# ANNUAL REPORT

YEAR ENDED

**30 JUNE 2024**

# Contents

# Letter of Transmittal

The Governor

Bank of Mauritius
Port Louis

30 October 2024

Dr the Honourable Renganaden Padayachy
Minister of Finance, Economic Planning and Development
Government House
Port Louis

Dear Minister of Finance, Economic Planning and Development

**Annual Report and Audited Accounts 2023-24**

In accordance with the provision of Section 32(3) of the Bank of Mauritius Act 2004, I transmit herewith the fifty-seventh Annual Report of the Bank, which also contains the audited Consolidated and Separate Financial Statements of the Bank for the year ended 30 June 2024.

Yours sincerely

**Harvesh Seegolam, G.C.S.K.**

HARVESH SEEGOLAM, G.C.S.K.
Governor, Bank of Mauritius

# Statement from the Governor

**It is again a privilege for me to address you on the presentation of the Bank of Mauritius fifty-seventh annual report.**

**When I took over the helm of the central bank in March 2020, little did I know that my journey would start with the most challenging period in the history of central banks with the onset of the pandemic. It has redefined the contours of banking and created a window of opportunity as an offshoot by accelerating the transition to a digitalised and greener financial system. We successfully navigated through this period.**

**We can today confidently say that the impacts of the pandemic are behind us. We all pulled up our efforts in a concerted manner and economic activity is back on track. The output gap, which measures the difference between actual and potential output, turned positive in 2022Q3 and has remained so since then. The prospects are encouraging both for the central bank and the economy. However, suffice it to say that we should not rest on our laurels. It is imperative for the Bank to pursue the necessary reforms to consolidate its position as a leading central bank and continue to remain avant-gardist.**

**The Bank continues to remain steadfast in the delivery of its mandates. We are here to serve the people of Mauritius by maintaining price stability while also ensuring a fully functional financial system that considers the interest of consumers and the broader economy.**

### Successfully bringing domestic inflation to the mid-point target

Last year, in my statement for the annual report, I had shared my plan for bringing down the inflation within the target range. I take pride in reporting to you that within the first 6 months of 2024, we were well within our target range of 2-5 per cent. In the latest World Economic Outlook published by the International Monetary Fund in October 2024, the IMF has forecast headline inflation for Mauritius at 3.5 per cent, which is the mid-point of our target inflation, for the year 2024, 2025 and 2026. Achieving the mid-point of our target so quickly is testimony to the importance that the Bank attaches to its price stability mandate. This further demonstrates the effectiveness of the new Monetary Policy Framework that I introduced in January 2023.

Going forward, the Bank will ensure that the transmission mechanism of our monetary policy channels continues to deliver as per expectations in line with our price stability objective.

Domestic inflation has remained clearly entrenched on a downward trajectory in FY2023-24, helped by different factors, including the lasting effects of past monetary policy tightening, decline in global commodity prices and the potency of the new monetary policy framework to absorb excess liquidity from the banking system. Headline and CORE1 inflation have declined from 10.5 per cent and 8.7 per cent in June 2023 to 4.5 per cent and 2.5 per cent in June 2024, respectively. The Bank forecasts inflation to close the year 2024 at around 4.0 per cent, remaining within the target range of 2 to 5 per cent.

### Sustaining economic growth

The domestic economy remains resilient in the face of ongoing global challenges. Real Gross Domestic Product (GDP) grew by 7 per cent in 2023, reflecting buoyant activity in the tourism, construction, transport and financial services sectors. The tourism sector has steadily regained its momentum. Tourist arrivals reached 99 per cent of 2019 levels by end-June 2024 and tourism earnings have largely surpassed their pre-pandemic levels. The construction sector was mostly supported by infrastructure projects in both the public and private sectors. On the demand side, growth was mainly driven by consumption and investment. Labour market conditions continued to improve, with the unemployment rate falling to an all-time low of 6.1 per cent in 2023Q4. Youth and female unemployment rates have also touched record lows.

### Investment grade status

The Mauritius International Financial Centre continues to attract healthy financial flows in 2023, as global cross-border investment activities remained resilient despite the challenging global conditions brought about by the lingering Russia-Ukraine war, high global interest rates and heightened tensions in the Middle East. Concurrently, the country registered record high non-GBC gross Foreign Direct Investment (FDI) flows of Rs33.5 billion and Rs37.0 billion, respectively, in 2022 and 2023, directed primarily at the 'Real estate activities' and 'Accommodation and food services activities' sectors.

The pandemic posed manifold challenges to all jurisdictions and several African countries lost their investment grade status. Mauritius is, as such, one of only two countries on the continent and the only International Financial Centre in Africa to retain an investment grade status.

### Improvement in the current account deficit

On the balance of payments front, the current account deficit as a ratio to GDP declined to 4.4 per cent in 2023, from 11.1 per cent in 2022. This improvement largely reflects the robust performance of the services and net income accounts while the trade deficit widened. Based on our projections, the current account deficit will continue to narrow to reach around 4.2 per cent of GDP in 2024, spearheaded by the continued robust performance of the tourism sector benefitting the services account, as well as larger surplus on the primary income account, which is expected to remain well supported amidst the elevated global interest rate environment. Gross tourism earnings in 2023 attained a new record high of Rs86.0 billion while projections for 2024 point to even higher gross tourism earnings.

### Building comfortable international reserves

The Gross Official International Reserves remain comfortable at USD8.2 billion as at end-June 2024, representing 12.9 months of import cover, and USD1.5 billion higher than a year ago. As at end of October 2024, reserves have already crossed USD8.4 billion. The reserve portfolio has benefitted from favourable market dynamics, notably the prevailing high interest rates as well as the commendable performance of selected asset classes during the FY2023-24, despite increased volatility.

The robust performance of the economy has contributed to an improvement in the domestic foreign exchange market. In the second half of 2024, net FX purchases were registered for the first time since 2019, a highly optimistic sign of the normalisation of market liquidity conditions. Between March 2020 and June 2024, the Bank sold USD4.1 billion on the domestic market to ensure liquid market conditions as well as to contain excessive volatility in the rupee exchange rate. During the financial year ended 30 June 2024, the Bank sold a total amount of USD315 million through FX interventions, representing the lowest level of sales through interventions since the onset of the COVID-19 pandemic. Taking advantage of improved liquidity conditions, and to consolidate its reserves, the Bank purchased foreign currencies from the market when opportunities arose. The rupee exchange rate continued to reflect domestic market forces of supply and demand, in addition to movements in major currency pairs on international markets.

### Operationalisation of the Bank's new Monetary Policy Framework

The new Monetary Policy Framework which was introduced on 16 January 2023 was further refined. As from 7 July 2023, the 7-Day BoM Bill has been issued on tender basis, rather than on full allotment basis. In the same vein, the interest rate corridor was widened to 300 basis points from the previous 200 basis points.

During the financial year ended 30 June 2024, the Bank used a combination of both longer-term instruments issued at market rates and the 7-Day BoM Bills issued at the Key Rate of 4.50 per cent (4.00 per cent with effect from 20 September 2024), as provided under the new Framework to manage the structural rupee excess prevailing in the banking system. The Overnight Deposit and Lending Facilities were operated within a symmetric corridor of plus and minus 150 basis points around the Key Rate. The rupee excess effectively dropped to an average of Rs2.7 billion during FY2023-24 from an average of Rs12.6 billion for FY2022-23. The Overnight Interbank rate remained within the interest rate corridor ranging between 3.09 to 4.25 per cent. With the open market operations conducted by the Bank, the level of outstanding BoM instruments amounted to Rs150.3 billion as at end-June 2024 compared to Rs138.5 billion as at end-June 2023. The Bank continues to have comfortable financial buffers and flexibility to independently conduct its open market operations. As at 30 June 2024, cost of open market operations amounted to 13.7 per cent of the Bank's total income.

### Modernising the payments infrastructure

On 12 February 2024, the RuPay and Unified Payments Interface linkage between Mauritius and India was launched by the Honourable Prime Minister of Mauritius, Mr Pravind Kumar Jugnauth, together with the Honourable Prime Minister of India, Shri Narendra Modi, in the presence of the Honourable President of Sri Lanka, Mr Ranil Wickremesinghe. Mauritius became the first country in Africa to be connected to the switch of the National Payments Corporation of India. Today, Mauritians travelling to India and Indians travelling to Mauritius can effect payment by the mere scan of a QR Code with their mobile apps. RuPay cards issued in India are accepted in Mauritius and MauCAS/RuPay co-branded cards issued in Mauritius are accepted in India. Another important outcome of the introduction of the RuPay co-branded card in Mauritius is that we have designated this card as our domestic card. The team is currently working on the next phase which relates to the implementation of the peer-to-peer mobile transfers.

This type of payment arrangement addresses the challenges of speed, cost, accessibility and transparency associated with cross-border payments. Furthermore, there is less dependency on international reserve currencies as settlement is done in domestic currencies. Having experienced the benefits of this payment system, we are exploring opportunities with other trading partner countries to deploy our cross-border payment roadmap based on this model. I have already initiated discussion with the Arab Monetary Fund on their Buna cross-border payment system project.

As the Bank embarks on its transformative journey, the modernisation of the payment systems has gained traction. Leveraging on the Government Payment Portal, the development of the Instant Payment System (IPS), a government-wide initiative to expand the use of person-to-government digital payments, has been launched as part of the Government's e-services strategy. Banks and non-bank payment service providers are optimising the opportunities of the IPS to enhance existing or introduce new services and products.

The Bank is also encouraging adoption of digital payments by small merchants by reviewing the IPS fee structure. We have abolished the routing fee payable by participants for usage of the IPS platform and are now bearing all capital and operational expenses of the IPS. Moreover, fees payable by customers for person-to-person transfers and interchange fees for these transactions have been removed.

Another major step taken by the Bank to support and further promote the digitalisation of payments has been the increase of IPS transaction limits from Rs100,000 to Rs250,000.

