Standard Bank

STANDARD BANK (MAURITIUS) LIMITED

# ANNUAL REPORT

for the year ended 31 December 2023

**Mauritius**
Maconde Point

# CONTENTS



# AFRICA IS OUR HOME, WE DRIVE HER GROWTH

We are purpose-led and deliberate in executing our strategy to create value for our stakeholders over the long term.

## ABOUT THIS REPORT

### Reporting Boundary

Our primary report to stakeholders provides an Our report sets out the progress we have made towards achieving our strategic priorities and ambitions for the year ended 31 December 2023. It includes material financial and non-financial information up to the date of Board approval on 20 March 2024. Our progress is evaluated against our strategic value drivers, as laid out on page 8.

This report also provides an overview of our strategy, operating environment, performance and governance practices, as well as an assessment of the opportunities, risks and impacts influencing our ability to create and preserve sustainable value, and guard against value erosion, as we deliver on our purpose.

### Reporting Frameworks

The financial information contained in this report complies with the standards set out in the Mauritius Companies Act 2001 and has been prepared in accordance with IFRS Accounting Standards. Any restatements of comparable information are noted.

### Forward Looking Statements

This report contains a number of assumptions and projections relating to Standard Bank (Mauritius) Limited's strategy, the future demand for our products and services, and the operating environment in which we operate. Such statements are not statements of fact or guarantees of future performance, and our actual results may differ materially from these forecasts. The Bank undertakes no obligation to update any forward-looking statements periodically. Readers are therefore advised not to place undue reliance on this information.

## WHO WE ARE

Standard Bank (Mauritius) Limited (referred to in this report as "the Bank") is a wholly owned subsidiary of the Standard Bank Group Limited ("SBG"), the largest banking group in South Africa ranked by assets and earnings. Backed by our franchise strength and footprint across 20 countries in Africa, we are in a unique position to leverage our brand, location and capabilities to position the Bank as the global gateway to Africa, and in doing so, play our part in driving inclusive and sustainable growth across the continent.

Since the Bank's establishment in Mauritius over 22 years ago, we have been committed to supporting corporations in their ambitious African strategies by providing them with comprehensive and integrated financial solutions tailored to their specificities. We serve global corporations with operations across the African continent, as well as African corporations that operate on the continent and offshore.

We distinguish ourselves by our unique approach, which is centred on being Africa-focused, client-led and digitally enabled. Our expertise of the Mauritian jurisdiction, coupled with our deep market knowledge and insights, allows us to continuously assess opportunities and risks in our operating environment, and offer relevant solutions that meet the changing needs and aspirations of our clients.

While we remain focused on key sectors in which we have industry-specific knowledge and expertise, our diversification across geographies and markets enables us to reduce our exposure to risk, and demonstrate resilience in the face of an ever-changing operating environment.

# OUR BRAND

Standard Bank Mauritius is proud to be the gateway to drive Africa's growth by harnessing the power of the Mauritius International Financial Centre (IFC). As our continent wins, economies grow, communities thrive, and our clients and their ecosystem succeed. We are proud to showcase the strength and expertise of our business, unique client value proposition and incredible talents through our people and their stories. We will continue to partner with our clients to provide innovative solutions that will lead to the creation of a better quality of life for the continent, generate economic growth and positively impact Africa's sustainability. As a bank of people, we believe in the power of our people to unlock possibilities for our clients for a future-ready Africa.

2023 saw the launch of a new brand image campaign for the Bank. Africa is our home and we are strongly committed to her future, her people and her prosperity more than ever.

# FINANCIAL HIGHLIGHTS AT A GLANCE

| Measure | 2023 | 2022 | 2021 |
|---|---|---|---|
| Total Assets | USD 2.267b | USD 2.676b | USD 2.190b |
| Total Deposits | USD 1.958b | USD 2.510b | USD 2.059b |
| Return on Average Equity | 40.3% | 24.8% | 10.5% |
| Net Profit After Tax | USD 68.9m | USD 32.9m | USD 13.1m |
| Cost to Income Ratio | 24.0% | 41.8% | 58.4% |
| Customer Loans to Deposit Ratio | 23.4% | 11.6% | 9.6% |
| Tier 1 Ratio | 24.8% | 25.0% | 31.4% |
| Credit Loss Ratio | 0.8% | 0.7% | 0.8% |

## Accolades

In 2023, the Bank was awarded the 'Best Foreign Bank' in Mauritius by the distinguished magazine EMEA Finance during the African Banking Awards 2023.

## Sponsorships

Sponsorships provide us with the right platform to engage with our different stakeholders and are essential in sustaining our brand and creating relevance in the markets in which we operate. The Bank continued its support to the Royal Raid trail event as the title sponsor of the Standard Bank Royal Raid 2023. Our staff members and clients were invited to participate in the trail run.

We were one of the proud sponsors of the 17th African Rhythmic Gymnastics Championships 2023 Mauritius and offered our support to the young gymnasts who competed for the African Champion title. The Bank in partnership with Financial Toastmasters Club, sponsored the Public Speaking Masterclass 2023 with the aim to help financial professionals hone their public speaking abilities.

The Bank was the Diamond sponsor of the Africa Partnership Conference hosted by the Economic Development Board. This was an opportunity to support the initiative to bring together business leaders to discuss key economic opportunities and financial trends on the continent.

We remain committed to supporting initiatives that drive economic growth and development in Africa.

## Client event

In August 2023, Yinka Sanni, Chief Executive Africa Regions met with our clients during his stay in Mauritius. We also had the pleasure in welcoming the Standard Bank Group Chief Executive Officer, Sim Tshabalala, in September 2023 where the Bank hosted a client appreciation and networking event.



# CHAIRMAN'S REPORT

**Arvind Hari,** Chairman

"Reflecting on a year marked by unprecedented growth amid global uncertainty, the Bank's strategic focus progressed to new heights, with client interests firmly at the heart of each advancement."

## Navigating the global landscape

The past year was characterised by a complex global recovery, as the initial momentum of post-pandemic resurgence was met with heightening headwinds. The persistence of geopolitical conflicts, particularly the ongoing Russia-Ukraine war and the conflict between Israel and Hamas that began in October 2023, heightened uncertainty. The humanitarian aspect of these conflicts cannot be overstated, with significant implications for populations and economies. These issues extend beyond regional borders, affecting global trade routes, including those through the Red Sea and the Suez Canal, exerting additional inflationary pressures.

Monetary policy tightening was a prevalent theme during the year as central banks worldwide grappled with inflationary pressures, choosing to increase interest rates to levels not seen for a long time. The concerted effort to curb inflation is expected to bear fruit, with global inflation projected to decline to 6.9% in 2023, a notable decrease from the prior year.

In Africa, the economic environment remained taut, with high inflation and exchange rate pressures prompting currency depreciations and heightening sovereign debt vulnerabilities. Yet, through proactive engagements and fiscal consolidation efforts, there is an anticipation of a more favourable economic outlook in the forthcoming year. Nonetheless, the approaching elections in numerous African nations during 2024 brings with it a certain level of uncertainty over the continent's economic forecast.

Against this backdrop, the Bank navigated these uncertainties and interest rate hikes with judicious management of its balance sheet. While posing challenges, the rise in interest rates also presented opportunities for revenue optimisation, which the Bank capitalised on through strategic financial oversight. Our steadfast monitoring of global and domestic economic indicators has ensured that the Bank remains well-positioned to build on its growth and profitability trajectory in the evolving economic landscape.

## A robust strategy bearing fruit

This year's outstanding results built on the momentum garnered in 2022. The Bank once again delivered an exceptional performance, driven by relentless strategic execution and a positive culture change. We are pleased to report robust revenue growth against the prior year, underpinned by the continuous strengthening of client relationships and growth of reach in the countries in which the Bank operates, achieving a 71.0 % increase in revenues alongside a remarkable 40.3% return on equity – a figure that stands out within the year's performance metrics.

Maintaining a liability-driven balance sheet, the Bank has managed a stable and robust average deposit base, despite outflows of funds related to clients' dividend payments and capital investments. The Bank's capital position remains strong, allowing it to support clients and further its growth aspirations. In this regard, diversifying revenue streams remains a critical priority, as evidenced by the expansion into business commercial banking (see our Chief Executive's review for more information).

From an operational perspective, there have been considerable advancements, thanks in part to the ongoing evolution into an organisation that is as digitally adept as it is people-centric, laying the groundwork for a future-facing institution. Streamlining processes through automation remains vital in establishing a strong operational backbone, allowing staff to devote greater attention to fundamental activities and fortifying customer relationships. Additionally, the enhanced people and culture strategy continues to play a pivotal role in embedding the high-performance culture central to advancing the Bank's strategic objectives.

## Upholding our commitment to governance

Good governance is the linchpin of enduring success. Likewise, we recognise that innovation and diverse thinking drive the Bank's progress, ensuring it remains attuned to and capable of meeting clients' evolving needs. The Board's composition is, therefore, regularly reviewed to maintain alignment with the Bank's strategic direction and to capitalise on new opportunities. Additionally, we have set a maximum term for independent and non-executive Directors, fostering a dynamic governance culture enriched by both novel viewpoints and seasoned expertise.

In this regard, we were delighted to have Mrs Sheila Ujoodha join us as an independent Director in January 2023, enhancing the Board's expertise in finance. In January 2024, the Board further strengthened its capabilities with the appointment of Mr Devalingum Naiken Gopalla as an independent Director. Mr Gopalla's extensive legal acumen fortifies the Board's legal expertise. These arrivals have contributed to the diverse skills of the Board, most of whom are independent, non-executive Directors who bring diverse perspectives to Board deliberations. These appointments testify to the Bank's strategic governance, equipping it to proactively address emerging challenges and drive innovation. Our commitment to excellence in governance is further underscored by the external evaluation of the Board's performance during the year, which led to valuable insights and an action plan to continuously refine our governance practices.

Risk management is essential for good governance, and Standard Bank Mauritius's robust risk management approach and extensive experience in Africa remain differentiators in the market. Although our core risks remain stable, as we seek to diversify our revenue streams, we recognise that our risk profile evolves accordingly. We respond adaptively by developing relevant frameworks and roadmaps to manage and mitigate these risks.

## Looking ahead

In 2024, as mentioned, the African continent approaches a period marked by democratic processes, with a significant number of elections scheduled across various nations, including Mauritius. Across Africa, these forthcoming elections are anticipated to herald shifts in the economic and political spheres, with potential ramifications for our clients. Furthermore, the continent continues to navigate the complexities of sovereign debt, with sovereign defaults on the rise.

The confluence of rising geopolitical tensions, declining global liquidity, persistent inflation, and heightened sovereign risk poses a salient challenge, threatening to catalyse market volatility. The imperative for prudent debt management and strengthening domestic financial institutions becomes ever more critical in this environment. These measures are vital in preserving the stability and integrity of financial markets. In this intricate tapestry of challenges, the Bank's robust risk management framework is more crucial than ever. Leveraging the experience of the Group and the Bank across African markets is our beacon, guiding decision-making to enable the continued integrity of the financial ecosystems we support.

Looking ahead, the Bank will focus on consolidating and sustaining the current level of performance, emphasising the need to enhance deposit levels and diversify income streams, including bedding down the business commercial banking segment, aiming to leverage this new venture for revenue generation from 2024 onwards. Moreover, continued focus will be applied to establishing Mauritius as a centre of excellence for the Group's operations.

In closing, I sincerely thank the Bank's clients, regulators and partners for their trust in us. I extend my heartfelt gratitude to our Chief Executive, François Gamet, his executive team, and all employees for their unwavering commitment. The year's accomplishments are a direct result of the extraordinary people behind these results. Together, we look forward to a year of consolidating the Bank's strengths, embracing opportunities, and achieving new milestones.

**Chairman**

Arvind Hari

20 March 2024

# CHIEF EXECUTIVE'S REVIEW

**Francois Gamet,** Chief Executive

"2023's unparalleled success is deeply rooted in our unrelenting strategic focus, underpinned by a client-centric approach and transformative culture, propelling us to new heights."

Reflecting on the past year, my pride in the team's steadfast commitment to not just meet but exceed client expectations is immense, a commitment that has enabled us to achieve significant milestones. Our journey, firmly anchored in a strategic pivot initiated in November 2021, has culminated in a year that surpassed our ambitious goals. This success underscores our unwavering dedication to excellence and innovation, with our clients' needs and aspirations firmly at the core of everything we do.

## Our strategic trajectory and performance

Amid a volatile global landscape (see our Chairman's message and Operating environment for more detail), we have not only met but eclipsed our objectives, substantiating our vision of harnessing Mauritius as a global gateway to Africa. This strategic choice, rooted in our legitimacy as an investment nexus, has yielded unmatched results. Within this, we continue to diversify our client base across key focus sectors, with our expanding presence in China serving as a testament to our growing stature and the confidence placed in us by our clients.

Echoing our strategic pursuits, our financial performance reached new heights, with headline earnings of USD 68.9 m, translating into an improved return on equity of 40.3% (2022: 24.8%). Our earnings displayed vigorous growth, with net interest income doubled to USD 82.6m, driven by a stable deposit base and benefiting from the rising interest rate environment.

The Bank continues to improve its speed of execution and operational excellence to provide clients with targeted products through various channels. Furthermore, in a disciplined pursuit of efficiency, costs were well maintained during the year and along with higher revenues, our cost-to-income ratio was enhanced to 24.0% from 41.8%. Our positive jaws ratio also expanded significantly to 72.7%, surpassing the preceding year's 55.2%, demonstrating our adeptness at balancing growth with cost stewardship. This exceptional performance is a direct outcome of our focus on strategic execution, operational efficiency and innovation.

We are set to enhance our offering in 2024 with the launch of our business and commercial banking segment. This venture aligns with our broader strategic ambitions, enhancing our ecosystem and deepening our market penetration. It speaks to our customer-centric growth strategy, responding to the need for a banking ecosystem that supports the synergistic relationship between large corporations and the smaller entities they engage with. Ultimately, it was born from the trust our multinational clients place in us to serve not only their needs but also those of their broader business networks.

Risk management remains our stronghold, serving as a competitive advantage in the diverse markets of Africa. Our rigorous risk control measures have allowed us to navigate the year's economic and geopolitical volatilities with agility, ensuring that our clients' interests are safeguarded at all times.

## Becoming truly digital while harnessing our humanity

We have continued to embrace a transformative digital strategy underpinned by investments in cloud computing and Robotic Process Automation (RPA). For instance, the introduction of RPA has automated 11 processes, saved over 7,000 employee hours, and allowed us to prioritise client initiatives. These and other technological leaps have been instrumental in refining our operational workflows, achieving both efficiency and precision, particularly in the domains of client onboarding and risk profiling. Moreover, we have fast-tracked an automation plan to redefine our operations over the next 12 to 18 months, focusing on customer experience, risk mitigation, and cost efficiency. The commissioning of a virtual Cloud Data Centre and the proactive application migration are proof of our operational strides. With a significant reduction in critical incidents, our stable and secure systems are a testament to our promise of providing a resilient digital infrastructure to our clients.

At the heart of our transformation is our people. We have nurtured a work environment that balances technological advancements with human empathy, fostering a culture steeped in innovation and marked by open communication, diversity, and a continuous focus on wellbeing. We sought to create an environment where all our employees, from engineers to bankers, speak a common language of progress. We want each team member, empowered by the recognition of their ideas, to contribute to the Bank's innovation narrative, generating new ideas and improving cross-functional engagement to deliver proof of values as part of our strategic execution. Moreover, every team member understands and lives the impetus to embody client-centricity, resulting in the highest client satisfaction scores in our history. We continue to recognise and reward this dedication, acknowledging that our success is a reflection of our collective efforts.

As we look to the future, we are committed to equipping our team with the skills and tools necessary to thrive in a digitally enabled landscape, ensuring that we are future-ready and primed to deliver exceptional value to our clients. As we streamline processes to match the dynamism of the current regulatory and technological environment, we advance with a clear vision: to embed an innovative culture that seamlessly aligns with our digital aspirations, culminating in a truly digital, truly human bank.

## Creating and maintaining shared value

We believe that driving Africa's growth responsibly underpins our strategic approach. Recognising Africa's role as the custodian of some of the world's most precious biodiversity, the Bank has prioritised its conservation through practices that sustainably integrate the wellbeing of local communities. This drive to nurture Africa's prosperous future reached a landmark with the Bank executing Standard Bank Group's first-ever Pure Play and Nature Conservation Loan in the continent, marking a pioneering step in nature conservation financing.

Our environmental strategy focused on reducing our carbon footprint, exemplified by a reduction in energy consumption and advancements towards net-zero emissions by 2030 for new sites and 2050 for existing facilities. On the social and economic fronts, our corporate social responsibility efforts were material in driving change, with financial contributions supporting infrastructure, health, wellness, and educational initiatives. These concentrated efforts reflect our role as a transformative force committed to fostering sustainable communities and environments across our operational landscape.

## Positioning ourselves for the future

As we advance, our strategic direction holds firm – diversifying our revenue streams and building strong client relationships to strengthen our position as the gateway to Africa, thereby fostering growth and crafting unparalleled value for our clients and stakeholders.

Our achievements are underpinned by Mauritius's enabling regulatory environment. I therefore express my gratitude to the Bank of Mauritius and the Financial Services Commission for establishing a solid foundation that positions Mauritius as a preferred destination for African investments. Additionally, the astute insights and guidance from our Board members have been invaluable, and I am deeply grateful for their continued support. Our dedicated employees, who are the backbone of our success, deserve special recognition for their commitment and hard work. Their collective efforts continue to drive our progress and enable us to provide excellent client service. Finally, to our clients, thank you for your trust in us. Our firm ambition is to continue to meet and exceed your expectations in the years to come.

**Chief Executive**
François Gamet
20 March 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

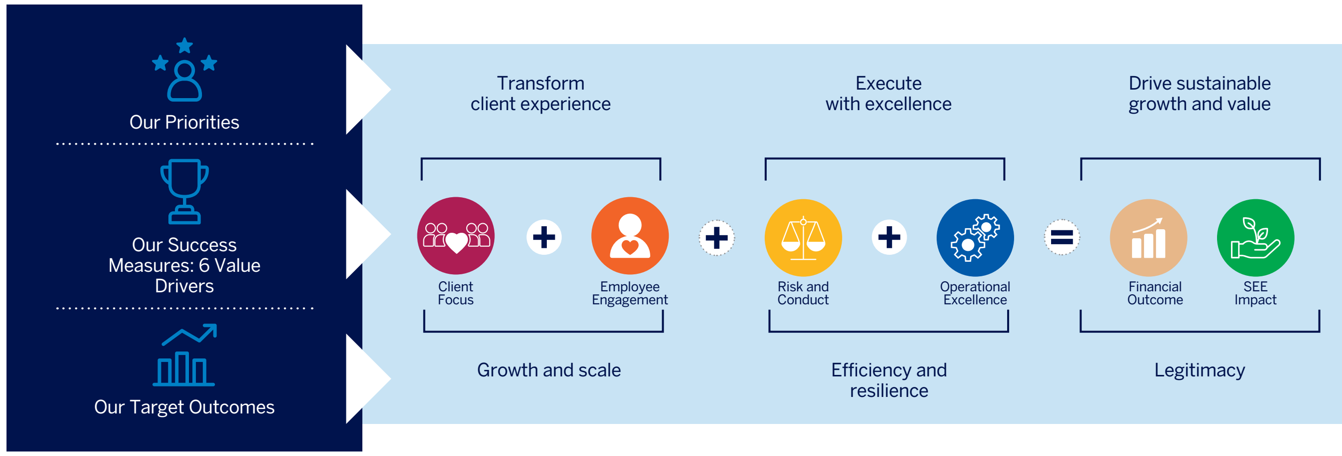
## Strategy

The strategy of the Bank remains unchanged and it is structured in a way that supports SBG's aspiration to position itself as the financial services institution of choice, in, for and across Africa. Our overarching vision is to "Harness the power of Mauritius as the global gateway to Africa: we will create value for our clients and for the Group, in financial services and beyond. Through collaborative efforts, partnerships, and the facilitation of the growth of African businesses, we are dedicated to delivering outstanding client experiences and superior value that transcend the boundaries of traditional financial services.

The strategic framework is underpinned by three key pillars. Firstly, the Bank aims to be the pre-eminent International Financial Centre in Africa, providing top-notch financial services tailored for the African market. Secondly, it positions itself as a platform for Standard Bank Group through ecosystems and marketplaces, facilitating seamless connectivity for clients spanning from Asia to Africa and throughout their value chains. Thirdly, the bank emphasises on strong collaboration with clients to offer value beyond traditional banking services.

Operating as a Corporate and Investment Banking (CIB) entity, the Bank concentrates on furnishing a comprehensive suite of solutions and expertise with a Truly Human and Truly Digital lens to multinational corporations (MNCs) – our most important clients. To remain relevant and exceed the expectations of our sophisticated client base, we innovate relentlessly and expand our value propositions to address a broad set of needs across multiple industries and disciplines.

### Our Strategic Value Drivers




### How We Executed Our Strategy

The Bank's strategy has remained resolute, with a clear focus on putting our clients at the centre of everything we do, harnessing the power of a strong global network and promoting Mauritius as a strategic growth platform for Africa.

This past year, we made major strides in executing our strategy with a lot of emphasis on deepening our relationship with our clients, helping them with innovative solutions and growing our franchise with a sector led focus. During the year, we have seen resilience and growth in Mining & Metals, Power & Infrastructure, Telecoms, Consumer and Industrials sectors.

Our 'Proof of Value' (PoV) methodology is the mantra for strategy execution with a clearly defined governing and monitoring process. Concepts are tested in country with a view to adapt and scale up in other franchises. Solutions developed to solve for the Bank have successfully been deployed in other regions.

## Business lines overview

The Bank's core activities lie within the area of Corporate and Investment Banking (CIB), serving large companies (multinational, regional and selective domestic), parastatals and financial institutions across Africa and internationally. Our clients leverage our in-depth sector and regional expertise, specialist capabilities, and access to global capital markets for advisory, transactional, trading and funding support.

Our value proposition is underpinned by three core business segments, supported by Client Coverage, who lead all client engagements:

| Transaction Banking | Global Markets | Investment Banking |
|---|---|---|
| **Products and Services that cater to multinational companies**<br>· Transactional Services<br>· Cash Management<br>· Trade Services<br>· Short Term Funding | **Management of client foreign exchange, interest rate requirements and structured derivative solutions**<br>· Foreign Exchange<br>· Money Market and Fixed Income<br>· Derivative Solutions<br>· Term Deposits | **Corporate banking solutions**<br>· Debt Capital Market Solutions<br>· Term Funding<br>· Structuring Solutions |

**Supported by Coverage**

- Cross-sell Opportunities
- Client Acquisition
- Customer Satisfaction

### Transaction Banking (TxB)

2023 saw a relentless focus on client acquisition and regular quality engagements with our internal and external stakeholders. These factors, along with maintaining a robust and stable deposit base while benefiting from the relatively high interest rate environment, contributed to TxB's strong performance this year.

**Our core pillars**

- Deliver compelling value propositions to clients, underpinned by an improved client experience.
- Grow quality and sustainable revenues while diversifying our product offering.
- Build an engaged and motivated team.

**How we delivered against our strategy**

The performance of our TxB operation reflects our underlying strength as an African transaction banking partner, together with its strong resilience and ability to adapt to a changing customer liquidity management and spending pattern. 2023 saw TxB's financial performance reaching new heights, with revenues and headline earnings growing by 80% and 99%, respectively.

Cash management remained at the heart of our TxB business, with a strong foreign deposit base and increased transaction volumes. With the level of our stable funding base, we benefited from the positive endowment due to the increasing interest rate environment witnessed this year, which contributed to the uplift in TxB revenues. During the year, the focus was on growing and acquiring new depositors from various markets, focusing on key sectors such as Energy and Infrastructure, Mining and Metals and Financial Institutions among others. However, towards the end of the year, a temporary drop in the short-term deposit base was witnessed. This was driven by client investments in large capital expenditure projects, new business acquisitions and dividend payouts, resulting in our short-term deposit base closing at an average balance of USD 1.8bn in 2023, down by 9% year-on-year.

Given the challenging operating environment, with an anticipated decline in interest rates across major international markets, the Bank hedged its endowment base to protect its revenues in future years. Clients' payment-related transactions grew by 9%, mainly from existing and new clients onboarded in 2023. The Bank's unwavering commitment to efficiency and automation has resulted in a notable achievement within our African Franchise – we now have one of the largest proportions of users on our electronic platform. An impressive 96% of our clients utilise our online banking platform for accessing their bank accounts and conducting transactions.

The successful conversion of key pipeline deals and onboarding of new trade clients contributed to double trade finance revenue in 2023. This led to notable growth in transactional volume, trade loans, bank guarantees and working capital deposits. However, the high interest rate environment impacted the drawdown pattern of some key clients, limiting their use of credit facilities or making early repayments to minimise their finance costs. This, together with the relocation of one significant trade client to another jurisdiction, created volatility in our Trade Asset book, which reflected a drop of 18%.

TxB achieved a Client Survey Index score of 8.9 at the last 'Rate My Service' survey (2022: 8.4), which is one of the best scores achieved in our African franchise this year. Clients interviewed have complimented our stable online platform and excellent service delivery, maintaining our position as their preferred choice for transactional banking.

**Looking ahead**
Diversification of revenue and growth of the TxB deposit and asset book will remain one of the key focus areas for 2024. The outlook for 2024 looks promising regarding new business opportunities, additions to our product offering, and enhanced capabilities to promote asset and deposit growth.

We expect to be challenged by the forecasted decline in the interest rate environment in the United States of America (US) and Europe and have been positioning ourselves to mitigate any risk or downturn to our revenue base.

## Global Markets (GM)

2023 was an excellent year for GM, with revenues and headline earnings growing 38% and 64%, respectively, compared to the prior year. The high interest rate environment was positive for the business as clients sought to obtain higher yields by placing term deposits, which were, in turn, efficiently deployed in longer-tenor assets. During the year, the Bank entered into a repo transaction by pledging high-quality assets to enhance yields. Client flows remained strong, boosting Sales income. The Mauritian rupee segment performed well due to the US dollar shortage in Mauritius. FX Trading, on the other hand, was negatively impacted by the lower volatility of exchange rates.

Client engagements remained at the core of Sales activities in 2023, with the Sales team maintaining close proximity to our existing clients and pitching to new potential clients. Our Client Survey rating was the highest among the function across Africa and is testament to the quality of our engagements.

During the year, GM also executed its first callable forward transaction and its single largest Potential Future Exposure transaction to date. The transaction demonstrated the Bank's ability to create fit-for-purpose market pioneering solutions and client delivery within a short timeline. Internally, it demonstrated significant efficiency and collaboration across teams to meet the tight deadlines of the transaction.

**Looking ahead**
Our focus in 2024 will be on diversifying our revenue sources from single-risk type products to multi-risk products. We will continue to expand our product offering as required by our clients and trading desks. Moreover, initiatives to enhance efficiency in the trading room will be rolled out.

## Investment Banking (IB)

This year's focus was accelerating our asset book's growth by generating additional opportunities across our target sectors and countries. Despite the challenging global environment, we proactively engaged with our clients and partners to anticipate and manage their needs, especially given the variable impact of inflation and higher rates on their businesses.

**How we delivered against our strategy**
We ended the year with a strong uplift to our term asset book size, which grew by 106.4% in 2023. Thanks to our ability to leverage the Standard Bank Group's (SBG's) broad network to unlock value for our multinational corporates and pan-African clients, we saw continued growth in our pipeline, with particular emphasis in the second half of the year. Nevertheless, the economic environment continued to be challenging, as demonstrated by the deterioration in sovereign risk in some of the key African markets in which we operate. In 2023, the Bank successfully executed Standard Bank's first Pure Play and Nature Conservation Loan and this bilateral facility is aligned with our client's environmental, social and governance goals, was structured and exclusively led by SBG.

**Looking ahead**
We will pursue the growth of our asset book, notably via focused collaboration with the Client Coverage team and SBG Africa's stakeholders. In parallel, we will continue executing our pipeline, which looks promising, given that corporate activities are picking up across the African continent. This will further diversify our credit exposures, building resilience against potential credit losses.

To deliver on our strategic objectives, **Client Coverage** is a key enabler to business. It encompasses being the single point of contact for the client, providing solutions across sub-Saharan Africa, being responsible for setting client strategy, leading the delivery of the CIB client value proposition. This unit ensures a positive impact for our clients and acting as our clients' trusted partner by consistently innovating and pursuing service excellence, collaborate with boldness, confidence, and inclusivity, and ensure an optimal relationship capital.

The **Data Office**, in operation for a year, was a key contributor to business success. The organisation has agilely embraced the use of meaningful data to make better decisions. The successful deployment of over 20 data-driven models and optimisation tools has empowered the various management committees (EXCO, ALCO, Compliance, and Front Office teams) to accurately address strategic matters in their daily functions. These innovations, developed in-house, have also optimised our operational teams by enabling the automation of manual processes, saving time and increasing focus on client banking needs. As a team, we deliver with the client in mind while complying with local and global governance requirements underpinned by the integrity of our Group governance.

# Operational Excellence

We strive to execute with excellence to better serve and protect our clients. Operational excellence therefore looks at problem-solving, teamwork and leadership, contributing to the organisation's continuous improvement and cost reduction. Providing our clients with a stable system is also crucial in constantly enhancing customer experience and our internal processes.

Our ability to build organisational excellence rests on being a **truly digital** and **truly human** Bank.

## Truly digital: Technology and data

Digitalising our processes is critical for the Bank's future-ready transformation strategy. This applies to our employee and customer-facing processes.

We aim to achieve operational excellence by optimising our costs and diversifying our revenue streams. It is of utmost importance that our systems are always on and always secure for our clients. We are focusing on solutions that can be standardised, connectable and cost-effective for efficient scaling across our segments and the Group.

Our employees also benefit from improved internal efficiency and the opportunity to learn and grow. The automation projects driven by our staff have significantly contributed to delivering exceptional service to our clients.

Each client segment is enabled and supported by engineering, data and innovation capabilities to seamlessly deliver integrated, innovative and cost-effective products and services. We use technology and data to better serve and protect our clients, reduce costs, and scale our business. Highlights for the year in these areas included:

## Engineering excellence

In the landscape of engineering excellence, 2023 was a landmark year for the Bank, marked by our relentless pursuit of technological innovation and operational efficiency. Our commitment to cloud computing has fostered agility, enabling the Group to adapt swiftly to dynamic market conditions while staying abreast of security and regulatory engagements. The successful commissioning of the Bank's virtual Cloud Data Centre and the ongoing migration of six applications, pending regulatory approval, underscore the depth of our investment in a robust, future-ready infrastructure. A significant milestone was achieved by deploying the Group Data Reservoir on the Mauritius Amazon Web Services Control Tower. This initiative is a prerequisite for defining data models/products to support the Bank's data monetisation strategy and automated reporting.

Robotic Process Automation (RPA) has redefined our approach to repetitive tasks, unlocking significant time savings and improving accuracy across operations. The introduction of RPA in 2021 has led to the automation of 11 processes, saving more than 7,000 employee hours and enabling us to redirect our focus towards initiatives prioritising our clients. A comprehensive process discovery undertaken by our Technology team identified 76 additional processes that could benefit from automation, highlighting our proactive approach to cost management and operational efficiency.

Our efforts also focused on ensuring our transactional platforms were optimised for uptime, leading to a more than 70% decrease in critical and high-priority incidents. Satisfactory IT audits throughout the year provided further assurance of our commitment to robust controls and governance.

### Data-driven decisions

Collaborative efforts with the Enterprise Data Office have enabled operational excellence through the automation of regulatory reports; requests for information for onward submission to local authorities; management of the government gazette review; and management of outstanding Nostro items and escalation metrics.

The Bank concluded the year by enabling the automatic data flow feature to automate regulatory report submissions to the Bank of Mauritius, further reducing manual intervention and enhancing operational efficiency.

### Fostering innovation

Innovation has been at the heart of our efforts to enhance client services and operational effectiveness. The digitalisation of payments witnessed a record high, with 92% of total payments processed electronically in December 2023, of which 79% were processed straight through without manual intervention.

The straight-through-processing percentage reached 80% for Outward Transfers and 75% for Inward Transfers. To further enhance customers' experience regarding the processing of manual client instructions, the Payments and Client Services teams, with the help of the Operations Citizen Developer Champion, leveraged existing RPA and managed to push more client instructions to be processed via RPA, resulting in 71% of clients' manual payment instructions being processed by a BOT. More automation opportunities have been identified and developed to assist in managing queries.

Through digital client onboarding, the Bank aspires to significantly reduce the turnaround time for client onboarding. Email-based interactions will be replaced by in-app capabilities and back-office interactions captured through workflows built on Salesforce. A technical go-live was performed towards the end of 2023. It will be rolled out to clients upon regulatory approval. Our digital client onboarding initiative has also assisted in streamlining compliance, maintaining our Know Your Client Compliance status above 98% for the total book. Likewise, more than 99% completion rate was achieved for client reviews.

Corporate and Investment Banking (CIB) Online, launched this year, has transformed our Investment Banking processes. The first version of CIB Online focuses on digital transaction management and provides a view of existing loan details. Several additional functionalities are currently being developed, including transaction execution capabilities.

The e-Market Trader platform continued to improve the client experience in the dealing room by providing real-time pricing and trade execution, reflecting our commitment to delivering innovative and integrated financial products and services.

ISO 20022 for Inward Transfers, Outward Transfers, and Calypso transactions were enabled during the year. ISO 20022 is an International Financial Messaging Standard developed by the International Organization for Standardization to help Swift modernise cross-border payments. A phased approach was implemented, and by November 2025, all messages will adopt the new standards.

Through numerous innovative cost containment initiatives implemented during the year, the team achieved a ratio of 27.24% on technology-to-bank costs, down from 30.88% in 2022. This demonstrates the team's ability to contain costs while pursuing new projects. The culture of optimising resources positively impacted the overall technology cost.

Innovation within the Bank is not solely about implementing new technologies; it is equally about empowering the people behind these technologies. This year, members from the Technology team completed the Salesforce Certified Administrator qualification, Cloud Amazon Web Services Associate certification and Security and Project Management certifications to support the Bank in utilising the latest technologies, implementing new ways of working, and delivering the future-ready transformation strategy.

### 2024 and beyond

As we reflect on the year's achievements, we remain resolute in our dedication to pushing the boundaries of innovation, leveraging the cloud, advancing automation, managing costs judiciously, and nurturing a workforce that embodies excellence and collaboration. It will be the year whereby signature projects, which are the cornerstones of our future-ready transformation strategy, will be delivered. The cloud migrations are expected to be completed in 2024. In the same vein, RPA will continue to transform the Bank, optimising efficiencies by enabling the reskilling of resources and achieving new heights through generative AI and open API technologies. Enhanced focus will be given to data and related components across the Bank to better serve the business and our customers.

### Truly human: Employee engagement

We prioritise empathy, foster open communication, value individual contributions and cultivate a supportive work culture that embraces diversity and well-being. Employee engagement therefore remains one of the Bank's core strategic drivers and a critical component of our journey towards being truly human. Emphasis was placed on collaboration and people empowerment to generate new ideas and improve cross-functional engagement to deliver proof of values as part of our strategic execution. As a result, staff engagement improved, as demonstrated by the annual Employee Opinion Survey.

In 2023, we drove the personal development agenda, encouraging all staff members to take ownership of their development journey by establishing achievable goals and individual development plans. One such initiative to enhance employee engagement was establishing the Standard Bank Mauritius Public Speaking Club for employees to create a connection, grow in confidence, become better communicators and find their voice.

### Gearing our people to be future-ready

As we move towards being a digitally enabled and platform-based financial services organisation, we have embedded a fundamental culture change for our staff to be future-ready across the Bank. To facilitate this culture shift, the Bank encourages continuous learning and cultivating agile structures to swiftly respond to changing business landscapes. Staff across all levels have joined and actively participated in various proof of values to hone and develop their skill sets.

Our focus going forward will be on driving creativity within innovation and digital adoption and ensuring the future-ready skills curriculum is leveraged optimally to meet business requirements.

## Operating Environment

### Moderate global recovery with a sustained drop in inflation

After a steady rebound from the COVID-19 pandemic, the global economy faced a new set of challenges that slowed its recovery. The lasting Russia-Ukraine war, heightened tensions in the Middle East and global supply chain disruptions have resulted in a slow and uneven recovery. The tightening monetary policy across many jurisdictions to keep inflation in check, withdrawal of fiscal support and extreme weather events have also contributed to the persisting uncertain global risk environment. Based on the latest World Economic Outlook, global growth is projected to slow from 3.5% in 2022 to 3% in 2023. Global inflation, however, is expected to maintain its downward trajectory from 8.7% in 2022 to 6.9% in 2023, driven by tighter monetary policy and lower international commodity prices.

Africa faced headwinds, with inflation remaining high and exchange rate pressures being felt in most jurisdictions, resulting in severe depreciation of local currencies. Debt vulnerabilities remained high, with elevated borrowing rates leaving these countries at an increased risk of economic distress. External funding and International Monetary Fund engagements have been plentiful during the year, with sovereigns looking for fiscal consolidation and control over public expenditure. With adequate policies to manage the above, along with more political and social stability, there is an expectation for an improved economic environment in 2024.

The domestic economy remained on a steady growth path in 2023. The tourism sector, which remains one of the key pillars of the economy, has shown a strong performance, with a resurgence in tourist arrivals and a solid demand for Mauritius as a holiday destination. The International Financial Centre sector continues to attract robust financial flows as global cross-border investment activities remain resilient despite challenging global conditions. These sectors, together with construction, remain the key driving force of the local economy. This led to an improvement in the unemployment rate for the year, and economic growth has been projected to close at 7.1% in 2023. (2022: 7.8%). In line with the drop in global inflation, Mauritius saw its headline inflation rate drop below double digits to 7% as at December 2023. We remain optimistic that this declining inflationary trend will continue in 2024, positively impacting economic growth.

To contain inflation, the Federal Reserve (FED) has continued to increase its interest rate, with four hikes in 2023, bringing the FED rate range from 4.25%–4.5% to 5.25%–5.5% by December 2023. Although the Bank benefited from the rising interest rate environment on both its assets and liabilities, we continued to closely monitor the market outlook to ensure proactive management of the balance sheet and revenue optimisation.

**Highlights and initiatives driving the strategy**

The Bank continues to pursue its strategy of diversifying its client base across key focus sectors and attracting new clients looking to use Mauritius as a platform for growth in Africa while maintaining and growing the global multinational corporation franchise in line with the Group's mandate. This strategy has proven successful, positively impacting the Bank's sustainable growth trajectory. The Bank also continues to accelerate its speed of execution and operational excellence to offer clients relevant and targeted products across a range of channels.

## Industry environment

Given the strengthening of monetary policy operations and its transmission mechanism, a new monetary policy framework was introduced early in 2023. The Key Repo Rate was replaced by the "Key Rate" as the policy rate used to signal the stance of monetary policy. The main instrument of the monetary policy has been the introduction of the 7-Day Bank of Mauritius (BoM) Bill to ensure that the amount of liquidity remaining in the system is in line with the demand for reserve money by banks. Moreover, the Central Bank has maintained an interest rate corridor around the "Key Rate" through standing facilities. Banks with excess liquidity or a liquidity shortage may use the standing facilities to clear their liquidity positions. During the year, the Bank utilised this facility recurrently to place its excess liquidity.

The Reference Rate Reform was completed this year, and the Bank has now fully onboarded the reference rates, transitioning from the referencing Interbank Offered Rates. During the transition, the Bank remained committed to ensuring that our pricing practices adhered to international best practices.

The banking industry risk framework has been further enhanced this year following the implementation of various new regulatory guidelines. Banks are now expected to comply with a minimum cyber and technology risk management requirement. A cyber and technology risk management framework, which is commensurate with the size, nature and complexity of banks' activities, services, and underlying technologies, will need to be implemented. In addition, there was a concerted effort within the financial sector to regulate and standardise cloud computing practices, with both the Financial Services Commission (FSC) and BoM releasing Cloud Computing Services guidelines.

**Pertinent regulatory changes by the FSC**

The FSC has published the Guidelines for Digital Signature. The main objective of the guideline is to outline the minimal standards expected by the FSC for its licensees regarding the adoption of digital signatures as a method for electronically signing documents during their financial business operations.

# Financial Overview

The Bank operates in an environment where competition has intensified, and client expectations are constantly evolving. Our clients' business operations experienced robust recovery in 2023, as evidenced by the growth in the Bank's trade finance activities, transactional volumes, and balance sheet lending. Cash and cash equivalents are being tapped into for investment in capex expansion projects, which resonates with the recovery theme for the year. Against this backdrop, the Bank performed well, primarily due to the improved economic environment post-pandemic and increased client activity across all segments.

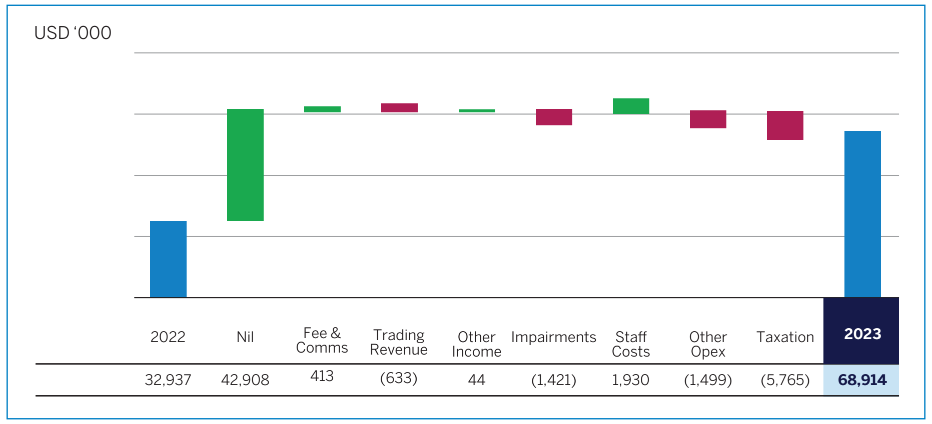
The Bank delivered a strong performance for the year, driven by relentless strategic execution and a positive culture change. We reported robust revenue growth against the prior year, underpinned by the continuous strengthening of the Bank's client relationships and growth of our reach in the countries in which we operate. The Bank's financial performance surpassed objectives set and reached new heights, with headline earnings of USD 68.9m, translating into a return on equity uplift of 40.3%. (2022: 24.8%).

Revenues expanded by 71.0%, with net interest income recording stronger performance and doubling 2022 performance to close at USD 82.6m, driven by a stable deposit base, benefiting from the rising interest rate environment, which led to a positive endowment impact and 55.9% growth in our loans and advances to customers. Improvement in clients' activities and transactional volumes drove growth in net fees and commission revenue, rising 5% from the prior year. Increased client activity supported trading revenue. However, trading income reduced by 5.2%, causing non-interest revenue to decline by 0.9%. Costs were well maintained during the year, leading to operating costs reducing slightly by 1.7% compared to 2022. Revenue growth was well ahead of cost growth, resulting in positive jaws of 72.7% (2022: 55.2%) and an improved cost-to-income ratio of 24.0% (2022: 41.8%). Credit impairment charges grew by 143.1% as a result of the growth in the asset book in 2023 and credit impairment releases in the prior year. Following the change in the tax regime applicable to banks in 2023, tax charges increased significantly by 187.1%.

As a liability-driven balance sheet, the Bank maintained a stable and robust average deposit base of USD 2.2bn since the start of the year and was well positioned to benefit from the rising interest rate environment. The Bank focused on growing and acquiring new depositors from various markets, with an emphasis on specific sectors. However, towards the last quarter of the year, the Bank witnessed a few outflows relating to dividend payments and capital investments by clients, which led to a contraction in the deposit base to USD 1.8bn (2022: USD 2.5bn). The successful conversion of key pipeline deals and onboarding of new clients has enabled strong positive momentum on earning assets, where an increase in credit exposures was witnessed. Loans and advances to customers grew by 59.4%, driven by new facilities disbursed. On the back of the decrease in the deposit base, total assets shrunk by 15.3% to reach USD 2.3bn (2022: USD 2.7bn).

The Bank's capital position remains robust and provides the financial resources to continue to support our clients and drive our growth aspirations, with a common equity tier1 capital adequacy (CET1) of 24.7% and a capital adequacy ratio (CAR) closing at 25.4%, post the payment of a dividend of USD 20m during the year.

The waterfall below details a summary of changes compared to the previous year:




**Looking ahead**

We have both the capital and appetite to support our client's growth. However, our balance sheet growth will remain subject to the economic growth policy and enabling frameworks in the countries in which we operate and, in turn, our clients' confidence to invest. Our performance affirms the Bank's overall strength and the deliberate execution of our strategy across our diverse products, clients and operating markets. Promising opportunities lay ahead to expand our client sectors and grow our revenue streams as we carry out our client and product diversification strategy within our set risk appetite and framework.

# Financial Review

The forecasted financial metrics outlined in the table below are the sole responsibility of the Board and have not been reviewed by the auditors. These forward-looking statements are based on assumptions and beliefs that reflect Management's current views with respect to future events and are subject to risk and uncertainties that may cause the Bank's actual results to differ materially from those contained in these statements. We therefore caution our readers not to place undue reliance on them.

**Table 1: Performance against objectives by key area**

| | Objectives set for 2023 | Performance against objectives in 2023 | Objectives for 2024 |
|---|---|---|---|
| **Return on equity (ROE)** | ROE is expected to be approximately 30.2%. | ROE closed at 40.3%, lifted by higher operating income and contained costs. | ROE is expected to close at 34.7%, given the higher capital base. |
| **Return on average assets (ROA)** | ROA is estimated at 2.1%. | Our ROA increased to 2.8%, driven by higher income. | ROA is estimated at 2.7%. |
| **Operating income** | Net interest income (NII) is expected to increase by 78.1%, driven by asset growth and higher-yielding assets. NII is anticipated to grow by 8.2% due to higher transactional flows and Forex activities. | Operating income rose by 11.0%, driven by a marked increase in NII, which was driven by the stable level of average deposits and the positive endowment impact from higher interest rates. Non-interest revenue (NIR) decreased by 0.9%, driven by lower trading income. | NII is expected to increase by 7.1%, driven by asset growth, while rates are anticipated to drop in 2024. Non-interest income is expected to grow by 19.5%. |
| **Operating expenses** | In line with our continued investment in IT infrastructure to build a future-ready organisation, operating costs are expected to increase by 27.2%. | Operating costs were down by 26.7%, driven by cost discipline. The IT cloud infrastructure costs reduced due to project re-calibrations. | Operating costs are expected to increase by 7.3%. |
| **Cost to income** | As revenues gear up, our cost-to-income ratio is expected to improve to 36.4%. | The cost-to-income ratio improved to 24.0%, driven by higher revenues. | The cost-to-income ratio is expected to close at 27.1%, with increasing costs due to the Bank's continued IT investments. |
| **Loans and advances** | The loan book is expected to grow by 65.5%, given the healthy client acquisition pipeline. Loan-to-deposit ratio is anticipated to increase to 22%. | The loan book growth was lower than forecasted by 11.9%, following a drop in short-term advances. Medium-term advances increased by 2.7%. The loan-to-deposit ratio closed at 23.4%. | The loan book is expected to grow by 68.4%, given the healthy client acquisition pipeline. Loan-to-deposit ratio is anticipated to increase to 23.5%. |
| **Deposits** | We expect a slight shrinkage of 6.1% in our deposit base from clients' outflows as funds are being utilised for investment purposes. | Customer deposits dropped by 11.7% compared to forecast, driven by outflows from clients related to dividend payments and capital expenditure. | The deposit book is expected to increase by 25.1%, in line with our strategy. |
| **Asset quality** | With the growth in our loan book, we expect the non-performing-loan (NPL) ratio to stand at 8.6%. | The ratio of NPLs to gross loans improved to 5.7%, driven by the expansion in the loan book. | With the growth in our loan book, we expect the NPL ratio to stand at 4.7%. |
| **Capital management** | The capital adequacy ratio is targeted at 23.0%, with CET1 aimed at 21.3%. | The capital adequacy ratio closed at 25.5%, with the CET1 ratio at 24.8%. | The capital adequacy ratio is targeted at 20.3%, with CET1 aimed at 19.8%. |

# Analysis of Results

## Revenue

Total operating income increased by 71.0%, driven by a substantial increase in NII of 108.1% but dampened by a drop in NIR of 0.9%.

## NII

Strong average balance sheet growth in our asset book, a stable average deposit base, and margin expansion due to higher interest rates supported the robust NII growth. NII doubled to close at USD 82.6m, delivering a growth of 108.1% year-on-year. We kept a strong positive momentum on earning assets, where an increase in medium-term credit exposures was witnessed, with the term-loan book doubling in size with new disbursement. As part of our Africa-centric strategy, new clients were onboarded and availed of their short-term working capital needs.

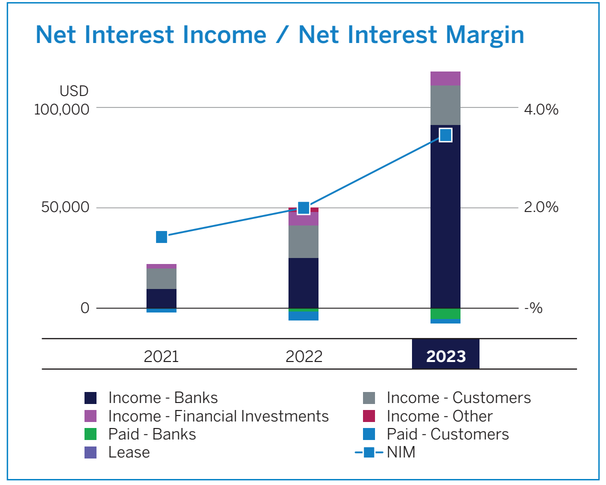
We maintained and grew a robust, stable deposit base, mainly denominated in USD, throughout most of the year. This enabled us to optimise our excess funds, which were deployed into higher-yielding USD bank placements with Group counterparties and correspondent banks. The Bank's regional treasury activities picked up with advances to Group counterparties.

To curb raging inflationary pressures in the US, the Federal Reserve Bank aggressively hiked interest rates from 4.75% in February 2023 to 5.50% by December 2023. These rate hikes were closely adopted by other Central Banks worldwide, contributing to the surge in net interest revenue this year.

Interest income rose by 151.2% to close at USD 130.8m, with growth across all product lines. Being predominantly a USD-based balance sheet, the Bank benefited from the rising interest rate environment on its bank placements, with interest increasing threefold to reach USD 92.5m, while income earned on loans and advances improved by 77.0% to close at USD 26.1m. Interest on financial investments improved by 166.5% as the Bank invested in US Treasuries and benefited from yield optimisation. Recognising the potential for future interest rate fluctuations, the Bank proactively hedged its earnings by entering into an endowment hedge by investing in longer-term US Treasuries with a guaranteed fixed return.

However, the rise in interest income was softened by the pickup in interest paid on our client deposits, predominantly driven by our term deposits, which grew by 31.8%. This contributed to an improvement in net interest margin, which closed at 3.3% (2022: 1.6%). The negative impact of tighter pricing was offset by the endowment tailwinds.

As a result of these higher-yielding assets, the net interest margin improved to 3.3% (2022: 1.6%).

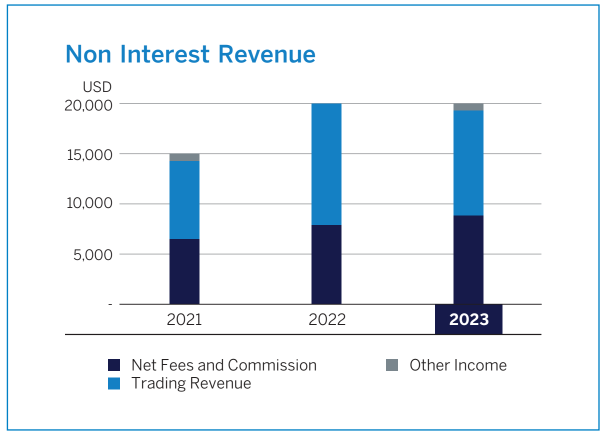



## NIR

NIR decreased by 0.9% to close at USD 20.3m.

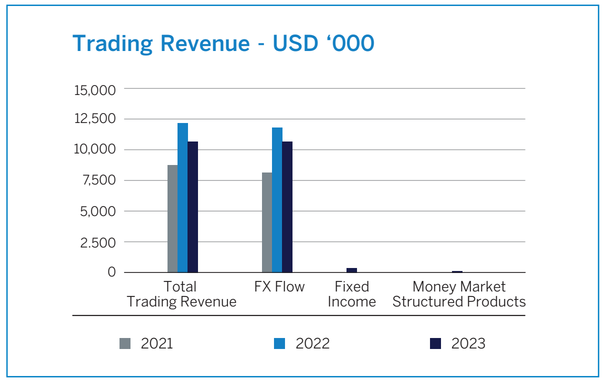
## Fees and commissions

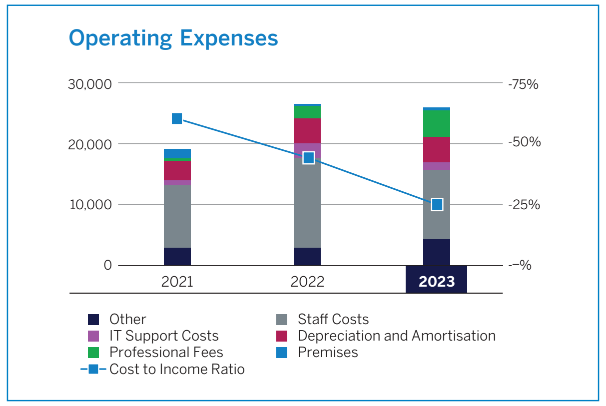
An uplift in fees and commissions revenue was noted as client activity levels and transactional volumes improved. This performance was enhanced by higher trade finance activities and upfront and commitment fees earned on unutilised facilities.




## Trading income

Trading income witnessed a slight drop of 5% to reach USD 11.4m compared to the prior year. In 2022, the trading desk benefited from the higher market volatility and the continuous depreciation of the Mauritian rupee vis-à-vis the US dollar on its USD/MUR positions. Client sales activity remains robust, with a year-on-year growth of 8% due to increased client flows and new structured product offerings. Both the sales and the structured product desks' revenues improved compared to the prior year, but these did not mitigate the drop in revenue from the trading desk.




## Other revenue

Other revenue increased by 16.7% due to recharges of shared services.

## Credit impairment

The credit impairment charge was USD 427.9k, while in 2022, there was a release of USD 992.8k. The credit loss ratio closed at 0.8% (2022: 0.7%).

**A detailed analysis of performing and non-performing loans is provided in the Financial risk management report (pages 146 to 172).**

## Operating expenses

Operating expenses decreased by 1.72%, attributable to lower staff costs, down by 16.1% but offset by a pickup in operating costs of 11.3%.

During the year, the Bank continued its effort to strengthen its human capital through salary incremental adjustments to align with the cost of living. This increase was offset by the release of the retirement benefit obligation (pension gratuities) following a change in the methodology prescribed by the government.

Operating cost growth was impacted by higher inflation and increased professional fees, which were up by 86.3%, driven by a rise in franchise fees paid following the strong growth in operating income.

To support societal well-being through the Bank's social, economic and environment programme (SEE), donations went up by 151.1% in 2023 as a result of the Bank's increased profitability. This year saw the Bank continuing to strengthen client relationships and engaging new clients as part of its strategic execution, with overseas travel and marketing activities on the rise, up by 11.3%, driven by client campaign visits and brand repositioning. These costs increases were partially offset by the tightly controlled discretionary spending from the continued infrastructure optimisation. Our journey to cloud migration of our core banking system was delayed, which required provision reversal of IT spending during the year, leading to a drop in technology spending by 25.5%.

Operating expense growth was well below total income growth, which resulted in positive jaws of 72.7% and a decline in the cost-to-income ratio to 24.0%.

## Tax

The significant increase in tax charge can be attributed to the increase in profitability and higher tax rate applicable to banks following the change in legislation. The applicable taxes comprise corporate tax, special levy and corporate social responsibility. Under the amended legislation, the Bank is subject to corporate tax at a rate of 5% on its chargeable income (taxable income less tax-deductible expenses), up to MUR 1.5Bn, and 15% on the remaining chargeable income as compared to a flat rate of 5% applicable to the Bank previously given the lower chargeable income.

## Dividends

The Bank paid a dividend of USD 20.0m in 2023 to our shareholder, Stanbic Africa Holdings Limited.

## Total assets

Total assets reduced from USD 2.7bn to USD 2.3bn by the end of 2023 following a temporary drop in the deposit base in the last quarter of the year, where the Bank witnessed a few client outflows, which led to a contraction in the deposit base.

## Loans and Advances

### Loans and advances to banks

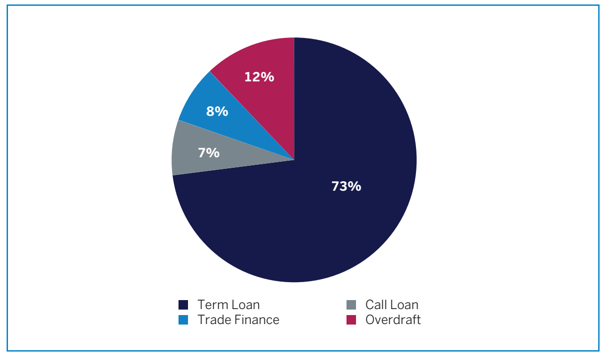
Gross loans and advances to banks are made up of bank placements, which dropped by 10.6% to reach USD 596.0m on the back of the drop in the funding base, coupled with the increase in loans and advances. Loans to banks as part of our regional treasury activities reduced by 45.1% to close at USD 66.1m following scheduled repayments of term facilities from our Group counterparties.

### Loans and advances to clients

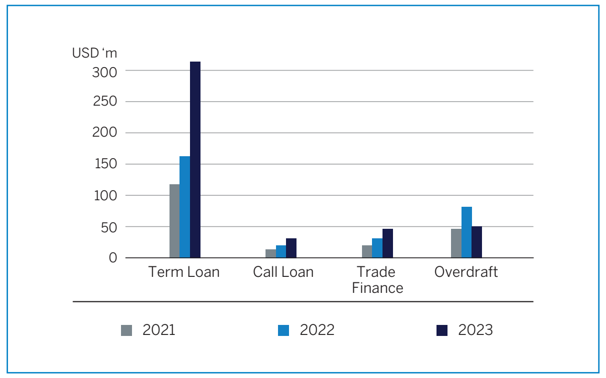
With our strategic focus on client acquisition, the Bank experienced a significant growth of 55.9% in its loan book portfolio. During the year, term-loan facilities grew twofold by USD 155m to reach USD 312.4m. Gross loans and advances are split into an asset mix of term-loan facilities and short-term advances and remain primarily driven by Segment B clients.

In line with the Bank's strategy to elevate its asset book, term assets grew by 98.5% year-on-year following the disbursement of new term facilities. However, the high interest rate environment has marginally impacted the drawdown pattern of some key clients, limiting their use of short term and working capital credit facilities or making early repayments to minimise their finance costs. This led to an average drop of 13% in short-term assets year-on-year. Overall, an elevated loan-to-deposit ratio of 23.4% (2022: 11.6%) was witnessed.

The product mix is detailed as follows:




## Analysis of gross loans and advances

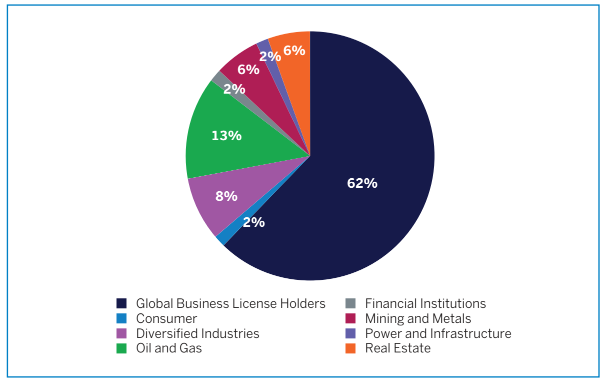



## Credit exposure portfolio

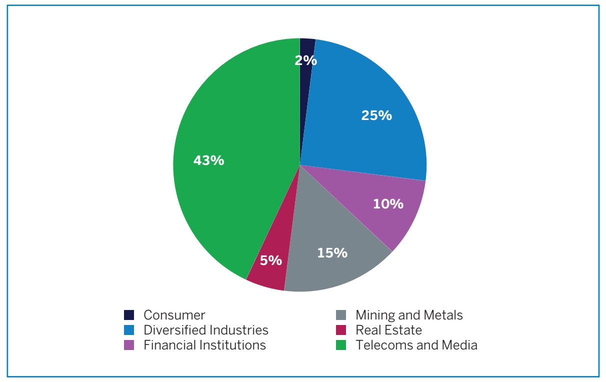
Our client segments consist of Tier 1 multinational corporations and established Tier 1 domestic counterparties. Periodically, we reassess our credit risk appetite in relation to evolving sector challenges and macroeconomic changes, with caution being exercised as and when appropriate. The sector appetite is a benchmark used to manage our current and future exposure to each sector based on each sector's key risks and outlook. This strategy enables us to establish a well-balanced and diversified asset book risk profile based on insightful sector information.

At year-end, the Bank's exposures to the Global Business Licence (GBL), Oil and Gas and Diversified Industries sectors stood at 62%, 13% and 8%, respectively. Exposure within the GBL sector remained well-diversified and aligned with our sector appetite.

The credit exposure portfolio mix (%) highlighting its concentration across sectors is as follows:




Given the predominance of the Global Business Company's (GBC) exposure in our asset book, a further breakdown of the Global Business Licence (GBL) Holders portfolio mix (%) is provided below:




## Credit concentration

The Bank of Mauritius (BoM) defines 'a large credit exposure' as the aggregate of credit exposure to one customer or group of closely related customers for amounts exceeding 10% of the Tier 1 Capital. The BoM has set a regulatory limit for the aggregate of such exposures not to exceed 800% of Tier 1 Capital for MUR-denominated exposures and 1200% of Tier 1 Capital for foreign currency-denominated exposures. For all exposures above 25% of Tier 1 Capital, our parent company, Stanbic Africa Holdings Limited (SAHL), has been informed as prescribed by the relevant section of the Bank of Mauritius Guidelines.

As at 31 December 2023, all credit exposures were within the regulatory limit. There were no single customers with exposures above 25% of the Tier 1 capital base, nor a group of customers with exposures above 40% of the Tier 1 capital base for MUR-denominated exposures and 75% of Tier 1 Capital for foreign currency-denominated exposures. The Bank's internal policies and practices are governed by the requirements of the BoM's Guideline on Credit Concentration Risk and other relevant Bank of Mauritius regulatory guidelines.

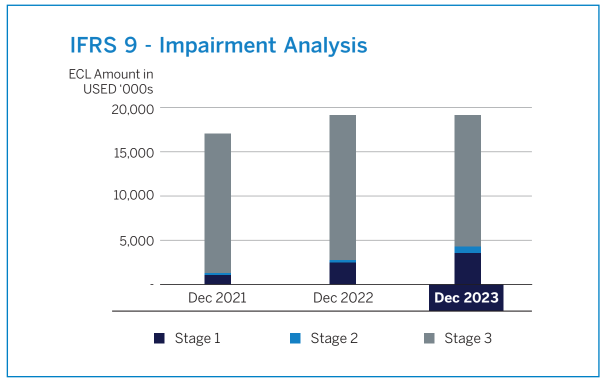
The large credit exposure as at 31 December 2023 were as follows:

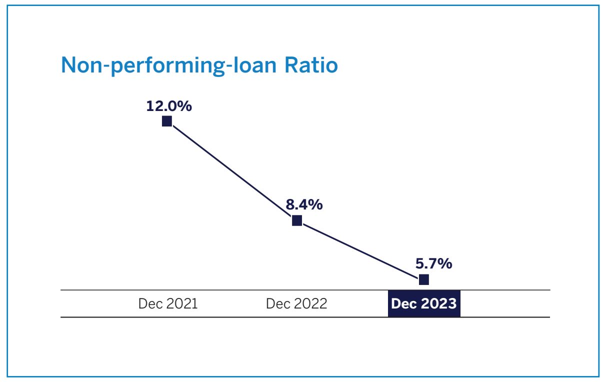
| Sector | Exposure (USD'000) | Percentage of Tier 1 capital |
|---|---|---|
| Consumer (1 Client ) | 40,603 | 22% |
| Diversified Industries (1 Client) | 35,625 | 20% |
| Oil and Gas (1 Client and 1 Group of Clients) | 54,034 | 30% |
| GBL (15 Clients and 1 Group of clients) | 383,234 | 211% |
| Real Estate (1 Group of Clients ) | 25,874 | 14% |
| Mining and Metals (1 Group of Clients) | 20,461 | 11% |
| Telecoms and Media (1 Client) | 27,000 | 15% |
| **Total** | 586,831 | 322% |

The Bank has an industry portfolio concentration model and policy in place, which actively regulates the management of our sector concentration. Limits defining the Bank's credit appetite have been set, with particular attention paid to sectors with potential credit concerns.

## Credit quality

The Bank performed rapid risk review exercises on the credit portfolio using the latest available information on the counterparties and their respective sectors, taking into consideration the current global macroeconomic conditions, such as global inflation, the Russia-Ukraine war, FX liquidity issues and rising interest rates. The overall portfolio was deemed to be in a healthy position.




The NPL ratio to total credit exposure fell to 5.7% as at year-end. Stage 3 credit impairment provisions decreased from USD 15.6m to USD 15.3m in 2023. Our credit loss ratio increased to 0.8% in 2023 (2022: 0.7%). The total allowance for credit loan losses aggregated to USD 20.3m under IFRS 9 for all financial assets subject to credit risk.

The level of provision on the performing book under IFRS 9 was lower than the 1% regulatory requirement provision, per the BoM Guideline on Credit Impairment and Income Recognition at year-end. As such, the additional provision was maintained under the statutory credit risk reserve in line with the BoM Guideline on Credit Impairment and Income Recognition.

**A detailed analysis of performing and non-performing loans is provided in the Financial risk management section on pages 146 to 172.**

The quality of the lending book remains healthy, with no new impaired exposures during the year. The existing impaired assets remained stable at USD 24.6m and were duly provisioned for. One of these non-performing assets was restructured during the year.

Our credit appetite on sector exposure is being managed within the Bank's approved framework to ensure that an acceptable level of concentration risk and cross-border activities are managed under our country risk management policy and the BoM Guideline on Cross-Border Exposures. This policy is in line with both regulatory requirements and our business strategic deliverables as far as the asset build-up is concerned.

## Cash and cash equivalents

Cash and cash equivalents consist of Nostro balances, balances with Central Banks and bank placements with a maturity of less than three months. This short-term liquidity has decreased compared to the prior year following the drop in the funding base.

## Financial investments

Financial investments consist of MUR treasury bills and US treasuries, stemming from the Bank's requirement to maintain an adequate stock of unencumbered high-quality liquid assets (HQLA). The shrinkage in the funding base has led to a lower requirement in HQLA to be held. The financial investment portfolio has dropped by 35.0% to USD 301.9m, and the overall ratio of liquid assets as a percentage of deposits was 60.3% (2022: 77.5%).

