P. Singh)** **Vice President** **(Mauritius Operations)**

Date: June 28, 2023

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 ("PIE") as defined under the 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) (the "Code")

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 Code 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

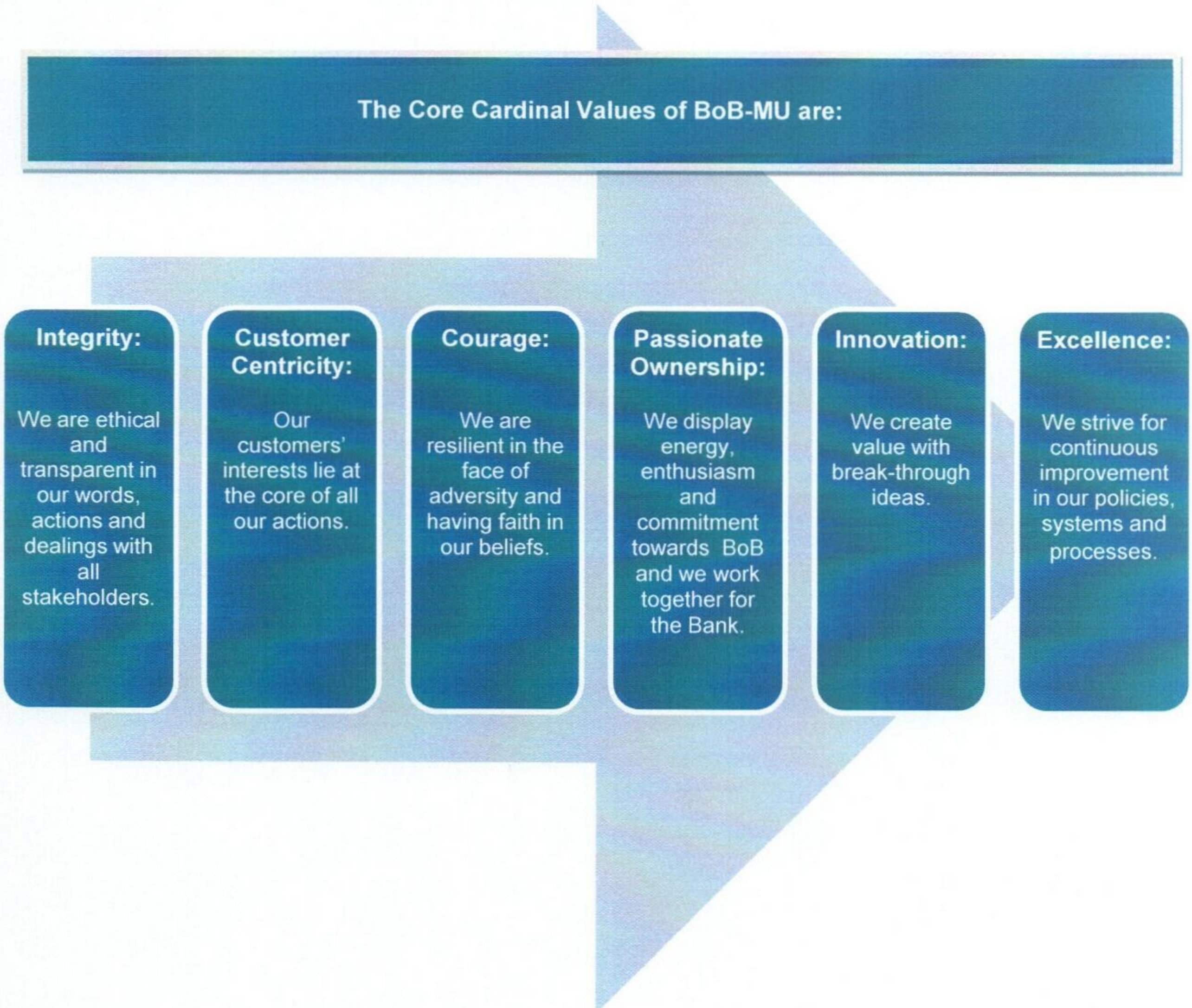
BoB-MU's Philosophy on Corporate Governance and Code of Conduct

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 the regulators.

BoB-MU's Philosophy on Corporate Governance and Code of Conduct (Cont'd)

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 ("MBA") to align its practices with all the other players of the local banking sector.

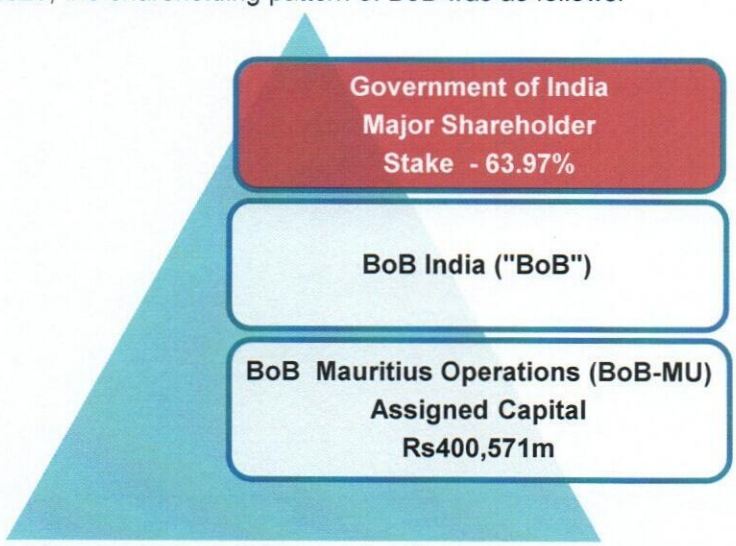
BoB-MU ensures effective management in line with the above values and its Code of Ethics. Employees are empowered through the Code to support responsible decision making and to adhere to the highest standards of business practices. Incident reporting is encouraged and a dedicated confidential reporting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

1. Principle One - Governance Structure

1.1 Shareholding Structure

As on March 31, 2023, the shareholding pattern of BoB was as follows:



1.2 Responsibilities of the Local Advisory Board

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 India Based Officers ("ÏBOs") and Local Senior Officials ("LSOs").

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.

1.3 Responsibilities of the Management of BoB-MU (cont'd)

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.

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

In line with the requirements of the *Guideline on Corporate Governance* issued by the Bank of Mauritius, the Bank has constituted its Local Advisory Board ("LAB") which 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.

<table>
<tr><th colspan="4">LAB OF BoB-MU</th></tr>
<tr><td>Frequency of Meeting</td><td>:</td><td colspan="2">Quarterly</td></tr>
<tr><td rowspan="5">Composition</td><td rowspan="5">:</td><td>Name</td><td>Title</td></tr>
<tr><td>Mr. Sanjay Mudaliar</td><td>Non-Executive Member
Chief General Manager & Chief Technology Officer</td></tr>
<tr><td>Mr. Lalam Jakkaiah</td><td>Non-Executive Member
General Manager, International Banking, BoB-IN</td></tr>
<tr><td>Mr. Priyaved Jhugroo</td><td>Non-Executive Member, Independent Director</td></tr>
<tr><td>Mr. Diwakar P. Singh</td><td>Executive Member, CEO/Vice President, BoB-MU</td></tr>
<tr><td>Main Responsibilities</td><td>:</td><td colspan="2">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;</td></tr>
</table>

2. Principle Two - The Structure of the Board and its Committees and Senior Management (Cont'd)

2.1 Local Advisory Board of BoB-MU and its mandate (Cont'd)

LAB OF BoB-MU		
Main Responsibilities (Cont'd)	:	▪ function independently of Management and put in place appropriate structures and procedures to achieve and project its independence; ▪ ensuring that the 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 and Reserve Bank of India. It is the responsibility of LAB members to keep abreast with the developments pertaining to Mauritius/India 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

The 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 /Chairperson
		Dr Sunil Patil	Chief Financial Officer
		Vibhu Gupta	Chief Manager, Global Business Branch
		Delna Dickson	Chief Manager, Port Louis Branch
		Sneha Agarwal	Chief Manager, Credit Department
		Aloke Dubey	Chief Manager, Risk Management Department
		Lavish Khosla	Chief Manager, Global Treasury
		Hitesh N. Vyas	Senior Manager IT & Operations
		Jayantee Raghunandan	Officer, Treasury Department
		Raj Dookun	Money Laundering Reporting Officer ("MLRO")

2. Principle Two - The Structure of the Board and its Committees and Senior Management (Cont'd)

2.2 Management Committee of BoB (Cont'd)

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

Main Responsibilities	:	The responsibilities of the 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 positions are properly analysed and duly reported to International Banking Division & Asset and Liability Management Cell [Global Mid Office] Risk Management Department, Baroda Corporate Centre("BCC") Mumbai; • ensuring that the exceptions are reported to International Banking Division & Asset and Liability Management Cell [Global Mid Office], Risk Management Department, Baroda Corporate Centre, 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 and interest rate risks; • 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 and advances; • reviewing the investment portfolio of the domestic branches / Global Business Branch Mauritius ("GBB") 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 contingency scenarios; ▪ timely discussion of forward planning; and ▪ discussion of any other matters that may warrant the attention of ALCO.

2. Principle Two - The Structure of the Board and its Committees and Senior Management (Cont'd)

2.2 Management Committee of BoB (Cont'd)

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

The 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. The TO also monitors the external factors including market trends monetary and fiscal policies as well as the actions of the competitors. The 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/Chairperson
		Dr Sunil Patil	Chief Financial Officer
		Vibhu Gupta	Chief Manager, Global Business Branch
		Delna Dickson	Chief Manager, Port Louis Branch
		Sneha Agarwal	Chief Manager, Credit Department
		Aloke Dubey	Chief, Manager Risk Management Department
		Lavish Khosla	Chief Manager, Global Treasury
		Ravin Balgobin	Senior Manager IT Department
		Hitesh N. Vyas	Senior Manager IT & Operations
		Jayantee Raghunandan	Officer, Treasury Department
		Raj Dookun	MLRO
Main Responsibilities	:	The responsibilities of the 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 interpret 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 discuss and review any matter related to remuneration of staff; • 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 ERMC which has an oversight on all the risks associated to the enterprise. The ERMC 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.

2. Principle Two - The Structure of the Board and its Committees and Senior Management (Cont'd)

2.2 Management Committee of BoB (Cont'd)

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

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.

ERMC OF BoB-MU			
Frequency of Meeting	:	Quarterly	
Composition		Diwakar P. Singh	Vice President /Chairperson
		Dr Sunil Patil	Chief Financial Officer
		Vibhu Gupta	Chief Manager, Global Business Branch
		Delna Dickson	Chief Manager, Port Louis Branch
		Sneha Agarwal	Chief Manager, Credit Department
		Aloke Dubey	Chief Manager, Risk Management Department
		Lavish Khosla	Chief Manager, Global Treasury
		Neha Singh	Chief Manager, Human Resource Management
		Ravin Balgobin	Senior Manager IT Department
		Hitesh N. Vyas	Senior Manager IT & Operations
		Raj Dookun	MLRO
Main Responsibilities	:	The responsibilities of ERMC include among others: • to review the Key Risk Indicator ("KRI"); • to review the position of suspense accounts; • to review of cash management; • to review the training requirements of staff with regards to KYC and other operating issues; and • to review the risk appetite of the Bank, including its risk management framework, risk appetite statement, policies, procedures and risk management processes.	
Other Commitments	:	The Chairperson of ERMC also ensures: ▪ any fraud related matters are discussed, reported and remediated; 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 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.

2. Principle Two - The Structure of the Board and its Committees and Senior Management (Cont'd)

2.2 Management Committee of BoB (Cont'd)

2.2.4 Audit Review Committee ("ARC") and its mandate (Cont'd)

The role of the internal audit function is defined and overseen by the Audit Committee at the Corporate Office Level.

ARC OF BoB-MU			
Frequency of Meeting	:	Quarterly	
		Diwakar P. Singh	Vice President /Chairperson
		Dr Sunil Patil	Chief Financial Officer
		Vibhu Gupta	Chief Manager, Global Business Branch
		Delna Dickson	Chief Manager, Port Louis Branch
		R. Subbulakshmi	Chief Manager, Internal Audit
		Sneha Agarwal	Chief Manager, Credit Department
		Aloke Dubey	Chief Manager, Risk Management Department
		Lavish Khosla	Chief Manager, Global Treasury
		Hitesh N. Vyas	Senior Manager IT & Operations
		Raj Dookun	MLRO
Main Responsibilities	:	The main responsibilities of the Audit Review Committee include reviewing the internal audit reports issued by the Internal Auditor and the remedial actions proposed by management, including the timeline for such remediation.	

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2. Principle Two - The Structure of the Board and its Committees and Senior Management (Cont'd)

2.2 Management Committee of BoB (Cont'd)

2.2.5 Compliance Committee ("CC") and its mandate

The compliance function in the Bank plays a key role 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 /Chairperson
		Dr Sunil Patil	Chief Financial Officer
		Vibhu Gupta	Chief Manager, Global Business Branch
		Delna Dickson	Chief Manager, Port Louis Branch
		Sneha Agarwal	Chief Manager Credit Department
		R. Subbulakshmi	Chief Manager Internal Audit
		Aloke Dubey	Chief Manager Risk Management Department
		Lavish Khosla	Chief Manager Global Treasury
		Hitesh N. Vyas	Senior Manager IT & Operations
		Ravin Balgobin	Senior Manager IT, Mauritius
		Raj Dookun	MLRO
		Mary N	Assistant MLRO
Main Responsibilities	:	The responsibilities of CC include among others: ▪ monitoring compliance related matters; ▪ providing advice to Senior Management 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. The terms of reference of the TO committee is disclosed on section 2.2.2 of this report.

2. Principle Two - The Structure of the Board and its Committees and Senior Management (Cont'd)

2.5 Committee Attendance

3

Name	Title	LAB	ALCO	TO	ERMC	ARC	CC
No. of Meetings during the financial year		4	12	12	3	3	10
Mr Sanjay Mudaliar	Non-Executive Member of LAB	4	-	-	-	-	-
Mr Lalam Jakkaiah	Non-Executive Member of LAB	4	-	-	-	-	-
Mr Priyaved (Panna) Jhugroo	Non-Executive Member of LAB	4	-	-	-	-	-
Mr. Diwakar P Singh	Vice President	4	12	12	3	3	10
Mr. Shushil Kumar Pande	Chief Manager, Port-Louis Branch until 12 July 2022	-	3	3	2	2	3
Mrs. Delna Dickson	Chief Manager, Port-Louis Branch from 1 July 2022	-	9	9	1	1	7
Dr Sunil Patil	Chief Financial Officer	-	8	8	2	3	10
Mr. Vibhu Gupta	Chief Manager, Global Business Branch	-	12	12	3	3	10
Mr. Sagar Panchal	Head of Credit Department until 22 July 2022	-	3	3	2	2	3
Mrs. Sneha Agarwal	Chief Manager, Credit Department as from 13 July 2022	-	9	9	1	1	7
Mr. Aloke Dubey	Chief Manager, Risk Management Department	-	12	12	3	3	10
Mr. Aditya Gupta	Head of Treasury until 5 July 2022	-	3	3	2	2	3
Mr. Lavish Khosla	Chief Manager, Global Treasury as from 24 June 2022	-	9	8	1	1	7
Mr. Vyas Hitesh Kumar N	Senior Manager, IT & Operations	-	12	12	3	3	7
Mr. Yadav Arvind	Internal Auditor until 7 October 2022	-	-	-	-	3	7
Mrs. Subbulakshmi Rameswaran	Internal Auditor as from 6 October 2022	-	-	-	-	-	3
Mrs. Neha Singh	Chief Manager, Human Resource Management	-	-	-	3	3	10
Mr. Balgobin Ravindranath	Senior Manager IT Department	-	-	12	3	3	10
Mrs. Jayantee Raghunandan	Officer Treasury	-	12	12	-	-	-
Late Ms Manjula Banymandhub	Compliance Officer until 15 November 2022	-	7	7	2	2	7
Mr Raj Dookun	MLRO as from 19 April 2023	-	5	5	-	-	3

2. Principle Two - The Structure of the Board and its Committees and Senior Management (Cont'd)

3.3 Local Advisory Board Profile

1. Mr Sanjay Mudaliar (Non – executive member of LAB)
Mr Mudaliar is the Chief General Manager and Chief Technology Officer Bank of Baroda, India and holds a Bachelor of Science, Post Graduate Diploma in Computer Science and 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 a Bachelor of Agriculture at Andhra Pradesh Agriculture University and a Post-Graduation Diploma in Computer Application and is a Junior Associate of Indian Institute of Bankers ("JAIIB") at the Indian Institute of Banking and Finance ("IIBF").