The Bank continues to explore opportunities of making the payment systems seamless. At the regional level, discussions are under way for the introduction of the Mauritian Rupee on the SADC RTGS.

### Creating a safe and innovation-driven landscape

I am also pleased to report that on 4 September 2024, the Bank of Mauritius Innovation Hub, the Innov8, was formally launched. The Innov8, which is the result of the collaboration with Le Lab of Banque de France and the Reserve Bank of India Innovation Hub, provides a conducive environment to promote the development and testing of innovative solutions for the financial services sector under controlled conditions. The Bank has encouraged other central banks in Africa to join this initiative and share their problematics. Seven African central banks have entered into exchange of letters with the Bank to facilitate the use of our Hub and cooperation in the field of innovation. As a result, the Innov8 has become the first of its kind in Africa. Going forward, I remain optimistic that synergies will be developed with institutions like the IMF and the World Bank to propel the Innov8 to its next phase of development.

Embracing technological change goes hand in hand with protection and upgrade of our network to maintain the integrity of the financial system and prevent wrongdoers from exploiting potential loopholes. To that effect, we have prioritised a multi-layered cyber security approach, emphasising proactive measures and information sharing.

As a result of the Bank's comprehensive and proactive approach on the front of cyber security, Mauritius stands as a role model across Africa. In the light of this, the IMF has endorsed the Bank of Mauritius for its strategy development. The Bank has formulated a strategy on cyber security for the Bank and its licensees. One of its key objectives is to increase the resilience of the banking sector against cyber threats and technological risks. This initiative marks a significant milestone in the banking sector, positioning Mauritius as a leader in cyber security proactiveness. The Bank is proud to have also contributed to positioning Mauritius as regional leader, whereby the country ranked first in Africa and secured a spot in Tier 1 countries in the Global Cybersecurity Index 2024.

These efforts demonstrate Mauritius' commitment. The country's multi-layered cyber security approach, proactive measures, and information sharing have set a high standard for others to follow.

In October 2023, I established the Mauritius Financial Sector Cyber Committee (MFSCC) to bring together CEOs of banks to discuss and address cyber threats. A sub-forum comprising Chief IT Security Officers is currently exploring the launch of a Cyber Information and Intelligence Sharing Initiative to facilitate sharing of timely and actionable cyber threat intelligence. In addition, as part of promoting regulatory cooperation, a Working Group on Cyber Security (WGCS) between the Bank and the FSC has been established in May 2024 to serve as a platform for financial sector regulators to collaborate on cyber risk mitigation strategies and ensure a coordinated approach to protecting the financial system.

### Bolstering the resilience of the financial system

As the guardian of the stability of the financial system, the Bank is committed to ensure the safety and soundness of our financial system. The resilience of the banking sector strengthened further in 2023-24. The solvency and liquidity buffers in the sector continued to improve and were well above prudential limits, as profitability reached peak levels. These buffers provide robust cushion against risks to financial stability. Concurrently, risks to the stability of the financial system receded, as evidenced by the surveillance of macroprudential indicators and regular assessments of sources of risks. In particular, the macro financial landscape continued to progress favourably with disinflation and buoyant economic activity. Household and corporate sector vulnerabilities dropped as well. The quality of banks' credit portfolio remained sound. The Bank continues to review its surveillance toolkit and policy tools to ensure timely identification of and response to risks to financial stability.

### Protecting the interest of depositors through the Mauritius Deposit Insurance Corporation Ltd

The financial safety net was reinforced with the setting up of the Mauritius Deposit Insurance Corporation Ltd (MDIC) as a fully owned subsidiary of the Bank in March 2024. The Mauritius Deposit Insurance Scheme (MDIS) became operative in June 2024. One of the main objectives of the MDIC is to administer and manage the MDIS, which will protect insured depositors of licensed banks and non-bank deposit-taking institutions by providing insurance against the loss of insured deposits. The MDIS will also ensure that depositors can promptly access their insured deposits in case of failure of their institution, thus contributing to financial stability and preserving depositors' confidence.

### Increasing our regional and international reach through a proven track record of excellence

On the international front, the Bank has been in the limelight on different occasions. The international community has recognised on different occasions the good work carried out by the Bank. Further, in September 2024, at the Association of African Central Banks Assembly of Governors Meeting, I was unanimously elected as the Chairperson. My presidency will be geared towards a number of areas including promoting cooperation among African central banks on areas like innovation and climate change and modernisation of the payments system, which is the lifeblood of any economy. We also welcomed the Governor of Banque de France, Mr François Villeroy de Galhau, for the signing of a Memorandum of Understanding with the Institut d'Emission des Départements d'Outre-mer (IEDOM). The Bank also entered into a Memorandum of Understanding with the Agence Française de Développement (AFD) to facilitate cooperation in a number of areas including climate change. We were privileged to welcome the Director General of the AFD on this occasion which coincided with the organisation of a workshop on climate change. The Bank also hosted the meeting of the Groupe des Superviseurs Bancaires Francophones.

The Bank is also working closely with the OECD and a desk has been set up to facilitate the conduct of the economic survey of Mauritius and preparatory work for the accession of Mauritius as a member of the OECD. This further consolidates our collaboration with the OECD under the Regional Centre of Excellence initiative.

The Bank is also host to the World Bank Group Office which further consolidates the status of Mauritius as an International Financial Centre. The setting up of a Knowledge Hub jointly with the World Bank is also in the pipeline.

### Promoting the sustainability agenda

This month marks the third year of the establishment of our Climate Change Centre (CCC). Climate change poses existential threat to all of us and the fight against climate change is the collective responsibility of each and every citizen of this world. As a Small Island Developing State, we are unfortunately at the receiving end of the impact of climate change although our Greenhouse Gas (GHG) emissions is infinitesimal.

Our efforts this year have been geared towards capacity building including the development of a macro climate framework comprising bespoke macroeconomic toolkits for assessing the manifold ramifications of climate change on price, economic and financial stability. These macroeconomic projections will feed into the monetary policy aspect going forward and will also become an input in stress testing models of the Bank and those of commercial banks to assess resilience to different physical and transition shocks. In view of inherent uncertainties and complexities associated with climate risks modelling, the Bank is engaging with the University of Mauritius and the Toulouse School of Economics to further refine and enhance these models.

On the supervisory front, the disclosures in the Guideline on Climate-related and Environmental Financial Risk Management became effective for annual reporting periods ended 31 December 2023 and beyond. Given the lack of climate and GHG emissions data from clients' portfolio of financial institutions, the Bank issued revised disclosure requirements in December 2023 such that reporting on metrics and targets would not be compulsory for now. It is worthwhile noting that banks have already started publishing information on climate-related and environmental financial risks in their annual reports.

We are now placing emphasis on enhancing the framework on data, taxonomies, and disclosures to facilitate more accurate market pricing of risks, thus enabling more informed investment decisions. A Request for Proposal has already been launched for the recruitment of consultants who will work on the development of a Green National Taxonomy. The taxonomy would, amongst others, facilitate the identification of priority sustainability-linked projects and promote the effective mobilization of resources thereto, while mitigating 'greenwashing' risks.

### Registering the Bank's highest ever profits

Although the objective of the Bank is not to make profit, I am pleased to report that the Bank realised a net profit of Rs3.3 billion which is the largest ever profit posted since it started operations. Income generated from the foreign assets of the Bank reached Rs13.7 billion in 2024 compared to Rs9.5 billion last year. We continue to reap the benefits of strategic investment decisions and management of our reserves. The whole amount of the net profit is transferred to the General Reserve Fund of the Bank.

### Our thanks to all those who have supported us in achieving our results

Before concluding, I would like to convey my deepest appreciation to the Honourable Pravind Kumar Jugnauth, Prime Minister, Minister of Defence, Home Affairs and External Communications, Minister for Rodrigues, Outer Islands and Territorial Integrity, for his continuous support to the Bank of Mauritius.

I also wish to place on record the steadfast support of Dr the Honourable Renganaden Padayachy, Minister of Finance, Economic Planning and Development to the Bank in the discharge of its duties of maintaining price stability and financial stability.

I also have a special consideration to my two Deputy Governors, the members of the Board of Directors and members of the Monetary Policy Committee. They have all played a critical role in the delivery of the Bank's mandate.

Our achievements would not have been possible without the contribution of the different outfits of the Bank of Mauritius. The Economic Analysis & Research and Statistics Department have played a major role in ensuring the accuracy of our forecasts and the effective delivery of the price stability mandate. Supervision is credited with the safety and soundness of our financial system as well as ensuring the appropriate safeguards against money laundering risks. Our Financial Stability Division worked tirelessly for a stable financial system. The Financial Markets Operations Division saw to it that a regular supply of foreign exchange was available at all times. The International and Institutional Relations Unit continues to position the Bank to new heights in the international arena and the Communications Division educates our people through its financial literacy initiatives and disseminates the pertinent news and achievements of the Bank to the wider community, both locally and internationally. Our Banking and Currency Division provides the cash requirements to the commercial banks and maintains accounts for the different stakeholders. Payment Systems have been instrumental in connecting our national switch with that of India while our IT unit has been working on the transformation project. Our Climate Change Centre which I established in October 2021 has initiated much work on the greening of the financial system. I would also like to thank our Accounting and Budgeting Division for working diligently to have the accounts ready by the statutory deadline. The Corporate Services Division carries a critical function in providing us with the necessary facilities for our operations. The Reserve Management Division has delivered exceptional results through the management of our internal portfolio. All other departments have been key players in ensuring that the Bank functions effectively.

By working tirelessly to ensure that the Bank fulfils its mandates diligently, our employees constitute our key strength. I am sure that I can continue to rely on the Bank's staff to bring the Bank to even greater heights.

**Harvesh Kumar Seegolam, G.C.S.K.**
Governor
30 October 2024

# 01

# ABOUT BANK OF MAURITIUS

# OUR MANDATE

The Bank of Mauritius was established under the Bank of Mauritius Ordinance 1966 and is, by statute, the central bank of the Republic of Mauritius. The Bank is governed by the Bank of Mauritius Act 2004.