## Trading assets

Trading assets are primarily MUR government securities on the back of client hedging activities in Mauritian Rupees. There were no holdings in the trading portfolio as at year-end due to low client hedging activities.

## Derivative assets and liabilities

Derivative assets and liabilities comprise mark-to-market on foreign exchange derivatives, held mainly for trading purposes. Derivative assets were stable at USD 3.5m, and derivative liabilities increased from USD 3.1m to USD 3.3m from the prior year, impacted by valuation and portfolio change from matured and new trades.

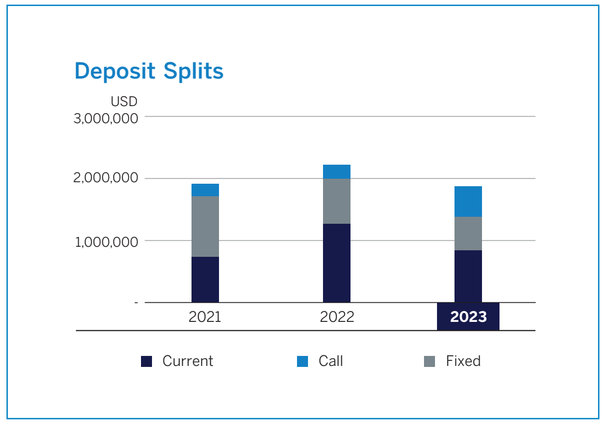
## Pledged assets

As part of the yield enhancement strategy, the Bank entered into a reverse repo agreement and pledged US sovereign bonds from its financial investment portfolio as collateral. Bonds with a nominal amount of USD 67m were pledged. The assets pledged by the Bank are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets. These transactions are conducted under terms customary to standard repurchase agreements and securities borrowing activities.

## Deposits from customers

The Bank maintained a robust average deposit base of USD 2.2bn throughout the year. However, during the last quarter of the year, the Bank witnessed a few outflows relating to dividend payments and capital investments by clients. The customer deposit book contracted by 23.1% to USD 1.8bn (2022: USD 2.4bn). The drop was primarily due to a 41.9% drop in current account deposits due to operational outflows, further compounded by significant outflows from top depositors related to dividend payments and capital expenditure.

## Composition of deposits from customers (%)




## Deposits from banks

Deposits from banks dropped by 3.5% to reach USD 133.8m (2022: USD 138.6m) due to fewer intergroup term deposits during 2023.

**Off-balance-sheet exposure per sector**

| Sector | 2023 USD'000 | 2022 USD'000 | 2021 USD'000 |
|---|---|---|---|
| Consumer | 502 | 1,826 | 2,602 |
| Financial Institutions | 25,598 | 972 | 2,249 |
| Industrials | 19,525 | 20,129 | 15,823 |
| Mining and Metals | 11,933 | 18,616 | – |
| Oil and Gas | 16,403 | 5,650 | – |
| Personal | – | – | 5 |
| Power and Infrastructure | 148 | 11,066 | 11,827 |
| Telecoms and Media | 3 | 775 | 680 |
| | 74,112 | 59,034 | 33,186 |

Off-balance-sheet exposure grew by 25.5% in 2023, with increases in the Financial Institutions and Oil and Gas sectors.

**Off-balance-sheet exposure by geographical concentration**

| Country | 2023 USD'000 | 2022 USD'000 | 2021 USD'000 |
|---|---|---|---|
| China | 24,457 | 240 | 1,373 |
| France | 1,452 | 883 | 935 |
| Germany | – | – | 1 |
| Ghana | – | 366 | 193 |
| Italy | 107 | 240 | 291 |
| Kenya | – | – | 25 |
| Luxembourg | 10,697 | 10,697 | 11,627 |
| Mauritius | 28,424 | 19,345 | 15,321 |
| Netherlands | 4,706 | 5,650 | – |
| South Africa | 2,945 | 2,597 | 3,420 |
| UK | 1,000 | 400 | – |
| DRC | – | 17,845 | – |
| Egypt | – | 771 | – |
| Nigeria | 324 | – | – |
| Grand total | 74,112 | 59,034 | 33,186 |

**Looking ahead**

The Bank remains cautiously optimistic that 2024 will continue to foster this trend of investment, financing needs and opportunistic new entrants to Africa, bearing in mind a few key African markets have the year earmarked as a sovereign election year.

The Bank is witnessing a renewed interest in Mauritius as a jurisdiction from multiple corporates searching for a safe destination to leverage their footprint.

# ENSURING OUR SUSTAINABILITY

# RISK AND CAPITAL MANAGEMENT REPORT

## Introduction

Effective risk management is fundamental to the successful execution of the Bank's strategy as it pursues its vision to build the leading financial organisation in, for and across Africa. The role of the risk management function is to ensure that the full spectrum of risks faced by the Bank are properly identified, assessed, managed, monitored, and reported in pursuit of its strategic and financial goals.

## How we manage risk

Our risk management approach ensures consistent and effective management of risk and provides for appropriate accountability and oversight. Risk management is enterprise wide, applying to all business units and corporate functions and is a crucial element in the execution of our strategy.

### HOW WE MANAGE RISK

We manage risk by:

- Taking a holistic forward-looking view to identify the risks we face;
- Assessing threats and opportunities in our operating environment;
- Being consistent in our approach to risk and capital management, with guidance from our well-developed risk management framework.

**Risk culture**

Our risk culture enables us to consistently do the right business, the right way to achieve our strategic objectives.

**Organisational design**

Risk management is enterprise-wide, applying to all entity levels.

**Risk management approach**

- Ensures consistent and effective management of risk within our Board-approved risk appetite
- Provides for appropriate oversight and accountability.

**Risk governance**

Our risk documents comprise governance frameworks, standards and policies. Our risk governance is:

- Underpinned by a strong control environment
- Defined in our risk governance and management standards and policies.

Our governance structure enables oversight and accountability through appropriately mandated Board and management Committees.

**Risk management lifecycle**

Our risk universe is managed through the risk lifecycle. The risk measurement process includes rigorous quantification of risks under normal and stressed conditions, up to and including recovery and resolution.

Identify → Assess and measure → Treat → Monitor and report

**Three lines of defence**

**The three lines of defence maintain a strong and resilient risk culture.**

| | | |
|---|---|---|
| 1 | **Risk ownership:** Business unit and legal entity management | Design and implement an effective risk management programme across the enterprise. |
| 2 | **Direct, control and oversight:** Risk and compliance management functions, and the Board | Facilitate risk and capital management activities at an enterprise level and within different segments and entities. |
| 3 | **Risk advisory and assurance:** Group internal audit | Provide assurance on the adequacy and effectiveness of the risk management programme. |

## Risk Universe

Our risk universe represents the risks that are core to our financial services business. We organise these into strategic, financial and non-financial categories. We routinely scan our operating environment for changes to ensure that we respond appropriately to risks and opportunities that may arise.

### STRATEGIC RISKS

The potential downside impact of an operating shortfall due to lower than expected performance in business volumes and margins not compensated for by a reduction in costs.

**Strategy position risk**

Risks relating to strategic position choices, such as our value propositions, products, consumer segments and channels that result in the unexpected variability of earnings and other business value drivers.

**Strategy execution risk**

Risks relating to strategy implementation failures, where management execution capability and operational decisions do not meet strategic objectives.

**Reputation risk**

Risks relating to the potential or actual damage to our image which may impair the profitability and sustainability of our business.

### FINANCIAL RISKS

**Credit risk**

The risk of loss arising from the failure of obligors to meet their financial or contractual obligations when due. It comprises obligor risk, concentration risk and country risk and represents the largest source of risk exposure for our banking segments.

**Market risk**

The risk of changes in the market value, actual or effective earnings or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, correlations and implied volatilities in all these variables.

**Funding and liquidity risk**

The risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

**Country risk**

The uncertainty that obligors, including relevant sovereigns and our branches and subsidiaries in a country, will be able to fulfil obligations due to the group, given political or economic conditions in the host country.

# Non-financial Risks

Non-financial risks cover operational risks from inadequate or failed processes, people and systems as a result of internal or external factors. They are managed separately from financials risks and exclude strategic risks. Non-financial risks are complex as they are often difficult to anticipate and quantify. They evolve rapidly, with significant overlaps across risk types, and could have both financial and non-financial implications. The 17 non-financial risk types are shown below.

**Business Disruption Risk**
The inability to effectively respond to a disruptive event, resulting in failure to continue the provision of services and reputational damage.

**Conduct Risk**
The risk that detriment is caused to the clients, the markets, or the group itself because of inappropriate execution of business activities.

**Compliance Risk**
The risk of legal or regulatory sanction, financial loss or damage to reputation that the Group may suffer as a result of its failure to comply with laws, regulations, codes of conduct, internal policies and standards of good practice applicable to its financial services activities.

**Cyber Risk**
Cyber Risk is the potential of a digital attack on the bank's systems for financial gain - either direct (through cash out attacks) or indirect (through stolen data or extortion)

**Environmental, Social and Governance (ESG) Risk**
Risks to the bank's ability to achieve its strategy arising from the management of the Group's environmental, social and governance risks. This includes the management of the direct and indirect impacts of the Group's business activities on the environment and society in which it operates.

**Financial Accounting Risk**
The risk of misstatement of financial statements.

**Financial Crime Risk**
The risk of products or services being utilised in a manner that leads to money laundering, terrorist financing, sanctions violation, bribery and corruption, facilitation of tax evasion or perpetration of fraud.

**Information Risk**
Information risk is the risk of accidental or intentional unauthorized use, access, modification, disclosure, dissemination or destruction of information resources, which could compromise the confidentiality, integrity and availability of information which would potentially harm the business.

**Legal Risk**
The risk of financial or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to, the way law and regulation apply to your business, its relationships, processes, products and services.

**Model Risk**
Model risk arises from the fundamental errors in models that may produce inaccurate outputs when viewed against the design objective and intended business uses, and the incorrect or inappropriate use of a model.

**Fraud Risk**
Fraud is the unlawful and intentional misrepresentation committed to secure an unfair or unlawful gain.

**People Risk**
Undesirable impact on business objectives due to inability to attract, develop, manage and retain the required talent. It encompasses consequences due to the impact of decisions of people, inside and outside of the organisation. The risk of breaching employment legislation and mismanaging employee relations.

**Physical Assets, Safety and Security Risk**
The risk of damage to the organisation's physical assets, client assets, or public assets for which the organisation is liable, and (criminal) injury to the organisation's employees or affiliates.

**Tax Risk**
The risk of failing to meet statutory reporting and tax payments/filing requirements.

**Technology Risk**
Risk associated with system (including hardware, software, networks) failure and/or outage, as well as failures in technology ownership, operations, adoption, IT practices, partner delivery and execution of IT changes, which has the potential for operational loss, reputational damage, regulatory sanctions, and reduced competitiveness.

**Third-party Risk**
Third-party Risk is the potential harm or negative impact to an organisation as a result of the actions or practices of external parties in its ecosystem and supply chain.

**Transaction Processing Risk**
Failure to process, manage and execute transactions and/or other processes (such as change programmes) correctly and or appropriately.

# Risk Governance

The Bank's approach to managing risk and capital is set out in the Bank's Risk Management Framework, which is endorsed by the Board of Directors. The framework has two components:

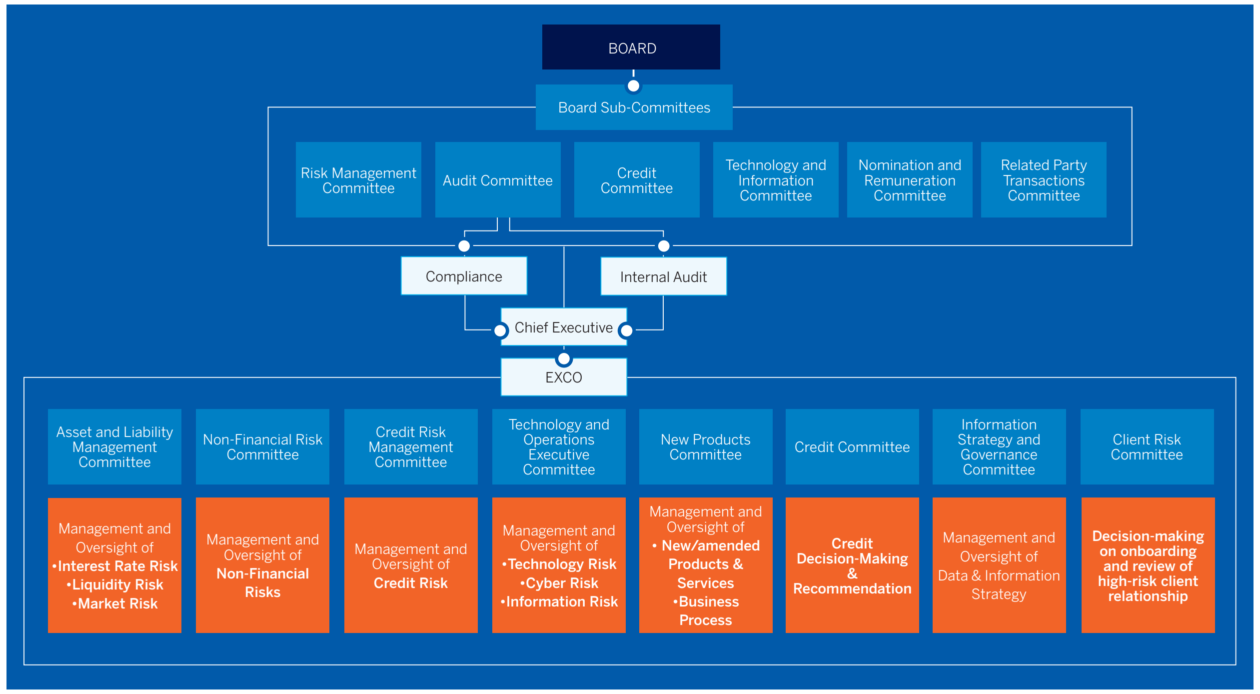
| GOVERNANCE DOCUMENTS | **Governance documents** comprise standards, frameworks and policies which set out the requirements for the identification, assessment, measurement, monitoring, managing and reporting of risks and the effective management of capital. Governance standards and frameworks are approved by the Board. |
|---|---|
| **GOVERNANCE COMMITTEES** | **Governance Committees** are in place at both a Board and management level. These Committees have mandates and delegated authorities that are regularly reviewed. |

Risk governance standards have been developed for all major risk types the Bank is exposed to so as to ensure that all material risks related to the Bank's strategic and financial objectives are identified and managed proactively. The risk governance standards are part of the Group's governance infrastructure, reflecting the expectations and requirements of the Board and its Committees in respect of key risk areas. The standards set out minimum control requirements and ensure alignment and consistency in the way the major risk types and capital management metrics across the Group are dealt with, from identification to reporting.

Policies are developed, where required, on specific items, as stated within the standards and are reviewed on a biennial basis, or earlier if required. These policies are localised to recognise in-country laws, regulations and the operating environment.

Details with regard to the implementation of these policies within each business unit are set out in procedure manuals. Compliance with the standards, policies and procedures is overseen by the second line of defence teams through a review of annual self-assessments by business units and assurance reviews. Reviews are also performed by the third line of defence function as per the annual internal audit plan.

# Structure




# Board and Sub-Committees

The Board of Directors of Standard Bank (Mauritius) Limited holds the ultimate responsibility for the oversight of risk. As at 31 December 2023, the Board is satisfied that:

- The Bank's risk and capital management controls and processes generally operated effectively.
- The Bank's business activities have been managed within the Board-approved risk appetite.
- The Bank is adequately funded and capitalised to support the execution of its strategy.

In the instances where gaps were identified or where the Bank incurred losses and breached its risk appetite, the Board is satisfied that Management has taken appropriate remedial and timely action.

## Executive Committees

Details of the Executive Committees (EXCOs) are provided in the Corporate governance report section of this annual report. Other EXCOs of the Bank are detailed below.

## New Products Committee (NPC)

The purpose of the NPC, a sub-committee of the EXCO, is to facilitate the introduction of new products, services, client channels and platforms in a coordinated and effective manner that is consistent with our overall strategic business and risk management focus.The NPC is chaired by the Chief Finance Officer and consists of a minimum of five EXCO members depending on the type of product/service being introduced. The NPC meets as and when required. The objectives of the NPC are:

- To ensure that any significant risks that could arise from the introduction or amendment of businesses, products or services are properly identified and appropriately addressed by the relevant parties.
- To achieve greater consistency in decision-making by standardising the requirements for the approval process of new products.
- To ensure that feasible and viable support and control processes and systems are in place to support the deployment of new products.

- To ensure that risks from interdependencies associated with the roll-out of products are properly identified and mitigated in a coherent manner.
- To ensure adequate control and effective maintenance of the NPC process itself.

### Credit Committee
The Credit Committee is the senior management legal entity credit decision-making function, with a defined, delegated authority as determined by the Board of Directors through the Board Credit Committee from time to time. The purpose of the Credit Committee is:

- To exercise responsibility for the independent assessment, approval, review and monitoring of all credit risk assets relating to the Bank's business.
- To ensure that the origination and management of the assets in the portfolio are done in terms of the Group's Credit Standard and any other guidance given to it by Group Governance Committees from time to time.

The Credit Committee, a sub-committee of the EXCO, is chaired by the Head: Credit and comprises at least four core members. The Credit Committee meets at least monthly, as determined by business needs.

### Information Strategy and Governance Committee
The Information Strategy and Governance Committee has been established as a sub-committee of the in-country EXCO and is mandated to set, track, monitor and report on the effective implementation of the Bank's data and information strategy.

The main responsibilities of the Committee include, inter alia, the following:

- Setting the priorities and agreeing on the critical data and information scope for the Bank.
- Approving the Bank's operating model for data and information.
- Making investment decisions on key data and information programmes.
- Overseeing and supporting the delivery of strategic data and information projects.

The Information Strategy and Governance Committee is chaired by the Head: Enterprise Data Office and meets at least on a quarterly basis.

### Client Risk Committee
As a cornerstone of good practice and in line with regulatory requirements, the Bank is required to determine its appetite for establishing or continuing a business relationship with a potential or existing customer classified as high risk. The Client Risk Committee, a sub-committee of the EXCO, serves to give effect to the governance and control requirements of the Bank and is responsible for approving client relationships, where that relationship may have adverse reputational risk implications for the Bank. Potential reputational risks span a wide spectrum of parameters: country of operation, nature of business activity, connection with politically exposed persons and adverse information, amongst others. The Bank, through the Client Risk Committee, ensures that a review process is in place for all relevant clients falling within this category.

The Client Risk Committee is chaired by the Head: Client Coverage and comprises the Chief Executive, Head of Legal, Money Laundering Reporting Officer (MLRO) and other EXCO members (Operations, Risk or Transaction Banking). The Committee meets fortnightly or as required, depending on business requirements.

### Risk Culture
The Bank leverages the three lines of defence model to build and maintain a strong risk culture, where resilience is a priority for the effective management of risk across the Bank. Focus is placed on multiple drivers to strengthen the risk culture, with emphasis on doing the right business, the right way. Employees are empowered to act with confidence, drive meaningful behavioural changes and place the customer at the centre of everything they do by embedding the Bank's values and Code of Ethics, compliance training, conduct framework and whistle-blowing/ fraud reporting programmes.

Key components of the Bank's Risk culture include:

- Tone from the Top – Directors and Executive Management are required to consistently act professionally and ethically in line with the principles of integrity, accountability and transparency, thus leading by example and promoting and maintaining trust across the Bank
- Robust Risk Governance – Executive Management continuously ensures that legal, regulatory and business requirements are fully embedded in the Bank's policies, processes and governance frameworks, which are supported by robust control mechanisms to ensure compliance with same.
- Focus on key and emerging risks – Executive Management is responsible for proactively identifying and managing principal and emerging risks.

### Risk Management Team
The risk management team provides day-to-day oversight of the management of risk and promotes a strong risk culture across the Bank. The function aims to reinforce the Bank's resilience by encouraging a holistic approach to the management of risk and return throughout the Bank, as well as the effective management of the Bank's risk, capital and reputational profile. The following principles underpin the Bank's risk culture:

- Business is undertaken within the defined risk appetite and approved risk management framework
- Continuous identification, monitoring and management of risks
- The Bank needs to be adequately compensated for risks taken.

The risk management team is responsible for creating and maintaining risk practices across the Bank as defined by Group Risk and ensuring that controls are in place for all risk categories.

The risk management team maintains its objectivity by being independent of operations. The Chief Risk Officer (CRO) has a direct reporting line to the Chief Executive, Group Risk and the Board Risk Management Committee.

## Risk Appetite and Stress Testing

### Overview
The key to the Bank's long-term sustainable growth and profitability lies in ensuring that there is a strong link between its risk appetite and strategy. The risk appetite is set and stress-testing activities are undertaken at a risk-type level and legal-entity level.

### Governance
The Assets and Liabilities Committee is the primary management-level governance committee responsible for overseeing the Bank's risk appetite and stress testing. It is guided by two principal governance documents: the risk appetite governance framework and the stress testing governance framework.

### Risk Appetite Governance Framework
The risk appetite governance framework guides:

- The setting and cascading of risk appetite by risk type and legal entity
- Measurement and methodology
- Governance
- Monitoring and reporting of the risk profile
- Escalation and resolution.

The Bank has adopted the following definitions:

**Risk appetite**: An expression of the amount or type of risk the Bank is willing to take in pursuit of its financial and strategic objectives, reflecting its capacity to sustain losses and continue to meet its obligations as they fall due, under both normal conditions and a range of stress conditions.

**Risk appetite trigger**: An early warning trigger set at a level that accounts for the scope and nature of available management actions, and ensures that corrective management action can take effect and prevent a risk tolerance limit breach.

**Risk tolerance**: The maximum amount of risk the Bank is prepared to tolerate above its set risk appetite. The metric is referred to as a risk tolerance limit.

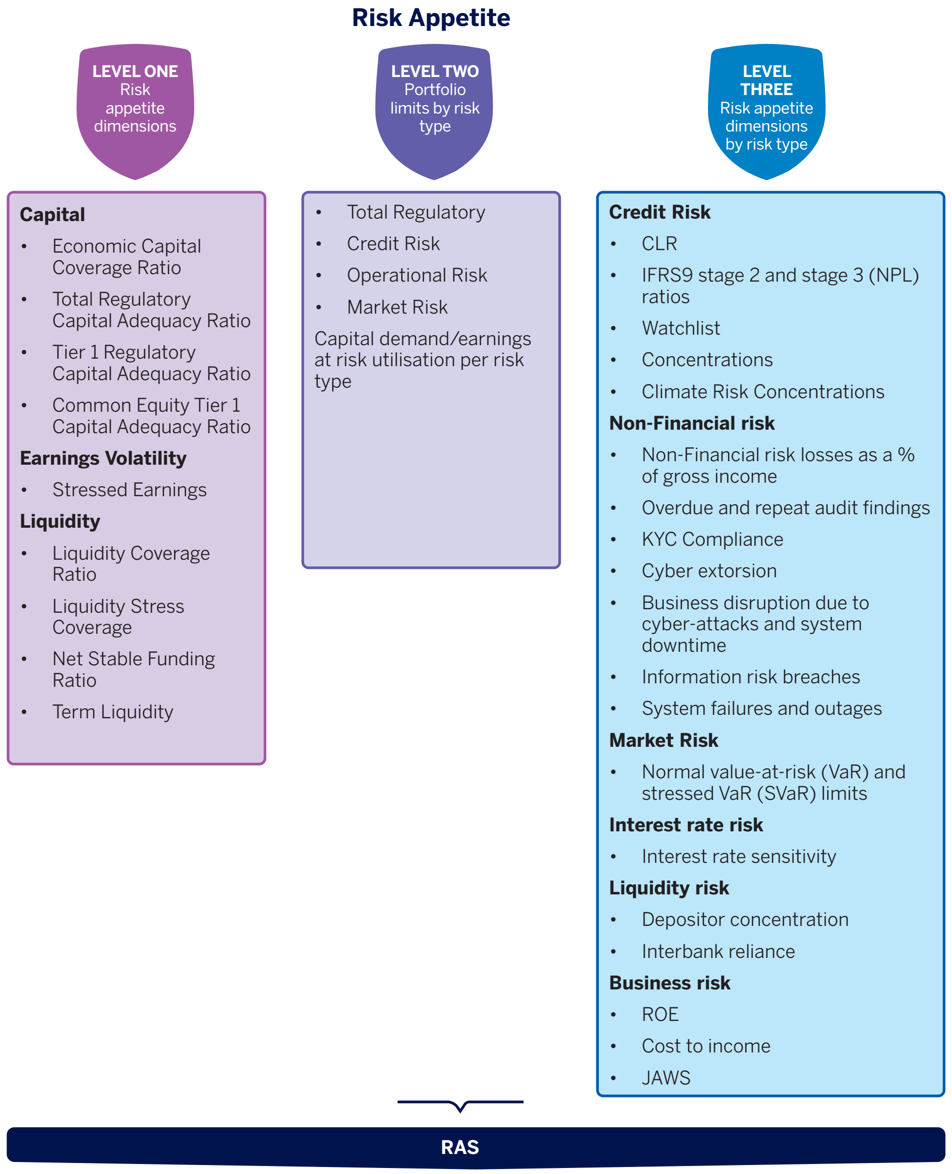
**Risk capacity**: The maximum amount of risk the Bank can support within its available financial resources.

**Risk appetite statement (RAS):** The documented expression of risk appetite and risk tolerance that have been approved by the Board. The RAS is reviewed and revised, if necessary, on an annual basis.

**Risk profile**: The risk profile is defined in terms of three dimensions, namely:

- Current or forward risk profile
- Unstressed or stressed risk profile
- Pre or post-management actions.

The following diagram provides a schematic view of the three levels of risk appetite, as well as the integral role that risk types play in the process of cascading risk appetite from dimensions such as regulatory capital, economic capital, stressed earnings and liquidity, to more granular portfolio limits.




## Risk Appetite Statement

Executive Management and the Board Risk Management Review Committee are responsible for recommending the RAS for approval by the Board. In developing the RAS, Executive Management considers the Bank's strategy and the desired balance between risk and return. The Board Risk Management Committee reviews the Bank's current risk profile on a quarterly basis and forward risk profile (both stressed and unstressed) at least annually. Risk appetite dimensions can be either quantitative or qualitative.

Quantitative level one risk appetite dimensions relate to available financial resources and earnings volatility. The standardised quantitative dimensions used by the Bank are:

**Stressed earnings** | **Economic capital** | **Regulatory capital** | **Liquidity**

The Bank's qualitative RAS, set out below, serves as a guide for embedding the risk appetite framework into the strategic and operational decision-making across the Bank.

- Capital position: The Bank aims to have a strong capital adequacy position measured by regulatory and economic capital adequacy ratios. Capital levels are managed to support business growth, maintain depositor and creditor confidence, create value for shareholders and ensure regulatory compliance.
- Funding and liquidity management: The Bank's approach to liquidity risk management is governed by prudence and is in accordance with the applicable laws and regulations. It also considers the competitive environment in which the Bank operates. The Bank manages liquidity risk on a self-sufficient basis.
- Earnings volatility: The Bank aims to have sustainable and well-diversified earning streams to minimise earnings volatility through business cycles.
- Reputation: The Bank has no appetite for compromising its legitimacy or for knowingly engaging in any business, activity or relationship which, in the absence of taking mitigating actions, could result in a foreseeable reputational risk or damage to the Bank and Standard Bank Group.
- Conduct: The Bank has no tolerance for illegal, unethical or dishonest behaviour that was knowingly conducted. We strive to meet clients' expectations for fair outcomes and market integrity by doing the right business, the right way, thereby upholding the trust of all our stakeholders. It is expected that every employee will uphold the highest level of integrity and take accountability for their actions in line with the Group and Bank values and Code of Ethics and Conduct. An isolated incident that occurred because of unintentional wrongdoing (unknowingly) may be tolerated provided this is investigated, remediated, and not repeated.

Risk appetite represents the allocation of level one risk appetite to risk types. Specifically, the contribution of individual risk types to earnings volatility and overall capital demand (both economic and regulatory) is controlled through triggers and limits. It consists of key metrics used to monitor the portfolio. Portfolio triggers and limits are required to be broadly congruent with level one and level two triggers and limits. These metrics are regularly monitored at a risk type level and ensure proactive risk management.

# Stress Testing

## Stress Testing Governance Framework

Stress testing is a key management tool within the Bank to evaluate the sensitivity of the current and forward risk profile relative to different levels of risk appetite. Stress testing supports several business processes, including:

- Strategic and financial planning.
- The internal capital adequacy assessment process and the integrated recovery plan, including capital planning and management, and the setting of capital buffers.
- Liquidity planning and management.
- Informing the setting of risk appetite.
- Identifying and proactively mitigating risks through actions such as reviewing and changing limits, limiting exposures, and hedging.
- Facilitating the development of risk mitigation or contingency plans, including recovery plans, across a range of stressed conditions.
- Supporting communication between internal and external stakeholders.

Stress testing within the Bank is subject to the Bank's stress testing policy, which sets out the responsibilities for and approaches to stress testing activities. Broadly aligned and fit-for-purpose stress testing programmes are implemented to ensure appropriate coverage of the different risks. The Bank's stress testing policy is aligned with the Bank of Mauritius Guideline on Stress Testing.

## Stress Testing Programme

The Bank's stress testing programme uses one or a combination of stress testing techniques, including scenario analysis and sensitivity analysis to perform stress testing for different purposes.

## Macroeconomic Stress Testing

Macroeconomic stress testing is conducted across all major risk types on an integrated basis for a range of economic scenarios varying in severity from mild to very severe but plausible macroeconomic shocks. The impact, after consideration of mitigating actions, on the Bank's statement of profit or loss and other comprehensive income, statement of financial position and the Bank's capital demand and supply, is measured against the Bank's risk appetite.

Macroeconomic stress testing for the Bank is performed, as a minimum, once a year for selected scenarios that are specifically designed to target the Bank's risk profile, geographical presence and strategy. In 2023, the macroeconomic scenario assumed was that Russia responds to the economic pressure being put on it by the West by expanding its conflict beyond Ukraine and launching cyber-attacks that have some degree of success, at least in the US and Europe. The results of the scenario indicated that the Bank was well capitalised and able to manage the stress.

Macroeconomic stress testing results are presented at a Board level in order to consider whether the Bank's risk profile is consistent with the Bank's risk appetite buffer. Macroeconomic stress-testing results are submitted as part of the annual ICAAP.

## Additional Stress Testing

Bank-wide macroeconomic stress testing results are supplemented with additional ad hoc stress testing at the Bank, that may be required from time to time for risk management or planning purposes. The purpose of this stress testing exercise is to inform management of the risks that may not yet form part of routine stress testing, or where the focus is on a specific portfolio or business unit. Additional stress testing can take the form of either scenario analysis or sensitivity analysis.

## Integrated Recovery Planning (IRP)

Recovery and resolution planning is a global regulatory reform introduced to improve international financial stability and reduce the likelihood of the failure of systemically important financial institutions. The recovery plan identifies management actions that can be adopted during periods of severe stress to ensure the survival of our business.

The IRP is conducted on a biennial basis. The IRP identifies credible recovery options, which address both capital shortfalls and liquidity pressures, and that can be implemented in the short or medium term under a range of idiosyncratic and market-wide stress scenarios.

Severe stress scenarios proposed were primarily chosen in line with the Bank's operating model and key target markets, and also included top macroeconomic concerns on a global and country-specific level.

The IRP highlighted circumstances in which capital and liquidity ratios and earnings may be impacted under severe stress conditions. A list of mitigating actions have been identified, and will be considered and activated as needed to recover our financial strength and viability under severe stress.

## Risk Type Stress Testing

Risk type stress tests apply to individual risk types. Risk-type stress testing could take the form of scenario or sensitivity analysis.

**(Refer to the ICAAP section under Capital management)**

# 1. Credit Risk

## Overview and definition

Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk, concentration risk and country risk.

## Concentration risk

Concentration risk is the risk of loss arising from an excessive concentration of exposure to a single counterparty, industry, product, geography, maturity, or collateral.

## Approach to managing credit risk

Credit risk is managed in accordance with the Bank's comprehensive credit risk management control framework. The credit standard sets out the principles and minimum control requirements under which the Bank is prepared to assume credit risk and is supported by multiple underlying policies and procedures.

Credit risk is managed through:

- Setting the appetite for credit risk with respect to counterparty, sector and country concentrations, with regular monitoring to proactively adjust to changes in the client's economic environment. All countries to which the Bank is exposed are reviewed at least annually. Internal rating models are employed to determine ratings for jurisdiction, sovereign and transfer and convertibility risk.
- Maintaining a culture of responsible lending through a robust risk policy and control framework.
- Ensuring that there is expert scrutiny and approval of credit risk and its mitigation via a strong delegated authority framework, independent of the business functions.
- Identifying, assessing and measuring credit risk across the Bank, from an individual facility level through to an aggregate portfolio level.
- Monitoring the Bank's credit risk exposure relative to approved customer limits, risk appetites, changes in the economic environment (countries and sectors) and in the client's state of affairs to identify early signs of weakness in the exposure; this, in turn, will enable the Bank to take prompt action, such as the tightening of appetite for particular products, increasing collateral requirements or curtailing originations.
- Independent credit risk reviews by the second and third lines of defence to assess the quality of credit evaluation and adherence to credit risk standards.
- Defining, implementing and continually re-evaluating our risk appetite under actual and stressed conditions.

### Credit risk mitigation

Wherever warranted, the Bank will attempt to mitigate credit risk to any counterparty, transaction, sector, or geographic region, to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

In the case of collateral where the Bank has an unassailable legal title, the Bank's policy requires collateral to meet certain criteria including:

- Being readily marketable and liquid
- Being legally perfected and enforceable
- Having a low valuation volatility
- Being readily realisable at minimum expense
- Having no material correlation to the obligor credit quality
- Having an active secondary market for resale.

The main types of collateral obtained by the Bank for its exposures include:

- Cash collaterals
- Fixed charges over commercial and industrial properties
- Floating charges
- Pledges of receivables
- Corporate guarantees.

### Classification of non-performing loan (NPL) accounts under sub-standard, doubtful and loss:

#### Sub-standard credit

Credit that is currently performing but has weaknesses that throw doubt on the customer's ability to comply with the terms and conditions of the credit, may warrant being classified as sub-standard. However, when it is impaired and past due between 90 and 180 days, it must, as a minimum, be classified as sub-standard.

#### 1. Doubtful credit

Credit that is not in arrears or in arrears less than 180 days, but has weaknesses that make collection in full highly improbable, may warrant being classified as doubtful. However, when it is impaired and is past due for a period exceeding 180 days but less than one year, it must, as a minimum, be classified as doubtful.

#### 2. Loss

Credit classified as loss and uncollectible although there may be some salvage or recovery value of security available. Such credit should not be kept on the financial institution's book in the event that there might be some recoveries in the long term. An impaired credit that is past due in excess of a year must be classified as loss.

#### Managing credit risk in the current environment

Building on the growth seen in 2022, the Mauritian economy has grown by a further 7.1% over 2023, supported by the tourism, manufacturing and construction sectors performing to near pre-COVID levels whilst the financial sector remained another strong pillar of the economy. Inflation in Mauritius has hovered around 10.5% during the past year, largely driven by imported inflation from supply side factors; surging food and energy prices, lingering supply chain disturbances, higher freight costs and the depreciation of the Mauritian Rupee.

The high interest rates and inflation continue to have an impact on borrowers' capacity to repay their commitments as they saw continued pressure on their revenue and cost lines. Drawing on our past experiences, our approach to managing credit risk remains centred on enhancing our client knowledge and that of their operating environment. We also leverage our African network to better understand the challenges faced by our clients. The primary focus remains on monitoring the existing credit portfolio, which implies staying close to clients and communicating frequently with them to understand changes in the various jurisdictions in which they operate.

The Bank implemented various initiatives to gain a deep understanding of the impact on clients' operations and took appropriate measures where required:

- Engagement with the Group business teams (Client Coordinators/Relationship Managers), relevant sector experts and Group Credit Managers to get their latest insights.
- Reassessment of internal credit rating of counterparties informed by latest financial statements received and engagement with counterparties, deal teams and sector experts to inform our forward-looking views. The risk rating exercise is a continuous, ongoing process that is triggered as and when new information is received, whether of a financial or non-financial nature.
- Conduct scenarios to understand the impact of provisioning for counterparties in best-case and worst-case scenarios.
- Rapid risk reviews on the credit portfolio were carried out by the business support and resolution teams to identify potentially vulnerable clients and apply special focus on monitoring them closely.
- On a monthly basis, a portfolio review call is conducted with Regional Executives, where feedback and updates are provided on the credit portfolio relative to macroeconomic and sectoral challenges.
- Names under close monitoring and under watchlist and NPL are discussed at monthly forums attended by Executives from the business, credit and business support and resolution teams.
- Credit lending remains governed by the guidelines established by the Group's Portfolio Risk Management Committee, which periodically reviews sectoral appetite indicators on sectors and countries.

#### Governance and reporting

Credit risk is managed and reported on a quarterly basis through the Bank's governance committees, the Credit Risk Management Committee (CRMC) and the Board Credit Committee (BCC).

## 2. Country Risk

### Overview and definition

By virtue of its strategy, the Bank is exposed to country risks. Country risk is the risk of default losses due to the political, economic, or business conditions in a country. Under this definition, country risk can be split into two components:

- Jurisdiction risk: Losses because of, but not limited to, socio-political upheaval, nationalisation/expropriation, fiscal and regulatory risks, deteriorating economic conditions (including business cycle, inflation, currency, and interest-rate risks) and financial dislocation.
- Transfer and convertibility risk: The risk of closure of the capital account (transfer risk) and/or foreign exchange market (convertibility risk), forcing otherwise solvent private counterparties into default on foreign currency obligations.

Importantly, a distinction also needs to be made between:

- Country risk, which is a broader concept covering all entities, public or private, in an economy.
- Sovereign risk, which is the default risk of respective individual governments as counterparties.

Sovereign and country risk analysis enable us to develop a forward-looking assessment of the business environment, which is useful and required for proactive portfolio credit management.

### Approach to managing country risks

All countries to which the Bank is exposed are reviewed at least annually. Our internal rating model is used to determine ratings for country, sovereign, transfer and convertibility risks. Once rated, the countries are then categorised into high, medium or low risk.

Country risk is mitigated through a number of methods, including:

- Setting risk appetite thresholds
- Political and commercial risk insurance
- Co-financing with multilateral institutions
- Structures to mitigate transfer and convertibility risk such as collection, collateral and margining deposits outside the country in question.

### Governance and reporting

The Bank's CRMC and the Board Credit Committee represent the primary management level governance overseeing this risk type. The principal governance document is the country risk policy.

## 3. Compliance Risk

Compliance risk is defined as the risk of legal or regulatory sanctions, financial loss or damage to reputation that the Bank may suffer as a result of its failure to comply with laws, regulations, codes of conduct, internal policies, and standards of good practice applicable to the Bank's activities.

Compliance is an independent function as a second line of defence that identifies, assesses, and monitors the compliance risks faced by the Bank, advises and reports to Senior Management and the Board of Directors about these risks.

The compliance team is a dedicated team with required expertise and sound knowledge of the regulatory environment, including the Bank of Mauritius and the Financial Services Commission requirements.

The compliance team proactively supports Senior Management and the Bank through effective compliance risk management practices to ensure that all business is conducted in accordance with compliance requirements, thereby mitigating regulatory sanctions and reputational risk and ensuring that we do the right business, the right way. The compliance function is subject to periodic internal audit.

Business units and operational units own the compliance risks associated with their departmental processes. Compliance is accountable for the implementation of an effective compliance framework, key activities of which are summarised below:

- Identifying and assessing compliance risks.
- Providing advice on risk mitigation to compliance risk owners in the first line of defence.
- Monitoring the adequacy of risk mitigation and controls in the first line of defence and reporting on the compliance risk status for the Bank.

# 4. Funding and Liquidity Risk

## (a) Approach to managing liquidity risks

The nature of the Bank's banking and trading activities gives rise to continuous exposure to liquidity risks. Liquidity risk may arise where counterparties, who provide the Bank with short-term funding, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The Bank manages liquidity in accordance with applicable regulations and within the Bank's risk appetite framework. The Bank's liquidity risk management governance framework supports the measurement and management of liquidity to ensure that payment obligations can be met under both normal and stressed conditions and that regulatory minimum requirements are met at all times. This is achieved through a combination of maintaining adequate liquidity buffers and to ensure that cash flow requirements can be met. Liquidity risk management ensures that the Group has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

The Bank manages liquidity risk as three interrelated pillars, which are aligned with the Basel III liquidity requirements.

### Liquidity management categories

**TACTICAL (SHORT-TERM) LIQUIDITY RISK MANAGEMENT**

- Manage intra-day liquidity positions
- Monitor interbank shortage levels
- Monitor daily cash flow requirements
- Manage short-term cash flows
- Manage daily foreign currency liquidity
- Set deposit rates in accordance with structural and contingent liquidity requirements as informed by ALCO
- Ensure compliance with the Bank of Mauritius Liquidity Coverage Ratio (LCR)

**STRUCTURAL (LONG-TERM) LIQUIDITY RISK MANAGEMENT**

- Ensure a structurally sound statement of financial position
- Identify and manage structural liquidity mismatches
- Determine and apply behavioural profiling
- Manage long-term cash flows
- Aim for a diversified funding base
- Inform term funding requirements
- Assess foreign currency liquidity exposures
- Establish liquidity risk appetite
- Ensure appropriate transfer pricing of liquidity costs

**CONTINGENCY LIQUIDITY RISK MANAGEMENT**

- Monitor and manage early warning liquidity indicators
- Establish and maintain contingency funding plans
- Undertake regular liquidity stress testing and scenario analysis
- Convene ad-hoc Asset and Liability Management Committee (ALCO) as a liquidity crisis management committee, if needed
- Set liquidity buffer levels in accordance with anticipated stress events
- Advise on the diversification of liquidity buffer portfolios
- Ensure compliance with the Bank of Mauritius Guideline on Liquidity Risk Management

[Information in this sub-section 4(a) has been audited]

The LCR is a metric introduced by the Basel Committee on Banking Supervision (BCBS) to measure a bank's ability to manage a sustained outflow of customer funds in an acute stress event over a 30-day period. The ratio is calculated by taking the Bank's high-quality liquid assets (HQLA) and dividing it by net cash outflows.

## (b) LCR limit

As at 31 December 2023, the Bank was within regulatory compliance with a MUR Liquidity Coverage Ratio (LCR) of 158%, a USD LCR of 145% and a consolidated LCR of 136%.

## (c) Governance

The ALCO is the primary governance committee overseeing liquidity risk.

## (d) Liquidity characteristics and metrics

Overview of liquidity and funding metrics

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Total liquidity reserves (USDm)** | **1,174** | 1,725 | 1,414 |
| **Eligible BOM LCR HQLA (USDm)** | **383** | 517 | 358 |
| **Single depositor (MUR%)** | **18.91%** | 34.53% | 37.42% |
| **Top 10 depositors (MUR%)** | **67.42%** | 78.84% | 82.95% |
| **Single depositor (FCY%)** | **11.70%** | 15.48% | 15.57% |
| **Top 10 depositors (FCY%)** | **43.90%** | 58.58% | 48.39% |
| **BOM LCR (Quarterly average of monthly observations%)** | **126%** | 133% | 115% |

## (e) LCR disclosures

| Consolidated in USD | TOTAL UNWEIGHTED VALUE (quarterly average of bimonthly observations)[1] | TOTAL WEIGHTED VALUE (quarterly average of bimonthly observations)[1] |
|---|---|---|
| **HIGH-QUALITY LIQUID ASSETS** | USD | USD |
| Total high-quality liquid assets (HQLA) | 384,946,124 | 384,946,124 |
| **CASH OUTFLOWS** | | |
| Retail deposits and deposits from small business customers (Less Stable) | 25,063,694 | 5,166,832 |
| Unsecured wholesale funding (Non-operational deposits) | 1,869,957,028 | 1,165,676,347 |
| Outflows related to derivative exposures and other collateral requirements | 1,793,835 | 1,793,835 |
| Credit and liquidity facilities | 263,623,916 | 33,781,609 |
| Other contingent funding obligations | 89,274,507 | 14,345,690 |
| TOTAL CASH OUTFLOWS | 2,249,712,980 | 1,220,764,313 |
| **CASH INFLOWS** | | |
| Inflows from fully performing exposures | 985,354,232 | 957,182,244 |
| Other cash inflows | 619,922 | — |
| TOTAL CASH INFLOWS | 985,974,154 | 957,182,244 |
| | | TOTAL ADJUSTED VALUE |
| **TOTAL HQLA** | | 384,946,124 |
| **TOTAL NET CASH OUTFLOWS** | | 305,191,078 |
| **LIQUIDITY COVERAGE RATIO (%)** | | 126% |
| **QUARTERLY AVERAGE OF DAILY HQLA[2]** | | 367,427,191 |

1 The quarterly average of bimonthly observations for the period October 2023 to December 2023.
2 The quarterly average of daily HQLA is based on close of day figures over the period October 2023 to December 2023.

The high-quality liquid assets mainly comprise of investments in US Treasury Bills, Government of Mauritius Treasury Bills, Bank of Mauritius Bills, coins and bank notes and qualifying central bank reserves. The cash outflows represent the funding of the Bank categorised as per the Bank of Mauritius Guideline on Liquidity Risk Management and weighted at the appropriate run-off rate (most conservative between internal data and the regulatory guideline). The Bank's cash inflows comprise mainly of group placements maturing within the next 30 days.

The Bank seeks to exceed the minimum LCR requirement with a sufficient buffer to allow for funding flows volatility as determined by its internal liquidity risk appetite. A buffer is maintained above the minimum regulatory requirement to cater for balance sheet and market volatility.

## (f) Contingency Liquidity Risk Management

### (i) Contingency funding plans

Contingency funding plans are designed to protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The plans incorporate an early warning indicator process supported by clear crisis response strategies. Early warning indicators are monitored according to assigned frequencies and tolerance levels.

Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event. The updating of contingency funding plans, while considering budget forecasting, continues to be a focus area for the asset liability management team.

In September 2023, the Bank performed a full liquidity and capital simulation for ALCO and relevant stakeholders to assess the effectiveness of the contingency funding plan under a stressed scenario. This provided comfort to ALCO, along with broader management and Board members, regarding the effectiveness and relevance of the Bank's contingency plan within the current environment.

### (ii) Liquidity stress testing and scenario analysis

Stress testing and scenario analysis are based on hypothetical and historical events. These are conducted on the Bank's funding profiles and liquidity positions. The crisis impact is typically measured over a 30 calendar-day period as this is considered the most crucial time horizon for a liquidity event. This measurement period is also consistent with the LCR requirements.

Anticipated on- and off-balance sheet cash flows are subjected to a variety of Bank-specific and systemic stresses and scenarios to evaluate the impact of unlikely but plausible events on liquidity positions. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the Bank's ability to maintain sufficient liquidity under adverse conditions.

Internal stress testing metrics are supplemented with the regulatory LCR in monitoring the Bank's ability to survive severe stress scenarios.

## (g) Structural liquidity mismatch

### Maturity analysis of financial liabilities using behavioural profiling

With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments, as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on historical customer behaviour. This is used to identify significant additional sources of structural liquidity in the form of core deposits, such as current and savings accounts, which exhibit stable behaviour despite being repayable on demand or at short notice.

To highlight potential risks within the Bank's defined liquidity risk thresholds, structural liquidity mismatch analyses are performed regularly to anticipate the mismatch between payment profiles of statement of financial position items.

# 5. Market Risk

### Overview and Definition

The Bank defines market risk as the risk of a change in market value, actual or effective earnings or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse moves in market variables, such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables. To ensure that all market risks are identified, all new products are required to be signed off by the New Products Committee where the Market Risk Unit's input is mandatory.

### Managing Market Risk

The market risk management framework applied in the Bank is consistent with the Group's market risk management framework:

- The Board-approved market risk policy outlines the framework and principles designed to properly identify, measure, monitor, manage and report market risk in order to minimise the risk of financial loss.
- The Board monitors compliance with the policy and ensures that an appropriately mandated ALCO is established to enforce compliance with the policy.
- The risk appetite is set and approved by the Board and is expressed in terms of the following compulsory and optional measures for the Bank's trading operations:
  - A value-at-risk (VaR) and stressed VaR (SVaR) appetite (compulsory for trading portfolios and liquid investment portfolios).
  - An appetite for loss under stressed market conditions (compulsory)
  - A regulatory or economic capital value (optional).

The Market Risk Unit translates the risk appetite into limits and triggers and allocates these to individual trading desks in the form of trading limits and authorised product mandates. Stop loss triggers are also set to ensure that losses suffered in trading do not erode, or have the potential to erode, the income generated by the market-making and sales activity. As such, the overall objective is to preserve the Bank's revenue.

[Information in this section has been audited]

The Market Risk Unit ensures that the trading portfolio is carried at fair value by ensuring that the market risk models used to mark-to-market are appropriate (model validation) and that the inputs into those models are relevant and reflective of current market conditions (price validation).

The Market Risk Unit is independent of trading operations and accountable to ALCO.

### Market Risk Measurement

Market risk is measured under both normal and stressed market conditions.

### Metric: VAR

The measurement of trading exposures under normal market conditions is based on VaR. Normal VaR is calculated on a historical simulation basis with 250 days of market data and uses a 95% confidence interval and a one-day holding period. This means that losses are not expected to exceed the projected number with a likelihood of 95% (or 19 days out of 20). The VaR calculation assumes no corrective action is taken during the assumed holding period.

The measurement of daily trading exposures under stressed market conditions is based on VaR defined with a 10-day holding period, worst case and historical data for a period of five years. If the worst 10-day market movement observed during the historical period were to recur, the loss recorded could be as high as the projected number.

The quality of the VaR model is continuously monitored by back testing the VaR results for trading books. All back-testing exceptions and any exceptional revenues on the profit side of the VaR distribution are investigated. Stressed VaR is supplemented by cross-market stress tests, where the Bank measures the impact of abnormal exchange and interest rate movements.

### Metric – FX Delta and PV01

Risk sensitivities highlight the extent to which a portfolio is exposed to certain market variables, notably exchange rates and interest rates. FX risk is monitored through FX Delta, FX Delta being the present value of foreign currency positions, reflecting how exposed the Bank is to fluctuations in exchange rates. Interest rate risk is monitored through PV01, PV01 being the change in the present value or mark-to-market value of the portfolio as a result of moving interest rates up by one basis point (0.01%).

### Reporting

Exposures and excesses are monitored and reported daily to the Bank and Group, on a monthly basis to ALCO, and on a quarterly basis to the Board Risk Management Committee (BRMC). A breach of limits and triggers will prompt a sequence of actions, which include traders seeking condonement of the breach, reducing the risk back within risk appetite or seeking approval for a temporary excess. Breaches are reported to Management, ALCO and BRMC.

## 6. Interest Rate Risk in the Banking Book (IRRBB)

Interest rate risk results from the different repricing characteristics of banking book assets and liabilities. The Bank’s IRRBB can be further divided into the following sub-risk types:

- Repricing risk: Timing differences in the repricing of assets and liabilities
- Yield curve risk: Shifts in the yield curve that have an adverse impact on the Bank’s income
- Endowment risk: Exposure arising from the net differential between interest rate insensitive assets, such as non-earning assets, and interest rate insensitive liabilities, such as non-interest-bearing liabilities and equity.

### Approach to Managing Interest Rate Risks

The adopted approach to mitigating IRRBB essentially involves managing the potential adverse effect of interest rate movements on the banking book.

A forward-looking net interest income forecast is used to quantify the Bank’s anticipated interest rate exposure. This approach involves the forecasting of both changing balance sheet structures and interest rate scenarios to determine the effect these changes may have on future earnings. Balance sheet projections and the impact on net interest income due to rate changes cover a minimum of 12 months forecasting and is compared to the set limits. Desired changes to the interest rate risk profile are achieved through the restructuring of on-balance sheet repricing or maturity profiles.

## 7. Non-Financial Risks

### Overview and definition

Non-financial risks are considered inherent in the operation of a business, evolve rapidly and are difficult to anticipate, oversee, measure and monitor. They generally do not have a financial upside; they cannot always be measured in financial terms and can lead to reputation damage. Non-financial risk refers to the risk of loss suffered as a result of the inadequacy of, or failure in, internal processes, people and/or systems or from external events.

### Approach to managing non-financial risks through conscious risk-taking

We manage non-financial risks by adopting the sound principles of operational risk management in our non-financial risk framework that drives the standardised management of all non-financial risk types. Our approach adopts fit-for-purpose risk practices and well-established governance processes that are supported by digital tools that enable comprehensive escalation and reporting.

The non-financial risk management function forms part of the second line of defence and is an independent area reporting to the Chief Risk Officer.

### Reporting

Robust risk management reporting procedures are in place, with significant matters escalated to the Executive Committee and Group Domain. These matters include key and emerging risk exposures, risk management activities, regulatory interaction, and legislative developments.

As part of the Bank's risk simplification journey and provision of 'Risk as a Service', the capabilities of the central risk platform (Risk Market Place) continue to be enhanced. Currently, the platform includes modules for Incident Management, Risk Control Self Assessment (RCSA), Key Risk Indicators (KRI), Information Asset Register (IAR), Business Continuity Plans, Information Risk Maturity Assessment and Combined Assurance.

### Risk and Controls Self-Assessment (RCSA)

The Bank inculcates a culture of self-assessment, whereby each business unit and corporate function is required to analyse its business activities and critical processes to identify the key non-financial risks to which it is exposed, and to assess the adequacy and effectiveness of its mitigating controls. For any area where Management concludes that the level of residual risk is beyond an acceptable level, it is required to define action plans to reduce the level of risk. These assessments are facilitated, monitored and challenged by the non-financial risk team on an annual basis.

### Key Risk Indicators (KRIs)

KRIs are used to monitor the non-financial risk profile and alert the Bank to impending problems in a timely manner. Relevant risks and controls highlighted in the risk and control self-assessment are monitored through KRIs. The implementation of the KRI process is an integral element in providing an early warning indicator through trigger thresholds of a potential increase in risk exposure and/or a potential breakdown of controls.

KRIs enable the monitoring of the Bank’s control culture, business environment and trigger mitigating actions, and facilitate the forward-looking management of non-financial risks based on early warning signals.

### Incident Management and Reporting

Non-financial risk (NFR) incidents are recorded and reported. These include events resulting in actual loss and those resulting in non-financial impacts and near-misses. The continuous collection of NFR event information is a prerequisite for NFR management, including analysis and provision of timely information to Management. Reporting and analysis is undertaken for NFR incidents and near-misses.

This includes:

- Trends in previous events, near-misses, losses and the business environment in which such incidents are occurring.
- Root cause analysis.
- Review of control improvements and other actions to prevent or mitigate the recurrence.

During 2023, non-financial risk focused on the following areas:

- Technology risk
- Cyber risk
- Business disruption risk
- Conduct risk
- Information risk
- Environmental, social and governance risk

## Technology Risk

Technology risk results in reduced competitiveness, inefficiency, reputational damage, heightened organisation risk or regulatory sanction due to failure to leverage emerging technologies, or ineffective implementation, maintenance, or operation of the Bank's technology assets.

Customer experience, as a strategic imperative, is directly influenced by the effectiveness of technology in providing relevant, innovative, secure and stable digital offerings, as well as physical service offerings. Technology risk is therefore a major factor in the successful execution of our strategy.

As a result, the stability of our digital platforms, as well as mitigating heightened cybersecurity risks, remains a top priority. We have significantly improved the availability of platforms and reduced outages through rigorous change management, proactive monitoring and post-mortem analysis of incidents.

During 2023, the infrastructure work to move six locally hosted systems to cloud was completed, digital client onboarding has taken shape, and a number of Bank processes were earmarked for automation through the Robotic Process Automation (RPA) workstream. On these types of automation initiatives and projects, a full non-financial risk assessment is performed, whereby each of the non-financial risk types related to the initiative are reviewed to ensure that the risk and control environment stays fit for purpose.

## Cyber Risk

Cyber risk is the potential risk of a digital attack on the Bank's systems for financial gain – either direct (through cash-out attacks) or indirect (through stolen data or extortion). Cybercrime includes cyber fraud, data theft, extortion (ransomware) and malicious business disruption. As we navigate the rapidly evolving landscape of the financial industry, our commitment to maintaining a secure and resilient banking environment is paramount. In an era where technological advancements bring unprecedented convenience and efficiency to banking operations, they also expose us to an array of sophisticated cyber threats. The interconnected nature of our digital infrastructure, coupled with the rising sophistication of malicious actors, requires continuous efforts to fortify our cyber defences.

The stability of our digital platforms and heightened cybersecurity remain top priorities, and we continue to focus on investing in appropriate technology to mitigate these risks.

In response to the growing volume and sophistication of cybercrime incidents and attacks, our approach is as follows:

- Cyber resilience – Enhance our prevention, detection and response capabilities.
- Data security – Strengthen our data protection efforts in accordance with data privacy regulations and support the data community with the creation of secure and convenient data sharing arrangements, both internally and with partners.
- Platform security – Build an integrated security and fraud capability for the platform, which is built around the client experience.
- Client security – Have a long-term client security vision that is integrated with the business and anticipates future threats.
- Partner security – Partnering with leading cybersecurity specialist and vendors to increase our cybersecurity capabilities.

In 2023, we continued to focus on improving our cybersecurity capabilities through:

1. Migrating to a more resilient firewall to adapt our defences to emerging threats.
2. Periodic access reviews across our environment to pinpoint and rectify access privileges misaligned with specific job roles and responsibilities.
3. Simulations and drills to ensure our team is well-prepared to respond swiftly and effectively in the event of a security breach, minimising the potential impact.

## Business Disruption Risk

Business disruption risk is defined as the inability to effectively respond to a disruptive event, resulting in the failure to continue the delivery of services and reputational damage.

Business resilience is the organisation's ability to anticipate, prevent (mitigate), respond/recover, adapt to incremental change and sudden disruptions, and learn from disruptive events. Business resilience enables our proficiency to maintain continuous business operations, thus delivering services to clients and safeguarding people, assets, reputation and trust, and ultimately contributing towards the organisation's sustainability. Business resilience is implemented as the process to manage business disruption risk.

A comprehensive business resilience policy and standard are in place. They assist the Bank in effectively planning for and responding to incidents and business interruptions so that the Bank can resume critical activities within the briefest delay possible, thus safeguarding its reputation and the interests of key stakeholders. The Bank's business resilience framework encompasses emergency response preparedness and crisis management capabilities to manage the business through a crisis to full recovery.

In 2023, we evaluated our recovery capabilities by performing our annual disaster recovery simulation, work area recovery simulation and conducted crisis simulations. We also had the opportunity to trigger our business continuity plan in adverse weather conditions in order to maintain client service.

Our bi-annual business resilience dashboard has been digitised and provides the minimum standard of what needs to be in place with respect to business continuity. It also tracks progress and highlights gaps in the business resilience programme.

The Bank leverages the following Group capabilities:

- Well-practised and well-rehearsed IT security and cybersecurity incident response teams, which convene on a regular basis, either in response to real-life incidents or during simulation exercises.
- Documented cyber extortion response plan, which details specific actions to be carried out during cyber incidents.
- A well-staffed 24/7 Cyber Security Operations Centre, which monitors all cyber-vulnerabilities and attacks, including malware.

## Conduct Risk

Conduct risk is the risk that detriment is caused to the Bank's clients, markets, or the Bank itself because of inappropriate execution of business activities. To effectively manage conduct risk, Standard Bank has developed a conduct framework that follows a culture-led strategy to embed culture and manage conduct. The conduct framework, including the establishment and embedment of the reporting architecture (i.e. metrics, management information, and conduct reporting) enables the Board and Executive Management in all legal entities across the Standard Bank Group to exercise oversight and evidence good conduct risk management. Governance structures ensure business ownership is in place to manage conduct risks. Conduct is closely monitored through the EXCO and the Board Risk Management Committee. The conduct framework facilitates a continuous process to identify conduct risk, which allows the Bank to keep abreast of economic and regulatory developments to meet regulatory expectations. Conduct reporting to Senior Management and the Board includes both quantitative and qualitative metrics. The conduct dashboards take into consideration different reporting pillars, such as strategy, culture, governance, product, quality sales and advice. The conduct risk metrics will be reviewed in 2024.

To supplement the conduct risk framework and policy, a conduct risk governance standard will be rolled out in 2024. The Standard will set out the principles and minimum requirements for effective conduct risk management at the Bank.

## Information Risk

Information risk is the risk of accidental or intentional unauthorised use, access, modification, disclosure, dissemination or destruction of information resources, which would compromise the confidentiality, integrity and availability of information that would potentially harm the business. The Bank leverages the Group's information risk management framework to maintain the confidentiality, integrity and availability of information assets stored, processed and transmitted.

Information risk management falls under the ambit of the risk unit, which is responsible for executing set policies and practices in relation to information security. Our information risk profile remained stable in 2023 and collaboration with stakeholders and industry leaders was strengthened to take information risk and data privacy initiatives even further.

In 2023, we digitised our information asset registers, which enabled a complete view of all of our information assets and to proactively manage, protect, and derive value from them. To minimise the risk of accidental or intentional information breaches, we performed an in-depth review of our data-loss prevention rules and assessed the security configurations of our databases.

In our effort to drive and enable conscious risk-taking, an information risk maturity assessment is performed on a quarterly basis to continuously monitor the set of critical controls underpinning our information security landscape.

The right to privacy is a fundamental component of our client-centric strategy and we have continued investing significant effort to comply with the data privacy regulations that are applicable to the Bank. Awareness sessions on data privacy have been carried out throughout the year with a focus on adopting the privacy and security by-design approach and performing rigorous risk assessments.

## Environmental, Social and Governance (ESG) Risk

ESG risks are risks to the Bank's ability to achieve its strategy arising from the direct and indirect impact on the environment, society and governance. Climate risk is a component of ESG risk and is governed under the ESG risk governance framework, which is embedded in the wider enterprise risk management system of the Standard Bank Group.

The Bank is exposed to both transition and physical climate-related risks, primarily but not limited to client-related credit risk.

Short term: Up to 5 years (2023 to 2027), Medium term: five to ten years (2028 to 2033), Long term: Over ten years (2034 to 2051)

We have continued to build on and enhance our understanding and approach to ESG risks, with particular emphasis on financial risks associated with climate change. We continue to work closely with the Standard Bank Group as they focus on implementing advanced sustainability measures to enhance the Group's credibility and meet their sustainability targets for 2025.

For further details, refer to the Climate-related and environmental financial risk section.


## Governance and Reporting

A number of governance committees are responsible for overseeing non-financial risks. The primary governance documents are the non-financial risk governance framework and the non-financial risk management (NFRM) policy. Non-financial risk subtypes have governance documents applicable to each risk subtype.

| Committee | Non-financial risk |
|---|---|
| **Non-Financial Risk Committee** | Business Disruption<br>Compliance<br>Environmental, Social and Governance<br>Financial Crime<br>Legal<br>Physical assets, Safety and Security<br>Third Party<br>Transaction Processing<br>Model<br>Fraud |
| **Technology and Operations Executive Committee** | Technology<br>Cyber<br>Information |
| **Internal Financial Control Committee** | Financial Accounting<br>Tax |
| **Executive Committee** | People<br>Conduct |

## Insurance Cover

The Bank has contracted insurance cover to mitigate non-financial risks. This is reviewed on an annual basis. The Board, through the risk function, ensures that an adequate insurance programme is in place to protect the Bank against loss resulting from its business activities. The principal insurance policies in place are outlined below:

### 1 Crime Insurance

Compensates the Bank for direct financial losses arising from criminal actions by internal or external parties. It offers protection when insured loss events occur and complements the Bank's risk management strategy.

### 2 Professional Indemnity

Compensates the Bank for any court-enforced legal awards and costs arising from claims made by third parties against it. Such claims can arise when clients allege to have suffered financial loss due to any negligent acts committed by the Bank, including breach of duty, errors or omissions.

### 3 Directors' and officers' liability

Protects the Bank and the Bank's Directors and officers (former and present) against the effects of claims arising from wrongful acts committed by the Directors and officers in their official capacity or as a result of their position.

### 4 Cyber Protection

Complements the crime and professional indemnity covers. Indemnifies the Bank for first party costs associated with a cyber event, such as emergency response, privacy breach notification, loss of electronic data, extortion demands, expenses incurred as a results of responding to regulatory investigations (including the costs of forensic investigations), and business interruption. The policy also provides coverage for third party legal liability costs owed by the Bank to external parties as a result of a cyber event.

### 5 Employers' Liability

Cover for claims made by employees against the Bank for injuries or illness occurring in the workplace that falls outside the scope of cover provided by the Group personal accident cover.

### 6 Group Personal Accident Cover

All of the Bank's employees are covered on a 24-hour basis for bodily injuries sustained following accidents. This scheme additionally covers death and disability (partial and permanent) cases and provides for medical expenses.

### 7 Public Liability

Liability towards the public for accidental bodily injury/damage to property, including tenant risks in respect of all rented and leased premises.

### 9 Political Violence and Terrorism

Covers the Bank against physical loss and damage, as well as business interruption costs as a result of a terrorist act or acts of political violence.

### 9 Assets, all risks including business interruption

Cover for tenant improvements in rented offices/premises, electronic equipment, costs of restoration and reproduction of archives, cash on premises, debris removal and claims preparation costs, data/media restoration or replacement, auditors' fees, claims preparation costs and loss or damage following burglary.

# 8. Strategic Risk

Strategic risk is the potential downside impact of an operating income shortfall due to a lower-than-expected performance in business volumes and margins not compensated for by a reduction in costs.

The components of strategic risk are strategy position risk, strategy execution risk and reputational risk.

## Strategy Position Risk

Strategy position risk refers to strategic choices like value proposition, product, consumer segment and channel that result in the unexpected variability of earnings and other business value drivers:

- Unexpected changes in the intensity or nature of competition within the financial services industry, such as aggressive action from competitors in the form of new entrants, price wars, technology innovation and substitute products.
- Adverse and unexpected changes in external stakeholder sentiments – this includes changes in the public opinion of consumers, media, analysts, politicians, rating agencies, regulator and investors.
- Unexpected changes in partnerships, joint ventures or subsidiaries and failed strategic relationships.

The Bank mitigates strategy position risk in several ways, including:

- The Bank's business plans and strategies are discussed and approved by Executive Management and the Board and, where appropriate, subjected to stress tests.
- Alignment with Group strategy is sought.
- Being alert and responsive to changes in market forces.

## Strategy Execution Risk

Strategy execution risk results from strategy implementation failures, where management execution capabilities and operational decisions do not meet the strategic objectives. This includes:

- Failed execution of strategic initiatives or signature projects.
- Changes in the business environment of other countries in the African region or internationally, like government attitude towards foreign companies, change of tariffs and the rules that make doing business for foreign companies difficult.
- Unexpected changes in a third party's environment, including change of production or service capacity and quality, business failure, change of costs and reputation.
- Corporate governance practices not functioning as designed and expected.
- Unanticipated changes in laws and regulations that may cause the business value to change from expectations.