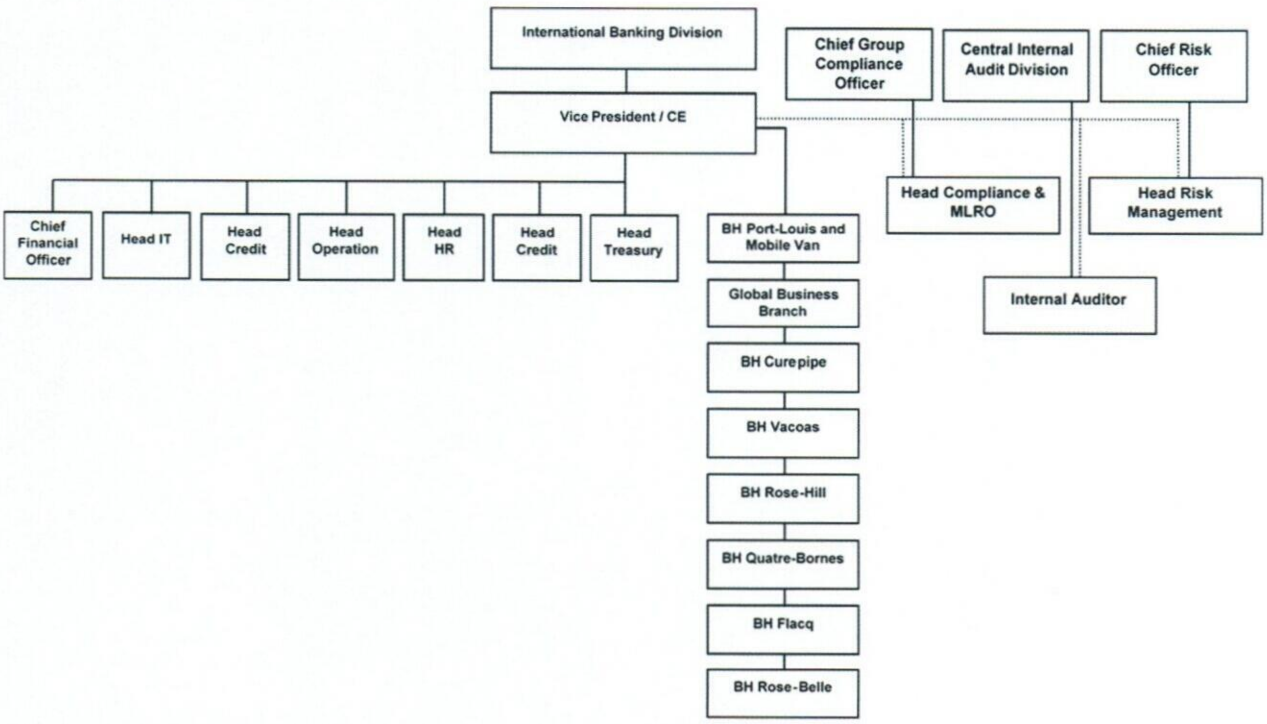
3. Mr Priyaved Jhugroo (Non-Executive independent member of LAB)
Mr. Jhugroo is a Fellow Member of the Institute of Chartered Accountants in England and Wales and the Senior Partner at Lancasters Chartered Accountants.

4. Mr Diwakar P. Singh (Executive member, CEO /Vice president)
Mr Singh is the Chief Executive Officer and Vice President of Bank of Baroda Mauritius Operations in Mauritius since December 2020. He joined BoB in 1996 in India, and he holds a BSc (Hons) Degree from B.N.M.U Madhepura, Bihar, a Certificate in IT from IDRT and is also a Certified Associate of IIBF. Prior to this, he was Regional Head, Bank of Baroda, Indore Region and Prayagraj Region and His experience also includes institutional banking, strategic project management, government relations and business 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:



2. Principle Two - The Structure of the Board and its Committees and Senior Management (Cont'd)

2.7 Senior Management Profile (Cont'd)

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

2. Dr Sunil Patil (IBO)
Chief Finance Officer Mauritius Operations since 12 July 2021, Dr Patil is responsible for finance, strategic planning, business finance, taxation and stress asset management. He joined BoB as Probationary Manager in India and occupied several positions during his tenure in India. 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 a Certified Blockchain Associate from IIIT Kerala, has a certificate in Digital Banking from IIBF and also a Certificate in Green, Social and Sustainability Bonds Executive Online Training from ICMA & International Finance Corporation (IFC), a World Bank Group. He holds CAIIB focused in Advance Bank Management from the IIBF. He has over 15 years in branch management, retail and corporate credit, and business development and marketing.

3. Vibhu Gupta (IBO)
Chief Manager, Global Business Branch since January 2021, Mr Gupta joined BoB 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. Prior to the present position, he was at the treasury department of the Bank of Baroda, Mumbai.

4. **Delna Dickson (IBO)**
Chief Manager, Port Louis Branch since July 2022, Mrs Dickson joined BoB in 2007 in India as Probationary Officer and she holds a Degree of Bachelor of Technology under Civil Engineering from the University of Kerala. She also holds a certificate from IIBF. Prior to the present position, she was Branch Head at Bank of Baroda, Mumbai. She has experience in retail, credit and branch operations.

5. Sneha Agarwal (IBO)
Mrs Sneha Agarwal is the Chief Manager, Credit Department since July 2022. She joined BoB in 2013 in India as Manager and she has a post graduate Diploma in Banking and Finance, Bachelor of Commerce (Hons) at the Delhi University, JAIIB/CAIIB Corporate Banking from IIBF and attended the CRISIL Certified Credit Risk Management Programme. She has an experience of more than 9 years in the banking sector covering branch management, credit operations and corporate credit.

6. Piyush Beniwal (IBO)
Piyush Beniwal has been working as Chief Manager with Bank of Baroda Mauritius Operations since 2021. He joined the Bank as Probation Manager and since acquired substantial experience in the field of Branch operations, compliance and credit. He has a bachelor's from IHM Delhi and MBA from IBS Mumbai and a Chartered associate of Indian Institute of Banking and Finance.

7. Aloke Dubey (IBO)
Chief Manager, Risk Management Department of the Bank since 17 June 2019, Mr. Dubey is responsible for all risk areas across the territory alongside having an administrative reporting line to the Chief Risk Officer of the BoB on risk matters relating to credit risk, operational risk, liquidity risk and market risks. He joined BoB as credit specialist officer in India in 2010 and occupied several positions during his tenure in India with over 9 years of experience in different segments of banking which includes branch banking, retail, corporate credit, business development, Market Risk (Treasury), Asset and Liability Management at BoB. He has a Post Graduate Diploma in Management (Finance and marketing) and a Certificate in Risk in Financial Services –IIBF. His has over 12 years in branch management, retail and corporate credit Finance, business development and marketing.

2. Principle Two - The Structure of the Board and its Committees and Senior Management (Cont'd)

2.7 Senior Management Profile (Cont'd)

8. Lavish Khosla (IBO)
Chief Manager of Global Treasury since June 2022, Mr Khosla joined BoB in 2010 in India as Credit Officer, and he holds a MBA-Finance from Mumbai University, and along with being a Certified Associate and a Certified Treasury Professionals Certificate at the IIBF. He has successfully completed a Technical Analysis Training for Forex Dealers from NIBM along with Bourse course 2018 for (Forex Trading).His experience in the banking sector expands over 13 years and covers experience in Investments and Treasury Back Office credit management.

9. Neha Singh (IBO)
Mrs. Neha Singh is the Chief Manager Human Resource Management ("HRM") and Administartion Function at the Bank since July 2021. She joined Bank of Baroda, India in June 2009 as Manager and she holds a Masters in Labour Laws and Labour Welfare at the University of Pune, along with Bachelor of Commerce (BCom) and a certificate in Digital Banking. Her experience in the banking sector expands over 13 years in the human resource management

10. Rameswaran Subbulakshmi (IBO)
Mrs. Rameswaran Subbulakshmi joined the Bank as the Internal Auditor in October 2022. She joined BoB in 2011 as Manager and holds a Bachelor of Science-Industrial Microbiology along with a Master of Business Administration at the University of Madurai. She also holds a certificate in JAIIB and a CAIIB from the IIBF. She has over more than 11 years in the banking sector.

11. Vyas Hitesh Kumar Natvarlal (IBO)
Mr. Vyas is the Senior Manager, IT and Operations at the Bank since July 2019. He joined BoB in 2000 as an Officer. He holds a BSC and a Masters in Computer Applications His experience in the IT department spans over more than 22 years.

12. Ravin Balgobin (LSO)
Mr. Ballgobin is the Senior Manager IT who joined the Bank in November 1988 as IT Specialist. His experience expands over 24 years. Throughout his career, Mr Balgobin has attended multiple training sessions both in India and Mauritius on IT matters including cyber security, network management and card processing.

13. Raj Dookun (LSO)
Mr Raj Dookun is the MLRO since April 2023. He joined the Bank in 1988 and has experience spanning more than 34 years in the Banking Service. He has been Branch Head for more than 12 years and has experience in retail, credit and has good knowledge in operations and compliance related matters. He holds a Certificate in Computer Science & Programming from the University of Mauritius and Diploma in Computer System Design by the Association of Computer Professionals from UK.

14. Late Munjula Banymandhub (LSO)
Late Ms Munjula Banymandhub joined the Bank in 1988 and had a good knowledge and experience in banking and compliance matters. Ms Munjula was designated as Money Laundering Reporting Officer ("MLRO") in 2017 and was taking care about all the compliance related issues of the Bank, until her demise on 15 November 2022.

None of the Senior Officers of the Bank and the members of the Local Advisory Board hold external directorships outside the Bank.

2.8 Company Secretary

Since BoB-MU is operating as a Branch, there is no requirement for the appointment of a Company Secretary.

3. Principle 3: Director Appointment Procedures

There is currently one independent director sitting on 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**

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. The Head Office generally appoints IBOs for a period of 3 years to Mauritius.

- **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. There are already multiple female senior officers in the Mauritius Operations.

- **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. All members of 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.

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 Vice President 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 of BoB 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, other than USD 4,000 which have been paid out to Mr. Jhugroo, the independent director for the current financial year as directors' emoluments. (2022: USD 4,000)

During the financial year ended March 31, 2023, senior management received emoluments which included salaries and other benefits as disclosed in Note 33 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 33 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. Management also has an oversight on all the IT projects and monitors all the expenses related to this area.

4. Principle 4: Management Duties, Remuneration and Performance (Cont'd)

4.4 Information Governance (Cont'd)

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 Office. The Policy Framework takes into account the local law, regulation to ensure all local regulatory requirements are maintained for enhanced compliance.

All significant IT expenditure is approved by the Territory Office.

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

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 internal 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.

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. Refer to the Management Discussion and Analysis section and Note 5 of the Annual report for more details on the risks faced by the Bank.

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

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 managed 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 aware of.

5.6 Compliance Function

- 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, Financial Intelligence and Anti-Money Laundering Act ("FIAMLA"), Prevention of Corruption Act 2002 ("POCA"), Prevention of Terrorism Act ("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. This Policy is designed to enable employees of the Bank to raise concerns internally and at a high level, and also discloses any information which the employee believes shows malpractice and impropriety.

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 March 31, 2023. 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, in so far as applicable to foreign companies, 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.

6 Principle 6: Reporting with Integrity (Cont'd)

6.2 Overview of performance

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

6.3 Challenges and Outlook

Financial Year 2022-23 was a difficult year for the banking industry due to volatility post-pandemic macroeconomic environment and global turmoil. The ongoing Russian-Ukrainian crisis has also disrupted global supply chains and contributed to rising inflation. Major Central Banks have been forced to raise interest rates significantly to curb escalating global inflation. Worldwide growth economic activity is therefore expected to remain subdued in the short term. Despite these challenges, the Bank has delivered strong results, improved levels of profitability with a strong capital base to secure and optimize quality lending growth dangerous. The Bank will continue to expand its activities with "Grow Local" as a strategic focus and strengthen the domestic retail and corporate sector by leveraging opportunities to acquire high-value assets. The Bank will continue to promote expansion strategies in its global business within its risk appetite and global expertise. The Bank will continue to enhance its digital services by introducing best-in-class solutions, technology and innovation that meet customer expectations in every field as well as implementing a customer-centric culture with the goal of improving performance and increasing employee engagement. The Bank strives to maintain a strong business model and solid financial performance to promote a culture that encourages long-term sustainable business practices.

6.4 Website

BoB-MU's website provides useful information to the stakeholders. The unaudited quarterly accounts as well as the Annual reports can be viewed on the Bank's website: https://www.bankofbaroda-mu.com/about-us/annual-reports.

6.5 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, Human Resource Development and Training.
- 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.

6.6 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 2017.

6.7 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 the overall internal audit function and guides in developing effective internal audits, concurrent audits and Information System ("IS") audits.
- BoB sends an Expatriate Officer as Internal Auditor at BoB-MU for a period of maximum 5 years.
- The Internal Auditor reports directly to the CIAD and to the local ARC.
- The Bank'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.
- BoB also sends Senior Executives for inspection of the Territory at least once every three years. These executives report to the Board through the CIAD. 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, 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 ARC at BoB-MU level and Audit Committee at Corporate Head Office level. Management of the Bank and has no restrictions to access to employees at 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.
- Internal audit provides independent assurance on the effectiveness of governance, risk management and internal controls.
- The audit universe includes all business units and operations across the Bank. Based on risk assessment carried out, resources are allocated and an annual risk-based audit plan, with a schedule of execution, is drawn up and approved by the Audit Review Committee.
- The audit plan is executed by the Internal Auditor and her team, who have the requisite experience in banking. Progress reports on the execution of the plan are tabled at each Audit Review Committee meeting of the Bank, and updates provided on critical audit findings to the LAB.

7.2 External Auditors

- As at March 31, 2023, the Bank's auditor is Deloitte Mauritius, who was first appointed for the statutory audit for the financial year ended March 31, 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.

7 Principle 7: Audit (Cont'd)

7.2 External Auditors (Cont'd)

- 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 Bank may engage the firm responsible for its external audit to provide non-audit services 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 2022-23, total fees, exclusive of VAT, paid to the statutory auditor, Deloitte Mauritius, were as follows:

Year	Statutory audit Rs'000	Tax compliance Rs'000	Other audit related services Rs'000
2023	1,325	140	635
2022	1,250	125	100
2021	1,325	125	75

The audit related fees payable for the year ended March 31, 2023 relates to fees for quarterly reviews and group reporting to Head Office.

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

8.1 Information for Key Stakeholders

- In Mauritius, BoB-MU has not issued any shares to the public 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 Annual Report. The results are also published on the Bank's website and in the Government Gazette.

- BoB-MU 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.

8.3 Customers

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

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

8.4 Employees

- BoB has an employee engagement programme designed to foster the spirit of team bonding and collaboration at the Bank.
- 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-MU does not have any Third-Party Management Agreement other than those between the Bank and its Corporate Office.

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 Parent Office, the Reserve Bank of India and the Bank of Mauritius and a certificate from the 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.

FOR BANK OF BARODA – MAURITIUS OPERATIONS

....	....	....
(Vibhu Gupta) **Chief Manager** **(Global Business Branch)**	**(Dr Sunil Patil)** **Chief Financial Officer** **(Mauritius Operations)**	**(Diwakar P. Singh)** **Vice President** **(Mauritius Operations)**

Date: June 28, 2023

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

Reporting Period: April 1, 2022 to March 31, 2023

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) (the "Code") except for the below:

- The Bank has not conducted an evaluation of the effectiveness of its Local Advisory Board during the year under review.

FOR BANK OF BARODA – MAURITIUS OPERATIONS

....	....	....
(Vibhu Gupta) **Chief Manager** **(Global Business Branch)**	**(Dr Sunil Patil)** **Chief Financial Officer** **(Mauritius Operations)**	**(Diwakar P. Singh)** **Vice President** **(Mauritius Operations)**

Date: June 28, 2023

Deloitte.

7^{th} - 8^{th} 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 31 to 110, which comprise the statement of financial position as at March 31, 2023, 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, 2023, 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 as 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' *International 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.
• Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro- economic forecasts. The macro-economic forecasts are estimates of future economic conditions.
• 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.
 	
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 5 (b) of the financial statements.
	Our procedures included the following amongst others:
	
	• Evaluating the appropriateness of the impairment methodologies applied by the Bank under the requirements of IFRS 9;
	• 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 the macro- economic forecasts used;
	  ▪ the appropriateness of PD, LGD and EAD used in the ECL calculation;
	  ▪ the reasonableness of the model predictions by comparing them against actual results;
	  ▪ key data sources and assumptions including economic forecasts, PD, LGD assumptions and qualitative adjustments impacting ECL calculations;
	• Testing the completeness and accuracy of data used for ECL calculation through sample testing;
	• Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach;
	• Assessing the appropriateness of any post model adjustments made by management, and assessing the underlying analysis and rationale.
	
	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 governance 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.
	• 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.

Deloitte.

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

Other information

Management is responsible for the other information. The other information comprises the report of management, the statement of management's responsibility for financial reporting, the corporate governance report, 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.

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 in so far as applicable to foreign companies, the Banking Act 2004, and the Financial Reporting Act 2004 and they are also responsible for such internal control as management determines 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 intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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.

Deloitte.

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

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 capacities 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.

Financial Reporting Act 2004

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance (the "Code") 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.

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

June 28, 2023

Agrawal.