## Primary Object

Maintain price stability and promote orderly and balanced economic development

**Price Stability**

Safeguard the purchasing power of the domestic currency and create appropriate conditions conducive to long-term growth in a sound macroeconomic environment

**Economic Development**

Promote orderly and balanced economic development

## Other Objects

- Regulate credit and currency in the best interests of the economic development of Mauritius
- Ensure the stability and soundness of the financial system
- Act as central bank for Mauritius

**Financial Stability**

Prevent the occurrence of systemic risks and allow the financial system to fulfill its key intermediation goals, whilst preserving the resilience of the country's underlying financial infrastructure, including the payment systems

## Key Functions of the Bank

- Conduct **monetary policy** and manage the **exchange rate** of the rupee
- Investigate and combat malpractices, market abuse and any **breach of the banking laws**
- **Regulate and supervise** financial institutions
- Promote **public understanding** of the financial system
- Manage the **clearing, payment and settlement systems** of Mauritius
- Monitor **system-wide factors** affecting financial institutions
- Collect, compile, disseminate, on a timely basis, **monetary and related financial statistics**
- Safeguard the **rights and interests of depositors and creditors**
- Manage the **foreign exchange reserves** of Mauritius

# About Bank of Mauritius

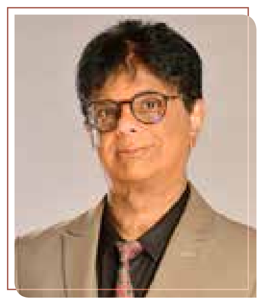
## Board of Directors

The Board of Directors comprises the Governor, who acts as the Chairperson, the two Deputy Governors, and six Directors appointed by the Minister of Finance, Economic Planning and Development. The general policy of the affairs and business of the Bank, other than the formulation and determination of monetary policy, is entrusted on the Board of Directors.

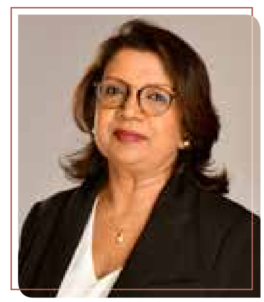
The Board is statutorily required to meet at the seat of the Bank at least once every two months. During FY2023-24, the Board met on 8 occasions. At any meeting, six members constitute a quorum and decisions are taken by simple majority. In the event of an equality of votes, the Chairperson has a casting vote.

### Composition of the Board of Directors as at 30 June 2024

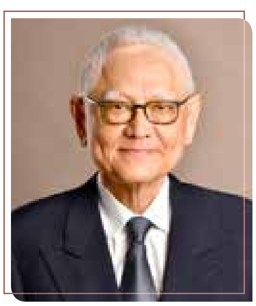
**Harvesh Seegolam, G.C.S.K.**
Governor, Chairperson
[8/8]



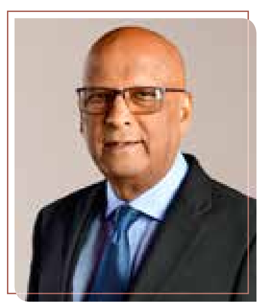
**Mardayah Kona Yerukunondu**
First Deputy Governor
[7/8]



**Hemlata Sadhna Sewraj-Gopal**
Second Deputy Governor
[8/8]



**Antoine Seeyave**
Director
[6/8]



**Saïd Toorbuth**
Director
[4/8]

**Ishwar Anoopum Gaya**
Director
[6/8]

**Christine Marie Isabelle Sauzier**
Director
[5/8]

**Piragalathan Chinnapen**
Director
[8/8]

**Melissa Prishni Ramsahye**
Director
[6/8]

*Note: Figures in square brackets represent number of meetings attended.*

## Audit and Risk Committee

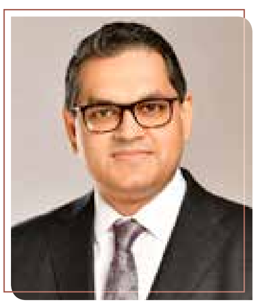
The Audit and Risk Committee has been established by the Board to provide oversight over the adequacy of the Bank's internal controls and compliance with legal requirements. The Committee comprises three non-executive Board Directors namely:

| | |
|---|---|
| Chairman | *Saïd Toorbuth* |
| Member | *Ishwar Anoopum Gaya* |
| Member | *Piragalathan Chinnapen* |

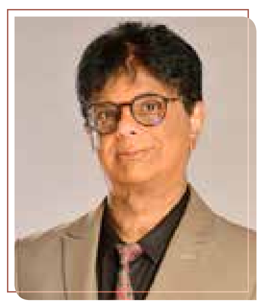
The Audit and Risk Committee met on three occasions during FY2023-24. The Officer in Charge of the Internal Audit Section is in attendance at the meetings of the Audit and Risk Committee.

## Monetary Policy Committee

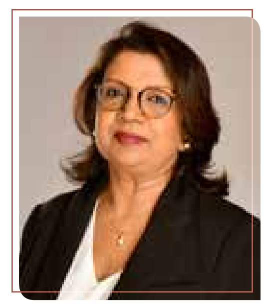
**Composition of the Monetary Policy Committee**



**Harvesh Seegolam, G.C.S.K.**
[4/4]



**Mardayah Kona Yerukunondu**
[4/4]

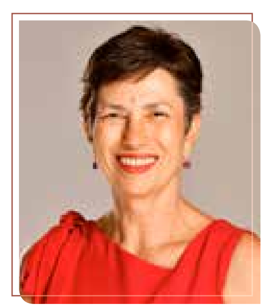


**Hemlata Sadhna Sewraj-Gopal**
[4/4]

**Lim Chan Kwong Lam Thuon Mine**
[4/4]

**Professor Sanjeev Kumar Sobhee**
[4/4]

**Mohammad Mushtaq Namdarkhan**
[4/4]



**Christine Marie Isabelle Sauzier**
[4/4]

*Note: Figures in square brackets represent number of meetings attended.*

# About Bank of Mauritius

The Monetary Policy Committee (MPC) formulates and determines the monetary policy to be conducted by the Bank in order to maintain price stability, taking into account the orderly and balanced economic development of Mauritius. The MPC comprises the Governor, who is the Chairperson, the two Deputy Governors, two members appointed by the Prime Minister and three members appointed by the Minister of Finance, Economic Planning and Development. Five members, including at least four from members appointed by the Prime Minister and Minister of Finance, Economic Planning and Development, constitute a quorum. The MPC is required to publish a Code of Conduct to govern its meetings and report once a year to the Board of Directors regarding its compliance to the Code.

The MPC usually meets four times during a year, but may meet in between its regular meetings, should the need arise. In its decision-making process, the MPC takes into consideration the latest international economic developments, domestic economic conditions, staff projections for inflation and real GDP growth, and evaluates the balance of risks to the economic outlook. The MPC signals its monetary policy stance through changes in the Bank's policy rate, which is the Key Rate (KR).

After every MPC meeting, the Governor holds a press conference to communicate the monetary policy decision to the public, clearly outlining the rationale behind such decision. The press statement of the Governor, together with a media release, are usually published on the Bank's website. Two weeks following each meeting, the Minutes of the MPC are also published and contain the voting pattern of the MPC members.

The MPC held its four quarterly meetings in September 2023, November 2023, April 2024 and July 2024, and unanimously voted to keep the KR unchanged at 4.50 per cent at each meeting.

# 02

# OUR ORGANISATION

## Message from the First Deputy Governor

*"Navigating the way to clearer skies means balancing speed with stability and conserving some fuel to cope with possible headwinds."*

***Agustín Carstens,***
*General Manager at the Bank for International Settlements*

The turbulence of recent years has transformed the global economy. Post COVID-19 and the Russia-Ukraine war, inflation reached multi-decade highs in 2022 and 2023. The various challenges have had an impact on economic policy, including monetary policy. Such developments do remind us that economic outlook can change abruptly with unexpected events. We must therefore be ready for more frequent or larger shocks, and of longer duration. Central banks responded by raising their policy rates to fight inflationary pressures, and since the second semester of 2022, inflation has slowed in most countries. The cuts in policy rates by major central banks since mid-2024 are signalling that the loosening cycle has begun.

Like other central banks, the challenge for the Bank of Mauritius (Bank) has been, to set out the policy rate at a level that would wring inflation out of the economy, without however, stifling growth.

The Bank introduced a new Monetary Policy Framework in January 2023. The headline inflation has been set within a range of 2 to 5 per cent under the flexible inflation targeting regime so that a mid-point of 3.5 per cent is achieved over the medium term. We can, with hindsight, say that the Bank's monetary policy stance has been appropriate, post the pandemic. The Bank managed to bring down inflation from a peak of 11.3 per cent in February 2023 to 4.5 per cent in June 2024. This has been possible following the cumulative hikes of 265 basis points in the Key Rate over the period March 2022 to December 2022, and by keeping the policy rate unchanged since. The Bank expects the inflation rate to be around 4 per cent by the end of 2024.

The Bank has successfully mopped up excess rupee liquidity from the banking system from Rs40.1 billion as at end-June 2020 to Rs4.8 billion as at end-June 2024. Following the introduction of the new Monetary Policy Framework, the Bank's open market operations (OMOs) helped to steer the operating target within the interest rate corridor. However, the OMOs came at a considerable cost of Rs4.3 billion to the Bank during financial year 2023-24, compared to Rs3.7 billion during financial year 2019-20. The rupee continues to reflect international developments as well as domestic demand and supply conditions. The Bank has also been intervening, at the cost of its balance sheet to ensure the smooth running of the domestic FX market.