The Bank mitigates strategy execution risk in several ways, including:

- Detailed analysis of business cases.
- The application of new product processes per business line, through which the risks and mitigating controls for new and amended products and services are evaluated.
- Stakeholder management to ensure favourable outcomes from external factors beyond the Bank's control.
- Monitoring the profitability of product lines and customer segments.
- Maintaining tight control over the Bank's cost base, including the management of its cost-to-income ratio, which allows for early intervention and management action to reduce costs.
- A strong focus in the forecasting process on achieving headline earnings growth while containing cost growth and building contingency plans into the budget that allow for costs to be significantly reduced if forecasted revenues do not materialise.
- Increasing the ratio of variable costs to fixed costs, which creates flexibility to reduce costs during an economic downturn.
- Stress testing techniques applied to assess the resilience of the Bank's planned earnings under macroeconomic downturn conditions.

The EXCO is the primary governance committee for overseeing this risk.

## Reputational Risk

Reputational risk is the risk of potential or actual damage to our image, which may impair the profitability and sustainability of our business. The Bank's reputation can be harmed from an actual or perceived failure to fulfil the expectations of its stakeholders due to a specific incident or from repeated breaches of trust.

Reputational harm can adversely affect the Bank's ability to maintain existing business, generate new business relationships, access capital, enter new markets, and secure regulatory licences and approvals.

Safeguarding and proactively managing the Bank's reputation is of paramount importance. There is growing awareness of reputational risks arising from compliance breaches, social and environmental considerations, as well as from ethical considerations linked to countries, clients and sectors.

The Bank manages reputational risk from a tactical and reactive perspective, as well as from a strategic and proactive perspective. With respect to crisis response, the Bank's crisis management processes are designed to minimise the reputational impact of such events or developments. A crisis management team is in place at the Executive level. This includes ensuring that the Bank's perspective is fairly represented in the media. In addition, more attention is being paid to leveraging opportunities to proactively bolster the Bank's reputation among influential stakeholders through various programmes, including stakeholder engagement, advocacy, sponsorships and corporate social initiatives.

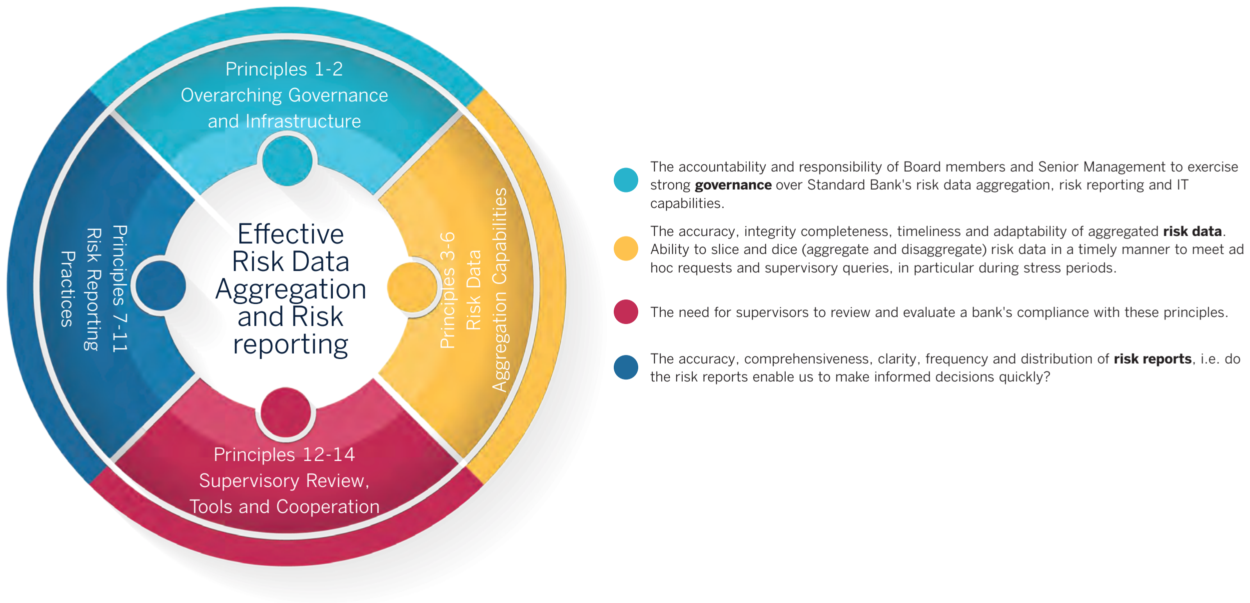
The principal governance document is the reputational risk governance standard, and the Bank's qualitative risk appetite statement includes a statement on reputation. The Bank's Code of Ethics is an important reference point for all staff. The Bank has appointed an Ethics Officer whose role is to ensure an ethics framework is in place at the Bank, together with a Code of Ethics and values embedded across the Bank. The Ethics Officer reports, on a quarterly basis, on matters of ethics to Executive Management and to the Board Risk Management Committee.

### Reporting

The Bank's risk appetite, risk profile and risk exposures are reported on a regular basis to the Board and Senior Management through various governance committees. Risk management reports are tabled at the formalised governance structures at both Board and Management Risk Committees levels.

### Risk Data Aggregation and Risk Reporting (RDARR)

The Basel Committee on Banking Supervisions (BCBS) published principles for effective RDARR in 2013, with the aim of improving the quality of information that banks use in decision-making, particularly as it pertains to risk management. The 14 principles, aimed at improving the risk data aggregation and risk reporting capabilities of banks, set out the criteria for governance, risk data aggregation, risk reporting practices and supervisory review as pictured below.




Risk exposures are reported on a regular basis to the Board and senior management through our governance committees. Risk management reports comply with standards set out by BCBS239.

### Looking Ahead

Risk is everyone's business and the Bank's material risks are monitored, managed and mitigated through the three lines of defence model. Whilst economic conditions have improved since 2022, they still remain challenging across the globe. Our portfolio is vulnerable to a combination of macro, sector and specific risks that we will manage effectively to deliver profitable growth. The top risks and emerging threats processes provide for the continuous assessment and monitoring of current risks and emerging threats, thereby equipping the Bank to proactively identify these potential risks and manage and mitigate them effectively.

The Bank will continue to instil conscious risk-taking, thereby making strategically informed risk decisions in pursuit of its identified growth opportunities. This consistent approach to risk helps ensure that the Bank manages its business and the associated risks in a manner that balances the interests of clients and other key stakeholders, whilst protecting the safety and soundness of the Bank.



# 9. Capital Management

### Overview and Objectives

The Bank's capital management function is designed to ensure that regulatory requirements are always met and that the Bank is capitalised in line with its risk appetite and target ratios, both of which are approved by the Board.

It further aims to facilitate the allocation and use of capital, such that it generates a return that appropriately compensates shareholders for the risks incurred. Capital adequacy is actively managed and forms a key component of the Bank's forecasting process. The capital plan is tested under a range of stress scenarios as part of the Bank's annual internal capital adequacy assessment process (ICAAP) and Integrated Recovery Plan (IRP).

The capital management function is governed primarily by management level subcommittees that oversee the risks associated with capital management, namely ALCO. The principal governance documents are the capital management governance framework.

### Regulatory Capital

The main regulatory requirements to be complied with are those specified in the Banking Act 2004 and related regulations, which are aligned with Basel III.

### Basel III

Basel III aims to strengthen the regulation, supervision and risk management of the banking sector. The recommended measures aim to:

- improve the global banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source;
- improve risk management and governance; and
- strengthen Bank's transparency and disclosures.

The Bank of Mauritius has adopted a phased approach to the implementation of Basel III with the issue of the Bank of Mauritius Guideline on Scope and Application of Basel III and Eligible Capital. Regulatory capital adequacy is measured through three risk-based ratios:

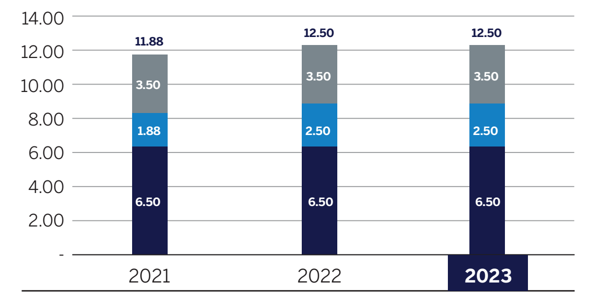
- ordinary share capital, share premium, retained earnings, other reserves and qualifying non-controlling interest less impairments divided by total risk weighted assets (RWA).
- Tier 1: CET 1 plus perpetual, non-cumulative instruments with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA.
- Total capital adequacy: Tier 1 plus other items such as general credit impairments and subordinated debt with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. The ratios are measured against internal targets and regulatory minimum requirements.

Basel III introduced the concept of capital conservation buffer (CCB) which aimed at promoting the conservation of capital and the build-up of adequate buffers above the minimum during normal times (i.e. outside periods of stress) which can be drawn down as losses are incurred during a stressed period.

The calculation of regulatory capital is based on net counterparty exposures after recognising a limited set of qualifying collateral. A prescribed percentage, the risk weighting of which is based on the perceived credit rating of each counterparty, is then applied to the net exposure. An additional capital conservation buffer of 0.625% was added each year to reach 2.5%. The implementation of the capital conservation buffer of 2.5% effective as from 1 January 2020, which was deferred to 1 January 2021, was further extended to 1 April 2022 by the Bank of Mauritius. As such, the Bank maintained a capital conservation of 1.875% until 31 March 2022 and increased the buffer to 2.5% as from 1 April 2022.

[Information in this section has been audited]

**Bank of Mauritius minimum ratios (capital as a percentage of risk weighted assets) as at 31 December of each year (%).**

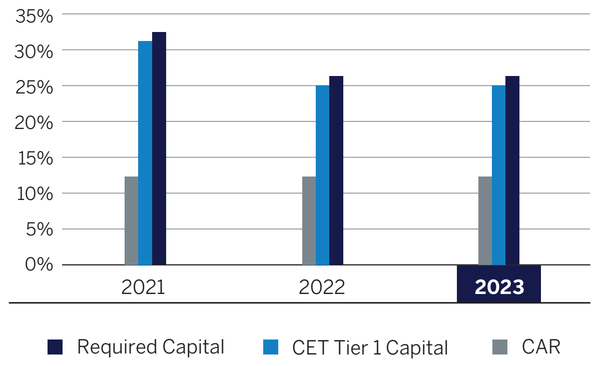



Regulatory minimum 11.875% was revised to 12.5% as from 1 April 2022.

For exposures that have been rated by approved credit assessment institutions, the process prescribed by the Bank of Mauritius is used to ascribe public issue ratings into comparable assets. For counterparties for which there are no credit ratings available, exposures are classified as unrated and a 100% risk weighting is applied for determining regulatory capital charge.

The following graph discloses the Bank's total capital adequacy and the components thereof and indicates that the Bank's capital is well above the required level of capital.

## Capital Adequacy (%)




The Bank's capital position based upon Common Equity Tier I and total capital ratios stands as per the tables below.

## Capital Structure under Basel III

| | Basel III 2023 USD'000 | Basel III 2022 USD'000 | Basel III 2021 USD'000 |
|---|---|---|---|
| **Common Equity Tier I Capital** | | | |
| Share Capital | **35,000** | 35,000 | 35,000 |
| Statutory Reserve | **35,000** | 30,487 | 25,545 |
| Other Reserves | **125,227** | 81,114 | 57,534 |
| Less: Deductions | | | |
| Intangible Assets | **(11,627)** | (13,098) | (14,591) |
| Deferred Tax | **(1,200)** | (319) | (153) |
| Adjustment to Additional Tier 1 Capital | **(345)** | — | — |
| **Common Equity Tier I Capital** | **182,055** | 133,184 | 103,335 |
| Other Reserves | | | |
| Subordinated Debts | | | |
| Provision for performing loans | **5,233** | 4,024 | 2,976 |
| | **5,233** | 4,024 | 2,976 |
| **Total Capital Base** | **187,288** | 137,208 | 106,311 |
| Risk Weighted Assets for: | | | |
| Credit Risk | **632,087** | 457,342 | 259,359 |
| Operational Risk | **104,408** | 69,463 | 62,565 |
| Aggregate Net Open Foreign Exchange Position | **607** | 5,847 | 6,927 |
| **Total Risk Weighted Assets** | **737,102** | 532,652 | 328,851 |
| **Common Equity Tier I Capital** | **24.7%** | 25.0% | 31.4% |
| **CAPITAL ADEQUACY RATIO** | **25.4%** | 25.8% | 32.3% |

The Bank 's Common Equity Tier 1 capital ratio was 24.7% (2022: 25.0%) and total capital adequacy ratio was at 25.4% (2022: 25.8%).

The Bank uses the ratings assigned by Moody's Investors Service to banks to determine the risk weighting of exposure with banks.

### On-balance Sheet Netting

As part of the Bank's credit risk mitigation, the Bank uses the net exposure of loans and deposits as the basis for calculating its capital adequacy ratio, aligned with the Bank of Mauritius guideline on Standardised Approach to Credit Risk.

### Off-balance Sheet Netting

The Bank nets off-balance sheet claims and obligations for capital adequacy purposes. The net-off is for market-related contracts with a single counterparty across both the banking and trading books, where the relevant obligations are covered by eligible bilateral netting agreements.

The Bank collateral valuation guidelines describe the processes for managing our collateral valuation to mitigate credit risk. The policy provides the minimum valuation requirements that need to be adhered to, based on the types of assets held.

The Bank uses the following collaterals for credit risk mitigation:

1. Cash – Cash collateral which has been deposited on account held with the Bank;
2. Listed shares- Shares that are listed on the stock exchange or on a licensed exchange;

3. Fixed or Immovable Property - Residential, commercial and agricultural property taken under a fixed charge; and
4. Floating/Movable assets - Plant, equipment and machinery, stock, receivable and other assets taken under a floating charge.

Under the standardised approach to credit risk, the Bank's eligible guarantors are sovereign entities, public sector enterprises, banks and securities firms with a lower risk weight than that of the counterparty.

The following table shows details of mitigations taken by the Bank.

| Mitigation | USD'000 |
|---|---|
| Cash collateral | 1,983 |
| Total | 1,983 |
| Total credit risk exposures | 2,885,505 |
| % exposure covered by collaterals | 0.07% |

**Exposures subject to the Standardised approach per risk weighting as at 31 December 2023**

| | 2023 | | | | 2022 | 2021 |
|---|---|---|---|---|---|---|
| | Nominal Amount | Mitigation | Risk Weight | Risk Weighted Assets | | |
| | USD 000 | | % | USD 000 | | |
| **On Balance Sheet Assets** | | | | | | |
| Cash Items | 56 | | 0-20 | — | — | — |
| Claims on Sovereigns | 366,629 | | 0-100 | — | — | — |
| Claims on Banks | 1,365,737 | | 20-100 | 91,050 | 135,450 | 33,485 |
| Claims on Central Banks | 87,891 | | 0-150 | — | — | — |
| Claims on PSE | — | | 20-150 | — | — | — |
| Claims on corporates | 392,448 | — | 20-150 | 392,448 | 227,049 | 157,097 |
| Claims secured on residential property | — | | 35-125 | — | — | — |
| Past due claims | 15,343 | | 50-150 | 9,913 | 10,045 | 10,045 |
| Other Assets / Fixed Assets | 14,739 | | 100 | 14,739 | 13,628 | 7,904 |
| **Total** | 2,242,843 | — | | 508,150 | 386,172 | 208,531 |
| Non-market related off-balance sheet risk weighted assets | | | | | | |
| Direct Credit Substitute | 69,083 | 68,101 | 20-100 | 68,100 | 36,149 | 30,386 |
| Transaction-related contingent items | 21,399 | 20,399 | 20-100 | 10,200 | 8,800 | 6,404 |
| Trade Related Contingencies | — | — | 20-100 | — | — | — |
| Other Commitments | 254,470 | 254,470 | 20-100 | 39,157 | 19,309 | 11,310 |
| **Total** | 344,952 | 342,970 | | 117,457 | 64,258 | 48,100 |
| Market related off-balance sheet risk weighted assets | | | | | | |
| Interest Rate Contracts | — | — | | — | — | — |
| Foreign exchange contracts | 297,710 | — | | 6,480 | 6,912 | 2,728 |
| **Total** | 297,710 | — | | 6,480 | 6,912 | 2,728 |
| **Total Credit Risk** | 2,885,505 | 342,970 | | 632,087 | 457,342 | 259,359 |
| Operational Risk | | | | 104,408 | 69,463 | 62,565 |
| Aggregate Net Open Foreign Exchange Position | | | | 607 | 5,847 | 6,927 |
| **Total Risk Weighted Assets** | 2,885,505 | 342,970 | | 737,102 | 532,652 | 328,851 |

## Internal Capital Adequacy Assessment Process (ICAAP)

ICAAP considers the qualitative capital management processes within the organisation and includes the organisation's governance, risk management, capital management and financial planning standards and frameworks. Furthermore, the quantitative internal assessments of the organisation's business models are used to assess capital requirements to be held against all risks the Bank is or may become exposed to, in order to meet current and future needs, as well as to assess the Bank's resilience under stressed conditions.

The Bank has embedded sound internal capital adequacy assessment processes and implemented the Bank of Mauritius Guideline on Supervisory Review Process since 2011. The ICAAP document is reviewed on an annual basis and is approved by the Board with periodic reviews made to ensure that the Bank remains well capitalised after considering all material risks.

The Bank consciously maintains a risk management culture and practices that are conservative and rigorous, and considers that risk appetite is an integral part of the Bank's strategy and business plans. As a result, all material risks are appropriately managed and mitigated, and contingency plans have been identified for execution should the capital levels of the Bank ever fall below levels deemed acceptable by the Board, Management or Bank of Mauritius.

Credit risk consumes approximately 86% of total regulatory capital usage as at 31 December 2023 and as such represents the largest source of risk that the Bank is exposed to. Such risk therefore attracts a high degree of management focus, with adequate resources assigned to ensure that the risk is mitigated.

### Year under review - Stress Scenarios

The economic headwinds, volatility in markets and competitive pressures accelerate the need to continuously assess the Bank's forward-looking risk profile under normal and stressed conditions against the stated risk appetite. The appropriateness of the macroeconomic stress scenarios and the severity of the relevant scenarios are approved by the Board and Senior Management on an annual basis.

Macroeconomic stress scenarios as well as Bank-specific scenarios based on the composition of the loan book and liquidity profile are used for stress testing and these are performed annually as part of the Bank's ICAAP process. Stress results are analysed and any departure from our risk appetite statement trigger mitigating actions.

During 2023, the Bank ran several stress tests to understand the impact that potential stress events would have on its profitability and capital position on a forward-looking basis. These events included macroeconomic scenarios which assessed the impact of macroeconomic changes on all relevant risk factors, assuming Russia goes beyond and Management Expertise scenario relating to an expert judgment approach, where the Bank's senior management identify vulnerabilities in the portfolio that could result in a stress on earnings. This year, severe droughts in DRC and impact of this event on both the Bank's assets and liabilities was used as scenario. Details of the 2023 ICAAP scenarios have been defined on page 32 of this annual report .

The Bank will remain alert to the possible deterioration of economic conditions and will initiate early remedial action should circumstances dictate. In instances where the results of the stress tests breach risk appetite or tolerance, the Board ensured that Management has mitigating actions in place to minimise the impact.

For the purpose of ICAAP, the Bank maintained a capital buffer of 2% above the regulatory requirement.

# 10. Related Party Transactions

The Bank's Related Party Transaction Policy establishes and defines the framework for the governance, risk management, and reporting of related party transactions. The policy fulfils the requirements of the Bank of Mauritius Guideline on Related Party Transactions to effectively identify, monitor, control and report related party transactions within the Bank and to take appropriate steps to mitigate the risks arising from these transactions.

As per the Bank of Mauritius Guideline on Related Party Transactions, a "related party" is defined as:

- a person who has significant interest in the financial institution or the financial institution has significant interest in the person;
- a director or senior officer of the financial institution;
- close family members of the above;
- an entity that is controlled by a person described above;
- a person or class of persons who has been designated by the Bank of Mauritius as a related party.

Related party transactions include intra-Group transactions as well as the following transactions:

- Credit, non-fund-based commitments such as documentary credits, guarantees on behalf of a related party, acquiring a loan made by a third party;
- Placements made by the Bank with the related party;
- Vendor agreements with related parties;
- Consulting or professional service contracts with directors and related parties;
- Investment in equity of a related party;
- Deposits placed by related parties with the Bank;
- The acquisition, sale or lease of assets with related parties; and
- Any pecuniary relationship or other transactions or arrangements with a related party (including by way of service arrangements or contracts).

The Bank has policies and processes in place to avoid conflicts of interest when carrying out related party transactions and to ensure that same are conducted at arm's length.

The Bank of Mauritius has amended the Guideline on related party transactions setting out the types of transactions that require Board approval. The Bank has shared its views on the amendments made and has reviewed its current approval process to align with the requirements of the Guideline. The revised Guideline on Related Party Transactions (effective 30 September 2022) requires the Board to receive at least quarterly report on the services provided by related parties and other arrangements/contracts with related parties:

- New services provided by related parties to the Bank
- The performance of the services provided by related parties as per the service level agreements

All credit exposures to related parties are reported to the Board Risk Management Committee.

The Top 6 Related Party Exposures at 31 December 2023 are outlined below:

| Counterparty | Exposure USD | % of Tier 1 Capital |
|---|---|---|
| The Standard Bank of South Africa Ltd. Isle of Man Branch | 604,914,405 | 332.27% |
| The Standard Bank of South Africa Ltd. | 354,230,864 | 194.57% |
| Stanbic Bank Nigeria | 66,097,108 | 36.31% |
| Stanbic Bank Cote D'ivoire | 11,501 | 0.01% |
| Stanbic Bank Kenya | 5,993 | —% |
| Stanbic Bank Uganda | 1,731 | —% |
| | 1,025,261,602 | |

The Bank has exempt related-party exposures with members of the Standard Bank Group as part of interbank transactions.

A detailed analysis of related party transactions is available in note 37.

# Climate-related and Environmental Financial Risks

This section provides information about how the Bank is managing the risks and responding to the opportunities presented by climate change, in line with the approach taken by Standard Bank Group (SBG). Climate-related disclosure is evolving and at present there is limited data regarding the client exposures to climate risks and emissions generated from their operations. Therefore, comprehensive quantitative assessments across all portfolios are not possible but we are, however, making progress and will continue to work towards enhancing our disclosures going forward.

The Bank is committed to ensuring that our business strategy is consistent with and contributes to society's needs and priorities. With that in mind, the Bank has in place a framework governing environmental and social risks which includes climate risks.

In April 2022, the Bank of Mauritius issued a guideline on Climate Related and Environmental Financial Risk Management. The objective of the guideline is to set out a prudent approach to climate related and environmental financial risks and enhance the resilience of banks against these risks. Banks are required to embed sound governance and risk management frameworks to identify, assess, manage, and disclose climate related and environmental financial risks they face in relation to their activities.

The main requirements are as follows:

- Governance – Board oversight of climate-related risks and opportunities. Management's role in assessing and managing climate-related risks and opportunities.
- Strategy – to identify climate-related risks and opportunities over the short, medium, and long term on the bank's strategy and financial planning.
- Risk Management – to develop processes for identifying, assessing, and managing climate-related risks.
- Metrics and Targets – to develop metrics to assess climate-related risks and opportunities in line with our strategy and risk management process.
- Disclosures - Climate-related disclosures in financial statements.

The Bank has put in place a detailed roadmap to achieve the objectives as set by the new guideline and progress on the roadmap is reported at the quarterly Non-Financial Risk Committee and Board meetings. Part of setting out the road map involved an in-depth gap analysis of the requirements of the guideline and the existing measures in place at the Bank. A working group has been set up to better assist in delivering the Bank's regulatory requirements.

## Strategy

The Bank, together with the Group, is committed to driving sustainable and inclusive economic growth and human development across Africa, and to ensuring that our business activities create net positive social, economic, and environmental (SEE) impacts. By adopting SEE as a value driver, we have made it clear that we take a long-term view, and that every decision we make needs to be based on an assessment of the positive and negative impacts not just for the bank, but for the societies in which we operate. We make conscious and deliberate trade-offs to ensure we generate a net positive impact.

## Our Strategic Value Drivers

For our strategic value drivers, please refer to page 8 of the annual report.

## Climate risks identification and opportunities

### TRANSITION RISK

**Policy risk**
- Medium to long-term

- Uncertain long-term demand for non-renewable energy sources, especially coal, owing to regulatory changes and associated risk of stranded assets.
- Financial risk stemming from loss in value of clients' assets and collateral resulting in increased risk of client default and the non-viability of their businesses
- Increasing pressure and potential obligations to identify, measure and report emissions, including financed emissions

**Technology risk**
- Short to medium-term

- The risk that evolving technologies designed to meet the transition to a lower emissions and energy efficient future, may render the business models of some of our customers uncompetitive, leading to reduced demand for their products and services.

**Market risk**
- Short to medium-term

- Changing client expectations, as clients seek greener solutions and more transparency, impacting on business opportunities
- Changing investor expectations, pressure to reduce financed emissions and improve transparency, impacting on access to capital.

**Reputation risk**
- Short-term

- Arising from negative stakeholder sentiment and negative media coverage related to support of projects or activities with negative impacts on the climate, including oil and gas related infrastructure projects.

### PHYSICAL RISK

**Acute**
- Short to medium-term

- The potential for an increase in the frequency and intensity of extreme weather events driven by climate change poses a risk to our own operations and those of our customers
- Increased likelihood of more severe wildfire events, exacerbated by drier conditions, poses risk for customers in a number of sectors, particularly agriculture and real estate, where operations, infrastructure and supply chains are vulnerable
- Potential for more frequent and more intense flooding, expected in some regions, poses a significant asset destruction and earnings reduction risk to individuals and businesses in affected areas

**Chronic**
- Medium to long-term

- Changes in precipitation patterns, including declining mean precipitation in already-dry regions and extreme variability in weather patterns, presents risk for clients in the coal mining, coal-power, oil, and gas sectors, impacting production capacity, and for agriculture impacting viability of traditional crops in some areas
- Rising mean temperatures impacting all sectors in terms of labour productivity and occupational health and safety, and potential risks to physical infrastructure
- Rising sea levels, risk of inundation of coastal zones and deltas creates risk for clients in coastal and low-lying regions, particularly in the real estate sector
- Risks for insurance business related to pricing changes, upward costs of claims, potential for reinsurer defaults, underestimation of exposures to higher risk geographic regions.

### OPPORTUNITIES

**Products and Services**
- Short-term

- Develop our offering of sustainable finance solutions including use of proceeds and sustainability-linked instruments
- Work with clients to support climate-smart and sustainable initiatives

**Client Engagement**
- Short to medium-term

- Engage with a broad range of clients, across the business, on their climate transition plans and readiness

**Portfolio Resilience**
- Medium to Long-term

- Target to increase lending to green and transition assets and activities, with lending committed to non-renewable energy.

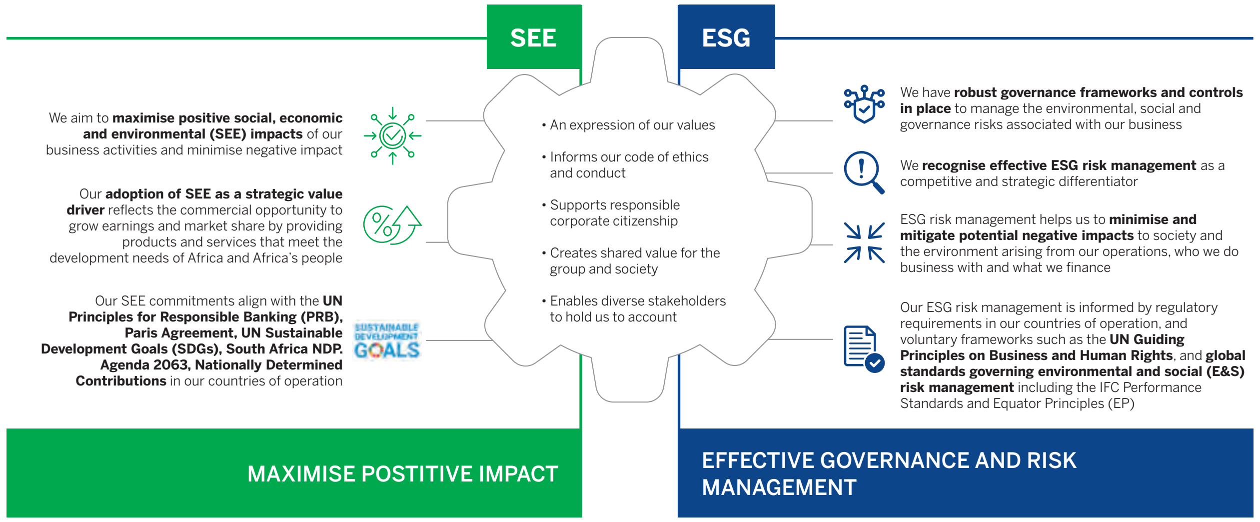
**Emissions reduction for own operations**
- Medium-term

- Base our head office in energy efficient building (LED lighting, motion sensors, efficient heating, and air conditioning system across the building and, where possible, premises having capacity to produce electricity from solar panels).
- Reduction in paper consumption through digitisation of paper-based processes.
- Efficient waste management and recycling.

**Stakeholder engagement**

- Continue to engage with the Bank of Mauritius and climate risk experts from SBG to improve our understanding and reporting of climate-related financial risks and identifying opportunities to support a just transition

We recognise that effective ESG risk management is crucial to minimise direct and indirect harm to the environment and society arising from our operations, who we do business with and what we finance, and how we balance Africa's need for affordable energy with climate considerations and the need for a just transition. We understand the harmful environmental impacts associated with the use of non-renewable energy, and the associated transition risk associated with doing business with companies in non-renewable energy industries. Our sustainability strategy is summarised below:




A Climate Risk policy has been drafted and approved with exactly that in mind, with commitments aligned with SBG who has adopted a phased and progressive approach to understanding climate risk exposures and setting appropriate targets to reduce exposure and maximise opportunity. SBG has identified four sectors that have elevated levels of climate risk, or which present the greatest potential for climate-related opportunities and have developed risk management strategies in respect of each of these. Those sectors are:

- Agriculture
- Gas
- Oil
- Thermal Coal

The above sectors were identified following a rigorous process of research, internal consultation with subject matter experts. Accordingly, the Bank has set a portfolio level climate risk appetites to responsibly manage our financed emissions. The following transaction level credit appetites have also been set:

- Gas: Continue to finance gas responsibly in the medium to long-term as a transition fuel in Africa (from coal and oil)
- Agriculture: There is no appetite for the following unsustainable form of agriculture:
- Deforestation of natural forests and indigenous trees, excluding de-bushing in farming blocks where grazing and cropping will have a positive impact

- Production or trade in wood and other non-indigenous forestry products other than from sustainably managed forests.
- Unsustainable fishing methods.
- Oil sector financing:
  - No appetite for companies with unrestricted flaring for new assets. From existing clients with flaring, seek timebound plans to eliminate flaring for existing assets.
  - No appetite for the extraction of tar sands or construction of associated export facilities, exploration and production of tight oil resources, and pipelines transporting a significant volume of tight oil and export terminals supplied by a significant volume of tight oil
  - No appetite for new oil-fired power plant construction or expansion in the generating capacity of existing oil-fired power plants, except where such plants provide support services as part of integrated renewable energy power plants
- Coal mining financing:
  - Only new coal mines when there is an overall positive environmental impact.
  - Restrictions to companies that derive more than 50% of their revenues from thermal coal mining activities.
  - No appetite for construction of new coal-fired power plants nor the expansion of existing coal-fired power plants.

## Governance

### Board oversight of climate-related risks and opportunities

The Board of directors has oversight and is ultimately responsible for the approval and the implementation of the Climate Risk Policy and the Environmental and Social Risk Policy. The Board Credit Committee (BCC) is responsible for monitoring credit exposures to sectors identified as being vulnerable to climate risks. The Board Risk Management Committee (BRMC) monitors that exposures are within approved climate risk appetites and reviews climate risk stress testing results as part of our Internal Capital Adequacy Assessment Process (ICAAP). Committee chairs provide feedback to the board of directors through the quarterly board meetings.

In February 2023, the Board of Directors participated in a training session carried out by SBG subject matter experts. The training consisted inter alia of SBG's approach to sustainability, SEE and ESG; climate change overview; SBG's Climate Risk Policy; and Policy adoption and integration. The objective of the training was to upskill and bring up to speed the board of directors on climate and environment matters so that they are better equipped to exercise oversight.

The Board of Directors has approved a Climate Risk Policy and an Environmental and Social Risk Policy during the March 2023 board meeting.

### Management oversight of climate-related risks and opportunities

ESG risk management, including climate risk management, is integrated in the bank's existing enterprise risk management framework, and is overseen by the bank's existing governance structure.

To inculcate the culture and understanding of Climate related and Environmental Financial risk across the Bank, an online bank-wide training was provided to all staff. The training covered an overview on how SBG manages ESG, our SEE strategy, the measurement of ESG performance and the Group's Climate Strategy. Additionally, further in-depth training was provided by SBG representatives to the Credit team and Non-Financial Risk Team on topics such as sustainable finance and ESG risk identification and mitigation. Additional training was given to equip our front-line staffs with skills to engage effectively with our clients to identify their exposure to climate risks, partner with them to formulate suitable mitigation plan and monitor progress on the implementation of their climate strategies.

The following management committees are responsible for the implementation and oversight of the ESG risk management framework:

### Non-Financial Risk Committee (NFRC)

The NFRC oversees 17 non-financial risk types, including ESG. Climate Risk is a treated as a component of ESG. The NFRC is responsible for the monitoring of the ESG risks faced by the bank and ensures the implementation of the ESG framework and policies. NFRC provides progress updates on the implementation of the ESG framework and reports on any material ESG issues to the Board Risk Management committee quarterly.

### Credit Risk Management Committee (CRMC)

CRMC ensures that the ESG policy is adhered to at credit origination and annual reviews and monitors the bank's climate risk credit exposures against the approved risk appetite limit. Reports are submitted to the Board Credit Committee on the Bank's climate risk credit exposures on a quarterly basis.

### Credit Committee

The Credit Committee is the senior management credit decision-making function with a defined delegated authority as determined by the Board of Directors through the Board Credit Committee. The Credit Committee is responsible to ensure that ESG risks, including climate-related and environmental financial risks impacting our credit counterparties, are properly identified, and mitigated at origination stage and upon annual reviews and that lending decisions are in line with the Bank's Environmental and Social Risk policies and risk appetite.

### New Business Approval Committee (NBAC)

Before the credit process is invoked all material lending proposals are reviewed by the NBAC, a business led committee. NBAC, amongst other things, ensures that the adequate client level and transaction level ESG screening are carried out to ensure that ESG risks are identified upfront, and that adequate consultation happen internally in the bank as well as with the client on the best way to manage and mitigate the risks. The NBAC is also responsible to ensure that the equator principles are adhered to where applicable, for project financing.

### Assets and Liabilities Committee (ALCO)

The assets and liabilities committee monitors the bank's depositor concentration at a sector level. The liquidity risks arising out of those depositors are managed as part of the normal liquidity risk processes in place at the bank. ALCO monitors the bank's risk profiling, including climate risk appetites. ALCO reviews and recommends the bank's stress testing scenarios and results, including stress testing on climate risk scenarios, to the BRMC.

### Social, Economic and Environmental (SEE) Committee

The SEE Committee is mandated to operationalise the SEE value driver and to maximise our positive SEE impact to society. Refer to the sustainability report.

## Risk Management

ESG risk management, including environmental issues and climate-related risks, is integrated into our enterprise risk management (ERM) framework.

The Bank is exposed to both transition and physical climate-related risks, primarily but not limited to client-related credit risk. Our lending exposure to clients associated with the non-renewable energy sector gives rise to client-related transition and stranded asset risks, through the potential for extensive policy, legal, technology and market related changes and costs attached to transitioning to a lower carbon operating model. We recognise that these risks in turn could impact the creditworthiness of our customers and their ability to repay outstanding exposures. Our physical risk exposure arises across the lending portfolio in all sectors, to a greater or lesser degree. It is dependent on the location of assets and businesses which we finance, and the vulnerability of those to physical hazards, accentuated by the acute and chronic effects of climate change, specific to those locations.

### Our Environmental & Social Risk Management Standard

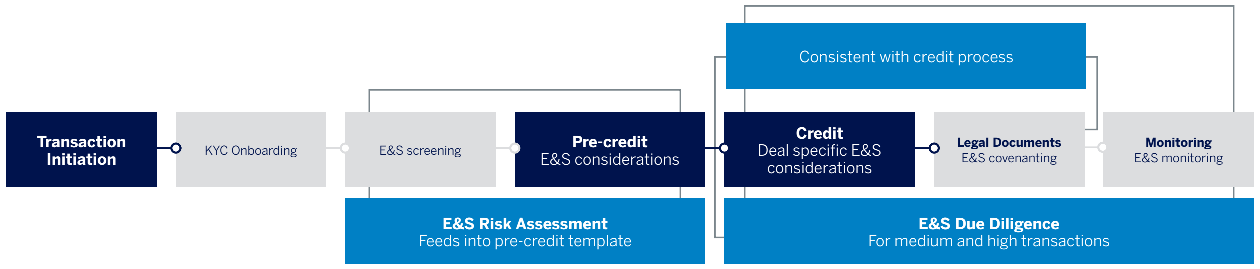
Environmental and Social (E&S) risk refers to the threat of adverse impacts on society and the natural environment arising from our business activities. Such impacts may include, for example, the production of GHG emissions and associated impacts on climate change, waste production, resource depletion, or risks to community members' health, livelihoods, and cultural heritage. E&S risk creates potential credit risk, operational risk, business risk and reputational risk.

The E&S risk governance standard sets out the Bank's E&S risk management framework, which provides for the governance, identification, measurement, management, and reporting of E&S risks associated with the Bank's financing and investment activities. The standard is supported by the E&S risk policy, which details how the framework should be implemented. The standard and policy are supported by the Bank's human rights statement, our exceptions list, our climate policy, and related policies. Our E&S risk management processes are based on international good practice and align with the requirements of the Equator Principles, the IFC Performance Standards, and the Principles for Responsible Banking. The standard and policy have been revised to strengthen the climate-related risk management across our operations.

### Client engagement on E&S Risk

- We assess the E&S performance of our clients before entering a transaction, investment, or business relationship with them.
- We encourage our clients and partners to meet internationally accepted E&S standards and to develop action plans to close the gaps between these and their current E&S performance.
- We work with our clients to manage their material ESG impacts and risks, improve their performance and guard against unforeseen risk.
- We have implemented a checklist to facilitate discussions between our Business teams and our clients to better identify the ESG issues faced by our clients and implement suitable mitigation plans. ESG training was provided to equip the frontline staffs.

## E&S screening




We apply E&S risk screening to all commercial transactions (project and non-project related). We use a Board approved exceptions list and a digital E&S screening tool to provide an initial indication of possible environmental, social, financial, credit, reputational, regulatory, and operational risks associated with a client's ability to manage E&S issues and with the transaction itself. This determines whether or not to proceed with a transaction, or whether further assessment is required, as well as the level of E&S risk review required. Additionally, the climate-related financial impact on our counterparties is factored in as part of the credit assessment process.

### E&S screening tool

We use our digital E&S screening tool to assess E&S risk for different risk categories of transactions. The screening process helps us to assess the extent to which E&S risks have been appropriately assessed, managed, and mitigated. This includes assessing the following issues, in accordance with the potential risks posed by the business relationship/transaction/project/sector:

- Workers' rights are protected; workers are treated fairly and provided with safe and healthy working conditions; vulnerable categories of workers, such as migrant workers, are protected.
- Child labour, forced, and compulsory labour is prohibited.
- Risks to communities, including health and safety, have been/will be assessed, avoided, or minimised to comply with human and ecological health thresholds.
- Safeguarding of personnel and property will be carried out in accordance with relevant human rights principles and will avoid/minimise risks to affected communities.
- Adverse impacts on communities and persons from land acquisition, restrictions on land use, displacement or forced eviction will be anticipated and avoided where possible. Where avoidance is not possible, impact will be minimised and livelihoods and standards of living of displaced persons improved or restored.
- Cultural heritage is protected.
- Potential adverse impacts on indigenous people are identified and avoided where possible. If unavoidable, engagement has taken/will take place with the impacted community and actions taken to minimise, restore and/or compensate for adverse impacts in a culturally appropriate manner commensurate with the nature and scale of such impacts.
- Pollution from business and/or project activities is minimised.
- Sustainable use of resources, including energy and water, is promoted and GHG emissions reduced.
- Direct and indirect impacts on biodiversity and ecosystem services are identified and avoided or mitigated. Practices that integrate conservation needs and development priorities will be adopted to promote the sustainable management of living natural resources.

The tool rates the ESG risks related with the client and the specific transaction on a scale of High, Medium, and Low.

| RISK | IMPACTS | EXAMPLES |
|---|---|---|
| High | Transactions with potential significant adverse E&S risks and / or impacts that are diverse, irreversible, or unprecedented. | Resettlement of people, critical habitat impact, cultural heritage impacts (often associated with extractives, linear, hydropower etc.). Client has negative press or has previous E&S transgressions, NGO campaigns, E&S fines, child/forced labour accusation etc. |
| Medium | Transactions with potential limited adverse E&S risks and / or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. | Extending project footprint, chemical manufacture, new projects in previously disturbed areas. Historical (past 5 years' negative press or E&S transgressions, NGO campaigns or fines etc. |
| Low | Transactions with minimal or no adverse E&S risks and / or impacts. | Expansion within existing footprint, refurbishment, upgrade of technology etc. No negative press, E&S transgressions, NGO campaigns, track record of good E&S management. |

We undertake careful analysis of the relative benefits, risks and costs associated with managing these factors to identify the most appropriate course of action and optimal mitigation actions.

All new and existing lending is screened for compliance with national laws and standards, the group's exceptions list and relevant policies, including the E&S framework. Where applicable, we also apply the IFC Performance Standards and the Equator Principles. By embedding E&S risk assessment processes into lending practices at an early stage, we ensure E&S consideration and accountability in decision-making and monitoring.

E&S screening includes client and transactional risks:

- Client Risk Assessment (CRA): Risks associated with a client due to labour issues, negative media attention, NGO or activist focus, community issues or reputational risk to the bank; and client's ability to manage E&S risks.
- Transactional Risk Assessment (TRA): Risks associated with a transaction due to sector, activities to be undertaken and nature of finance and risks associated with security over assets, for example, contamination of land.

### Exception list

We have an exception list in place which specifies the type of activities for which the Bank will not provide banking or lending facilities. The exclusions include:

- Production or activities involving harmful or exploitative forms of forced labour or harmful child labour.
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, including ozone depleting substances, polychlorinated biphenyls, and specific hazardous pharmaceuticals, pesticides and herbicides or chemicals; wildlife or products regulated under CITES; unsustainable fishing methods and commercial whaling; use of unbonded asbestos fibres; narcotic drugs.
- Production or trade in radioactive materials, excluding uranium mining, medical equipment, quality control equipment or equipment where the radioactive source is understood to be trivial and/or adequately shielded.
- Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations.
- Production or trade in weapons or munitions, excluding hunting and sports equipment.
- Production and distribution of racist and/or neo-Nazi media.
- Illegal logging or purchase of illegally harvested timber.
- Arctic oil and gas exploration and development.
- Mountaintop removal.
- Mining or trading of diamonds not certified under the Kimberley Process Certification Scheme.

## High risk sector guidelines

High risk industries, sectors and jurisdictions that require additional due diligence before a transaction or investment may be approved include:

- Mining and metals: prohibited lending as per exceptions list above, restrictions as per the bank's policies, enhanced due diligence for uranium mining and where site decommissioning and remediation are not adequately addressed.
- Oil and Gas: prohibited lending as per exceptions list above, enhanced due diligence for shale gas and shale oil, including hydraulic fracturing and transnational pipelines.
- Power: enhanced due diligence for transactions directly related to large dams; construction of new or upgrading existing nuclear power plants; transactions where site decommissioning and remediation and/or response for oil spills/gas leaks are not adequately addressed.
- Infrastructure: enhanced due diligence for linear infrastructure (roads, railway, electricity transmission lines, bulk water supply pipelines); transnational developments; ports, harbours, and ship-loading terminals.
- Industrial: enhanced due diligence for iron and steel foundries and smelters; petrochemical refineries and downstream industries; manufacture of hazardous materials; manufacture of toxic materials.
- Agriculture, animal husbandry and fishing: prohibitions as per exceptions list; enhanced due diligence for activities in high conservation value forests or primary tropical forests; commercial logging; activities relating to palm oil or soy production; excessive fertilisation/runoff.

## Monitoring

First line is responsible for ongoing monitoring of their portfolios. Frequency and type of monitoring is determined by the type of transaction and the level of risk.

## Escalation

- Significant E&S incidents are reported in line with the non-financial risk materiality matrix to ensure appropriate escalation. E&S incident reporting to the bank is included as a condition in loan agreements with clients.
- If clients are not compliant with E&S covenants, we work with them to close the gaps and achieve the necessary standards.

## Management of climate risk impact on liquidity risk

Climate-related and environmental financial risk may result in increased liquidity risks, such as reduced access to stable sources of funding due to changes in climate risk policies and increased cash outflows by depositors impacted by climate risk drivers. Our liquidity risk management is governed by our Liquidity Risk Management Policy and the Bank of Mauritius guideline on Liquidity Risk Management. The bank has started monitoring its depositor concentration at a sector level to respond to any sudden net cash outflows.

## Climate Risk Appetite

The Bank has set climate risk appetite limit on sectors identified as being exposed to climate risks. Adherence to the limit is monitored, reported and breaches are escalated as part of our existing risk appetite framework. The climate risk appetites is reviewed on an annual basis.

## Scenario Analysis and Stress Testing

Given the limited availability of forward-looking climate change data and stress testing models, we have started by stress testing our portfolio based on simplified climate risk scenarios as part of our ICAAP. We will implement more advanced stress testing, including NGFS transition pathways and data-based physical risk scenarios in a phased manner as we mature our stress testing capabilities for climate risk.



# CORPORATE GOVERNANCE REPORT

## Holding Structure

| Standard Bank Group Limited | Stanbic Africa Holdings Limited | Standard Bank (Mauritius) Ltd |
| --- | --- | --- |
| Primary Listing on the JSE Securities Exchange South Africa<br><br>Secondary listing on the Namibian Stock Exchange | Company incorporated in the United Kingdom | Holder of:<br>• Banking Licence (from the Bank of Mauritius)<br>• Custodian Services Licence (from the Financial Services Commission)<br>• Investment Adviser (Corporate Finance Advisory) Licence (from the Financial Services Commission) |

## Our governance philosophy

Our governance philosophy is rooted in promoting strategic decision-making in a way that balances short-, medium- and long-term outcomes to reconcile the interests of the Bank, stakeholders and society in creating sustainable shared value. Our approach to governance extends beyond regulatory compliance. Instead, we believe that good governance creates shared value by underpinning responsive thinking, and protects shared value by ensuring responsible behaviour, effective leadership, robust risk management, clear performance management and greater transparency while deepening competitive advantage through enhanced accountability.

Standard Bank (Mauritius) Limited (the Bank) is directly held by Stanbic Africa Holdings Limited (SAHL), a company incorporated in the United Kingdom. The ultimate holding company is Standard Bank Group Limited. The Standard Bank Group is committed to applying local and international best practices in corporate governance and ensures that good governance is integrated across the Group's operations. The Group and its subsidiaries adhere to the principles of the Code of Corporate Practices and Conduct (King Code), whilst also ensuring adherence to the legal and regulatory requirements on corporate governance under the local jurisdiction.

The Bank operates within a clearly defined, Board-approved governance framework, which outlines mechanisms for the Bank to implement robust governance practices and provides clear direction for decision-making across all disciplines. The Bank's corporate governance framework enables the Board to oversee strategic direction, financial goals, resource allocation and risk appetite, and to hold executive management accountable for execution. The Board also ensures that management applies the tone set by the Board for good governance, in alignment with the Bank's values, as a set of principles and structures that enable the Bank to create shared value for all its stakeholders.

The Board has the overall responsibility for governance across the Bank and serves as the custodian of the Bank's corporate governance. In addition, it retains effective control through the Board-approved governance framework and provides for the delegation of authority with clearly defined mandates and authorities, while retaining its accountability by ensuring that the principles of governance and codes of best practice are in place and adhered to.

The Board is also responsible for providing ethical and effective leadership to the Bank. It agrees on the Bank's strategic direction and approves the policy frameworks used to measure organisational performance. This is achieved through transparent reporting from management and active Board oversight.

The Bank, being a public interest entity, is required to adopt the principles set out by the National Code on Corporate Governance for Mauritius (2016) (the Code). To the best of the Board's knowledge, the Bank has complied with and applied the Code throughout the year ended 31 December 2023, and explained how these principles have been applied. The Bank also subscribes to and is fully compliant with the Bank of Mauritius Guideline on Corporate Governance (2017) in all material aspects.

## Board of Directors

The Board of Directors is set up in accordance with the Bank's constitution and in line with the provisions of the Mauritian Companies Act, the Mauritian Banking Act and any applicable law or binding regulatory provisions. The Board currently comprises nine Board members with a relevant and wide breadth of backgrounds and professional experience in the banking, financial, legal, accounting, IT and commercial sectors. The Bank has a unitary board model consisting of a mix of executive Directors, non-executive Directors and independent Directors, ensuring a balance of skills and objectivity.

The Bank's ability to innovate is critical to remaining relevant to its clients. The Board is committed to ensuring that it remains agile to meet the changing needs of its clients and other stakeholders. The composition of the Board is carefully and regularly reviewed to ensure it has the necessary skills to deliver on the Bank's strategy and leverage opportunities. The composition and size of the Board is considered effective and appropriate to meet the requirements of the business in terms of setting the direction of the Bank and monitoring management for the Bank to achieve its objectives. The Board has a sufficient breadth and depth of skills and capabilities, diversity of experience, as well as gender balance to provide the Bank with the appropriate direction and guidance to meet the expectations of its stakeholders.

The Bank, a wholly owned subsidiary of Standard Bank Group Limited, operates in a highly regulated and dynamic sector, requiring the Bank to constantly adapt to conform to changing legislations and market conditions. The Bank ensures that the Directors are kept abreast of all their legal duties through continuous trainings carried out by in-house specialists, Group specialists and external consultants throughout the year. Newly appointed Directors are also familiarised with their legal duties during the induction programme. The Directors are cognisant of the requirement to exercise the degree of care, skill and diligence reasonably expected of a prudent and competent Director for the proper discharge of their duties.

The Bank is predominantly regulated by the Bank of Mauritius, and operates in accordance with its guidelines, instructions and directives. The Bank of Mauritius Guideline on Corporate Governance encourages subsidiaries of foreign banks to have at least one independent Director on the Board. The Bank has on its Board four independent Directors, namely Mr Arvind Hari, Mr Sanjeev Manrakhan, Mrs Sheila Ujoodha and Mr Devalingum Naiken Gopalla. Many of the Board members remain independent non-executive Directors, who bring diverse perspectives to Board deliberations and constructively challenge management.

The Board is committed to achieving high standards of corporate governance through transparency, accountability, good performance, effective controls, integrity and a sound ethical culture across all its dealings. Board members are bound by the Code of Ethics and fiduciary duties owed to the Bank. The Board is responsible for providing ethical and effective leadership towards the achievement of the Bank's strategy. It agrees the strategic direction and approves the policy framework used to measure organisational performance. This is achieved by ensuring transparent reporting by management and active Board oversight. By so doing, the Board continuously analyses the Bank's operations and its environment in which it operates to ensure that the Bank meets all legal and regulatory requirements. The Chief Executive and Executive Team deliver against agreed performance targets aligned with the Bank's strategy, and in the best interests of the Bank and its stakeholders. Management is open and transparent in its engagements with the Board and escalates material matters requiring the Board's consideration in a timely manner. Ad hoc special Board meetings are convened, as and when needed.

The Board is committed to acting in the best interests of the Bank, in good faith, whilst avoiding conflicts of interest. The Board has established robust governance practices that require the Board to review and approve, at least on a yearly basis, the mandates of the Board and its sub-committees. The mandates of the Board and its sub-committees were reviewed at the Board of Directors' meeting held in November 2023.The Board is also responsible for reviewing and approving, as and when required, the Bank's Code of Ethics, job descriptions of the key senior governance positions, the Bank's organisational structure and the statement of major accountabilities of the Executive Management. These are published on the Bank's website.

The Board has the ultimate responsibility for the affairs of the Bank:

- Link between the Bank and its shareholder;
- Decision-makers responsible for setting and monitoring the strategic direction and key policies;
- Responsible for governance;
- The Chairman of the Board is the spokesperson for the Board;
- The Chief Executive is the spokesperson for the Bank;
- Empowering Executive Management to take actions to drive the Bank towards achieving the set strategies;
- Approving the Bank's corporate plan, encompassing short- and long-term business objectives, the strategy, together with appropriate policies to execute the strategy, including those relating to risk management, financial, capital adequacy, liquidity, compliance, operational and risk appetite, amongst others;
- Responsible for the appointment and monitoring of senior management while assessing the performance of senior management in delivering and achieving corporate objectives;
- Responsible for the appointment of the Chief Executive and other senior officers;
- Ultimately accountable to the Shareholder.

### Composition

The Bank recognises that a balanced Board is vital for sustainable value creation. The Bank has a unitary board, which is considered effective and appropriate for the size of the Bank.

On 31 January 2023, the Bank appointed Mrs Sheila Ujoodha as an independent Director on its Board. As at 31 December 2023, the Board comprised nine Directors, including four non-executive Directors, two executive Directors and three independent Directors.

On 26 January 2024, the Bank appointed Mr Devalingum Naiken Gopalla as independent Director on its Board.

The Board believes that its composition is both qualitatively and quantitatively balanced in terms of skills, gender, nationalities, experience and tenure. The Directors have deep experience and diverse skills, which collectively ensure that the Board operates effectively to protect and create value in the design and delivery of the Bank's strategy, and in the execution of its duties. They have the necessary competence to discharge their duties and to provide strategic direction and control of the Bank in accordance with the Board mandate and the constitution of the Bank. There is a clear division of responsibilities, ensuring that no one Director has unfettered powers in the decision-making process, whilst ensuring that there is an appropriate balance of power.

The collective background of the Board members provides for a balanced mix of attributes and skills that enables the Board to fulfil its duties and responsibilities. The composition of the Board and its committees is regularly reviewed to ensure that the balance and mix of diversity is preserved and that the Board maintains its effectiveness and efficiency at all times.

| Board of Directors |
|---|
| Mr Arvind HARI (Chairman) |
| Mr Francois GAMET (Chief Executive) |
| Mrs Michele AH SEE (Chief Risk Officer) |
| Mr Clive Robert TASKER |
| Mr Stephen Vincent SCALI |
| Mr Roderick Terner Forbes POOLE |
| Mr Sanjeev MANRAKHAN |
| Mr Helmut ENGELBRECHT |
| Mrs Sheila UJOODHA |
| Mr Devalingum Naiken GOPALLA |

Changes in the Board's composition:
On 31 January 2023, Mrs Sheila Ujoodha was appointed by the Bank as an independent Director.
On 26 January 2024, Mr Devalingum Naiken Gopalla was appointed by the Bank as an independent Director.

## Chairman and Chief Executive

The role of the Chairman is separate from that of the Chief Executive, with a clear division of responsibilities. Care is taken to ensure that no single Director has unfettered powers in the decision-making process. Whilst the Chairman and Chief Executive are collectively responsible for the leadership of the Bank and for promoting the highest standards of integrity and probity, these roles are carried out by two different persons. Each plays a distinctive role but complements the other to ensure that there is a balance of power and authority.

## Chairman

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company.

Role of the Chairman:

- Sets the ethical tone for the Board and Bank
- Builds and maintains stakeholder trust and confidence
- Provides leadership and governance of the Board to create the conditions for the effectiveness of the overall Board and each individual Director
- Ensures that all key and appropriate issues are discussed by the Board in a timely manner
- Ensures that all members of the Board are provided with timely, adequate and accurate information
- Ensures that the strategies and policies adopted by the Board are effectively implemented by the Chief Executive and management
- Conveys feedback in a balanced and accurate manner between the Board and the Chief Executive
- Monitors the effectiveness of the Board and assesses the individual performance of Directors.

## Chief Executive

The Chief Executive is the face of the Bank and engages with material stakeholders, including clients, regulators and employees on an ongoing basis.

Role of the Chief Executive:

- Shoulders the responsibility for the execution of the day-to-day running of the Bank's affairs
- Develops the Bank's strategy and long-term plans for consideration and approval by the Board
- Runs the daily business supported by the Executive Committee, which he chairs
- Establishes an organisational structure for the Bank that is appropriate for the execution of the strategy
- Appoints and ensures proper succession planning of the executive team, and assesses their performance
- Reports to the Board on the performance of the Bank in line with the approved risk appetite, and its compliance with applicable laws and corporate governance principles
- Sets the tone for ethical leadership, creating an ethical environment and ensuring a culture that is based on the Bank's values.

# BOARD OF DIRECTORS

COMMITTEE MEMBERSHIPS Executive Directors Non-Executive Directors Independent Directors

## Executive Directors

The executive Directors are members of the Board and in full-time employment with the Bank. The executive Directors during 2023 included:

### Francois Gamet

**PERSONAL PROFILE**

- Aged 54
- Holder of a Master's Degree in Management/Finance from Sup de Co Amiens Grande Ecole, France
- Executive Management Programme from INSEAD, France and Singapore

**CURRENT**

- Appointed as executive Director in September 2021
- Chief Executive of Standard Bank (Mauritius) Limited and Head: Corporate and Investment Banking
- Member of the Board Risk Management Committee, Board Credit Committee, Board Related Party Transactions Committee and Board Technology and Information Committee

**PREVIOUS**

- Joined Standard Bank Group in 2004
- Occupied various key positions, including serving as Chief Executive Officer of Standard Advisory (China) Limited from August 2015 to August 2021 and Head of Asia, Standard Bank Group
- Former Head of West Africa and Mauritius Corporate and Investment Banking, Standard Bank Group, from 2012 to 2015
- Former Standard Bank Group Representative and Investment Banking Consultant, Russia, from 2011 to 2012
- Former Head of Corporate and Investment Banking, Standard Bank Russia, from 2008 to 2011
- Former Global Head Power and Infrastructure at Standard Bank Group, UK, from 2007 to 2008
- Former Director Energy Finance at Standard Bank Plc., UK, from 2004 to 2007

COMMITTEE MEMBERSHIP

Ordinarily Resident in Mauritius

### Michele Ah See

**PERSONAL PROFILE**

- Aged 57
- Holder of an MA (Ord) in Accountancy and Economics from the University of Aberdeen (Scotland)
- Member of the Institute of Chartered Accountants of England and Wales

**CURRENT**

- Occupies the post of Chief Risk Officer in the Bank
- Appointed as executive Director in February 2014
- Joined Standard Bank (Mauritius) Limited in February 2009
- Member of the Board Related Party Transaction Committee

**PREVIOUS**

- Served as Acting Chief Executive from December 2020 to September 2021, pending the appointment of a new Chief Executive
- Worked 10 years at the State Bank of Mauritius. Headed the Value Management Office, the Credit Underwriting Division and the Corporate Banking Division
- Worked for Somers Baker in the UK and PricewaterhouseCoopers Mauritius in Audit

COMMITTEE MEMBERSHIP

Ordinarily Resident in Mauritius

## Non-executive Directors

### Stephen Vincent Scali

**PERSONAL PROFILE**

- Aged 51
- Holder of a Juris Doctor from Harvard Law School, USA
- Holder of an MA in Industrial Relations from the University of Warwick, United Kingdom
- Admitted to the New York State Bar in 2002
- Non-Practising Solicitor of England and Wales

**CURRENT**

- Appointed as independent Director in June 2011
- Chairman of the Board Audit Committee and Board Credit Committee
- Member of the Board Risk Management Committee

**PREVIOUS**

- Acted as in-house legal counsel at Vodafone Group Plc and Merrill Lynch
- Acted as Chief Executive of an investment management company, legal advisor, and director of leading Mauritius companies

COMMITTEE MEMBERSHIP

Ordinarily Resident in Mauritius

### Roderick Terner Forbes Poole

**PERSONAL PROFILE**

- Aged 62
- Holder of a Bachelor of Commerce from the University of South Africa

**CURRENT**

- Appointed as non-executive Director in November 2016
- Chairman of the Board Nomination and Remuneration Committee
- Member of the Board Technology and Information Committee and Board Credit Committee

**PREVIOUS**

- Occupied various key positions in Finance, IT and HR within the Standard Bank Group from 1984 to 1991
- Former Head: Human Resources CIB Standard Bank Plc, London in 2007
- Former Head: Human Resources CIB, Standard Bank of South Africa in 2008
- Former Head: Human Capital, Marketing and Communications CIB Standard Bank of South Africa from 2012 to 2014
- Former Chief of Staff, CIB until November 2016
- Former Chief: Change and Business Transformation Officer of the Standard Bank Group until his retirement in February 2022

COMMITTEE MEMBERSHIP

## Non-executive Directors

### Clive Robert Tasker

**PERSONAL PROFILE**

- Aged 68
- Holder of a BA LLB from the University of Natal, Pietermaritzburg
- Advanced Management Programme from Wharton Business School, University of Pennsylvania

**CURRENT**

- Appointed as non-executive Director in February 2016
- Chairman of the Board Risk Management Committee
- Member of the Board Nomination and Remuneration Committee and Board Audit Committee

**PREVIOUS**

- Joined the Standard Bank of South Africa Limited in November 2000
- Occupied various key positions within the Standard Bank Group, including serving as Chief Executive of Standard Bank Africa from March 2008 to December 2011
- Former Head: Corporate Banking International, Corporate and Investment Banking of Standard Bank Group from January 2012 to December 2012
- Former Chief Executive Officer of Standard Advisory (China) Limited, a position he occupied from January 2013 until his retirement in September 2015
- Served as a Director on the Board of various companies within the Standard Bank Group

COMMITTEE MEMBERSHIP

### Helmut Engelbrecht

**PERSONAL PROFILE**

- Aged 57
- Qualified as a South African Chartered Accountant in 1991
- Holder of an LLB from Rand Afrikaans University, South Africa
- Holder of a B.Com Accounting (Hons) from Rand Afrikaans University, South Africa
- Holder of a B.Com Accountancy from Rand Afrikaans University, South Africa
- Completed an executive education course in Advanced Strategic Management from IMD Business School, Switzerland

**CURRENT**

- Appointed as non-executive Director in January 2022
- Chairman of the Board Related Party Transactions Committee
- Member of the Board Nomination and Remuneration Committee
- Currently Regional Chief Executive Officer Africa Regions of the Standard Bank Group

**PREVIOUS**

- Joined the Standard Bank of South Africa Limited in November 1999
- Held various key positions within the Standard Bank Group in product teams (mostly Investment Banking)
- Former Head of Acquisition Finance of the Standard Bank Group from 2004 to 2008
- Former Head of Investment Banking Africa Regions (Rest of Africa) of Standard Bank Group between 2008 to 2014
- Former Head of Investment Banking Africa (Africa Regions and South Africa) of the Standard Bank Group between 2014 to 2015
- Former Head of Client Coverage Africa Regions of the Standard Bank Group between 2015 to 2021

COMMITTEE MEMBERSHIP

## Independent Directors

### Arvind Hari

**PERSONAL PROFILE**

- Aged 63
- Holder of a Bachelor in Commerce and Bachelor of Accountancy from the University of Witwatersrand
- Holder of a Master of Commerce from the University of Pretoria
- Member of the South African Institute of Chartered Accountants and the Mauritius Institute of Directors

**CURRENT**

- Appointed as independent Director in October 2018
- Appointed as Chairman of the Board of Directors of Standard Bank (Mauritius) Limited in October 2021
- Member of the Board Nomination and Remuneration Committee

**PREVIOUS**

- Served as Partner at KPMG Inc. in South Africa for 21 years
- Served as Member of KPMG's Policy Board for 11 years
- Former Partner in Charge of the IT Audit and Advisory Business Unit of KPMG
- Former Executive Partner responsible for KPMG's Finances, Executive Remuneration, People (Human Resources) and internal IT unit

COMMITTEE MEMBERSHIP

Ordinarily Resident in Mauritius

### Sanjeev Manrakhan

**PERSONAL PROFILE**

- Aged 53
- Holder of an MBA in Information strategy from l'Ecole des Hautes Études Commerciale (EDHEC) in Nice, France
- Holder of a Post Graduate Certificate in Télécommunications from BailBrook College in Bristol, United Kingdom
- Holder of a Bachelor of Business Science (BBusSc) degree in Services Marketing with sub-majors in Statistics and Economics from the University of Cape-Town (UCT), South Africa
- Skilled in Business Analysis and Planning, Information and Financial Technologies, and Digital Transformation (Industrial Internet of Things, Big Data and Machine Learning Essentials)

**CURRENT**

- Appointed as independent Director in April 2020
- Chairman of the Board Technology and Information Committee
- Member of the Board Risk Management Committee and Board Audit Committee

**PREVIOUS**

- Held various positions such as Head of Marketing and International Roaming with Mauritius Telecom (Cellular Division), Consultant to the GM of France Télécom (Mexico), Regional Director of Central, Eastern and Southern Africa with Gemalto (Telecom, Banking and ID), Advisor to the Chairman of Bharti-Airtel and Senior Advisor to the President of Huawei SSA (Networks) during the last 20 years
- Turned serial entrepreneur with a successful run in the technology and financial services industry with startups such as InfoSystems (IT), NanoBNK (Fintech) and DigiConsult (Proptech)

COMMITTEE MEMBERSHIP

Ordinarily Resident in Mauritius

## Independent Directors

### Sheila Ujoodha

**PERSONAL PROFILE**

- Aged 53
- Holder of a Bachelor of Science in Accounting from the University of Mauritius
- Fellow Member of the Association of Chartered Certified Accountants
- Member of the Institute of Internal Auditors (UK), Mauritius Institute of Professional Accountants and Mauritius Institute of Directors

**CURRENT**

- Appointed as independent Director in January 2023
- Chairman of the Board Audit Committee
- Member of the Board Credit Committee and Board Technology and Information Committee
- Currently Chief Executive Officer of the Mauritius Institute of Directors

**PREVIOUS**

- Former Managing Director of SmarTree Consulting Ltd
- Former Chief Risk and Audit Executive of CIM Group

COMMITTEE MEMBERSHIP

Ordinarily Resident in Mauritius

### Devalingum Naiken Gopalla

**PERSONAL PROFILE**

- Aged 45
- Barrister at Law admitted in England and Wales and Mauritius
- Holder of an LLM from Kings College, University of London
- Holder of an LLB from the University of Wolverhampton
- Member of Honourable Society of Gray's Inn, New York State Bar Association and Mauritius Bar Association

**CURRENT**

- Appointed as independent Director in January 2024
- Currently Partner at Dentons Mauritius

**PREVIOUS**

- Former Head of Legal of Investec Bank Mauritius
- Former Director of Eastern and Southern African Trade Development Bank (Kenya)
- Former Head of Legal of Accenture Mauritius

COMMITTEE MEMBERSHIP

Ordinarily Resident in Mauritius

## Appointment of Directors

The Board is responsible for the oversight of succession planning, the nomination process and the short listing of candidates. The Board has a formal and transparent process in place for the appointment of Directors. Apart from a candidate's skills, experience, availability and likely fit, the Board also considers the candidate's demonstrated integrity, proven leadership as well as other directorships and commitments to ensure that they will have sufficient time to discharge their role effectively. Due diligence is conducted on the candidates, following which the Board considers and discusses the results thereof. The candidates are also required to satisfactorily meet the fit and proper test, as required by the Mauritian Banking Act. The Board Nomination and Remuneration Committee assists the Board in fulfilling these duties. Additionally, the Directors' Affairs Committee, a Committee set up at the parent level of the Bank, reviews the recommendations for the appointment of the candidates. This Committee considers the current Board's skills matrix, a candidate's skills, experience, availability, possible conflicts of interest and likely fit, as well as demonstrated integrity, proven leadership and other time commitments. The salient terms and conditions of the appointment of independent and non-executive Directors are available on the Bank's website.