Vishal Agrawal, FCA

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BANK OF BARODA - MAURITIUS OPERATIONS

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2023

	Notes	2023 Rs'000	2022 Rs'000	2021 Rs'000
ASSETS				
Cash and cash equivalents	9	**2,427,416**	1,190,005	1,565,862
Placements with banks	10	**1,256,715**	1,408,630	13,060,445
Loans and advances to banks and customers	11	**12,991,064**	10,655,624	6,286,429
Investment securities	12	**1,758,069**	4,184,128	2,900,325
Investment property	13	**12,302**	18,500	18,500
Property and equipment	14	**173,418**	163,675	143,770
Right-of-use assets	15A	**21,656**	24,718	27,523
Deferred tax assets	16	**55,837**	41,192	16,514
Other assets	17	**689,329**	742,027	626,755
Total assets		**19,385,806**	18,428,499	24,646,123
LIABILITIES				
Deposits from banks and customers	18	**13,930,298**	15,631,334	12,542,341
Other borrowed funds	19	**3,133,186**	712,623	9,774,395
Current tax liabilities	20	**4,093**	216	11,311
Lease liabilities	15B	**23,750**	27,779	30,253
Other liabilities	21	**95,260**	58,423	50,614
Retirement benefit obligations	22	**24,192**	23,565	19,068
Total liabilities		**17,210,779**	16,453,940	22,427,982
EQUITY				
Assigned capital	23(a)	**400,571**	400,571	400,571
Retained earnings		**1,092,765**	879,586	1,288,131
Other reserves	23(b)	**681,691**	694,402	529,439
Total equity		**2,175,027**	1,974,559	2,218,141
Total equity and liabilities		**19,385,806**	18,428,499	24,646,123

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

(Vibha Gupta)	**(Dr Sunil Patil)**	**(Diwakar P. Singh)**
Chief Manager	**Chief Financial Officer**	**Vice President**
(Global Business Branch)	**(Mauritius Operations)**	**(Mauritius Operations)**

The notes on pages 35 to 110 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2023

	Notes	2023	2022	2021
		Rs'000	Rs'000	Rs'000
Interest income calculated using the effective interest method	25	**568,780**	294,541	438,186
Interest expense	26	**(218,862)**	(69,524)	(192,010)
Net interest income		**349,918**	225,017	246,176
Net fees and commission income	27	**69,491**	27,666	24,846
Net trading income	28	**48,069**	2,931	66,997
Other income	29	**1,664**	2,047	4,895
		49,733	4,978	71,892
Operating income		**469,142**	257,661	342,914
Net impairment losses on financial assets		**(97,509)**	(367,334)	(132,481)
Net operating income/(loss)		**371,633**	(109,673)	210,433
Personnel expenses	30	**(85,671)**	(68,398)	(50,518)
Depreciation of property and equipment	14	**(8,924)**	(10,112)	(8,245)
Depreciation of right-of-use assets	15A	**(4,285)**	(4,926)	(5,162)
Other expenses	31	**(69,777)**	(60,482)	(46,756)
Total operating expenses		**(168,657)**	(143,918)	(110,681)
Profit/(loss) before taxation		**202,976**	(253,591)	99,752
Income tax (expense)/credit	20	**(1,907)**	15,675	(10,276)
Profit/(loss) for the year		**201,069**	(237,916)	89,476
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Revaluation of property and equipment	14	**-**	-	16,232
Remeasurement of retirement benefit obligations	22	**(646)**	(6,093)	(4,367)
Deferred tax on remeasurement of retirement benefit obligations and revaluation of property and equipment	16	**45**	427	(550)
Other comprehensive income for the year		**(601)**	(5,666)	11,315
Total comprehensive income for the year		**200,468**	(243,582)	100,791

The notes on pages 35 to 110 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2023

			Other reserves				
	Notes	Assigned capital	Statutory reserve	Revaluation reserve	General banking reserve	Retained earnings	Total equity
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
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
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
At April 1, 2022		**400,571**	**400,571**	**121,309**	**172,522**	**879,586**	**1,974,559**
Profit for the year		-	-	-	-	**201,069**	**201,069**
Other comprehensive income for the year		-	-	-	-	**(601)**	**(601)**
Total comprehensive income for the year		-	-	-	-	**200,468**	**200,468**
Transfer from General banking reserve to retained earnings		-	-	-	**(12,711)**	**12,711**	-
At March 31, 2023		**400,571**	**400,571**	**121,309**	**159,811**	**1,092,765**	**2,175,027**

The notes on pages 35 to 110 form an integral part of these financial statements.

BANK OF BARODA - MAURITIUS OPERATIONS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2023

	Notes	2023	2022	2021
		Rs'000	Rs'000	Rs'000
Operating activities				
Profit/(loss) before taxation		**202,976**	(253,591)	99,752
Adjustments for:				
Net impairment losses on financial assets		**97,509**	367,334	132,481
Depreciation on property and equipment	14	**8,924**	10,112	8,245
Loss/(gain) on termination of lease	29	**238**	-	(29)
Retirement benefit obligations	22	**6,365**	1,699	(1,664)
Gain on fair value of investment property	13	**-**	-	(2,476)
Depreciation of right-of-use assets	15A	**4,285**	4,926	5,162
Bad debts written off	11(iii)	**501,686**	-	-
Write off of property and equipment	14	**10**	-	-
Write off of intangible asset		**-**	-	2,027
Interest expense on lease liabilities	26	**2,206**	2,350	2,505
Changes in operating assets and liabilities				
Decrease/(increase) in other assets		**52,698**	(115,272)	(27,613)
Increase in other liabilities		**36,751**	7,892	14,337
Decrease/(increase) in placements		**151,915**	11,651,815	(7,458,351)
(Decrease)/increase in other borrowed funds		**-**	(9,327,565)	4,603,878
(Increase)/decrease loans and advances		**(2,928,628)**	(4,728,075)	2,105,299
(Decrease)/increase in deposits from customers		**(1,701,036)**	3,088,993	(170,603)
Net cash flows (used in)/generated from operations		**(3,564,101)**	710,618	(687,050)
Tax paid	20	**(13,073)**	(19,671)	(21,562)
Payment of gratuity	22	**(6,384)**	(3,295)	(277)
Net cash (used in)/generated from operating activities		**(3,583,558)**	687,652	(708,889)
Cash flows from investing activities				
Acquisition of property and equipment	14	**(12,479)**	(30,017)	(2,965)
Purchase of investment securities		**(16,602,986)**	(6,817,255)	(4,231,503)
Proceeds from sale and redemption of investment securities		**19,023,124**	5,524,914	4,391,640
Net cash generated from/(used in) investing activities		**2,407,659**	(1,322,358)	157,172
Cash flows from financing activities				
Payment of lease liabilities		**(7,696)**	(6,944)	(6,506)
Net cash used in financing activities		**(7,696)**	(6,944)	(6,506)
Net decrease in cash and cash equivalents		**(1,183,595)**	(641,650)	(558,223)
Movement in cash and cash equivalents				
At April 1,		**477,382**	1,119,032	1,676,775
Decrease in cash and cash equivalents		**(1,183,595)**	(641,650)	(558,223)
Net foreign exchange difference		**443**	-	480
At March 31,	9	**(705,770)**	477,382	1,119,032

The notes on pages 35 to 110 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 is licenced under the Banking Act 2004 and is regulated by the Bank of Mauritius. The principal activity of the Bank is the provision of banking and financial services to both retail and corporate clients in and out of Mauritius.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Bank has adopted 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 2022.

New and amended IFRS Standards that are effective for the current year

In the current year, the Bank has applied a number of amendments to IFRS Accounting Standards issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 April 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use

The Bank has adopted the amendments to IAS 16 *Property, Plant and Equipment* for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, the Bank recognises such sales proceeds and related costs in profit or loss. The Bank measures the cost of those items in accordance with IAS 2 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of profit or loss and other comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the Bank's ordinary activities, and which line item(s) in the statement of profit or loss and other comprehensive income include(s) such proceeds and cost.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts -Cost of Fulfilling a Contract

The Bank has adopted the amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Bank has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual improvements include amendments to the following standards which are applicable to the Bank:

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONT'D)

New and amended IFRS Standards that are effective for the current year (Cont'd)

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle (Cont'd)

- IFRS 9 *Financial Instruments*

  The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, the Bank includes only fees paid or received between the Bank (the borrower) and the lender, including fees paid or received by either the Bank or the lender on the other's behalf.

- IFRS 16 *Leases*

  The amendment removes the illustration of the reimbursement of leasehold improvements.

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Bank has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

- Amendments to IAS 1 *Classification of Liabilities as Current or Non-current;*
- Amendments to IAS 1 and IFRS *Practice Statement 2 Disclosure of Accounting Policies;*
- Amendments to IAS 8 *Definition of Accounting Estimates;* and
- Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods, except if indicated below:

Amendments to IAS 1 *Presentation of Financial Statements—Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

Management of the Bank anticipates that the application of these amendments may have an impact on the Bank's financial statements in future periods.

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements Disclosure of Accounting Policies*

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONT'D)

New and revised IFRS Accounting Standards in issue but not yet effective (Cont'd)

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements Disclosure of Accounting Policies (Cont'd)*

Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Management of the Bank anticipates that the application of these amendments may have an impact on the Bank's financial statements in future periods.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates*

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments. The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Management of the Bank anticipates that the application of these amendments may have an impact on the Bank's financial statements in future periods.

Amendments to IAS 12 *Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONT'D)

New and revised IFRS Accounting Standards in issue but not yet effective (Cont'd)

Amendments to IAS 12 *Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Following the amendments to IAS 12, the Bank is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - ✓ Right-of-use assets and lease liabilities
  - ✓ Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

Management of the Bank anticipates that the application of these amendments may have an impact on the Bank's financial statements in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of accounting

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, in so far as applicable to foreign companies, the Banking Act 2004, the Guidelines and Guidance Notes issued by the Bank of Mauritius and the Financial Reporting Act 2004.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies. 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.

Going concern

Management has, at the time of approving the financial statements, a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency

Functional and presentation currency

Items included in the financial statements are measured using Mauritian Rupee ("Rs"), the currency of the primary economic environment in which the Bank operates ("functional currency"). The financial statements of the Bank are presented in Mauritius Rupee, which is its functional and presentation currency, and all values are rounded to the nearest thousand except when otherwise indicated.

Transactions and balances

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(c) Recognition of income and expenses

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')).

Net fee and commission income

Fees and commissions are recognised on an accrual basis when the service has been provided. Commission and fees arising from negotiating or participating in the negotiations of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Net fee and commission income (Cont'd)

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies under IFRS 15
Retail and corporate banking service	The Bank provides banking services to retail and corporate customers, including, provision of overdraft facilities, foreign currency transactions, credit card, cheque books and servicing fees. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.	Revenue related to transactions is recognised at the point in time when the transaction takes place.

It should be noted that the Bank does not offer services with multiple non-distinct/distinct performance obligations.

Fee and commission expense

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

Net trading income

Net trading income comprises all fair value changes, interest and dividends on financial instruments measured at fair value through profit or loss ("FVTPL"), 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);

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

Financial assets and financial liabilities

- 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, 2023, March 31, 2022 and March 31, 2021.

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 statement 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 Bank'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 Bank may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Bank 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 Bank 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, 2023, March 31, 2022 and March 31, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

Debt instruments measured at amortised cost or at FVTOCI

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

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI. For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

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

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank'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 does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Bank's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise mortgages, overdrafts and unsecured personal lending. Sales of loans from these portfolios have not occurred.

Certain debt securities are held by the Bank's Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

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

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 its business models 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 measured its financial assets at amortised cost at March 31, 2023, March 31, 2022 and March 31, 2021.

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, 2023, March 31, 2022 and March 31, 2021.

Equity instruments designated at FVTOCI

On initial recognition, the Bank 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 Bank 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 any equity instruments designated at FVTOCI at March 31, 2023, March 31, 2022 and March 31, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

Reclassifications

If the business model under which the Bank 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 holds financial assets and therefore no reclassifications were made.

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.

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;
- 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.

Financial guarantees

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

Financial guarantee contracts issued by the Bank 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 Bank'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 profit or loss 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)

Impairment of financial assets

The Bank recognises allowances for ECLs on the following financial instruments which 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 Bank under the contract and the cash flows that the Bank 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 Bank if the holder of the commitment draws down the loan and the cash flows that the Bank 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 Bank 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. More details on the measurement of ECLs are found under Note 5(b).

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. 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;

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

Financial assets (Cont'd)

Credit impaired financial assets (Cont'd)

- 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, 2023, March 31, 2022 and March 31, 2021.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

Financial assets (Cont'd)

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.

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.

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, the 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

Financial assets (Cont'd)

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;
- 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 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

Financial assets (Cont'd)

Modification and derecognition of financial assets (Cont'd)

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 Bank 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.

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 recognized in the profit or loss. 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 continues 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

Financial assets (Cont'd)

Modification and derecognition of financial assets (Cont'd)

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 has 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 be recorded as "Other Income" in profit or loss.

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 Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

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 nonderivative 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 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 derecognises 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 Bank 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 Bank 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, 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 and equipment is initially stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required.

Cost of an item of property and equipment includes its purchase price and any directly attributable costs. Cost includes the cost of replacing part of an existing property and equipment at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an item of property and equipment. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property and equipment (Cont'd)

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.

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 revaluation reserve is transferred directly to retained earnings.

Equipment is 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:

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

The estimated useful lives and residual values 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 profit or loss 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 depreciated over its useful life. Capitalisation will start once the below criteria 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.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Bank uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment property (Cont'd)

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised when they have been disposed of. Where the Bank disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

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.

If an investment property becomes owner occupied, it is reclassified as property and equipment. Its fair value as at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item as at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increased directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to the profit or loss.

Where an investment property undergoes a change in use, such as commencement of development with a view to sell, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

(h) Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Leases

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.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Bank and the lease does not benefit from a guarantee from the Bank.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Leases (Cont'd)

The Bank as a lessee (Cont'd)

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 expects 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 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 the Bank has not used this practical expedient.

The Bank as a lessor

The Bank enters into lease agreements 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 leases is recognised on a straight-line basis over the term of the relevant lease.

(j) Provisions

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

When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

(k) Pension benefits

Retirement gratuity

The Bank is liable to pay a residual retirement gratuity in the form of a lump sum to employees who are members of the defined contribution plan at the date of their retirements under the Workers' Rights Act 2019.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Pension benefits (Cont'd)

Retirement gratuity (Cont'd)

The cost of providing these benefits is determined using the projected unit credit method. Actuarial gains and losses in determining the present value of the unfunded obligations are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods. The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested (that is when the employee retires). If the benefits have already vested, immediately following changes in legislation, past service costs are recognised immediately.

State pension plan

Contributions to the Contribution Sociale Généralisée ("CSG") are recognised in profit or loss in the period in which they fall due.

Defined contribution pension plan

The Bank operates a defined contribution pension plan known as the "Provident Fund". The contribution is payable by both the employer and employee in a savings account of the Bank, bearing interest.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Bank in respect of services provided by employees up to the reporting date

(l) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(I) 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	Applicable rate
Up to 1.5 billion Mauritian rupees (MUR)	5%
Remainder	15%

(ii) Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

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 profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Management has reviewed the Bank's investment property portfolios and concluded that none of the Bank's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, management has determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Bank has not recognised any deferred taxes on changes in fair value of the investment properties as the Bank is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

(iii) Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Taxation (Cont'd)

(iv) 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 profit or loss. The net amount of CSR fund payable to the taxation authority is included in current tax liabilities in the statement of financial position.

(v) 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 expense' in profit or loss.

(m) 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.

Neither these guidelines nor IFRS mandate the application of IFRS 8 to the financial statements of the Bank.

(n) Related parties

For the purpose of these financial statements, parties are considered to be related to the Bank, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Expenses

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

(p) Comparatives

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

Judgements

<u>Determination of functional currency</u>

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).

<u>Deferred tax assets</u>

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.

<u>Business model assessment</u>

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Judgements (Cont'd)

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.
- 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.

Incremental borrowing rate used to determine the value of right-of-use assets

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities in line with the principles set out under IFRS 16. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects the rate the Bank 'would be subject to', which requires either estimation when no observable rates are available or adjustments to reflect the terms and conditions of the lease.

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 31, 2021. In arriving at their valuation, the valuers have taken into consideration market conditions prevailing at the date of the valuation. Management has assessed the fair value of the investment property at March 31, 2023 using a desktop approach and found that the carrying amount of the investment property would not have been materially different.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Estimates (Cont'd)

Provision for retirement benefit obligations

Retirement benefit obligation has been valued by the 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 22.

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.
- 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 profit or loss. 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 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.

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5. FINANCIAL RISK MANAGEMENT

(a) Introduction

The Bank's activities expose it to a variety of financial risk, market risk (including currency and fair value interest risk), credit risk and liquidity risk. Its overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect of the Bank's financial performance. Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and sustained performance.

Management is ultimately responsible for identifying and controlling risks. However, there are separate independent bodies responsible for managing and monitoring risks. Management is responsible for understanding both the nature and level of risks taken by the Bank. The Board is also responsible for the overall risk management approach and for approving the risk strategies and principles. Monitoring and controlling risks is primarily performed based on limits established by the Bank in line with regulatory prescriptions. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept.

A description of the significant risks is given as follows together with the risk management policies applicable.

(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.

(i) Credit risk management

The Bank's management is 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 from the regulators in India and Mauritius;
- 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.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(ii) 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.

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
- 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%;
- Downgrade in the sovereign rating in case of government bonds or bills.

Retail segment

- The breach of contract such as delinquency of more than 30 days;
- Significant financial difficulty of the borrower.

(iii) Measurement of ECL

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

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(iii) Measurement of ECL (Cont'd)

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. The Bank has used the Fitch's and Moody's corporate and retail default rates as proxy for the PDs applied within the Bank's model. For the investment portfolio, the Bank has used the default rate per Moody's sovereign rating assigned to individual countries.

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.

LGDs for the retail and corporate portfolios as well as the investment portfolios are based on the foundation – IRB approach. The regulatory prescribed LGD estimates are used when a bank is unable to provide sufficient historic data. It is based on Basel which provides prescribed haircuts depending on the type of collateral used by the bank. For the Bank, the foundation IRB (F-IRB) approach which is a regulatory prescribed LGD approach is employed. It defines the LGD values based on the haircuts that can be applied on the collaterals. The methodology for the Corporate, Retail and investment portfolios are all F-IRB approaches and the Basel prescribed haircuts are all based on the collateral types. For Stage 3 exposures, the extent of collaterisation of the exposures is also factored in the ECL computations.

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 Bank'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.

The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the Bank 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.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(iii) Measurement of ECL (Cont'd)

Exposure at default (cont'd)

This longer period is estimated considering 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 ECL computations for the different stages are described below:

Stage 1 - The 12-month ECL is calculated as the portion of Lifetime ECL that represents the ECL resulting from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-months default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2 - When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the Lifetime ECL. The mechanics are similar to those explained on stage 1 assets, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3 - For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Incorporating forward looking information

IFRS 9 requires the Bank to use forward looking information for the computation of ECL. 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 has determined inflation and unemployment as being the relevant macro-economic variables and same have been used to gross up the PDs in the ECL model.

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

(iv) Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as instrument type, industry, amongst others.

The groupings are reviewed on a regular basis to ensure that each group comprises homogenous exposures.

The Bank extends credit facilities to individual customers and to corporate entities. Its portfolio is broadly categorized as detailed below:

- Corporate portfolios include overdraft and term loans. This has been segmented based on the size of each industry within the loan book.
- Retail portfolio includes mortgage loans, private households loans and consumer loans.
- Investment portfolio includes treasury bills and bonds.
- Off balance sheet portfolio contains undrawn commitments, financial guarantees and other off balance sheet items, under the scope of IFRS 9.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(v) ECL computation under regulatory requirements

The ECL calculation for accounting purposes is different to the ECL calculation for regulatory purposes, although many inputs used are similar. The Bank has ensured that the appropriate methodology is used when calculating ECL for both accounting and regulatory purposes. The main differences between the methodologies used to measure ECL in accordance with IFRS 9 versus the ones applied for regulatory purposes are:

Bank of Mauritius ("BoM") requirements

The Bank of Mauritius, through its *Guideline on Credit Impairment Measurement and Income Recognition* (currently on hold), has prescribed the below:

- Provisions on standard credits (defined as credits which are below 90 days) to be computed at: (i) 1 per cent of standard credit facilities consisting of bullet repayment with maturity of more than 2 years, whereby the repayment of the entire principal is at maturity; or (ii) 1 per cent of standard credit facilities for commercial real estates; or (iii) 0.5 per cent of all other standard credit facilities.