The Bank has further improved on the way in which it has been managing its foreign reserves despite the difficult external environment. The investment strategy adopted by the Bank has paid off, resulting into higher profits of Rs3.3 billion in financial year 2023-24, from Rs1.8 billion in financial year 2022-23. In addition, through diversification strategies, the Bank has effectively reduced the risk profile of its investment portfolio, enhancing the overall risk-adjusted return of the foreign reserves. The Gross Official International Reserves stood at USD8.2 billion as at end-June 2024, reflecting 12.9 months of import cover, compared to USD6.7 billion as at end-June 2023, which represent 10.1 months of import cover. This figure is well above the 6 months required by the SADC or COMESA macroeconomic convergence criteria.

The Bank has continued to enhance and modernise its payment infrastructure, while ensuring the safety and soundness of the national payment system. The MauCAS Instant Payment Switch (IPS) has reshaped the payment landscape in Mauritius by enabling round the clock instantaneous retail payments. This platform has enabled inter-operability among its participants and is supporting the development of other services such as payment by QR Code and the Government Payment Portal. These are in turn accelerating the transition to a cash-lite economy and contributing to the Government e-service initiative. To further its digitisation objective, the Bank has taken the decision to abolish transaction processing fee on MauCAS and made person-to-person payments free.

A central KYC system will bring multi-fold benefits to Mauritius, the foremost being the increase in efficiency and reduction in cost of regulatory compliance and customer on-boarding. The Central KYC (CKYC), expected to be operational by October 2024. It will facilitate the electronic verification of customers' identity by providing access to relevant source databases, such as the Central Population Database and utility services, through the InfoHighway, a platform set up for information sharing among Government agencies.

Cross-border payments through domestic cards and mobile applications have become a reality since February 2024. The Bank has collaborated with the National Payments Corporation of India to interconnect national switches allowing Indians and Mauritians to use their preferred mobile payment applications and RuPay cards when travelling to Mauritius and India for faster, cheaper and more convenient payments between the two countries. This arrangement allows settlement in our respective domestic currencies.

Work has progressed on the potential introduction of a central bank digital currency. We have reached the pilot stage on the technology side. We are also exploring on how the Digital Rupee could be used for cross-border payments.

The Mauritius Credit Information Bureau (MCIB) stands out as an essential risk management tool for lenders in their lending activities and plays an important role in the country's financial stability. Since its roll out in 2005, the coverage of the MCIB has been extended to various types of credit institutions operating in the country, 53 as of date.

Going ahead, the Bank will undoubtedly face both global and home-grown challenges, beyond monetary policy ones, namely those linked to digitalisation, new innovative financing solutions, to name a few. Unpredictability and interconnectedness of the global financial system will continue to define the future. However, the Bank will strive to fulfill its mandate, as it has been doing over the past 57 years of its existence, to shore up the banking sector and the economy.

*"The secret of change is to focus all your energy not on fighting the old but on building the new."*

***Socrates***

**Mardayah Kona Yerukunondu**
First Deputy Governor

## Message from the Second Deputy Governor

During FY2023-24, the Supervision Department of the Bank of Mauritius (Bank) carried on with its quest of consolidating the resilience of the banking sector in light of current and emerging risks.

We believe that it ties in with the Bank's primary mandate of ensuring an orderly and balanced economic development of the country.

This Financial Year, as the previous one, was also marred by geopolitical tensions and macroeconomic issues such as high inflationary pressures and high debt levels among emerging countries. On the other hand, rising interest rates across the world also allowed banks to register exceptionally high profits.

While these profits allowed banks to raise their dividend pay-outs and increase their capital buffers, we also believe that banks should be prudent. It is during good times that provisions should be made to cushion the shock when the business cycle turns.

We thus issued a revised **Guideline on Classification, Provisioning and Write-off of Credit Exposures** effective September 2024. This Guideline was put on hold during the COVID-19 pandemic as part of our strategy to provide flexibility to banks to withstand its negative effects. The Guideline now provides clear guidance on provisioning and write-off of credit exposures so that banks have adequate provisions to meet potential losses.

Furthermore, we continued on with the implementation of BASEL III.

In October 2017, we had issued the Guideline on Liquidity Risk Management which required banks to maintain sufficient unencumbered high liquidity assets to survive a significant stress scenario lasting for 30 calendar days. This Guideline promotes the short term resilience of a bank's liquidity risk profile through the Liquidity Coverage Ratio.

In December 2023, we issued **the Guideline on Net Stable Funding Ratio** with the objective to decrease funding risk and promote resilience over a one year

time horizon by creating incentives for banks to fund their activities with more stable sources of funding on an ongoing basis.

### Cyber risk and new technologies

With the digitalisation of the banking sector, cyber risk has emerged as one of the top three risks for banks worldwide. In this respect, we issued the **Guideline on Cyber Risk and Technology Risk Management** in May 2023 which became effective in June 2024. It defines our cyber security risk strategy which would, amongst others, consolidate the resilience of the banking sector and ensure that banks are ready to manage and respond to cyber attacks so as to maintain financial stability. This is one area where the Bank as the regulator has been instrumental in requiring banks to cooperate and collaborate to address this ever growing risk. Banks are now in the process of submitting their Vulnerability Assessment and Penetration Testing (VAPT) reports amongst others. These are being assessed at our end.

On the forefront of technology, the Bank has come up with its Innovation Hub, known as the Innov8, which will be a center point for innovation. This hub will be open to young IT geeks who require support for the development of innovative tools for the financial sector. The Bank will adopt a transparent approach, inviting applicants via its website, with clearly defined eligibility criteria and evaluation methods.

Indeed, many central banks across the world have now set up an innovation hub so as to allow the financial sector to harness new technologies to increase efficiencies, reduce costs, and allow banks to meet customer expectations as well as to promote financial inclusion.

The use of AI will form part of the above initiative.

Financial Institutions across the world are increasingly having recourse to the use of AI/ML tools and the same trend is observed locally.

From a recent survey conducted among banks on the use of AI tools, 6 banks have confirmed their use in the following cases:

(i) Cyber security: threat detection and prevention;

(ii) Information security: data leakage prevention;

(iii) Process automation: Optical character recognition for document validation, cash management operations and financial market tool analysis; and

(iv) AML/CFT: real time customer screening, digital identity verification and document validation.

The use of AI starts and ends with DATA and therefore data management going forward will be critical. Indeed, it is now being acknowledged globally that data in the current context is equivalent to gold.

The Bank has therefore impressed upon its regulatees who intend to use AI in their processes and internal controls to have **a Data Governance Strategy,** to ensure that data that is used has been obtained from known sources and that the data is relevant, structured, bias-free and used holistically.

At the Bank, we are exploring the use of RegTech and SupTech tools to increase efficiency. As such we have set up within the Supervision Department a unit consisting of Business Intelligence Analysts who are reviewing our systems and processes of collecting data, reporting by banks and Management Information System (MIS) so as to have a more efficient system by reducing duplication and streamlining processes.

This has become a necessity as we face challenges in Human Resources Management which is a world-wide phenomenon in the financial industry.

**AML/CFT**

The Bank has continued with its risk-based AML/CFT onsite and offsite supervision as per its Action Plan based on the updated risk profiles of its licensees. This approach allows for more efficient allocation of resources, where the intensity and frequency of inspections are based on risk levels, ensuring that the greatest risks receive the most attention. An overall improvement in compliance level by FIs has been observed as a result of remedial actions taken by them, continuous engagement with the licensees, new issue of guideline and sanctions imposed over the years. During the financial year under review, the Bank has conducted 12 risk-based AML/CFT onsite inspections and 17 special AML/CFT examinations.

The Bank is preparing itself for the next mutual evaluation assessment by ESAAMLG scheduled for the year 2027 based on the new FATF methodology by reviewing, amongst others, its processes, conducting capacity building through training, and enhancing collaboration to ensure effectiveness.

**Deposit Insurance**

Many mature jurisdictions across the world have built in mechanisms for self stabilisation and resilience. In this vein, the Bank started to work on the concept of a deposit insurance since 2010. Finally, the Mauritius Deposit Insurance Act was enacted in April 2019 and proclaimed on 2 December 2023. The Bank then set up a private company – a full-owned subsidiary – the Mauritius Deposit Insurance Company Ltd in March 2024.

The deposit insurance scheme would safeguard a specified level of coverage of deposits in the event of a bank failure. We all remember the banking turmoil that shook the US in March 2023 when a number of small banks witnessed bank runs and eventually had to close down. The US Federal Government had to intervene in these cases. A few months later Credit Suisse ran into trouble due to loss of confidence by the investors and other internal challenges. Here again authorities intervened and negotiated the takeover/merger of Credit Suisse by UBS so as to preserve the financial stability of the jurisdiction.

We believe that the assurance provided by the deposit insurance scheme will prevent bank runs and the erosion of confidence in the financial system. By assuring depositors that their funds are secure, deposit insurance contributes to maintaining financial stability, preventing contagion, promoting the overall soundness of the banking sector and fostering financial inclusion.

**Climate and environment-related financial risks**

On this front we issued the Guideline on Climate Related and Environmental Financial risks on 1 April 2022 and required financial institutions to disclose in their annual report specific climate related information from a Governance, Strategy and Risk Management perspective. The Guideline also requires financial institutions to disclose appropriate climate related metrics and targets devised for the purpose of strategy setting, risk measurement and risk management.

However, given the challenges in data availability on the carbon footprint of companies in Mauritius, we deferred the requirement for disclosure of climate related metrics and targets. Banks were successful, on the other hand in disclosing their Governance, Risk strategy and Risk Management in their December 2023 annual reports. While the quality and quantity of disclosures varied across institutions, we noted that the disclosure on Governance and strategy were fairly adequate.

However, there is still room for improvement and we shall be working on it.

On Governance, banks disclosed that climate change was being overseen by the Board of Directors and supported by their risk committees. On strategy, banks disclosed that they have a climate-related strategy centered around reducing their financed emissions and have committed pre-determined amounts to provide sustainable financing through their financial product offerings. Some banks have also disclosed sectoral targets to phase out or reduce lending to some high emitting sectors and have reviewed their credit risk appetites accordingly.