As per the Bank's constitution, each Director is required to retire annually from office and, if available and eligible, to stand for re-election at the annual meeting upon recommendation by the Board. Where the Board believes that a Director is not discharging his/her duties and responsibilities to its satisfaction, it may consider the removal of the Director. Once a decision is taken, the Board, through the Chairman, shall recommend the removal of the Director to the Shareholder or shall not recommend the Director for re-election at the annual meeting, as the case may be.

The Chairman provides feedback on each individual Director to the Shareholder at each annual meeting, prior to the re-election of the Directors. At the 2023 annual meeting, the Chairman provided feedback on each individual Director to the Shareholder on whether the Director's performance continued to be effective, following which all Directors who presented themselves for re-election were re-elected.

The Board believes that Board succession planning is key for an organisation to continue meeting the challenges of a constantly changing business environment. To that effect, in August 2023, the Board Nomination and Remuneration Committee approved the 2023 methodology and key principles for the Board's succession plan. The key principles approved were as follows:

- Board composition to contain a mix of independent Directors and non-executive Directors, gender balance and locally-based directors
- Maximum tenure of office for independent Directors and non-executive Directors
- Review of skills set, expertise and experience of Board members on an annual basis.

## Directors' induction and ongoing training

Newly appointed Directors are provided with the Bank's governance manual, which contains all relevant governance information, including the Bank's founding documents, mandates, governance structures, significant reports, relevant legislation and policies. One-on-one meetings are organised with executive heads of various departments, during which the Director is introduced to the Bank and its operations. Site visits are also scheduled at the Bank's premises and its disaster recovery sites. Meetings may also be scheduled with key executives at Group level. The induction programme is tailored to each new Director's specific requirements.

Dates for training are scheduled in advance and form part of the Board-approved annual calendar. Directors are kept abreast of applicable legislations and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the Bank and its operations.

Topics considered in 2023 included:

- SBG climate policy
- Trade and working capital finance
- ALCO
- Global markets
- Payments landscape and shifting value pools
- Stress testing.

The above trainings were delivered by the Standard Bank Group's trainers.

Additionally, an online learning platform has been made available to the non-executive and independent Directors, enabling them to undertake and complete trainings on:

- Anti-money laundering and combating the financing of terrorism
- Anti-bribery and corruption
- Business, personal and client conduct.


## Assessing the Board's effectiveness

The annual Board evaluation provides an opportunity to consider views from all members, identify development areas, maximise strengths and explore ways to increase efficiencies for the Board to continuously improve its performance. The Chairman, with the support of the Company Secretary, leads the Board in considering and responding to the review of its effectiveness, which also includes a review of its sub-committees and an assessment of the contribution of individual Directors through peer reviews. The performance evaluation of the Chairman is carried out by the Board, led by a non-executive or independent Director. All training needs are also identified, and the Company Secretary facilitates such trainings during the course of the year.

The Board Nomination and Remuneration Committee also provides feedback to the Board on the contribution of the individual Directors towards the achievement of the Bank's corporate objectives, as well as on the regularity of their attendance at the Board and Board sub-committee meetings. The Board thereafter recommends the re-election of directors, retiring by rotation, to the Shareholder at annual meetings.

In line with good corporate governance practice, the 2023 Board evaluation review was externally facilitated, and conducted by SIRDAR in conjunction with the Company Secretary, with oversight from the Board Chairman. The Board effectiveness review was assessed against the following key areas:

- Strategy
- Organisational culture
- Corporate governance framework, leadership and performance
- Stakeholder engagement
- Sustainability
- Shareholder engagement and returns
- Risk and compliance
- Financial control and monitoring
- Evaluation and improvement
- Board composition, Board members' appointment and overall effectiveness
- Interaction with management, access to information and resources
- Meeting efficiency
- Foundational elements.

The process commenced in September 2023, whereby Directors were asked to answer a web-based Board effectiveness survey. Directors were given the opportunity to provide additional comments or observations on the Board and committee members. One-on-one interviews were also conducted between the external evaluator and the Directors to complement the Board evaluation process and the self- and peer-evaluation process. While the evaluation allowed for the Board to review its effectiveness in 2023, it also focussed on striking the balance between best practice and what works for the Bank as an organisation. One-on-one feedback sessions will be held between the Chairman and Directors, where the results of the peer review will be shared and discussed. The recommendations on areas for improvement will be noted and an action plan put in place.

## Remuneration of Directors

Effective governance is essential to ensure that the remuneration process is fair and supports the Bank's strategy.

The Board Nomination and Remuneration Committee is mandated by the Board to review the remuneration of the Chairman and the independent and non-executive Directors on an annual basis. Additionally, the Group Directors' Affairs Committee, set up at Group level, will provide guidance to the Board Nomination and Remuneration Committee and the Board to ensure that Directors' remuneration (including Directors' fees) promotes the long-term success of the Group and adheres to best practices in determining any Director's remuneration, including an annual review and benchmarking against local peers, in accordance with the subsidiary governance framework and principles of the Standard Bank Group.

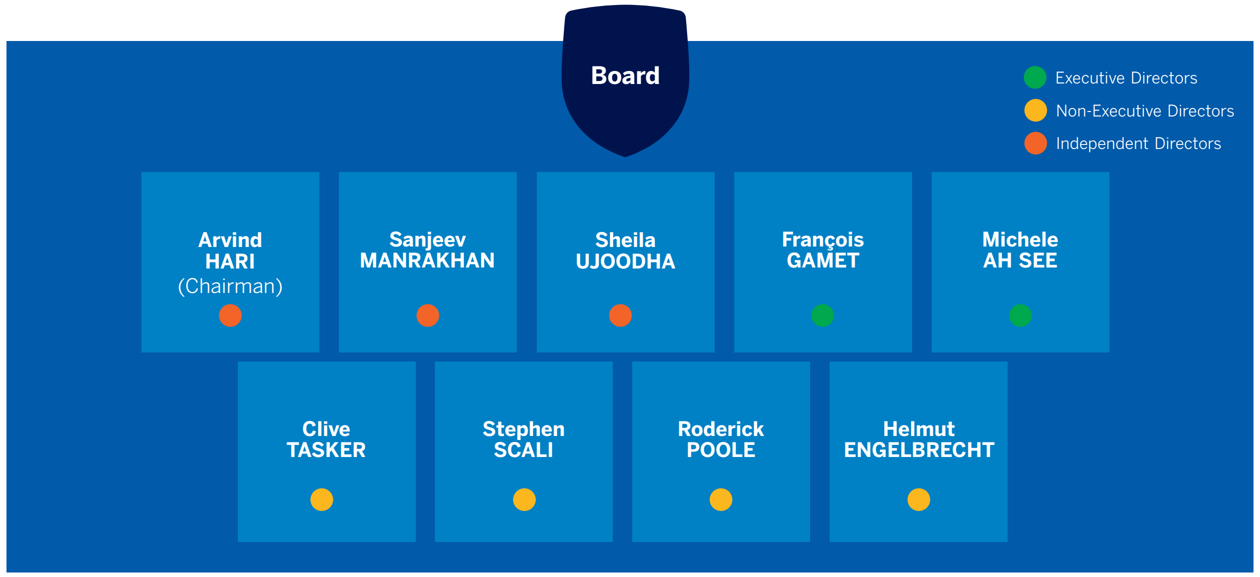
Proposed fees are based on a carefully considered assessment of the Directors' responsibility, including the significant amount of work involved at committee level. The Board, and particularly its committees, Chairs and committee members, spend a significant amount of time carrying out in-depth analyses of matters relevant to the Bank's performance and regulatory requirements. Once the proposed fees are considered by the Group Director's Affairs Committee and the Board, a recommendation for approval is made to the Shareholder by the Board at each annual meeting.

Eligible non-executive and independent Directors receive a Director's fee for their service on Boards and Board committees, payable on a quarterly basis. They do not receive annual incentive awards, nor do they participate in any of the Bank's or Group's long-term incentive schemes. For the remuneration of the executive Directors, please refer to the statement of remuneration philosophy on page 103.

## Company Secretary

Directors have access to the services of the Company Secretary. The current incumbent in the role of Company Secretary is Mrs Reshmee Kistnamah. The main duties of the Company Secretary are as per below:


## Board composition 2023

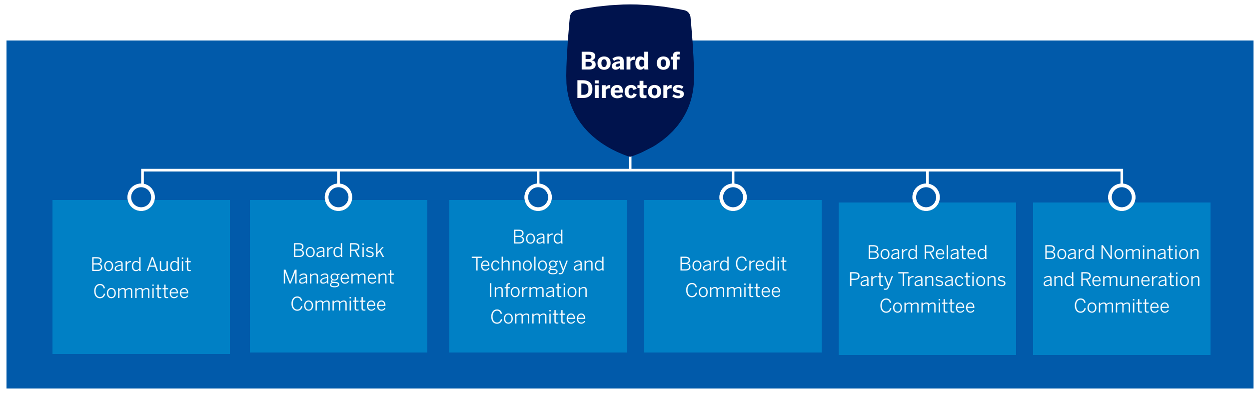



On 26 January 2024, the Bank appointed Mr Devalingum Naiken Gopalla as an independent Director on its Board.

## Role and duties of the Board

The Board oversees the Bank's business strategy, internal organisation and governance structure, its risk management and compliance practices, and key personnel decisions. The Board is collectively and ultimately responsible for the safety, soundness and long-term success of the Bank and delivery of sustainable shareholder value. It provides leadership to the Bank within a framework of prudent and effective controls enabling risks to be assessed and managed. There is a clear demarcation of responsibilities and obligations between the Board and management. The Board is independent from management.

To effectively oversee the affairs of the Bank, the Board has delegated certain functions to its committees in line with the corporate governance framework and relevant legislations. Each committee has a Board-approved mandate. In determining the composition of committees, the Board considers the skills and experience of its members, applicable regulations and the committee's mandate. Committee Chairmen are accountable for the effective functioning of their committees. They provide verbal updates to the Board of Directors on committee activities at each Board meeting, and highlight significant matters discussed at the committees that require attention and consideration. The minutes of meetings are also included in the Board packs for noting.




The Board constituted the Board Related Party Transactions Committee in November 2023 to consider related-party transactions in line with the Bank of Mauritius Guideline on Related Party Transactions (2022).

The Board reviews and approves their terms of reference on an annual basis. To this end, in November 2023, the Board reviewed and approved the mandates of its sub-committees.

## Summary of key terms of reference of the Board of Directors

| | |
|---|---|
| **Strategy** | • Map out the Bank's goals and plans for achieving those goals<br>• Ensure that any action is aligned with the Bank's values, performance and sustainability<br>• Continuously monitor financial performance<br>• Ensure that an adequate budget and planning process is in place. |
| **Corporate governance** | • Ensure that sound corporate governance practices are implemented within the Bank<br>• Assess achievements against set objectives on an annual basis<br>• Delegate power, authorities and discretions to the Chief Executive and sub-committees for an efficient decision-making process<br>• Propose the remuneration of independent and non-executive Directors to the Shareholder for approval<br>• Recommend external auditor's fees to the Shareholder for approval following recommendations from the Board Audit Committee<br>• Review matters such as the Code of Ethics, as well as environmental and social issues<br>• Ensure the approval of the Bank's Code of Ethics by the Board and its adherence to the highest set of standards for responsible business practices. |
| **Board members' appointment, and overall effectiveness and evaluation of Board** | • Conducts a fit and proper assessment before recommending the appointment of Directors to the Shareholder<br>• Approve the appointment of the Chairperson and membership of all Board committees on an annual basis<br>• Assume the responsibilities for succession planning and for the appointment and induction of new Directors to the Board<br>• Ongoing Board education to ensure that Directors are kept abreast of all applicable legislations and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the Bank and its operations<br>• Undergo an annual assessment of the Board's performance against set objectives to review and further its effectiveness. |
| **Risk and compliance** | • Ensure proper and effective compliance, and implementation of risk management policies and procedures<br>• Implement policies and procedures to identify conflict of interest situations and steps to redress such situations. |
| **Dividend policy, finance and capital funding** | • Prepare accounts that fairly present the state of affairs of the organisation and that comply with international reporting standards<br>• Ensure that policies and systems in place help to achieve a prudential balance between risks and returns to the Shareholder<br>• Approve dividend payments to the Shareholder<br>• Consider and approve capital expenditure recommended by the Executive Committee<br>• Ensure an adequate budget and planning process is in place, and that performance is measured against budgets and plans. |
| **Access to information and resources** | • Regular interaction between the Board and executive management<br>• Directors have free and unrestricted access to the management team and to the Bank's information<br>• Directors are provided with the services of external legal advisors when required. |

**Priorities for the year ahead**

- Implement Board succession plans
- Consider the impact of regulatory changes
- Measure progress against strategic objectives
- Continue to monitor the Bank's operational and financial performance.

## Summary of key terms of reference

### Board Audit Committee


The Board Audit Committee assists the Board in honouring its responsibilities for monitoring the quality of the Bank's financial statements. It reviews the accounting policies, financial reporting and regulatory compliance practices, as well as the Bank's systems and standards of internal controls, and monitors processes for internal audit and external audit.

**Summary of key terms of reference**

- Review interim and audited annual financial statements and other financial information required to be submitted to the Shareholder
- Consider reports by the Executive Management on measures implemented to ensure compliance with the statutes, internal policies and procedures and controls, including accounting systems and record keeping controls, information systems and technology controls, internal audit processing, management information systems and reports applied to the day-to-day management of the business and review
- Review the basis on which the Bank has been determined 'a going concern' and make recommendations to the Board
- Recommend the appointment of external auditors and the terms of reference to the Board
- Evaluate reports produced by the internal audit department of the Bank detailing the adequacy and overall effectiveness of the Bank's internal audit function
- Consider reports from the external auditors
- Review the Bank's compliance plan, with specific reference to the procedures for identifying regulatory risks and controlling their impact on the Bank, as well as ensuring that the Bank's policy complies with relevant regulatory and legal requirements
- Review complaints handling and complaints reporting procedures.

### Audit process

With a view to ensuring the overall adequacy of the Bank's internal control framework, the Audit Committee evaluates the independence and effectiveness of the external auditor on an ongoing basis before making a recommendation to the Board on their appointment and retention.

On a quarterly basis, the Board Audit Committee Chairman meet with the internal auditors independently of management to discuss any issues of concern that were raised. The Chairman engaged with the external auditors to discuss critical issues, policies, judgements and estimates. The external auditors are invited to attend the various Audit Committee meetings where they are given the opportunity to present their audit plan, audit findings and any significant or material changes in accounting policies and principles.

### External audit

To ensure an effective external audit process, engagements are held with the Board Audit Committee Chair to discuss areas of focus prior to the engagement. The external auditors prepare their audit plan, which is then presented to the Board Audit Committee for approval. The auditors are actively encouraged to participate at the Board Audit Committee on matters under discussion and raise any concerns at each quarterly meeting. In addition, they are kept informed of any significant changes or critical issues that can impact the Bank. The relation with the external auditors is open and transparent. On a yearly basis, the Board Audit Committee convenes to assess the external auditors through a questionnaire. Results thereof are then discussed with the audit partner for improvements, where required. PricewaterhouseCoopers was first appointed for the financial year ended December 2016, following a competitive tender. In 2023, the Bank requested an extension to the Bank of Mauritius to reappoint PricewaterhouseCoopers as its auditors. In 2022, the partner in charge of the audit was rotated after a tenure of five years. The appointment of the external auditors for the year ended 31 December 2023 has been approved by both the Board Audit Committee and Board of Directors in March 2023 in line with the provisions of the Mauritian Banking Act 2004.

It is recognised that the external auditors have detailed knowledge of the Bank's business processes and this often enables them to provide better service than other consulting firms in certain instances. In addition, the number of firms with specialised technical skills required for consulting in the Mauritian banking environment is limited. The Bank has set up a non-audit services policy, which ensures that the Board Audit Committee and the Bank's external auditors will be independent of the Bank, both in fact and in appearance, in order to maintain their credibility and effectively fulfil their primary role as the Bank's auditors. The provision of extensive levels or certain types of non-audit services to the Bank will not impair their independence or be perceived to do so. A pre-approval of any proposed agreement with the auditors for the provision of non-audit services to the Bank is required.

As a general guideline, and to facilitate implementation, the Bank's authorised spend on non-audit services provided by the external auditors in any one financial year should not exceed 33.33% of the amount incurred on audit services as disclosed in the annual financial statements in the immediately preceding financial year. The actual spend is reviewed on an ongoing basis by the Board Audit Committee. In 2023, there were no non-audit services provided by the external auditor.

### Auditor's fees and fees for other services

The audit fees payable for the financial year under review is tabled hereunder.

| | **2023 USD** | 2022 USD | 2021 USD |
|---|---|---|---|
| PwC | | | |
| Audit Fees | **165,285** | 153,250 | 154,053 |
| Non-Audit Fees | **—** | — | — |
| | **165,285** | 153,250 | 154,053 |

## Internal audit

The Internal Audit (IA) function plays a pivotal role within the Bank's corporate governance framework, outlining its commitment to transparency, accountability, and risk management.

IA operates independently to assess and strengthen internal controls, risk management, and governance processes. To preserve the independence of the IA function from any business unit or function and to establish the standing of IA, the Country Head of Audit (HoA) (and consequently all audit staff) report functionally to the Chairman of the Board Audit Committee (BAC) and Head of CIB Africa Regions audit as per Standard Bank Group regional construct, and administratively to the Country Chief Executive. The Head of CIB Africa Regions audit and HoA for Africa Regions draw their authority from the Group Chief Audit Executive (CAE) and constitute the Group Internal Audit (GIA) matrix for the Country HoA who reports to the Group CAE. The Head: Internal Audit communicates and interacts directly with the BAC during sessions held between committee meetings as appropriate, including meetings with the BAC Chairman and/or committee members, without the presence of management.

The IA function comprises a Head: Internal Audit and an Internal Audit Manager. As subsidiary of a foreign bank, the country team develops a risk-based audit plan from risk assessments and, for execution, leverages the Group IA resources and expertise to derive effective audit outcomes. The IA function conduct is guided by its Code of Ethics and its purpose, authority, and responsibility. The internal auditors provide varying degrees of assurance regarding the effectiveness of the risk management and control processes in selected activities and functions of the organisation, and report at the appropriate organisational level that allows them to fulfil their responsibilities.

The BAC monitors the independence and objectivity of the internal audit function and assesses its performance against relevant standards and key deliverables. The BAC approves the IA Charter on an annual basis, which defines the purpose, authority, and responsibility of the Bank's IA function. Operating under a well-defined charter, the IA function regularly reviews and updates its charter to reflect changes in the regulatory environment and industry standards. This commitment ensures the function remains robust and responsive to emerging risks.

Employing a risk-based audit approach, the IA function focuses on areas with the highest impact on the bank's strategic objectives and potential risks. This approach enables the IA function to tailor its audit efforts to the evolving risk landscape, prioritising areas that demand the most attention. The audit plan is formally approved by the BAC on an annual basis and ensures that significant areas are covered on a risk-based approach. Internal auditors have full access to the Bank's records and engage with management or employees of the organisation during audits without any interference.

Transparent communication with stakeholders is paramount. The IA function communicates its findings and recommendations to the Board, Executive Management, and relevant stakeholders, fostering a culture of accountability and proactive risk management.

The Head: Internal Audit (appointed in January 2023) holds the following academic qualifications:

- Certified Internal Auditor (CIA), Institute of Internal Auditors (US) 2022
- IIA Certificate in Internal Audit and Business Risk (UK), 2017
- ACCA Certificate in Accounting and Business (UK), 2021
- BSc (Hons) Finance with Law, University of Mauritius, 2007.

### Priorities for the year ahead

- Continue to monitor internal financial controls and key accounting developments that are likely to affect the Bank
- Continue to monitor the activities of external audit and compliance as they pertain to the regulatory and internal control environment of the Bank
- Portfolio monitoring through engagement with stakeholders, and participation and attendance of key management committee meetings
- Issue tracking that includes monitoring, tracking and closure of internal audit findings.

## Board Risk Management Committee

The Board, through the Board Risk Management Committee, is responsible for the governance of risk and for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The Board Risk Management Committee provides oversight and advice to the Board on the current and potential future risk exposures of the Bank, and on future risk strategy. It reviews the Bank's compliance with the approved risk appetite and oversees the operation of the Bank's policy framework.

**Board Risk Management Committee**

| Clive TASKER (Chairman) | Stephen SCALI | Francois GAMET | Sanjeev MANRAKHAN |
|---|---|---|---|

### Summary of key terms of reference

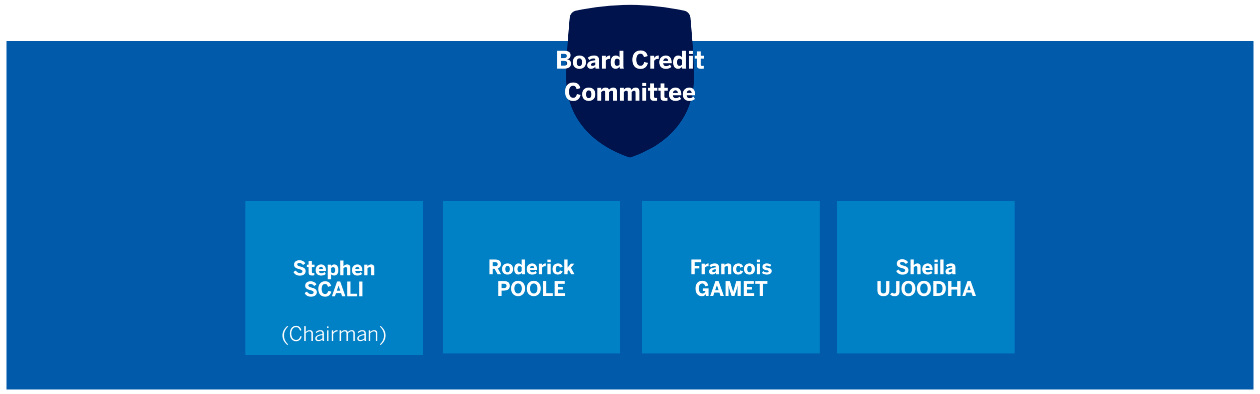
- Responsible for advising the Board on the Bank's overall current and future risk appetite, overseeing senior management's implementation of the risk appetite framework, and reporting on the state of risk culture in the Bank
- Review and assess the integrity of the risk control systems and ensure that risk policies and strategies are effectively identified, managed and monitored in order to contribute to a climate of discipline and control, thereby reducing the opportunity of risk, including fraud, in all areas of operations
- Establish an enterprise-wide risk framework for implementation that will include the following disciplines: credit risk, operational risk, liquidity risk, market risk, legal risk, Basel II, balance sheet and regulatory capital management and risk assurance
- Consider legal issues that could have a significant impact on the Bank's business
- Ensure the independence of the Chief Risk Officer from the Bank's operational management
- Evaluate the efficacy of insurance coverage
- Consider all ethics-related matters.

**Refer to the Risk and capital management report for further details on risk and capital management.**

### Priorities for the year ahead

- Continue to monitor the Bank's current and future risk profile to ensure it is managed within the risk appetite relative to its strategy
- Continue to monitor the Bank's capital adequacy and review the impact of significant transactions on capital.

## Board Credit Committee




The purpose of the Board Credit Committee is to ensure that effective credit governance is in place to provide for the adequate management, measurement, monitoring and control of credit risk, including country risk.

**Summary of key terms of reference**

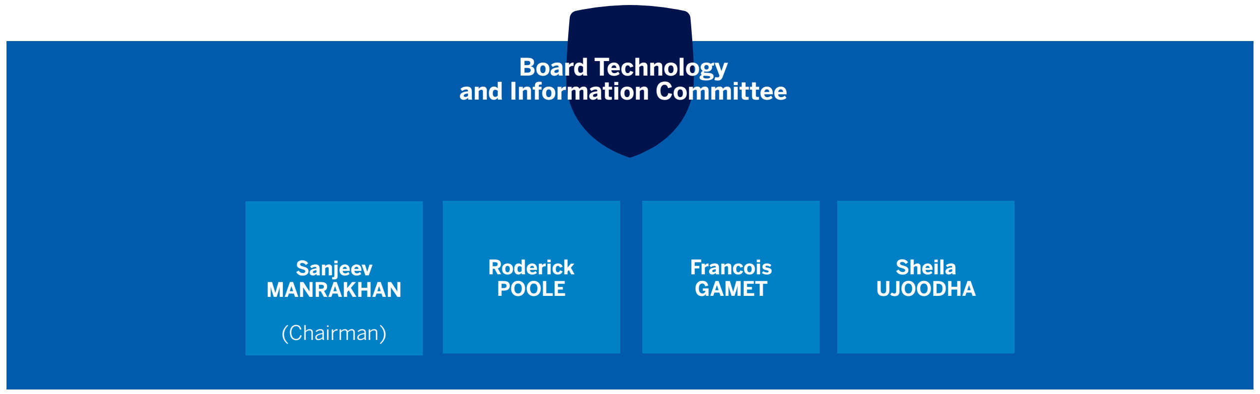
- Review and approve, on an annual basis, the terms of reference of management committees set up to consider credit risk, namely the Credit Risk Management Committee and the Credit Committee, with clearly defined mandates. Oversee the delegated authority to the Credit Committee, which approves credit facilities within approved thresholds
- Approve agreed credit risk appetite framework as required under the Credit Risk Governance Standard as adopted by the Bank
- Review the credit risk portfolio reports, the credit risk impairment adequacy and any other credit-related reports submitted by management
- Consider any other credit-related matters that may be necessary.

**Priorities for the year ahead**

- Continue to monitor credit portfolios
- Continue to monitor the Bank's current and future credit risk profile to ensure it is managed within the credit risk appetite relative to strategy
- Continue to ensure that the appropriate credit governance framework is in place.

## Board Technology and Information Committee

The Board ensures that prudent and reasonable steps have been taken with respect to fulfilling its responsibilities for technology and information governance. To achieve this, the Board has delegated authority to the Board Technology and Information Committee, which is responsible for overseeing the governance of data, technology and information in a way that supports the organisation in setting and achieving its strategic objectives. The Board Technology and Information Committee is responsible for all matters related to data, technology and information.




**Summary of key terms of reference**

- Review and approve technology and information capability-related standards and frameworks
- Consider management's strategies relating to technology and information, cyber and enterprise data management, and their alignment with the Bank's overall strategy and objectives
- Ensure the establishment of effective technology and information management functions in the Bank
- Review technology and information reports
- Consider the IT budget as a component of the Bank's approved budget and assess the suitability and affordability of significant IT investments in relation to the budget
- Consider any material technology outsourcing arrangements or contracts
- Ensure there is a digital strategy and data governance framework in place
- Review the Bank's assessment of risks associated with cyber, technology and information, including disaster recovery, business continuity and IT security
- Oversee the implementation of data-led products for solving operational and compliance challenges.

**Priorities for the year ahead**

- Oversee the technology and information governance framework
- Review the Bank's assessment of risks associated with technology and information, including disaster recovery, business continuity and IT security
- Consider management's strategies related to technology and information.

## Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee assists the Board in proposing new nominees to the Board, assessing the Board's composition and its effectiveness, and recommending to the Board the remuneration of non-executive and independent Directors, and executive/senior management.

### Summary of key terms of reference

- Periodically evaluate the balance of skills, knowledge, experience and diversity on the Board and recommend the criteria, description of the role and capabilities required for the selection of Board candidates
- Review and recommend candidates for Board positions to the Board, including the Chairperson of the Board, Chairpersons of the Board sub-committees, Chief Executive and other executive Directors
- Establish and make recommendations to the Board regarding succession plans for non-executive Directors, independent Directors and executive Directors
- Set out the criteria for measuring the performance of Board members
- Review the findings of the Board and sub-committee performance evaluation process that relate to the composition of the Board and Board sub-committees, and make recommendations to the Board
- Review and make recommendations on the re-election of Directors retiring by rotation and continuation of service of Directors who have reached the retirement age having due regard to their performance
- Consider any matters relating to the continuation in office of any Director at any time, including the suspension or termination of service of an executive Director as an employee of the Company
- Review and recommend the appointments of Senior Officers of the Company
- Review and recommend to the Board the remuneration of the Board Chairperson, independent Directors and non-executive Directors, including members of committees
- Provide oversight on the remuneration and compensation of executives, senior managers and other key personnel
- Review the annual incentive pool and merit increases, and oversee any major changes in employee benefits structures.

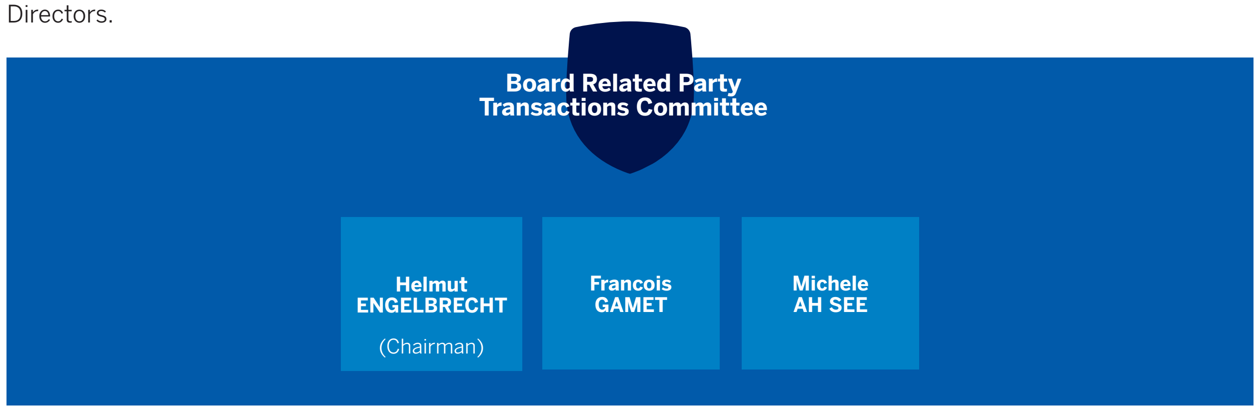
### Priorities for the year ahead

- Review the Board composition and recommend succession plans to the Board
- Ensure that remuneration fees are reflective of the responsibilities borne by the Board members
- Ensure a sustainable and equitable balance and mix of employee salaries and benefits.

## Board Related Party Transactions Committee

The Board established the Board Related Party Transactions Committee, effective from November 2023, to consider related party transactions in line with the Bank of Mauritius Guideline on Related Party Transactions. The Board has established approval authorities and processes for related-party transactions, commensurate with the riskiness, size and complexity of the transactions.

The Board Related Party Transactions Committee shall approve related party transactions above certain thresholds and where related-party transactions pose special risks to the Bank. The senior management of the Bank may approve related-party transactions that are below certain thresholds as approved by the Board of Directors.




### Summary of key terms of reference

- Approve credit exposures to related parties where the aggregate of credit exposures to any single related party and/or its group of connected counterparties exceed 2% of the Tier 1 capital of the financial institution or MUR 500 million, whichever is lower
- Approve transactions with related parties where the aggregate amount due by/to any single related party and/or its group of connected counterparties exceed 2% of the Tier 1 capital of the financial institution or MUR 500 million, whichever is lower
- Approve all related-party transactions posing special risks to the financial institution
- Ensure that all transactions with related parties are carried out on terms and conditions that are at least as favourable to the Bank as market terms and conditions.

### Priorities for the year ahead

- Review and approve related party transactions as per its mandate
- Ensure that related parties transactions are carried out on terms and conditions that are at least as favourable to the Bank as market terms and conditions.

## Board and committee meetings

Board and Board sub-committee meetings are held every quarter, with an additional annual Board meeting to consider the Bank's strategy, except for the Board Related Party Transactions Committee, which meets on an ad hoc basis as may be required. Ad hoc meetings are called if and when necessary. Directors are provided with comprehensive Board documentation at least four days prior to each scheduled meeting to enable members to apply their minds to the content and allow adequate opportunity for formal and informal discussions. The Board uses an electronic board paper system that provides quick, easy and secure access to Board papers and materials (including a resource centre that contains comprehensive reference materials). Board packs are circulated via this system prior to meetings. Information regarding the latest issues affecting the Bank is also circulated as appropriate.

| | | Board committees | | | | |
|---|---|---|---|---|---|---|
| **Standard Bank (Mauritius) Limited** | Board of Directors | Board Audit Committee | Board Risk Management Committee | Board Credit Committee | Board Technology and Information Committee | Board Nomination and Remuneration Committee |
| **Number of meetings held** | 4 | 4 | 4 | 4 | 4 | 4 |
| **Chairman** | Arvind Hari | Sheila Ujoodha | Clive Tasker | Stephen Scali | Sanjeev Manrakhan | Rod Poole |
| | **Attendance** | | | | | |
| **Executive** | | | | | | |
| Francois Gamet | 4 | N/A | 4 | 4 | 4 | N/A |
| Michele Ah See | 4 | N/A | N/A | N/A | N/A | N/A |
| **Non-executive** | | | | | | |
| Clive Tasker | 4 | 4 | 4 | N/A | 1 | 4 |
| Stephen Scali | 4 | 4 | 4 | 4 | N/A | N/A |
| Roderick Poole | 4 | 1 | 1 | 4 | 4 | 4 |
| Helmut Engelbrecht | 4 | 4 | N/A | 1 | N/A | 4 |
| **Independent** | | | | | | |
| Arvind Hari | 4 | N/A | N/A | N/A | N/A | 4 |
| Sanjeev Manrakhan | 4 | 4 | 4 | N/A | 4 | N/A |
| Sheila Ujoodha | 4 | 3 | N/A | 3 | 3 | N/A |

**Sheila Ujoodha:**

- Appointed as Chairman of the Board Audit Committee, effective from 24 March 2023
- Appointed as member of the Board Credit Committee and Board Technology and Information Committee, effective from 24 March 2023.

**Clive Tasker:**

- No longer a member of the Board Technology and Information Committee, effective from 24 March 2023.

**Rod Poole:**

- No longer a member of the Board Audit Committee and Board Risk Management Committee, effective from 24 March 2023.

**Helmut Engelbrecht:**

- No longer a member of the Board Credit Committee, effective from 24 March 2023
- No longer a member of the Board Audit Committee, effective from 7 November 2023
- Appointed as Member of the Board Related Party Transactions Committee, effective from 7 November 2023.

The Board Related Party Transactions Committee was established by the Board on 7 November 2023. No meetings were held for the committee in 2023.

## Codes, regulations and compliance

The Bank has established a number of processes and policies to ensure its long-term success and sustainability. The Bank ensures that it remains compliant with all legislations, regulations and codes in its journey to achieve its goals.

The Board, through the relevant Board committees, considers compliance reports submitted by executive management, internal auditors and external auditors on measures implemented to ensure compliance with regulatory and other legislative requirements.

The Bank also consults with regulators and other stakeholders when applying legislative and regulatory controls. The Bank aims to ensure that regulatory requirements are embedded in the Bank's operations in a way that drives long-term business value.

## Dealing in securities, conflicts of interest and related-party transactions

In its quest to ensure that business is conducted professionally and in an ethical manner, the Bank has implemented guidelines to restrict Directors and embargoed employees from dealing in its securities.

The Bank has a personal account trading policy in place, which prohibits Directors and employees from trading in securities during closed periods. Continuous compliance with the policy is ensured and any breaches of policy are dealt with in line with the provisions of the policy.

The Board is committed to acting in the best interest of the Bank, in good faith, whilst ensuring there are no conflicts of interest. All Board decisions are consistently based on ethical foundations in line with the Bank's values. A conflict of interest policy is in place, requiring Directors and employees to disclose any conflict of interest situation, including the disclosure of any directorships held in any other legal entity. The Company Secretary maintains a register whereby all disclosures of interests of the Directors are recorded. The register is available for consultation to the Shareholder upon written request to the Company Secretary. The register is tabled annually at Board meetings and any changes to the disclosures are submitted to the Board at quarterly Board meetings. The Board is aware of the Directors' commitments outside of the Bank and is satisfied that the Directors allocate sufficient time to discharge their responsibilities effectively. A summary of the conflict of interest policy is available on the Bank's website.

Directors are also required to declare whether there are any conflicts of interest in relation to matters on the agenda at the beginning of each meeting. When the Board is considering matters in which any Director may be conflicted, concerned Directors do not participate and recuse themselves from the meeting.

In line with the Bank of Mauritius Guideline on Related Party Transactions, the Board has constituted the Board Related Party Transactions Committee to approve related-party transactions above certain thresholds and where related-party transactions pose special risks to the Bank. The Board has delegated to management the approval of related-party transactions that are below certain thresholds as approved by the Board.

The Bank is committed to protecting the privacy and data of persons. To this end, it has in place a data privacy policy that ensures that the Bank manages data privacy risks, maintains and continuously improves its data privacy culture and promotes the safeguarding of personal information. It also aims to guarantee that the Bank processes personal information in a lawful and reasonable manner, thus ensuring that the Bank is protected from criminal sanction, reputational damage, fines and penalties. The Bank has published on its website a data privacy statement that details how it collects and processes personal information.

Directorships held in listed companies are as follows:

| Names of Directors | Names of Companies |
|---|---|
| Clive Tasker | Nil |
| Stephen Scali | Nil |
| Michele Ah See | Nil |
| Rod Poole | Nil |
| Arvind Hari | Nil |
| Sanjeev Manrakhan | Nil |
| Helmut Engelbrecht | Nil |
| Francois Gamet | Nil |
| Sheila Ujoodha | United Docks Ltd, Vivo Energy Mauritius Ltd, Alteo Limited and Innodis Ltd |

## Evolving our ethical framework

Our ability to achieve our purpose depends on our reputation as a trusted partner. In turn, our reputation rests on the ethics and values that shape the culture and conduct of our people. Our Code of Ethics requires all employees to act with integrity and to place the interests of our clients, and the communities impacted by our business, at the centre of our decision-making. It sets out clear principles to help our employees decide on the correct course of action. All employees must undertake an annual mandatory training on the Code of Ethics, personal conduct, business conduct and societal conduct.

Our approach to ethics involves considering the following three types of conduct:

**1. Personal conduct: How we are expected to behave as staff of Standard Bank**

The following policies are in place to govern personal conduct:

- Company and culture
- Anti-discrimination
- Sexual harassment
- Recruitment and selection
- Performance management, promotions and remuneration
- Leadership identity
- Occupational health and safety
- Leave
- Employee relations.

**2. Business conduct: Doing the right business in the right way**

The following policies are in place to govern business conduct:

- Anti-bribery and corruption
- Whistleblowing
- Financial crime control
- Data privacy and security
- Market abuse control
- Treating customers fairly (TCF)
- Ethical conduct standards.

**3. Societal conduct: How we are expected to behave in society**

The Bank has in place a human rights statement and adheres to the Equator principles.

The following policies are in place to govern societal conduct:

- Environmental and social risk management
- Corporate social investment policy
- Competition policy
- Trade association engagement policy
- Stakeholder engagement policy.

We aim to understand the impacts of our business activities – direct and indirect, including impacts on environmental, societal and economic growth.

## Developing and driving a strong conduct culture

Conduct has become a key strategic value driver to achieve sustainable growth and is a stand alone risk type in its own right with a governance framework and standard. As such, the Board sets the tone from the top through the risk appetite statement on conduct and exercises continuous oversight of executive management's efforts to foster a culture of ethics and appropriate conduct within the Bank. Executive management is ultimately responsible for continuously reinforcing and championing the Bank's ethics, conduct and culture.

We track conduct through the regular quarterly reporting of specific metrics against their target to the Executive Committee and the Board Risk Management Committee through our Conduct dashboard.

We conduct an annual anonymous employee survey, which provides employees with a safe way to speak out. It enables us to assess how employees view the integrity of their line managers and provides insights on how employees feel about working for the Bank through the Employee Net Promoter Score (eNPS).

We also conduct an annual Client Survey Insights (CSI) to ensure we are delivering on our promise to the client in terms of operational excellence and treating them fairly.

## Relationships with the Shareholder

An important part of the Bank's approach to governing its stakeholder relationships is ensuring the Shareholder's views are heard and fully considered. The annual meeting provides an opportunity for the Board to interact with and be accountable to the Shareholder. In turn, it also provides an opportunity for the Shareholder to ask questions and vote on resolutions.

The Board has the important role of overseeing management's performance on behalf of the Shareholder. The Shareholder necessarily has little voice in the day-to-day management of corporate operations, but has the right to elect representatives (Directors) to look out for his/her interests and to receive the information he/she needs to make investment and voting decisions.

## Connecting with our stakeholders

Stakeholder engagement is central to the Bank's everyday business. The Bank engages with different stakeholders in different ways and through various mediums, and strives to be responsive to their concerns and expectations.

The Bank's stakeholder management approach involves the application of the Bank's resources to build and maintain positive relationships with stakeholders. This approach ensures that the Bank understands the expectations of society, minimises reputational risk and forms strong partnerships with all stakeholders, with the goal of supporting commercial sustainability. It also maintains and strengthens the Bank's legitimacy and social licence to operate, builds trust with stakeholders, and enhances its reputation as a socially relevant and responsible corporate citizen.

The Bank's stakeholders are those individuals, groups, and organisations that materially affect, or could be materially affected by, its business activities, products and services and associated performance, and who have a stake in our performance. The Bank believes that stakeholders provide the Bank with the resources it needs to achieve its strategy and purpose, influence the environment in which it operates its business, and confer legitimacy on its activities. They are the providers of financial, human, intellectual, natural, manufactured, and social and relationship capitals. The Bank understands that its business activities directly and indirectly impact stakeholders' well-being and success, and as a result, strives to minimise any harmful impacts and optimise positive impacts on its stakeholders.



Our stakeholders can be categorised into two primary groups:

**Direct contractual relationship**

1. Our people
2. Our clients
3. Our partners
4. Our suppliers
5. Our shareholder

**Indirect relationship**

1. Civil society organisations
2. Professional bodies
3. Regulators
4. Policy-makers
5. Academia
6. Legislators
7. The diplomatic community
8. Political parties
9. Special-interest and advocacy groups
10. Analysts
11. Researchers and think tanks
12. The media
13. Non-governmental organisations

The first group comprises stakeholders with whom we have a direct, contractual relationship. The second group comprises stakeholders who do not necessarily have a contractual relationship with us, but still fall within the Bank's sphere of influence, and thus have a stake in our performance.

Given the scale of our operations and the diversity of our stakeholders, the Bank has adopted a de-centralised stakeholder engagement approach. Different teams in the Bank regularly meet with their respective stakeholders to address matters of mutual interest, explore potential partnerships and search for opportunities to create value.

# Connecting with our Stakeholders

Our proactive engagement with stakeholders informs the identification of our material issues, business strategy and operations; shapes products and services; helps us to manage and respond to their concerns and expectations; minimises reputational risk; and influences our operating environment. Underpinning the de-centralised operating model is our ethos of closely listening to, and constructively engaging with, legitimate stakeholders. We engage with our stakeholders in the following ways:

## Stakeholder Engagement

### CLIENTS

#### WHY we engage

Our robust client-centric model prompts us to place our clients at the centre of everything we do. We need a consistently updated and clear understanding of our clients' strategy, the environments in which they operate and the opportunities that exist to promote sustainable partnerships and solutions.

#### WHAT issues matter most to them

- Ensuring a consistent and world-class client experience
- Affordable and appropriate solutions for our clients and their ecosystems
- Safety and security of client data and assets
- Reliable systems and processes that work efficiently and cost effectively across all markets in which we operate.

#### HOW we respond and engage

The Bank conducts a client survey annually whereby key clients are requested to evaluate various aspects of their interactions with the Bank. The 2023 client survey requested client feedback on the following areas:

- The client's experience with the various business units
- The client's perception of the Bank relative to its peers
- The professionalism, support and expertise of the Bank's teams, as well as the Bank's physical presence on the continent

The results of the survey showed a positive client experience and good perception of the Bank (8.2/10 in 2022 vs 8.7/10 in 2023).

This was the highest rating we have received since inception, with our relationship management team receiving special acknowledgements as the second highest rated team in Africa Regions.

### OUR PEOPLE

#### WHY we engage

Our people drive the purpose of the Bank. A highly engaged workforce is key in ensuring that the Bank achieves its strategic objectives.

#### WHAT issues matter most to them

- Promoting an integrated and personalised employee experience through meaningful career advancement and continuous development opportunities
- Enable our people to grow and thrive by offering meaningful learning and career experiences
- A fair, diverse and inclusive work environment
- Market-aligned remuneration.

#### HOW we respond and engage

- We design personalised human experiences by exploring future workplace models while focusing on employee wellbeing.
- We continuously transform our business to be future-ready through adequate organisational designs, structures and robust change management.
- We continuously enhance our leadership effectiveness in order to promote a positive culture by reinforcing core values, fostering open communication, recognising and celebrating achievements and establishing a shared vision that aligns with the Bank's aspirations
- Our future ready learning strategy involves continuous upskilling, embracing digital tools, promoting a culture of curiosity and adaptability, encouraging cross-functional collaboration and leveraging online learning platforms.

### SHAREHOLDER

#### WHY we engage

Our Shareholder provides the financial capital that allows our business to grow, and we have a fiduciary duty to manage its investment with care. We need to provide the Shareholder with a compelling value proposition to retain its confidence and support.

#### WHAT issues matter most to them

- Strengthening efficiency and return on investment
- Responding to increased competition in challenging market conditions
- Competitiveness and growth potential
- Climate risk management
- Strength of ESG risk management
- Effectively managing Social, Economic and Environment (SEE) Impacts
- Carbon trading and carbon offsetting initiatives.

#### HOW we respond and engage

- We engage with the Shareholder via calls, meetings and conferences, and at interim and annual results announcements. We convey its key issues and concerns to relevant internal stakeholders, including the Board, and take these issues into account in our planning and reporting.
- The views of the Shareholder are disseminated to the Board through the Board Chairman. Any concerns or feedback communicated by the Shareholder are discussed at Board meetings with appropriate actions implemented, if required. The Chairman also acts as an intermediary between the key stakeholders of Standard Bank Group and the Board.
- The Bank has on its Board the Regional Chief Executive in Africa Regions, who acts as the primary point of contact between the country Board and the Group.
- At Group level, the Standard Bank Group regularly engaged with shareholders and investors on ESG, SEE and climate issues. The Group continues to strengthen its climate strategy by refining its risk taxonomy, control framework and is working to finalise its climate risk operating model.

### REGULATORS

#### WHY we engage

We highly value effective engagement and collaboration with our regulators in supporting their objective of ensuring the financial stability and soundness of the financial system in Mauritius and internationally. To this end, we ensure that regulatory requirements are being met at all times.

#### WHAT issues matter most to them

- Managing threats of money laundering, financing of terrorism and dealing with sanctioned entities
- Good practice and conduct in the foreign exchange market
- Promptly responding to and resolving customer complaints
- Monitoring and addressing credit risks of financial institutions
- Conduct of good corporate governance
- Guarding ourselves against cloud and cybersecurity risks and threats
- Data management and data security.

#### HOW we respond and engage

- The Chief Executive ensures that the Board is kept abreast of any material legal or regulatory matter through management reports tabled to the Board for consideration. The views of the Board are sought, and management is informed through the Chief Executive on any action required to be taken.
- The financial services industry has experienced an array of new and revised legislations and guidelines in 2023 falling under the ambit of our regulators. The Bank has implemented these regulatory developments. We guard against the risk of sanction, material financial loss and reputational damage.
- The Bank adopts a transparent approach with the regulators and ensures that they are up-to-date with every aspect of our business strategy and vision. This approach has proven to be very fruitful in gaining their support and collaboration. We comply with all relevant legislations, guidelines in force and apply relevant standards and set norms to safeguard the organisation from legal and regulatory sanctions and financial/reputational losses.

## CIVIL SOCIETY GROUPS

### WHY we engage

The Bank applies sustainable principles to drive growth and development, which are inextricably linked to the prosperity and wellbeing of the society in which we operate.
Sponsorships are an important component of the Bank's social investment and communication strategies. They provide us with the right platform to engage with our different stakeholders and are a major contributor in enhancing our brand and creating relevance in our market.

### WHAT issues matter most to them

- Accelerating inclusive economic growth, job creation, financial inclusion and transformation
- Contributing to and promoting a just and equitable society.

### HOW we respond and engage

The Board has delegated the authority to its sub-committees to consider the views of other key stakeholders with respect to consumer complaints, ethical matters, conflicts of interest, as well as environmental, social and health and safety matters. Management provides quarterly reports on these issues to the Board and its sub-committees for consideration. We carry out corporate social responsibility (CSR) initiatives throughout the year focused on the following three areas of intervention: Education, health and wellness and the environment.

**Education pillar:** A number of scholarships were provided to students pursuing their undergraduate courses. The Bank also provided support, mentorship and coaching programmes, and donated IT equipment to students from underprivileged regions.

**Health and wellness pillar:** Blood donation drives were organised and medical equipment was purchased in support of thalassemia patients. Support was provided to Alzheimer patients. The Bank also collaborates with the Society for Aid to Children Inoperable In Mauritius to support children from low-income families in Mauritius.

**Environment pillar:** We collaborated with ClimatePartner to set reduction targets for our carbon emissions while financing climate projects to take responsibility for our unabated emissions. The Bank continues to collaborate with the Mauritian Wildlife Foundation. Other initiatives included clean-up activities aiming to aid non-governmental organisations and preserving the ecosystem.

For more information on our various CSR/SEE initiatives, please refer to the Sustainability Report section.

**Sponsorships**

Sponsorships are an important component of the Bank's social responsibility and communication strategies. We remain committed to supporting initiatives that drive economic growth and development in Africa. The sponsorship initiatives carried out in 2023 are set out on page 4 of the annual report.

**Client event**

In 2023, the Bank had two executive visits and our Chief Executives from Group level were able to meet with our clients during their stay in Mauritius. The Bank also hosted a client appreciation and networking event.

## Shareholder's calendar

| | Reporting date |
|---|---|
| Financial Year End | December |
| Annual General Meeting of Shareholders | March |
| Publication of Financial Statements | |
| Annual Report | |
| Quarterly Unaudited Financial Statements | |
| 31 March | May |
| 30 June | August |
| 30 September | November |

### Sustainability

Through our stakeholder engagement processes, the Bank is committed to understanding and being responsive to the interests and expectations of stakeholders and to partnering with them to find solutions to sustainability challenges in line with the Group's values. The Group's annual ESG report provides comprehensive information on the Group's sustainability and transformation efforts, as well as key non-financial performance indicators. The report aims to present a balanced view of relevant and material information to the Group's stakeholders. The report is also published on the Standard Bank Group's website.

**Refer to the Sustainability report of the Bank for further details.**

### Going concern

On the recommendation of the Board Audit Committee, the Board annually considers and assesses the going concern basis for the preparation of financial statements at the year end. At the interim reporting period, a similar process is followed to enable the Board to consider whether there is sufficient reason for this conclusion to be affirmed.

### Executive Management

| | |
|---|---|
| **Francois Gamet**<br>Chief Executive | Please refer to his profile on page 68. |
| **Michele Ah See**<br>Chief Risk Officer | Please refer to her profile on page 68. |
| **Nathalie Pompon-Nemorin**<br>Chief Financial Officer | Please refer to her profile on page 94. |

# GENERAL MANAGEMENT

## Nathalie Pompon-Nemorin
*Chief Financial Officer*

- Joined Standard Bank (Mauritius) Limited in 2001 as Financial Manager
- Acceded to Head of Finance in 2006
- Fellow Member of the Association of Chartered Certified Accountants (FCCA)
- Previously employed at Kemp Chatteris, Clay Ratnage Chartered Accountants in London
- Previously worked at Investec Bank (Mauritius) Ltd as Accountant

## Fiona Thomas
*Head: Client Coverage*

- Appointed Head: Client Coverage in July 2021
- Holder of a BCompt (Auditing) from the University of South Africa, Associate Chartered Management Accountant (ACMA) and Chartered Global Management Accountant (CGMA) post graduate qualifications from CIMA (UK)
- Joined Standard Bank in 1996 and held various positions within the Group, including the role of Executive: Client Coverage, Consumer Sector
- 14 years of experience in Coverage, primarily responsible for a portfolio of Global Multinational Corporates and key Group strategic clients

## Meenakshi Sandrasagren
*Head: Global Markets*

- Joined Standard Bank (Mauritius) Limited in 2011 as Head: Global Markets
- Holder of an MBA from the City University Business School (UK) and a Master's in International Economics and Finance from Brandeis University (USA)
- Fellow member of the Association of Chartered Certified Accountants (FCCA)
- Previously employed at Air Mauritius as Head of Treasury for a period of 13 years
- Worked for MEDIA as financial controller
- Worked for De Chazal Du Mée and Philips ELL & Gross

## Stephane Lim Kong
*Head: Transaction Banking*

- Joined Standard Bank (Mauritius) Limited in 2008 and held various roles in CIB
- Holder of an MBA from the Paris Graduate School of Management and a Bachelor of Art (Hons) in Accounting and Finance and Business from the University of Kent
- Previously worked at DTOS Ltd

## Niki Quentin
*Head: Investment Banking*

- Appointed Head: Investment Banking in July 2022
- Holder of a Master in Science in Management from HEC Paris and a CEMS MIM (Stockholm School of Economics)
- Joined Standard Bank South Africa in 2011 and held various positions, including the role of Executive Vice President, Equity Capital Markets in Investment Banking
- Previously worked with Millennium Finance Corporation, Deutsche Bank and QInvest before joining Standard Bank

## Nigel Hou
*Head: Credit*

- Appointed Head: Credit in March 2017
- Holder of a Bachelor of Commerce in Finance from McGill University, Montreal, Quebec, and also a CFA Charterholder
- Joined the Bank in 2009 as Credit Origination Manager – Wholesale
- Appointed as Accounts Risk Manager in 2013 and Manager, Investment Banking in 2015
- Worked as Senior Analyst at TD Canada Trust in Quebec

## Nafeesa Emamally
*Head: Compliance*

- Appointed Head: Compliance in February 2022
- Holder of a BSc (Hons) Finance with Law from the University of Mauritius and an International Diploma in Compliance from the International Compliance Association and the University of Manchester. Also a member of ACCA, holder of IIA Certificate in Internal Audit and Business Risk from the Chartered Institute of Internal Auditors, Certified Internal Auditor (CIA) and Certified Anti-Money Laundering Specialist, CAMS (USA).
- Joined Standard Bank (Mauritius) Limited in 2017 as Head: Internal Audit
- Previously worked with Barclays Bank (Mauritius) Limited and International Management (Mauritius) Ltd

## Irshaan Raghunanan
*Head: Data*

- Appointed Head: Data in July 2022
- Holder of a BCom (Law) from the University of Johannesburg and qualified from the South African Institute of Financial Markets
- Joined Standard Bank of South Africa in 2012 and held various positions, including the role of Flow Sales Innovation Lead in CIB – Global Markets
- Previously worked with Mercantile Bank in South Africa

## Reshmee Kistnamah
*Head: Legal and Company Secretary*

- Joined Standard Bank (Mauritius) Limited in 2010 as Corporate Lawyer
- Holder of an LLB (Hons) from the University of Mauritius, an LLM in Commercial and Corporate Law from the University of London and a diploma in French Law from the Universite de Droit, d'Economie et des Sciences D'Aix en Provence
- Previously worked at Harel Mallac Group in charge of the Legal and Corporate Secretarial Department

## Daniel Lai Choo
*Head: Marketing and Communication*

- Joined Standard Bank (Mauritius) Limited in 2011
- Appointed Head: Marketing and Communication in 2015
- Holder of a Bachelor of Commerce (Hons) from the University of Witwatersrand
- Holder of a Master of Business Administration from the University of Surrey
- Previously worked at Barclays Bank (Mauritius) Limited for 15 years

## Christine Durant
*Head: Operations*

- Joined Standard Bank (Mauritius) Limited in January 2024
- Holder of a BSc in Computing and Internet Technology from the RMIT University
- Previously employed at ICPS, Galitt and Mauritius Commercial Bank Ltd

## Vimal Naikeny
*Chief Information Officer*

- Joined Standard Bank (Mauritius) Limited in March 2021
- Holder of a Master's in Business Administration from Paris-Dauphine-Sorbonne University, a MSc in Project Management as well as a B.Eng (Hons) in Computer Science and Engineering from the University of Mauritius
- Previously employed at the Bank of Mauritius, Bharti Airtel, Millicom International, Huawei Technologies SA and Mauritius Commercial Bank Ltd

**Departures:**

Daniel Ng Tseung
Head: Transaction Banking
Exit date: 27 June 2023

Robin Veerapen
Head: CIB Operations
Exit date: 31 July 2023

Aelander Mootoosamy
Head: People and Culture
Exit date: 30 September 2023

## Management committees

The Chief Executive has the authority to manage the Bank within the framework laid out by the Board of Directors and the Standard Bank Group. Five main management Committees have been constituted to assist the Chief Executive in managing the Bank: the Executive Committee (EXCO), the Asset and Liability Management Committee (ALCO), the Credit Risk Management Committee (CRMC), the Non-Financial Risk Committee (NFRC) and the Technology and Operations Executive Committee.

## Executive Committee (EXCO)


### Summary of key terms of reference

- This Committee is established to assist the Chief Executive in the daily running, management and control of the Bank and its affairs, subject to statutory limits and the Board's limitations on the delegation of authority to the Chief Executive, in order to achieve sustainable growth within the Bank's governance framework and approved risk profile
- Overlook the Bank's capitalisations, acquisitions, disposals and capital expenditure within the limits set by the delegation of authority framework
- Review the annual budget forecasts, business plans, capital expenditure plans and new strategic alliances
- Address human resource issues, such as senior management succession and appointments, personnel policies or employment law-related issues and promotions
- Formulate the Bank's overall strategy and targets (both financial and non-financial) for recommendation to the Board of Directors
- Outline risk parameters and policy, including credit policy and credit management strategies
- Control issues relating to the day-to-day management of the Bank
- Oversee any other issues specifically delegated to EXCO by the Board of Directors.

## Statement of major accountabilities for each EXCO member:

**Chief Executive**

The Chief Executive (CE) is responsible for guiding and formulating strategies for the profitable growth of the business in line with the Group's broad objectives. The CE's task is to execute the strategic goals and objectives of the business as approved by the Board, whilst ensuring that efficient reporting mechanisms are in place to communicate effectively with all stakeholders. The CE is responsible for the overall performance of the franchise and to provide the requisite leadership and direction to the Mauritius team, whilst ensuring that the Group's values and vision are imbibed.

**Head: CIB**

The Head: CIB takes overall accountability for building and maintaining a strong brand and reputation at a country level, as aligned with the Standard Bank Group and its CIB Brand. He/she acts as the in-country leader of the CIB employee base and is responsible for directing, developing and managing the team in-country, in partnership with the Sub-Regional Product Heads (where applicable). The Head: CIB also ensures the generation of revenues and net earnings through the delivery of an appropriate range of banking products (Transaction Banking, Investment Banking and Global Markets Products) to the existing and targeted client base, working with and through the Client Coverage Teams.

**Head: Client Coverage**
The Head: Client Coverage leads the Client Coverage team by providing the strategic direction that will enable Standard Bank to position itself in the industry and drive the realisation of set goals. He/she is also responsible for leveraging industry relationships to achieve high levels of client service, business targets and revenue opportunities across Client Coverage.

**Head: Global Markets**
The Head: Global Markets promotes, manages and co-ordinates the Global Markets business and performs the Treasury function in-country in line with the CIB clients' strategy in order to grow the franchise, maximise profitability and improve/maintain the Bank's profile as a proficient and compliant operator in the country market.

**Head: Investment Banking**
The Head: Investment Banking drives the daily operations of Investment Banking in Mauritius, contributing to the performance of the local operations and the franchise across Africa. He/she also provides material support to driving necessary research, analyses, origination, execution and administration in Investment Banking.

**Head: Transaction Banking**
The Head: Transaction Banking drives and develops strategies for client relationships and maximises cross-selling revenues and client profitability while providing effective client support and relationship development to Standard Bank's CIB client base. He/she is responsible for driving the sales team, who in turn are required to sell the Bank's total product and solutions offering, which is in line with the strategic objectives of Mauritius, including Transaction Banking (TxB), Global Markets (GM) and Investment Banking (IB).

**Chief Financial Officer (CFO)**
The CFO is accountable for the development, translation and implementation of the finance strategy for the Bank. He/she provides leadership, vision and direction to the finance and business management teams. The CFO also ensures the effective implementation and continuity of full financial management services while constructing and driving the development and implementation of processes, systems and controls in the areas of finance and procurement.

**Head: CIB Operations**
The Head: CIB Operations supports the country in providing a consistently high-quality financial services platform. He/she proactively identifies and assesses the risks faced by CIB Operations and Group Real Estate Services, manages those risks, and ensures there is an effective system of controls in place to reduce overall exposure and provide a secure, appropriately staffed, and cost-effective service delivery infrastructure. The Head: CIB Operations is accountable for delivering, maintaining and monitoring appropriate infrastructure, equipment, staffing structures, procedures and controls that match the current and future strategic operational and financial needs of the business, as well as compliance and regulatory requirements.

**Head: Compliance**
The Head: Compliance provides input into the strategy and assists in the strategic execution of the business compliance risk management function in order to discharge compliance risk management processes as required by relevant regulatory requirements, applicable codes of conduct and minimum standards, as well as business partnering initiatives across all operations.

**Head: Credit**
The Head: Credit manages the Country Credit Risk portfolio and profile within its risk appetite and acceptable Group parameters. He/she interacts with other departments with regard to credit strategy and manages various credit-related department staff.

**Head: Data**
The Head: Data translates the Standard Bank Group's data vision and strategy, as well as Country/Business Unit/ Corporate Function strategy into data strategies to support the Group's objectives. He/she implements the data strategy by co-ordinating and facilitating data programmes to enable consistent and effective data-driven business decisions. The Head: Data also enforces governance and compliance by ensuring alignment with the enterprise data committee framework, policies and standards.

**Head: Internal Audit**
The Head: Internal Audit ensures that all risks inherent to the business unit are identified. He/she then evaluates the identified controls and makes recommendations as to their adequacy and effectiveness. The Head: Internal Audit undertakes audit assignments within the various units of the Bank's operations to ensure adherence to policies, systems, guidelines and procedures that may be approved by the Bank and regulatory authorities, and confirm these are serving their purpose as intended.

**Head: Legal and Company Secretary**
Within the overall Group legal strategy, the Head: Legal and Company Secretary drives the development of the key legal risk indicators for Legal Risk Management within the organisation, including the definition of the legal framework, evaluating the potential likelihood of legal risks and their impact, and determining the appropriate controls to be put in place. He/she provides effective strategic support to senior business leadership by, amongst others, ensuring that business is conducted in accordance with applicable laws and regulations, and ensuring that the Group's legal standards and processes are adhered to, whilst safeguarding the integrity and reputation of the organisation and the Standard Bank brand.

In the role of Company Secretary, the incumbent provides professional advisory service to the Board of Directors and ensure that the Board fulfils its lawful obligations, statutory duties and performs its functions in accordance with law and the Bank's constitution. The Company Secretary is responsible for the implementation of sound corporate governance principles within the organisation in line with international and local best practices.

**Head: Marketing and Communication**
The Head: Marketing and Communication directs and oversees marketing/communications/public relations strategies and tactical plans designed to capitalise on market opportunities and generate demand within the business area in support of business objectives. He/she leads a creative, integrated, multi-channel marketing team that builds brand awareness and reputation, provides a steady flow of demand through, for example, sales leads, and measures the return on marketing programme investments.

**Head: People and Culture**
Head: People and Culture translates the Group's and business lines' people strategies into tactical operational plans and incorporates it into the overarching country people plan for execution at the country and business unit level. He/she ensures that staff costs are aligned with the Bank's overall strategy, provides a human capital business partnering function to senior management and executives of the business, coordinates the delivery of human capital initiatives and services with other business partners and centres of excellence to ultimately ensure that the Bank is adequately and competently equipped in terms of capacity and capability at all times.

**Chief Risk Officer**
The Chief Risk Officer provides the leadership, vision, direction and implementation of risk management processes and systems as a key enabler to achieving the business objectives of the organisation. The Bank seeks to be a trusted risk management business partner that equips businesses with the tools to mitigate financial, reputational, regulatory, and material (operational and non-operational) risk incidents. This requires anticipating external drivers, coupled with the impacts of current and planned systems, processes, products and strategic changes on the risk profile of the business, and guiding decision-making on controls to manage and mitigate these risks.