- Macro-prudential provisions to be maintained for credit facilities extended to the Resident segment of the following sectors of the economy:

Type of facility	Macroprudential Provision
Household – Housing	0.5%
Household – other than Housing	0.75%
Accommodation	1.0%
Construction (including commercial real estates)	1.0%

- Specific provisions to be maintained as follows for non-performing assets:

Classified credit facilities	Regulatory Floor for Specific Provisioning
Sub-standard	15% of outstanding amount of credit (without taking into account any securities)
Doubtful	100% of unsecured portion of outstanding credit And between 30% and 50% of secured portion of outstanding credit depending upon the period of time for which the asset has remained as non-performing.
Loss	100% of unsecured portion of outstanding credit and between 80% and 100% of secured portion of outstanding credit depending on the period of time the asset has remained as non-performing.

- Should the provisions computed under IFRS 9 be less than what is required under the above regulations set out in the Bank shall assign the difference to a non-distributable equity reserve created through an appropriation of reserve.

Reserve Bank of India ("RBI") requirements

For non-performing assets, the Bank computes the regulatory provisions as follows:

Sub-Standard (above 90 days to 1 year overdue)	Rate of Provision
Secured Exposures	20.00%
Unsecured Exposures	25.00%
Unsecured exposures to Infrastructure where safeguards like Escrow Mechanism are available	20.00%

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(v) ECL computation under regulatory requirements (Cont'd)

Reserve Bank of India ("RBI") requirements (Cont'd)

Doubtful (between 1 to 5 years overdue)	
Unsecured Portion	100.00%
Secured Portion - Doubtful upto 1 year	25.00%
Secured Portion - Doubtful > 1 year and up to 3 years	40.00%
Secured Portion - Doubtful > 3 years	100.00%
Loss (over 5 years overdue)	100.00%

The provision for standard credits is as follows:

Standard	**Rate of Provision**
SME	0.25%
Agriculture	0.25%
Commercial Real Estate	1.00%
Commercial Real Estate- residential	0.75%
All others (Non restructured)	0.40%

The Bank transfers the excess provision computed under the regulatory norms described above and the IFRS 9 provisions to the General Banking Reserve on an annual basis, so that the aggregate of the General Banking Reserve and the provisions for ECL recognised against the loan book at all times meet the minimum regulatory requirements for both the Bank of Mauritius and the Reserve Bank of India.

At March 31, 2023, the General Banking Reserve amounted to **Rs159.8m** which added to the total provisions recognised in the books under IFRS 9 of **Rs702.5m** aggregated to **Rs862.6m** which is made up of provisions required under the RBI and BoM requirements.

(vi) Sensitivity analysis

The Bank has performed a sensitivity analysis on how ECL on the main portfolios will change if the key assumptions used to calculate ECL change by 10%. The table below outlines the total ECL per portfolio as at 31 December 2022, if the assumptions used to measure ECL remain as expected (amount as presented in the statement of financial position), as well as if each of the key assumptions used change by plus or minus 10%.

The changes are applied in isolation for illustrative purposes and are applied to each probability weighted scenarios used to develop the estimate of expected credit losses. In reality there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

Retail portfolio	**Change in variable**	**Impact on ECL (Rs)**
Inflation	+10%	680,346
	- 10%	(680,346)
Corporate portfolio		
Unemployment	+10%	956,000
	- 10%	(956,000)

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(vii) 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:

Credit risk exposures relating to on-balance sheet assets are as follows:

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Cash and cash equivalents	**2,389,116**	1,160,391	1,521,114
Placement with banks	**1,256,715**	1,408,630	13,060,445
Loans and advances to banks and customers	**12,991,064**	10,655,624	6,286,429
Investment securities	**1,758,069**	4,184,128	2,650,325
Other assets*	**687,585**	742,027	626,755

** Other assets exclude non-financial asset such as prepayments and suspense accounts.*

Credit risk exposures relating to off-balance sheet items are as follows:

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Guarantees and other credit related liabilities	**1,434,445**	616,538	466,332
Undrawn credit facilities	**1,568,899**	548,578	1,761,986
Total	**3,003,344**	1,165,116	2,228,318

(viii) 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 assessment 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 entities are generally secured. More details with regards to collateral held for certain classes of financial assets can be found below.

	Type of collateral held
Mortgage lending	Residual properties as collateral for mortgage loans
Personal lending	Salary pledge, unsecured
Corporate lending	Guarantees, fixed charges on property, personal guarantees of shareholders.

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.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (Cont'd)

(viii) Collateral on loans and advances to banks and customers (Cont'd)

The Bank has not taken possession of any collaterals held as security against loans and advances for the current and prior years.

(ix) 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.

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is **Rs501.7m** at March 31,2023.

(x) Concentration risk and exposure to credit risk

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review in line with the Bank's internal policies.

Limits on the level of credit risk are approved by the Bank's Head Office and followed by local management.

Concentrations of credit risk arise when several distinct counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, a number of controls and measures to minimise undue concentration of exposure in the Bank's portfolio have been implemented. The Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Any identified concentrations of credit risks are controlled and managed and in line with the Risk Appetite Framework and regulatory prescriptions set out in the Bank of Mauritius' *Guideline on Credit Concentration.*

The credit concentration by industry segment has been disclosed in Note 11(iv).

(xi) Modification loss

There were no restructured loans during the current and prior years, and hence no material modification losses recorded in the books of the Bank at March 31, 2023 and March 31, 2022.

5. 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

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Bank's foreign currency positions. The latter is exposed with respect to foreign currency risk arising from trading in foreign currency and acceptances. In order to ensure adequacy of its foreign exchange requirements, foreign currency cash flow forecasts are prepared regularly, expenses monitored and actions taken accordingly.

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, 2023, March 31, 2022 and March 31, 2021. 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, 2023						
Financial assets						
Cash and cash equivalents	3,026	238,589	11,393	2,172,192	2,216	2,427,416
Placements with banks	-	-	1,256,715	-	-	1,256,715
Loans and advances to banks and customers	471,227	8,267,302	300,843	3,951,692		12,991,064
Investment securities	-	-	-	1,758,069	-	1,758,069
Other assets	-	-	-	687,585	-	687,585
Total	474,253	8,505,891	1,568,951	8,569,538	2,216	19,120,849
Financial liabilities						
Deposits from banks and customers	48,609	6,454,476	1,540,775	5,885,182	1,256	13,930,298
Other borrowed funds	411,561	2,687,813	33,812	-	-	3,133,186
Lease liabilities	-	-	-	23,750	-	23,750
Other liabilities	-	-	1,934	93,326	-	95,260
Total	460,170	9,142,289	1,576,521	6,002,258	1,256	17,182,494

5. 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, 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	-	-	-	742,027	-	742,027
Total	752,273	6,532,768	1,549,705	9,342,018	3,650	18,180,414
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

5. 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	-	-	-	626,755	-	626,755
Total	216,284	15,952,124	1,493,706	6,763,437	14,265	24,439,816
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

5. 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, 2023	**(378)**	**(31,820)**	**704**
March 31, 2022	(1,022)	(59,262)	576
March 31, 2021	(10)	73,177	191

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:

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Impact on earnings	**166,120**	198,172	108,005

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.

5. 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:

At March 31, 2023	Fixed interest bearing Rs '000	Floating interest bearing Rs '000	Non-interest bearing Rs '000	Total Rs '000
Financial assets				
Cash and cash equivalents	-	2,151,303	276,113	2,427,416
Placements with banks	-	1,256,715	-	1,256,715
Loans and advances to banks and customers	-	13,677,852	(686,788)	12,991,064
Investment securities	-	1,758,069	-	1,758,069
Other assets	-	-	687,585	687,585
	-	18,843,939	276,910	19,120,849
Financial liabilities				
Deposits from banks and customers	5,516,538	7,404,755	1,009,005	13,930,298
Other borrowed funds	-	3,133,186	-	3,133,186
Lease liabilities	23,750	-	-	23,750
Other liabilities	-	-	95,260	95,260
	5,540,288	10,537,941	1,104,265	17,182,494
Net balances	(5,540,288)	8,305,998	(827,355)	1,938,355

At March 31, 2022	Fixed interest bearing Rs '000	Floating interest bearing Rs '000	Non-interest bearing Rs '000	Total 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	-	4,184,128	-	4,184,128
Other assets	-	-	742,027	742,027
	-	17,815,812	364,602	18,180,414
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)	9,908,605	(1,474,415)	1,750,255

5. 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, 2021	Fixed interest bearing Rs '000	Floating interest bearing Rs '000	Non-interest bearing Rs '000	Total 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	-	-	626,755	626,755
	-	23,867,288	572,528	24,439,816
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	(298,478)	2,042,213

(d) Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all banking operations and can be affected by a range of Bank-specific and market-wide events.

The Bank has established a comprehensive policy and control framework for managing liquidity risk. The Bank's Asset and Liability Management Committee ("ALCO") is responsible for managing the Bank's liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. In order to effectively manage liquidity risk the Bank maintains a portfolio of highly liquid assets with different tenors and monitors periodic liquidity reports analysing the expected maturity profile of assets and liabilities.

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. The Bank has been in compliance with the Bank of Mauritius *Guideline on Liquidity Risk Management* for both the current and prior periods and has maintained a Liquidity Coverage Ratio ("LCR") above the minimum regulatory prescription of 100%.

The following tables present a maturity analysis of the Bank's financial assets and liabilities. The maturity analysis for loans and advances and deposits from customers have not incorporated future coupon payments as management considers that these amounts would not significantly alter the liquidity gap analysis. Hence, the liquidity analysis is not shown on an undiscounted basis.

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Liquidity risk (Cont'd)

The Bank also holds financial assets and financial liabilities for which the expected cash flows are significantly different from the contractual cash flows. The most common examples of such instruments are the current deposits from customers which are largely repayable on demand are not expected to be withdrawn immediately but to remain stable or increase. Similarly, retail mortgage loans might have a longer average contractual maturity but the average expected maturity could be lower since customers may take advantage of early repayment options.

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, 2023	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Financial assets								
Cash and cash equivalents	287,522	2,139,894	-	-	-	-	-	2,427,416
Placements with banks	-	1,256,715	-	-			-	1,256,715
Loans and advances to banks and customers	3,801,041	2,582,717	874,657	39,747	3,041,744	3,339,438	(688,280)	12,991,064
Investment securities	298,373	93,126	-	78,729	872,062	429,585	(13,806)	1,758,069
Other assets	669,301	16,491	-	-	-	-	1,793	687,585
	5,056,237	6,088,943	874,657	118,476	3,913,806	3,769,023	(700,293)	19,120,849
Financial liabilities								
Deposits from banks and customers	7,789,937	3,538,776	687,424	1,495,060	403,924	15,177	-	13,930,298
Other borrowed funds	3,133,186	-	-	-	-	-	-	3,133,186
Lease liabilities	356	720	1,098	2,169	7,007	12,400	-	23,750
Other liabilities	-	-	-	-	-	-	95,260	95,260
Total	10,923,479	3,539,496	688,522	1,497,229	410,931	27,577	95,260	17,182,494
Net liquidity gap	(5,867,242)	2,549,447	186,135	(1,378,753)	3,502,875	3,741,446	(795,553)	1,938,355

5. 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
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
At March 31, 2022								
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	2,577,592	2,347,830	1,375,489	1,469,483	473,995	3,509,699	(1,098,464)	10,655,624
Investment securities	1,365,884	182,902	826,680	334,796	947,290	534,461	(7,885)	4,184,128
Other assets	704,564	36,797	-	-	-		666	742,027
	5,138,905	4,675,299	2,202,169	1,804,279	1,421,285	4,044,160	(1,105,683)	18,180,414
Financial liabilities								
Deposits from banks and customers	7,416,268	3,871,503	306,422	3,540,938	482,698	13,505	-	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	7,777,843	4,223,627	307,520	3,543,107	489,705	29,934	58,423	16,430,159
Net liquidity gap	(2,638,938)	451,672	1,894,649	(1,738,828)	931,580	4,014,226	(1,164,106)	1,750,255

5. 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
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
At March 31, 2021								
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	1,158,500	-	1,089,306	-	657,107	-	(4,588)	2,900,325
Other assets	603,778	3,976	-	-	-	-	19,001	626,755
	5,042,304	5,657,783	1,395,414	201,805	5,628,689	7,314,590	(800,769)	24,439,816
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	(2,049,383)	3,552,797	893,173	(2,457,770)	737,954	2,216,825	(851,383)	2,042,213

Non-maturity bucket includes ECL provisions, other assets and liabilities with undetermined maturity dates.

6. FAIR VALUE OF FINANCIAL INSTRUMENT

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: Quoted (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques mainly include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values.

Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets Valuation models for financial instruments measured at fair value that employ significant unobservable inputs require a higher degree of management judgement and estimation in determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

Basis of valuation

The fair value measurement is the Bank's estimate of 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. It does not reflect the economic benefits and costs that the Bank expects to flow from the instruments' cash flows over their expected future lives.

Loans are grouped, as far as possible, into homogeneous groups and stratified by loans with similar characteristics to improve the accuracy of estimated valuation outputs. The fair value of a loan reflects both loan impairments at the reporting date and estimates of market participants' expectations of impairment losses over the life of the loans, and the fair value effect of repricing between origination and the reporting date. The fair valuation of loans and advances is based on indirect observable inputs and therefore classifies under Level 2.

6. FAIR VALUE OF FINANCIAL INSTRUMENT (CONT'D)

For the purpose of estimating fair value, deposits by banks and customer accounts are grouped by remaining contractual maturity. Fair values are estimated by applying current rates offered for deposits of similar remaining maturities, therefore the deposits by banks and customers' accounts are under Level 2 valuation techniques. The fair value of a deposit repayable on demand is approximated by its carrying value.

6.1 Financial instruments not measured at fair value.

The table below sets out fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Carrying amount	Level 1	Level 2	Level 3	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
At 31 March 2023					
Financial assets					
Loans and advances to banks and customers	**12,991,064**	-	**12,991,064**	-	**12,991,064**
Placements with banks	**1,256,715**	-	**1,256,715**	-	**1,256,715**
Investment securities	**1,758,069**	-	**1,758,069**	-	**1,758,069**
		-		-	-
Financial liabilities					
Deposits from customers	**13,930,298**	-	**13,930,298**	-	**13,930,298**
Other borrowed funds	**3,133,186**	-	**3,133,186**	-	**3,133,186**
At 31 March 2022					
Financial assets					
Loans and advances to banks and customers	10,655,624	-	10,655,624	-	10,655,624
Placements with banks	1,408,630	-	1,408,630	-	1,408,630
Investment securities	4,184,128	-	4,184,128	-	4,184,128
Financial liabilities					
Deposits from customers	15,631,334	-	15,631,334	-	15,631,334
Other borrowed funds	712,623	-	712,623	-	712,623
At 31 March 2021					
Financial assets					
Loans and advances to banks and customers	6,286,429	-	6,286,429	-	6,286,429
Placements with banks	13,060,445	-	13,060,445	-	13,060,445
Investment securities	2,900,325	-	2,900,325	-	2,900,325
Financial liabilities					
Deposits from customers	12,542,341	-	12,542,341	-	12,542,341
Other borrowed funds	9,774,395	-	9,774,395	-	9,774,395

The following is a list of financial instruments whose carrying amount is a reasonable approximation of the fair value because, for example, they are short term in nature or reprice to current market rates frequently:

- Cash and cash equivalents
- Other liabilities
- Other assets
- Lease liabilities

7. 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.

As of 31 March 2023, 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 2023, 2022 and 2021.

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

8. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Financial assets at amortised cost			
Cash and cash equivalents	**2,427,416**	1,190,005	1,565,862
Placements with banks	**1,256,715**	1,408,630	13,060,445
Loans and advances to banks and customers	**12,991,064**	10,655,624	6,286,429
Investment securities	**1,758,069**	4,184,128	2,900,325
Other assets, excluding prepayments	**687,585**	742,027	626,755
Total	**19,120,849**	18,180,414	24,439,816
Financial liabilities at amortised cost			
Deposits from banks and customers	**13,930,298**	15,631,334	12,542,341
Other borrowed funds	**3,133,186**	712,623	9,774,395
Lease liabilities	**23,750**	27,779	30,253
Other liabilities	**95,260**	58,423	50,614
Total	**17,182,494**	16,430,159	22,397,603

9. CASH AND CASH EQUIVALENTS

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Current			
Cash in hand (including foreign currency notes and coins)	**38,300**	29,614	44,748
Unrestricted balances with Central Bank*	**234,914**	323,925	676,293
Placements and investment securities**	**2,139,894**	822,095	804,907
Balances with banks	**14,308**	14,371	39,914
	2,427,416	1,190,005	1,565,862

9. CASH AND CASH EQUIVALENTS (CONT'D)

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Segment A			
Cash in hand (including foreign currency notes and coins)	**38,300**	29,614	44,748
Unrestricted balances with Central Bank*	**234,914**	323,925	676,293
Placements and investment securities**	**1,698,538**	699,140	150,856
	1,971,752	1,052,679	871,897
Segment B			
Placements and investment securities**	**441,356**	122,955	654,051
Balances with banks	**14,308**	14,371	39,914
	455,664	137,326	693,965

* 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 provisions for credit impairment losses were immaterial for both the current and prior years.