Under our Climate Change Centre, work is undergoing in developing models for stress testing and scenario analysis while incorporating climate and environmental related financial risks.

Our staff also forms part of the working group on the elaboration of a National Green Taxonomy. This working Group was set up by the Ministry of Finance, Economic Planning and Development and the Ministry of Environment, Solid Waste Management and Climate Change.

**Corporate services**

The Corporate Services division as usual provided its unflinching support to the rest of the divisions of the Bank in carrying out the mandate of the Bank.

All of the above work would not have been achievable without the support of the Bank of Mauritius staff.

I take this opportunity to extend my appreciation and thank the staff of the Bank for their commitment and hard work.

Finally, I wish to thank the Governor for his continued support and guidance.

The work continues.

**Hemlata Sadhna Sewraj-Gopal**
Second Deputy Governor

# Our Organisation

## Human Resources

Staff are the key resources that the Bank relies on to deliver on its overall statutory mandate. As a knowledge-based organisation, the Bank has geared its Human Resource strategy towards fostering a high-performance culture among its employees, while ensuring a safe and nurturing environment. Staying true to the Bank's core values while developing a motivated and engaged workforce is essential to thrive in this changing landscape and achieve strategic objectives.

### Our Employee Demographics

**Gender Distribution**

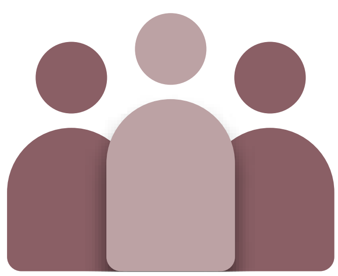

**197**
2023-24

**190**
2022-23

**198**
2023-24

**195**
2022-23

**Head Count**



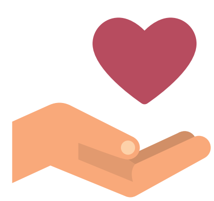
**397**
2023-24

**385**
2022-23

**Leavers**

Retirement
**17**

Resignation
**18**



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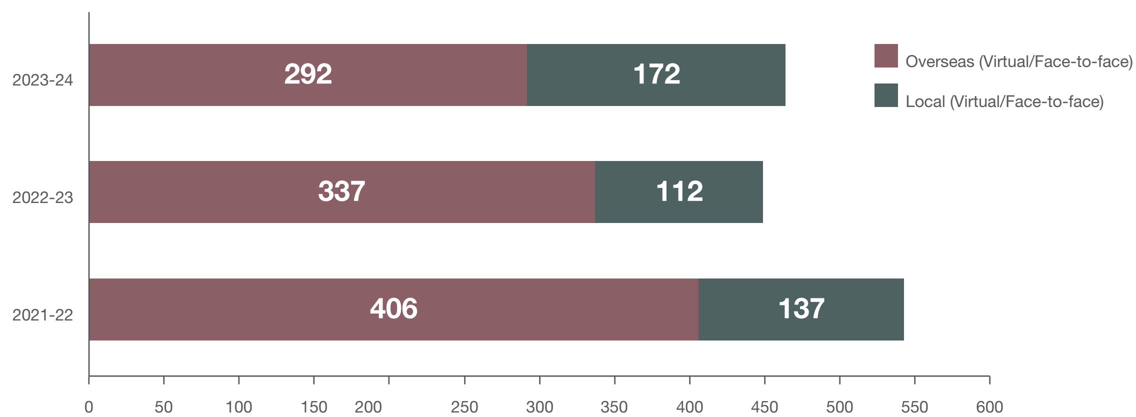
**1**

During FY2023-24, the Bank recruited 46 staff with different educational backgrounds to consolidate the existing pool of qualified workforce. As at 30 June 2024, the total workforce stood at 395 people. To reinforce the organisation structure and support succession planning, 102 staff members were promoted during the period under review.

## Capacity Building

The Bank of Mauritius employees are its most important resource, which is why the Bank must attract, develop and retain skilled and engaged persons. During FY2023-24, the Bank has continued to ensure that its workforce is equipped with the necessary skills, commitment and competencies to successfully execute the Bank's mandate and strategy. As such, the Bank pursued its capacity development program aimed at building a future-fit workforce that will be able to navigate the evolving and increasingly digitalised working environment. Bank staff attended in-person as well as virtual training courses, seminars, conferences and workshops both locally and internationally throughout the year in addition. Several staff members are also involved in projects with other central banks on a variety of topics, thereby enhancing their knowledge and contribution to the Bank's work.

**COURSES / TRAININGS / WORKSHOPS**




The Bank is dedicated to keep its staff members abreast of the latest developments in the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) matters. In this regard, during the period July 2023 to June 2024, several trainings were organized through hybrid mode covering the following areas: "Money Laundering and Terrorist Financing in the art and antiquities market", "Modern Slavery-Human Trafficking and Associated Money Laundering in Sub-Sahara Africa", "Targeted Financial Sanctions and Transaction Monitoring", "Driving More Effective Enterprise-Wide Money Laundering and Terrorist Financing Risk Assessments, suspicious transaction Reporting, Ultimate Beneficial Owner", amongst others.

Senior Officers of the AML/CFT unit of the Bank attended the Financial Action Task Force (FATF) Assessor's training organized by the Ministry of Financial Services and Good Governance in collaboration with Eastern and Southern Africa Anti-Money Laundering Group, from 27 to 31 May 2024. Officers of the Bank also attended, in the context of the Mid-Term Independent Assessment Exercise, a half-day workshop with the Independent Consultant on 3 June 2024.

The Bank and Financial Services Commission (FSC) continued to provide a one-year training programme on AML/CFT and related matters to selected graduates. The second cohort commenced their training in January 2023 and completed it in January 2024. The Certificate Award Ceremony for these graduate trainees took place on March 14, 2024, at the Mapou Auditorium, FSC, Ebène.

The Bank has, in collaboration with the Financial Crimes Commission (FCC), organised a half-day presentation on the Financial Crimes Commission Act 2023, which aimed at enhancing awareness and promoting a culture of compliance and ethics within its organisation and amongst its licensees. The presentation was hosted at the Bank and saw the participation of its licensees, the FSC and its staff. The Bank remains committed to foster its engagement and collaboration with law enforcement agencies to hamper the growth of financial crime in Mauritius and promote financial integrity.

## Employee Wellbeing

A sound and safe working environment must be at the core for all employees. In that regard, the Bank fosters a culture that focuses on work safety, health and well-being of its people. The need to continue developing and adopting a healthy framework that is grounded in compassion, holistic wellness, mental well-being, safe workplace and meaningful interactions is becoming more and more important.

During FY2023-24, the Bank continued offering weekly yoga classes to its employees, as well as weekly football activities at MUGA, Phoenix. The Bank hosted its annual 6-a-side Football Tournament on 25 November 2023. Several teams from different Divisions of the Bank participated in the tournament, boosting team spirit and enthusiasm amongst players and supporters.

The Bank, in close collaboration with the Ministry of Health, organised a Health Week from 17 to 20 June 2024, with the aim to raise awareness on important health issues. The Health Week also comprised health check-ups for staff and a blood donation activity open both to staff and the public. 170 staff members were examined for general health check-ups, and 40 female staff were screened for breast and cervical cancer. The Health Week involved two key talks “Importance of Healthy Eating Habits in Cancer Prevention” and “Healthy Heart at the Workplace”. The Blood Donation activity has become an annual event for the Bank during the Health Week. In partnership with the Blood Bank, the Activity was also successfully organised by encouraging staff of the Bank as well as commercial banks to donate blood. Given its strong commitment to promote physical activity, the Bank, in June 2024, launched a gym membership program. More than 50 per cent of Bank staff enrolled for the gym membership.

In addition, the staff participated enthusiastically in a team building exercise organised on 22 June 2024. The exercise aimed at encouraging open communication, creativity and healthy work relationships among staff, and was a resounding success. Staff members are being sensitised to adopt a more eco-conscious attitude and behaviour. Staff members have been encouraged to take a green pledge as part of their commitment to adopt an eco-conscious lifestyle. They have also been encouraged to have indoor plants to embellish their work areas and serve as air purifiers as well as taking responsibility of their plants.

Team building

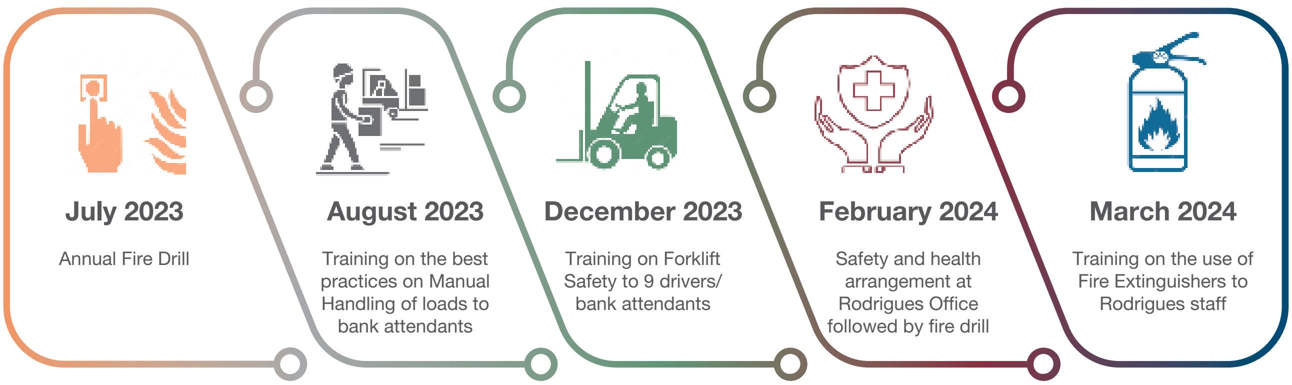
Football tournament

International Women's Day

Blood Donation

## Safety and Health

The Bank is committed to maintain and improve the safety, health and wellbeing of its staff with a view to continuous improvement and adherence to the legislations. During FY2023-24, the Bank has focused on a range of workplace safety actions:




## Bank of Mauritius Knowledge Centre

Knowledge management provides the overarching framework to support and optimize knowledge-sharing within an organization. Banking professionals who are exposed to the latest concepts in their respective fields are in a better position to contribute positively to their enterprise and drive progress and innovation. By acquiring new knowledge, these professionals are better equipped to understand complex situations, make informed decisions and innovatively solve problems.