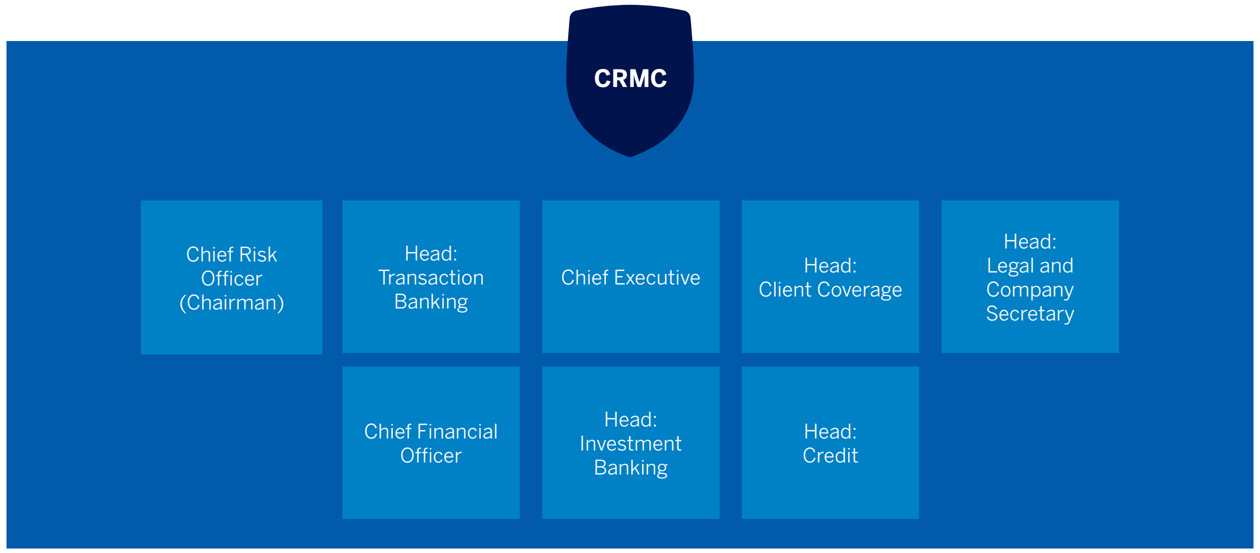
**Chief Information Officer**
The Chief Information Officer develops and implements local technology and operations execution, partners with Group technology and operations and country leadership, and provides strategic vision and operational technology leadership for the Technology and Operations function. He/she delivers client strategies aligned with client solutions and client segment strategies, and manages the in-country delivery and provision of local support for the Group's shared solutions while leading and driving technological and operational excellence and efficiencies.

## Asset and Liability Management Committee (ALCO)

### Summary of key terms of reference

- The purpose of ALCO is to monitor and control all trading book risks, banking book liquidity risks and interest rate risks in accordance with the risk appetite
- Monitor and control regulatory and economic capital adequacy, liquidity risk and interest rate risk in accordance with the risk appetite set by the Board
- Approve risk appetite and tolerance levels across liquidity risk, regulatory and economic capital adequacy, market risk and interest rate risk
- Ensure that capital supply and utilisation are structured in a way that optimises current and future returns to the Shareholder
- Set the capital management and liquidity framework and governance structures of the Bank
- Review and note the impact of internal and external factors on the net interest margin
- Approve the Bank's contingency funding plan
- Approve capital, liquidity risk, interest rate risk, funds transfer pricing and market risk policies.

## Credit Risk Management Committee (CRMC)




### Summary of key terms of reference

- The purpose of the CRMC is to establish and define the principles under which the Bank is prepared to assume credit risk and the overall framework for the consistent and unified governance, identification, measurement, management and reporting of credit risk
- Oversee all country credit risks up to the level of delegated authority as determined by the Board
- Review all country credit reporting to the Board Credit Committee, as required
- Adopt credit policies subject to the Board's approval
- Approve breaches in-country and sector appetite up to the level of delegated authority approved by the Board
- Review all past due but not impaired portfolios, as well as impaired portfolios, and the adequacy of specific and general impairments
- Review credit risk portfolios and material sub-portfolios
- Review internal and external audit reports, credit risk review reports and their action plans.

## Non-Financial Risk Committee (NFRC)


### Summary of key terms of reference

- The main purpose of the Committee is to assist the EXCO in discharging its duties relating to the identification, measurement and control of non-financial risks, and ensure that the controls, processes, procedures and systems employed meet Standard Bank Group's risk appetite and the requirements of the regulatory authorities
- Ensure that the non-financial risk framework is carried out in line with the Standard Bank Group's non-financial risk governance framework and is fit for purpose
- Oversee non-financial risk exposures and breaches of levels of non-financial risk appetite and tolerance
- Oversee non-financial risk-related developments within the areas of, inter alia, outsourcing, business resilience, key regulatory changes and internal policy
- Review the impact of infrastructure and operational changes on non-financial risks across the relevant network and ensure that appropriate levels of quality control are applied
- Adopt principles of corporate governance and codes of best practice that promote good risk management within the Bank
- Review and concur with the level of insurance cover and note significant claims
- Review and approve policies, as required.

## Technology and Operations Executive Committee

**Summary of key terms of reference**

- The purpose of the Committee is to provide assurance to the EXCO and the Board that management has implemented effective IT governance structures that support the efficient management of resources, the optimisation of costs and the mitigation of risks in a secure and sustainable manner
- Review the following IT governance domains: enterprise IT governance, strategic alignment, value delivery, risk management, resource management and performance management
- Ensure that the IT governance framework includes relevant structures, accountabilities, policies, standards, processes and mechanisms to enable the delivery of value to the business and the mitigation of risks
- Ensure adequate internal control frameworks are adopted and implemented
- Review material technology and operations audit findings and monitor the resolution of issues
- Monitor the performance of the IT investment portfolio (both in terms of performance and financial implications) and escalate issues or concerns to the EXCO and Board
- Consider reports on specialist risk types (cyber, business resilience, information and technology) and ensure that the implementation of the supporting risk frameworks and structures are aligned with the Group/Bank's policies and standard
- Ensure that effective risk management exists within technology and operations (including disaster recovery, business continuity, IT security, compliance, etc.)
- Review significant risk events, monitor emerging issues, assess their impact and ensure that appropriate action plans are in place
- Approve technology and operations governance standards/playbooks/policies.

## Information technology

The Bank subscribes to sound corporate governance principles as mandated by the Standard Bank Group, one of which is the use of standards that define and articulate practices, boundaries and expectations within which the Bank operates.

Technology and information (IT) is key to the achievement of the Bank's strategic ambition, and accordingly, IT risk management is an integral part of the risk management processes, reporting and oversight. The Board of the Bank, the Board Technology and Information Committee and the Board Risk Management/Conduct Review Committee ensure that all IT risks are adequately addressed through the risk management, monitoring and assurance processes.

Standards are reviewed on a biennial basis and subsequently noted by the Board/Board sub-committees. The standards are made available to all employees for consultation through the Bank's intranet.

The following standards have been adopted by the Bank:

### Technology governance standard

This standard articulates and gives effect to technology governance through a number of principles, namely:

- Enterprise technology governance, which speaks to ethics and culture, good performance, effective control and legitimacy
- Technology governing bodies that articulate the mandates with regard to reporting to committees, sub-committees and the Technology Board of the Bank
- Technology governance domains that relate to strategic integration, resource management, value delivery, risk management and performance management
- Technology strategy that articulates how business lines and corporate functions create, implement and are accountable for embedded technology strategic objectives.

### Cyber resilience technology standard

The cyber resilience technology standard articulates how the Bank determines its cyber resilience objectives and cyber risk tolerance, as well as how to effectively identify, mitigate, and manage cyber risks. It covers people, processes and technology, and aligns with enterprise risk management strategies as well as international standards. The Standard Bank's cyber resilience framework governs how the Bank protects its IT assets, which include systems in production, systems under development and systems hosted by third parties in a systematic and consistent manner.

### Cloud computing technology standard

The primary objective of cloud computing is defined as a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers, storage facilities, applications and services) that can be rapidly provisioned and released with minimal management effort.

### Risk management technology standard

This standard articulates and gives effect to the technology approach to risk management. Risk management is treated as integral to the IT team's ability to make decisions and execute their duties, and is integrated and embedded in the business activities and culture of the organisation. Risk management practices focus on significant threats and opportunities associated with the achievement of all business objectives. The standard focuses on the processes to be implemented to identify, assess, measure, mitigate, monitor, report and escalate risk in line with the Standard Bank Group's enterprise risk management framework.

### Service management technology standard

The primary objective of service management is to ensure that technology services are aligned with customer and regulatory needs, and to enable the monitoring and improvement of service quality through the effective application of processes. It encompasses the service value system (service design and transition, service delivery and support) and service management practices (incident, problem, change, release, configuration, capacity and performance, monitoring and event, availability, and service level management).

### Finance management technology standard

Given the significant contribution of technology to the Bank's strategy and the associated revenue and cost impact, the Bank is accountable for ensuring the effective management of technology costs and ensuring that spend is responsibly invested and intended for the achievement of the Bank's broader financial outcomes. To ensure that this obligation is fulfilled, this standard articulates the technology cost management principles which need to be adhered to.

### Architecture technology standard

The architecture technology standard articulates the setting up of an architecture authority that serves as the governing authority for all solution architectures. It is mandated to ensure that:

The quality of the architecture of all solutions is maintained and improved by:

- Application of Group-wide architecture and design standards
- Compliance of architectures with the applicable standards, technology strategies and roadmaps
- The correct utilisation of approved products and services
- Maintenance of architectural and solution integrity.

Productivity and efficiency are optimised and improved by:

- Ensuring IT investments are leveraged to their maximum by encouraging the reuse of replicable solutions
- Creating and retaining architecture-related intellectual capital at a Group-wide level through the governance of solution architecture and design patterns
- Solution architectures contribute to enhancing the value of IT and enabling business growth by ensuring that the business and IT strategies of the organisation are applied and enabled.

## Statement of remuneration philosophy

As a subsidiary of the Standard Bank Group, the Bank is aligned with the following four key objectives guiding its remuneration strategy:

1) Measure and reward value delivered, and adjust for risk assumed
2) Aim to be competitive in remuneration in the global marketplace for skills
3) Reward our people fairly, at both individual and Shareholder level, while avoiding a bonus-centric culture that distorts motivations and may encourage excessive and irresponsible risk-taking
4) Promote and reward teamwork.

The Bank aims to attract and retain sufficient, appropriately skilled people to fulfil strategic business objectives and ensure that people are fairly rewarded by making sure that:

- Remuneration is externally competitive and internally equitable
- Base salaries are competitive within an appropriate market sector
- Opportunities are given to our people to enhance total reward through performance-related bonus awards.

Our remuneration policy and structures are guided by the Group Remuneration Committee, with a focus on total reward, striving for the appropriate mix between fixed and variable pay for all our employees, depending on their roles.

The Group Remuneration Committee is mindful of its responsibilities to all stakeholders, especially our Shareholder, when assessing and reviewing the remuneration of Senior Executives of the Bank. The committee also reviews performance to ensure that earnings are not the result of one year's work, but rather, the planned outcome of work done over past years.

### Chief Executive

The Chief Executive receives a remuneration package and qualifies for long-term incentives. He is not subject to a retention agreement.

### Remuneration structure

**Executive Directors', independent Directors' and non-executive Directors' fees**

The following amounts represent the sum paid to executive, non-executive and independent Directors for the year under review:

| | USD |
|---|---|
| Rod Poole | 36,892 |
| Stephen Scali | 35,844 |
| Clive Tasker | 36,368 |
| Sanjeev Manrakhan | 35,056 |
| Arvind Hari | 39,452 |
| Sheila Ujoodha | 29,336 |
| **Total non-executive Director** | **212,948** |
| Marie-Michele Ah See | 285,966 |
| Francois Gamet | 1,215,249 |
| **Total executive Directors** | **1,501,215** |
| **Total non-executive and executive Directors** | **1,714,163** |

The remuneration of executive Directors consists of the following:

- Guaranteed remuneration – Based on their market value and the role that they play
- Annual bonus incentive – Used to incentivise the achievement of Bank objectives
- Pension – Provides a competitive post-retirement benefit in line with Bank employees.

The non-executive Directors are not entitled to share options or bonuses associated with organisational performance. Additionally, as per the Group policy, no fees are payable to Directors who are employed by the Group. Wilhelmus Jacobus Engelbrecht is employed by the Group and hence is not remunerated by the Bank.

The full annual report is available on the Bank's website: www.standardbank.mu



# SUSTAINABILITY REPORT

Driving Africa's growth in a responsible manner is one of the Bank's key strategic pillars. We do this by remaining firmly committed to creating value for the environment and the communities in which we operate, which we measure through our positive Social, Economic and Environmental (SEE) impact.

### Positive environmental impact

We strive to adopt environmentally friendly and ecological practices to help preserve the environment and reduce our carbon footprint, as far as possible. Several initiatives and metrics have been implemented across the Bank over the years, which we continue to monitor to evaluate the effectiveness of our actions, make relevant improvements and hold ourselves accountable to clear objectives.

Our goal is to drive sustainability across our operations by addressing all activities impacting energy, water and waste. Our direct impacts arise mainly from our energy use at our head office, service centre and work area recovery site, and to a lesser extent, from water use and waste generation at these buildings, as well as employee travel.

### Energy consumption

Our direct carbon footprint arises from office electricity and infrastructure. We strive to improve energy consumption and conserve natural resources while aligning with international best practices.

| Energy metrics | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Purchased electricity (USD) | **102,309** | 97,471 |
| Energy consumption (kWh) | **447,503** | 520,787 |

The above table shows a reduction in energy consumption compared to the previous year, resulting from continued behavioural changes to how we use our facilities and the work-from-home policy. The cost nevertheless stayed on par with the prior year as a result of the 28% increase in the electricity charge-out rate at the start of the year.

We continuously monitor electricity consumption to support usage optimisation. This provides up-to-date information, which enables us to put measures in place to control consumption.

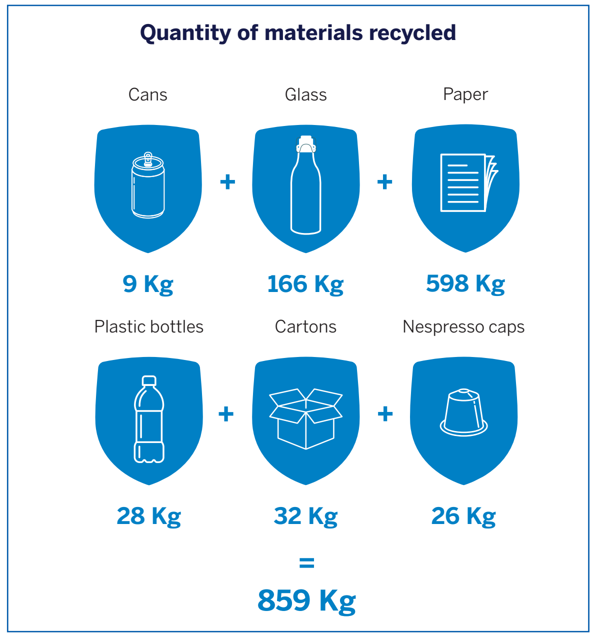
### To build environmental resilience, promote a green culture and a sustainable workplace

We have outsourced services from ClimatePartner UK Ltd to measure our carbon footprint and implement a climate action strategy. This initiative will help us achieve net zero by 2030 at all new facilities and ensure compliance for all existing ones by 2050.

### Waste

In partnership with Group Sustainability and Nespresso, programmes were initiated focused on minimising the Group's environmental impact.

The strategy addresses three key areas, namely, water, waste and energy management. Monthly awareness and recycling figures are communicated Bank-wide to raise awareness. The table below summarises the quantity of recycling achieved in 2023:



## Occupational health and safety (OHS)

We are committed to ensuring the health and wellbeing of our staff and other stakeholders, including customers, regulators, visitors, and contractors, by providing a safe work environment, eliminating hazards that could result in injury or disease and implementing initiatives to improve welfare.

The main objective of our OHS Policy is to achieve high standards of care and provide a healthy and safe workplace for employees, contractors, clients, visitors, and other relevant parties.

Ongoing employee training and awareness initiatives are undertaken, including a mandatory annual OHS general awareness e-module, along with continued awareness communications through targeted emailers. Continuous support is provided to employees through various initiatives, such as online health and wellness webinars, hybrid working and flexitime.

## Corporate social responsibility (CSR)

Changing lives | More than a Bank | Caring for the community in which we operate

In 2023, the Bank's focus areas remained closely aligned with the directive from the Standard Bank Group (illustrated below), thus consolidating the work we were already undertaking under one umbrella.

### Our five focus areas

1. **Promoting and supporting trade to and from Africa**
2. **Infrastructure and investment to support the communities on our continent**
3. **Environmental initiatives, including climate change and sustainability**
4. **Health and wellness**
5. **Education and other CSR initiatives**

In 2023, we focused on supporting selected special projects on the island to uplift disadvantaged communities, improve living conditions and education, meet basic needs, support animal welfare and encourage our employees to continue to see climate and other environmental factors through an everyday lens.

Our SEE Committee continues to ensure that our communities across Mauritius know that as a Bank, we are as much a non-financial partner as a financial one, enabling the region's upliftment.


### Health and wellness

The Bank supported the Thalassemia Society of Mauritius by purchasing medical equipment – syringe drivers/desferal pumps, including rechargeable batteries and vein finders for Thalassemia patients from low- to middle-income groups. As a result, students under treatment no longer have to miss school to attend hospital daily medical treatments and adult patients can carry on with work, thus not affecting their professional commitment.

To support Alzheimer beneficiaries in their daily therapeutic sessions, a collection drive was organised at the Bank to gather games, musical instruments and art supplies. The Bank also continues to collaborate with the Society for Aid to Children Inoperable in Mauritius to support children from low-income families in Mauritius.



### Environmental initiatives

Together with ClimatePartner, the Bank assessed its Corporate Carbon Footprint for 2022 and 2023, paving the way to establish reduction goals and diminish carbon emissions. In parallel, the Bank is investing in climate initiatives as a means of addressing those emissions that remain unmitigated. This effort underscores our narrative as an entity committed to climate action, ensuring our mission is both visible and communicated with transparency.

The Bank continues to collaborate with the Mauritian Wildlife Foundation in initiatives to preserve endangered Mauritian species and plants.

To honour the legacy of Nelson Mandela in 2023, we carried out the following projects:

- Successful clean-up activities of the SSR Botanical Garden and the Mondrain Reserve offer our staff and their family members the opportunity to lend a helping hand to help preserve the natural beauty and ecosystems of these sites.
- Staff were encouraged to contribute as part of the 67 minutes of service in the spirit of Mandela Day through painting and gardening activities at SOS Children's Village Beau Bassin and at All Life Matters sanctuary in Bois Rouge.

## Education

**The Bank has partnered with several non-governmental organisations (NGOs) and schools to carry out its educational initiatives:**

We continued extending our support to 37 students with limited financial resources at the University of Mauritius to pursue their undergraduate degrees. We have awarded over 100 scholarships since the programme began, covering university fees and a monthly stipend for our scholars. We are proud to have aided and accompanied these students on their tertiary educational journey. This initiative was also extended to students of the University of Technology Mauritius in 2023, as well as supporting the hospitality students of Vatel Mauritius, a key contributor to the Mauritian economy.

We are dedicated to supporting youth development initiatives. The Bank therefore provided mentorship/coaching to JA Mascareignes students in the JA Mini Company Programme 2023 – an initiative to enable students to learn business fundamentals. The programme challenges students to solve problems in their community through a business venture, unleashing their entrepreneurial spirit through hands-on experience.

**Quartier de Lumière:**
Quartier de Lumière aims to support children of the La Valette, Bambous, region, offering support through ongoing training on "Capacity Building" and "Families: Life Skills". The project includes extra-curricular creative workshops/activities in various fields run after school and outing expeditions during weekends or school holidays. In partnership with the NGO, the Bank also provides the materials required to run these workshops. The aim is to enhance the children's knowledge and supply them with various life and IT skills.

**IT Equipment:**
The Bank donated five laptops to the André Bazerque Plaisance Government School to bolster educational access and foster technological literacy. This initiative exemplifies the Bank's commitment to community welfare and empowering students for a brighter academic future.

**Action for Integral Human Development (AIHD)**
In 2023, the Bank provided support to underprivileged students facing depression and violence at home. Without support, these students are at risk of dropping out of school or struggling with suicidal thoughts. College students from St Esprit Riviere Noire, St Mary's West, Pere Laval and Lorette de Mahebourg benefited from counselling services provided by qualified psychology professionals.



# STATEMENT OF COMPLIANCE

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

**Name of Public Interest Entity: Standard Bank (Mauritius) Limited**

**Reporting Period: Year ended 31 December 2023**

We, the Directors of Standard Bank (Mauritius) Limited, confirm that to the best of our knowledge, Standard Bank (Mauritius) Limited has complied with all of its obligations and requirements under the National Code of Corporate Governance for Mauritius (2016).

| | |
|---|---|
| **Chairman** | **Chief Executive** |
| **Arvind Hari** | **Francois Gamet** |
| 20 March 2024 | |

# ANNUAL FINANCIAL STATEMENTS

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements for the Bank's operations in Mauritius presented in this Annual Report have been prepared by Management, who is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards, as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder, have been applied, and Management has exercised its judgement and made its 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 the careful selection and training of qualified staff, the implementation of organisational 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 Board of Directors, acting in part through the Board Audit Committee and the Board Risk Management Committee which comprise independent/non-executive Directors who are not officers or employees of the Bank, oversees Management's responsibility for financial reporting, internal controls, the assessment and control of major risk areas, and the assessment of significant and related party transactions.

The Bank's Internal Auditor, who has full and free access to the Audit Committee, conducts a well-designed programme of internal audits in coordination with the Bank's external auditors. In addition, the Bank's compliance function maintains policies, procedures and programmes 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, PricewaterhouseCoopers, has full and free access to the Board of Directors and its Committees to discuss the audit and matters arising there from, such as their observations and fairness of financial reporting and the adequacy of internal controls.

| | | |
|---|---|---|
| **Chairman** | **Director** | **Chief Executive** |
| **Arvind Hari** | **Sheila Ujoodha** | **Francois Gamet** |
| 20 March 2024 | | |



# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year, which provide a fair overview of the financial position, financial performance and cash flows of the Bank. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed, and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Bank will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Bank, and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001 and the requirements of the Mauritian Banking Act 2004 and the guidelines issued thereunder. They are 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.

| | | |
|---|---|---|
| **Chairman** | **Director** | **Chief Executive** |
| **Arvind Hari** | **Sheila Ujoodha** | **Francois Gamet** |
| 20 March 2024 | | |

# SECRETARY'S CERTIFICATE

In accordance with section 166 (d) of the Mauritian Companies Act 2001, we certify that to the best of our knowledge and belief, the Bank has filed with the Registrar of Companies all such returns as are required of the Bank under the Mauritian Companies Act 2001.

**Company Secretary**
20 March 2024

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholder of Standard Bank (Mauritius) Limited

### Report on the Audit of the Financial Statements

**Our Opinion**
In our opinion, the financial statements give a true and fair view of the financial position of Standard Bank (Mauritius) Limited (the "Bank") as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and in compliance with the Mauritian Companies Act 2001.

**What we have audited**
The financial statements of Standard Bank (Mauritius) Limited set out on pages 118 to 239 comprise:

a. the statement of financial position as at 31 December 2023;
b. the statement of profit or loss and other comprehensive income for the year then ended;
c. the statement of cash flows for the year then ended;
d. the statement of changes in equity for the year then ended; and
e. the notes to the financial statements, which include material accounting policy information and other explanatory information.

Certain required disclosures have been presented elsewhere in the annual report, rather than in the notes to the financial statements. These disclosures are cross-referenced from the financial statements and are identified as audited.

**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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**
We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

**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**

Expected credit losses ('ECL') (Refer to notes 2.1.b.C and 3.(a))
The measurement of the ECL for financial assets measured at amortised cost and at Fair Value through Other Comprehensive Income (FVOCI) requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. The key areas of significant management judgment within the ECL calculations include:

- Evaluation of significant increases in credit risk ("SICR");
- Incorporation of macroeconomic inputs and forward-looking information into the SICR assessment and ECL measurement;
- Assessment of ECL recognised for Stage 3 exposures; and
- Assessment of the input assumptions applied to estimate the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") within the ECL measurement.

**How our audit addressed the key audit matter**

We performed the following procedures on the ECL, with the assistance of our actuarial experts.

We obtained an understanding and tested the operating effectiveness of the relevant controls relating to the approval of credit facilities, subsequent monitoring and remediation of exposures, key system reconciliation and collateral management.

We assessed the appropriateness of the input assumptions applied within the PD, LGD and EAD models (including forward looking information), in compliance with the requirements of IFRS 9 Financial Instruments (IFRS 9).

In addition, our procedures included assessing the appropriateness of the ECL model through reperformance.

We assessed whether the stage classification of stage 1 and stage 2 exposures was appropriate in terms of the Bank's accounting policy on SICR at the end of the reporting period. This procedure included the inspection of credit ratings, at the end of the reporting period, relative to origination date.

For Stage 3 exposures, we considered the classification under IFRS 9 and assessed the appropriateness of the inputs used. We independently recalculated the ECL based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level.

We also assessed the adequacy of the disclosures in the Annual Report in accordance with IFRS 9.

**Other Information**

The Directors are responsible for the "other information", which comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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 the Directors for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the 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 our professional judgement and maintain professional scepticism throughout the audit. We also:

a. 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.

b. 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 internal control.

c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

d. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

e. 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 the Directors 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.

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

## Report on Other Legal and Regulatory Requirements

**Mauritian Companies Act 2001**

The Mauritian Companies Act 2001 requires that in carrying out our audit, we consider and report on the following matters. We confirm that:

a. we have no relationship with or interests in the Bank other than in our capacity as auditor;

b. we have obtained all the information and explanations we have required; and

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

**Mauritian Banking Act 2004**

The Mauritian Banking Act 2004 requires that in carrying out our audit, we consider and report on the following matters. We confirm that:

a. 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 Mauritian Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius; and

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

**Mauritian Financial Reporting Act 2004**

Our responsibility under the Mauritian Financial Reporting Act 2004 is to report on the compliance of the information disclosed in the Annual Report with the Code of Corporate Governance ("Code") 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 this Annual Report, the Bank has, pursuant to section 75 of the Mauritian Financial Reporting Act 2004, complied with the requirements of the Code.

**Other Matter**

This report, including the opinion, has been prepared for and only for the Bank's shareholder in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

20 March 2024

Michael Ho Wan Kau, licensed by FRC

# STATEMENT OF FINANCIAL POSITION

## As at 31 December 2023

| | Notes | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 7 | **871,976,153** | 1,264,418,782 | 1,396,876,510 |
| Trading assets | 8 | **—** | — | 4,632,688 |
| Derivative assets | 9 | **3,502,573** | 3,490,100 | 1,478,203 |
| Pledged assets | 10 | **67,048,142** | — | — |
| Loans and advances to banks | 11 | **595,950,712** | 666,958,902 | 378,110,762 |
| Loans and advances to customers | 12 | **403,988,351** | 253,370,640 | 168,282,099 |
| Financial investments | 13 | **301,860,746** | 464,645,971 | 215,996,009 |
| Property, plant and equipment | 14 | **1,957,483** | 2,099,326 | 2,603,169 |
| Intangible assets | 15 | **11,627,012** | 13,097,949 | 14,591,337 |
| Right of use assets | 16 | **664,007** | 1,581,294 | 2,277,954 |
| Deferred tax assets | 17 | **1,199,671** | 318,771 | 153,304 |
| Other assets | 18 | **7,667,536** | 5,962,585 | 5,451,631 |
| **Total Assets** | | **2,267,442,386** | 2,675,944,320 | 2,190,453,666 |
| **Liabilities** | | | | |
| Deposits from banks | 19 | **133,751,181** | 138,644,111 | 115,259,853 |
| Deposits from customers | 20 | **1,824,515,585** | 2,371,102,231 | 1,943,879,551 |
| Derivative liabilities | 9 | **3,326,669** | 3,140,449 | 1,812,615 |
| Other borrowed funds | 21 | **91,331,970** | — | — |
| Lease liabilities | 16 | **664,925** | 1,516,872 | 2,072,285 |
| Current tax liabilities | 22 | **2,239,135** | 924,505 | 310,402 |
| Other liabilities | 23 | **16,443,275** | 13,622,500 | 8,402,620 |
| **Total Liabilities** | | **2,072,272,740** | 2,528,950,668 | 2,071,737,326 |
| **Shareholder's Equity** | | | | |
| Share capital | 24 | **35,000,000** | 35,000,000 | 35,000,000 |
| Statutory and other reserves | 35 | **34,942,547** | 30,879,038 | 26,182,241 |
| Retained earnings | | **125,227,099** | 81,114,614 | 57,534,099 |
| **Total equity attributable to equity holder** | | **195,169,646** | 146,993,652 | 118,716,340 |
| **Total Equity and Liabilities** | | **2,267,442,386** | 2,675,944,320 | 2,190,453,666 |

Approved by the Board of Directors and authorised for issue on 20 March 2024.

| Chairman | Director | Chief Executive |
|---|---|---|
| **Arvind Hari** | **Sheila Ujoodha** | **Francois Gamet** |

The notes on pages 122 to 239 form part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## For the year ended 31 December 2023

| | Notes | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|---|
| Interest income | | **130,751,139** | 52,052,698 | 18,696,805 |
| Interest expense | | **(48,168,793)** | (12,377,924) | (2,496,837) |
| **Net interest income** | 26 | **82,582,346** | 39,674,774 | 16,199,968 |
| Fee and commission income | | **8,607,994** | 8,192,565 | 6,282,858 |
| Fee and commission expense | | **(2,500)** | — | (52,670) |
| **Net fee and commission income** | 27 | **8,605,494** | 8,192,565 | 6,230,188 |
| Net trading income | 28 | **11,428,330** | 12,060,846 | 8,352,426 |
| Other operating income | 29 | **307,960** | 263,859 | 279,839 |
| | | **11,736,290** | 12,324,705 | 8,632,265 |
| **Operating income** | | **102,924,130** | 60,192,044 | 31,062,421 |
| Net impairment (charge)/release on financial assets | 30 | **(427,923)** | 992,751 | 1,218,658 |
| Personnel expenses | 31(a) | **(10,016,226)** | (11,946,548) | (7,696,561) |
| Operating lease expenses | 32 | **(115,782)** | (123,302) | (408,124) |
| Depreciation on right-of-use assets | 15 | **(917,287)** | (949,077) | (647,632) |
| Depreciation and amortisation | 13&14 | **(1,912,952)** | (2,205,427) | (2,237,942) |
| Other expenses | 33 | **(11,773,374)** | (9,942,636) | (7,165,483) |
| | | **(25,163,544)** | (24,174,239) | (16,937,084) |
| **Profit before income tax** | | **77,760,586** | 36,017,805 | 14,125,337 |
| Income tax expense | 34 | **(8,846,099)** | (3,080,815) | (1,027,518) |
| **Profit for the year** | | **68,914,487** | 32,936,990 | 13,097,819 |
| **Other comprehensive income** | | | | |
| Item that may be reclassified to profit or loss | | | | |
| Net gain/(loss) on fair value of debt instruments | | **49,183** | (53,515) | (8,831) |
| Item that will not be reclassified to profit or loss | | | | |
| Remeasurement of defined benefit liabilities, net of tax. | 31(c) | **(787,676)** | 393,837 | 877,945 |
| **Other comprehensive income for the year** | | **(738,493)** | 340,322 | 869,114 |
| **Total comprehensive income for the year** | | **68,175,994** | 33,277,312 | 13,966,933 |

The notes on pages 122 to 239 form part of these financial statements.

# STATEMENT OF CASH FLOWS

## For the year ended 31 December 2023

| | Notes | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit before income tax | | **77,760,586** | 36,017,805 | 14,125,337 |
| Adjusted for: | | | | |
| Depreciation and amortisation | 14 / 15 / 16 | **2,830,239** | 3,154,504 | 2,885,574 |
| Loss on plant and equipment written off | | **—** | 35,048 | — |
| Modification loss under IFRS 16 | | **—** | — | 312,214 |
| Net foreign exchange difference | | **(1,480,129)** | (1,682,679) | 260,771 |
| Net impairment charge/(release) on financial assets | | **661,279** | 1,775,512 | (367,515) |
| Retirement benefit-cost | 31 (c) | **(118,027)** | 299,533 | 159,430 |
| Interest income | | **(130,751,139)** | (52,052,698) | (18,696,805) |
| Interest expense | | **48,168,793** | 12,377,924 | 2,496,837 |
| **Changes in operating assets and liabilities** | | | | |
| Decrease/(Increase) in trading assets | | **—** | 4,632,688 | (3,618,824) |
| (Increase)/Decrease in derivative assets and liabilities | | **173,747** | (684,063) | (307,558) |
| Decrease/(Increase) in loans and advances to banks | | **81,769,198** | (284,453,089) | (118,411,594) |
| (Increase)/Decrease in loans and advances to customers | | **(148,598,324)** | (86,500,869) | 19,853,445 |
| (Increase)/Decrease in other assets | | **(1,770,111)** | (812,519) | 1,493,972 |
| (Decrease)/Increase in deposits from banks | | **(5,438,829)** | 23,373,896 | 15,120,371 |
| Increase in other borrowed funds | | **89,340,838** | — | — |
| (Decrease)/Increase in deposits from customers | | **(547,426,187)** | 426,501,229 | 440,039,589 |
| Increase/(Decrease) in other liabilities | | **1,985,678** | 4,302,622 | (785,422) |
| (Increase)/Decrease in financial investments | | **(3,921)** | (5,763,672) | 1,749,016 |
| Interest received | | **115,362,458** | 47,333,043 | 18,110,887 |
| Interest paid | | **(44,792,221)** | (11,646,112) | (3,238,996) |
| Income tax paid | | **(8,244,725)** | (1,489,285) | (928,552) |
| Benefit paid on defined benefit obligations | 31(c) | **(103,299)** | (2,553) | (24,785) |
| **Net cash (used in)/from operating activities** | | **(470,674,096)** | 114,716,265 | 370,227,392 |
| **Cash flows from investing activities** | | | | |
| Capital expenditure on property, plant and equipment | | **(300,172)** | (254,315) | (166,410) |
| Purchase of financial investments | 13 | **(204,821,170)** | (377,213,482) | (97,007,943) |
| Financial investments matured | 13 | **302,728,242** | 134,263,862 | 99,161,556 |
| Proceeds from sale of property, plant and equipment | | **—** | 11,071 | — |
| **Net cash from/(used in) investing activities** | | **97,606,900** | (243,192,864) | 1,987,203 |
| **Cash flows from financing activities** | | | | |
| Principal portion of lease liability paid | | **(851,947)** | (799,444) | (624,075) |
| Dividends paid | 37(x) | **(20,000,000)** | (5,000,000) | (25,000,000) |
| **Net cash used in financing activities** | | **(20,851,947)** | (5,799,444) | (25,624,075) |
| Net (decrease)/increase in cash and cash equivalents | | **(393,919,143)** | (134,276,043) | 346,590,520 |
| Net foreign exchange difference | | **1,480,129** | 1,674,293 | (260,771) |
| Cash at the beginning of the year | | **1,264,418,782** | 1,396,876,510 | 1,050,583,021 |
| Effect of IFRS 9 impairment charge | | **(3,615)** | 144,022 | (36,260) |
| **Total cash at end of the year** | 7 | **871,976,153** | 1,264,418,782 | 1,396,876,510 |

The notes on pages 122 to 239 form part of these financial statements.



# STATEMENT OF CHANGES IN EQUITY

## For the year ended 31 December 2023

| | Share capital | Statutory reserve | Other reserves | Retained earnings | Total equity attributable to equity holder |
|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD |
| Balance at 01 January 2021 | 35,000,000 | 23,580,741 | (302,923) | 71,471,699 | 129,749,517 |
| Profit for the year | — | — | — | 13,097,819 | 13,097,819 |
| Other comprehensive income: | | | | | |
| Net loss on fair value of debt instruments | — | — | (8,831) | — | (8,831) |
| Remeasurement of defined benefit liabilities | — | — | 877,945 | — | 877,945 |
| Total comprehensive income for the year | — | — | 869,114 | 13,097,819 | 13,966,933 |
| Transfer to statutory reserve | — | 1,964,673 | | (1,964,673) | — |
| Transfer to credit risk reserve | — | — | 70,746 | (70,746) | — |
| Fair value of debt instruments, net of expected credit losses | — | — | (110) | — | (110) |
| Transactions with owner of the Bank: | | | | | |
| Dividend to equity holder (Note 37) | — | — | — | (25,000,000) | (25,000,000) |
| Balance at 31 December 2021 | 35,000,000 | 25,545,414 | 636,827 | 57,534,099 | 118,716,340 |
| Balance at 01 January 2022 | 35,000,000 | 25,545,414 | 636,827 | 57,534,099 | 118,716,340 |
| Profit for the year | — | — | — | 32,936,990 | 32,936,990 |
| Other comprehensive income: | | | | | |
| Net loss on fair value of debt instruments | — | — | (53,515) | — | (53,515) |
| Remeasurement of defined benefit liabilities | — | — | 393,837 | — | 393,837 |
| Total comprehensive income for the year | — | — | 340,322 | 32,936,990 | 33,277,312 |
| Transfer to statutory reserve | — | 4,940,548 | | (4,940,548) | — |
| Transfer from credit risk reserve | — | — | (584,073) | 584,073 | — |
| Transactions with owner of the Bank: | | | | | |
| Dividend to equity holder (Note 37) | — | — | — | (5,000,000) | (5,000,000) |
| Balance at 31 December 2022 | 35,000,000 | 30,485,962 | 393,076 | 81,114,614 | 146,993,652 |
| **Balance at 01 January 2023** | **35,000,000** | **30,485,962** | **393,076** | **81,114,614** | **146,993,652** |
| **Profit for the year** | **—** | **—** | **—** | **68,914,487** | **68,914,487** |
| **Other comprehensive income:** | | | | | |
| **Net gain on fair value of debt instruments** | **—** | **—** | **49,183** | **—** | **49,183** |
| **Remeasurement of defined benefit liabilities** | **—** | **—** | **(787,676)** | **—** | **(787,676)** |
| **Total comprehensive income for the year** | **—** | **—** | **(738,493)** | **68,914,487** | **68,175,994** |
| **Transfer to statutory reserve** | **—** | **4,514,038** | | **(4,514,038)** | **—** |
| **Transfer to credit risk reserve** | **—** | **—** | **287,964** | **(287,964)** | **—** |
| **Transactions with owner of the Bank:** | | | | | |
| **Dividend to equity holder (Note 37)** | **—** | **—** | **—** | **(20,000,000)** | **(20,000,000)** |
| **Balance at 31 December 2023** | **35,000,000** | **35,000,000** | **(57,453)** | **125,227,099** | **195,169,646** |
| Note | 24 | | 35 | | |

The notes on pages 122 to 239 form part of these financial statements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**For the year ended 31 December 2023**

## 1. General information

Standard Bank (Mauritius) Limited (the Bank) is a company incorporated and domiciled in Mauritius. The address of the Bank's registered office is Level 9, Tower A, 1 Exchange Square, Wall Street, Ebène, Mauritius.

Standard Bank (Mauritius) Limited obtained its Banking Licence issued by the Bank of Mauritius effective from November 2001.

The Bank is primarily involved in investment and corporate banking activities.

The Bank holds the following licences that fall under the regulatory purview of the Financial Services Commission (FSC):

(i) Investment Advisor (Corporate Finance Advisory) – effective from 02 September 2021

(ii) Representative of Investment Advisor (Corporate Finance Advisory) – effective from 02 September 2021

(iii) Custody Licences: Non-Collective Investment Schemes – effective from 07 February 2007; and Collective Investment Schemes – effective from 17 April 2009.

The material accounting policies applied in the presentation of the Bank's annual financial statements are set out below. The Bank's accounting policies are consistent with those of the prior year unless stated otherwise.

## 2. Basis of preparation

### (a) Statement of compliance

The annual financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), its interpretations adopted by the IASB and Guidelines and Guidance Notes issued by the Bank of Mauritius, in so far as the operation of the Bank is concerned.

### (b) Basis of measurement

The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial assets classified at fair value through other comprehensive income (OCI), financial assets and liabilities classified at fair value through profit or loss and liabilities for cash-settled share-based payment arrangements
- Retirement benefit obligations are measured at fair value of plan assets less present value of the retirement benefit obligations.

The following principal accounting policy elections in terms of IFRS have been made, with reference to the detailed accounting policies shown in brackets:

- Purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 2.1.(b)).
- Cumulative gains and losses recognised in OCI in terms of a cash flow hedge relationship are transferred from OCI and included in the initial measurement of the non-financial asset or liability (accounting policy 2.1.(b)).
- Intangible assets (other than goodwill) and property, plant and equipment and right of use assets are accounted for at cost less accumulated amortisation and impairment (accounting policies 2.1.(e)).



### (c) Functional and presentation currency

The annual financial statements are presented in United States Dollar (USD), which is the Bank's functional currency, as well as the reporting currency.

As at 31 December 2023, the rate of the Mauritian Rupee against the USD was approximately 43.95 (2022: 44.00).

### (d) Use of estimates and judgements

The preparation of the annual financial statements in conformity with IFRS requires Management to make judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the annual financial statements are described in note 5.

### (e) Changes in accounting policies

The accounting policies are consistent with those reported in the prior year.

## 2.1 Detailed accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the annual financial statements.

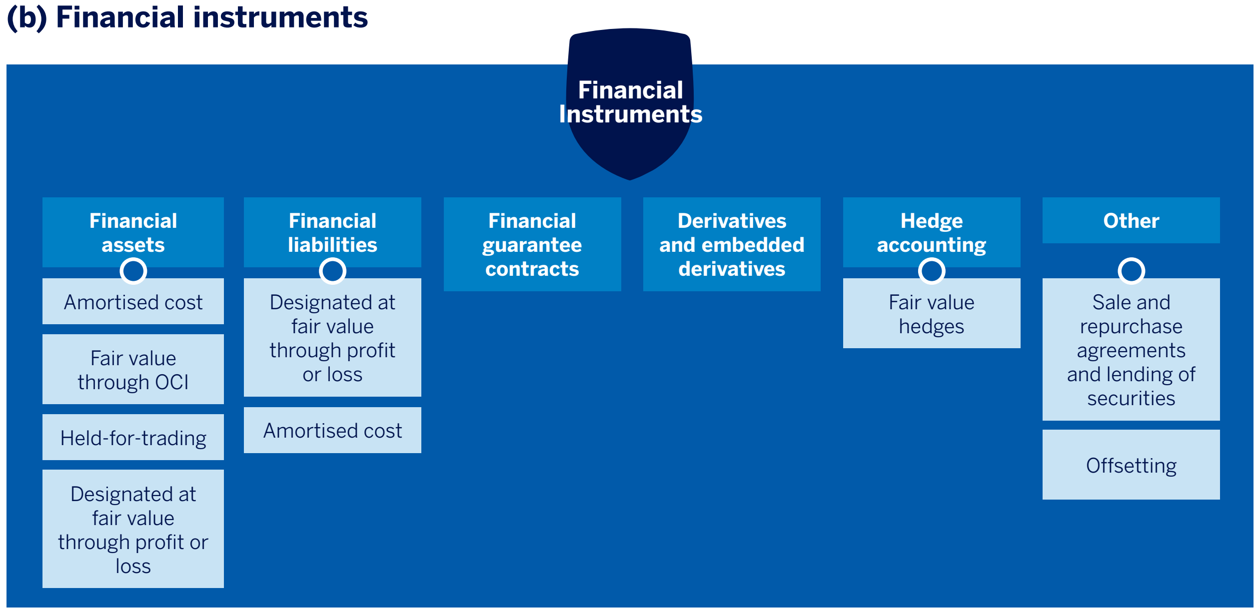
### (a) Foreign currency translations

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

Foreign exchange gains and losses on equities (debt) classified as fair value through OCI are recognised in the fair value through OCI reserve in OCI (net trading income) whereas the exchange differences on equities (debt) that are classified as held at fair value through profit or loss are reported as part of the other revenue (net trading income).

### (b) Financial instruments



## A. Initial measurement

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the Bank commits to purchase (sell) the instruments (trade date accounting).

**Financial assets**

**Nature**

| | |
|---|---|
| **Amortised cost** | A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):<br>• Held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows<br>• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.<br>This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default. |
| **Fair value through OCI** | A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):<br>• Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets<br>• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.<br>This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default.<br>Equity financial assets that are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI. |
| **Designated at fair value through profit or loss** | Financial assets are designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch that would otherwise arise. |
| **Fair value through profit or loss – default** | Financial assets that are not classified into one of the above-mentioned financial asset categories. |

## B. Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

| | |
|---|---|
| **Amortised cost** | Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses that are recognised as part of credit impairment charges.<br>Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate. |
| **Fair value through OCI (FVOCI)** | Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other operating income within non-interest revenue. Expected credit impairment losses are recognised as part of credit impairment charges. However, for these FVOCI debt instruments, the expected credit loss is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss.<br>Equity instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income.<br>Dividends received on equity instruments are recognised in other operating income within non-interest income. |
| **Held for trading** | Fair value, with gains and losses arising from changes in fair value (including interest and dividends), recognised in trading revenue. |
| **Designated at fair value through profit or loss** | Fair value gains and losses (including interest and dividends) on the financial asset recognised in the profit or loss as part of other gains and losses on financial instruments within non-interest revenue. |
| **Fair value through profit or loss – default** | Debt instruments – Fair value gains and losses (including interest and dividends) on the financial asset recognised in the profit or loss as part of net income from other financial instruments carried at fair value within non-interest revenue.<br>Equity instruments – Fair value gains and losses on the financial asset recognised in the profit or loss as part of net income from other financial instruments carried at fair value. Dividends received on equity instruments are recognised in other operating income within non-interest income. |

## C. Impairment

Expected credit losses (ECL) are recognised on debt financial assets classified as either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss, as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below-market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a significant increase in credit risk at the end of the reporting period, which includes forward-looking information that is available without undue cost or effort at the end of the reporting period about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

| | |
|---|---|
| **Stage 1** | A 12-month ECL is calculated for financial assets that are neither credit-impaired on origination nor for which there has been a significant increase in credit risk (SICR). |
| **Stage 2** | A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk. |
| **Stage 3 (credit impaired assets)** | A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired:<br>• Default<br>• Significant financial difficulty of borrower and/or modification<br>• Probability of bankruptcy or financial reorganisation<br>• Disappearance of an active market due to financial difficulties. |

**(i) ECL measurement period**

The ECL measurement period, at a minimum, is equal to the 12-month ECL of the financial asset. A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition. The requirement to hold ECL on unutilised loan commitments has been included, where appropriate, within this classification.

**(ii) SICR and low credit risk**

A lifetime ECL requirement is recognised for all exposures for which there has been SICR. This includes the impact of the loss given default (LGD) work out, being an increase in the lifetime period over which subsequent cures and re-defaults are considered. The requirement to hold ECL on off-balance sheet exposures has been included, where appropriate, within this classification.

**Internal ratings-based approach**
The Bank uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the table below.

| Master ratings scale | Grading | Credit quality | Moody's Investor Services | Standard & Poor's | Fitch |
|---|---|---|---|---|---|
| 1 - 4 | Investment grade | Normal monitoring | Aaa, Aa1, Aa2, Aa3 | AAA, AA+, AA, AA- | AAA, AA+, AA, AA- |
| 5 - 7 | | | A1, A2, A3 | A+, A, A- | A+, A, A- |
| 8 - 12 | | | Baa1, Baa2, Baa3 | BBB+, BBB, BBB- | BBB+, BBB, BBB- |
| 13 - 21 | Sub-investment grade | | Ba1, Ba2, Baa3 B1, B2, B3 | BB+, BB, BB-, B+, B, B- | BB+, BB, BB-, B+, B, B- |
| 22 - 25 | | Close monitoring | Caa1, Caa2, Caa3, Ca | CCC+, CCC, CCC- | CCC+, CCC, CCC- |
| Default | Default | Default | C | D | |

Ratings are mapped to probability of defaults (PDs) by means of calibration formulae that use historical default rates and other data from the applicable portfolio. These credit ratings are evaluated at least annually or more frequently, as appropriate.

Exposures are evaluated for SICR by comparing the credit risk grade at the end of the reporting period to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience that indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the Bank's master rating scale as investment grade are assessed for SICR at the end of each reporting period but are considered to be of a low credit risk for IFRS 9 purposes.

**(iii) Key rating models**
As a Corporate Investment Banking (CIB)-led portfolio, the Bank uses distinct credit rating models that are used for exposures to banks, sovereigns, local government, brokers, hedge funds, pension funds, asset managers, long- and short-term insurers, property finance (both developer and investor cash flow) and project finance, respectively. PD, exposure at default (EAD) and LGD modelling are integral to all of the models.

**(iv) Expected credit losses (ECL) measurement**
12-month ECL is computed by DF (discounting factor) x FWD PD x EAD x LGD.

For lifetime expected loss, the ECL is computed by DF x Weighted PD x EAD x lifetime LGD.

**PD**
PD is calculated using actual historical default rates that ensures a clear ranking of risk by mapping higher scores to lower PDs and vice versa. The PD associated with the rating is based on an averaged through-the-cycle (TTC) PD, which is converted to a point-in-time (PIT) one-year PD. The PIT PDs are extrapolated based on the TTC PD term structure to develop a longer-term PIT PD term structure that can be used for lifetime expected loss calculations. PDs are to be updated at least annually, or more frequently, for example as soon as fresh financial information is obtained, or when new information comes to light that has a material bearing on the credit risk.

The weighted average PD provides an estimate for the annualised weighted average PD over the lifetime of the financial instrument and is driven primarily by the profile of contractual expected exposure run-down and the relevant PD term structure. Forward PD (FWD PD) is derived from the Bank's master scale and represents the cumulative probability of default (CUM PD), which is derived from the Bank's risk grading. FWD PD is then the movement of the CUM PD on a monthly basis.

**EAD**
EAD captures the potential impact of changes in exposure values, for example, potential drawdowns against unutilised facilities, missed payments, repayments of capital, and potential changes in cross currency positions due to changes in market prices.

**LGD**
LGD is the amount of a counterparty's obligation to the Bank that is not expected to be recovered after default and is expressed as a percentage of the EAD. LGD measures are a function of customer type, product type, seniority of loan, country of risk and level of collateralisation. LGD is calculated using the workout method (discounted cash flows). Forecasting is performed for accounts that are still in default at the end of the outcome period. LGDs are estimated based on historical recovery data per category of LGD. A downturn LGD is used in the estimation of the capital charge and reflects the anticipated recovery rates in a downturn period. The lifetime LGD provides an estimate of expected recovery experience over the lifetime of a financial instrument in the event of default. The calculation relies on an estimate for LGD as at each point in time over the lifetime of the loan.

**Lifetime LGD work out**
Increased lifetime period over which subsequent cures and re-defaults are considered, resulting in higher credit impairments for credit-impaired financial assets.

**(v) Forward-looking expectations**
Forward-looking economic expectations are incorporated in client ratings. The client rating thus reflects the expected client risk for the Bank's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

- The Group Economics Research team determines the macroeconomic outlook for each country and a Group view of commodities over a planning horizon of at least three years. The outlook is prepared on a half yearly basis and is provided to the Bank's Asset and Liability Committee (ALCO) for review and approval
- Macroeconomic outlooks take into account various variables, such as gross domestic product, central bank policy interest rates, inflation, exchange rates and treasury bill rates
- Narratives for each country's economic outlook, including bear, base and bull cases, are compiled and typically include consideration of the country's economic background, sovereign risk, foreign exchange risk, financial sector, liquidity and monetary policy stance
- Probabilities are assigned to each of the bear, base and bull cases based on primary macroeconomic drivers and are reviewed monthly
- The forward-looking economic expectations are updated on a bi-annual basis or more regularly when deemed appropriate.

Based on trends in the tourism industry, the tax reforms and public investment projects listed in the budget, GDP should grow by 5.0% y/y this year. Tourism in Mauritius is now approaching pre-pandemic levels, which will likely spill over to other sectors (as tourists spend on accommodation, recreational activities, and services) as well as to job creation. The drawback for the tourism and manufacturing sectors is that global GDP growth is slowing, particularly in Europe and South Africa, both of which are destination countries for exports from export-oriented enterprises.

Annual GDP growth has dwelled below 4.0% since the 2008/09 Global Financial Crisis. Government estimates published at the time of the FY2023/24 budget showed a targeted budget deficit of 2.9% of GDP, less than the 3.9% of GDP anticipated for FY2022/23.

With occasional FX liquidity shortages, the Bank of Mauritius (BOM) may still occasionally intervene (intervention has decreased to USD 50m in 2023, compared to USD 489m last year), the USD/MUR will now mostly depend on the trajectory in the EUR/USD. Strength in the latter is only expected from 2024, where the USD/MUR is expected to gravitate towards 42.70 by year end.

With the policy rate already normalised to pre-pandemic levels and inflation forecast to fall below 5% (despite the seasonal increase in Q1), additional hikes will be motivated by the need to close negative interest rate differentials with the USD, which is unlikely.

In the bear-case scenario, the rise in inflation prompts advanced economies to raise policy rates or keep rates higher for longer to the point where the economy slips into a recession, while in the bull case scenario, ratification of the two significant free trade agreements with India and China will show growth, which is anticipated to surpass the 4% average.

### Main macroeconomic factors

The following table shows the main macroeconomic factors used to estimate the forward-looking impact on the ECL provision of financial assets. Each scenario, namely base, bear and bull scenario, is presented for each identified time period.

| Mauritius macroeconomic indicators | 2023 | Base scenario[1] | | Bull scenario | | Bear scenario | |
|---|---|---|---|---|---|---|---|
| | | Next 12 months[2] | Remaining forecast period[3] | Next 12 months | Remaining forecast period | Next 12 months | Remaining forecast period |
| **Inflation (%)*** | **7** | 3.6 | 3.8 | 2.6 | 2.4 | 5.6 | 4.9 |
| **Prime (%)*** | **4.50** | 4.4 | 3.8 | 3.9 | 3.3 | 4.5 | 4.1 |
| **Real GDP (%)*** | **7.1** | 3.9 | 3.8 | 5.1 | 4.9 | 1.8 | 1.5 |
| **3m Tbill rate (%)*** | **3.35** | 4.4 | 3.8 | 3.9 | 3.3 | 4.5 | 4.1 |
| **6m Tbill rate (%)*** | **3.50** | 4.5 | 3.9 | 4.0 | 3.4 | 4.6 | 4.2 |
| **Exchange rate USD/MUR*** | **43.95** | 44.0 | 43.29 | 41.56 | 38.57 | 45.59 | 46.0 |

Sources: Standard Bank Research Team, Statistics Mauritius, Bank of Mauritius.
*Actual figures as at 31 December 2023.

### Sensitivity analysis of the forward-looking impact on the total ECL provision on all financial instruments relating to corporate, sovereign and bank products

The expected credit loss methodology for corporate, sovereign and bank products is based primarily on client-specific risk metrics, as such the forward-looking macroeconomic information is one of the component and/or driver of the total reported ECL. Rating reviews of each client are performed at least annually, and entails credit analysts completing a credit scorecard and incorporating forward-looking information at a client level.

The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting ECL for the individual client. Therefore, the impact of forward-looking economic conditions is embedded in the total ECL for each client and cannot be stressed or separated from the overall ECL provision.

The following table shows a comparison of the forward-looking impact on the provision as at 31 December 2023 based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% weighting of the above factors.

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Forward-looking component of ECL provision | Profit or loss charge | Forward-looking component of ECL provision | Profit or loss release |
| | USD | | USD | |
| Forward-looking impact on the total ECL provision | **20,288,349** | **427,923** | 19,630,687 | (992,751) |
| **Scenarios** | | | | |
| Base | **20,305,566** | **445,140** | 19,593,260 | (1,030,178) |
| Bear | **20,226,465** | **366,039** | 19,758,653 | (864,785) |
| Bull | **20,336,653** | **476,227** | 19,523,867 | (1,099,571) |

### (vi) Low credit risk

Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.

[1] The scenario weighting is: base at 50%, bull at 15% and bear at 35%.

[2] Next 12 months following 31 December 2023 is 1 January 2024 to 31 December 2024.

[3] The remaining forecast period is 1 January 2024 to 31 December 2026.

### (vii) Default

The Bank's definition of default has been aligned with its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- Significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower)
- A breach of contract, such as default or delinquency in interest and/or principal payments
- Disappearance of active market due to financial difficulties
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- Where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Bank would not otherwise consider
- Where, in the Bank's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security
- When the counterparty is past due for more than 90 days (or, in the case of overdraft facilities, in excess of the current limit).

The Bank has not rebutted the IFRS 9's 90 days past due rebuttable presumption.

### (viii) Write-off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- The financial asset has been in default for the period defined for the specific product which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan
- At the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with the expectation that the probability of recovery is nil and this probability is not expected to change in the future.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

### (ix) Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). However, in the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the Bank's Credit Governance Committee (as appropriate). Such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with the existing financial asset.

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, when compared to the credit rating at initial recognition, the financial asset will be moved from stage 2 (lifetime ECL model) back to stage 1 (12-month ECL model) prospectively. A rehabilitation period of at least six months (subsequent to a client repaying all outstanding facilities) would be needed for the client's internal rating to decrease back to its rating scale at initial recognition and move from stage 2 to stage 1 accordingly.

### (x) Debt financial investments

In terms of IFRS 9, the impairment provision is calculated per exposure. The ECL measurement period of a minimum is equal to 12 months ECL of the debt financial investment. A loss allowance for lifetime ECL is required if the credit risk has increased significantly.

### (xi) Off-balance sheet exposures – undrawn commitments, guarantees and letters of credit

The requirement to hold ECL on off-balance sheet financial instruments, such as undrawn commitments, guarantees and letters of credit, resulted in a requirement to hold additional credit impairment provisions.

**(xii) Recognition of ECL**

ECLs are recognised within the statement of financial position as follows:

| | |
|---|---|
| **Financial assets measured at amortised cost (including loan commitments)** | Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities. |
| **Off-balance sheet exposures (excluding loan commitments)** | Recognised as a provision within other liabilities. |
| **Financial assets measured at fair value through OCI** | Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value. |

**(xiii) Reclassification**

Reclassifications of debt financial assets are permitted when, and only when, the Bank changes its business model or how it manages financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:

- Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments
- The fair value of a financial asset that is reclassified from fair value to amortised cost becomes the financial asset's new carrying value
- Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI
- The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying value with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying value
- The carrying value of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value
- The carrying value of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the profit or loss at the date of reclassification.

## D. Cash and cash equivalents

Cash and cash equivalents comprise notes and coins on hand, unrestricted balances held with the Central Bank and highly liquid assets with original maturities of three months or less from the acquisition date, which are subject to insignificant risks of changes in their fair value and are used by the Bank in the management of its short-term commitments.

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

**Financial liabilities**

**Nature**

| | |
|---|---|
| **Held-for-trading** | Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. |
| **Designated at fair value through profit or loss** | Financial liabilities are designated to be measured at fair value in the following instances:<br>to eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed and their performance evaluated and reported on a fair value basis where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows. |
| **Amortised cost** | All other financial liabilities not included in the above categories. |

**Subsequent measurement**

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

| | |
|---|---|
| **Held-for-trading** | Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue. |
| **Fair value through profit or loss** | Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in net trading income as part of non-interest revenue.<br>Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue. |
| **Amortised cost** | Amortised cost using the effective interest method recognised in interest expense. |

## E. Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

| | Derecognition | Modification |
|---|---|---|
| **Financial assets** | Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Bank has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.<br>The Bank enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements.<br>When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate.<br>In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. | In determining whether a modification is substantial for a financial asset, qualitative factors are considered, and for a financial liability, both qualitative and quantitative factors are considered. Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.<br>If the terms are not substantially different for financial assets or financial liabilities, the Bank recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications). |
| **Financial liabilities** | Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires. | |

## F. Financial guarantee contracts or loan commitment below market rate

A financial guarantee contract is a contract that requires the Bank (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A loan commitment is described as a firm commitment to provide credit under specified terms and conditions. It is a binding promise from the lender that a specified amount of loan or line of credit will be made available to the named borrower at a certain rate, during a certain period and, usually, for a certain purpose.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts (that are not designated at fair value through profit or loss) are subsequently measured at the higher of:

(i) ECL calculated for the financial guarantee

(ii) Unamortised premium.

## G. Derivatives and embedded derivatives

In the normal course of business, the Bank enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation, credit, commodity and equity exposures. Derivative instruments used by the Bank in both trading and hedging activities include swaps, options, forwards and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of commodities and equities.

Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. In terms of IFRS 9, embedded derivatives included in hybrid instruments, where the host is a financial asset, are assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant accounting policy. The terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant accounting policy.

The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedge relationship.

### Hedge accounting

As of 01 January 2021, the Bank applied IFRS 9 to all micro hedge relationships. It will, however, continue to apply IAS 39 to all macro hedges. Derivatives, whether accounted for under IAS 39 or IFRS 9, are designated by the Bank into the following relationships:

| Type of hedge | Nature | Treatment |
|---|---|---|
| **Fair value hedges** | Hedges of the fair value of recognised financial assets, liabilities or firm commitments. | Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same line item in profit or loss as the related hedged item. Any hedge ineffectiveness is recognised immediately in trading revenue.<br>If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is discontinued. The adjustment to the carrying amount of a hedged item measured at amortised cost, for which the effective interest method is used, is amortised to profit or loss as part of the hedged item's recalculated effective interest rate over the period to maturity. |

### Hedge accounting risk management strategy

Hedge accounting is applied when the hedging relationship meets the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Where the above criteria are met, derivatives are classified as derivatives held-for-hedging and hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). All qualifying hedging relationships are designated as either fair value or cash flow hedges for recognised financial assets or liabilities, and highly probable forecast transactions. For hedge relationships where the critical terms of the hedged item and hedging instrument match, a qualitative method is considered appropriate for hedge effectiveness testing. Where the characteristics between the hedged item and hedging instrument are insufficiently correlated, judgement is applied and, if required, a qualitative and quantitative method is used for hedge effectiveness testing.

## H. Sale and repurchase agreements and lending of securities

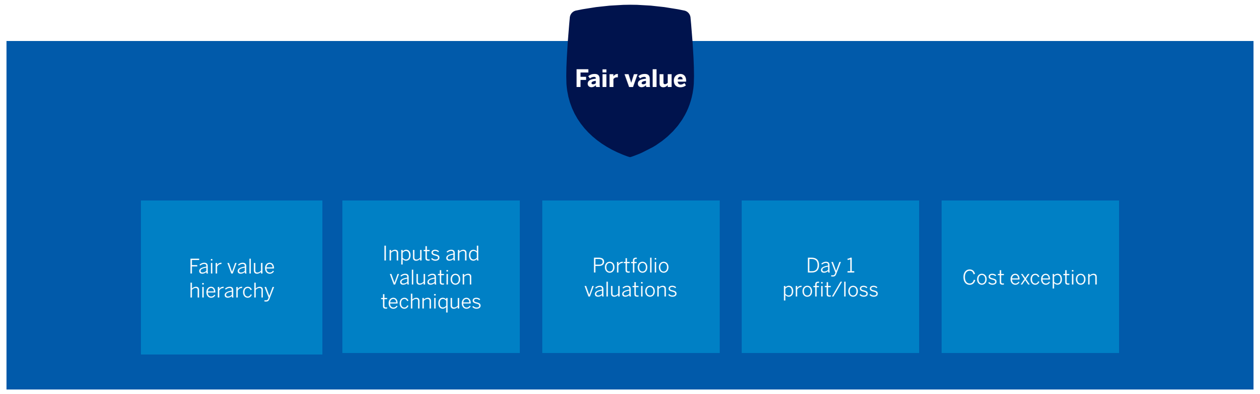
Securities sold subject to linked repurchase agreements (repurchase agreements) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposits and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate. For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability. Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

### I. Offsetting
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparties to the transaction. Income and expenses are presented on a net basis only when permitted by IFRS, or for gains and losses arising from a group of similar transactions.

## c) Fair value




In terms of IFRS, the Bank is either required to or elects to measure a number of its financial assets and financial liabilities at fair value. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value, it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at measurement date.

### Fair value hierarchy
The Bank's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

### Hierarchy levels
The levels have been defined as follows:

| | |
|---|---|
| **Level 1** | Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. |
| **Level 2** | Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted 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** | Fair value is determined through 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 instrument being valued and the similar instrument. |

### Hierarchy transfer policy
Transfers of financial assets and financial liabilities between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

### Inputs and valuation techniques
Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Where discounted cash flow analysis are used, estimated future cash flows are based on management's best estimates and a market-related discount rate at the end of the reporting period for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value. The Bank's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument.

| Item and description | Valuation technique | Main inputs and assumptions |
|---|---|---|
| **Derivative financial instruments**<br>Derivative financial instruments comprise foreign exchange and interest rate derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships. | Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include discounted cash flow model. | For level 2 and 3 fair value hierarchy items:<br>▪ Discount rate*<br>▪ Spot prices of the underlying<br>▪ Correlation factors<br>▪ Volatilities<br>▪ Dividend yields<br>▪ Earnings yield<br>▪ Valuation multiples. |
| **Trading assets and trading liabilities**<br>Trading assets and liabilities comprise instruments that are part of the Bank's underlying trading activities. These instruments primarily include sovereign and corporate debt.<br>**Pledged assets**<br>Pledged assets comprise instruments that may be sold or repledged by the Bank's counterparty in the absence of default by the Bank. Pledged assets comprise sovereign debt pledged as collateral under repurchase agreements.<br>**Financial investments**<br>Financial investments are non-trading financial assets and primarily comprise sovereign debt. | Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity. | |

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty, as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

| Item | Description | Valuation technique | Main inputs and assumptions (level 2 and 3 fair value hierarchy items) |
|---|---|---|---|
| **Loans and advances to banks and customers** | Loans and advances comprise: Loans and advances to banks include call loans, loans granted under resale agreements and balances held with other banks. Loans and advances to customers include other asset-based loans and other secured and unsecured loans, overdrafts, other demand lending, term lending. | For certain loans, fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, the probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan. | For level 2 and 3 fair value hierarchy items<br>• Discount rate*. |
| **Deposits and debt funding** | Deposits from banks and customers comprise amounts owed to banks and customers. | For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors including a measure of the Bank's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. | For level 2 and 3 fair value hierarchy items<br>• Discount rate*. |

* Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty, as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/ loss given default.

### Portfolio valuations

The Bank has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits the group of financial assets and financial liabilities to be measured at fair value on a net basis, with the net fair value being allocated to the financial assets and financial liabilities.

### Day one profit or loss

For financial instruments where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as 'day one profit or loss'. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs. Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument or is determined using valuation models that utilise non-observable market data as inputs.

The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

## d) Employee benefits

The Bank operates a defined contribution plan.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank provides retirement benefits for its employees through a defined contribution plan, which is funded by contributions from the Bank. Under the defined contribution plan, the Bank has no legal or constructive obligation to contribute further to what has been contributed into the fund as defined in the rules of the scheme. Pension contributions are charged to the profit or loss in the year to which they relate. The Bank has an obligation under the current labour laws to pay a severance allowance on retirement of its employees. The Bank is allowed to deduct from this severance allowance up to five times the amount of any annual pension granted at retirement age from the said fund based on the employer's share of contributions only, and half the lump sum payable at the member's retirement from the fund based on the employer's share of contributions only.

The present value of the severance allowance payable under the Workers' Rights Act 2019 is calculated annually by independent actuaries using the projected unit credit method. The present value of the severance allowance is determined by the estimated future cash outflows using a discount rate by reference to current interest rates and the yield on bonds and treasury bills and recent corporate debenture issues. Where the present value of the severance allowance payable on retirement is greater than five years of annual pension and half of lump sum payable under the pension plan, the additional severance allowance payable is recognised as a liability and disclosed as unfunded (residual) obligations under retirement benefits obligations.