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

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Cash and cash equivalents	**2,427,416**	1,190,005	1,565,862
Other borrowed funds (note 19)	**(3,133,186)**	(712,623)	(446,830)
Net cash and cash equivalents	**(705,770)**	477,382	1,119,032

10. PLACEMENTS WITH BANKS

Segment B	2023	2022	2021
	Rs'000	Rs'000	Rs'000
(i) Placements with banks			
- Outside Mauritius	**1,256,715**	1,408,630	13,060,445
(ii) Remaining term to maturity			
Current			
Up to 3 months	**1,256,715**	1,408,630	3,920,980
Non-Current			
Over 1 year and up to 5 years	**-**	-	9,139,465
	1,256,715	1,408,630	13,060,445

While placements with banks are also subject to the impairment requirements of IFRS 9, the identified provisions for credit impairment losses were immaterial for both the current and prior years.

11. LOANS AND ADVANCES TO BANKS AND CUSTOMERS

		2023	2022	2021
		Rs'000	Rs'000	Rs'000
(i)	Banks	**5,561,371**	5,986,525	2,330,279
	Entities outside Mauritius	**4,049,578**	2,818,503	2,138,912
	Corporate customers	**1,826,149**	1,409,218	1,249,237
	Retail customers	**2,073,940**	1,183,583	920,341
	Mortgages (loans backed by property, excluding home loans)	**120,084**	356,259	449,509
		48,222	-	13,333
		13,679,344	11,754,088	7,101,611
	Less allowance for credit impairment losses	**(688,280)**	(1,098,464)	(815,182)
		12,991,064	10,655,624	6,286,429
	Segment A			
	Retail customers	**1,934,062**	1,183,583	920,341
	Mortgages (loans backed by property, excluding home loans)	**145,546**	356,259	449,509
	Corporate customers	**1,745,161**	1,409,218	1,249,237
	Governments - Public non financial corporations	**48,222**	-	13,333
	Less: allowance for credit impairment losses (Note (iii))	**(138,166)**	(59,658)	(267,960)
		3,734,825	2,889,402	2,364,460
	Segment B			
	Entities outside Mauritius	**6,622,698**	2,818,503	2,138,912
	Banks	**3,183,655**	5,986,525	2,330,279
	Less: allowance for credit impairment losses (Note (iii))	**(550,114)**	(1,038,806)	(547,222)
		9,256,239	7,766,222	3,921,969
	Total	**12,991,064**	10,655,624	6,286,429
(ii)	Remaining term to maturity			
	Current			
	Up to 3 months	**6,383,757**	4,216,343	3,788,901
	Over 3 months and up to 6 months	**874,657**	1,375,489	493,606
	Over 6 months and up to 12 months	**39,747**	1,469,483	225,809
	Non-Current			
	Over 1 year and up to 5 years	**3,372,816**	1,574,988	1,343,771
	Over 5 years	**2,320,087**	2,019,321	434,342
		12,991,064	10,655,624	6,286,429
	Segment A			
	Current			
	Up to 3 months	**1,533,516**	939,433	1,312,667
	Over 3 months and up to 6 months	**25,883**	40,563	218,686
	Over 6 months and up to 12 months	**18,145**	22,857	4,370
	Non-Current			
	Over 1 year and up to 5 years	**408,192**	384,535	394,395
	Over 5 years	**1,749,089**	1,502,014	434,342
		3,734,825	2,889,402	2,364,460

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

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
(ii) Remaining term to maturity (cont'd)			
Segment B			
Current			
Up to 3 months	**4,850,241**	3,276,910	2,476,234
Over 3 months and up to 6 months	**848,774**	1,334,926	274,920
Over 6 months and up to 12 months	**21,602**	1,446,626	221,439
Non-Current			
Over 1 year and up to 5 years	**2,964,624**	1,190,453	949,376
Over 5 years	**570,998**	517,307	-
	9,256,239	7,766,222	3,921,969
Total	**12,991,064**	10,655,624	6,286,429
Credit concentration of risk by industry sectors			
Name of sector			
Agriculture and fishing	**394,731**	352,087	368,619
Manufacturing	**725,789**	568,781	620,579
Tourism	**7,030**	9,476	8,041
Transport	**439,988**	400,970	249,727
Construction	**1,288,134**	950,726	511,574
Financial & business services	**6,743,906**	6,394,616	2,654,507
Traders	**2,225,827**	942,882	1,040,207
Personal	**846,301**	842,189	586,075
Professional	**41,538**	30,460	1,445
Education	**2,298**	1,699	993
Parastatal Bodies	**47,880**	-	-
Media, entertainment and recreational activities	**13,158**	13,675	286
Others	**214,484**	148,063	244,376
Total	**12,991,064**	10,655,624	6,286,429
Segment A			
Name of sector			
Agriculture and fishing	**394,731**	352,087	368,619
Manufacturing	**86,610**	90,401	69,582
Tourism	**7,030**	9,476	8,041
Transport	**365,401**	285,199	249,727
Construction	**1,288,134**	950,726	511,574
Financial & business services	**360,662**	257,629	269,906
Traders	**560,863**	402,469	385,299
Personal	**352,036**	347,517	254,612
Professional	**41,538**	30,460	1,445
Education	**2,298**	1,699	993
Parastatal Bodies	**47,880**	-	-
Media, entertainment and recreational activities	**13,158**	13,675	286
Others	**214,484**	148,063	244,376
	3,734,825	2,889,401	2,364,460
Segment B			
Name of sector			
Manufacturing	**639,179**	478,380	550,997
Transport	**74,587**	115,771	-
Financial & business services	**6,383,244**	6,136,987	2,384,601
Traders	**1,664,964**	540,413	654,908
Personal	**494,265**	494,672	331,463
	9,256,239	7,766,223	3,921,969
Total	**12,991,064**	10,655,624	6,286,429

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

(iii) Allowances for credit impairment losses

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, 2023						
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	**3,731,411**	**8,947,290**	-	-	-	-	**12,678,701**
Past due but not impaired	-	-	**103,784**	-	-	-	**103,784**
Non-performing							
Individually impaired	-	-	-	-	**37,796**	**859,063**	**896,859**
Total	**3,731,411**	**8,947,290**	**103,784**	-	**37,796**	**859,063**	**13,679,344**

	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

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

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

Internal rating grade	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
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

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

	March 31, 2023						
	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, 2022	**2,643,429**	**7,423,318**	**260,414**	**13,783**	**45,216**	**1,367,928**	**11,754,088**
Additions during the year	**1,798,273**	**7,512,997**	**9,395**	**-**	**-**	**-**	**9,320,665**
Write offs	**-**	**-**	**-**	**-**	**-**	**(501,686)**	**(501,686)**
Other movements	**(710,291)**	**(5,989,025)**	**(200,135)**	**20,327**	**(7,420)**	**(7,179)**	**(6,893,723)**
At March 31, 2023	**3,731,411**	**8,947,290**	**69,674**	**34,110**	**37,796**	**859,063**	**13,679,344**

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

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

	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

	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
Assets derecognised or repaid (excluding write offs)	(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

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

	March 31, 2023						
	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, 2022	**21,835**	**58,718**	**14,896**	**12,689**	**22,808**	**967,518**	**1,098,464**
Additions during the year	**42,762**	**57,952**	**2,076**	-	-	-	**102,790**
Amount written off out of provisions	-	-	-	-	-	**(283,566)**	**(283,566)**
Other movements	**43,072**	**(23,431)**	**(487)**	**(12,689)**	**(8,796)**	**(227,077)**	**(229,408)**
At March 31, 2023	**107,669**	**93,239**	**16,485**	-	**14,012**	**456,875**	**688,280**

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

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

	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	993,430	1,042,123
Other movements	(38,782)	(26,609)	(5,120)	(1,097)	(169,954)	(517,279)	(758,841)
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

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

(iv) Allowances for credit impairment losses by industry sectors

	March 31, 2023					March 31, 2022	March 31, 2021
	Gross amount of loans	**Impaired loans included in gross amount**	**Stage 3 allowance for credit impairment losses**	**Stage 1 & 2 allowance for credit impairment losses**	**Total allowance for credit impairment losses**	Total allowance for credit impairment losses	Total allowance for credit impairment losses
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	Rs'000	Rs'000
Segment A							
Agriculture and fishing	**397,725**	**-**	**-**	**2,994**	**2,994**	5,789	180,338
Manufacturing	**89,339**	**5,766**	**2,122**	**607**	**2,729**	6,632	14,108
Tourism	**7,435**	**987**	**362**	**44**	**406**	193	697
Transport	**383,581**	**6,045**	**2,284**	**15,896**	**18,180**	5,603	19,561
Construction	**1,359,546**	**10,448**	**3,877**	**67,535**	**71,412**	21,457	12,585
Financial & business services	**363,391**	**-**	**-**	**2,729**	**2,729**	2,602	4,612
Traders	**565,396**	**1,324**	**491**	**4,042**	**4,533**	4,065	19,611
Personal	**374,089**	**4,669**	**1,729**	**20,325**	**22,054**	8,741	4,624
Professional	**41,831**	**-**	**-**	**293**	**293**	308	11
Education	**2,316**	**-**	**-**	**17**	**17**	17	10
Media, entertainment and recreational activities	**13,256**	**-**	**-**	**98**	**98**	138	-
Parastatal Bodies	**48,222**	**-**	**-**	**342**	**342**	-	-
Others	**226,864**	**8,557**	**3,147**	**9,232**	**12,379**	4,113	11,802
	3,872,991	**37,796**	**14,012**	**124,154**	**138,166**	59,658	267,959
Segment B							
Manufacturing	**644,207**	**-**	**-**	**5,028**	**5,028**	42,384	35,480
Transport	**75,216**	**-**	**-**	**629**	**629**	645	-
Financial & business services	**6,622,698**	**443,570**	**193,805**	**45,649**	**239,454**	291,895	263,585
Traders	**1,941,306**	**415,493**	**263,070**	**13,272**	**276,342**	701,410	244,810
Personal	**522,926**	**-**	**-**	**28,661**	**28,661**	2,574	3,348
	9,806,353	**859,063**	**456,875**	**93,239**	**550,114**	1,038,908	547,223
Total	**13,679,344**	**896,859**	**470,887**	**217,393**	**688,280**	1,098,566	815,182

12. INVESTMENT SECURITIES

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Investment in debt securities measured at amortised cost	**1,758,069**	4,184,128	2,900,325
Details of investments at amortised cost:			
Government of Mauritius and Bank of Mauritius bonds	**1,481,763**	2,068,726	1,254,352
Treasury bills	**284,952**	2,118,223	1,645,973
Overseas government bonds	**5,160**	5,064	4,588
	1,771,875	4,192,013	2,904,913
Less allowance for credit impairment losses			
Stage 1	**(8,646)**	(2,821)	-
Stage 3	**(5,160)**	(5,064)	(4,588)
	1,758,069	4,184,128	2,900,325

Remaining term to maturity	2023						2022	2021
	Within 3 months	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**	Total	Total
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	Rs'000	Rs'000
Segment A								
Government of Mauritius and Bank of Mauritius bonds	**-**	**93,102**	**78,708**	**1,309,953**	**-**	**1,481,763**	2,068,726	1,254,352
Treasury bills	**284,952**	**-**	**-**	**-**	**-**	**284,952**	2,118,223	1,645,973
Less allowance for credit impairment losses	**(5,123)**	**-**	**(200)**	**(3,323)**	**-**	**(8,646)**	(2,821)	-
	279,829	**93,102**	**78,508**	**1,306,630**	**-**	**1,758,069**	4,184,128	2,900,325
Segment B								
Overseas government bonds	**-**	**-**	**-**	**-**	**5,160**	**5,160**	5,064	4,588
Less allowance for credit impairment losses	**-**	**-**	**-**	**-**	**(5,160)**	**(5,160)**	(5,064)	(4,588)
	-	**-**	**-**	**-**	**-**	**-**	-	-
	279,829	**93,102**	**78,508**	**1,306,630**	**-**	**1,758,069**	4,184,128	2,900,325

Other than the overseas government bonds which have been classified under stage 3 and fully provided for, the investments in government bonds and bills are under stage 1. There have been no transfers between stages during the current and prior years.

13. INVESTMENT PROPERTY

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
At fair value			
At April 1,	**18,500**	18,500	32,000
Transfer to property and equipment (note 14)	**(6,198)**	-	(15,976)
Gains from fair value adjustment	**-**	-	2,476
At March 31,	**12,302**	18,500	18,500

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 qualified valuer 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 of the Bank's investment property is made every three years. Based on management's assessment, the fair value of the investment properties at March 31, 2023 does not differ from the carrying amount.

Details of the Bank's investment property basis for valuation and information about the fair value hierarchy at the reporting period are as follows:

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, 2023, the Bank received rental income amounting **Rs 1,902,000** (2022: Rs 2,046,643 and 2021: Rs 2,390,144), which has been recognised under "Other income" in profit or loss.

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14. PROPERTY AND EQUIPMENT

	Freehold land and buildings	Computer equipment	Furniture, fittings and equipment	Motor vehicles	Work in Progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000		Rs'000
Cost or valuation						
At April 1, 2020	118,845	44,865	74,520	4,126	-	242,356
Additions during the year	-	1,478	1,487	-	-	2,965
Revaluation decrease	(5,021)	-	-	-	-	(5,021)
Transfer from investment property (note 13)	15,976	-	-	-	-	15,976
At March 31, 2021	129,800	46,343	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	46,949	76,151	4,126	26,020	283,046
Additions during the year	-	332	964	2,867	8,316	12,479
progress	-	-	8,677	-	(8,677)	-
Transfer from investment property (Note 13)	6,198	-	-	-	-	6,198
Write off during the year	-	-	(154)	-	-	(154)
At March 31, 2022	135,998	47,281	85,638	6,993	25,659	301,569
Accumulated depreciation						
At April 1, 2020	18,226	42,107	61,850	3,331	-	125,514
Charge for the year	3,027	1,669	3,474	75	-	8,245
Eliminated on revaluation	(21,253)	-	-	-	-	(21,253)
At March 31, 2021	-	43,776	65,324	3,406	-	112,506
Charge for the year	5,124	1,901	3,049	38	-	10,112
Assets written off	-	(2,105)	(1,142)	-	-	(3,247)
At March 31, 2022	5,124	43,572	67,231	3,444	-	119,371
Charge for the year	4,365	1,758	1,807	994	-	8,924
Assets written off	-	-	(144)	-	-	(144)
At March 31, 2022	9,489	45,330	68,894	4,438	-	128,151
Carrying amount						
At March 31, 2021	129,800	2,567	10,683	720	-	143,770
At March 31, 2022	124,676	3,377	8,920	682	26,020	163,675
At March 31, 2023	126,509	1,951	16,744	2,555	25,659	173,418

Management is of the opinion that there are no indications of impairment of property and equipment at March 31, 2023, March 31, 2022 and March 31, 2021.

Freehold land and buildings

The land and buildings were revalued at March 31, 2021, by S. M. Ikhlaas Belath, an independent qualified 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 will not differ from the carrying value at the end of March 31, 2023.

14. PROPERTY AND EQUIPMENT (CONT'D)

Details of the Bank's land and building basis for valuation and information about the fair value hierarchy at the reporting period are as follows:

Details	Basis of valuation	Level 1	Level 2	Level 3	Fair value at March 31, 2023
		Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
Land	Sales comparison approach	-	45,000	-	45,000
Buildings	Depreciated replacement cost approach	-	-	90,998	90,998
		-	45,000	90,998	135,998

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 approach which is level 3 in the fair value hierarchy

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:

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Cost	**52,134**	52,134	52,134
Accumulated depreciation	**(38,976)**	(38,360)	(37,744)
Net book value	**13,158**	13,774	14,390

15A. RIGHT-OF-USE ASSETS

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Cost			
At April 1,	**39,466**	37,345	35,828
Addition during the year	**3,871**	2,121	2,811
Termination	**(5,076)**	-	(1,294)
At March 31,	**38,261**	39,466	37,345
Accumulated depreciation			
At April 1,	**14,748**	9,822	5,210
Charge for the year	**4,285**	4,926	5,162
Termination	**(2,428)**	-	(550)
At March 31,	**16,605**	14,748	9,822
Carrying amount			
At March 31,	**21,656**	24,718	27,523

15A. 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 (2022: 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 rights-of-use assets and is of the opinion that no impairment is required as at March 31, 2023, March 31, 2022 and March 31, 2021.

During the year ended March 31, 2023, the Bank has incurred **Rs 155,822** (2022: Rs 134,000 and 2021: Rs Nil) for a short term lease which relates to rental for the residence for an expatriate staff.

15B. LEASE LIABILITIES

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
At March 31,	**23,750**	27,779	30,253
Analysed as:			
Current	**4,471**	4,471	4,413
Non-current	**19,279**	23,308	25,840
	23,750	27,779	30,253
Maturity analysis of operating lease payments:			
Year 1	**4,820**	6,800	6,615
Year 2	**3,715**	5,724	5,579
Year 3	**3,050**	5,226	4,897
Year 4	**3,166**	3,715	3,607
Year 5	**3,145**	3,050	3,050
Year 6 onwards	**12,968**	19,279	19,089
	30,864	43,794	42,837

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.