By acquiring and disseminating latest materials that feature on-going developments in strategic thinking and best practices, in-depth analyses, case studies and emerging issues in the banking sector, the Knowledge Centre of the Bank contributes to provide Bank staff and banking professionals with the necessary platform to access knowledge to respond to the challenge they face and how they can tackle them.

## Communications and Public Outreach

### Financial Literacy

During FY2023-24, the Bank upscaled its initiative to engage with young learners by welcoming students from primary, secondary and tertiary schools for interactive financial literacy sessions. The objective of these customised sessions is to embed an understanding of the banking system and financial concepts in Mauritian youth.

A series of lectures covering financial topics, such as the role of the Bank, monetary policy and digital payments were delivered within the Bank's premises. These sessions aimed to demystify complex financial concepts and illustrate their practical implications in everyday life.

The Bank's nation-wide financial literacy strategy programme, which was initially launched in 2022, has contributed to inculcate positive money management behaviours in citizens. In the same vein, the Bank continued with consumer education sessions to uplift the knowledge of financial concepts and cybersecurity risks, particularly across younger generations who are living in a world where digital payments are increasingly becoming the trend.

The sessions on digital payments covered the evolution of payment systems, the benefits of cashless transactions, and the security measures necessary to protect against fraud. With the emergence of digital platforms, scammers' strategies have evolved, making it more difficult for individuals to distinguish between legitimate offers and deceptive traps.

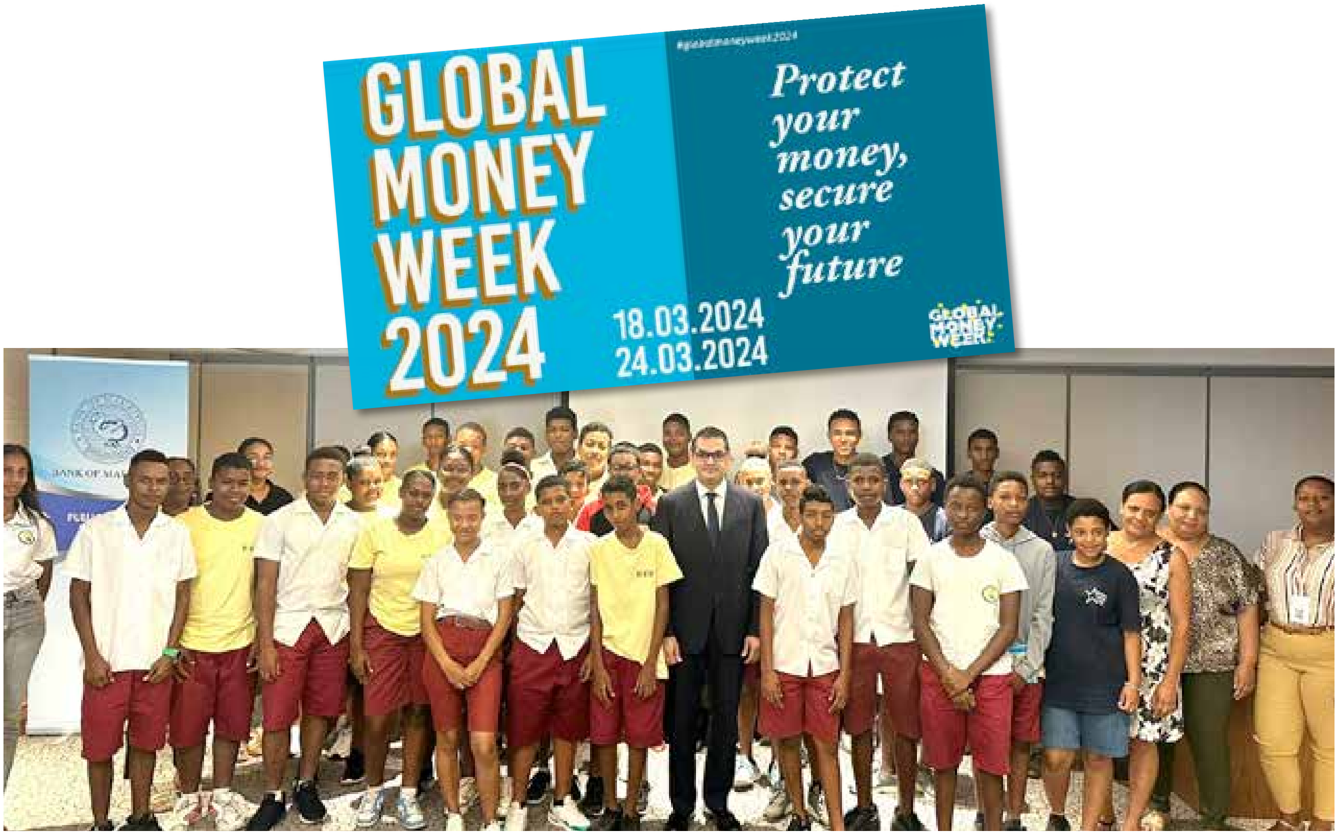
Further to a mission led in Rodrigues by the Governor of the Bank, an assessment of the banking landscape was conducted on the island. The assessment indicated that there was a need to entrench awareness around the use of digital banking channels and cybersecurity. In the light of this, on 11 March 2024, the Bank rolled out the 'Effikas' campaign in Rodrigues, a dedicated financial literacy programme which made use of physical collaterals as well as social media and online platforms. The 'Effikas' campaign focused on the use of digital channels for consumer convenience and service delivery efficiency, as well as security measures against fraud.


**Global Money Week Participation**

As the national coordinator of the Global Money Week, the Bank proudly participated in the 12th edition of this international event. The theme for the year was "Protect Your Money," highlighting the importance of financial security and resilience. The Bank hosted a series of activities on raising awareness in youth about financial management and providing them with knowledge and tools to safeguard them against fraud and scams.

Visits to the Bank provided students with an immersive learning experience whereby they gained a deeper understanding of the Bank's role in the economy. Additionally, the Bank organised special lectures on best security practices against scams.

One of the highlights of the Global Money Week was that students were able to interact with the Governor at the end of each session. The interaction bridged the gap and provided students with opportunities to gain direct exposure to the experience and perspective of the Governor. Overall, this approach enriched their educational experience, making financial literacy more accessible, and the learning process more dynamic and memorable for the students.




**Our ongoing commitment**

The Bank of Mauritius continues to emphasize the importance of financial literacy through various outreach and communication efforts. By engaging with different segments of the population, from students, working professionals to seniors, the Bank aims to create a more financially aware and responsible society. The initiatives taken in 2022 laid a strong foundation for ongoing and future efforts, demonstrating the Bank's dedication to enhancing financial literacy across Mauritius.

Through these comprehensive programmes and activities, the Bank reaffirms its commitment to support the financial well-being of its citizens and contribute to the overall economic health of the nation.

## The Bank of Mauritius Museum

FY2023-24 was filled with several milestones reached by the Bank of Mauritius Museum in terms of visitor engagement, educational outreach, and international collaboration.

The Museum welcomed around 25,000 visitors, a testament to its growing popularity and the effectiveness of its outreach efforts to attract not only residents but also visitors from overseas. The Museum's communication approach, which uses social media as a promotional tool, has resulted in a 25 per cent increase in terms of follower engagement. The museum has also leveraged partnerships with international tour operators to enhance its visibility at international level. This resulted in curated tours that position the Museum as a key stop for overseas visitors.

In May 2024, the Museum participated in the International Museum Day for which the theme was "Museums for Education and Research". The Bank seized this opportunity to underline the Museum's role in providing a holistic educational experience through a unique blend of historical artefacts and modern financial education tools. Interactive workshops and guided tours were organised to foster a deeper appreciation of Mauritius' monetary heritage.

The museum has expanded its educational programs to include pre-primary, primary, secondary, and tertiary students. The programme is customised to be interactive and age-appropriate, ensuring that students at all levels gain valuable financial knowledge. Over 100 sessions benefiting more than 5,000 students were conducted during FY2023-24.

The museum has also strengthened its collaboration with NGOs dedicated to supporting vulnerable children. Special programs and visits were organised to equip these children with an understanding of financial concepts. Through these initiatives, the museum has reached out to over 500 children.

## IT Transformation at the Bank: BoM 2.0 - The Future is now

In February 2022, the Bank embarked on a transformative journey to modernise its Central Banking system. The initiative, named "BoM 2.0 - The future is now," aimed to address the challenges posed by legacy infrastructure, data silos, and security risks.

The core objectives of BoM 2.0 are to:

- Upgrade and modernise existing technology and systems to enhance operational efficiency, security, and scalability;
- Streamline processes through automation, integration, and straight-through processing to reduce manual intervention and increase efficiency; and
- Ensure seamless integration among various IT systems to eliminate silos and facilitate collaboration.

To achieve these goals, the Bank partnered with Intellect Design Arena Limited to implement the Quantum Central Banking System solution. Business champions within the Bank play a pivotal role in driving the transformation.

Significant progress was made during FY2023-24. As at end-June 2024, the project had successfully transitioned into the end-to-end testing phase, involving tests of all procedures from initiation of a transaction to its settlement. This phase of the project heavily relies on business users from the Accounting, Banking, Currency, Financial Markets and Payment Systems departments, and is fully supported by staff of the Information Technology Division, who are playing a crucial role in ensuring the seamless integration of the new system. Commercial banks have also been actively engaged in testing key functionalities, such as payment and cheque processing, domestic treasury, and cash management, among others. The Accountant General and Mauritius Revenue Authority are also important stakeholders who are involved in the project implementation.