### State pension plan

Contributions to the 'Contribution Sociale Generalisée' scheme are recognised in profit or loss in the period in which they fall due.

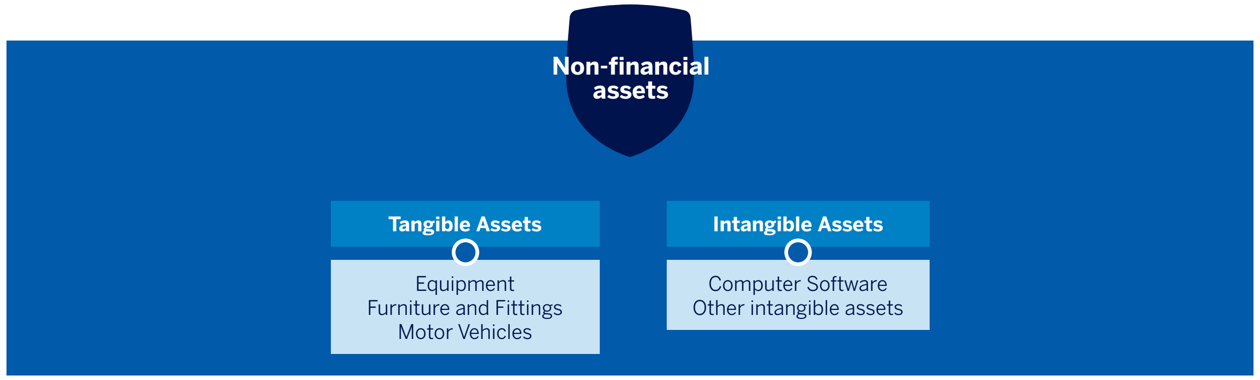
### Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### Termination benefits

Termination benefits are recognised when the Bank is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy when it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. A liability is recognised for the termination benefit representing the best estimate of the amount payable and the termination benefits are recognised as an expense.

## e) Non-financial assets (intangible assets and property and equipment)

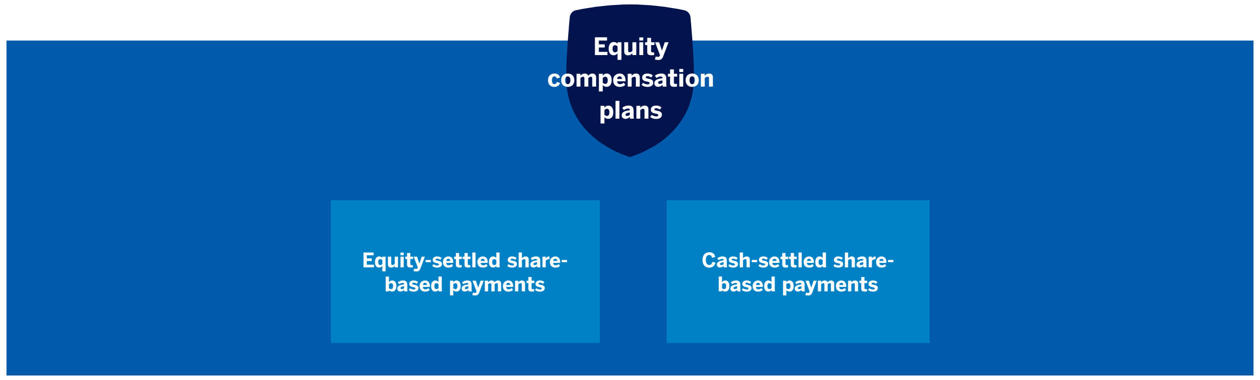



| Type and initial and subsequent measurement | Useful lives, depreciation/amortisation method or fair value basis | Impairment |
|---|---|---|
| **Tangible assets (equipment, furniture and motor vehicles)**<br>Equipment, furniture and fittings and motor vehicles are measured at cost less accumulated depreciation and accumulated impairment losses.<br>Cost includes expenditure that is directly attributable to the acquisition of the asset.<br>Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Bank and the cost of the item can be measured reliably.<br>Expenditure, which does not meet these criteria, is recognised in operating expenses as incurred.<br>Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate major components of property and equipment. | Property, plant and equipment are depreciated on the straight-line basis over estimated useful lives (see below) of the assets to their residual values.<br>**Computer equipment**: 3-5 years<br>**Office equipment**: 5-10 years<br>**Furniture & fittings**: 5-13 years<br>**Motor vehicles**: 5 years | These assets are reviewed for impairment at the end of each reporting period and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.<br>An impairment loss is recognised in non-trading and capital related items for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use.<br>Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.<br>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.<br>For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest level for which there are separately identifiable cash inflows from continuing use cash generating units (CGUs).<br>Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use. |
| **Tangible assets (equipment, furniture and motor vehicles) (continued)** | The residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end. | Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists.<br>An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through non-trading and capital-related items only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. |
| **Intangible assets (computer software and other intangible assets)**<br>Costs associated with developing or maintaining computer software programs and the acquisition of software licences are generally recognised as an expense as incurred.<br>However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Bank and have a probable future economic benefit beyond one year, are recognised as intangible assets.<br>Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use. Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. | Amortisation is recognised in operating expenses on a straight-line basis at rates appropriate to the expected lives of the assets (two to 15 years) from the date that the asset is available for use.<br>Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary. | Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists.<br>The accounting treatment for computer software and other intangible assets is otherwise the same as for tangible assets. |

### Derecognition

Non-financial assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset.

## f) Equity-linked transactions




| | |
|---|---|
| **Equity-settled share-based payments** | The Bank operates both equity-settled and cash-settled share-based compensation plans. All share options are accounted for as share-based payment transactions.<br>The fair value of the equity-settled share-based payments is determined on grant date and accounted for within operating expenses – staff costs over the vesting period with a corresponding increase in the share-based payment reserve. Non-market vesting conditions are not considered in the valuation but are included in the estimate of the number of options expected to vest. At the end of each reporting period, the estimate of the number of options expected to vest is reassessed and adjusted against operating expenses and share-based payment reserve over the remaining vesting period.<br>On vesting of the equity-settled share-based payments, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. |
| **Cash-settled share-based payments** | Cash-settled share-based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at the end of every reporting period, up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses. |

## g) Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets
- Leases with a duration of twelve months or less.

### Accounting for lease liabilities

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

- Amounts expected to be payable under any residual value guarantee
- The exercise price of any purchase option granted in favour of the Bank, should it be reasonably certain that this option will be exercised
- Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

### Interest expense on lease liabilities

A lease finance cost, determined with reference to the interest rate implicit in the lease or the Bank's incremental borrowing rate, is recognised within interest expense over the lease period.

### Right-of-use assets (ROUs)

Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease
- Initial direct costs incurred
- The amount of any provision recognised where the Bank is contractually required to dismantle, remove or restore the leased asset.

The Bank applies the cost model subsequent to the initial measurement of the ROUs.

### Depreciation of ROUs

Subsequent to initial measurement, the ROUs are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset, should this term be shorter than the lease term, unless ownership of the underlying asset transfers to the Bank at the end of the lease term, whereby the ROUs are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of depreciation on the ROUs in profit or loss.

### Termination of leases

When the Bank or lessor terminates or cancels a lease, the ROU and lease liability are derecognised. On derecognition of the ROU and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

### Low-value leases

All leases that meet the criteria as either a lease of a low-value asset or a short-term lease are accounted for on a straight-line basis over the lease term. Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.

Payments made under these leases, net of any incentives received from the lessor, are recognised in operating lease expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating lease expenses in the period in which termination takes place.

### Reassessment and modification of leases

**Reassessment of lease terms and lease modifications that are not accounted for as a separate lease**

When the Bank reassesses the terms of any lease (i.e. it reassesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right-of-use asset is reduced to zero, any further reduction in the measurement of the lease liability is recognised in profit or loss.

For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease, the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.

### Lease modifications that are accounted for as a separate lease

When the Bank modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Bank accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases where the Bank elected a short-term lease exemption and the lease term is subsequently modified.

## h) Equity

### Share issue costs
Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

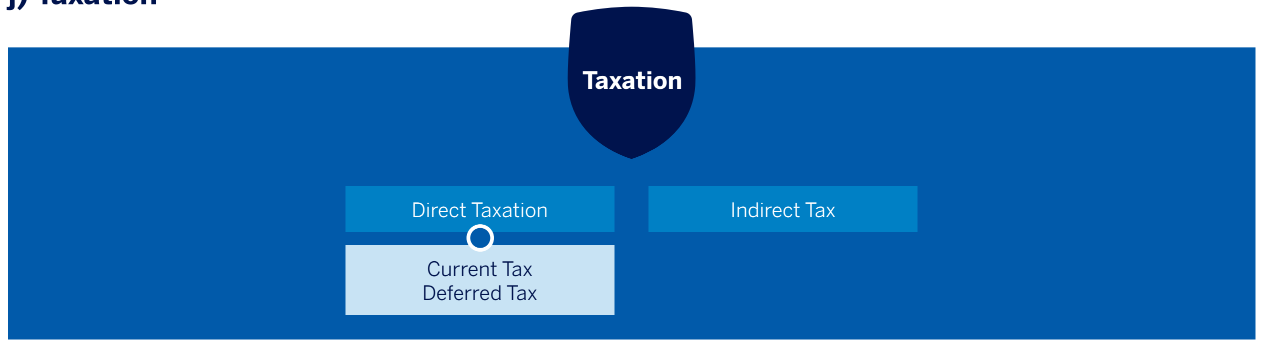
### Dividends
Distributions are recognised in equity in the period in which they are declared. Distributions declared after the end of the reporting period are disclosed in the subsequent event note to the annual financial statements.

## i) Provisions, contingent assets and contingent liabilities


| | |
|---|---|
| **Provisions** | Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events and 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. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Bank provisions typically include the following (when applicable):<br>**Provisions for legal claims**<br>Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the end of the reporting period. In determining the provision, management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when, and only when, it is virtually certain that the reimbursement will be received.<br>**Provisions for restructuring**<br>A provision for restructuring is recognised when the Bank has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for.<br>**Provisions for onerous contract**<br>A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract. |
| **Contingent assets** | Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the Bank, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the Bank's control. |
| **Contingent liabilities** | Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are considered remote. |

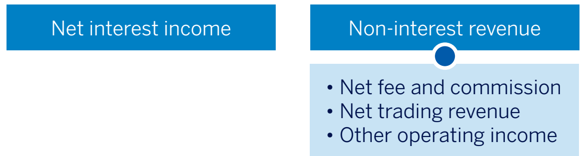


## j) Taxation




| Type | Description, recognition and measurement | Offsetting |
|---|---|---|
| **Current tax – determined for current period transactions and events** | Current tax is recognised in the income tax expense line in the statement of profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.<br>The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. The Directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.<br>Following the amendments brought by the Finance (Miscellaneous Provisions) Act 2023 of Mauritius, the tax rate applicable to the Bank has increased from a flat 5% to a rate of 5% on its chargeable income upto MUR 1.5bn and 15% on its chargeable income exceeding MUR 1.5bn. The change was applied with retrospective effect and is applicable as from the year ended 31 December 2022.<br>The Bank is also liable to pay a special levy on its leviable income (net interest income and other income before deduction of expenses) derived from Segment A activities during the year. Special levy is calculated at the rate of 5.5% on leviable income. The special levy at 5.5% is included in income tax expense and current liability in the financial statements. The Bank is subject to the Advance Payment System (APS) whereby it pays income tax on a quarterly basis.<br>Corporate social responsibility tax (CSR) is also payable by the Bank at the rate of 2% of the Segment A chargeable income of the preceding year. | Current tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. |
| **Deferred tax – determined for future tax consequences** | Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.<br>Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the end of each reporting period.<br>Deferred tax is not recognised for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses.<br>The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.<br>Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. | |
| **Indirect taxation** | Indirect taxes, including non-recoverable value added tax (VAT), skills development levies and other duties for banking activities, are recognised in the income tax expense line in the profit or loss. | |

## k) Revenue and expenditure




| Description | Recognition and measurement |
|---|---|
| **Net interest income** | Interest income and expense are recognised in net interest income using the effective interest method for all interest-bearing financial instruments.<br>In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts 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. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.<br>Where the estimates of payments or receipts on financial assets or financial liabilities are subsequently revised, the carrying amount of the financial asset or financial liability is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the adjusted cash flows at the financial asset or financial liability's original effective interest rate. Any adjustment to the carrying value is recognised in net interest income.<br>When a financial asset is classified as specifically impaired, interest income is calculated on the impaired value (gross carrying amount less specific impairment) based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in interest income and other when the financial asset is reclassified out of stage 3. |
| **Net fee and commission** | Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.<br>Loan syndication fees, where the Bank does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the statement of profit and loss as interest income.<br>The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.<br>Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is presented as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue. |
| **Net trading income** | Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends. |
| **Other operating income** | Other operating income comprises expenses recharged to Standard Bank Trust and intra group service management. |

## l) Other significant accounting policies


| | |
|---|---|
| **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.<br>In accordance with the Bank of Mauritius Guideline on Segmental Reporting under a Single Banking Licence Regime, the Bank is required to split into Segment A and Segment B:<br>• Segment B is essentially directed to the provision of international financial services that give rise to foreign source income. Such services may be fund based or non-fund based<br>• Segment A relates to banking business other than Segment B business.<br>Neither these guidelines nor IFRS mandate the application of IFRS 8 operating segments to the financial statements of the Bank. |
| **Statutory credit reserve** | Statutory requirements (one percent of the aggregate amount of portfolio assessed loans) that exceed the amounts to be provided under IFRS 9 are dealt with in the statutory credit reserve as an appropriation of retained earnings.<br>Statutory reserve represents accumulated transfers from retained earnings in accordance with local banking legislation. Those reserves are not redistributable. |
| **Related parties** | For the purposes of these financial statements, parties are considered to be related to the Bank where:<br>(a) A person or a close member of that person's family is related to the Bank if that person:<br>(i) Has control or joint control over the Bank<br>(ii) Has significant influence over the Bank<br>(iii) Is a member of the key management personnel of the Bank or of a parent of the Bank.<br>(b) An entity is related to the Bank if any of the following conditions apply:<br>(i) The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)<br>(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member)<br>(iii) Both entities are joint ventures of the same third party<br>(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity<br>(v) The entity is a post-employment defined benefit plan for the benefit of employees of either the Bank or an entity related to the Bank. If the Bank holds such a plan, the sponsoring employers are also related to the Bank<br>(vi) The entity is controlled or jointly controlled by a person identified in (a)<br>(vii) A person identified in (a) (i) has significant influence over the entity or (ii) is a member of the key management personnel of the entity (or of a parent of the entity)<br>(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Bank or to the parent of the Bank. |
| **Comparatives** | Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. When IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year. |

## m) New standards and interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been adopted early by the Bank. Those standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

# 3. Financial Risk Management

## Introduction and overview

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

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

- Credit risk
- Liquidity risk
- Market risk
- Capital risk management.

## (a) Credit risk

For the definition of credit risk and information on how credit risk is managed by the Bank, please refer to pages 33 to 34 under the Risk and capital management section.

### (i) Maximum exposure to credit risk

The Bank's credit exposure is spread across a broad range of asset classes, including cash and cash equivalents, trading assets, derivative assets, pledged assets, loans and advances to customers, loans and advances to banks and financial investments.

The following table presents the maximum exposure to credit risk from on-balance sheet and off-balance sheet financial instruments, before taking account of any collateral held or other credit enhancements (unless such credit enhancements meet accounting offsetting requirements). For financial assets recognised on the statement of financial position, the maximum exposure to credit risk equals their carrying amount; for financial guarantees and similar contracts granted, it is the maximum amount that we would have to pay if the guarantees were called upon.

For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

| | 2023<br>USD | 2022<br>USD | 2021<br>USD |
|---|---|---|---|
| Cash and cash equivalents | **871,976,153** | 1,264,418,782 | 1,396,876,510 |
| Trading assets | **—** | — | 4,632,688 |
| Derivative assets | **3,502,573** | 3,490,100 | 1,478,203 |
| Pledged assets | **67,048,142** | — | — |
| Loans and advances to banks | **595,950,712** | 666,958,902 | 378,110,762 |
| Loans and advances to customers | **403,988,351** | 253,370,640 | 168,282,099 |
| Financial investments | **301,860,746** | 464,645,971 | 215,996,009 |
| Other assets | **7,152,774** | 5,463,695 | 5,021,872 |
| Financial guarantees and other credit-related contingent liabilities | **74,088,188** | 59,003,244 | 33,157,090 |
| Loan and other credit-related commitments | **253,924,584** | 215,702,574 | 180,597,789 |
| At 31 December | **2,579,492,223** | 2,933,053,908 | 2,384,153,022 |

Non-financial assets relating mostly to prepayments and VAT amounting to USD 514,762 were excluded from other assets as at 31 December 2023 (2022: USD 498,890; 2021: USD 429,759).



## (a) Credit risk continued

### (ii) Analysis of credit quality

| | Gross carrying amount | | | ECL | | | ECL % | | |
|---|---|---|---|---|---|---|---|---|---|
| **At 31 December 2023** | **Stage 1** | **Stage 2** | **Stage 3** | **Stage 1** | **Stage 2** | **Stage 3** | **Stage 1** | **Stage 2** | **Stage 3** |
| **Financial assets** | USD | USD | USD | USD | USD | USD | | | |
| Cash and cash equivalents | **871,986,090** | **—** | **—** | **9,937** | **—** | **—** | **—** | **—** | **—** |
| Pledged assets | **67,059,034** | **—** | **—** | **10,892** | **—** | **—** | **—** | **—** | **—** |
| Loans and advances to banks | **596,322,927** | **—** | **—** | **372,215** | **—** | **—** | **0.1%** | **—** | **—** |
| Loans and advances to customers | **395,158,722** | **8,049,422** | **24,556,674** | **3,756,658** | **185,387** | **15,343,020** | **1.0%** | **2.3%** | **62.5%** |
| Financial Investments – Amortised | **301,267,630** | **—** | **—** | **44,137** | **—** | **—** | **—** | **—** | **—** |
| Financial Investments – FVOCI | **637,255** | **—** | **—** | **2** | **—** | **—** | **—** | **—** | **—** |
| Financial guarantees and other credit-related contingent liabilities | **74,047,587** | **61,252** | **—** | **20,281** | **370** | **—** | **—** | **0.6%** | **—** |
| Loan and other credit-related commitments | **254,455,313** | **14,723** | **—** | **544,957** | **495** | **—** | **0.2%** | **3.4%** | **—** |
| **Total** | **2,560,934,558** | **8,125,397** | **24,556,674** | **4,759,079** | **186,252** | **15,343,020** | **0.2%** | **2.3%** | **62.5%** |
| At 31 December 2022 | | | | | | | | | |
| Cash and cash equivalents | 1,264,432,334 | — | — | 13,552 | — | — | — | — | — |
| Loans and advances to banks | 667,350,330 | — | — | 391,428 | — | — | 0.1% | — | — |
| Loans and advances to customers | 237,341,192 | 14,102,615 | 22,986,257 | 3,130,665 | 68,703 | 15,607,054 | 1.3% | 0.5% | 67.9% |
| Financial Investments – Amortised | 461,908,187 | — | — | 19,310 | — | — | — | — | — |
| Financial Investments – FVOCI | 2,757,227 | — | — | 133 | — | — | — | — | — |
| Financial guarantees and other credit-related contingent liabilities | 57,428,800 | 1,606,287 | — | 28,760 | 3,083 | — | 0.1% | 0.2% | — |
| Loan and other credit-related commitments | 213,706,544 | 2,364,029 | — | 337,860 | 30,139 | — | 0.2% | 1.30% | — |
| Total | 2,904,924,614 | 18,072,931 | 22,986,257 | 3,921,708 | 101,925 | 15,607,054 | 0.1% | 0.6% | 67.9% |
| At 31 December 2021 | | | | | | | | | |
| Cash and cash equivalents | 1,397,034,084 | — | — | 157,574 | — | — | — | — | — |
| Loans and advances to banks | 378,923,371 | — | — | 812,609 | — | — | 0.2% | — | — |
| Loans and advances to customers | 146,415,053 | 17,887,083 | 22,419,403 | 919,789 | 268,496 | 15,607,054 | 0.6% | 1.5% | 69.6% |
| Financial Investments – Amortised | 212,474,958 | — | — | 6,486 | — | — | — | — | — |
| Financial Investments – FVOCI | 3,527,665 | — | — | 128 | — | — | — | — | — |
| Financial guarantees and other credit-related contingent liabilities | 31,910,389 | 1,275,792 | — | 28,354 | 737 | — | 0.1% | 0.1% | — |
| Loan and other credit-related commitments | 178,425,128 | 2,370,626 | — | 175,046 | 22,919 | — | 0.1% | 1.0% | — |
| Total | 2,348,710,648 | 21,533,501 | 22,419,403 | 2,099,986 | 292,152 | 15,607,054 | 0.1% | 1.4% | 69.6% |

Note: Loans and advances to customers for stage 3 exclude interest in suspense 2023: USD 4,491,402 (2022: USD 2,253,002; 2021: USD 1,644,101).

## (a) Credit risk continued

### (ii) Analysis of credit quality continued

**Movement in ECL allowances: 2023**

**Loans and advances to customers**

**Stage 1**
A rise in stage 1 provisioning following new exposures disbursed.

**Stage 2**
Higher stage 2 provisioning as a result of a rise in stage 2 exposures.

**Stage 3**
The release is due to repayment of interest received during the year as well as due to the release of excess provision as a result of the revaluation of the loan balance of a stage 3 client.

**Loans and advances to banks**
The reduction in Bank provisioning is due to a reduction in Bank placement compared to prior year.

2022

**Loans and advances to customers**

Stage 1
The major increase in 2022 is mainly due to the credit impairment charge of USD 2.1m raised following a new exposure of USD 8.9m disbursed to a new client based in Ghana that has a risk grade of SB 25.

Stage 2
A reduction in gross carrying amount of USD 7.8m for an agricultural-based company has led to a decrease of USD 62.1k in ECL. Furthermore, an improvement in the risk grading

from 18 to 16 for a client based in the telecommunication industry has reduced the impairment for stage 2 in 2022.

**Loans and advances to banks**
Even though the gross carrying amount increased by USD 288.4m, the ECL decreased by USD 421.2k. This is because the Bank adopted a Group policy in 2022 whereby no ECL is calculated on intercompany balances that are deemed to be low risk. An assessment is, however, performed to book any transfer risk noted on those exposures. This led to a fall in ECL on loans to banks.

2021

**Loans and advances to customers**

Stage 1
The credit exposures of loans and advances dropped by USD 13.1m, mainly driven by a decrease in term loans and call loan. These originated from the repayment of loans coupled with lower utilisation of call loans, thus resulting in a reduction in the ECL by USD 16.1k.

Stage 2
A reduction in gross carrying amount for agriculture and telecommunication clients by USD 6.4m has led to lower ECL.

**Loans and advances to banks**
An increase in the gross carrying amount in bank exposure by USD 119.2m as a result of a rise in the deposit base triggered a higher ECL.



## (a) Credit risk continued

### (ii) Analysis of credit quality continued

**31 December 2023**: Reconciliation of the expected credit losses

| | Opening ECL balance | Transfers between stages | | | | Profit or loss movement | | | | Impaired accounts written off | Time value of money | Closing balance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Transfer stage 1 to/(from) | Transfer stage 2 to/(from) | Transfer stage 3 to/(from) | Total | Originated "new" ECL raised | Changes in ECL – modifications | Subsequent changes in ECL | Total | | | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| **Stage 1** | | | | | | | | | | | | |
| Bank lending/cash and cash equivalent at AC | 404,980 | – | – | – | – | 347,770 | – | (370,598) | (22,828) | – | – | 382,152 |
| Pledged assets | – | – | – | – | – | – | – | 10,892 | 10,892 | – | – | 10,892 |
| Corporate lending at amortised cost | 3,130,665 | – | – | – | – | 1,750,735 | – | (1,124,742) | 625,993 | – | – | 3,756,658 |
| Financial investment at amortised cost | 19,310 | – | – | – | – | 11,210 | – | 13,617 | 24,827 | – | – | 44,137 |
| Financial investment at FVOCI | 133 | – | – | – | – | 2 | – | (133) | (131) | – | – | 2 |
| Financial guarantees and other credit-related contingent liabilities | 28,760 | – | – | – | – | 944 | – | (9,423) | (8,479) | – | – | 20,281 |
| Loan and credit-related commitments | 337,860 | – | 58,728 | – | 58,728 | 165,220 | – | (16,851) | 148,369 | – | – | 544,957 |
| **Total** | 3,921,708 | – | 58,728 | – | 58,728 | 2,275,881 | – | (1,497,238) | 778,643 | – | – | 4,759,079 |

## (a) Credit risk continued

### (ii) Analysis of credit quality continued

**31 December 2023**: Reconciliation of the expected credit losses

| | | Transfers between stages | | | | Profit or loss movement | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening ECL balance | Transfer stage 1 to/ (from) | Transfer stage 2 to/ (from) | Transfer stage 3 to/(from) | Total | Originated "new" ECL raised | Changes in ECL – modifications | Subsequent changes in ECL | Total | Impaired accounts written off | Time value of money | Closing balance |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| **Stage 2** | | | | | | | | | | | | |
| Bank lending/cash and cash equivalent at AC | – | – | – | – | – | – | – | – | – | – | – | – |
| Pledged assets | – | – | – | – | – | – | – | – | – | | | |
| Corporate lending at amortised cost | 68,703 | – | – | – | – | – | – | 116,684 | 116,684 | – | – | 185,387 |
| Financial investment at amortised cost | – | – | – | – | – | – | – | – | – | – | – | – |
| Financial investment at FVOCI | – | – | – | – | – | – | – | – | – | – | – | – |
| Financial guarantees and other credit-related contingent liabilities | 3,083 | – | – | – | – | – | – | (2,713) | (2,713) | – | – | 370 |
| Loan and credit-related commitments | 30,139 | (58,728) | – | – | (58,728) | – | – | 29,084 | 29,084 | – | – | 495 |
| **Total** | 101,925 | (58,728) | – | – | (58,728) | – | – | 143,055 | 143,055 | – | – | 186,252 |

## (a) Credit risk continued

### (ii) Analysis of credit quality continued

**31 December 2023**: Reconciliation of the expected credit losses

| | | Transfers between stages | | | | Profit or loss movement | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening ECL balance | Transfer stage 1 to/ (from) | Transfer stage 2 to/ (from) | Transfer stage 3 to/(from) | Total | Originated "new" ECL raised | Changes in ECL – modifications | Subsequent changes in ECL | Total | Impaired accounts written off | Time value of money | Closing balance |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| **Stage 3 (excluding Interest in suspense (IIS))** | | | | | | | | | | | | |
| Bank lending/cash and cash equivalent at AC | – | – | – | – | – | – | – | – | – | | | – |
| Pledged assets | – | – | – | – | – | – | – | – | | | | |
| Corporate lending at amortised cost | 15,607,054 | – | – | – | – | – | – | (264,034) | (264,034) | | | 15,343,020 |
| Financial investment at amortised cost | – | – | – | – | – | – | – | – | – | – | – | – |
| Financial investment at FVOCI | – | – | – | – | – | – | – | – | – | – | – | – |
| Financial guarantees and other credit-related contingent liabilities | – | – | – | – | – | – | – | – | – | – | – | – |
| Loan and credit-related commitments | – | – | – | – | – | – | – | – | – | – | – | – |
| **Total** | 15,607,054 | – | – | – | – | – | – | (264,034) | (264,034) | – | – | 15,343,020 |
| **Total ECL** | 19,630,687 | (58,728) | 58,728 | – | – | 2,275,881 | – | (1,618,217) | 657,664 | – | – | 20,288,351 |

## (a) Credit risk continued

### (ii) Analysis of credit quality continued

**31 December 2023: Credit exposure at amortised cost**

| | Gross carrying value | SB 1–2 | | SB 13–20 | | SB 21–25 | | Stage 3 | | Total gross carrying amount of non-performing loans | IIS | Balance sheet impairments for non-performing, specifically impaired loans (stage 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Sub standard | Doubtful | | | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| **On-balance sheet exposure** | | | | | | | | | | | | |
| Bank lending/cash and cash equivalent at AC | 1,468,309,017 | 453,072,080 | – | 1,015,236,508 | – | 429 | – | – | – | – | – | – |
| Pledged assets | 67,059,034 | 67,059,034 | – | – | – | – | – | – | – | – | – | – |
| Corporate lending at amortised cost | 427,764,818 | 57,278,074 | – | 307,538,328 | 8,049,422 | 30,342,320 | – | – | 24,556,674 | 24,556,674 | 4,491,402 | 15,343,020 |
| Financial investment at amortised cost | 301,267,630 | 301,267,630 | – | – | – | – | – | – | – | – | – | – |
| Financial investment at FVOCI | 637,255 | 637,255 | – | – | – | – | – | – | – | – | – | – |
| **Off-balance sheet exposure** | – | – | – | – | – | – | – | – | – | – | – | – |
| Financial guarantees and other credit related contingent liabilities | 74,108,839 | 67,079,547 | – | 6,968,040 | 61,252 | – | – | – | – | – | – | – |
| Loan and credit-related commitments | 254,470,036 | 68,388,584 | – | 185,666,729 | 14,723 | 400,000 | – | – | – | – | – | – |
| Gross carrying value of financial assets subject to credit risk | 2,593,616,629 | | | | | | | | | | | |



## (a) Credit risk continued

### (ii) Analysis of credit quality continued

**31 December 2023: Credit exposure at amortised cost**

| | Gross carrying value | SB 1–2 | | SB 13–20 | | SB 21–25 | | Stage 3 | | Total gross carrying amount of non-performing loans | IIS | Balance sheet impairments for non-performing, specifically impaired loans (stage 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Sub standard | Doubtful | | | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| Less: Total ECL for financial assets subject to credit risk | (20,288,351) | | | | | | | | | | | |
| Stage 1 | (4,759,079) | | | | | | | | | | | |
| Stage 2 | (186,252) | | | | | | | | | | | |
| Stage 3 | (15,343,020) | | | | | | | | | | | |
| IIS | (4,491,402) | | | | | | | | | | | |
| **Net carrying value of financial assets subject to credit risk** | 2,568,836,876 | | | | | | | | | | | |

## (a) Credit risk continued

### (ii) Analysis of credit quality continued

31 December 2022 : Reconciliation of the expected credit losses

| | Opening ECL balance | Transfers between stages | | | | Profit or loss movement | | | | Impaired accounts written off | Time value of money | Closing balance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 to/(from) | Stage 2 to/(from) | Stage 3 to/(from) | Total | Originated "new" ECL raised | Changes in ECL – modifications | Subsequent changes in ECL | Total | | | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| **Stage 1** | | | | | | | | | | | | |
| Bank lending/cash and cash equivalent at AC | 970,183 | — | — | — | — | 220,000 | — | (785,203) | (565,203) | — | — | 404,980 |
| Corporate lending at amortised cost | 919,789 | — | 3,666 | — | 3,666 | 2,094,052 | — | 113,158 | 2,207,210 | — | — | 3,130,665 |
| Financial investment at amortised cost | 6,486 | — | — | — | — | 14,929 | — | (2,105) | 12,824 | — | — | 19,310 |
| Financial investment at FVOCI | 128 | — | — | — | — | 133 | — | (128) | 5 | — | — | 133 |
| Financial guarantees and other credit-related contingent liabilities | 28,354 | — | — | — | — | 11,390 | — | (10,984) | 406 | — | — | 28,760 |
| Loan and credit-related commitments | 175,046 | — | 2,231 | — | 2,231 | 72,572 | — | 88,011 | 160,583 | — | — | 337,860 |
| Total | 2,099,986 | — | 5,897 | — | 5,897 | 2,413,076 | — | (597,251) | 1,815,825 | — | — | 3,921,708 |

## (a) Credit risk continued

### (ii) Analysis of credit quality continued

31 December 2022 : Reconciliation of the expected credit losses

| | Opening ECL balance | Transfers between stages | | | | Profit or loss movement | | | | Impaired accounts written off | Time value of money | Closing balance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 to/(from) | Stage 2 to/(from) | Stage 3 to/(from) | Total | Originated "new" ECL raised | Changes in ECL – modifications | Subsequent changes in ECL | Total | | | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| **Stage 2** | | | | | | | | | | | | |
| Bank lending/cash and cash equivalent at AC | — | — | — | — | — | — | — | — | — | — | — | — |
| Corporate lending at amortised cost | 268,496 | (3,666) | — | — | (3,666) | — | — | (196,127) | (196,127) | — | — | 68,703 |
| Financial investment at amortised cost | — | — | — | — | — | — | — | — | — | — | — | — |
| Financial investment at FVOCI | — | — | — | — | — | — | — | — | — | — | — | — |
| Financial guarantees and other credit-related contingent liabilities | 737 | — | — | — | — | — | — | 2,346 | 2,346 | — | — | 3,083 |
| Loan and credit-related commitments | 22,919 | (2,231) | — | — | (2,231) | (840) | — | 10,291 | 9,451 | — | — | 30,139 |
| Total | 292,152 | (5,897) | — | — | (5,897) | (840) | — | (183,490) | (184,330) | — | — | 101,925 |

## (a) Credit risk continued

### (ii) Analysis of credit quality continued

31 December 2022 : Reconciliation of the expected credit losses

| | Opening ECL balance | Transfers between stages | | | | Profit or loss movement | | | | Impaired accounts written off | Time value of money | Closing balance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 to/(from) | Stage 2 to/(from) | Stage 3 to/(from) | Total | Originated "new" ECL raised | Changes in ECL – modifications | Subsequent changes in ECL | Total | | | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| **Stage 3 (excluding IIS)** | | | | | | | | | | | | |
| Bank lending/cash and cash equivalent at AC | – | – | – | – | – | – | – | – | – | – | – | – |
| Corporate lending at amortised cost | 15,607,054 | – | – | – | – | – | – | – | – | – | – | 15,607,054 |
| Financial investment at amortised cost | – | – | – | – | – | – | – | – | – | – | – | – |
| Financial investment at FVOCI | – | – | – | – | – | – | – | – | – | – | – | – |
| Financial guarantees and other credit-related contingent liabilities | – | – | – | – | – | – | – | – | – | – | – | – |
| Loan and credit-related commitments | – | – | – | – | – | – | – | – | – | – | – | – |
| Total | 15,607,054 | – | – | – | – | – | – | – | – | – | – | 15,607,054 |
| Total ECL | 17,999,192 | (5,897) | 5,897 | – | – | 2,412,236 | – | (780,741) | 1,631,495 | – | – | 19,630,687 |

## (a) Credit risk continued

### (ii) Analysis of credit quality continued

31 December 2022: Credit exposure at amortised cost

| | Gross carrying value | SB 1–12 | | SB 13–20 | | SB 21–25 | | Stage 3 | | Total gross carrying amount of non-performing loans | IIS | BS impairments for non-performing impaired loans |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Sub standard | Doubtful | | | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| **On-balance sheet exposure** | | | | | | | | | | | | |
| Bank lending/cash and cash equivalent at amortised cost | 1,931,782,664 | 565,698,564 | – | 1,366,083,873 | – | 227 | – | – | – | – | – | – |
| Corporate lending at amortised cost | 274,430,064 | 47,338,944 | – | 181,108,924 | 12,688,978 | 8,893,324 | 1,413,637 | – | 22,986,257 | 22,986,257 | 2,253,002 | 15,607,054 |
| Financial investment at amortised cost | 461,908,187 | 461,908,187 | – | – | – | – | – | – | – | – | – | – |
| Financial investment at FVOCI | 2,757,227 | 2,757,227 | – | – | – | – | – | – | – | – | – | – |
| Off-balance sheet exposure | – | – | – | – | – | – | – | – | – | – | – | – |
| Financial guarantees and other credit-related contingent liabilities | 59,035,087 | 26,682,367 | – | 30,746,433 | 1,310,604 | – | 295,683 | – | – | – | – | – |
| Loan and credit-related commitments | 216,070,573 | 71,755,773 | – | 141,950,771 | 2,364,029 | – | – | – | – | – | – | – |
| Gross carrying value of financial assets subject to credit risk | 2,945,983,802 | | | | | | | | | | | |
| Less: Total ECL for financial assets subject to credit risk | (19,630,687) | | | | | | | | | | | |
| Stage 1 | (3,921,708) | | | | | | | | | | | |
| Stage 2 | (101,925) | | | | | | | | | | | |
| Stage 3 | (15,607,054) | | | | | | | | | | | |
| IIS | (2,253,002) | | | | | | | | | | | |
| Net carrying value of financial assets subject to credit risk | 2,924,100,113 | | | | | | | | | | | |

## (a) Credit risk continued

### (ii) Analysis of credit quality continued

31 December 2021: Reconciliation of the expected credit losses

| | Opening ECL balance | Transfers between stages | | | | Profit or loss movement | | | | Impaired accounts written off | Time value of money | Closing balance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 to/ (from) | Stage 2 to/ (from) | Stage 3 to/ (from) | Total | Originated "new" ECL raised | Changes in ECL – modifications | Subsequent changes in ECL | Total | | | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| **Stage 1** | | | | | | | | | | | | |
| Bank lending/cash and cash equivalent at AC | 641,245 | — | — | — | — | 876,352 | — | (547,414) | 328,938 | — | — | 970,183 |
| Corporate lending at amortised cost | 935,905 | — | — | — | — | 130,670 | — | (146,786) | (16,116) | — | — | 919,789 |
| Financial investment at amortised cost | 3,228 | — | — | — | — | 3,970 | — | (712) | 3,258 | — | — | 6,486 |
| Financial investment at FVOCI | 238 | — | — | — | — | 128 | — | (238) | (110) | — | — | 128 |
| Financial guarantees and other credit-related contingent liabilities | 13,987 | — | — | — | — | 253 | — | 14,114 | 14,367 | — | — | 28,354 |
| Loan and credit-related commitments | 266,742 | — | — | — | — | 28,397 | — | (120,093) | (91,696) | — | — | 175,046 |
| Total | 1,861,345 | — | — | — | — | 1,039,770 | — | (801,129) | 238,641 | — | — | 2,099,986 |
| **Stage 2** | | | | | | | | | | | | |
| Bank lending/cash and cash equivalent at AC | — | — | — | — | — | — | — | — | — | — | — | — |
| Corporate lending at amortised cost | 383,573 | — | — | — | — | 200,562 | — | (315,639) | (115,077) | — | — | 268,496 |
| Financial investment at amortised cost | — | — | — | — | — | — | — | — | — | — | — | — |
| Financial investment at FVOCI | — | — | — | — | — | — | — | — | — | — | — | — |
| Financial guarantees and other credit-related contingent liabilities | 60 | — | — | — | — | 229 | — | 448 | 677 | — | — | 737 |
| Loan and credit-related commitments | 87,999 | (61,599) | — | — | (61,599) | — | — | (3,481) | (3,481) | — | — | 22,919 |
| Total | 471,632 | (61,599) | — | — | (61,599) | 200,791 | — | (318,672) | (117,881) | — | — | 292,152 |



## (a) Credit risk continued

### (ii) Analysis of credit quality continued

31 December 2021: Reconciliation of the expected credit losses

| | Opening ECL balance | Transfers between stages | | | | Profit or loss movement | | | | Impaired accounts written off | Time value of money | Closing balance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 to/ (from) | Stage 2 to/ (from) | Stage 3 to/ (from) | Total | Originated "new" ECL raised | Changes in ECL – modifications | Subsequent changes in ECL | Total | | | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| **Stage 3 (excluding IIS)** | | | | | | | | | | | | |
| Bank lending/cash and cash equivalent at AC | — | — | — | — | — | — | — | — | — | — | — | — |
| Corporate lending at amortised cost | 15,997,580 | — | — | — | — | — | — | — | — | — | (390,526) | 15,607,054 |
| Financial investment at amortised cost | — | — | — | — | — | — | — | — | — | — | — | — |
| Financial investment at FVOCI | — | — | — | — | — | — | — | — | — | — | — | — |
| Financial guarantees and other credit-related contingent liabilities | — | — | — | — | — | — | — | — | — | — | — | — |
| Loan and credit-related commitments | — | — | — | — | — | — | — | — | — | — | — | — |
| Total | 15,997,580 | — | — | — | — | — | — | — | — | — | (390,526) | 15,607,054 |
| Total ECL | 18,330,557 | (61,599) | — | — | (61,599) | 1,240,561 | — | (1,119,801) | 120,760 | — | (390,526) | 17,999,192 |

## (a) Credit risk continued

### (ii) Analysis of credit quality continued

31 December 2021: Credit exposure at amortised cost

| | Gross carrying value | SB 1–12 | | SB 13–20 | | SB 21–25 | | Stage 3 | | Total gross carrying amount of non-performing loans | Interest in suspense | Balance sheet impairments for non-performing, specifically impaired loans (stage 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Sub standard | Doubtful | | | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| **On-balance sheet exposure** | | | | | | | | | | | | |
| Bank lending/cash and cash equivalent at amortised cost | 1,775,957,455 | 284,667,657 | – | 1,491,289,616 | – | 182 | – | – | – | – | – | – |
| Corporate lending at amortised cost | 186,721,539 | 15,439,458 | – | 107,670,639 | 8,650,784 | 23,304,956 | 9,236,299 | 11,885,853 | 10,533,550 | 22,419,403 | 1,644,101 | 15,607,054 |
| Financial investment at amortised cost | 212,474,958 | 212,474,958 | – | – | – | – | – | – | – | – | – | – |
| Financial investment at FVOCI | 3,527,665 | 3,527,665 | – | – | – | – | – | – | – | – | – | – |
| Off-balance sheet exposure | – | – | – | – | – | – | – | – | – | – | – | – |
| Financial guarantees and other credit-related contingent liabilities | 33,186,181 | 24,774,622 | – | 7,135,767 | 1,275,792 | – | – | – | – | – | – | – |
| Loan and credit-related commitments | 180,795,754 | 41,947,990 | – | 136,477,138 | 2,370,626 | – | – | – | – | – | – | – |
| Gross carrying value of financial assets subject to credit risk | 2,392,663,552 | | | | | | | | | | | |

## (a) Credit risk continued

### (ii) Analysis of credit quality continued

31 December 2021: Credit exposure at amortised cost continued

| | Gross carrying value | SB 1–12 | | SB 13–20 | | SB 21–25 | | Stage 3 | | Total gross carrying amount of non-performing loans | Interest in suspense | Balance sheet impairments for non-performing, specifically impaired loans (stage 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Sub standard | Doubtful | | | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| Less: Total ECL for financial assets subject to credit risk | (17,999,192) | | | | | | | | | | | |
| Stage 1 | (2,099,986) | | | | | | | | | | | |
| Stage 2 | (292,152) | | | | | | | | | | | |
| Stage 3 | (15,607,054) | | | | | | | | | | | |
| IIS | (1,644,101) | | | | | | | | | | | |
| Net carrying value of financial assets subject to credit risk | 2,373,020,259 | | | | | | | | | | | |

Loans and advances include the element of Mark-to-Market amounting to USD 108,007 from Hedge accounting.

## (a) Credit risk continued

### (ii) Analysis of credit quality continued

**Loans and advances to customers**

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Neither past due nor impaired | **403,208,144** | 251,443,807 | 164,302,136 |
| Past due but not impaired | **—** | — | — |
| Individually impaired | **20,065,272*** | 20,733,255* | 20,775,302* |
| **Total gross amount** | **423,273,416** | 272,177,062 | 185,077,438 |
| Allowance for impairment | | | |
| Stage 3 ECL/individual | **(15,343,020)** | (15,607,054) | (15,607,054) |
| Stage 1 and 2 ECL collective | **(3,942,045)** | (3,199,368) | (1,188,285) |
| **Total allowance for impairment** | **(19,285,065)** | (18,806,422) | (16,795,339) |
| **Net carrying amount** | **403,988,351** | 253,370,640 | 168,282,099 |

*Amount is net of interest in suspense of USD 4,491,402 (2022: USD 2,253,002; 2021: USD 1,644,101).

Other than loans and advances to customers disclosed above, all financial assets subject to credit risk were classified as neither past due nor impaired.

| | Performing loans to customers | | |
|---|---|---|---|
| | Total gross advances USD | Normal monitoring USD | Close monitoring USD |
| **2023** | | | |
| **Neither past due nor impaired** | **403,208,144** | **403,208,144** | **—** |
| 2022 | | | |
| Neither past due nor impaired | 251,443,807 | 250,443,807 | 1,000,000 |
| 2021 | | | |
| Neither past due nor impaired | 164,302,136 | 164,302,136 | — |

| | Non-performing loans to customers | | | |
|---|---|---|---|---|
| | Total impaired advances USD | Sub-standard USD | Doubtful USD | Loss USD |
| **2023** | | | | |
| **Individually impaired** | **20,065,272** | **—** | **20,065,272** | **—** |
| 2022 | | | | |
| Individually impaired | 20,733,255 | — | 20,733,255 | — |
| 2021 | | | | |
| Individually impaired | 20,775,302 | — | 20,775,302 | — |

Close monitoring: These are exposures placed under watchlist showing early signs of potential future distress.

Normal monitoring: These are all performing loans to customers, excluding those in close monitoring.

## (a) Credit risk continued

### (iii) Collaterals held and other credit enhancements, and their financial effect

**Loans and advances to customers**

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Against neither past due nor impaired** | | | |
| Property | **23,669,718** | 24,941,397 | 36,943,348 |
| Equities | **—** | — | — |
| Other floating charges/assignments and pledges | **305,643,676** | 163,475,561 | 96,049,509 |
| **Total** | **329,313,394** | 188,416,958 | 132,992,857 |
| **Past due but not impaired** | | | |
| Floating charge | **—** | — | — |
| Property | **—** | — | — |
| | **—** | — | — |
| **Against individually impaired** | | | |
| Floating charge | **10,859,826** | 11,003,310 | 11,885,853 |
| Property | **9,205,446** | 9,729,945 | 10,533,550 |
| | **20,065,272** | 20,733,255 | 22,419,403 |

Wherever warranted, the Bank attempts to mitigate credit risk. These mitigation options include the use of collateral. The collateral is monitored on a regular basis in accordance with our collateral valuation guidelines.

Collaterals held are made up of fixed charge on property, listed shares, corporate guarantees and letters of support.

The Bank does not generally hold collateral against loans and advances to banks, trading assets and financial investments.

### (iv) Reconciliation of impaired loans and advances

The table below sets out a reconciliation of changes in the amount of impaired loans and advances to customers:

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Impaired loans and advances to customers at 01 January | **20,733,255** | 20,775,302 | 21,168,525 |
| New loans originated/subsequent changes | **1,570,417** | 566,854 | (22,913) |
| Amount written off | **—** | — | — |
| Interest in suspense | **(2,238,400)** | (608,901) | (370,310) |
| Impaired loans and advances to customers at 31 December | **20,065,272** | 20,733,255 | 20,775,302 |

### (v) Concentration risk

Refer to Note 12(b) for the concentration risk disclosure for loans and advances to customers by industry sectors and Note 12(c) for concentration by geographical area.

## (b) Liquidity risk

For the definition of liquidity risk and information regarding how liquidity risk is managed by the Bank, please refer to pages 36 to 39 under the Risk and capital management section.

The following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods at the end of the reporting period to the contractual maturity date.

### (i) Maturity analysis of financial assets and financial liabilities

| 31 December 2023 | Carrying value/ contractual cash flows | Up to 3 months | Over 3 months and up to 6 months | Over 6 months and up to 12 months | Over 1 year and up to 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD | USD |
| **Financial liabilities** | | | | | | |
| Deposits from banks | 134,550,960 | 134,171,583 | 379,377 | — | — | — |
| Deposits from customers | 1,827,836,889 | 1,737,174,525 | 50,040,900 | 40,621,464 | — | — |
| Derivative liabilities | 3,326,669 | 2,062,335 | 281,228 | 983,106 | — | — |
| Other borrowed funds | 111,169,443 | — | — | — | 111,169,443 | |
| Lease liabilities | 664,925 | 226,127 | 229,047 | 209,751 | — | — |
| Other liabilities | 8,929,676 | 8,929,676 | — | — | — | — |
| | 2,086,478,562 | 1,882,564,246 | 50,930,552 | 41,814,321 | 111,169,443 | — |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 871,976,153 | 871,976,153 | — | — | — | — |
| Trading assets | — | — | — | — | — | — |
| Loans and advances to banks | 621,928,865 | 16,226,843 | 50,210,241 | 89,883,440 | 465,608,341 | — |
| Loans and advances to customers | 506,911,786 | 75,205,957 | 26,143,231 | 6,895,629 | 398,666,969 | — |
| Pledged assets | 68,258,540 | — | 266,673 | 266,673 | 67,725,194 | |
| Financial investments | 322,564,125 | 1,370,270 | 52,302,240 | 4,932,667 | 263,958,948 | — |
| Derivative assets | 3,502,574 | 2,147,853 | 298,444 | 1,056,277 | — | — |
| Other assets | 7,152,774 | 7,152,774 | — | — | — | — |
| Loan commitments | 253,924,584 | 253,924,584 | — | — | — | — |
| Net off-balance sheet position | 74,497,858 | 74,401,551 | 18,007 | 78,300 | — | — |
| | 2,730,717,259 | 1,302,405,985 | 129,238,836 | 103,112,986 | 1,195,959,452 | — |

Non-financial assets relating mostly to prepayments and VAT amounting to USD 514,762 were excluded from other assets as at 31 December 2023 (2022: USD 498,889; 2021: USD 429,759).

Non-financial liabilities relating to retirement benefit obligations, provisions and taxes amounting to USD 7,513,600 have been excluded from other liabilities as at 31 December 2023 (2022: USD 8,891,169; 2021: USD 4,938,857).



## (b) Liquidity risk continued

### (i) Maturity analysis of financial assets and financial liabilities continued

| 31 December 2022 | Carrying value/ contractual cash flows | Up to 3 months | Over 3 months and up to 6 months | Over 6 months and up to 12 months | Over 1 year and up to 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD | USD |
| **Financial liabilities** | | | | | | |
| Deposits from banks | 138,867,974 | 138,867,974 | — | — | — | — |
| Deposits from customers | 2,373,070,415 | 2,303,502,338 | 10,163,195 | 41,024,095 | 18,380,787 | — |
| Derivative liabilities | 3,140,449 | 2,814,547 | 325,902 | | — | — |
| Lease liabilities | 1,516,872 | 207,305 | 209,976 | 437,233 | 662,358 | — |
| Other liabilities | 4,731,333 | 4,731,333 | — | — | — | — |
| | 2,521,327,043 | 2,450,123,497 | 10,699,073 | 41,461,328 | 19,043,145 | — |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 1,264,418,782 | 1,264,418,782 | — | — | — | — |
| Trading assets | — | — | — | — | — | — |
| Loans and advances to banks | 692,953,127 | 144,028,798 | 218,936,305 | 194,953,109 | 135,034,915 | — |
| Loans and advances to customers | 270,777,803 | 145,734,097 | 484,462 | 98,209,259 | 26,349,985 | — |
| Financial investments | 491,308,303 | 97,696,593 | 5,439,261 | 99,837,438 | 288,335,011 | — |
| Derivative assets | 3,490,100 | 3,133,957 | 356,143 | — | — | — |
| Other assets | 5,463,695 | 5,463,695 | — | — | — | — |
| Loan commitments | 215,702,574 | 215,702,574 | — | — | — | — |
| Net off-balance sheet position | 59,406,275 | 59,373,785 | 32,490 | | | |
| | 3,003,520,659 | 1,935,552,281 | 225,248,661 | 392,999,806 | 449,719,911 | — |

| 31 December 2021 | Carrying value/ contractual cash flows | Up to 3 months | Over 3 months and up to 6 months | Over 6 months and up to 12 months | Over 1 year and up to 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD | USD |
| **Financial liabilities** | | | | | | |
| Deposits from banks | 115,251,306 | 115,251,306 | — | — | — | — |
| Deposits from customers | 1,943,960,248 | 1,915,582,600 | 8,023,202 | 20,354,446 | — | — |
| Derivative liabilities | 1,812,615 | 1,642,718 | 37,300 | 132,597 | — | — |
| Lease liabilities | 2,072,285 | 187,366 | 190,045 | 381,624 | 1,313,250 | — |
| Other liabilities | 3,463,763 | 3,463,763 | — | — | — | — |
| | 2,066,560,217 | 2,036,127,753 | 8,250,547 | 20,868,667 | 1,313,250 | — |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 1,396,876,510 | 1,396,876,510 | — | — | — | — |
| Trading assets | 4,632,688 | 220,681 | 4,071,063 | 340,944 | — | — |
| Loans and advances to banks | 384,718,992 | 13,053,474 | 35,180,418 | 132,519,487 | 188,729,887 | 15,235,726 |
| Loans and advances to customers | 179,709,729 | 62,301,861 | 18,024,296 | 25,368,231 | 74,015,341 | — |
| Financial investments | 219,514,893 | 379,558 | 119,603,076 | 3,336,885 | 96,195,374 | — |
| Derivative assets | 1,478,203 | 1,378,380 | 92,504 | 7,319 | — | — |
| Other assets | 5,021,872 | 5,021,872 | — | — | — | — |
| Loan commitments | 180,597,789 | 180,597,789 | — | — | — | — |
| Net off-balance sheet position | 39,340,034 | 34,716,513 | 4,273,636 | 349,885 | — | — |
| | 2,411,890,710 | 1,694,546,638 | 181,244,993 | 161,922,751 | 358,940,602 | 15,235,726 |

## (c) Market risk

For the definition of market risk and information on how market risk is managed by the Bank, please refer to pages 39 to 40 under the Capital and risk management section.

### (i) Assets and liabilities subject to market risk between trading and non-trading portfolios:

| 31 December 2023 | Carrying amount | Trading portfolios | Non-trading portfolios |
|---|---|---|---|
| **Assets subject to market risk** | USD | USD | USD |
| Cash and cash equivalents | 871,976,153 | — | 871,976,153 |
| Derivative assets | 3,502,573 | 3,502,573 | — |
| Pledged assets | 67,048,142 | | 67,048,142 |
| Loans and advances to banks | 595,950,712 | — | 595,950,712 |
| Loans and advances to customers | 403,988,351 | — | 403,988,351 |
| Financial investments | 301,860,746 | — | 301,860,746 |
| Other assets | 7,152,774 | — | 7,152,774 |
| **Liabilities subject to market risk** | | | |
| Deposits from banks | 133,751,181 | — | 133,751,181 |
| Deposits from customers | 1,824,515,585 | — | 1,824,515,585 |
| Derivative liabilities | 3,326,669 | 3,326,669 | — |
| Other borrowed funds | 91,331,970 | | 91,331,970 |
| Lease liabilities | 664,925 | — | 664,925 |
| Other liabilities | 8,929,676 | — | 8,929,676 |
| 31 December 2022 | | | |
| **Assets subject to market risk** | | | |
| Cash and cash equivalents | 1,264,418,782 | — | 1,264,418,782 |
| Trading assets | — | — | — |
| Derivative assets | 3,490,100 | 3,490,100 | — |
| Pledged assets | — | — | — |
| Loans and advances to banks | 666,958,902 | — | 666,958,902 |
| Loans and advances to customers | 253,370,640 | — | 253,370,640 |
| Financial investments | 464,645,971 | — | 464,645,971 |
| Other assets | 5,463,695 | — | 5,463,695 |
| **Liabilities subject to market risk** | | | |
| Deposits from banks | 138,644,111 | — | 138,644,111 |
| Deposits from customers | 2,371,102,231 | — | 2,371,102,231 |
| Derivative liabilities | 3,140,449 | 3,140,449 | — |
| Other borrowed funds | 0 | — | 0 |
| Lease liabilities | 1,516,872 | — | 1,516,872 |
| Other liabilities | 4,731,333 | — | 4,731,333 |

## (c) Market risk continued

### (i) Assets and liabilities subject to market risk between trading and non-trading portfolios: continued

| 31 December 2021 | Carrying amount | Trading portfolios | Non-trading portfolios |
|---|---|---|---|
| **Assets subject to market risk** | USD | USD | USD |
| Cash and cash equivalents | 1,396,876,510 | — | 1,396,876,510 |
| Trading assets | 4,632,688 | 4,632,688 | — |
| Derivative assets | 1,478,203 | 1,478,203 | — |
| Pledged assets | — | — | — |
| Loans and advances to banks | 378,110,762 | — | 378,110,762 |
| Loans and advances to customers | 168,282,099 | — | 168,282,099 |
| Financial investments | 215,996,009 | — | 215,996,009 |
| Other assets | 5,021,872 | — | 5,021,872 |
| Pledged assets | 0 | 0 | 0 |
| **Liabilities subject to market risk** | | | |
| Deposits from banks | 115,259,853 | — | 115,259,853 |
| Deposits from customers | 1,943,879,551 | — | 1,943,879,551 |
| Derivative liabilities | 1,812,615 | 1,812,615 | — |
| Other borrowed funds | — | — | — |
| Lease liabilities | 2,072,285 | — | 2,072,285 |
| Other liabilities | 3,463,763 | — | 3,463,763 |

### (ii) Exposure to market risks – Value at risk (VaR)

VaR constitutes an integral part of the Bank's market risk control regime, and limits and triggers are established by the Board annually for all trading and non-trading portfolios (fair valued only). VaR expresses the potential loss that can be incurred based on a certain confidence interval.

Normal VaR is calculated on a historical simulation basis with 250 days of market data and uses a 95% confidence interval and a one day holding period.

**Diversified normal VaR exposures (USD'000)**

**2023**

| | Diversified normal VaR (USD '000) – Trading book | | | | |
|---|---|---|---|---|---|
| Desk name | Max | Min | Avg | 29-Dec | Limit |
| Bank-wide | 169.2 | 0.4 | 17.3 | 11.3 | 255.0 |
| FX Trading | 169.2 | 0.4 | 17.4 | 11.3 | 250.0 |
| Interest Rate Trading | 1.6 | 0.0 | 0.2 | — | 30.0 |

| | Normal VaR (USD '000) – FVOCI | | | | |
|---|---|---|---|---|---|
| Desk name | Max | Min | Avg | 29-Dec | Limit |
| Money Markets Banking | 1.5 | 0.6 | 1.1 | 0.8 | 88.0 |

2022

| | Diversified normal VaR (USD '000) – Trading book | | | | |
|---|---|---|---|---|---|
| Desk name | Max | Min | Avg | 30-Dec | Limit |
| Bank-wide | 100.8 | 0.4 | 32.1 | 100.8 | 255.0 |
| FX Trading | 100.9 | 0.3 | 32.2 | 100.9 | 250.0 |
| Interest Rate Trading | 1,500.0 | 0.2 | 0.7 | 0.6 | 30.0 |

## (c) Market risk continued

### (ii) Exposure to market risks – Value at risk (VaR) continued

| | Normal VaR (USD '000) – FVOCI | | | | |
|---|---|---|---|---|---|
| Desk name | Max | Min | Avg | 30-Dec | Limit |
| Money Markets Banking | 1.2 | 0.5 | 0.8 | 0.6 | 88.0 |

2021

| | Diversified normal VaR (USD '000) – Trading book | | | | |
|---|---|---|---|---|---|
| Desk name | Max | Min | Avg | 31-Dec | Limit |
| Bank-wide | 115.0 | 0.7 | 34.7 | 58.4 | 255.0 |
| FX Trading | 118.3 | 0.5 | 34.8 | 58.5 | 250.0 |
| Interest Rate Trading | 2.5 | 0.1 | 0.8 | 0.8 | 30.0 |

| | Normal VaR (USD '000) – FVOCI | | | | |
|---|---|---|---|---|---|
| Desk name | Max | Min | Avg | 31-Dec | Limit |
| Money Markets Banking | 1.6 | 0.5 | 0.9 | 1.2 | 88.0 |

**Stress VaR**

Stress VaR uses a similar methodology to normal VaR and is based on VaR defined with a 10-day holding period, worst case and historical data for a period of five years.

**Diversified stress VaR exposures (USD'000)**

**2023**

| | Diversified stress VaR (USD '000) – Trading book | | | | |
|---|---|---|---|---|---|
| Desk name | Max | Min | Avg | 29-Dec | Limit |
| Bank-wide | **210.9** | **0.9** | **40.6** | **41.8** | **1,180.0** |
| FX Trading | **214.2** | **0.9** | **41.3** | **41.9** | **1,020.0** |
| Interest Rate Trading | **15.0** | **–** | **2.0** | **0.8** | **600.0** |

| | Stress VaR (USD '000) – FVOCI | | | | |
|---|---|---|---|---|---|
| Desk name | Max | Min | Avg | 29-Dec | Limit |
| Money Markets Banking | **21.0** | **8.8** | **12.9** | **13.7** | **465.0** |

2022

| | Diversified stress VaR (USD '000) – Trading book | | | | |
|---|---|---|---|---|---|
| Desk name | Max | Min | Avg | 30-Dec | Limit |
| Bank-wide | 210.9 | 1.5 | 65.5 | 210.9 | 1,180.0 |
| FX Trading | 214.1 | 1.1 | 65.7 | 214.1 | 1,020.0 |
| Interest Rate Trading | 13.9 | 2.4 | 6.8 | 6.0 | 600.0 |

| | Stress VaR (USD '000) – FVOCI | | | | |
|---|---|---|---|---|---|
| Desk name | Max | Min | Avg | 30-Dec | Limit |
| Money Markets Banking | 29.3 | 5.8 | 19.7 | 21.2 | 465.0 |



## (c) Market risk continued

### (ii) Exposure to market risks – Value at risk (VaR) continued

2021

**Stress VaR exposures (USD'000)**

| | Diversified stress VaR (USD '000) – Trading book | | | | |
|---|---|---|---|---|---|
| Desk name | Max | Min | Avg | 31-Dec | Limit |
| Bank-wide | 526.1 | 7.6 | 65.0 | 103.1 | 1,180.0 |
| FX Trading | 523.1 | 0.8 | 61.3 | 102.4 | 1,020.0 |
| Interest Rate Trading | 46.6 | 4.7 | 16.6 | 10.6 | 600.0 |

| | Stress VaR (USD '000) – FVOCI | | | | |
|---|---|---|---|---|---|
| Desk name | Max | Min | Avg | 31-Dec | Limit |
| Money Markets Banking | 43.6 | 8.8 | 26.1 | 28.4 | 465.0 |

## (d) Interest rate risk

For the definition of interest rate risk and information on how interest rate risk is managed by the Bank, please refer to page 40 under the Capital and risk management section.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or are repriced at different times. Risk management activities are aimed at maximising net interest income, given market interest rate levels are consistent with the Bank's strategies. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken.

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (IRRBB) (net interest income and banking book mark-to-market profit or loss) and the economic value of equity. The Bank's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the Bank operates.

The Bank's treasury team monitors banking book interest rate risk on a monthly basis, operating under the oversight of the Bank's ALCO. The Bank's interest rate risk management is predominantly controlled by the Bank's treasury team under policies approved by the Board of Directors. The Bank treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

In adherence to policies regarding interest rate risk management, the Bank applies fair value hedge accounting in respect of the interest rate risk element only, present within specifically identified long-term fixed interest rate loans and advances and deposits. To manage the risk associated with such risk exposures, the Bank uses one or more fix for floating interest rate swaps that match the critical terms or that exhibit the same duration as that of the underlying risk exposure.

The Bank observes interest rate risk in respect of these exposures using an unfunded interest rate derivatives discount curve. Hedge effectiveness between the hedging instrument and the hedged item is determined at the inception of the hedge relationship and through periodic effectiveness assessments to ensure that an economic relationship exists using regression analysis between the hedged items and the hedging instruments for sensitivity of changes to changes in interest rate risk only.

The Bank uses a combination of interest rate swaps and interest rate basis swaps to mitigate against the risk of changes in the market value of hedged items for changes in interest rates. The Bank elects for each fair value interest rate risk hedging relationship, using swaps, to include forward points (basis) contained in the derivative instrument in the hedging relationship. Where the basis is included in the hedging relationship, this exposes the hedge relationship to hedge ineffectiveness. The extent of hedge ineffectiveness as a result of fair value interest rate risk hedges is disclosed in Note 9.3.3.

## (d) Interest rate risk continued

The table below summarises the Bank's exposure to interest rate risks for the non-trading portfolio. The Bank's assets and liabilities at carrying amount are categorised by their repricing dates:

**31 December 2023**

| | Less than 3 months | Between 3 months and 1 year | Over 1 year | Non-rate sensitive | Total |
|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 871,920,066 | — | — | 56,087 | 871,976,153 |
| Loans and advances to banks | 16,056,533 | 137,561,601 | 442,332,578 | — | 595,950,712 |
| Loans and advances to customers | 75,195,160 | 32,256,068 | 296,537,123 | — | 403,988,351 |
| Pledged assets | — | — | 67,048,142 | — | 67,048,142 |
| Financial investments | 637,253 | 46,928,440 | 254,295,053 | — | 301,860,746 |
| | 963,809,012 | 216,746,109 | 1,060,212,896 | 56,087 | 2,240,824,104 |
| **Financial liabilities** | | | | | |
| Deposits from banks | 133,751,181 | — | — | — | 133,751,181 |
| Deposits from customers | 1,736,264,674 | 88,250,911 | — | — | 1,824,515,585 |
| Other borrowed funds | — | 91,331,970 | — | — | 91,331,970 |
| Lease liabilities | 226,126 | 438,799 | — | — | 664,925 |
| | 1,870,241,981 | 180,021,680 | — | — | 2,050,263,661 |

Other assets and other liabilities are mainly non-interest rate sensitive and have been excluded from table above.

31 December 2022

| | Less than 3 months | Between 3 months and 1 year | Over 1 year | Non-rate sensitive | Total |
|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 1,264,317,548 | — | — | 101,234 | 1,264,418,782 |
| Loans and advances to banks | 143,503,097 | 403,536,688 | 119,919,117 | — | 666,958,902 |
| Loans and advances to customers | 145,587,581 | 92,086,680 | 15,696,379 | — | 253,370,640 |
| Financial investments | 97,583,708 | 95,691,312 | 271,370,950 | — | 464,645,970 |
| | 1,650,991,934 | 591,314,680 | 406,986,446 | 101,234 | 2,649,394,294 |
| **Financial liabilities** | | | | | |
| Deposits from banks | 138,644,111 | — | — | — | 138,644,111 |
| Deposits from customers | 2,303,152,689 | 50,021,101 | 17,928,441 | — | 2,371,102,231 |
| Other borrowed funds | — | — | — | — | — |
| Lease liabilities | 207,305 | 647,209 | 662,358 | — | 1,516,872 |
| | 2,442,004,105 | 50,668,310 | 18,590,799 | — | 2,511,263,214 |



## (d) Interest rate risk continued

31 December 2021

| | Less than 3 months | Between 3 months and 1 year | Over 1 year | Non-rate sensitive | Total |
|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 1,396,821,739 | — | — | 54,771 | 1,396,876,510 |
| Loans and advances to banks | 13,053,474 | 166,487,509 | 198,569,779 | — | 378,110,762 |
| Loans and advances to customers | 62,279,806 | 42,189,243 | 63,813,050 | — | 168,282,099 |
| Financial investments | — | 122,460,056 | 93,535,953 | — | 215,996,009 |
| | 1,472,155,019 | 331,136,808 | 355,918,782 | 54,771 | 2,159,265,380 |
| **Financial liabilities** | | | | | |
| Deposits from banks | 115,259,853 | — | — | — | 115,259,853 |
| Deposits from customers | 1,915,553,630 | 28,325,921 | — | — | 1,943,879,551 |
| Other borrowed funds | — | — | — | — | — |
| Lease liabilities | 187,366 | 571,669 | 1,313,250 | — | 2,072,285 |
| | 2,031,000,849 | 28,897,590 | 1,313,250 | — | 2,061,211,689 |

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. An analysis of the Bank's sensitivity to an increase or decrease in market interest rate, assuming no asymmetrical movement in yield curves on a constant balance sheet position, is as follows:

The Bank has assets and liabilities primarily in USD, EUR, GBP, MUR and ZAR. These five currencies constitute more than 95% of the balance sheet, with the US Dollar being the primary component, with a weighting of around 80% on the overall balance sheet. A stress test of a 100 basis points increase in USD interest rates on the USD book would have resulted in an increase in net interest income of USD 6,055,434. A stress test of a 100 basis points decrease in USD interest rates on the USD book would have resulted in a decrease in net interest income of USD 6,644,950.