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Amounts recognised in profit or loss			
Depreciation expense of right-of-use assets (Note 15A)	**(4,285)**	(4,926)	(5,162)
Interest expense on lease liabilities (Note 26)	**2,206**	2,350	2,505

The total cash outflows for leases amounted to **Rs 7.7m** for the year ended March 31, 2023 (2022: Rs 6.9m ,2021: Rs 6.5m)

16. DEFERRED TAX ASSETS/(LIABILITIES)

(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:

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Segment A			
Deferred tax assets (see (c) below)	**68,959**	54,226	28,371
Deferred tax liabilities (see (d) below)	**(13,122)**	(13,034)	(11,857)
	55,837	41,192	16,514

Deferred tax is calculated on all temporary differences under the liability method at 7% (2022 and 2021: 7%)

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

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
At April 1,	**41,192**	16,514	7,554
Amount (charged)/credited to profit or loss	**(1,811)**	24,251	9,510
Amount credited/(charged) to other comprehensive income	**45**	427	(550)
At March 31,	**39,426**	41,192	16,514

(c) **Deferred tax assets**

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Provision for credit impairment losses			
At April 1,	**50,592**	24,879	15,605
Amount (charged)/credited to profit or loss	**(1,400)**	25,713	9,274
At March 31,	**49,192**	50,592	24,879
Retirement benefit obligations			
At April 1,	**1,650**	1,335	1,165
Amount (charged)/credited to profit or loss	**(2)**	(112)	170
Amount credited to other comprehensive income	**45**	427	-
At March 31,	**1,693**	1,650	1,335
Lease liabilities			
At April 1,	**1,984**	2,157	2,490
Amount charged to profit or loss	**(321)**	(173)	(333)
At March 31,	**1,663**	1,984	2,157
Others			
At March 31,	**16,411**	-	-
Total	**68,959**	54,226	28,371

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

(d) Deferred tax liabilities

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Asset revaluations			
At April 1,	**(5,526)**	(5,526)	(4,670)
Amount (charged)/ credited to other comprehensive income	**-**	-	(856)
At March 31,	**(5,526)**	(5,526)	(5,526)
Accelerated tax depreciation			
At April 1,	**(5,778)**	(4,212)	(4,554)
Amount (charged)/credited to profit or loss	**(302)**	(1,566)	342
At March 31,	**(6,080)**	(5,778)	(4,212)
Right-of-use assets			
At April 1,	**(1,730)**	(2,119)	(2,482)
Amount credited to profit or loss	**214**	389	363
At March 31,	**(1,516)**	(1,730)	(2,119)
Total	**(13,122)**	(13,034)	(11,857)

17. OTHER ASSETS

	2023	2022	2021
Current	**Rs'000**	Rs'000	Rs'000
Segment A			
Balances due in clearing	**16,491**	36,797	3,976
Mandatory balances with central bank	**669,301**	704,564	603,778
Others	**3,537**	666	19,001
	689,329	742,027	626,755

(a) The balances due in clearing includes transitory accounts which are subsequently cleared.

(b) The mandatory balance with the Bank of Maurtius refers to the minimum reserve requirement set out by the Bank of Mauritius. This balance is non-interest bearing and cannot be used for daily cash and treasury management of the Bank.

(c) Others include internal suspense accounts which are usually cleared within 12 months.

18. DEPOSITS FROM BANKS AND CUSTOMERS

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
(a) Deposits from banks			
Demand deposits	**27,729**	15,399	18,870
Savings accounts	**441**	5,334	4,469
Money market deposits with remaining term to maturity:			
Up to 3 months	**-**	551,090	-
6 months to 12 months	**5,011**	-	-
1 year to 5 years	**240**	-	50,000
	33,421	571,823	73,339

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

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
(b) Deposits from customers			
(i) Retail customers			
Current accounts	**59,197**	53,187	45,485
Savings accounts	**3,719,107**	3,793,178	3,444,173
Time deposits with remaining term to maturity:			
Up to 3 months	**2,154,483**	213,875	217,429
3 months to 6 months	**243,526**	269,490	226,737
6 months to 12 months	**786,517**	2,535,766	2,332,145
1 year to 5 years	**372,625**	451,560	479,311
	3,557,151	3,470,691	3,255,622
	7,335,455	7,317,056	6,745,280
(ii) Corporate customers			
Current accounts	**646,583**	781,501	756,037
Savings accounts	**2,752,998**	2,384,510	2,495,155
Time deposits with remaining term to maturity:			
Up to 3 months	**1,909,309**	3,477,163	1,703,474
3 months to 6 months	**439,433**	36,932	153,479
6 months to 12 months	**693,821**	1,003,744	241,287
1 year to 5 years	**43,514**	44,640	342,113
	3,086,077	4,562,479	2,440,353
	6,485,658	7,728,490	5,691,545
(iii) Government			
Savings accounts	**1,211**	305	158
(c) Accrued interest payable	**74,553**	13,660	32,019
Total	**13,930,298**	15,631,334	12,542,341
Current	**13,513,919**	14,584,044	11,670,917
Non-Current	**416,379**	1,047,290	871,424
	13,930,298	15,631,334	12,542,341
(d) Deposits from banks			
Segment A			
Demand deposits	**27,729**	15,399	18,870
Savings accounts	**430**	5,334	-
Money market deposits with remaining term to maturity:			
1 year to 5 years	**240**	-	50,000
	28,399	20,733	68,870
Segment B			
Savings accounts	**11**	-	4,469
Money market deposits with remaining term to maturity:			
Up to 3 months	**-**	551,090	-
6 months to 12 months	**5,011**	-	-
	5,022	551,090	4,469
Total	**33,421**	571,823	73,339

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

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
(e) Deposits from customers			
(i) Retail customers			
Segment A			
Current accounts	**59,197**	53,187	45,485
Savings accounts	**3,376,356**	3,393,811	3,162,546
Time deposits with remaining term to maturity			
Up to 3 months	**162,477**	199,218	180,935
3 months to 6 months	**217,477**	226,316	218,130
6 months to 12 months	**327,935**	311,454	309,172
1 year to 5 years	**372,124**	451,560	479,311
	1,080,013	1,188,548	1,187,548
	4,515,566	4,635,546	4,395,579
Segment B			
Savings accounts	**342,751**	399,367	281,627
Time deposits with remaining term to maturity			
Up to 3 months	**1,992,006**	14,657	36,494
Over 3 months and up to 6 months	**26,049**	43,174	8,607
Over 6 months and up to 12 months	**458,582**	2,224,312	2,022,973
Over 1 year and up to 5 years	**501**	-	-
	2,477,138	2,282,143	2,068,074
	2,819,889	2,681,510	2,349,701
	7,335,455	7,317,056	6,745,280
(ii) Corporate customers			
Segment A			
Current accounts	**646,529**	781,501	756,037
Savings accounts	**250,289**	232,327	1,485,097
Time deposits with remaining term to maturity			
Up to 3 months	**78,527**	93,057	89,925
3 months to 6 months	**100,014**	36,798	132,600
6 months to 12 months	**196,368**	461,220	155,317
1 year to 5 years	**43,514**	44,640	342,113
	418,423	635,715	719,955
	1,315,241	1,649,543	2,961,089
Segment B			
Current accounts	**54**	-	-
Savings accounts	**2,502,709**	2,152,183	1,010,058
Time deposits with remaining term to maturity			
Up to 3 months	**1,830,782**	3,384,106	1,613,549
3 months to 6 months	**339,419**	134	20,879
6 months to 12 months	**497,453**	542,524	85,970
	2,667,654	3,926,764	1,720,398
	5,170,417	6,078,947	2,730,456
	6,485,658	7,728,490	5,691,545

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

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
(e) **Deposits from customers (cont'd)**			
(iii) **Government**			
Segment A			
Savings accounts	**1046**	305	158
Segment B			
Savings accounts	**165**	-	-
	1,211	-	-
Deposit			
Segment A	**5,860,252**	6,306,127	7,425,696
Segment B	**7,995,493**	9,311,547	5,084,626
Accrued interest payable			
Segment A	**37,259**	8,931	19,867
Segment B	**37,294**	4,729	12,152
Total	**13,930,298**	15,631,334	12,542,341

19. OTHER BORROWED FUNDS

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Current			
Segment B	**3,133,186**	712,623	9,774,395
	3,133,186	712,623	9,774,395
Includes borrowings with original maturity of less than 3 months as shown in note 9	**3,133,186**	**712,623**	446,830

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Remaining term to maturity			
Current			
Up to 3 months	**3,133,186**	712,623	446,830
3 months to 6 months	-	-	138,590
6 months to 12 months	-	-	83,154
Non-Current			
1 year to 5 years	-	-	9,105,821
	3,133,186	712,623	9,774,395

The other borrowed funds carry an interest rate ranging from 3.10% to 4.93% and are unsecured.

20. TAXATION

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
(a) Tax liability			
At April 1,	**216**	11,311	12,607
Tax charge for the year	**-**	-	10,316
Underprovision/(overprovision) in previous years	**5,764**	(1,629)	-
Bank levy	**10,252**	9,023	7,906
Tax paid	**(13,073)**	(19,671)	(21,562)
Corporate social responsibility tax	**935**	1,182	1,564
Exchange (losses)/gains	**(1)**	-	480
At March 31,	**4,093**	216	11,311

(b) Income tax expense/(credit)

	2023	2022	2021
Current tax	**-**	-	10,316
Bank levy	**10,252**	9,023	7,906
Deferred tax (note 16)	**(14,600)**	(24,251)	(9,510)
Underprovision/(overprovision) in previous years	**5,764**	(1,629)	-
Exchange gains	**(444)**	-	-
Corporate social responsibility tax	**935**	1,182	1,564
	1,907	(15,675)	10,276
Tax charge/(credit)			
Segment A	**1,907**	(15,675)	7,779
Segment B	**-**	-	2,497
	1,907	(15,675)	10,276
Current tax liabilities			
Segment A	**4,093**	216	10,777
Segment B	**-**	-	534
	4,093	216	11,311

(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:

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Profit/(loss) before tax	**202,976**	(253,591)	99,752
Tax calculated at 5%	**10,149**	(12,680)	4,988
Expenses not deductible for tax purposes	**6,154**	19,410	130
Income not subject to tax	**(16,764)**	-	(31)
Special levy	**10,252**	9,023	7,906
Underprovision/(overprovision) in previous years	**5,764**	(1,629)	-
Corporate Social Responsibility tax	**935**	1,182	-
Deferred tax not recognised	**461**	2,323	
Other movements	**(15,044)**	(33,304)	(2,717)
Tax charge/(credit)	**1,907**	(15,675)	10,276

21. OTHER LIABILITIES

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Current			
Bills payable	**43,009**	33,819	36,678
Others	**38,224**	24,035	13,936
Provisions for impairment allowances on off-balance sheet items under stage 1	**655**	569	-
Non-Current			
Others	**13,372**	-	-
	95,260	58,423	50,614
Analysed as follows:			
Segment A			
Bills payable	**43,009**	33,819	36,678
Others	**38,224**	24,035	13,210
Provisions for impairment allowances on off-balance sheet items under stage 1	**655**	569	-
	81,888	58,423	49,888
Segment B			
Others	**13,372**	-	726
	13,372	-	726
Total	**95,260**	58,423	50,614

Others include accruals, provisions and payables to VISA and other transitory accounts which are usually cleared within 12 months.

All off balance sheet items have been classified under stage 1 of the ECL model and their ECL allowances computed accordingly. There were no transfers between the stages during the current and prior years.

22. RETIREMENT BENEFIT OBLIGATIONS

The liability relates to retirement gratuity payable under the Workers' Right Act 2019 ("WRA"). The 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 2023 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.

The amounts of **Rs 1,899,000,** (2022: Rs 8,000) corresponds to the contribution which have been made into the Portable Retirement Gratuity Fund ("PRGF") for the Bank's active employees since they are not members of any pension scheme.

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

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Present value of unfunded obligations	**26,091**	23,573	19,068
Fair value of plan assets	**(1,899)**	(8)	-
Net liability arising from defined benefit obligations	**24,192**	23,565	19,068

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

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Current service cost	**1,453**	1,255	(1,664)
Net interest expense	**954**	444	-
Past service cost	**3,958**	-	-
Amount recgonised in personnel expenses (Note 30)	**6,365**	1,699	(1,664)

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(ii) The amounts recognised in other comprehensive income are as follows:

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Actuarial losses arising from changes in financial assumptions	**646**	6,093	4,367

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

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
At April 1,	**23,573**	19,068	16,642
Current service cost	**1,453**	1,255	(1,664)
Net interest expense	**954**	444	-
Past service cost*	**3,958**	-	-
Actuarial losses arising from changes in financial assumptions	**646**	6,093	4,367
Benefit paid	**(4,493)**	(3,287)	(277)
At March 31,	**26,091**	23,573	19,068

* A past service cost of **Rs 3.96m** was recognised to reflect the change in the retirement gratuity factor from 15/26 to 15/22 for employees who work 5 days per week as per the amendments in the Workers' Rights Act 2019, presented in the Finance Act 2022.

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

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
At April 1,	**8**	-	-
Contributions to plan assets	**2,035**	9	-
Benefits paid	**(144)**	(1)	-
At March 31,	**1,899**	8	-

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

	2023	2022	2021
Discount rate	**5.95%**	4.42%	2.50%
Salary rate	**5.50%**	5.00%	0.50%

(vi) Sensitivity analysis

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

In presenting the following 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.

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(vi) Sensitivity analysis (cont'd)

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

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Increase in discount rate by 1%	**22,515**	20,434	9,727
Decrease in discount rate by 1%	**30,486**	27,451	11,869
Increase in salary rate by 1%	**30,468**	27,398	11,923
Decrease in salary rate by 1%	**22,466**	20,416	10,436

(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 16 years (2022: 15 years)

23. EQUITY

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
(a) **Assigned capital**			
At April 1, and March 31,	**400,571**	400,571	400,571

The Bank is in compliance with the minimum capital requirements set out under Section 20 (1) of the Banking Act 2004, which is of Rs 400m.

(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 assigned 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 March 31, 2023 and 2022, the statutory reserve is equal to the assigned capital of the Bank, and hence no more transfers were effected.

(ii) Revaluation reserve

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

(iii) General banking reserve

The reserve includes the difference between the provisions for impairment allowances as required by the Reserve Bank of India and/or the Bank of Mauritius (whichever is the higher) and the impairment provisions computed under IFRS 9 *Financial Instruments* requirements. Refer to Note 5 (b) (v) under credit risk for more details.

24. CONTINGENT LIABILITIES

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Guarantees on account of customers			
Segment A	**224,828**	254,260	244,914
Segment B	**1,171,356**	114,260	54,749
	1,396,184	368,520	299,663
Letters of credit on account of customers			
Segment B	**37,981**	155,207	83,998
Inward bills for collection			
Segment B	**280**	92,811	82,671
	1,434,445	616,538	466,332

25. INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Financial assets at amortised cost			
Placements with banks	**35,829**	24,808	142,691
Loans and advances to banks and customers	**455,534**	197,594	221,781
Investment securities	**77,417**	72,139	73,714
	568,780	294,541	438,186
Segment A			
Loans to and placements with banks	**2,460**	-	-
Loans and advances to customers	**184,245**	117,981	107,637
Investment securities	**77,268**	72,079	73,668
	263,973	190,060	181,305
Segment B			
Loans to and placements with banks	**33,369**	24,808	142,691
Loans and advances to customers	**271,289**	79,613	114,144
Investment securities	**149**	60	46
	304,807	104,481	256,881
Total	**568,780**	294,541	438,186

26. INTEREST EXPENSE

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Financial liabilities at amortised cost			
Other borrowed funds	**60,214**	15,539	97,035
Deposits from banks and customers	**156,442**	51,635	92,470
Interest expense on lease liabilities (Note 15B)	**2,206**	2,350	2,505
	218,862	69,524	192,010

26. INTEREST EXPENSE (CONT'D)

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Segment A			
Deposits from banks	**27**	10	41
Deposits from customers	**76,998**	31,091	45,050
Interest expense on lease liabilities	**2,206**	2,350	2,505
	79,231	33,451	47,596
Segment B			
Deposits from banks	**60,187**	15,529	96,994
Deposits from customers	**79,444**	20,544	47,420
	139,631	36,073	144,414
Total	**218,862**	69,524	192,010

27. NET FEES AND COMMISSION INCOME

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Retail and private banking fees	**1,006**	821	921
Corporate banking fees	**12,637**	6,413	4,896
Guarantee fees	**1,899**	2,200	1,892
Interbank transaction fees	**470**	440	1,378
Cards and other related fees	**5,818**	3,320	2,949
Trade finance fees	**26,600**	285	749
Others	**21,061**	14,187	12,061
	69,491	27,666	24,846
Segment A			
Retail and private banking fees	**1,006**	821	921
Corporate banking fees	**9,458**	6,413	4,896
Guarantee fees	**1,703**	1,957	1,374
Interbank transaction fees	**470**	402	-
Cards and other related fees	**5,818**	3,320	2,949
Trade finance fees	**315**	96	-
Others	**9,751**	5,836	5,615
	28,521	18,845	15,755
Segment B			
Guarantee fees	**196**	243	518
Corporate banking fees	**3,179**	-	-
Trade finance fees	**26,285**	189	749
Others	**11,310**	8,389	7,824
	40,970	8,821	9,091
Total	**69,491**	27,666	24,846

28. NET TRADING INCOME

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Foreign exchange gain			
Segment A	**13,093**	-	-
Segment B	**34,976**	2,931	66,997
	48,069	2,931	66,997

29. OTHER INCOME

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Segment A			
Rental income from investment property (Note 13)	**1,902**	2,047	2,390
Fair value gain on revaluation of investment property (note 13)	**-**	-	2,476
(Loss)/gain on termination of lease	**(238)**	-	29
	1,664	2,047	4,895

30. PERSONNEL EXPENSES

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Wages and salaries	**68,235**	54,595	44,527
Other social security obligations	**2,303**	2,110	1,878
Amount recognised in respect of retirement benefit obligations (Note 22(ii))	**6,365**	1,699	(1,664)
Contributions to provident fund	**3,370**	3,230	2,791
Others	**5,398**	6,764	2,986
	85,671	68,398	50,518
Segment A			
Wages and salaries	**63,079**	51,600	40,037
Other social security obligations	**1,964**	2,059	1,703
Amount recognised in respect of retirement benefit obligations (Note 22(ii))	**6,365**	1,699	(1,664)
Contributions to provident fund	**3,108**	3,103	2,543
Others	**4,172**	6,593	1,915
	78,688	65,054	44,534
Segment B			
Wages and salaries	**5,156**	2,995	4,490
Other social security obligations	**339**	51	175
Contributions to provident fund	**262**	127	248
Others	**1,226**	171	1,071
	6,983	3,344	5,984
Total	**85,671**	68,398	50,518

31. OTHER EXPENSES

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Legal and professional fees	**3,347**	1,455	953
Rent, repairs, maintenance and security costs	**29,716**	24,912	20,372
Utilities	**11,237**	10,193	6,745
Advertising and marketing costs	**7,709**	2,732	2,689
Postage, courier and stationery costs	**5,350**	2,177	1,742
Insurance costs	**904**	3,414	3,232
Others	**11,514**	15,599	11,023
	69,777	60,482	46,756
Segment A			
Legal & professional fees	**3,201**	1,455	953
Rent, repairs, maintenance and security costs	**29,422**	24,363	19,646
Utilities	**9,277**	10,113	5,689
Advertising and marketing costs	**7,709**	2,732	2,689
Postage, courier and stationery costs	**4,805**	2,029	1,432
Insurance costs	**577**	3,414	1,862
Others	**10,876**	11,878	7,601
	65,867	55,984	39,872
Segment B			
	146	-	-
Rent, repairs, maintenance and security costs	**294**	548	726
Utilities	**1,960**	79	1,056
Postage, courier and stationery costs	**545**	149	310
Insurance costs	**327**	-	1,370
Others	**638**	3,722	3,422
	3,910	4,498	6,884
Total	**69,777**	60,482	46,756

32. COMMITMENTS

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
(a) Undrawn credit facilities			
Segment A	**1,203,002**	486,590	1,404,790
Segment B	**365,897**	61,988	357,196
	1,568,899	548,578	1,761,986

(b) Securities pledged

The Bank has pledged Government of Mauritius bonds of **Rs 250m** (2022: Rs 250m; 2021: Rs 200m) as collateral for the purpose of overnight facility from the Bank of Mauritius.