The Rodrigues office is set to embark on its testing and training phase as from the third quarter of 2024. This comprehensive approach ensures that the new system is thoroughly validated and ready for implementation across both Mauritius and Rodrigues.

The modernisation initiative represents a significant milestone in the Bank's evolution. By leveraging cutting-edge technology and fostering collaboration, BoM 2.0 is poised to enhance operational efficiency, improve risk management, and deliver better services to the public.

## Climate Change Centre

Since its establishment in October 2021, the Bank of Mauritius Climate Change Centre (CCC) has implemented a series of initiatives to execute the Bank's climate and sustainability agenda.

One of the key priorities for the CCC this year was the development of climate modelling and stress testing to enhance the Bank's capabilities to manage climate risks efficiently and to maintain the stability and soundness of the financial system. To this end, the governance structure of the CCC was reinforced in November 2023 with the setting up of a Climate Change Technical Committee on Data and Stress Testing (CCTCDST) and a Climate Change Oversight Committee (CCOC). The CCOC is responsible to oversee the work of the CCTCDST and advise management of the Bank on all climate change developments and policy issues.

### (i) Developing a Climate Macroeconomic Framework

The Bank has made good progress in the development of a macro climate framework for assessing the manifold ramifications of climate change on price, economic and financial stability.

The Taskforce on Monetary Policy is using a macroeconomic tool developed by the IMF, which has been adapted and calibrated to reflect the peculiarities of the Mauritian economy. The framework aims to provide the Bank with an effective toolkit to assess the short-to-medium term impact of different climate shock scenarios on the economy, from both supply and demand side perspectives. Short-term scenarios, based on the ones released by the Network for Greening the Financial System, are being simulated in order to assess their impact on key macroeconomic variables, including real GDP growth and inflation. These macroeconomic projections would inform the Monetary Policy Committee going forward, as well as serve as inputs into the stress testing models of the Bank and those of commercial banks to assess resilience to different physical and transition shocks related to climate change.

In view of their inherent complexities, knowledge sharing and capacity building in the development of new climate modelling techniques and in the application of hypothetical but plausible climate scenarios are very important. To this end, the Bank is engaging with the University of Mauritius for the modelling of climate hazards, including associated mapping exercises and calibrations.

### (ii) Ensuring that financial institutions are effectively implementing appropriate risk management frameworks for climate-related risks

The Bank has in the past two years already laid the framework for financial institutions to manage the financial risks that emanate from climate change and loss of natural ecosystems. During FY2023-24, the Bank continued to engage with its regulatees to understand the challenges in complying with the requirements of the "Guideline on Climate-related and Environmental Financial Risk Management" which was issued in 2022 through, among others, the submission of progress reports and the conduct of relevant surveys. It was observed that the main challenges reported by financial institutions were the unavailability of the required climate-related data for the computation of relevant metrics and targets as well as the absence of a green taxonomy. The Bank has, in December 2023, accordingly amended the climate-related disclosure requirements such that reporting would not be compulsory, for now, on areas that require very granular data. It may be noted that banks have already started to publish information on climate-related and environmental financial risks in their Annual Reports, amongst others.

**(iii) Supporting the development of sustainable finance**

The Bank, together with the Ministry of Finance, Economic Planning and Development, the FSC, and other stakeholders, have already established appropriate regulatory frameworks for the issue of green bonds by financial institutions, the corporate sector and Government.

A survey conducted by the Bank in September 2023 indicated that as at 30 June 2023, the banking sector's total exposure to sustainable projects was estimated at Rs 6.9 billion compared to Rs 4.2 billion a year earlier. The surge noted in exposures provides indicative signs of the transition towards a greener banking sector.

Notwithstanding these initiatives and developments, the funding gap remains substantial and other supporting measures are key to scale up sustainable finance. Work is underway to enhance the climate information architecture - taxonomies, climate disclosure standards, and climate-related statistics - with a view to facilitating more accurate market pricing of risks and enabling more informed investment decisions.

Further to consultations between the Bank, the Ministry of Finance, Economic Planning and Development and the Ministry of Environment, Solid Waste Management and Climate Change, a Working Group has been set up to develop a National Green Taxonomy for Mauritius. The taxonomy would, amongst others, facilitate the identification of priority sustainability-linked projects and promote the effective mobilization of resources thereto, while mitigating 'greenwashing' risks.

Along with the green taxonomy, alignment with global sustainability disclosure standards is key to transform Mauritius into a leader in Environmental, Social and Governance in the African region. Many jurisdictions across the world have already started adopting these standards, in particular, the IFRS S1 and IFRS S2, the European Union Corporate Sustainability Reporting Directive and the Global Reporting Initiative. In the light of the recent International Sustainability Standards Board climate disclosures, the Bank will pursue its engagement with concerned stakeholders regarding the eventual adoption of global baseline disclosure standards across the economy.

**(iv) Transforming the Bank into a greener and more sustainable organization**

As part of the Green Bank of Mauritius project, the Bank has implemented several initiatives aimed at reducing the environmental impact of its internal operations. In line with the recommendations of the Energy Audit exercise that was conducted in 2023, the Bank intends to replace conventional lighting fixtures by more energy efficient LED fixtures, implement automatic lighting controls in common areas and upgrade specific equipment to more energy-efficient models, in a phased manner over the next few years. Implementation of these measures would generate annual energy savings and contribute to reduce carbon emissions from the Bank's physical operations.

Staff members are being encouraged to take a green pledge as part of their commitment to adopt an eco-conscious lifestyle. Separate bins have been placed on all floors for recycling paper. An awareness and sensitization campaign will soon be launched, with the dissemination of eco-lifestyle tips in the form of posters and/or short animated videos.

**(v) Building capacity and raising awareness for climate-related and environmental financial risks**

The Bank has pursued its ongoing initiatives on building capacity and raising awareness on the risks and opportunities from climate change, both internally and for the industry. The Second Deputy Governor participated in a panel discussion on Greening of the Financial Sector in the margins of the COP28 meetings in Dubai in December 2023 to showcase the operations of the CCC and its contribution in reinforcing the appeal of Mauritius for international sustainable finance investors. The Bank also organised a media engagement session in December 2023 to bring to the attention of media stakeholders, latest developments on the front of Climate Change and highlight the work of the CCC.

In April 2024, the Bank and the World Bank organized a workshop on Climate Related Financial Risks for banking institutions. This event, which brought together CEOs of banks and financial institutions as well as sustainability professionals, provided a valuable forum for knowledge sharing and collaboration between the Bank, the World Bank, and banking industry stakeholders.

The Bank's staff are members of the various NGFS workstreams covering climate-related aspects of monetary policy, supervision and scenario design and analysis. These platforms provide valuable opportunities for Staff to benefit in terms of sharing of experience, expertise and knowledge on climate–related issues.

## Enterprise Risk Management

Risk management continues to gain importance. The Bank remains committed to enhance risk-based practices within its organisation. Effective risk management aims to protect the Bank from events that can adversely impact its capacity to fulfil its functions. The new Risk Management Framework being developed will assist the Bank's Management to make informed decisions, principally through better understanding of prevailing and emerging risks as well as adoption of a proactive stance to the changing business environment. This approach will contribute towards mitigating threats while capitalising on opportunities.

The risk framework will be a fundamental component of effective risk management and decision-making at all levels of the Bank. The framework is being designed to ensure:

i. a strong risk culture, by embedding a risk management approach into the Bank's structures, roles and responsibilities;

ii. awareness of risk, in particular to understand, detect, assess, mitigate and report cross-enterprise risks;

iii. adequate controls, so as to onboard the right type and amount of risk within the Bank's risk appetite; and

iv. continuous evaluation and monitoring of risks, to enable optimal decision making and resource allocation.

The consolidation of the risk culture at the Bank will be guided by the deployment of a sound risk policy and framework that will provide appropriate standards for professional, responsible and sustainable behaviour. With evolving macroeconomic and financial conditions, operational environment and standards, it is important to recognise the sources of risk. It is equally important to have the methodology and tools for assessing and managing the potential impact on the Bank.

### Governance Risk and Compliance Tool

The Bank is working on the deployment of a governance, risk and compliance (GRC) management software. The aim is to streamline and structure governance, risk management practices and monitoring of compliance to rules and procedures. It is committed to use AI-powered analytics to enhance risk assessment and compliance monitoring. Integrating AI into risk management and GRC processes will empower the Bank to significantly boost efficiency, reduce costs and even uncover hidden risks.

**Cybersecurity: Building Resilience in a Digital Era**

In an era where the cyber threat landscape is evolving rapidly, the Bank continuously reviews and strengthens its cyber security strategy to safeguard critical infrastructure and the integrity of the financial system. It is prioritising a multi-layered cyber security approach, emphasising proactive measures and continuous improvement. The Bank has been actively engaged in several initiatives to achieve its cyber security objective, particularly for the financial system.

To strengthen the integrity of the financial system, the Bank conducts regular onsite cyber inspections. The aim is to ensure strict compliance with established cybersecurity guidelines by all licensees. This thorough oversight is crucial for maintaining a resilient banking sector and enhance the stability of the financial system, thereby protecting the nation's economic well-being.

***Enhancing information sharing in the banking sector***

In October 2023, the Bank established the Mauritius Financial Sector Cyber Committee (MFSCC), which brings together CEOs of banks to discuss and address cyber threats. A working group is currently working on the launch of a Cyber Information and Intelligence Sharing Initiative (CIISI-Mauritius). This initiative will facilitate the sharing of timely and actionable cyber threat intelligence among financial institutions.

***Promoting regulatory cooperation***

A Working Group on Cyber Security (WGCS) was set up in May 2024 under the Joint Coordination Committee (JCC) between the Bank and the FSC. The WGCS will serve as a platform for financial sector regulators to collaborate on cyber risk mitigation strategies and ensure a coordinated approach to protecting the financial system.