The table below shows the net interest income sensitivity of the USD book for a change of 100 basis points.

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| NII sensitivity for a 100-bps increase | 7.44% | 26.96% | 53.00% |
| NII sensitivity for a 100-bps decrease | (8.17%) | (27.66%) | (29.02%) |

### (e) Currency risk

The Bank is exposed to currency risks through fluctuations in foreign currency exchange rates on its foreign currency positions. The Bank's main operations, in addition to USD, are in Euro, Pound Sterling, South African Rand and Mauritian Rupees. Limits on the level of exposure by currency and in total for both overnight and intra-day positions are being set by the Board and are monitored on an ongoing basis. As the Bank's reporting currency is in USD, any fluctuations between movements in the reporting currency and the foreign currencies will be reflected on the financial statements as foreign currency gains or losses.

The table below summarises the Bank's exposure to foreign currency at year end:

**Currency**

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| | **USD** | USD | USD |
| GBP | **12,167** | 66,830 | 9,452 |
| EUR | **114,896** | 248,970 | 234,450 |
| ZAR | **199,876** | 1,305,290 | 228,032 |
| MUR | **557,057** | (4,515,357) | (6,926,539) |
| Others | **49,809** | 37,134 | – |
| | **933,805** | (2,857,133) | (6,454,605) |

### (f) Capital management

For details and information on capital management please refer to pages 49 to 53 of the Risk and capital management section.

# 4. Fair values of financial instruments

## Financial instruments

In terms of IFRS, the Bank is either required to, or elects to, measure a number of its financial assets and financial liabilities at fair value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market to participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions.

When determining fair value, it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the Bank and, in particular, provides assurance that the risk and return measures that the Bank has taken are accurate and complete.

## Valuation process

The Bank valuation control framework governs internal control standards, methodologies and procedures over its valuation processes, which include the following:

### Prices quoted in an active market

The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of the Bank's assets and liabilities.

### Valuation techniques

Where quoted market prices are unavailable, the Bank establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the Bank makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based

## Valuation process continued

on other relevant input sources and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third-party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models, such as discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

### Valuation adjustments

Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to:

- Credit spreads on illiquid issuers
- Implied volatilities on thinly traded instruments
- Correlation between risk factors
- Prepayment rates
- Other illiquid risk drivers.

In making appropriate valuation adjustments, the Bank applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- Using bid-offer spreads that are due to the relatively low liquidity of the underlying risk driver
- Raising day one profit or loss provisions in accordance with IFRS
- Quantifying and reporting the sensitivity to each risk driver
- Prepayment rates
- Limiting exposure to such risk drivers and analysing exposure on a regular basis.

### Validation and control

All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the Group's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models, as well as those developed internally by the Group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the Bank market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible, given the availability of the underlying price inputs. Independent valuation comparisons are also performed and any significant variances noted are appropriately investigated. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across all entities in the Group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values.

## Valuation process continued

### Validation and control continued

The table below shows the Bank's financial assets and liabilities as at 31 December 2023 classified according to their measurement category.

| 31 December 2023 | FVTPL | FVOCI | Amortised costs | Carrying Value | Fair Value |
|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD |
| **ASSETS** | | | | | |
| Cash and cash equivalents | — | — | 871,976,153 | 871,976,153 | 871,976,153 |
| Trading assets | — | — | — | — | — |
| Derivative assets | 3,502,573 | — | — | 3,502,573 | 3,502,573 |
| Pledged assets | — | — | 67,048,142 | 67,048,142 | 61,521,822 |
| Loans and advances to banks | — | — | 595,950,712 | 595,950,712 | 595,950,712 |
| Loans and advances to customers | — | — | 403,988,351 | 403,988,351 | 403,988,351 |
| Financial investments | — | 637,253 | 301,223,493 | 301,860,746 | 297,008,811 |
| Other assets | | — | 7,152,774 | 7,152,774 | 7,152,774 |
| | 3,502,573 | 637,253 | 2,247,339,625 | 2,251,479,451 | 2,241,101,196 |
| **LIABILITIES** | | | | | |
| Deposits from banks | — | — | 133,751,181 | 133,751,181 | 133,751,181 |
| Deposits from customers | — | — | 1,824,515,585 | 1,824,515,585 | 1,824,515,585 |
| Derivative liabilities | 3,326,669 | — | — | 3,326,669 | 3,326,669 |
| Other borrowed funds | — | — | 91,331,970 | 91,331,970 | 91,331,970 |
| Other liabilities | — | — | 8,929,676 | 8,929,676 | 8,929,676 |
| Lease liabilities | — | — | 664,925 | 664,925 | 664,925 |
| | 3,326,669 | — | 2,059,193,337 | 2,062,520,006 | 2,062,520,006 |
| 31 December 2022 | | | | | |
| **ASSETS** | | | | | |
| Cash and cash equivalents | — | — | 1,264,418,782 | 1,264,418,782 | 1,264,418,782 |
| Trading assets | — | — | — | — | — |
| Derivative assets | 3,490,100 | — | — | 3,490,100 | 3,490,100 |
| Pledged assets | — | — | — | — | — |
| Loans and advances to banks | — | — | 666,958,902 | 666,958,902 | 666,958,902 |
| Loans and advances to customers | — | — | 253,370,640 | 253,370,640 | 253,370,640 |
| Financial investments | — | 2,757,094 | 461,888,877 | 464,645,971 | 464,645,971 |
| Other assets | — | — | 5,463,695 | 5,463,695 | 5,463,695 |
| | 3,490,100 | 2,757,094 | 2,652,100,896 | 2,658,348,090 | 2,658,348,090 |
| **LIABILITIES** | | | | | |
| Deposits from banks | — | — | 138,644,111 | 138,644,111 | 138,644,111 |
| Deposits from customers | — | — | 2,371,102,231 | 2,371,102,231 | 2,371,102,231 |
| Derivative liabilities | 3,140,449 | — | — | 3,140,449 | 3,140,449 |
| Other borrowed funds | — | — | — | — | — |
| Other liabilities | — | — | 4,731,333 | 4,731,333 | 4,731,333 |
| Lease liabilities | — | — | 1,516,872 | 1,516,872 | 1,516,872 |
| | 3,140,449 | — | 2,515,994,547 | 2,519,134,996 | 2,519,134,996 |

## Valuation process continued

### Validation and control continued

| 31 December 2021 | FVTPL | FVOCI | Amortised costs | Carrying Value | Fair Value |
|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD |
| **ASSETS** | | | | | |
| Cash and cash equivalents | — | — | 1,396,876,510 | 1,396,876,510 | 1,396,876,510 |
| Trading assets | 4,632,688 | — | — | 4,632,688 | 4,632,688 |
| Derivative assets | 1,478,203 | — | — | 1,478,203 | 1,478,203 |
| Pledged assets | — | — | — | — | — |
| Loans and advances to banks | — | — | 378,110,762 | 378,110,762 | 378,110,762 |
| Loans and advances to customers | — | — | 168,282,099 | 168,282,099 | 168,282,099 |
| Financial investments | — | 3,527,537 | 212,468,472 | 215,996,009 | 215,996,009 |
| Other assets | 4,864,019 | — | 157,853 | 5,021,872 | 5,021,872 |
| | 10,974,910 | 3,527,537 | 2,155,895,696 | 2,170,398,143 | 2,170,398,143 |
| **LIABILITIES** | | | | | |
| Deposits from banks | — | — | 115,259,853 | 115,259,853 | 115,259,853 |
| Deposits from customers | — | — | 1,943,879,551 | 1,943,879,551 | 1,943,879,551 |
| Derivative liabilities | 1,812,615 | — | — | 1,812,615 | 1,812,615 |
| Other borrowed funds | — | — | — | — | — |
| Other liabilities | — | — | 3,463,763 | 3,463,763 | 3,463,763 |
| Lease liabilities | — | — | 2,072,285 | 2,072,285 | 2,072,285 |
| | 1,812,615 | — | 2,064,675,452 | 2,066,488,067 | 2,066,488,067 |

### Determining fair values

The following tables analyse the Bank's financial assets and liabilities at the end of the reporting period by level of fair value hierarchy as required by IFRS. The different levels are based on the extent to which observable market data and inputs are used in the calculation of the fair value of the financial assets and liabilities.

**The levels of the hierarchy are defined in Note 2.1.**

| 31 December 2023 | Level 1 | Level 2 | Level 3 | Carrying Value | Fair Value |
|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD |
| **Trading assets** | — | — | — | — | — |
| **Derivative assets** | — | 3,502,573 | — | 3,502,573 | 3,502,573 |
| **Financial investments through OCI** | — | 637,253 | — | 637,253 | 637,253 |
| **Other assets** | — | — | — | — | — |
| | — | 4,139,826 | — | 4,139,826 | 4,139,826 |
| **LIABILITIES** | | | | | |
| **Derivative liabilities** | — | 3,326,669 | — | 3,326,669 | 3,326,669 |
| 31 December 2022 | | | | | |
| **ASSETS** | | | | | |
| Trading assets | — | — | — | — | — |
| Derivative assets | — | 3,490,100 | — | 3,490,100 | 3,490,100 |
| Financial investments through OCI | — | 2,757,094 | — | 2,757,094 | 2,757,094 |
| Other assets | — | — | — | — | — |
| | — | 6,247,194 | — | 6,247,194 | 6,247,194 |
| **LIABILITIES** | | | | | |
| Derivative liabilities | — | 3,140,449 | — | 3,140,449 | 3,140,449 |

## Valuation process continued

### Determining fair values continued

| 31 December 2021 | Level 1 | Level 2 | Level 3 | Carrying Value | Fair Value |
|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD |
| **ASSETS** | | | | | |
| Trading assets | — | 4,632,688 | — | 4,632,688 | 4,632,688 |
| Derivative assets | — | 1,478,203 | — | 1,478,203 | 1,478,203 |
| Financial investments through OCI | — | 3,527,537 | — | 3,527,537 | 3,527,537 |
| Other assets | — | — | — | — | — |
| | — | 9,638,428 | — | 9,638,428 | 9,638,428 |
| **LIABILITIES** | | | | | |
| Derivative liabilities | — | 1,812,615 | — | 1,812,615 | 1,812,615 |

There has been no transfer between the different fair value levels during the year.

**Fair value measurement disclosures – level 2**
The valuation techniques used to determine the fair value of assets and liabilities classified within level 2 of the fair value hierarchy is the discounted cash flow model and other valuation techniques commonly used by market participants. Such models are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources such as third-party quotes, recent transaction prices or suitable proxies. The inputs used include discount rates (including credit spreads), liquidity discount rates, risk-free and volatility rates, risk premiums, volatilities and correlations.

**Fair value measurement disclosures – level 3**
The fair value of level 3 assets and liabilities is determined using valuation techniques that incorporate assumptions that are not supported by prices from observable current market transactions in the same asset or liability and are not based on available observable market data. Changes in these assumptions could affect the reported fair values of these financial assets and liabilities. Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market-related discount rate at the end of the reporting period for a financial asset or liability with similar terms and conditions.

Although the Bank believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values could impact the fair value of its assets and liabilities. The behaviour of the unobservable parameters used to fair value level 3 financial assets and liabilities is not necessarily independent and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates is taken into account when determining appropriate model adjustments.

# 5. Use of estimates and judgement

### Key sources of estimation uncertainty
In preparing the annual financial statements, estimates and assumptions are made that could materially affect the reported amounts of revenue, expenses, assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances. Unless otherwise stated, no material changes to assumptions have occurred during the year.

### Allowances for credit losses
The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanations of inputs, assumptions and estimation techniques used in measuring ECL are further detailed in Note 2.1b. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in Note 2.1b.

Management assessed and considered the sensitivity of the IFRS 9 provision against the forward-looking economic conditions at a client level. The reviews and ratings of each client are performed at least annually. This process entails credit analysts completing a credit scorecard and incorporating forward-looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting IFRS 9 provision for the individual client. Therefore, the impact of forward-looking economic conditions is embedded into the total IFRS 9 provision for each CIB client and cannot be stressed or separated out of the overall IFRS 9 provision.

### Retirement benefit obligations
The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in the assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The actuarial report determines the appropriate discount rate at the end of each year and are validated by the Bank. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the actuary considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions.

The sensitivity analysis for the key assumptions is disclosed in Note 31(c).

# 6. Segmental reporting

## Statement of financial position as at 31 December 2023

| | | Segment A | | | Segment B | | | Bank | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 |
| **Assets** | | **USD** | USD | USD | **USD** | USD | USD | **USD** | USD | USD |
| Cash and cash equivalents | 7 | **81,299,931** | 62,478,058 | 136,903,422 | **790,676,222** | 1,201,940,724 | 1,259,973,088 | **871,976,153** | 1,264,418,782 | 1,396,876,510 |
| Trading assets | 8 | **—** | — | 4,632,688 | **—** | — | — | **—** | — | 4,632,688 |
| Derivative assets | 9 | **3,029** | 1,451 | 34,095 | **3,499,544** | 3,488,649 | 1,444,108 | **3,502,573** | 3,490,100 | 1,478,203 |
| Pledged assets | 10 | **—** | — | — | **67,048,142** | — | — | **67,048,142** | — | — |
| Loans and advances to banks | 11 | **20,048,392** | 83,450,470 | 13,053,474 | **575,902,320** | 583,508,432 | 365,057,288 | **595,950,712** | 666,958,902 | 378,110,762 |
| Loans and advances to customers | 12 | **17,324,523** | 9,182,764 | 1,295,745 | **386,663,828** | 244,187,876 | 166,986,354 | **403,988,351** | 253,370,640 | 168,282,099 |
| Financial investments | 13 | **637,253** | 2,757,094 | 3,527,537 | **301,223,493** | 461,888,877 | 212,468,472 | **301,860,746** | 464,645,971 | 215,996,009 |
| Property, plant and equipment | 14 | **73,560** | 101,257 | 123,235 | **1,883,923** | 1,998,069 | 2,479,934 | **1,957,483** | 2,099,326 | 2,603,169 |
| Intangible assets | 15 | **436,927** | 632,899 | 690,761 | **11,190,085** | 12,465,050 | 13,900,576 | **11,627,012** | 13,097,949 | 14,591,337 |
| Right-of-use assets | 16 | **24,952** | 76,409 | 107,840 | **639,055** | 1,504,885 | 2,170,114 | **664,007** | 1,581,294 | 2,277,954 |
| Deferred tax assets | 17 | **(24,110)** | (35,731) | (54,659) | **1,223,781** | 354,502 | 207,963 | **1,199,671** | 318,771 | 153,304 |
| Other assets | 18 | **6,779,171** | 5,345,747 | 4,991,302 | **888,365** | 616,838 | 460,329 | **7,667,536** | 5,962,585 | 5,451,631 |
| **Total assets** | | **126,603,628** | 163,990,418 | 165,305,440 | **2,140,838,758** | 2,511,953,902 | 2,025,148,226 | **2,267,442,386** | 2,675,944,320 | 2,190,453,666 |
| **Liabilities** | | | | | | | | | | |
| Deposits from banks | 19 | **12,094,161** | 36,636,183 | 44,805,480 | **121,657,020** | 102,007,928 | 70,454,373 | **133,751,181** | 138,644,111 | 115,259,853 |
| Deposits from customers | 20 | **125,624,686** | 59,654,044 | 35,556,825 | **1,698,890,899** | 2,311,448,187 | 1,908,322,726 | **1,824,515,585** | 2,371,102,231 | 1,943,879,551 |
| Derivative liabilities | 9 | **20,896** | — | 9,334 | **3,305,773** | 3,140,449 | 1,803,281 | **3,326,669** | 3,140,449 | 1,812,615 |
| Other borrowed funds | 21 | **—** | — | — | **91,331,970** | — | — | **91,331,970** | — | — |
| Lease liabilities | 16 | **24,987** | 73,296 | 98,103 | **639,938** | 1,443,576 | 1,974,182 | **664,925** | 1,516,872 | 2,072,285 |
| Current tax liabilities | 22 | **346,959** | 288,623 | 113,069 | **1,892,176** | 635,882 | 197,333 | **2,239,135** | 924,505 | 310,402 |
| Other liabilities | 23 | **1,811,787** | 1,168,669 | 3,198,088 | **14,631,488** | 12,453,831 | 5,204,532 | **16,443,275** | 13,622,500 | 8,402,620 |
| **Total liabilities** | | **139,923,476** | 97,820,815 | 83,780,899 | **1,932,349,264** | 2,431,129,853 | 1,987,956,427 | **2,072,272,740** | 2,528,950,668 | 2,071,737,326 |

## Statement of financial position as at 31 December 2023 (continued)

| | | Segment A | | | Segment B | | | Bank | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 |
| | | **USD** | USD | USD | **USD** | USD | USD | **USD** | USD | USD |
| **Shareholder's equity** | | | | | | | | | | |
| Share capital | 24 | | | | | | | **35,000,000** | 35,000,000 | 35,000,000 |
| Statutory and other reserves | 35 | | | | | | | **34,942,547** | 30,879,038 | 26,182,241 |
| Retained earnings | | | | | | | | **125,227,099** | 81,114,614 | 57,534,099 |
| **Total equity attributable to equity holder** | | | | | | | | **195,169,646** | 146,993,652 | 118,716,340 |
| **Total equity and liabilities** | | | | | | | | **2,267,442,386** | 2,675,944,320 | 2,190,453,666 |

## Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

| | Notes | Segment A | | | Segment B | | | Bank | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **2023 USD** | 2022 USD | 2021 USD | **2023 USD** | 2022 USD | 2021 USD | **2023 USD** | 2022 USD | 2021 USD |
| Interest income | | **3,882,718** | 1,672,570 | 120,008 | **126,868,421** | 50,380,128 | 18,576,797 | **130,751,139** | 52,052,698 | 18,696,805 |
| Interest expense | | **(2,072,943)** | (693,196) | (218,144) | **(46,095,850)** | (11,684,728) | (2,278,693) | **(48,168,793)** | (12,377,924) | (2,496,837) |
| **Net interest income** | 26 | **1,809,775** | 979,374 | (98,136) | **80,772,571** | 38,695,400 | 16,298,104 | **82,582,346** | 39,674,774 | 16,199,968 |
| Fee and commission income | | **103,773** | 80,654 | 121,944 | **8,504,221** | 8,111,911 | 6,160,914 | **8,607,994** | 8,192,565 | 6,282,858 |
| Fee and commission expense | | **(2,500)** | — | (52,670) | **—** | — | — | **(2,500)** | — | (52,670) |
| **Net fee and commission income** | 27 | **101,273** | 80,654 | 69,274 | **8,504,221** | 8,111,911 | 6,160,914 | **8,605,494** | 8,192,565 | 6,230,188 |
| Net trading income | 28 | **1,683,221** | 1,607,479 | 1,228,809 | **9,745,109** | 10,453,367 | 7,123,617 | **11,428,330** | 12,060,846 | 8,352,426 |
| Other operating income | 29 | **273,480** | 241,001 | 270,564 | **34,480** | 22,858 | 9,275 | **307,960** | 263,859 | 279,839 |
| | | **1,956,701** | 1,848,480 | 1,499,373 | **9,779,589** | 10,476,225 | 7,132,892 | **11,736,290** | 12,324,705 | 8,632,265 |
| **Operating income** | | **3,867,749** | 2,908,508 | 1,470,511 | **99,056,381** | 57,283,536 | 29,591,910 | **102,924,130** | 60,192,044 | 31,062,421 |
| Net impairment (charge)/release on financial assets | 30 | **(73,058)** | 1,467,998 | 387 | **(354,865)** | (475,247) | 1,218,271 | **(427,923)** | 992,751 | 1,218,658 |
| Personnel expenses | 31 (a) | **(376,396)** | (577,263) | (364,359) | **(9,639,830)** | (11,369,285) | (7,332,202) | **(10,016,226)** | (11,946,548) | (7,696,561) |
| Operating lease expenses | 32 | **(4,351)** | (5,958) | (19,321) | **(111,431)** | (117,344) | (388,803) | **(115,782)** | (123,302) | (408,124) |
| Depreciation on right-of-use assets | 16 | **(34,471)** | (45,860) | (30,659) | **(882,816)** | (903,217) | (616,973) | **(917,287)** | (949,077) | (647,632) |
| Depreciation and amortisation | 13&14 | **(71,886)** | (106,567) | (105,945) | **(1,841,066)** | (2,098,860) | (2,131,997) | **(1,912,952)** | (2,205,427) | (2,237,942) |
| Other expenses | 33 | **(440,541)** | (435,536) | (338,907) | **(11,332,833)** | (9,507,100) | (6,826,576) | **(11,773,374)** | (9,942,636) | (7,165,483) |
| | | **(1,000,703)** | 296,814 | (858,804) | **(24,162,841)** | (24,471,053) | (16,078,280) | **(25,163,544)** | (24,174,239) | (16,937,084) |
| Profit before income tax | | **2,867,046** | 3,205,322 | 611,707 | **74,893,540** | 32,812,483 | 13,513,630 | **77,760,586** | 36,017,805 | 14,125,337 |
| Income tax expense | 34 | **(542,954)** | (267,929) | (268,257) | **(8,303,145)** | (2,812,886) | (759,261) | **(8,846,099)** | (3,080,815) | (1,027,518) |
| **Profit for the year** | | **2,324,092** | 2,937,393 | 343,450 | **66,590,395** | 29,999,597 | 12,754,369 | **68,914,487** | 32,936,990 | 13,097,819 |

## Statement of profit or loss and other comprehensive Income as at 31 December 2023 (continued)

| | Notes | Segment A | | | Segment B | | | Bank | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **2023 USD** | 2022 USD | 2021 USD | **2023 USD** | 2022 USD | 2021 USD | **2023 USD** | 2022 USD | 2021 USD |
| **Profit for the year** | | **2,324,092** | 2,937,393 | 343,450 | **66,590,395** | 29,999,597 | 12,754,369 | **68,914,487** | 32,936,990 | 13,097,819 |
| **Other comprehensive income** | | | | | | | | | | |
| Item that may be reclassified to profit or loss | | | | | | | | | | |
| Net gain/(loss) on fair value of debt instruments | | **49,183** | (53,515) | (8,831) | **—** | — | — | **49,183** | (53,515) | (8,831) |
| Item that may not be reclassified to profit or loss | | | | | | | | | | |
| Remeasurement of defined benefit liabilities, net of tax | 31(c) | **(29,600)** | 19,030 | 41,562 | **(758,076)** | 374,807 | 836,383 | **(787,676)** | 393,837 | 877,945 |
| **Other comprehensive income for the year** | | **19,583** | (34,485) | 32,731 | **(758,076)** | 374,807 | 836,383 | **(738,493)** | 340,322 | 869,114 |
| **Total comprehensive income for the year** | | **2,343,675** | 2,902,908 | 376,181 | **65,832,319** | 30,374,404 | 13,590,752 | **68,175,994** | 33,277,312 | 13,966,933 |

# 7. Cash and cash equivalents

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Bank – Total** | | | |
| Cash in hand | **54,202** | 85,839 | 52,175 |
| Foreign currency notes and coins | **1,885** | 15,395 | 2,596 |
| Unrestricted balances with Central Bank | **81,243,866** | 62,376,824 | 136,848,651 |
| Balances with banks abroad | **790,686,137** | 1,201,954,276 | 1,260,130,662 |
| Less stage 1 ECL collective allowance | **(9,937)** | (13,552) | (157,574) |
| | **871,976,153** | 1,264,418,782 | 1,396,876,510 |
| **Segment A** | | | |
| Cash in hand | **54,202** | 85,839 | 52,175 |
| Foreign currency notes and coins | **1,885** | 15,395 | 2,596 |
| Unrestricted balances with Central Bank | **81,243,866** | 62,376,824 | 136,848,651 |
| Less stage 1 ECL collective allowance | **(22)** | — | — |
| | **81,299,931** | 62,478,058 | 136,903,422 |
| **Segment B** | | | |
| Balances with banks abroad | **790,686,137** | 1,201,954,276 | 1,260,130,662 |
| Less stage 1 ECL collective allowance | **(9,915)** | (13,552) | (157,574) |
| | **790,676,222** | 1,201,940,724 | 1,259,973,088 |

| **Net debt reconciliation** | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Cash and cash equivalents | **871,976,153** | 1,264,418,782 | 1,396,876,510 |
| Lease liabilities (Note 16) | **(664,925)** | (1,516,872) | (2,072,285) |
| At 31 December | **871,311,228** | 1,262,901,910 | 1,394,804,225 |

| **Net debt analysis** | Cash USD | Lease liabilities USD | Total USD |
|---|---|---|---|
| **Net debt at 01 January 2023** | **1,264,418,782** | **(1,516,872)** | **1,262,901,910** |
| **Cash flows (i)** | **(393,919,143)** | **908,013** | **(393,011,130)** |
| **Net foreign exchange difference** | **1,480,129** | **—** | **1,480,129** |
| **Other changes (ii)** | **(3,615)** | **—** | **(3,615)** |
| **Net changes to leases (iii)** | **—** | **(56,066)** | **(56,066)** |
| **Net debt at 31 December 2023** | **871,976,153** | **(664,925)** | **871,311,228** |
| Net debt at 01 January 2022 | 1,396,876,510 | (2,072,285) | 1,394,804,225 |
| Cash flows (i) | (134,276,043) | 893,164 | (133,382,879) |
| Net foreign exchange difference | 1,674,293 | — | 1,674,293 |
| Other changes (ii) | 144,022 | — | 144,022 |
| Net changes to leases (iii) | — | (337,751) | (337,751) |
| Net debt at 31 December 2022 | 1,264,418,782 | (1,516,872) | 1,262,901,910 |
| Net debt at 01 January 2021 | 1,050,583,021 | (2,805,235) | 1,047,777,786 |
| Cash flows (i) | 346,590,520 | 737,703 | 347,328,223 |
| Net foreign exchange difference | (260,771) | — | (260,771) |
| Other changes (ii) | (36,260) | — | (36,260) |
| Net changes to leases (iii) | — | (4,753) | (4,753) |
| Net debt at 31 December 2021 | 1,396,876,510 | (2,072,285) | 1,394,804,225 |

(i) Cash flows for lease liabilities include principal portion payment classified within financing activities and interest payment classified within operating activities.
(ii) Other changes include the effect of IFRS 9 impairment charges on cash and cash equivalents.
(iii) Net changes to leases include non-cash movements relating to interest expense and acquisition of leases.



## Reconciliation of the expected credit losses for cash and cash equivalents at amortised cost

| | Stage 1 USD | Stage 2 USD | Stage 3 (incl IIS) USD | Total USD |
|---|---|---|---|---|
| Opening ECL 1 January 2021 | 121,314 | — | — | 121,314 |
| Transfers between stages | — | — | — | — |
| Net ECL (released)/raised | 36,260 | — | — | 36,260 |
| ECL on new exposures raised | 153,610 | — | — | 153,610 |
| Subsequent changes in ECL | (117,350) | — | — | (117,350) |
| Change in ECL due to derecognition | — | — | — | - |
| Impaired accounts written off | — | — | — | - |
| Exchange and other movements | — | — | — | - |
| Closing ECL 31 December 2021 | 157,574 | — | — | 157,574 |
| Opening ECL 1 January 2022 | 157,574 | — | — | 157,574 |
| Transfers between stages | — | — | — | — |
| Net ECL (released)/raised | (144,022) | — | — | (144,022) |
| ECL on new exposures raised | 13,400 | — | — | 13,400 |
| Subsequent changes in ECL | (157,422) | — | — | (157,422) |
| Change in ECL due to derecognition | — | — | — | — |
| Impaired accounts written off | — | — | — | — |
| Exchange and other movements | — | — | — | — |
| Closing ECL 31 December 2022 | 13,552 | — | — | 13,552 |
| **Opening ECL 1 January 2023** | **13,552** | **—** | **—** | **13,552** |
| **Transfers between stages** | **—** | **—** | **—** | **—** |
| **Net ECL (released)/raised** | **(3,615)** | **—** | **—** | **(3,615)** |
| **ECL on new exposures raised** | **9,340** | **—** | **—** | **9,340** |
| **Subsequent changes in ECL** | **(12,955)** | **—** | **—** | **(12,955)** |
| **Change in ECL due to derecognition** | **—** | **—** | **—** | **—** |
| **Impaired accounts written off** | **—** | **—** | **—** | **—** |
| **Exchange and other movements** | **—** | **—** | **—** | **—** |
| **Closing ECL 31 December 2023** | **9,937** | **—** | **—** | **9,937** |

## Credit risk exposure of cash and cash equivalents at amortised cost

**31 December 2023**

| | Gross carrying value | SB 1–12 | | SB 13–20 | | SB 21–25 | | Stage 3 | | Total gross carrying amount of non-performing loans | Gross specific impairment coverage % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Sub standard | Doubtful | | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | |
| Cash and cash equivalents | **871,986,090** | **428,543,556** | **—** | **443,442,105** | **—** | **429** | **—** | **—** | **—** | **—** | **—** |
| Less: Total expected credit loss for cash and cash equivalents at amortised cost | **(9,937)** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Stage 1 | **(9,937)** | | | | | | | | | | |
| Stage 2 | **—** | | | | | | | | | | |
| Stage 3 | **—** | | | | | | | | | | |
| IIS | **—** | | | | | | | | | | |
| Net carrying value of cash and cash equivalents at amortised cost | **871,976,153** | | | | | | | | | | |

31 December 2022

| | Gross carrying value | SB 1–12 | | SB 13–20 | | SB 21–25 | | Stage 3 | | Total gross carrying amount of non-performing loans | Gross specific impairment coverage % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Sub standard | Doubtful | | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | |
| Cash and cash equivalents | 1,264,432,334 | 338,666,645 | — | 925,765,462 | — | 227 | — | — | — | — | — |
| Less: Total expected credit loss provision for cash and cash equivalents at amortised cost | (13,552) | — | — | — | — | — | — | — | — | — | — |
| Stage 1 | (13,552) | | | | | | | | | | |
| Stage 2 | — | | | | | | | | | | |
| Stage 3 | — | | | | | | | | | | |
| IIS | — | | | | | | | | | | |
| Net carrying value of loans and advances at amortised cost | 1,264,418,782 | | | | | | | | | | |

## Credit risk exposure of cash and cash equivalents at amortised cost (continued)

31 December 2021

| | Gross carrying value | SB 1–12 | | SB 13–20 | | SB 21 –25 | | Stage 3 | | Total gross carrying amount of non-performing loans | Gross specific impairment coverage % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Sub standard | Doubtful | | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | |
| Cash and cash equivalents | 1,397,034,084 | 271,806,555 | — | 1,125,227,347 | — | 182 | — | — | — | — | — |
| Less: Total expected credit loss provision for cash and cash equivalents at amortised cost | (157,574) | — | — | — | — | — | — | — | — | — | — |
| Stage 1 | (157,574) | | | | | | | | | | |
| Stage 2 | — | | | | | | | | | | |
| Stage 3 | — | | | | | | | | | | |
| IIS | — | | | | | | | | | | |
| Net carrying value of loans and advances at amortised cost | 1,396,876,510 | | | | | | | | | | |

# 8. Trading assets

| Bank – Total and Segment A | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Sovereign | **—** | — | 4,632,688 |
| Current | **—** | — | 4,632,688 |

# 9. Derivative instruments

All derivatives are classified as either derivatives held-for-trading or derivatives held-for-hedging. A summary of the fair values of the derivative assets and derivative liabilities is as follows:

| | Fair value of assets | | | Fair value of liabilities | | |
|---|---|---|---|---|---|---|
| | **2023 USD** | 2022 USD | 2021 USD | **2023 USD** | 2022 USD | 2021 USD |
| **Bank total** | | | | | | |
| Held-for-trading | **3,502,573** | 3,490,100 | 1,478,203 | **3,326,669** | 3,140,449 | 1,680,018 |
| Held-for-hedging | **—** | — | — | **—** | — | 132,597 |
| | **3,502,573** | 3,490,100 | 1,478,203 | **3,326,669** | 3,140,449 | 1,812,615 |
| **Segment A** | | | | | | |
| Held-for-trading | **3,029** | 1,451 | 34,095 | **20,896** | — | 9,334 |
| | **3,029** | 1,451 | 34,095 | **20,896** | — | 9,334 |
| **Segment B** | | | | | | |
| Held-for-trading | **3,499,544** | 3,488,649 | 1,444,108 | **3,305,773** | 3,140,449 | 1,670,684 |
| Held-for-hedging | **—** | — | — | **—** | — | 132,597 |
| | **3,499,544** | 3,488,649 | 1,444,108 | **3,305,773** | 3,140,449 | 1,803,281 |
| **Current** | **3,502,573** | 3,490,100 | 1,478,203 | **3,326,669** | 3,140,449 | 1,812,615 |

## 9.1 Use and measurement of derivative instruments

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range to take into account possible correlations.

In the normal course of business, the Bank enters into a variety of foreign exchange, interest rate and credit derivative transactions in accordance with the Group and the Bank's risk management policies and practices. Derivative instruments used by Bank are held for both trading and hedging purposes and include swaps, options, forwards and other similar types of instruments based on foreign exchange rates, interest rates and credit risk.

A summary of the total derivative assets and liabilities are shown in Notes 9.2 and 9.3.



## 9.2 Derivatives held-for-trading

The Bank transacts derivative contracts to address client demand, both as a market maker in the wholesale markets and in structuring tailored derivatives for clients. The Bank also takes proprietary positions for its own account. Trading derivative products include the following:

| | 2023 | | | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Fair value assets USD** | **Fair value liabilities USD** | **Nominal amount USD** | Fair value assets USD | Fair value liabilities USD | Nominal amount USD | Fair value assets USD | Fair value liabilities USD | Nominal amount USD |
| **Bank total** | | | | | | | | | |
| Foreign exchange derivatives | **3,502,573** | **3,326,669** | **588,209,991** | 3,490,100 | 3,140,449 | 666,532,434 | 1,478,203 | 1,680,018 | 249,097,994 |
| **Segment A** | | | | | | | | | |
| Foreign exchange derivatives | **3,029** | **20,896** | **5,553,775** | 1,451 | — | 215,000 | 34,095 | 9,334 | 9,310,000 |
| **Segment B** | | | | | | | | | |
| Foreign exchange derivatives | **3,499,544** | **3,305,773** | **582,656,216** | 3,488,649 | 3,140,449 | 666,317,434 | 1,444,108 | 1,670,684 | 239,787,994 |

*The notional amount is the sum of the absolute value of all bought or sold contracts for both derivative assets and liabilities. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the Bank's participation in derivative contracts.

## 9.3 Financial instruments held-for-hedging

Where all relevant criteria are met, derivatives are classified as derivatives held-for-hedging and hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying instruments (hedged item). All qualifying hedging relationships are designated as either fair value or cash flow hedges for recognised financial assets or liabilities, and highly probable forecast transactions. There were no hedging transactions during the year.

## 9.3 Financial instruments held-for-hedging (continued)

### 9.3.1 Derivatives designated as hedging instruments in fair value hedging relationships:

| Bank and Segment B | Fair value of assets | Fair value of liabilities | Fair value gain/ (loss) | Contract/ notional amount | Less than 1 year | Between 1 to 5 years | Over 5 years | Net fair value |
|---|---|---|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD | USD | USD | USD |
| **31 December 2023** | | | | | | | | |
| **Interest rate risk fair value hedging relationships** | | | | | | | | |
| **Interest rate swaps** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total derivatives designated as hedging instruments in fair value hedging relationships** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| 31 December 2022 | | | | | | | | |
| Interest rate risk fair value hedging relationships | | | | | | | | |
| Interest rate swaps | — | — | 132,597 | — | — | — | — | — |
| Total derivatives designated as hedging instruments in fair value hedging relationships | — | — | 132,597 | — | — | — | — | — |
| 31 December 2021 | | | | | | | | |
| Interest rate risk fair value hedging relationships | | | | | | | | |
| Interest rate swaps | — | 132,597 | 554,047 | 4,350,000 | 132,597 | — | — | (132,597) |
| Total derivatives designated as hedging instruments in fair value hedging relationships | — | 132,597 | 554,047 | 4,350,000 | 132,597 | — | — | (132,597) |

## 9.3 Financial instruments held-for-hedging (continued)

### 9.3.2 Hedge items classified as fair value hedges:

| Bank and Segment B | Fair value of assets | Fair value of liabilities | Fair value gain/(loss) | Fair value gain/(loss) used to test hedge ineffectiveness | Accumulated fair value hedge adjustments | Accumulated fair value hedge adjustments for which hedge accounting stopped |
|---|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD | USD |
| **31 December 2023** | | | | | | |
| **Loans and advances** | | | | | | |
| **Interest rate risk fair value hedging relationships** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Total items classified as fair value hedges** | **—** | **—** | **—** | **—** | **—** | **—** |
| 31 December 2022 | | | | | | |
| Loans and advances | | | | | | |
| Interest rate risk fair value hedging relationships | — | — | (108,007) | (108,007) | — | — |
| Total items classified as fair value hedges | — | — | (108,007) | (108,007) | — | — |
| 31 December 2021 | | | | | | |
| Loans and advances | | | | | | |
| Interest rate risk fair value hedging relationships | 4,510,100 | — | 518,378 | 142,444 | 142,444 | — |
| Total items classified as fair value hedges | 4,510,100 | — | 518,378 | 142,444 | 142,444 | — |

## 9.3 Financial instruments held-for-hedging (continued)

### 9.3.3 Hedge ineffectiveness recognised in profit or loss:

| | Trading revenue | Other fair value movements | Net interest income |
|---|---|---|---|
| **Bank and Segment B** | USD | USD | USD |
| **31 December 2023** | | | |
| **Fair value hedges** | | | |
| **Interest rate risk fair value hedging relationships** | **—** | **—** | **—** |
| 31 December 2022 | | | |
| Fair value hedges | | | |
| Interest rate risk fair value hedging relationships | — | — | 24,590 |
| 31 December 2021 | | | |
| Fair value hedges | | | |
| Interest rate risk fair value hedging relationships | — | — | 8,083 |

# 10. Pledged assets

The following table presents details of financial assets that have been sold or otherwise transferred, but which have not been derecognised or which were partially derecognised together with their associated liabilities. This table does not disclose the total risk exposure in terms of these transactions; instead, it provides disclosures as required by IFRS.

| | Carrying amount of transferred assets | Carrying amount of associated liabilities | Fair value of transferred assets | Fair value of associated liabilities | Net fair value |
|---|---|---|---|---|---|
| **Bank and Segment B** | USD | USD | USD | USD | USD |
| **2023** | | | | | |
| Sovereign bonds | **67,048,142** | **59,687,934** | **61,521,822** | **59,687,934** | **1,833,888** |
| Total | **67,048,142** | **59,687,934** | **61,521,822** | **59,687,934** | **1,833,888** |

The assets pledged by the Bank are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets in the absence of default, they are classified in the statement of financial position as pledged assets. These transactions are conducted under terms that are customary to standard repurchase agreements and securities borrowing activities.

The majority of other financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. Risks to which the Bank remain exposed include credit and interest rate risk.

There were no pledged assets in 2022 and 2021.

## 10.1 Reconciliation of the expected credit losses for loans and advances at amortised cost

| | Stage 1 | Stage 2 | Stage 3 (incl IIS) | Total |
|---|---|---|---|---|
| | USD | USD | USD | USD |
| **Opening ECL 1 January 2023** | **—** | **—** | **—** | **—** |
| **Transfers between stages** | **—** | **—** | **—** | **—** |
| **Net ECL (released)/raised** | **10,892** | **—** | **—** | **10,892** |
| **ECL on new exposures raised** | **—** | **—** | **—** | **—** |
| **Subsequent changes in ECL** | **10,892** | **—** | **—** | **10,892** |
| **Change in ECL due to derecognition** | **—** | **—** | **—** | **—** |
| **Impaired accounts written off** | **—** | **—** | **—** | **—** |
| **Exchange and other movements** | **—** | **—** | **—** | **—** |
| **Closing ECL 31 December 2023** | **10,892** | **—** | **—** | **10,892** |

# 11. Loans and advances to banks

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Bank total** | | | |
| Loans and advances to banks | **596,322,927** | 667,350,330 | 378,923,371 |
| Less stage 1 ECL collective allowance | **(372,215)** | (391,428) | (812,609) |
| | **595,950,712** | 666,958,902 | 378,110,762 |
| **Segment A** | | | |
| Loans and advances to banks | **20,052,820** | 83,480,172 | 13,059,732 |
| Less stage 1 ECL collective allowance | **(4,429)** | (29,702) | (6,258) |
| | **20,048,391** | 83,450,470 | 13,053,474 |
| **Segment B** | | | |
| Loans and advances to banks | **576,270,107** | 583,870,158 | 365,863,639 |
| Less stage 1 ECL collective allowance | **(367,786)** | (361,726) | (806,351) |
| | **575,902,321** | 583,508,432 | 365,057,288 |

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Remaining term to maturity | | | |
| **Bank-Total** | | | |
| Up to 3 months | **170,563,335** | 143,533,338 | 23,609 |
| Over 3 months and up to 6 months | **133,934,346** | 216,116,687 | 35,132,571 |
| Over 6 months and up to 12 months | **107,230,767** | 187,585,226 | 131,622,089 |
| Over 1 year and up to 5 years | **184,594,480** | 120,115,079 | 198,806,163 |
| Over 5 years | **—** | — | 13,338,939 |
| | **596,322,928** | 667,350,330 | 378,923,371 |
| Remaining term to maturity | | | |
| **Segment A** | | | |
| Up to 3 months | **—** | — | 23,609 |
| Over 3 months and up to 6 months | **20,052,820** | 50,397,648 | — |
| Over 6 months and up to 12 months | **—** | 6,503,496 | — |
| Over 1 year and up to 5 years | **—** | 26,579,028 | 13,036,123 |
| | **20,052,820** | 83,480,172 | 13,059,732 |
| Remaining term to maturity | | | |
| **Segment B** | | | |
| Up to 3 months | **170,563,335** | 143,533,336 | — |
| Over 3 months and up to 6 months | **113,881,525** | 165,719,040 | 35,132,571 |
| Over 6 months and up to 12 months | **107,230,767** | 181,081,731 | 131,622,089 |
| Over 1 year and up to 5 years | **184,594,480** | 93,536,051 | 185,770,040 |
| Over 5 years | **—** | — | 13,338,939 |
| | **576,270,107** | 583,870,158 | 365,863,639 |
| **Current assets** | **411,728,448** | 547,235,251 | 166,778,269 |
| **Non- current assets** | **184,594,480** | 120,115,079 | 212,145,102 |

## Reconciliation of the expected credit losses for loans and advances to banks at amortised cost

| | Stage 1 USD | Stage 2 USD | Stage 3 (incl IIS) USD | Total USD |
|---|---|---|---|---|
| Opening ECL 1 January 2021 | 519,931 | — | — | 519,931 |
| Transfers between stages | — | — | — | — |
| Net ECL (released)/raised | 292,678 | — | — | 292,678 |
| ECL on new exposures raised | 722,742 | — | — | 722,742 |
| Subsequent changes in ECL | (430,064) | — | — | (430,064) |
| Change in ECL due to derecognition | — | — | — | — |
| Impaired accounts written off | — | — | — | — |
| Exchange and other movements | — | — | — | — |
| Closing ECL 31 December 2021 | 812,609 | — | — | 812,609 |
| Opening ECL 1 January 2022 | 812,609 | — | — | 812,609 |
| Transfers between stages | — | — | — | — |
| Net ECL (released)/raised | (421,181) | — | — | (421,181) |
| ECL on new exposures raised | 206,600 | — | — | 206,600 |
| Subsequent changes in ECL | (627,781) | — | — | (627,781) |
| Change in ECL due to derecognition | — | — | — | — |
| Impaired accounts written off | — | — | — | — |
| Exchange and other movements | — | — | — | — |
| Closing ECL 31 December 2022 | 391,428 | — | — | 391,428 |
| **Opening ECL 1 January 2023** | **391,428** | **—** | **—** | **391,428** |
| **Transfers between stages** | **—** | **—** | **—** | **—** |
| **Net ECL (released)/raised** | **(19,213)** | | **—** | **(19,213)** |
| **ECL on new exposures raised** | **338,430** | **—** | **—** | **338,430** |
| **Subsequent changes in ECL** | **(357,643)** | **—** | **—** | **(357,643)** |
| **Change in ECL due to derecognition** | **—** | **—** | **—** | **—** |
| **Impaired accounts written off** | **—** | **—** | **—** | **—** |
| **Exchange and other movements** | **—** | **—** | **—** | **—** |
| **Closing ECL 31 December 2023** | **372,215** | **—** | **—** | **372,215** |

## Credit risk exposure of loans and advances to banks at amortised cost

**31 December 2023**

| | Gross carrying value | SB 1–12 Stage 1 | SB 1–12 Stage 2 | SB 13–20 Stage 1 | SB 13–20 Stage 2 | SB 21–25 Stage 1 | SB 21–25 Stage 2 | Stage 3 Sub standard | Stage 3 Doubtful | Total gross carrying amount of non-performing loans | Securities and expected recoveries on specifically impaired loans | Interest in suspense | Gross specific impairment coverage % | Non-performing loans % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | | |
| Bank lending | **596,322,927** | **24,528,524** | **—** | **571,794,403** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Sovereign lending | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Gross carrying value of loans and advances | **596,322,927** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Less: Total expected credit loss provision at amortised cost | **(372,215)** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| Stage 1 | **(372,215)** | | | | | | | | | | | | | |
| Stage 2 | **—** | | | | | | | | | | | | | |
| Stage 3 | **—** | | | | | | | | | | | | | |
| Purchased/ originated credit impaired | **—** | | | | | | | | | | | | | |
| IIS | **—** | | | | | | | | | | | | | |
| Net carrying value at amortised cost | **595,950,712** | | | | | | | | | | | | | |

## Credit risk exposure of loans and advances to banks at amortised cost continued

31 December 2022

| | Gross carrying value | SB 1–12 Stage 1 | SB 1–12 Stage 2 | SB 13–20 Stage 1 | SB 13–20 Stage 2 | SB 21–25 Stage 1 | SB 21–25 Stage 2 | Stage 3 Sub standard | Stage 3 Doubtful | Total gross carrying amount of non-performing loans | Securities and expected recoveries on specifically impaired loans | Interest in suspense | Gross specific impairment coverage % | Non-performing loans % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | | |
| Bank lending | 667,350,330 | 227,031,919 | — | 440,318,411 | — | — | — | — | — | — | — | — | — | — |
| Gross carrying value of loans and advances | 667,350,330 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Less: Total expected credit loss provision at amortised cost | (391,428) | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Stage 1 | (391,428) | | | | | | | | | | | | | |
| Stage 2 | — | | | | | | | | | | | | | |
| Stage 3 | — | | | | | | | | | | | | | |
| Purchased/ originated credit impaired | — | | | | | | | | | | | | | |
| IIS | — | | | | | | | | | | | | | |
| Net carrying value at amortised cost | 666,958,902 | | | | | | | | | | | | | |

## Credit risk exposure of loans and advances to banks at amortised cost continued

31 December 2021

| | Gross carrying value | SB 1–12 Stage 1 | SB 1–12 Stage 2 | SB 13–20 Stage 1 | SB 13–20 Stage 2 | SB 21–25 Stage 1 | SB 21–25 Stage 2 | Stage 3 Sub standard | Stage 3 Doubtful | Total gross carrying amount of non-performing loans | Securities and expected recoveries on specifically impaired loans | Interest in suspense | Gross specific impairment coverage % | Non-performing loans % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | | |
| Bank lending | 378,923,371 | 12,861,102 | – | 366,062,269 | – | – | – | – | – | – | – | – | – | – |
| Gross carrying value of loans and advances | 378,923,371 | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Less: Total expected credit loss provision at amortised cost | (812,609) | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Stage 1 | (812,609) | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Stage 2 | – | | | | | | | | | | | | | |
| Stage 3 | – | | | | | | | | | | | | | |
| Purchased/originated credit impaired | – | | | | | | | | | | | | | |
| IIS | – | | | | | | | | | | | | | |
| Net carrying value at amortised cost | 378,110,762 | | | | | | | | | | | | | |



# 12. Loans and advances to customers

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Bank – Total** | | | |
| Corporate customers | **278,898,542** | 179,488,004 | 149,822,081 |
| Entities outside Mauritius | **144,374,874** | 92,689,058 | 35,255,357 |
| Gross loans and advances to customers* | **423,273,416** | 272,177,062 | 185,077,438 |
| Less stage 3 ECL | **(15,343,020)** | (15,607,054) | (15,607,054) |
| Less stage 1 and 2 ECL | **(3,942,045)** | (3,199,368) | (1,188,285) |
| | **403,988,351** | 253,370,640 | 168,282,099 |

*Amount is net of interest in suspense of USD 4,491,402 (2022: USD 2,253,002, 2021: USD 1,644,101)

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Segment A** | | | |
| Corporate customers | **17,470,652** | 9,196,160 | 1,299,121 |
| | **17,470,652** | 9,196,160 | 1,299,121 |
| Less stage 3 ECL | **—** | — | — |
| Less stage 1 and 2 ECL | **(146,129)** | (13,396) | (3,376) |
| | **17,324,523** | 9,182,764 | 1,295,745 |
| **Segment B** | | | |
| Corporate customers | **261,427,890** | 170,291,844 | 148,522,960 |
| Entities outside Mauritius | **144,374,874** | 92,689,058 | 35,255,357 |
| | **405,802,764** | 262,980,902 | 183,778,317 |
| Less stage 3 ECL | **(15,343,020)** | (15,607,054) | (15,607,054) |
| Less stage 1 and 2 ECL | **(3,795,916)** | (3,185,972) | (1,184,909) |
| | **386,663,828** | 244,187,876 | 166,986,354 |

## (a) Gross loans and advances to customers remaining term to maturity

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Bank – Total** | | | |
| Up to 3 months | **111,190,706** | 75,535,564 | 33,268,019 |
| Over 3 months and up to 6 months | **10,739,130** | 29,200,481 | 18,097,035 |
| Over 6 months and up to 12 months | **16,269,362** | 88,223,219 | 57,867,728 |
| Over 1 year and up to 5 years | **285,074,218** | 79,217,798 | 75,844,656 |
| Over 5 years | **—** | — | — |
| | **423,273,416** | 272,177,062 | 185,077,438 |
| **Segment A** | | | |
| Up to 3 months | **9,597,023** | 7,800,428 | 1,149,674 |
| Over 3 months and up to 6 months | **7,873,629** | 598,622 | 149,447 |
| Over 6 months and up to 12 months | **—** | 797,110 | — |
| Over 1 year and up to 5 years | **—** | — | — |
| Over 5 years | **—** | — | — |
| | **17,470,652** | 9,196,160 | 1,299,121 |
| **Segment B** | | | |
| Up to 3 months | **101,593,683** | 67,735,136 | 32,118,345 |
| Over 3 months and up to 6 months | **2,865,501** | 28,601,859 | 17,947,589 |
| Over 6 months and up to 12 months | **16,269,362** | 87,426,109 | 57,867,728 |
| Over 1 year and up to 5 years | **285,074,218** | 79,217,798 | 75,844,655 |
| Over 5 Years | **—** | — | — |
| | **405,802,764** | 262,980,902 | 183,778,317 |
| Current assets | **138,199,198** | 192,959,264 | 109,232,783 |
| Non-current assets | **285,074,218** | 79,217,798 | 75,844,655 |

## (b) Credit concentration of risk by industry sectors

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Bank – Total** | | | |
| Consumer | **6,329,205** | 50,041,176 | 12,099,848 |
| Financial Institutions | **7,039,975** | 5,685,218 | 1,147,362 |
| Industrials | **35,694,812** | 253,182 | 2,312 |
| Mining and Metals | **25,389,761** | 13,484,560 | — |
| Oil and Gas | **57,049,453** | — | — |
| Power and Infrastructure | **6,672,602** | 8,893,324 | — |
| Real Estate | **23,669,718** | 23,527,760 | 23,304,956 |
| Global Business Licence Holders | **261,427,890** | 170,291,842 | 148,522,960 |
| | **423,273,416** | 272,177,062 | 185,077,438 |
| **Segment A** | | | |
| Consumer | **13,328** | 20,992 | 149,447 |
| Financial Institutions | **7,039,975** | 5,685,218 | 1,147,362 |
| Industrials | **69,415** | 253,182 | 2,312 |
| Mining and Metals | **10,347,934** | 3,236,768 | — |
| Oil and Gas | **—** | — | — |
| Power and Infrastructure | **—** | — | — |
| Real Estate | **—** | — | — |
| Global Business Licence Holders | **—** | — | — |
| | **17,470,652** | 9,196,160 | 1,299,121 |
| **Segment B** | | | |
| Consumer | **6,315,877** | 50,020,184 | 11,950,401 |
| Financial Institutions | **—** | — | — |
| Industrials | **35,625,397** | — | — |
| Mining and Metals | **15,041,827** | 10,247,792 | — |
| Oil and Gas | **57,049,453** | — | — |
| Power and Infrastructure | **6,672,602** | 8,893,324 | — |
| Real Estate | **23,669,718** | 23,527,760 | 23,304,956 |
| Global Business Licence Holders | **261,427,890** | 170,291,842 | 148,522,960 |
| | **405,802,764** | 262,980,902 | 183,778,317 |

## (c) Segmental analysis – Geographical area

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Africa | **379,710,029** | 268,940,293 | 185,077,438 |
| Europe | **35,356,176** | 3,236,769 | — |
| Asia | **8,207,211** | — | — |
| | **423,273,416** | 272,177,062 | 185,077,438 |

## (d) Allowance for credit impairment by industry sectors

| | 2023 | | | | | 2022 | 2021 |
|---|---|---|---|---|---|---|---|
| | Gross amount of performing loans | Impaired loans | Stage 3 ECL/ specific allowance | Stage 1 and 2 ECL collective allowance | Total allowances for credit impairment | Total allowances for credit impairment | Total allowances for credit impairment |
| | USD | USD | USD | USD | USD | USD | USD |
| **Bank – Total** | | | | | | | |
| Consumer | **6,329,205** | **—** | **—** | **95,202** | **95,202** | 194,209 | 128,685 |
| Financial Institutions | **7,039,975** | **—** | **—** | **135,305** | **135,305** | 9,081 | 1,300 |
| Industrials | **35,694,812** | **—** | **—** | **81,122** | **81,122** | 1,967 | 16 |
| Mining and Metals | **25,389,761** | **—** | **—** | **71,125** | **71,125** | 86,754 | — |
| Oil and Gas | **57,049,453** | **—** | **—** | **419,516** | **419,516** | — | — |
| Power and Infrastructure | **6,672,602** | **—** | **—** | **1,545,067** | **1,545,067** | 2,061,760 | — |
| Real Estate | **23,669,718** | **—** | **—** | **5,747** | **5,747** | 6,285 | 25,370 |
| Global Business Licence Holders | **241,362,618** | **20,065,272** | **15,343,020** | **1,588,961** | **16,931,981** | 16,446,366 | 16,639,968 |
| | **403,208,144** | **20,065,272** | **15,343,020** | **3,942,045** | **19,285,065** | 18,806,422 | 16,795,339 |
| **Segment A** | | | | | | | |
| Consumer | **13,328** | **—** | **—** | **259** | **259** | 440 | 2,060 |
| Financial Institutions | **7,039,975** | **—** | **—** | **135,305** | **135,305** | 9,081 | 1,300 |
| Industrials | **69,415** | **—** | **—** | **675** | **675** | 1,967 | 16 |
| Mining and Metals | **10,347,934** | **—** | **—** | **9,890** | **9,890** | 1,908 | — |
| Oil and Gas | **—** | **—** | **—** | **—** | **—** | — | — |
| Power and Infrastructure | **—** | **—** | **—** | **—** | **—** | — | — |
| Real Estate | **—** | **—** | **—** | **—** | **—** | — | — |
| Global Business Licence Holders | **—** | **—** | **—** | **—** | **—** | — | — |
| | **17,470,652** | **—** | **—** | **146,129** | **146,129** | 13,396 | 3,376 |

## (d) Allowance for credit impairment by industry sectors (continued)

| | 2023 | | | | | 2022 | 2021 |
|---|---|---|---|---|---|---|---|
| | Gross amount of performing loans | Impaired loans | Stage 3 ECL/ specific allowance | Stage 1 and 2 ECL collective allowance | Total allowances for credit impairment | Total allowances for credit impairment | Total allowances for credit impairment |
| | USD | USD | USD | USD | USD | USD | USD |
| **Segment B** | | | | | | | |
| Consumer | **6,315,877** | **—** | **—** | **94,943** | **94,943** | 193,769 | 126,625 |
| Financial Institutions | **—** | **—** | **—** | **—** | **—** | — | — |
| Industrials | **35,625,397** | **—** | **—** | **80,447** | **80,447** | — | — |
| Mining and Metals | **15,041,827** | **—** | **—** | **61,235** | **61,235** | 84,846 | — |
| Oil and Gas | **57,049,453** | **—** | **—** | **419,516** | **419,516** | — | — |
| Power and Infrastructure | **6,672,602** | **—** | **—** | **1,545,067** | **1,545,067** | 2,061,760 | — |
| Real Estate | **23,669,718** | **—** | **—** | **5,747** | **5,747** | 6,285 | 25,370 |
| Global Business Licence Holders | **241,362,618** | **20,065,272** | **15,343,020** | **1,588,961** | **16,931,981** | 16,446,366 | 16,639,968 |
| | **385,737,492** | **20,065,272** | **15,343,020** | **3,795,916** | **19,138,936** | 18,793,026 | 16,791,963 |

Impaired loans of USD 20,065,272 as at 31 December 2023 (2022: USD 20,733,255, 2021:USD 20,775,302) were from clients resident in Zimbabwe and Mozambique.

### (e) Reconciliation of the expected credit losses for loans and advances at amortised cost

| | Stage 1 | Stage 2 | Stage 3 (incl IIS) | Total |
|---|---|---|---|---|
| | USD | USD | USD | USD |
| Opening ECL 1 January 2021 | 935,905 | 383,573 | 15,997,580 | 17,317,058 |
| Transfers between stages | — | — | — | — |
| Net ECL raised/ (released) | (16,116) | (115,077) | — | (131,193) |
| ECL on new exposures raised | 130,670 | 200,562 | — | 331,232 |
| Subsequent changes in ECL | (146,786) | (315,639) | — | (462,425) |
| Change in ECL due to derecognition | — | — | — | — |
| Impaired accounts written off | — | — | — | — |
| Exchange and other movements | — | — | (390,526) | (390,526) |
| Closing ECL 31 December 2021 | 919,789 | 268,496 | 15,607,054 | 16,795,339 |
| Opening ECL 1 January 2022 | 919,789 | 268,496 | 15,607,054 | 16,795,339 |
| Transfers between stages | 3,666 | (3,666) | — | — |
| Net ECL raised/(released) | 2,207,210 | (196,127) | — | 2,011,083 |
| ECL on new exposures raised | 2,094,052 | — | — | 2,094,052 |
| Subsequent changes in ECL | 113,158 | (196,127) | — | (82,969) |
| Change in ECL due to derecognition | — | — | — | — |
| Impaired accounts written off | — | — | — | — |
| Exchange and other movements | — | — | — | — |
| Closing ECL 31 December 2022 | 3,130,665 | 68,703 | 15,607,054 | 18,806,422 |
| **Opening ECL 1 January 2023** | **3,130,665** | **68,703** | **15,607,054** | **18,806,422** |
| **Transfers between stages** | **—** | **—** | **—** | **—** |
| **Net ECL raised/(released)** | **625,993** | **116,684** | **(264,034)** | **478,643** |
| **ECL on new exposures raised** | **1,750,735** | **—** | **—** | **1,750,735** |
| **Subsequent changes in ECL** | **(1,124,742)** | **116,684** | **(264,034)** | **(1,272,092)** |
| **Change in ECL due to derecognition** | **—** | **—** | **—** | **—** |
| **Impaired accounts written off** | **—** | **—** | **—** | **—** |
| **Exchange and other movements** | **—** | **—** | **—** | **—** |
| **Closing ECL 31 December 2023** | **3,756,658** | **185,387** | **15,343,020** | **19,285,065** |

| Corporate customers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | USD | USD | USD | USD |
| **2023** | | | | |
| **Segment A** | **10,823** | **135,306** | **—** | **146,129** |
| **Segment B** | **3,745,835** | **50,081** | **15,343,020** | **19,138,936** |
| | **3,756,658** | **185,387** | **15,343,020** | **19,285,065** |
| 2022 | | | | |
| Segment A | 4,313 | 9,083 | — | 13,396 |
| Segment B | 3,126,352 | 59,620 | 15,607,054 | 18,793,026 |
| | 3,130,665 | 68,703 | 15,607,054 | 18,806,422 |
| 2021 | | | | |
| Segment A | 2,076 | 1,300 | — | 3,376 |
| Segment B | 917,713 | 267,196 | 15,607,054 | 16,791,963 |
| | 919,789 | 268,496 | 15,607,054 | 16,795,339 |



### (f) Credit risk exposure of loans and advances at amortised cost

| 31 December 2023 | Gross carrying value | SB 1–12 | | SB 13–20 | | SB 21–25 | | Stage 3 | | Total gross carrying amount of non-performing loans | Securities and expected recoveries on specifically impaired loans | Interest in suspense | Balance sheet impairments for non-performing, specifically impaired loans (stage 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Sub standard | Doubtful | | | | |
| Corporate lending* | 427,764,818 | 57,278,074 | – | 307,538,328 | 8,049,422 | 30,342,320 | – | – | 24,556,674 | 24,556,674 | 35,408,291 | 4,491,402 | (15,343,020) |
| Gross carrying value of loans and advances | 427,764,818 | – | – | – | – | – | – | – | – | – | – | – | – |
| Less: Total expected credit loss provision for loans and advances at amortised cost | (19,285,065) | – | – | – | – | – | – | – | – | – | – | – | – |
| Stage 1 | (3,756,658) | | | | | | | | | | | | |
| Stage 2 | (185,387) | | | | | | | | | | | | |
| Stage 3 | (15,343,020) | | | | | | | | | | | | |
| Purchased/ originated credit impaired | – | | | | | | | | | | | | |
| IIS | (4,491,402) | | | | | | | | | | | | |
| Net carrying value of loans and advances at amortised cost | 403,988,351 | | | | | | | | | | | | |

*Corporate lending excludes interest in suspense.

## (f) Credit risk exposure of loans and advances at amortised cost (continued)

31 December 2022

| | Gross carrying value | SB 1–2 | | SB 13–20 | | SB 21–25 | | Stage 3 | | Total gross carrying amount of non-performing loans | Securities and expected recoveries on specifically impaired loans | Interest in suspense | Balance sheet impairments for non-performing, specifically impaired loans (stage 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Sub standard | Doubtful | | | | |
| Corporate lending* | 274,430,064 | 47,338,944 | — | 181,108,924 | 12,688,978 | 8,893,324 | 1,413,637 | — | 22,986,257 | 22,986,257 | 36,340,309 | 2,253,002 | (15,607,054) |
| Gross carrying value of loans and advances | 274,430,064 | — | — | — | — | — | — | — | — | — | — | — | — |
| Less: Total expected credit loss provision for loans and advances at amortised cost | (18,806,422) | — | — | — | — | — | — | — | — | — | — | — | — |
| Stage 1 | (3,130,665) | | | | | | | | | | | | |
| Stage 2 | (68,703) | | | | | | | | | | | | |
| Stage 3 | (15,607,054) | | | | | | | | | | | | |
| Purchased/originated credit impaired | — | | | | | | | | | | | | |
| IIS | (2,253,002) | | | | | | | | | | | | |
| Net carrying value of loans and advances at amortised cost | 253,370,640 | | | | | | | | | | | | |

*Corporate lending excludes interest in suspense.
Loans and advances include the element of MTM amounting from USD 108,007 hedge accounting (refer to Note 9.3.2).

## (f) Credit risk exposure of loans and advances at amortised cost (continued)

31 December 2021

| | Gross carrying value | SB 1–12 | | SB 13–20 | | SB 21–25 | | Stage 3 | | Total gross carrying amount of non-performing loans | Securities and expected recoveries on specifically impaired loans | Interest in suspense | Balance sheet impairments for non-performing, specifically impaired loans (stage 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Stage 1 | Stage 2 | Sub standard | Doubtful | | | | |
| Corporate lending* | 186,721,539 | 15,439,458 | — | 107,670,639 | 8,650,784 | 23,304,956 | 9,236,299 | 11,885,853 | 10,533,550 | 22,419,403 | 5,168,248 | 1,644,101 | 15,607,054 |
| Gross carrying value of loans and advances | 186,721,539 | — | — | — | — | — | — | — | — | — | — | — | — |
| Less: Total expected credit loss provision for loans and advances at amortised cost | (16,795,339) | — | — | — | — | — | — | — | — | — | — | — | — |
| Stage 1 | (919,789) | | | | | | | | | | | | |
| Stage 2 | (268,496) | | | | | | | | | | | | |
| Stage 3 | (15,607,054) | | | | | | | | | | | | |
| Purchased/originated credit impaired | — | | | | | | | | | | | | |
| Interest In Suspense (IIS) | (1,644,101) | | | | | | | | | | | | |
| Net carrying value of loans and advances at amortised cost | 168,282,099 | | | | | | | | | | | | |

*Corporate lending excludes interest in suspense. Loans and advances include the element of MTM amounting to USD 108,077 hedge accounting (refer to Note 9.3.2).