33. RELATED PARTY TRANSACTIONS

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

	2023	2022	2021
	Rs'000	Rs'000	Rs'000
Balances with fellow subsidiaries and inter-branch			
Balances and placements with banks*	**1,430,947**	1,528,155	13,647,620
Accrued interest on placements with banks	**17,100**	3,430	52,905
Loans and advances to banks	**1,407,203**	550,197	4,165
Accrued interest on loans and advances to banks	**10,048**	1,139	101
	2,865,298	2,082,921	13,704,791
Balances with fellow subsidiaries and inter-branch			
Borrowings from banks**	**3,132,784**	712,620	9,748,008
Accrued interest on borrowings from banks	**402**	3	26,387
Deposits from banks and customers	**23,739**	551,086	-
	3,156,925	1,263,709	9,774,395
Balances with key management personnel			
Loans and advances to customers	**1,377**	612	300
Deposits from banks and customers	**9,979**	1,019	1,068
	11,356	1,631	1,368
Transactions with fellow subsidiaries and inter-branch			
Interest income	**31,053**	23,671	139,619
Interest expense	**(45,743)**	(15,982)	(97,035)
Management fees paid to parent bank	**(1,585)**	(704)	(572)
Key management personnel			
Interest income	**66**	23	18
Interest expense	**51**	48	56
Salaries and short-term employee benefits	**22,845**	17,024	15,214
Post-employment benefits	**2,152**	924	589
Other benefits	**4,157**	3,475	2,726
	29,154	21,423	18,529
Director emoluments to a member of LAB	**USD 4,000**	USD 4,000	USD 4,000

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 3.50% to 4.45%. The amounts will be settled in cash on respective due dates.

** Borrowings are unsecured with tenor varying from 1 month to 5 years and rate of interest from 3.10% 4.93%. The amounts will be settled in cash on the respective due date.

The balances with related parties were classified as Stage 1 and have an immaterial loss allowance for the current and prior years.

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

34. SEGMENTAL REPORTING

Statement of financial position as at March 31,

		2023			2022			2021		
	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	9	**1,971,752**	**455,664**	**2,427,416**	1,052,679	137,326	1,190,005	871,897	693,965	1,565,862
Placements with banks	10	**-**	**1,256,715**	**1,256,715**	-	1,408,630	1,408,630	-	13,060,445	13,060,445
Loans and advances to banks and customers	11	**4,004,387**	**8,986,677**	**12,991,064**	2,889,401	7,766,223	10,655,624	2,364,460	3,921,969	6,286,429
Investment securities	12	**1,758,069**	**-**	**1,758,069**	4,184,128	-	4,184,128	2,900,325	-	2,900,325
Investment property	13	**12,302**	**-**	**12,302**	18,500	-	18,500	18,500	-	18,500
Property and equipment	14	**173,418**		**173,418**	163,675		163,675	143,607	163	143,770
Righ- of-use assets	15	**21,656**	**-**	**21,656**	24,718	-	24,718	27,523	-	27,523
Deferred tax assets	16	**55,837**	**-**	**55,837**	41,192	-	41,192	16,514	-	16,514
Other assets	17	**689,329**		**689,329**	742,027		742,027	626,755	-	626,755
Total assets		**8,686,750**	**10,699,056**	**19,385,806**	9,116,320	9,312,179	18,428,499	6,969,581	17,676,542	24,646,123
LIABILITIES										
Deposits from banks and customers	18	**5,897,511**	**8,032,787**	**13,930,298**	6,315,058	9,316,276	15,631,334	7,445,563	5,096,778	12,542,341
Other borrowed funds	19	**-**	**3,133,186**	**3,133,186**	-	712,623	712,623	-	9,774,395	9,774,395
Current tax liabilities	20	**4,093**	**-**	**4,093**	216	-	216	10,777	534	11,311
Lease liabilities	15	**23,750**	**-**	**23,750**	27,779	-	27,779	30,253	-	30,253
Other liabilities	21	**95,260**	**-**	**95,260**	58,423	-	58,423	49,888	726	50,614
Retirement benefit obligations	22	**24,192**	**-**	**24,192**	23,565	-	23,565	19,068	-	19,068
Total liabilities		**6,044,806**	**11,165,973**	**17,210,779**	6,425,041	10,028,899	16,453,940	7,555,549	14,872,433	22,427,982
SHAREHOLDERS' EQUITY										
Assigned capital	23			**400,571**			400,571			400,571
Retained earnings				**1,092,765**			879,586			1,288,131
Other reserves				**681,691**			694,402			529,439
Total equity				**2,175,027**			1,974,559			2,218,141
Total equity and liabilities				**19,385,806**			18,428,499			24,646,123

34. SEGMENTAL REPORTING (CONT'D)

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

		2023			2022			2021		
	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 calculated using the effective interest me	25	**263,973**	**304,807**	**568,780**	190,060	104,481	294,541	181,305	256,881	438,186
Interest expense	26	**(79,231)**	**(139,631)**	**(218,862)**	(33,451)	(36,073)	(69,524)	(47,596)	(144,414)	(192,010)
Net interest income		**184,742**	**165,176**	**349,918**	156,609	68,408	225,017	133,709	112,467	246,176
Net fees and commission income	27	**28,521**	**40,970**	**69,491**	18,807	8,859	27,666	14,377	10,469	24,846
Net trading income	28	**13,093**	**34,976**	**48,069**	-	2,931	2,931	-	66,997	66,997
Other income	29	**1,664**	**-**	**1,664**	2,047	-	2,047	4,895	-	4,895
		14,757	**34,976**	**49,733**	2,047	2,931	4,978	4,895	66,997	71,892
Operating income		**228,020**	**241,122**	**469,142**	177,463	80,198	257,661	152,981	189,933	342,914
Net impairment losses on financial assets	30	**15,054**	**(112,563)**	**(97,509)**	35,700	(403,034)	(367,334)	(42,758)	(89,723)	(132,481)
Net operating income		**243,074**	**128,559**	**371,633**	213,163	(322,836)	(109,673)	110,223	100,210	210,433
Personnel expenses	31	**(78,688)**	**(6,983)**	**(85,671)**	(65,054)	(3,344)	(68,398)	(44,534)	(5,984)	(50,518)
Depreciation of property and equipment		**(8,924)**		**(8,924)**	(10,112)	-	(10,112)	(8,210)	(35)	(8,245)
Depreciation of right-of-use assets		**(4,285)**	**-**	**(4,285)**	(4,926)	-	(4,926)	(5,162)	-	(5,162)
Other expenses	32	**(65,867)**	**(3,910)**	**(69,777)**	(55,984)	(4,498)	(60,482)	(39,877)	(6,879)	(46,756)
Total operating expenses		**(157,764)**	**(10,893)**	**(168,657)**	(136,076)	(7,842)	(143,918)	(97,783)	(12,898)	(110,681)
Profit/(loss) before taxation		**85,310**	**117,666**	**202,976**	77,087	(330,678)	(253,591)	13,930	85,822	99,752
Income tax (expense)/credit	20	**(1,907)**	**-**	**(1,907)**	15,675	-	15,675	(7,779)	(2,497)	(10,276)
Profit/(loss) for the year		**83,403**	**117,666**	**201,069**	92,762	(330,678)	(237,916)	6,151	83,325	89,476
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		**(646)**	**-**	**(646)**	(6,093)	-	(6,093)	(4,367)	-	(4,367)
Deferred tax on remeasurement of retirement benefit obligations and revaluation of property and equipment		**45**	**-**	**45**	427	-	427	(550)	-	(550)
Other comprehensive income		**(601)**	**-**	**(601)**	(5,666)	-	(5,666)	11,315	-	11,315
Total comprehensive income for the year		**82,802**	**117,666**	**200,468**	87,096	(330,678)	(243,582)	17,466	83,325	100,791

35. SUBSEQUENT EVENT NOTE

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

Forward-looking statements may be found in the Bank's Management Discussion and Analysis. There is a chance that the forecasts, estimates, and assumptions will not materialise. Actual outcomes might differ significantly from the assumptions and intentions. No forward-looking statements will be updated by the Bank before the conclusion of the next fiscal year. Therefore, the readers stand cautioned not to place any undue reliance on these forecasts.

1. OVERVIEW OF THE MACRO ECONOMIC ENVIRONMENT

The below analyses for the global and Indian economies have been extracted from the Annual Report of Bank of Baroda- India for the year ended March 31, 2023.

Global economy

The world economy witnessed a major shock in the first quarter of the calendar year with Russia invading Ukraine. This had an immediate response of a ban being imposed by the western powers on dealings with Russia that led to supply chain disruptions. This in turn affected the overall pace of growth across various geographies. Global economic growth moderated to 3.4% in 2022 from 6.3% in 2021 according to the IMF, due to several factors such as war, disruptions in trade, zero covid policy of China, aggressive action by central banks to quell inflation etc.

The situation was further exacerbated by cost-of-living crisis in many countries amidst high inflation, tightening financial conditions due to higher rates and prolonged impact of the Russia-Ukraine war and Covid-19 pandemic. Growth in Advanced Economies ("AEs") halved to 2.7% in 2022 from 5.4% in 2021. Within this group, growth in Euro Area moderated to 3.5% in 2022 compared with 5.4% in 2021. This was led by France and Italy. Growth in US also slowed down to 2.1% from 5.9% in 2021.

Growth in Emerging and Developing Economies ("EMDEs") held up better, expanding by 4% in 2022, after increasing by 6.9% in 2021. A severe slowdown in growth in China from 8.5% in 2021 to 3% in 2022 accounted for most of the moderation in growth in this region. China had gradually withdrawn from their strict stance on zero-covid by the end of the year and normalized economic activity, albeit in a phased manner.

On the prices front, global inflation remained elevated at 8.7% in 2022 compared with 4.7% in 2021. Higher global commodity prices due to the Russia-Ukraine war as well as strained global supply chains were responsible for the steep increase in prices. Inflation in several AEs as well as EMDEs remained well over the central banks' targets. In fact, inflation in several AEs such as UK surged to double digits during the year.

To bring inflation under control, global central banks world over raised policy rates aggressively. Amongst major AE central banks, the US Federal Reserve ("Fed") has raised policy rates by 500bps, followed by Bank of England ("BoE") and European Central Bank ("ECB") with rate hikes of 440bps and 375bps respectively, in the same period. Amongst Emerging Markets ("Ems"), central banks in Brazil and Indonesia have also raised policy rates aggressively.

The aggressive stance of the Fed also led to the dollar strengthening in the global market with the parity level with euro being breached for a short while. This did cause virtually all currencies to depreciate against the dollar.

Global trade volumes dipped in 2022 amidst a decline in global growth and demand. Volume of goods and services trade moderated to 5.1% from 10.6% in 2021. This was led by a sharp deceleration in volume of goods export to 2.6% compared with 10.7% in 2021. Volume of goods imports was also lower at 4% in 2022 compared with 11.5% in 2021.

Uncertainties have once again risen over the global growth outlook. Financial conditions have tightened considerably as global central banks embarked on an accelerated monetary policy tightening path, amidst stubbornly high inflation. This coupled with the recent stress seen in the banking system due to the failure of a few US regional banks as well as strain in Credit Suisse, a systemic important bank, impinge on the growth outlook. Concomitantly, inflation though declining has remained stubbornly high led by core, and with continued strength in the labour market can prove to be even more long lasting. This can lead to a much more aggressive stance by global central banks which will further tip the scale against a possible growth recovery.

Based on this, IMF projects global GDP growth at 2.8% in 2023 with risks heavily tilted to the downside. In fact, the report notes that the possibility of a "hard landing" have increased. Growth in AEs is expected to moderate further to just 1.3%. This will be led by a sharp slowdown in growth in Euro Area to just 0.8%.

Significantly, growth in Germany, the region's biggest economy is expected to contract by 0.1%. In UK, output growth is expected to decline by 0.3%. Growth in US is expected at 1.6%.

On the other hand, growth in EMDEs is expected at 3.9%, slowing only marginally. This will be supported by a strong rebound in growth in China, which is expected to grow by 5.2%. This will offset the loss in momentum in activity in other countries such as India, Brazil and South Africa. India's growth is projected at 5.9% for the year against RBI's forecast of 6.5%.

While inflation is expected to moderate, the pace has been much slower than anticipated. Global inflation is expected to decelerate to 7% in 2023. While global commodity prices have corrected, led by food and fuel, core inflation in several economies has continued to remain high and is yet to peak in several countries across the globe. Hence, this could necessitate more rate hikes by global central banks which will further push growth lower.

Indian economy

The Indian economy registered a strong growth of 7.2% in FY23, much higher than anticipated signal resilience in the economy. Agriculture and allied activities registered a growth of 4% compared with 3.5% in FY22. Even financial, real estate and professional services recorded a strong growth of 7.1% in FY22 against 4.7% in the previous year. Despite global headwinds at play, the Indian economy is poised to do much better than the global counterparts on the back of strong domestic fundamentals.

Industrial activity came down from a high base of 11.4% in March 2022, to 5.1% in March 2023. This was led by slowdown in manufacturing and mining activity, while electricity production continued to inch up. Manufacturing activity moderated by 4.5% in FY23 period versus 11.8% growth noted in during FY22. Mining output eased to 5.8% during FY23 from 12.2% in FY22. Electricity production growth on the other hand remained robust and rose by 8.9% in FY23 compared with 7.9% in the previous year. Separately, services sector performed very well, as was also indicated by services PMI (averaged 57.3 in FY23 versus 52.3 in FY22). GST collections, port cargo volume, rail freight, property sales and domestic passenger growth all did well in FY23.

The steady growth in FY23 was also positive for the government as the fiscal deficit target (6.4%) has been achieved as per the provisional estimates. The same for FY24 has been targeted at 5.9%. FY23 target was achieved owing to buoyancy in overall revenue receipts which were higher under the provisional estimates at 23.8 lakh crore in FY23 against revised estimates ("RE") of 23.5 lakh crore. Collections under net tax revenue also beat RE and rose to 21 lakh crore from 20.9 lakh crore. Thus, higher outlays on certain essentials like fertilizer subsidies (2.51 lakh crore as per FY23PE versus 2.25 lakh crore as per FY23RE), capex was achieved without any untoward pressure on the government finances.

Despite moderation in economic momentum in FY23, prices continued to remain elevated. CPI inflation averaged 6.7% in FY23, up from 5.5% in FY23, thus also crossing RBI's upper tolerance band of 6%. Q1FY23 was when inflation was at its peak (7.3%), following the breakout of war between Russia and Ukraine in February 2022. Since then, as global economic outlook was dampened (global GDP at 3.2% in CY22 versus 6% in CY21), domestic inflation began coming down (Q2: 7%; Q3: 6.1%; Q4: 6.2%). Core inflation too remains sticky (6.1% in FY23 versus 6% in FY22). Following the dip in core inflation in Q2FY23 (5.9% versus 6.3% in Q1), it has again inched up and steadied at 6% in Q3 and Q4. In the current fiscal year (FY24), RBI expects headline CPI to ease to 5.2%. However, significant upside risks to the projection remain, such as adverse climate conditions (heat wave, actual performance of monsoon), increased fodder cost and imported inflationary pressures.

The external situation in FY23 was strained as trade deficit ballooned to US$ 267bn from US$ 191bn in FY22. Coming off a high base and due to weakening global demand, our export growth slowed to 7.2% in the last fiscal year, following 54% growth witnessed in FY22. On the other hand, relative stability in domestic demand and volatile commodity prices led to less sharper dip in imports (19% in FY23 versus 64% in FY22). Forex reserves, which are the summary indicator of all developments on this front fell by US$ 39.2bn to reach US$ 578.4bn as of March 31, 2023. The Indian Rupee, on a point-to-point basis, ended at 82.18/$ on 31st March 2023 compared with 75.79/$ a year back, thus showing a depreciation of 7.8%. This was in line with depreciation witnessed across most currencies due to strengthening US dollar.

On the monetary policy front, RBI has increased repo rate by 250 bps in FY23, in line with global central banks. In its first policy for FY24 RBI decided to pause but has indicated that it stands ready to take action if inflation does not fall within the targeted band.

Going forward, RBI expects FY24 growth to settle at 6.5%. As most developed economies are projected to enter recession/face significant slowdown in economic activity in CY23, and uncertainty prevails in global financial systems, risks to domestic growth persists. On the positive side, prediction of normal monsoon, enhanced government budget for capex spending, and ebbing inflation, will provide support to growth in FY24. It is expected that GDP growth will be in the region of 6-6.5% for FY24.