# 13. Financial investments

| | Segment A | | | Segment B | | | Bank – Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 |
| | **USD** | USD | USD | **USD** | USD | USD | **USD** | USD | USD |
| Comprising | | | | | | | | | |
| Sovereign bonds | **637,253** | 2,757,094 | 3,527,537 | **301,223,493** | 461,888,877 | 212,468,472 | **301,860,746** | 464,645,971 | 215,996,009 |
| | **637,253** | 2,757,094 | 3,527,537 | **301,223,493** | 461,888,877 | 212,468,472 | **301,860,746** | 464,645,971 | 215,996,009 |
| Classified as: | | | | | | | | | |
| Net debt financial investments measured at amortised cost | **–** | – | – | **301,223,493** | 461,888,877 | 212,468,472 | **301,223,493** | 461,888,877 | 212,468,472 |
| Gross debt financial investments measured at amortised cost | **–** | – | – | **301,267,630** | 461,908,187 | 212,474,958 | **301,267,630** | 461,908,187 | 212,474,958 |
| Less: Expected credit losses for debt financial investments measured at amortised cost (Note 13.4) | **–** | – | – | **(44,137)** | (19,310) | (6,486) | **(44,137)** | (19,310) | (6,486) |
| Net debt financial investments measured at fair value through OCI | **637,253** | 2,757,094 | 3,527,537 | **–** | – | – | **637,253** | 2,757,094 | 3,527,537 |
| Gross debt financial investments measured at fair value through OCI | **637,253** | 2,757,094 | 3,527,537 | **–** | – | – | **637,253** | 2,757,094 | 3,527,537 |

## 13.1 Maturity analysis

| | Segment A | | | Segment B | | | Bank – Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 |
| | **USD** | USD | USD | **USD** | USD | USD | **USD** | USD | USD |
| **Current:** | | | | | | | | | |
| Up to 3 months | **637,253** | 563,561 | – | **–** | 97,015,466 | – | **637,253** | 97,579,027 | – |
| Over 3 months and up to 6 months | **–** | – | 568,865 | **46,928,440** | 95,686,731 | – | **46,928,440** | 95,686,731 | 568,865 |
| Over 6 months and up to 12 months | **–** | 2,193,533 | 2,958,672 | **–** | – | 118,932,519 | **–** | 2,193,533 | 121,891,191 |
| **Non-current:** | | | | | | | | | |
| Over 1 year and up to 5 years | **–** | – | – | **254,295,053** | 269,186,680 | 93,535,953 | **254,295,053** | 269,186,680 | 93,535,953 |
| | **637,253** | 2,757,094 | 3,527,537 | **301,223,493** | 461,888,877 | 212,468,472 | **301,860,746** | 464,645,971 | 215,996,009 |



## 13.2 Reconciliation of financial investments measured at fair value through OCI

| **2023** | **Segment A** | **Segment B** | **Total** |
|---|---|---|---|
| | USD | USD | USD |
| Balance at 01 January 2023 | **2,757,094** | **–** | **2,757,094** |
| Purchase of financial investments | **85,888,183** | **–** | **85,888,183** |
| Matured | **(88,047,797)** | **–** | **(88,047,797)** |
| Accrued interest | **(13,462)** | **–** | **(13,462)** |
| Fair value movements | **53,235** | **–** | **53,235** |
| Balance at 31 December 2023 | **637,253** | **–** | **637,253** |
| 2022 | **Segment A** | **Segment B** | **Total** |
| | USD | USD | USD |
| Balance at 01 January 2022 | 3,527,537 | – | 3,527,537 |
| Purchase of financial investments | 12,217,791 | – | 12,217,791 |
| Matured | (12,913,578) | – | (12,913,578) |
| Accrued interest | 3,009 | – | 3,009 |
| Fair value movements | (77,665) | – | (77,665) |
| Balance at 31 December 2022 | 2,757,094 | – | 2,757,094 |
| 2021 | **Segment A** | **Segment B** | **Total** |
| | USD | USD | USD |
| Balance at 01 January 2021 | 6,335,418 | – | 6,335,418 |
| Purchase of financial investments | 3,514,630 | – | 3,514,630 |
| Matured | (6,310,218) | – | (6,310,218) |
| Accrued interest | 10,689 | – | 10,689 |
| Fair value movements | (22,982) | – | (22,982) |
| Balance at 31 December 2021 | 3,527,537 | – | 3,527,537 |

### 13.3 Reconciliation of financial investments measured at amortised cost

| **2023** | **Segment A** USD | **Segment B** USD | **Total** USD |
|---|---|---|---|
| Balance at 01 January 2023 | **—** | **461,888,877** | **461,888,877** |
| Purchase of financial investments | **—** | **118,932,987** | **118,932,987** |
| Matured | **—** | **(214,680,445)** | **(214,680,445)** |
| Investments pledged | **—** | **(67,026,508)** | **(67,026,508)** |
| Accrued interest | **—** | **2,136,558** | **2,136,558** |
| Impairment – ECL | **—** | **(27,976)** | **(27,976)** |
| Balance at 31 December 2023 | **—** | **301,223,493** | **301,223,493** |
| 2022 | **Segment A** USD | **Segment B** USD | **Total** USD |
| Balance at 01 January 2022 | — | 212,468,472 | 212,468,472 |
| Purchase of financial investments | — | 364,995,691 | 364,995,691 |
| Matured | — | (121,350,284) | (121,350,284) |
| Accrued interest | — | 5,787,822 | 5,787,822 |
| Impairment – ECL | — | (12,824) | (12,824) |
| Balance at 31 December 2022 | — | 461,888,877 | 461,888,877 |
| 2021 | **Segment A** USD | **Segment B** USD | **Total** USD |
| Balance at 01 January 2021 | — | 213,641,375 | 213,641,375 |
| Purchase of financial investments | — | 93,493,313 | 93,493,313 |
| Matured | — | (92,851,338) | (92,851,338) |
| Accrued interest | — | (1,811,620) | (1,811,620) |
| Impairment – ECL | — | (3,258) | (3,258) |
| Balance at 31 December 2021 | — | 212,468,472 | 212,468,472 |

### 13.4 Reconciliation of expected credit losses for debt financial investments measured at amortised cost

| | **Stage 1** USD | **Stage 2** USD | **Stage 3 (incl IIS)** USD | **Total** USD |
|---|---|---|---|---|
| Opening ECL 1 January 2021 | 3,228 | — | — | 3,228 |
| Transfers between stages | — | — | — | — |
| Net ECL raised | 3,258 | — | — | 3,258 |
| ECL on new exposures raised | 3,970 | — | — | 3,970 |
| Subsequent changes in ECL | (712) | — | — | (712) |
| Change in ECL due to derecognition | — | — | — | — |
| Impaired accounts written off | — | — | — | — |
| Exchange and other movements | — | — | — | — |
| Closing ECL 31 December 2021 | 6,486 | — | — | 6,486 |
| Opening ECL 1 January 2022 | 6,486 | — | — | 6,486 |
| Transfers between stages | — | — | — | — |
| Net ECL raised | 12,824 | — | — | 12,824 |
| ECL on new exposures raised | 14,929 | — | — | 14,929 |
| Subsequent changes in ECL | (2,105) | — | — | (2,105) |
| Change in ECL due to derecognition | — | — | — | — |
| Impaired accounts written off | — | — | — | — |
| Exchange and other movements | — | — | — | — |
| Closing ECL 31 December 2022 | 19,310 | — | — | 19,310 |
| **Opening ECL 1 January 2023** | **19,310** | **—** | **—** | **19,310** |
| **Transfers between stages** | **—** | **—** | **—** | **—** |
| **Net ECL raised** | **24,827** | **—** | **—** | **24,827** |
| **ECL on new exposures raised** | **11,210** | **—** | **—** | **11,210** |
| **Subsequent changes in ECL** | **13,617** | **—** | **—** | **13,617** |
| **Change in ECL due to derecognition** | **—** | **—** | **—** | **—** |
| **Impaired accounts written off** | **—** | **—** | **—** | **—** |
| **Exchange and other movements** | **—** | **—** | **—** | **—** |
| **Closing ECL 31 December 2023** | **44,137** | **—** | **—** | **44,137** |

### 13.5 Reconciliation of expected credit losses for debt financial investments measured at fair value through OCI

| | Stage 1 | Stage 2 | Stage 3 (incl IIS) | Total |
|---|---|---|---|---|
| | USD | USD | USD | USD |
| Opening ECL 1 January 2021 | 238 | — | — | 238 |
| Transfers between stages | — | — | — | — |
| Net ECL released | (110) | — | — | (110) |
| ECL on new exposures raised | 128 | — | — | 128 |
| Subsequent changes in ECL | (238) | — | — | (238) |
| Change in ECL due to derecognition | — | — | — | — |
| Impaired accounts written off | — | — | — | — |
| Exchange and other movements | — | — | — | — |
| Closing ECL 31 December 2021 | 128 | — | — | 128 |
| Opening ECL 1 January 2022 | 128 | — | — | 128 |
| Transfers between stages | — | — | — | — |
| Net ECL raised | 5 | — | — | 5 |
| ECL on new exposures raised | 133 | — | — | 133 |
| Subsequent changes in ECL | (128) | — | — | (128) |
| Change in ECL due to derecognition | — | — | — | — |
| Impaired accounts written off | — | — | — | — |
| Exchange and other movements | — | — | — | — |
| Closing ECL 31 December 2022 | 133 | — | — | 133 |
| **Opening ECL 1 January 2023** | **133** | **—** | **—** | **133** |
| **Transfers between stages** | **—** | **—** | **—** | **—** |
| **Net ECL released** | **(131)** | **—** | **—** | **(131)** |
| **ECL on new exposures raised** | **2** | **—** | **—** | **2** |
| **Subsequent changes in ECL** | **(133)** | **—** | **—** | **(133)** |
| **Change in ECL due to derecognition** | **—** | **—** | **—** | **—** |
| **Impaired accounts written off** | **—** | **—** | **—** | **—** |
| **Exchange and other movements** | **—** | **—** | **—** | **—** |
| **Closing ECL 31 December 2023** | **2** | **—** | **—** | **2** |

# 14. Property, plant and equipment

| | Computer equipment | Office equipment | Furniture and fittings | Motor vehicles | Total |
|---|---|---|---|---|---|
| **Bank – Total** | USD | USD | USD | USD | USD |
| **Cost** | | | | | |
| Balance at 01 January 2021 | 3,253,777 | 963,273 | 4,233,157 | 187,221 | 8,637,428 |
| Acquisitions | 144,052 | 4,467 | 19,743 | — | 168,262 |
| Transfers | — | — | (1,852) | — | (1,852) |
| Disposals/write offs | (925) | (38,342) | (4,162) | — | (43,429) |
| Balance at 31 December 2021 | 3,396,904 | 929,398 | 4,246,886 | 187,221 | 8,760,409 |
| Acquisitions | 205,245 | 131,715 | 36,475 | — | 373,435 |
| Transfers | — | — | (119,120) | — | (119,120) |
| Disposals/write offs | (478,764) | (79,481) | (481,281) | — | (1,039,526) |
| **Balance at 31 December 2022** | **3,123,385** | **981,632** | **3,682,960** | **187,221** | **7,975,198** |
| **Acquisitions** | **213,201** | **10,640** | **17,726** | **—** | **241,567** |
| **Transfers** | **—** | **—** | **58,605** | **—** | **58,605** |
| **Disposals/Write offs** | **(1,233,404)** | **(42,359)** | **(183,004)** | **—** | **(1,458,767)** |
| **Balance at 31 December 2023** | **2,103,182** | **949,913** | **3,576,287** | **187,221** | **6,816,603** |
| Depreciation and impairment losses | | | | | |
| Balance at 01 January 2021 | 2,486,943 | 761,051 | 2,101,934 | 111,187 | 5,461,115 |
| Depreciation for the year | 355,421 | 36,008 | 323,072 | 25,053 | 739,554 |
| Disposals/write offs | (925) | (38,342) | (4,162) | — | (43,429) |
| Balance at 31 December 2021 | 2,841,439 | 758,717 | 2,420,844 | 136,240 | 6,157,240 |
| Depreciation for the year | 315,185 | 46,133 | 299,740 | 50,981 | 712,039 |
| Disposals/write offs | (478,134) | (66,746) | (448,527) | — | (993,407) |
| **Balance at 31 December 2022** | **2,678,490** | **738,104** | **2,272,057** | **187,221** | **5,875,872** |
| **Depreciation for the year** | **233,781** | **46,212** | **162,022** | **—** | **442,015** |
| **Disposals/Write offs** | **(1,233,404)** | **(42,359)** | **(183,004)** | **—** | **(1,458,767)** |
| **Balance at 31 December 2023** | **1,678,867** | **741,957** | **2,251,075** | **187,221** | **4,859,120** |
| **Carrying Amounts** | | | | | |
| **Balance at 31 December 2023** | **424,315** | **207,956** | **1,325,212** | **—** | **1,957,483** |
| Balance at 31 December 2022 | 444,895 | 243,528 | 1,410,903 | — | 2,099,326 |
| Balance at 31 December 2021 | 555,465 | 170,681 | 1,826,042 | 50,981 | 2,603,169 |

| | Segment A | Segment B | Bank |
|---|---|---|---|
| **2023** | USD | USD | USD |
| **Depreciation** | **(16,610)** | **(425,405)** | **(442,015)** |
| **Carrying amounts** | **73,560** | **1,883,923** | **1,957,483** |
| 2022 | | | |
| Depreciation | (34,406) | (677,633) | (712,039) |
| Carrying amounts | 101,257 | 1,998,069 | 2,099,326 |
| 2021 | | | |
| Depreciation | (35,011) | (704,543) | (739,554) |
| Carrying amounts | 123,235 | 2,479,934 | 2,603,169 |

Furniture and fittings include work in progress (WIP) amounting to USD 619,628 as at 31 December 2023 (2022: 561,023, 2021: USD 680,143).

# 15. Intangible assets

| Bank –Total | Computer software USD |
|---|---|
| **Cost** | |
| Balance at 01 January 2021 | 20,749,558 |
| Acquisitions | — |
| Balance at 31 December 2021 | 20,749,558 |
| Acquisitions | — |
| **Balance at 31 December 2022** | **20,749,558** |
| **Acquisitions** | **—** |
| **Disposals** | **(2,878)** |
| **Balance at 31 December 2023** | **20,746,680** |
| Amortisation and impairment losses | |
| Balance at 01 January 2021 | 4,659,833 |
| Amortisation for the year | 1,498,388 |
| Balance at 31 December 2021 | 6,158,221 |
| Amortisation for the year | 1,493,388 |
| **Balance at 31 December 2022** | **7,651,609** |
| **Amortisation for the year** | **1,470,937** |
| **Disposal** | **(2,878)** |
| **Balance at 31 December 2023** | **9,119,668** |
| **Carrying amounts** | |
| **Balance at 31 December 2023** | **11,627,012** |
| Balance at 31 December 2022 | 13,097,949 |
| Balance at 31 December 2021 | 14,591,337 |

There were no capitalised borrowing costs related to the acquisition of software during the year (2022: Nil, 2021: Nil).

| 2023 | Segment A USD | Segment B USD | Bank USD |
|---|---|---|---|
| **Amortisation** | **(55,276)** | **(1,415,661)** | **(1,470,937)** |
| **Carrying amounts** | **436,927** | **11,190,085** | **11,627,012** |
| 2022 | | | |
| Amortisation | (72,161) | (1,421,227) | (1,493,388) |
| Carrying amounts | 632,899 | 12,465,050 | 13,097,949 |
| 2021 | | | |
| Amortisation | (70,934) | (1,427,454) | (1,498,388) |
| Carrying amounts | 690,761 | 13,900,576 | 14,591,337 |

# 16. Leases

### (i) Amounts recognised in statement of financial position

The statement of financial position shows the following amounts relating to leases:

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Right-of-use assets** | | | |
| Buildings | **447,998** | 1,100,818 | 1,832,547 |
| Other – Parking and collocation data centre | **216,009** | 480,476 | 445,407 |
| | **664,007** | 1,581,294 | 2,277,954 |
| **Lease liabilities** | | | |
| Current | **664,925** | 853,690 | 759,035 |
| Non-Current | **—** | 663,182 | 1,313,250 |
| | **664,925** | 1,516,872 | 2,072,285 |

Additions to the right-of use assets during the 2023 financial year were nil (2022: USD254,232, 2021:USD 451,647).

Retirements to the right-of use assets during the 2023 financial year were nil (2022: USD 318,385, 2021: Nil).

### (ii) Amounts recognised in the statement of profit or loss

**The statement of profit or loss shows the following amounts relating to leases:**

| Depreciation charge of right-of-use assets | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Buildings | **(652,821)** | (729,914) | (546,106) |
| Others | **(264,466)** | (219,163) | (101,526) |
| | **(917,287)** | (949,077) | (647,632) |
| Interest expense (Note 26) | **(56,066)** | (93,720) | (113,628) |
| Expense relating to short-term lease (Note 32) | **(115,782)** | (123,302) | (408,124) |

The total cash outflow for leases in 2023 was USD 908,013 (2022: USD 893,164, 2021: USD 737,703).

| 2023 | Segment A USD | Segment B USD | Bank USD |
|---|---|---|---|
| **Depreciation** | **(34,471)** | **(882,816)** | **(917,287)** |
| **Carrying amounts of right-of-use assets** | **24,952** | **639,055** | **664,007** |
| **Lease liabilities** | **(24,987)** | **(639,938)** | **(664,925)** |
| 2022 | | | |
| Depreciation | (45,860) | (903,217) | (949,077) |
| Carrying amounts of right-of-use assets | 76,409 | 1,504,885 | 1,581,294 |
| Lease liabilities | (73,296) | (1,443,576) | (1,516,872) |
| 2021 | | | |
| Depreciation | (30,659) | (616,973) | (647,632) |
| Carrying amounts of right-of-use assets | 107,840 | 2,170,114 | 2,277,954 |
| Lease liabilities | (98,103) | (1,974,182) | (2,072,285) |

# 17. Deferred tax assets/(liabilities)

### The movement on the deferred tax amount is as follows:

| Bank – Total | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| At 01 January | **318,771** | 153,304 | 153,687 |
| Movement during the year recognised in profit or loss (Note 34) | **778,416** | 186,509 | 46,544 |
| Movement during the year recognised in OCI | **102,484** | (21,042) | (46,927) |
| At 31 December | **1,199,671** | 318,771 | 153,304 |
| **Segment A** | | | |
| At 01 January | **(35,731)** | (54,659) | (55,387) |
| Movement during the year recognised in profit or loss | **7,769** | 20,256 | 3,118 |
| Movement during the year recognised in OCI | **3,852** | (1,328) | (2,390) |
| Deferred tax liability as at 31 December | **(24,110)** | (35,731) | (54,659) |
| **Segment B** | | | |
| At 01 January | **354,502** | 207,963 | 209,074 |
| Movement during the year recognised in profit or loss | **770,647** | 166,253 | 43,426 |
| Movement during the year recognised in OCI | **98,632** | (19,714) | (44,537) |
| Deferred tax asset as at 31 December | **1,223,781** | 354,502 | 207,963 |

### Deferred income tax assets and liabilities are attributable to the following items:

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Deferred tax assets: | | | |
| Expected credit losses | **2,348,935** | 950,763 | 853,053 |
| Other temporary differences | **135,678** | 53,596 | 46,753 |
| | **2,484,613** | 1,004,359 | 899,806 |
| Deferred tax liabilities: | | | |
| Other temporary differences | **–** | (40,401) | (16,078) |
| Accelerated depreciation | **(1,284,942)** | (645,187) | (730,424) |
| | **(1,284,942)** | (685,588) | (746,502) |

### The deferred tax release in profit or loss comprise the following differences:

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Expected credit losses | **(1,398,172)** | (97,710) | 60,201 |
| Other temporary differences | **(19,999)** | (3,559) | (22,535) |
| Accelerated depreciation | **639,755** | (85,240) | (84,210) |
| | **(778,416)** | (186,509) | (46,544) |

# 18. Other assets

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Mandatory balances with central bank | **6,631,470** | 5,212,382 | 4,864,019 |
| Prepayments | **394,758** | 386,922 | 335,461 |
| Sundry Debtor | **206,803** | 80,123 | 59,014 |
| Other | **434,505** | 283,158 | 193,137 |
| | **7,667,536** | 5,962,585 | 5,451,631 |
| **Segment A** | | | |
| Mandatory balances with central bank | **6,631,470** | 5,212,382 | 4,864,019 |
| Prepayments | **14,834** | 18,696 | 15,881 |
| Other | **132,867** | 114,669 | 111,402 |
| | **6,779,171** | 5,345,747 | 4,991,302 |
| **Segment B** | | | |
| Prepayments | **379,924** | 368,226 | 319,580 |
| Sundry debtor | **206,803** | 80,123 | 59,014 |
| Other | **301,638** | 168,489 | 81,735 |
| | **888,365** | 616,838 | 460,329 |
| **Current** | **7,655,855** | 5,961,196 | 5,424,392 |
| **Non-current** | **11,681** | 1,389 | 27,239 |

1. Mandatory balances with central bank relate to deposits placed with the Central Bank for the purpose of reserve requirements and are therefore not available for use.
2. Other consists of stock for stationery, sundry debtor vendor and withholding tax.

# 19. Deposits from banks

| Bank – Total | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Money Market Deposits | **129,678,750** | 116,052,036 | 100,008,656 |
| Other deposits from banks | **4,072,431** | 22,592,075 | 15,251,197 |
| | **133,751,181** | 138,644,111 | 115,259,853 |
| **Segment A** | | | |
| Money Market Deposits | **10,445,691** | 35,891,988 | 30,002,733 |
| Other deposits from banks | **1,648,470** | 744,195 | 14,802,747 |
| | **12,094,161** | 36,636,183 | 44,805,480 |
| **Segment B** | | | |
| Money Market Deposits | **119,233,059** | 80,160,048 | 70,005,923 |
| Other deposits from banks | **2,423,961** | 21,847,880 | 448,450 |
| | **121,657,020** | 102,007,928 | 70,454,373 |
| **Current** | **133,751,181** | 138,644,111 | 115,259,853 |

# 20. Deposits from customers

| Bank – Total | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Corporates** | | | |
| Demand deposits | | | |
| Current accounts | **790,812,333** | 1,361,034,437 | 695,502,022 |
| Savings accounts | **–** | – | 5,051 |
| Call accounts | **562,218,883** | 634,506,735 | 1,056,276,821 |
| Time deposits | | | |
| Up to 3 months | **471,484,369** | 314,558,133 | 173,605,073 |
| Over 3 months and up to 6 months | **–** | 9,020,168 | 1,267 |
| Over 6 months and up to 12 months | **–** | 34,054,317 | 18,489,317 |
| Over 1 year and up to 5 year | **–** | 17,928,441 | – |
| Over 5 years | **–** | – | – |
| | **1,824,515,585** | 2,371,102,231 | 1,943,879,551 |
| **Segment A** | | | |
| Demand deposits | | | |
| Current accounts | **29,098,755** | 16,831,303 | 11,040,715 |
| Savings accounts | **–** | – | 5,051 |
| Call accounts | **40,954,695** | 14,869,281 | 9,439,553 |
| Time deposits | | | |
| Up to 3 months | **55,571,236** | 403,366 | 729,183 |
| Over 3 months and up to 6 months | **–** | – | 1,267 |
| Over 6 months and up to 12 months | **–** | 27,550,094 | 14,341,056 |
| Over 1 year and up to 5 years | **–** | – | – |
| Over 5 years | **–** | – | – |
| | **125,624,686** | 59,654,044 | 35,556,825 |
| **Segment B** | | | |
| Demand deposits | | | |
| Current accounts | **761,713,578** | 1,344,203,134 | 684,461,307 |
| Call accounts | **521,264,188** | 619,637,454 | 1,046,837,268 |
| Time deposits | | | |
| Up to 3 months | **415,913,133** | 314,154,767 | 172,875,890 |
| Over 3 months and up to 6 months | **–** | 9,020,168 | – |
| Over 6 months and up to 12 months | **–** | 6,504,223 | 4,148,261 |
| Over 1 year and up to 5 years | **–** | 17,928,441 | – |
| Over 5 years | **–** | – | – |
| | **1,698,890,899** | 2,311,448,187 | 1,908,322,726 |
| **Current liabilities** | **1,824,515,585** | 2,353,173,790 | 1,943,879,551 |
| **Non-current liabilities** | **–** | 17,928,441 | – |

# 21. Other borrowed funds

| Bank total and Segment B | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Other borrowed funds at amortised cost** | | | |
| Comprising: | | | |
| Borrowings under repurchase agreement | **59,687,934** | – | – |
| Term borrowings | **31,644,036** | – | – |
| **Total other borrowed funds at amortised cost** | **91,331,970** | – | – |
| **Non-current** | **91,331,970** | – | – |

As part of the yield enhancement strategy, the Bank entered into a repurchase agreement and borrowed funds by pledging USD sovereign bonds from the financial investments portfolio. The borrowed funds were deployed in assets with a higher yield. Term borrowings represent borrowings from the Group to fund long-term foreign currency loans to customers.

# 22. Current tax liabilities

| Bank – Total | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Income tax based on chargeable income | **8,966,552** | 2,181,681 | 897,660 |
| Withholding taxes | **–** | (25,801) | (16,938) |
| Advanced payments made | **(6,727,417)** | (1,231,375) | (570,320) |
| **Segment A** | | | |
| Income tax based on chargeable income | **599,767** | 348,124 | 140,068 |
| Advanced payments made | **(252,808)** | (59,501) | (26,999) |
| **Segment B** | | | |
| Income tax based on chargeable income | **8,366,786** | 1,833,557 | 757,592 |
| Withholding taxes | **–** | (25,801) | (16,938) |
| Advanced payments made | **(6,474,610)** | (1,171,874) | (543,321) |
| | **1,892,176** | 635,882 | 197,333 |

## 23. Other liabilities

| | Notes | USD 2023 | USD 2022 | USD 2021 |
|---|---|---|---|---|
| Accrued expense | | **5,148,403** | 3,437,356 | 1,643,406 |
| Retirement benefit obligations | 31(c) | **1,181,752** | 512,918 | 630,817 |
| Other liabilities and provisions | | **258,197** | 1,272,117 | 618,583 |
| Sundry creditors | | **2,401,473** | 2,109,455 | 1,703,674 |
| Deferred income | | **1,337,217** | 603,732 | 513,555 |
| Others | | **6,116,233** | 5,686,922 | 3,292,585 |
| | | **16,443,275** | 13,622,500 | 8,402,620 |
| **Segment A** | | | | |
| Accrued expense | | **193,470** | 166,095 | 77,801 |
| Retirement benefit obligations | | **44,409** | 24,784 | 29,863 |
| Other liabilities and provisions | | **9,703** | 61,469 | 29,284 |
| Sundry creditors | | **—** | — | 1,683,360 |
| Deferred income | | **1,223,775** | 337,849 | — |
| Others *(1)* | | **340,430** | 578,472 | 1,377,780 |
| | | **1,811,787** | 1,168,669 | 3,198,088 |
| **Segment B** | | | | |
| Accrued expense | | **4,954,933** | 3,271,261 | 1,565,605 |
| Retirement benefit obligations | | **1,137,343** | 488,134 | 600,954 |
| Other liabilities and provisions | | **248,494** | 1,210,648 | 589,299 |
| Sundry creditors | | **2,401,473** | 2,109,455 | 20,315 |
| Deferred income | | **113,442** | 265,883 | 513,555 |
| Others | | **5,775,803** | 5,108,450 | 1,914,804 |
| | | **14,631,488** | 12,453,831 | 5,204,532 |
| **Current** | | **14,436,587** | 12,934,848 | 7,415,417 |
| **Non-current** | | **2,006,688** | 687,652 | 987,203 |

(1) Others comprise clearance settlement, credit in transit, VAT and provision for off-balance sheet.

## 24. Share capital

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Authorised capital: -** | | | |
| Ordinary (40,000,000 shares of USD 1 each) | **40,000,000** | 40,000,000 | 40,000,000 |
| **Issued and paid capital** | | | |
| Ordinary (35,000,000 shares of USD 1 each) | **35,000,000** | 35,000,000 | 35,000,000 |
| **Unissued capital** | | | |
| Ordinary (5,000,000 shares of USD 1 each) | **5,000,000** | 5,000,000 | 5,000,000 |

## 25. Contingent liabilities

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Total – Bank** | | | |
| Guarantees on account of customers | **57,423,898** | 26,555,724 | 20,088,885 |
| Letters of credit and other obligations on account of customers | **16,684,941** | 32,479,363 | 13,097,296 |
| | **74,108,839** | 59,035,087 | 33,186,181 |
| Less IFRS 9 provision on off-balance sheet exposures | **(20,651)** | (31,843) | (29,091) |
| | **74,088,188** | 59,003,244 | 33,157,090 |
| **Segment A** | | | |
| Guarantees on account of customers | **504,550** | 4,544 | 14,451 |
| Letters of credit and other obligations on account of customers | **—** | — | — |
| | **504,550** | 4,544 | 14,451 |
| Less IFRS 9 provision on off-balance sheet exposures | **(1,183)** | — | (462) |
| | **503,367** | 4,544 | 13,989 |
| **Segment B** | | | |
| Guarantees on account of customers | **56,919,348** | 26,551,180 | 20,074,434 |
| Letters of credit and other obligations on account of customers | **16,684,941** | 32,479,363 | 13,097,296 |
| | **73,604,289** | 59,030,543 | 33,171,730 |
| Less IFRS 9 provision on off-balance sheet exposures | **(19,468)** | (31,843) | (28,629) |
| | **73,584,821** | 58,998,700 | 33,143,101 |

## (a) Reconciliation of the allowance for expected credit loss for "off-balance sheet" exposures, by class

| | Stage 1 | | Stage 2 | | Stage 3 (incl IIS) | | Total | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | LCs | Guarantees | LCs | Guarantees | LCs | Guarantees | LCs | Guarantees | |
| | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| Opening ECL 1 January 2021 | 4,274 | 9,713 | – | 60 | – | – | 4,274 | 9,773 | 14,047 |
| Transfers between stages | – | – | – | – | – | – | – | – | – |
| Net ECL raised/(released) | 16,308 | (1,941) | – | 677 | – | – | 16,308 | (1,264) | 15,044 |
| ECL on new exposures raised | – | 253 | – | 229 | – | – | – | 482 | 482 |
| Subsequent changes in ECL | 16,308 | (2,194) | – | 448 | – | – | 16,308 | (1,746) | 14,562 |
| Change in ECL due to derecognition | – | – | – | – | – | – | – | – | – |
| Impaired accounts written off | – | – | – | – | – | – | – | – | – |
| Exchange and other movements | – | – | – | – | – | – | – | – | – |
| Closing ECL 31 December 2021 | 20,582 | 7,772 | – | 737 | – | – | 20,582 | 8,509 | 29,091 |
| Opening ECL 1 January 2022 | 20,582 | 7,772 | – | 737 | – | – | 20,582 | 8,509 | 29,091 |
| Transfers between stages | – | – | – | – | – | – | – | – | – |
| Net ECL raised/(released) | (13,042) | 13,448 | – | 2,346 | – | – | (13,042) | 15,794 | 2,752 |
| ECL on new exposures raised | 26 | 11,364 | – | – | – | – | 26 | 11,364 | 11,390 |
| Subsequent changes in ECL | (13,068) | 2,084 | – | 2,346 | – | – | (13,068) | 4,430 | (8,638) |
| Change in ECL due to derecognition | – | – | – | – | – | – | – | – | – |
| Impaired accounts written off | – | – | – | – | – | – | – | – | – |
| Exchange and other movements | – | – | – | – | – | – | – | – | – |
| Closing ECL 31 December 2022 | 7,540 | 21,220 | – | 3,083 | – | – | 7,540 | 24,303 | 31,843 |
| **Opening ECL 1 January 2023** | **7,540** | **21,220** | **–** | **3,083** | **–** | **–** | **7,540** | **24,303** | **31,843** |
| **Transfers between stages** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Net ECL released** | **(1,295)** | **(7,184)** | **–** | **(2,713)** | **–** | **–** | **(1,295)** | **(9,897)** | **(11,192)** |
| **ECL on new exposures raised** | **69** | **875** | **–** | **–** | **–** | **–** | **69** | **875** | **944** |
| **Subsequent changes in ECL** | **(1,364)** | **(8,059)** | **–** | **(2,713)** | **–** | **–** | **(1,364)** | **(10,772)** | **(12,136)** |
| **Change in ECL due to derecognition** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Impaired accounts written off** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Exchange and other movements** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Closing ECL 31 December 2023** | **6,245** | **14,036** | **–** | **370** | **–** | **–** | **6,245** | **14,406** | **20,651** |

# 26. Net interest income

| Bank – Total | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Interest income measured at amortised cost** | | | |
| Loans and advances to banks | **92,471,391** | 32,610,900 | 9,785,634 |
| Loans and advances to customers | **25,785,124** | 14,745,722 | 7,832,861 |
| Financial investments | **12,082,361** | 4,532,909 | 939,251 |
| Other (IFRS unwinding) | **310,544** | 124,640 | 101,002 |
| **Total interest income** | **130,649,420** | 52,014,171 | 18,658,748 |
| **Interest income on items measured at fair value through OCI** | | | |
| Financial investments | **101,719** | 38,527 | 38,057 |
| **Total** | **130,751,139** | 52,052,698 | 18,696,805 |
| **Interest expense** | | | |
| **Interest expense on items measured at amortised cost** | | | |
| Deposits from banks | **(6,094,945)** | (2,009,363) | (189,472) |
| Deposits from customers | **(39,724,110)** | (10,274,841) | (2,193,737) |
| Other borrowed funds | **(2,293,672)** | – | – |
| **Other:** | | | |
| Interest on lease liabilities | **(56,066)** | (93,720) | (113,628) |
| **Total interest expense** | **(48,168,793)** | (12,377,924) | (2,496,837) |
| **Net interest income** | **82,582,346** | 39,674,774 | 16,199,968 |
| **Segment A** | | | |
| **Interest income measured at amortised cost** | | | |
| Loans and advances to banks | **976,757** | 443,391 | 8,726 |
| Loans and advances to customers | **2,729,183** | 1,128,278 | 76,551 |
| Other (IFRS unwinding) | **75,060** | 62,374 | (3,326) |
| **Total interest income** | **3,781,000** | 1,634,043 | 81,951 |
| **Interest income on items measured at fair value through OCI** | | | |
| Financial investments | **101,719** | 38,527 | 38,057 |
| **Total** | **3,882,719** | 1,672,570 | 120,008 |
| **Interest expense** | | | |
| **Interest expense on items measured on an amortised cost** | | | |
| Deposits from banks | **(480,129)** | (192,382) | (78,237) |
| Deposits from customers | **(1,536,749)** | (407,094) | (26,279) |
| **Other:** | | | |
| Interest on lease liabilities | **(56,066)** | (93,720) | (113,628) |
| **Total interest expense** | **(2,072,944)** | (693,196) | (218,144) |
| **Net interest income/(expense)** | **1,809,775** | 979,374 | (98,136) |

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Segment B** | | | |
| **Interest income measured at amortised cost** | | | |
| Loans and advances to banks | **91,494,634** | 32,167,509 | 9,776,908 |
| Loans and advances to customers | **23,055,941** | 13,617,444 | 7,756,310 |
| Financial investments | **12,082,361** | 4,532,909 | 939,251 |
| Other (IFRS unwinding) | **235,484** | 62,266 | 104,328 |
| **Total** | **126,868,420** | 50,380,128 | 18,576,797 |
| **Interest income on items measured at fair value through OCI** | | | |
| Financial investments | **—** | — | — |
| **Total interest income** | **126,868,420** | 50,380,128 | 18,576,797 |
| **Interest expense on items measured on an amortised cost** | | | |
| Deposits from banks | **(5,614,816)** | (1,816,981) | (111,235) |
| Deposits from customers | **(38,187,361)** | (9,867,747) | (2,167,458) |
| Other borrowed funds | **(2,293,672)** | — | — |
| **Total interest expense** | **(46,095,849)** | (11,684,728) | (2,278,693) |
| **Net interest income** | **80,772,571** | 38,695,400 | 16,298,104 |

# 27. Net fee and commission income

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Fee and commission income | | | |
| Corporate banking customer fees | **6,027,971** | 5,270,442 | 4,254,406 |
| Corporate banking credit-related fees | **2,573,590** | 2,397,613 | 1,893,937 |
| Investment banking Fees | **—** | 517,500 | 67,500 |
| Custody fees | **6,433** | 7,010 | 67,015 |
| Total fee and commission income | **8,607,994** | 8,192,565 | 6,282,858 |
| Fee and commission expense | **(2,500)** | — | (52,670) |
| **Net fee and commission income** | **8,605,494** | 8,192,565 | 6,230,188 |
| **Segment A** | | | |
| Fee and commission income | | | |
| Corporate banking customer fees | **84,119** | 59,580 | 45,803 |
| Corporate banking credit-related fees | **13,221** | 14,064 | 9,126 |
| Custody fees | **6,433** | 7,010 | 67,015 |
| Total fee and commission income | **103,773** | 80,654 | 121,944 |
| Fee and commission expense | **(2,500)** | — | (52,670) |
| **Net fee and commission income** | **101,273** | 80,654 | 69,274 |
| **Segment B** | | | |
| Fee and commission income | | | |
| Corporate banking customer fees | **5,943,852** | 5,210,862 | 4,208,603 |
| Corporate banking credit-related fees | **2,560,369** | 2,383,549 | 1,884,811 |
| Investment banking Fees | **—** | 517,500 | 67,500 |
| **Total fee and commission income** | **8,504,221** | 8,111,911 | 6,160,914 |
| **Net fee and commission income** | **8,504,221** | 8,111,911 | 6,160,914 |

# 28. Net trading income

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Fixed income/Money Market | **17,538** | 187,501 | 87,050 |
| Foreign exchange | **11,410,792** | 11,873,345 | 8,265,376 |
| | **11,428,330** | 12,060,846 | 8,352,426 |
| **Segment A** | | | |
| Fixed income/Money Market | **17,538** | 187,501 | 87,050 |
| Foreign exchange | **1,665,683** | 1,419,978 | 1,141,759 |
| | **1,683,221** | 1,607,479 | 1,228,809 |
| **Segment B** | | | |
| Fixed income/Money Market | **—** | — | — |
| Foreign exchange | **9,745,109** | 10,453,367 | 7,123,617 |
| | **9,745,109** | 10,453,367 | 7,123,617 |

# 29. Other operating income

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Bank – Total** | | | |
| Total other income | **307,960** | 263,859 | 279,839 |
| **Segment A** | | | |
| Rental income and recharges | **273,480** | 241,001 | 270,564 |
| **Segment B** | | | |
| Currency sell-off | **(6,773)** | 5,605 | 9,275 |
| IGSM recovery | **41,253** | 17,253 | — |
| | **34,480** | 22,858 | 9,275 |

# 30. Net impairment (charge)/release on financial assets

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Bank – Total** | | | |
| Loans and advances to customers* | **(248,902)** | (912,177) | 1,409,012 |
| Loans and advances to banks and cash and cash equivalents | **22,828** | 565,203 | (328,938) |
| Financial investments | **(35,588)** | (12,829) | (3,148) |
| Non-funded facilities** | **(166,261)** | (172,786) | 141,732 |
| Recoveries on loans and advances previously written off | **—** | 1,525,340 | — |
| | **(427,923)** | 992,751 | 1,218,658 |
| **Segment A** | | | |
| Loans and advances to customers | **(132,733)** | (10,020) | 695 |
| Loans and advances to banks and cash and cash equivalents | **25,251** | (23,444) | (6,257) |
| Financial investments | **131** | (5) | 110 |
| Non-funded facilities | **34,293** | (23,873) | 5,839 |
| Recoveries on loans and advances previously written off | **—** | 1,525,340 | — |
| | **(73,058)** | 1,467,998 | 387 |
| **Segment B** | | | |
| Loans and advances to customers | **(116,169)** | (902,157) | 1,408,317 |
| Loans and advances to banks and cash and cash equivalents | **(2,423)** | 588,647 | (322,681) |
| Financial investments | **(35,719)** | (12,824) | (3,258) |
| Non-funded facilities | **(200,554)** | (148,913) | 135,893 |
| | **(354,865)** | (475,247) | 1,218,271 |

* Loans and advances to customers include unwind time value of money of USD 350,360 for 31 Dec 2023.

** Impairment charge relates to off-balance sheet exposures.

# 31. (a) Personnel expenses

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Bank – Total** | | | |
| Wages and salaries | **5,567,832** | 4,385,109 | 4,693,592 |
| Other personnel expenses | **3,481,950** | 6,181,824 | 2,282,445 |
| Compulsory social security obligations | **29,400** | 62,165 | 23,558 |
| Contributions to defined contribution plans | **421,984** | 460,173 | 466,112 |
| Retirement benefit cost | **(118,027)** | 299,533 | 159,430 |
| Share based payment – cash settled | **633,087** | 557,744 | 71,424 |
| | **10,016,226** | 11,946,548 | 7,696,561 |
| **Segment A** | | | |
| Wages and salaries | **209,231** | 211,891 | 224,304 |
| Other personnel expenses | **130,846** | 298,709 | 105,945 |
| Compulsory social security obligations | **1,105** | 3,004 | 1,115 |
| Contributions to defined contribution plans | **15,858** | 22,235 | 22,066 |
| Retirement benefit cost | **(4,435)** | 14,474 | 7,548 |
| Share based payment – cash settled | **23,791** | 26,950 | 3,381 |
| | **376,396** | 577,263 | 364,359 |
| **Segment B** | | | |
| Wages and salaries | **5,358,601** | 4,173,218 | 4,513,789 |
| Other personnel expenses | **3,351,104** | 5,883,115 | 2,131,999 |
| Compulsory social security obligations | **28,295** | 59,161 | 22,443 |
| Contributions to defined contribution plans | **406,126** | 437,938 | 444,046 |
| Retirement benefit cost | **(113,592)** | 285,059 | 151,882 |
| Share based payment – cash settled | **609,296** | 530,794 | 68,043 |
| | **9,639,830** | 11,369,285 | 7,332,202 |

# 31. (b) Share-based payments

## (i) Deferred bonus scheme (DBS)

Employees who are granted an annual performance award over a certain threshold have part of their award deferred.The award is indexed to the Group's share price and accrues notional dividends during the vesting period, which are payable on vesting. The awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. The final pay-out is determined with reference to the Group's share price on vesting date. The final value is calculated with reference to the number of units multiplied by the Standard Bank Group's share price and is delivered in cash in Mauritius. The award also accrues notional dividends during the vesting period, payable at vesting.

The provision in respect of liabilities at 31 December 2023 and the amount charged for the year under the scheme is USD 528,420 (2022: USD 324,475, 2021: USD 115,282). Total expenses recognised in staff costs for 2023 were USD 633,087 (2022: USD 557,744, 2021: USD 71,424).

| Reconciliation | Units 2023 | Units 2022 | Units 2021 |
|---|---|---|---|
| Units outstanding at beginning of year | **3,594** | 7,504 | 1,701 |
| Transferred out | **11,677** | 901 | 3,870 |
| Exercised | **(4,612)** | — | 5,175 |
| Lapsed | **(7,544)** | (4,811) | (3,242) |
| Units outstanding at end of the year | **3,115** | 3,594 | 7,504 |
| Weighted average fair value at grant date (R) | **152** | 160 | 143 |
| Expected life (years) | **3** | 3 | 3 |
| Risk-free interest rate (%) | **n/a** | n/a | n/a |

## (ii) Cash-settled deferred bonus scheme (CSDBS)

Employees granted an annual performance award over a threshold have part of their award deferred. In addition, the Group makes special awards of CSDBS to qualifying employees.

The award units are denominated in the local currency of employees' host countries, the value of which moves parallel to the changes in the price of the Standard Bank Group's (SBG's) shares listed on the JSE and accrue notional dividends over the vesting period, which are payable on vesting.

Awards vest in three equal tranches at 18 months, 30 months and 42 months from the date of award. Final pay-out is determined with reference to the SBG share price on the vesting date.

**31 December 2023**

| Currency | Weighted average fair value at grant date | Expected life at grant date (years) | Opening balance (Unit) | Granted (Unit) | Forfeited (Unit) | Exercised (Unit) | Transferred between Group companies (Unit) | Outstanding (Unit) |
|---|---|---|---|---|---|---|---|---|
| MUR | **174.33** | **3** | **32,820** | **66,934** | **(3,409)** | **(37,608)** | **15,665** | **74,402** |
| UGX | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| CNY | **142** | **—** | **13,435** | **—** | **—** | **—** | **—** | **13,435** |

## (ii) Cash-settled deferred bonus scheme (CSDBS) (continued)

31 December 2022

| Currency | Weighted average fair value at grant date | Expected life at grant date (years) | Opening balance (Unit) | Granted (Unit) | Forfeited (Unit) | Exercised (Unit) | Transferred between Group companies (Unit) | Outstanding (Unit) |
|---|---|---|---|---|---|---|---|---|
| MUR | 160.33 | 2.51 | 45,713 | 11,805 | — | (24,698) | — | 32,820 |
| UGX | — | — | — | — | — | — | — | — |
| CNY | 153 | — | — | 23,104 | — | (9,669) | — | 13,435 |

31 December 2021

| Currency | Weighted average fair value at grant date | Expected life at grant date (years) | Opening balance (Unit) | Granted (Unit) | Forfeited (Unit) | Exercised (Unit) | Transferred between Group companies (Unit) | Outstanding (Unit) |
|---|---|---|---|---|---|---|---|---|
| MUR | 142.00 | 2.51 | 109,977 | 15,621 | (53,969) | (41,002) | 15,086 | 45,713 |
| UGX | — | — | 15,086 | — | — | (15,086) | — | — |

## (iii) Shares appreciation rights scheme (SARP)

The SARP is a long-term scheme representing appreciation rights awarded to employees and is based on the SBG share price. The awards that are made to individuals of a Group entity outside Africa are classified as cash-settled.

| Reconciliation | Units 2023 | Units 2022 |
|---|---|---|
| Units outstanding at beginning of year | **101,316** | — |
| Granted | **—** | 101,316 |
| Exercised | **—** | — |
| Lapsed | **—** | — |
| | **101,316** | 101,316 |
| Units outstanding at end of the year | | |
| Weighted average fair value at grant date (R) | **34.92** | 35.98 |

### (iv) Performance reward plan (PRP)

The PRP is settled in SBG's shares to qualifying employees on the applicable vesting dates, together with notional dividends that are settled in cash. Shares that vest (if any), and that are delivered to the employee, are conditional on pre-specified performance metrics set annually by the SBG Remuneration Committee. These awards are classified as cash-settled awards at an SBG and company perspective, and have been partially hedged through the use of equity forwards.

| Reconciliation | Units 2023 |
|---|---|
| Units outstanding at beginning of year | — |
| Granted | 11,200 |
| Exercised | — |
| Lapsed | — |
| **Units outstanding at end of the year** | **11,200** |
| Expected life (years) | 3.07 |
| Weighted average fair value at grant date (R) | 179.82 |

## 31. (c) Retirement benefits

The Bank participates in a defined contribution (DC) pension plan. Its contribution for DC employees is expensed to profit or loss and amounted to USD 462,630 for the year ended 31 December 2023 (2022:USD 415,589, 2021:USD 417,078).

The Bank is subject to a partly funded defined benefit plan for its employees. The plan exposes the Bank to normal risks described below:

Investment risk: The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk: A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the DC plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability, whereas an increase below the assumed rate will decrease the liability.

The Bank has a residual obligation imposed by Workers' Rights Act (WRA) 2019 on top of its DC plan. It is therefore particularly exposed to investment underperformance for the DC plan.

The Bank has recognised a net defined liability of USD 1,181,752 as at 31 December 2023 (2022: USD 512,918, 2021: USD 630,817) in respect of employees whose benefits from the DC plan are not expected to fully offset the Bank's retirement gratuity obligations under the WRA 2019 and in respect of any retirement and death gratuities for employees who are not members of any pension plan. The PRGF for 2023 is nil. (2022: USD 2,600).

There has been no plan amendment, curtailment or settlement during the year, except for a change in plan amendment regarding the change in the retirement gratuity formula from 15/22 to 15/26 for employees working five days per week, following the promulgation of the Finance Act 2023.

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Reconciliation of net defined benefit liability** | | | |
| Opening balance | 512,918 | 630,817 | 1,422,660 |
| Amount recognised in profit or loss (Note 31(a)) | (118,027) | 299,533 | 159,430 |
| Amount recognised in other comprehensive income | 890,160[1] | (414,879)[2] | (926,488)[3] |
| Less benefits paid | (103,299) | (2,553) | (24,785) |
| Closing balance | 1,181,752 | 512,918 | 630,817 |

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Reconciliation of present value of defined benefit obligation** | | | |
| Opening balance | 512,918 | 630,817 | 1,422,660 |
| Current service cost | 58,761 | 40,787 | 89,088 |
| Interest expense | 25,233 | 30,882 | 70,342 |
| Past service cost | (202,021) | 227,864 | — |
| Benefits paid | (103,299) | (2,553) | (24,785) |
| Exchange difference | 1,583 | (6,683) | (196,967) |
| Liability experience loss/(gain) | 798,993 | (302,159) | (439,652) |
| Liability loss/(gain) due to change in financial assumptions | 89,584 | (106,037) | (289,869) |
| Closing balance | 1,181,752 | 512,918 | 630,817 |
| **Components of amount recognised in profit or loss** | | | |
| Current service cost | 58,761 | 40,787 | 89,088 |
| Past service cost | (202,021) | 227,864 | — |
| Net Interest on net defined benefit liability | 25,233 | 30,882 | 70,342 |
| | (118,027) | 299,533 | 159,430 |
| **Components of amount recognised in other comprehensive income** | | | |
| Return on plan assets (above)/below interest income | — | — | — |
| Exchange difference | 1,583 | (6,683) | (196,967) |
| Liability experience loss/(gain) | 798,993 | (302,159) | (439,652) |
| Liability loss due to change in financial assumptions loss/(gain) | 89,584 | (106,037) | (289,869) |
| | 890,160 | (414,879) | (926,488) |

During the year, benefits paid for the unfunded scheme amounted to USD 33,847 (2022: USD 60,950, 2021: USD 24,785).

[1] Remeasurement of defined benefit liabilities net of tax amounts to USD 787,676 for 2023.

[2] Remeasurement of defined benefit liabilities net of tax amounts to USD 393,837 for 2022.

[3] Remeasurement of defined benefit liabilities net of tax amounts to USD 877,945 for 2021.

| Principal assumptions used at year end | 2023 | 2022 | 2021 |
|---|---|---|---|
| Discount rate | 5.2% | 5.7% | 4.6% |
| Rate of salary increases | 3.9% | 3.8% | 3.0% |
| Average retirement age (ARA) | 60 | 60 | 60 |

| Sensitivity analysis on defined benefit obligation at year end | USD | USD | USD |
|---|---|---|---|
| Increase due to 1% decrease in discount rate | 331,400 | 224,000 | 233,000 |
| Decrease due to 1% increase in discount rate | 292,200 | 173,000 | 202,000 |

The above sensitivity analysis has been carried out by recalculating the present value of obligation at the end of the period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

### Future cash flows

The funding policy is to pay contributions to PRGF and top-up benefits out of the reporting entity's cash flow, as and when due.

| | |
|---|---|
| **Expected employer contribution for the next year** | nil |
| **Weighted average duration of the defined benefit obligation** | 15 years |

# 32. Operating lease expenses

| | 2023<br>USD | 2022<br>USD | 2021<br>USD |
|---|---|---|---|
| **Bank – Total** | | | |
| Operating lease expense | 115,782 | 123,302 | 408,124 |
| **Segment A** | | | |
| Operating lease expense | 4,351 | 5,958 | 19,321 |
| **Segment B** | | | |
| Operating lease expense | 111,431 | 117,344 | 388,803 |

## Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

| | 2023<br>USD | 2022<br>USD | 2021<br>USD |
|---|---|---|---|
| **Bank- Total** | | | |
| Buildings | | | |
| Less than one year | 74,218 | 25,170 | 4,681 |
| Between one and five years | — | — | — |
| | 74,218 | 25,170 | 4,681 |
| **Bank – Total** | | | |
| Equipment | | | |
| Less than 1 year | 27,932 | 4,702 | 31,528 |
| Between 1 and 5 year | 51,208 | — | 4,734 |
| | 79,140 | 4,702 | 36,262 |

The operating lease commitments mainly comprise the rental of physical storage, parking and photocopiers. The lease terms make provision for a yearly charge in the operating lease charges as per the rental agreement.

# 33. Other expenses

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Bank – Total** | | | |
| Software licensing and other information technology cost | **1,294,381** | 1,215,440 | 1,170,978 |
| Professional fees | **3,543,113** | 1,902,380 | 1,171,901 |
| Marketing and advertising | **315,274** | 91,210 | 11,672 |
| Travel and entertainment | **648,810** | 227,508 | 112,611 |
| Bank charges | **1,072,760** | 931,480 | 821,435 |
| Turnkey cost | **2,759,555** | 3,697,206 | 2,660,587 |
| Other | **2,139,481** | 1,877,412 | 1,216,299 |
| | **11,773,374** | 9,942,636 | 7,165,483 |
| **Segment A** | | | |
| Software licensing and other information technology cost | **48,641** | 58,731 | 55,435 |
| Professional fees | **131,259** | 50,335 | 55,167 |
| Marketing and advertising | **11,848** | 4,406 | 553 |
| Travel and entertainment | **24,381** | 10,993 | 5,331 |
| Bank charges | **40,313** | 45,010 | 38,887 |
| Turnkey cost | **103,700** | 178,651 | 125,838 |
| Other | **80,399** | 87,410 | 57,696 |
| | **440,541** | 435,536 | 338,907 |
| **Segment B** | | | |
| Software licensing and other information technology cost | **1,245,740** | 1,156,709 | 1,115,543 |
| Professional fees | **3,411,854** | 1,852,045 | 1,116,734 |
| Marketing and advertising | **303,426** | 216,515 | 107,280 |
| Travel and entertainment | **624,429** | 86,804 | 11,119 |
| Bank charges | **1,032,447** | 886,470 | 782,548 |
| Turnkey cost | **2,655,855** | 3,518,555 | 2,534,749 |
| Other | **2,059,082** | 1,790,002 | 1,158,603 |
| | **11,332,833** | 9,507,100 | 6,826,576 |

# 34. Income tax expense

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Income tax charge | **9,624,515** | 3,267,324 | 1,074,062 |
| Deferred tax release (Note 17) | **(778,416)** | (186,509) | (46,544) |
| Income tax expense | **8,846,099** | 3,080,815 | 1,027,518 |
| **Bank – Total** | | | |
| Profit before income tax | **77,760,586** | 36,017,805 | 14,125,337 |
| Tax at the applicable tax rate | **7,879,185** | 2,043,368 | 718,501 |
| Non-allowable expenses | **105,243** | 15,547 | 14,573 |
| Withholding tax suffered | **366,267** | — | — |
| Under provision in previous years | **225,384** | 817,178 | 144,652 |
| Special levy | **212,864** | 159,958 | 89,172 |
| Absorbed VAT | **14,293** | 13,177 | 1,092 |
| Other taxes | **42,863** | 31,587 | 59,528 |
| | **8,846,099** | 3,080,815 | 1,027,518 |
| **Segment A** | | | |
| Profit before income tax | **2,867,046** | 3,205,322 | 611,683 |
| Tax at the applicable tax rate | **374,513** | 187,133 | 42,818 |
| Non-allowable expenses | **4,619** | 1,033 | 948 |
| (Over)/under provision in previous years | **(51,190)** | (82,359) | 129,804 |
| Special levy | **212,864** | 159,958 | 89,172 |
| Absorbed VAT | **537** | 637 | 52 |
| Other taxes | **1,611** | 1,527 | 5,463 |
| | **542,954** | 267,929 | 268,257 |
| **Segment B** | | | |
| Profit before income tax | **74,893,540** | 32,812,483 | 13,513,654 |
| Tax at the applicable tax rate | **7,504,672** | 1,856,235 | 675,683 |
| Non-allowable expenses | **100,624** | 14,514 | 13,625 |
| Withholding taxes | **366,267** | — | — |
| Under provision in previous years | **276,574** | 899,536 | 14,848 |
| Absorbed VAT | **13,756** | 12,540 | 1,040 |
| Other taxes | **41,252** | 30,061 | 54,065 |
| | **8,303,145** | 2,812,886 | 759,261 |

# 35. Statutory and other reserves

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Statutory reserves | **35,000,000** | 30,485,962 | 25,545,414 |
| Other reserves | **(57,453)** | 393,076 | 636,827 |
| Statutory and other reserves | **34,942,547** | 30,879,038 | 26,182,241 |

| | Credit risk reserves USD | Fair value reserves USD | Share-based payment USD | Employee benefit reserves USD | Total USD |
|---|---|---|---|---|---|
| Balance at 1 January 2021 | 513,327 | 12,891 | — | (829,141) | (302,923) |
| Net loss on fair value of debt instruments | — | (8,941) | — | — | (8,941) |
| Remeasurement of defined benefit liabilities | — | — | — | 877,945 | 877,945 |
| Share-based payment | — | — | — | — | — |
| Transfer to credit risk reserve | 70,746 | — | — | — | 70,746 |
| Balance at 1 January 2022 | 584,073 | 3,950 | — | 48,804 | 636,827 |
| Net loss on fair value of debt instruments | — | (53,515) | — | — | (53,515) |
| Remeasurement of defined benefit liabilities | — | — | — | 393,837 | 393,837 |
| Share-based payment | — | — | — | — | — |
| Transfer from credit risk reserve | (584,073) | — | — | — | (584,073) |
| **Balance at 1 January 2023** | **—** | **(49,565)** | **—** | **442,641** | **393,076** |
| **Net gain on fair value of debt instruments** | **—** | **49,183** | **—** | **—** | **49,183** |
| **Remeasurement of defined benefit liabilities** | **—** | **—** | **—** | **(787,676)** | **(787,676)** |
| **Share-based payment** | **—** | **—** | **—** | **—** | **—** |
| **Transfer to credit risk reserve** | **287,964** | **—** | **—** | **—** | **287,964** |
| | **287,964** | **(382)** | **—** | **(345,035)** | **(57,453)** |

## Credit risk reserves

The Bank makes an appropriation from retained earnings to credit risk reserves to comply with the prudential guideline issued.

## Fair value reserves

The fair value reserves include the cumulative net change in the fair value of other comprehensive income for financial investments, including impairment losses until the investment is derecognised.

## Share-based payment reserves

The fair value of share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve.

## Employee benefit reserves

The Bank's post-employment benefits consist of post-employment retirement funds benefits. The Bank's obligations to fund these benefits are derived from actuarial valuations performed by the appointed actuaries taking into account various assumptions. The funds are subject to a statutory financial review by the Bank's independent actuaries.

# 36. Commitments

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| **Bank – Total** | | | |
| Loans and other facilities | | | |
| Undrawn credit facilities | **254,470,036** | 216,070,573 | 180,795,754 |
| Less stages 1 and 2 ECL collective allowance | **(545,452)** | (367,999) | (197,965) |
| Less stage 3 specific allowance | **—** | — | — |
| | **253,924,584** | 215,702,574 | 180,597,789 |

### A reconciliation of the allowance for expected credit loss for "off-balance sheet" exposures, by class:

| | Stage 1 USD | Stage 2 USD | Stage 3 (incl IIS) USD | Total USD |
|---|---|---|---|---|
| Opening ECL 1 January 2021 | 266,742 | 87,999 | — | 354,741 |
| Transfers between stages | 61,599 | (61,599) | — | — |
| Net ECL released | (153,295) | (3,481) | — | (156,776) |
| ECL on new exposures raised | 28,397 | — | — | 28,397 |
| Subsequent changes in ECL | (181,692) | (3,481) | — | (185,173) |
| Change in ECL due to derecognition | — | — | — | — |
| Impaired accounts written off | — | — | — | — |
| Exchange and other movements | — | — | — | — |
| Closing ECL 31 December 2021 | 175,046 | 22,919 | — | 197,965 |
| Opening ECL 1 January 2022 | 175,046 | 22,919 | — | 197,965 |
| Transfers between stages | 2,231 | (2,231) | — | — |
| Net ECL raised | 160,583 | 9,451 | — | 170,034 |
| ECL on new exposures raised | 72,572 | (840) | — | 71,732 |
| Subsequent changes in ECL | 88,011 | 10,291 | — | 98,302 |
| Change in ECL due to derecognition | — | — | — | — |
| Impaired accounts written off | — | — | — | — |
| Exchange and other movements | — | — | — | — |
| Closing ECL 31 December 2022 | 337,860 | 30,139 | — | 367,999 |
| **Opening ECL 1 January 2023** | **337,860** | **30,139** | **—** | **367,999** |
| **Transfers between stages** | **58,728** | **(58,728)** | **—** | **—** |
| **Net ECL raised** | **148,369** | **29,084** | **—** | **177,453** |
| **ECL on new exposures raised** | **165,220** | **—** | **—** | **165,220** |
| **Subsequent changes in ECL** | **(16,851)** | **29,084** | **—** | **12,233** |
| **Change in ECL due to derecognition** | **—** | **—** | **—** | **—** |
| **Impaired accounts written off** | **—** | **—** | **—** | **—** |
| **Exchange and other movements** | **—** | **—** | **—** | **—** |
| **Closing ECL 31 December 2023** | **544,957** | **495** | **—** | **545,452** |

# 37. Related parties

| Emoluments: Key management personnel | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Short-term employee benefits | **3,802,835** | 1,826,835 | 2,043,899 |
| Post employment benefits | **1,181,756** | 515,477 | 630,729 |
| Long term benefits | **260,946** | 246,428 | 267,105 |
| Termination benefits | **356,530** | 25,580 | 49,544 |
| Share-based payments | **431,755** | 341,446 | 138,486 |
| | **6,033,822** | 2,955,766 | 3,129,763 |

The following transactions were carried out with related parties:

## (i) Balances and placements with parent

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| At 01 January | **1,215,937,358** | 1,469,099,798 | 1,118,705,331 |
| Made during the year | **28,877,899,781** | 44,099,974,610 | 44,843,182,726 |
| Repaid during the year | **(29,153,298,131)** | (44,353,137,050) | (44,492,788,259) |
| At 31 December | **940,539,008** | 1,215,937,358 | 1,469,099,798 |
| Analysis by related party | | | |
| Standard Bank of South Africa | **940,539,008** | 1,215,937,358 | 1,469,099,798 |
| Loans and advances related to Standard Bank of South Africa | | | |
| Interest received from parent during the year | **58,322,330** | 23,160,407 | 9,456,111 |
| Analysis by related party | | | |
| Standard Bank of South Africa | **58,322,330** | 23,160,407 | 9,456,111 |
| Accrued interest receivable from parent at 31 December | **18,605,885** | 7,978,467 | 4,236,459 |
| Analysis by related party | | | |
| Standard Bank of South Africa | **18,605,885** | 7,978,467 | 4,236,459 |

## (ii) Balances and placements with other related parties

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| At 01 January | **118,395** | 16,668 | 7,773 |
| Repaid during the year | **(97,726)** | – | – |
| Disbursed during the year | **–** | 101,727 | 8,895 |
| **Loans and advances to other related parties** | | | |
| At 01 January | **119,977,330** | 17,736,989 | 5,655,843 |
| Repaid during the year | **(54,917,913)** | – | (1,256,854) |
| Disbursed during the year | **–** | 102,240,341 | 13,338,000 |
| At 31 December | **65,059,417** | 119,977,330 | 17,736,989 |
| **Analysis by related party** | | | |
| Stanbic Bank Kenya Limited | **–** | 36,142,135 | 4,398,989 |
| Stanbic Bank Nigeria Limited | **65,059,417** | 83,835,195 | 13,338,000 |
| | **65,059,417** | 119,977,330 | 17,736,989 |
| Interest received from other related entities during the year | **5,708,968** | 1,505,490 | 184,237 |
| **Analysis by related party** | | | |
| Stanbic Bank Kenya Limited | **440,773** | 363,116 | 175,687 |
| Stanbic Bank Nigeria Limited | **5,268,195** | 1,142,374 | 8,550 |
| | **5,708,968** | 1,505,490 | 184,237 |
| Accrued interest receivable from other related entities at 31 December | **1,037,536** | 391,775 | 1,352 |
| **Analysis by related party** | | | |
| Stanbic Bank Kenya Limited | **–** | 170,111 | 413 |
| Stanbic Bank Nigeria Limited | **1,037,536** | 221,664 | 939 |

None of the facilities provided during the year under review were non-performing.

## (iii) Borrowings from parent

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| At 01 January | **–** | – | – |
| Received during the year | **91,331,970** | – | – |
| At 31 December | **91,331,970** | – | – |
| Analysis by related party | | | |
| Standard Bank of South Africa | **88,867,552** | – | – |
| Interest paid during the year | **2,762,069** | – | – |
| Interest payable at 31 December | **2,464,418** | – | – |

Interest paid during the year relates to Standard Bank of South Africa.

### (iv) Deposits from other related parties

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| At 01 January | **80,018,739** | 70,917,792 | 57,032,054 |
| Received during the year | **2,173,000,000** | 1,365,000,000 | 1,416,000,000 |
| Repaid during the year | **(2,134,005,387)** | (1,355,899,053) | (1,402,114,262) |
| At 31 December | **119,013,352** | 80,018,739 | 70,917,792 |
| Interest paid on deposits | **4,214,907** | 1,494,276 | 102,735 |
| Interest payable at 31 December | **233,059** | 160,048 | 5,922 |

### (v) Deposits from parent

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| At 01 January | **16,600,634** | 12,917,664 | 302,550 |
| Received during the year | **—** | 3,682,970 | 12,615,114 |
| Repaid during the year | **(15,138,721)** | — | — |
| At 31 December | **1,461,913** | 16,600,634 | 12,917,664 |
| Interest paid on deposits | **1,054,915** | 444,916 | — |

Balances relate to vostro accounts and the Master Risk Participation Agreement from Standard Bank of South Africa.

### (vi) Recharges

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Recharges to other related entities | **468,910** | 418,314 | 381,906 |
| Recharges to parent | **57,489** | 30,995 | 31,940 |

### (vii) Expenses

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Management fees paid to parent | **3,088,139** | 1,805,343 | 931,937 |
| Other expenses paid to parent | **2,119,984** | 2,830,318 | 4,364,985 |
| | **5,208,123** | 4,635,661 | 5,296,922 |

Most of the other expenses paid to parent relate to IT support costs.

### (viii) Amounts accrued but not yet paid for services rendered by parent

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Management fees | **758,556** | 614,827 | 232,864 |
| IT ssupport services | **1,098,573** | 1,136,861 | 1,256,869 |
| Licence fee | **—** | — | 186,131 |
| Others | **—** | 7,662 | 7,496 |
| | **1,857,129** | 1,759,350 | 1,683,360 |

### (ix) Dividend paid to owner

| | 2023 USD | 2022 USD | 2021 USD |
|---|---|---|---|
| Dividend paid to owner | **20,000,000** | 5,000,000 | 25,000,000 |

Dividend per share was USD 0.57 for the year ended 31 December 2023 (2022: 0.14 ; 2021: 0.71).

### (x) Foreign exchange transactions

The Bank conducts foreign exchange transactions with Group entities in the hedging of its currency risk.

(i) The Bank did not have any non-performing related-party exposure as at 31 December 2023 (2022: nil and 2021: nil).

As at 31 December 2023, the Bank's top five exposures to related parties was USD 1,025m, which was six times the Bank's tier I capital.

## 38. Parent companies

The immediate parent company is Stanbic Africa Holdings Limited, a company incorporated in the United Kingdom and the ultimate parent company is Standard Bank Group Limited, a company incorporated in South Africa.

## 39. Subsequent event

The Directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could significantly affect the financial position of the Bank at 31 December 2023.

The Board of Directors declared a dividend of USD 51.6m at the Board of Directors meeting held on 20 March 2024.

Standard Bank

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