Mauritian economy

Due to the current state of the world economy, Mauritius has had to deal with a number of difficulties throughout 2022, most notably supply chain interruptions, increased freight costs, a stronger US dollar, and skyrocketing energy and other commodity prices. Despite these obstacles, Mauritius is firmly rooted on a strong and resilient recovery path as a result of the government's response to the COVID-19 pandemic and the bold actions taken to expand the tourism industry, attract more investments, and increase exports while also increasing employment opportunities.

The Mauritian GDP is expected to increase by 5% during FY2023, according to Statistics Mauritius, whereas the IMF expects a 4.6% increase. The Monetary Policy Committee of the Bank of Mauritius introduced its new Monetary Policy Framework ("MPF") effective 16 January 2023 to address the effectiveness of the existing one, help to further strengthen monetary policy operations, and the monetary policy transmission mechanism to curb inflationary pressures and to contribute to boosting confidence in the banking and financial system.

Source: Statistics Mauritius

2. FINANCIAL REVIEW

2.1 Performance against objectives

OBJECTIVES FOR FY2023	PERFORMANCE FOR FY2023	OBJECTIVE FOR FY2024
Net Profit To achieve Net Profit after tax ("PAT") of Rs100m.	The Bank achieved PAT of Rs201.1m.	To achieve PAT of USD 6.60m.
Return on Average Equity ("ROAE") To achieve a minimum ROAE of 10%	The Bank achieved a ROAE of 9.7%.	To achieve a minimum ROAE of 25%.
Return on Average Assets ("ROAA") Aim to keep a ROAA of above 1.32%	ROAA stood at 1.1% at March 31, 2023.	To achieve ROAA above 2%.
Net Interest Margin ("NIM") To achieve a NIM of 1.60%	The Bank achieved a NIM of 2.2%.	To achieve a NIM of 2.37%.
Expense Ratio To maintain the expense ratio below 40%	The expense ratio stood at 24.5% at March 31, 2023.	To keep the expense ratio below 45%.
Gross Loans and Advances growth To sustain the growth in the loan portfolio, similar to FY 2022.	Loans and advances increased by 16.4%.	To sustain the growth in the loan portfolio.

Deposits growth Deposits to grow by 9% from the March 2022 level.	Deposits have fallen by 10% from the March 2022 levels.	Deposit to grow by 10% from the March 2023 level.
Investment The investment portfolio to grow by 5% over March 2022 level.	Investment book decreased by 57.7%.	The investment portfolio to grow by 4.50% over March 2023 level
Total assets Total assets to grow by 10% over March 2022 level.	Total assets increased by 5.2% at 31 March 2023.	Total assets to grow by 10% over March 2023 level.
Gross Non Performing Assets ("GNPA") To keep GNPA to below 10%	GNPA stood at 6% at March 31, 2023.	To keep GNPA to below 0.50%.
Net NPA To keep Net NPA at 0%	Net NPA stood at 3.1% at March 31, 2023.	To keep Net NPA at 0%.
Capital Adequacy Ratio (CAR) CAR around 45%.	CAR is at 47.4% as at March 31, 2023.	CAR around 20%.

2.2 Performance Highlight (Year-on-year comparison)

(Rs'm)

For the Year	2020-21	2021-22	2022-23
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
Net interest income	246	225	350
Non-interest income	72	5	50
Total operating income	343	258	469
Total operating expenses	111	144	169
Profit/(loss) after tax	89	(238)	201
STATEMENT OF FINANCIAL POSITION			
Total assets	24,646	18,428	19,386
Loans and advances (Net)	6,286	10,656	12,991
Deposits from customers	12,542	15,631	13,930
Total equity	2,218	1,975	2,175
PERFORMANCE RATIOS (%)			
Return on average equity	4.0	(11.4)	9.7%
Loan to deposit ratio	50.1	68.2	93.3%
Total operating expenses to total operating income	32.3	55.9	24.5%
CAPITAL ADEQUACY RATIO (%)	53.3	57.7	47.4%

2.2.1 Net profit

The Bank's net profit/(loss) after tax stood to Rs 201.1million as at March 31, 2023 against a loss of Rs 237.9m as at March 31, 2022 and a profit of Rs 89.5m on March 31, 2021.

Net Interest income

NET INTEREST INCOME

Rs'000

Interest income	
FY 2020-21	438,186
FY 2021-22	294,541
FY 2022-23	568,780

Rs'000

Interest expense	
FY 2020-21	192,010
FY 2021-22	69,524
FY 2022-23	218,862

Non-Interest income

NON-INTEREST INCOME

Rs'000

Other income	
FY 2020-21	4,895
FY 2021-22	2,047
FY 2022-23	1,664

Rs'000

Net fee and commission income	
FY 2020-21	24,846
FY 2021-22	27,666
FY 2022-23	69,491

Rs'000

Net trading income	
FY 2020-21	66,997
FY 2021-22	2,931
FY 2022-23	48,069

Operating expenses

OPERATING EXPENSES

Rs'000

Personnel expenses	
FY 2020-21	50,518
FY 2021-22	68,398
FY 2022-23	85,671

Rs'000

Other expenses	
FY 2020-21	46,756
FY 2021-22	60,482
FY 2022-23	69,777

2.2.2 Cost control

	2021-22	2022-23	2023-24
	Actual (Rs'000)	Actual (Rs'000)	Projection (Rs'000)
Personnel expenses	68,398	85,671	90,000
Legal and professional fees	1,455	3,347	5,000
Rent, repairs, maintenance and security costs	24,912	29,716	30,000
Utilities	10,193	11,237	12,000
Advertising, marketing costs and sponsoring	2,732	7,709	5,000
Postage, courier and stationery costs	2,177	5,350	5,000
Insurance costs	3,414	904	3,000
Others	15,599	11,514	15,000
Depreciation	15,038	13,209	15,000
Total	143,918	168,657	180,000

2.2.3 Business Analysis

A. Equity and Liability Mix

Liability Mix

Rs'000

Total equity	
FY 2020-21	2,218,141
FY 2021-22	1,974,559
FY 2022-23	2,175,027

Rs'000

Deposits from banks and customers	
FY 2020-21	12,542,341
FY 2021-22	15,631,334
FY 2022-23	13,930,298

Rs'000

Other borrowed funds	
FY 2020-21	9,774,395
FY 2021-22	712,623
FY 2022-23	3,133,186

A1. Total equity

Capital and reserves stood at Rs2.1bn at March 31, 2023 (2022: Rs 2.0bn and 2021: Rs2.2bn).

A2. Deposits from banks and customers

The Bank has experienced a decrease in its customer deposits stood at March 31, 2023 which closed at Rs13,930m (2022: Rs15,631m and 2021: Rs12,542m). The Bank was successful in substituting a large part of high-cost term deposits (both for segment A and B) resulting in improved cost of funds.

A3. Other borrowed funds

The Bank has been successful in raising borrowing from interbank counterparties at competitive rates.

The other borrowed funds as at March 31, 2023 stood at Rs3,133m against Rs713m for March 31, 2022 and Rs9,774m for March 31, 2021.

A4. Asset mix

Assets Mix

Rs'000

Net Loans and Advances	
FY 2020-21	6,286,429
FY 2021-22	10,655,624
FY 2022-23	12,991,064

Rs'000

Investment	
FY 2020-21	2,900,325
FY 2021-22	4,184,128
FY 2022-23	1,758,069

Rs'000

	Placements with banks
FY 2020-21	13,060,445
FY 2021-22	1,408,630
FY 2021-22	1,256,715

Rs'000

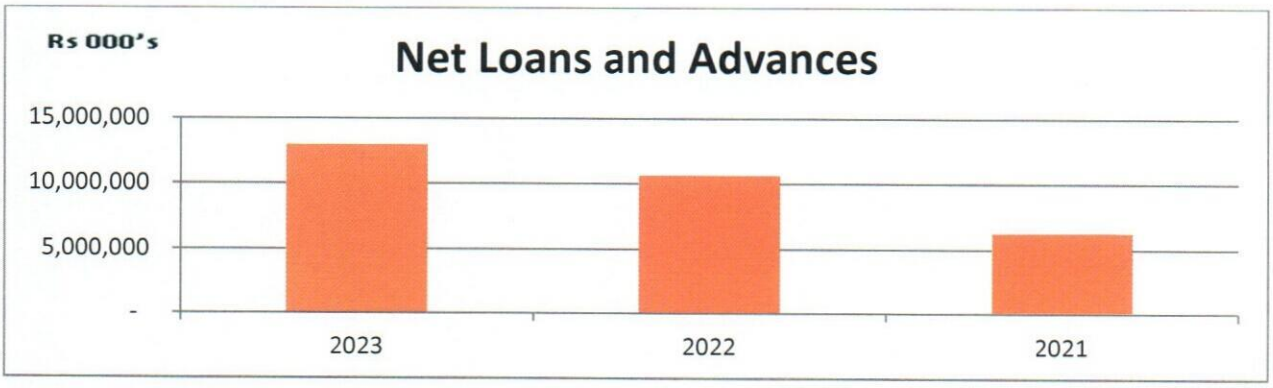
Other Assets	
FY 2020-21	626,755
FY 2021-22	742,027
FY 2022-23	689,329

Rs'000

	Cash and cash equivalents
FY 2020-21	1,565,862
FY 2021-22	1,190,005
FY 2022-23	2,427,416

Net loans and advances

Net loans and advances increased by Rs2,335m during FY2023 to Rs 12,991m against Rs 10,656m for FY2022. The Bank is making ongoing efforts in sourcing new clients and encouraging existing clients to use more of the Bank's products 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 the Bank of Mauritius and the Reserve Bank of India for identifying non–performing assets and making the minimum provisions required under the regulatory prescriptions. The credit quality for the last three years has been disclosed in Notes 5 (b) (v) and 11 of the Annual Report.

Management has increased its efforts to recover its dues in sticky accounts while closely monitoring the loan portfolio to prevent any slippages.

Industry Wise Breakup of credit quality has been disclosed in Note 11 (iv) of the financial statements.

Geographical Distribution of Exposures (Top 5 countries)

S. No.	Name of Country	Exposure (in Rs'm)	Exposure as % of Tier-I Capital
1	India	6.336	344.71%
2	Mauritius	5,520	300.33%
3	Hong Kong	741	40.32%
4	UAE	518	28.20%
6	Botswana	410	22.30%

Industry wise Distribution of Loan Portfolio (Top 5 Sectors)

S. No.	Industry/ Sector	Fund Based Exposure (in Rs'm)	Exposure as % of Tier-I Capital
1	Financial and Business services	6,744	366.90%
2	Traders	2,226	121.10%
3	Construction	1,288	70.08%
4	Personal	846	46.04%
5	Manufacturing	726	39.49%

2.4 Review by Business lines/Segments

Domestic Business (Segment A)

	2020-21	2021-22	2022-23
	Rs'000	Rs'000	Rs'000
Deposits	7,445,563	6,315,058	5,897,412
Advances (Net)	2,364,460	2,889,402	4,004,387

Deposits in domestic segment have decreased by 7% to **Rs5.9bn** at March 31, 2023 against **Rs6.3bn** at March 31, 2022. The Bank has restrategized to selectively build the deposit book.

Global Operations (Segment B)

	2020-21	2021-22	2022-23
Deposits	5,096,778	9,316,276	8,032,787
Advances (Net)	3,921,969	7,776,222	8,986,677

2.5 Capital adequacy

The Bank maintains sufficient 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.

In capital planning process the Bank reviews:

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

The capital plan is revised on annual basis and submitted to the corporate office in India.

The position of the Bank's risk weighted assets (RWA) minimum capital requirements and actual capital adequacy levels as at March 31,2023, March 31, 2022 and March 31, 2021 are summarized as follows:

	March 31, 2023	March 31, 2022	March 31, 2021
	Rs'000	Rs'000	Rs'000
Tier 1 Capital	**1,838,070**	1,639,536	2,050,440
Tier 2 Capital	**102,467**	257,701	138,502
Total Capital	**1,940,537**	1,897,237	2,188,942
Weighted amount of on-balance sheet assets	**3,472,934**	2,677,561	3,043,031
Weighted amount of off-balance sheet exposures	**357,365**	374,333	845,011
Weighted risk assets for operational risk	**299,775**	249,245	186,666
Aggregate net open foreign exchange position	**(31,461)**	(12,742)	31,239
Total Weighted Risk Assets	**4,098,613**	3,288,397	4,105,946
Capital Adequacy Ratio	**47.35%**	57.7%	53.3%
Minimum capital requirement	**12.50%**	12.50%	12.50%

The Bank's capital adequacy ratio ("CAR") is comfortable at 47.35% under Basel III as at March 31, 2023. 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 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.

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Capital Structure

	March 31, 2023	March 31, 2022	March 31, 2021
	Rs'000	Rs'000	Rs'000
I: CAPITAL BASE			
Paid up or assigned capital	400,571	400,571	400,571
Statutory reserve	400,571	400,571	283,128
Other disclosed free reserves, incl. retained earnings	891,696	1,117,502	1,315,976
Current year's retained profits/(losses)	201,069	(237,916)	50,765
Deferred tax	(55,837)	(41,192)	(16,514)
Core capital (A)	1,838,070	1,639,536	2,050,440
Aggregate of portfolio provisions and general banking reserve capped at 1.25% of credit risk weighted assets	377,206	203,112	70,901
Reserves on revaluation of securities not held-for-trading (55%)	54,589	54,589	67,601
Supplementary capital (B)	102,467	257,701	138,502
CAPITAL BASE (A+B)	1,940,537	1,897,237	2,188,942
Total risk-weighted assets	4,098,613	3,288,397	4,105,946
CAPITAL ADEQUACY RATIO (%)			
BIS risk adjusted ratio	47.35%	57.7%	53.3%
of which Tier 1	44.85%	49.9%	49.9%

Risk weighted assets and off-balance sheet exposures

Risk weighted on-balance sheet assets

	BASEL III (Rs'000)			
	March 31, 2023	March 31, 2023	March 31, 2022	March 31, 2021
	Actual	Weighted		
Cash items	1,971,752	-	-	795
Investments	1,758,069	-	-	-
Loans and advances to customers	4,004,387	3,245,529	2,433,205	960,499
Investment properties	12,302	12,302	18,500	18,500
Property, plant and equipment	173,418	173,418	188,393	143,770
Other assets	20,029	41,685	37,463	22,977
	7,998,509	**3,472,934**	**2,677,561**	**1,146,541**

Risk weighted off-balance sheet exposures

	BASEL III (Rs'000)			
	March 31, 2023	March 31, 2023	March 31, 2022	March 31, 2021
	Actual	Weighted		
Letters of credit, guarantees, acceptances, endorsements	224,828	116,765	131,038	142,445
Other obligations	1,203,002	240,600	243,295	-
	1,427,830	**357,365**	**374,333**	**142,445**

Operational risk under the Basic Indicator Approach

	BASEL III		
	March 31, 2023	March 31, 2022	March 31, 2021
	Rs'000	Rs'000	Rs'000
Annual gross income for the last 3 years (Segment A)	266,175	180,394	152,981
Average income for the last 3 years (Segment A)	199,850	166,163	124,444
Capital charge	29,978	24,925	18,667
Equivalent risk-weighted assets	299,775	249,245	186,666
Foreign exchange position	(31,461)	(12,742)	31,239

2.6 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. Management establishes the tone at the top by promoting risk awareness to promote a sound risk culture. The Bank ensures that material risks and risk-taking activities exceeding the risk appetite and limits, if any, are recognized, escalated and addressed in a timely manner.

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

Three lines of defence

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

The 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.

The 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.

The 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 Corporate 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 parent office. Specific committees have been constituted at a local level to facilitate focused oversight on various risks.

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 Head Office 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 has well established models for awarding internal rating to the borrowers and these models are calibrated and validated periodically. The Bank has put in place prudential caps across industries, sectors and borrowers to manage credit concentration risk. The Credit Team cell carries out detailed reviews on sectoral exposure, credit concentration, rating distributions and migration.

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. Management monitors concentration risk on a monthly basis, and the Bank guarantees that its exposures are within the regulator's requirements.

The Top 6 Single Borrowers (Excluding Exposures to Banks) of the Bank as on March 31, 2023 are as below:

Borrower	Exposure as on (in MUR Mio)	% of Bank's Tier-I Capital as 31.03.2023	Tolerance Level
Borrower 1	683.25	37.17%	Exempted
Borrower 2	683.25	37.17%	Exempted
Borrower 3	514.65	28.00%	Exempted
Borrower 4	455.50	24.78%	Exempted
Borrower 5	409.95	22.30%	Exempted
Borrower 6	360.00	19.59%	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") daily.

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 on its website. The Bank has been in compliance with the minimum LCR requirements for the current and prior years.

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 Bank. 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.

2.7 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 FY2023 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.

2.8 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 at Corporate Office level, oversees overall internal audit function and guides in developing effective internal audits, concurrent audits, IS Audits and all other audit functions of the Bank.

2.9 Other initiatives by the Bank

Digital & Information Technology transformation

In order to maintain sustainable business growth in the Mauritian competitive banking ecosystem, the Bank is 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 the International IT Department:

- 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;
- VNM 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 website; 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.

The Bank has taken cognizance of the new *Guideline on Cyber and Technology Risk Management* issued by the Bank of Mauritius on May 29, 2023 and is in the process of revising its policies and practices to ensure adherence.

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 more 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 the following Marketing & Branding Initiatives.

- Social Media: Retail loan product`s advertisement is done on social media Facebook, with the assistance of the social media Cell, BCC Mumbai, the result of this campaign on social media has been encouraging, large number of leads are been generated though this platform which are passed to the branches for conversion into real business. The territory office is monitoring the conversion of these 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 retails 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.

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.

2.10 Corporate Governance

The Banks stands guided by the National Code of Corporate Governance and the principles and the 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.

FOR BANK OF BARODA – MAURITIUS OPERATIONS

....	....	....
(Vibhu Gupta)	**(Dr Sunil Patil)**	**(Diwakar P. Singh)**
Chief Manager	**Chief Financial Officer**	**Vice President**
(Global Business Branch)	**(Mauritius Operations)**	**(Mauritius Operations)**

Date: June 28, 2023