***Capacity development and cyber security culture***

To strengthen its cybersecurity preparedness, the Bank provides the staff with regular training on information security and cyber security best practices. Training equips the staff with the knowledge and skills necessary to identify, prevent, and respond to cyber threats effectively. In addition, awareness campaigns together with regular staff assessments are regularly conducted to evaluate the level of understanding of cyber security protocols, as well as the capacity to identify potential cyber threats and respond appropriately. A strong culture of vigilance against cyber threats has thus been built over time.

***National campaign on cyber security for digital payment***

As part of the Bank's commitment to promote secure and widespread use of digital payment systems, the Bank will launch a comprehensive National Campaign on Cyber Security for Digital Payment. This initiative aims to educate the population on critical measures to protect their financial assets in the digital age. Through a series of workshops, and information sessions, the Bank will provide citizens with the knowledge necessary to navigate the digital payment landscape safely. The campaign will focus on raising awareness about common cyber threats, best practices for maintaining security, and the importance of personal vigilance. The objective of the Bank is to safeguard the financial well-being of the population.

*Key Projects Being Envisaged in the Near Future*

In addition to the ongoing initiatives mentioned above, the Bank is exploring several new projects to further strengthen its cybersecurity and digitalisation efforts. These include:

- enhancing the incident response capabilities;
- exploring the use of new technologies – such as artificial intelligence and machine learning – to improve the cyber security strategy;
- continuing to collaborate with industry stakeholders and international partners to stay abreast of evolving cyber threats and best practices; and
- pursuing certification in industry-recognised standards like ISO 27001 for Information Security Management Systems.

By continuously investing in the promotion of a robust cyber security culture, the Bank is focused on fostering a resilient financial system that supports trust and, ultimately, economic expansion.

# 03

# INTERNATIONAL AND INSTITUTIONAL RELATIONS

The transformative financial system landscape together with the manifold challenges arising from exogenous sources require a strong network of international and institutional relations. The Bank of Mauritius (Bank) continues to place much emphasis on the reinforcement of its International and Institutional Relations with key stakeholders, both locally and internationally for the effective discharge of its mandate.

## 1. COOPERATION WITH INTERNATIONAL ORGANISATIONS

In view of contemporary global challenges including, *inter-alia*, digitalisation, cybersecurity, geo-economic fragmentation and climate change, cooperation with key international organisations is a prerequisite for the Bank to consistently maintain its high standards.

As such, since 2020, the Bank has strengthened its partnership with multilateral organisations, with a particular focus on:

- The International Monetary Fund (IMF)
- The World Bank Group (WBG)
- The Organisation for Economic Co-operation and Development (OECD)
- The Bank for International Settlements (BIS)
- The Financial Action Task Force (FATF)

### Initiatives at the level of the Organisation for Economic Co-operation and Development

Work is ongoing on the accession process for Mauritius to become the first African country member of the OECD.

In the wake of the Memorandum of Understanding signed in September 2018 by the Prime Minister of the Republic of Mauritius, the Honourable Pravind Kumar Jugnauth and the Secretary General of the OECD, Mr Mathias Cormann, and which laid down the foundations for collaboration between the OECD and Mauritius to promote economic cooperation and development, a Mauritius Country Desk has been set up at the OECD.

The Mauritius Country Desk is tasked with the conduct of the Economic Survey for Mauritius. It is also supporting Mauritius in its work on its medium- and long-term economic objectives. On 6 September 2024, the OECD Secretary General was in Mauritius for the signing of the Memorandum of Understanding for the OECD Country Programme and the launch of the OECD Investment Review for Mauritius. It is expected that the report of the Economic Survey of Mauritius will be ready for launch in March 2025. During the official visit of the OECD Secretary General, the Bank also hosted the first Annual OECD Roundtable on Banking and Financial Markets which was attended by many African central bank Governors.

### World Bank Office

The genesis of the hosting of the World Bank Office by the Bank of Mauritius lies in the Budget Speech 2023-2024. On that front, much progress has been achieved and a formal event took place on 23 September 2024 for the launch of the World Bank Office in the presence of its Regional Director. The Office will be up and running before the end of the year.

## 2. LOCAL AND INTERNATIONAL RECOGNITIONS

### Grand Commander of the Order of the Star and Key of the Indian Ocean (G.C.S.K.)

The Governor of the Bank of Mauritius, Mr Harvesh Kumar Seegolam, has been elevated on 12$^{th}$ March 2024 to the rank of G.C.S.K. for his exceptional contribution to the banking sector. This prestigious accolade, which is the highest civilian award bestowed by the State, recognises the Governor's outstanding involvement in maintaining financial stability, especially in an unparalleled and challenging environment.

**Global Finance – Central Banker Report Cards 2023**

The initiatives implemented by Governor Seegolam, G.C.S.K. during his mandate transcended our national boundaries. In October 2023, Global Finance conferred upon him an 'A' grade as part of the Central Banker Report Cards 2023 in recognition of his outstanding contribution in the fight against inflation and maintenance of economic and financial stability in the country.

## 3. ACADEMIC COOPERATION

In its continued efforts to foster scientific and economic research, the Bank entered into a Partnership Agreement with the prestigious Toulouse School of Economics-Partenariat Foundation (TSE-P), led by Professor Yassine Lefouili and Nobel Prize Laureate Professor Jean Tirole.

Building on the success of the previous year, the Bank remains the third central bank globally to partner with TSE, following the Banque de France and the Banque Centrale du Luxembourg. This partnership continues to drive ambitious scientific and research activities in the fields of monetary economics and financial stability.

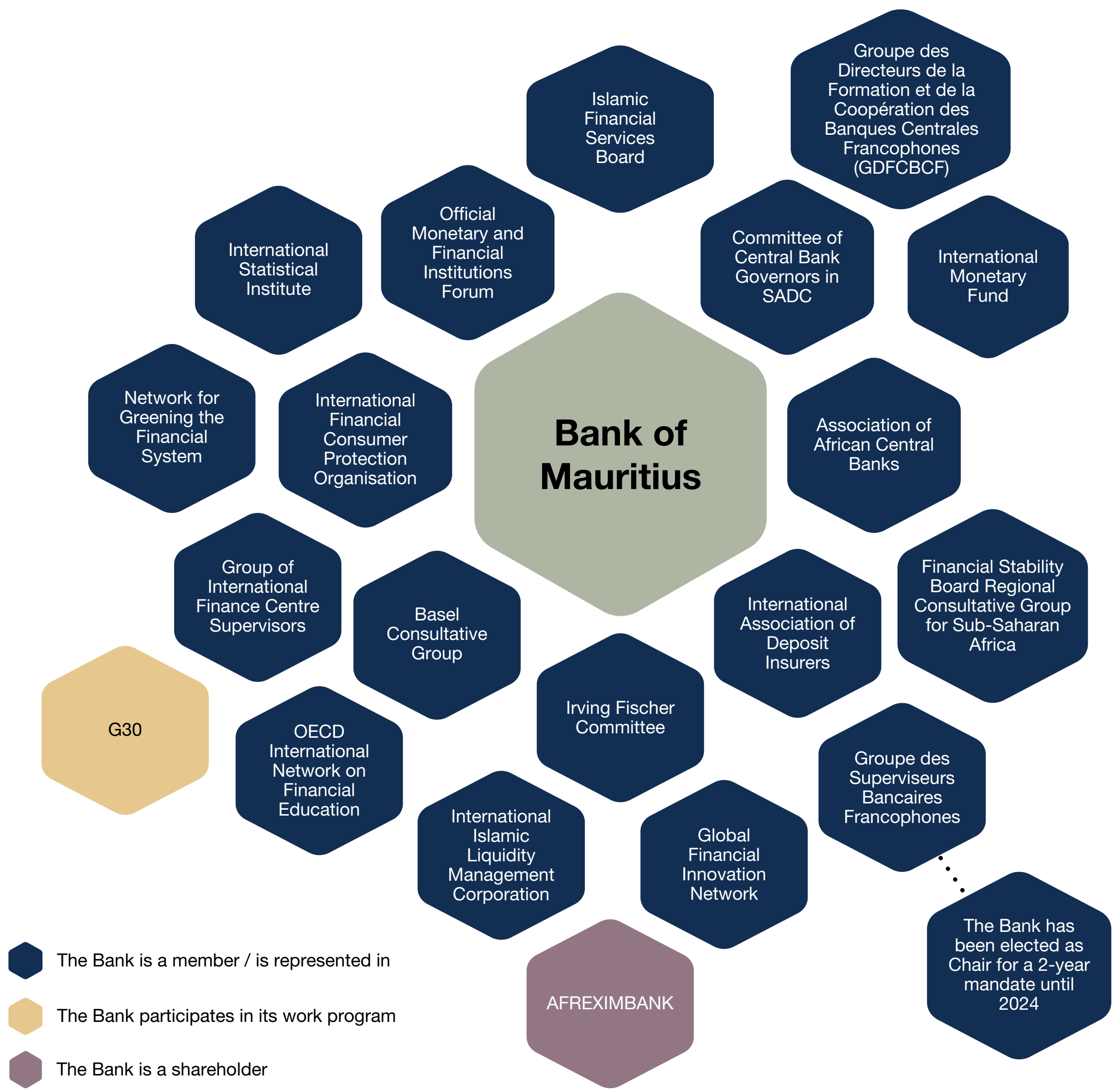
The first TSE-BoM workshop was organised in Mauritius from 19 to 21 September 2023. In April 2024, the Bank and TSE organised the second TSE-BoM workshop in Toulouse from 18 to 19 April 2024. This event which was attended by four staff from the Bank brought together prominent economists and finance professionals to discuss cutting-edge research and developments in economic and financial stability. The workshop further cemented the collaborative spirit of the partnership and underscored the mutual benefits of this academic alliance.

## 4. REPRESENTATION OF THE BANK WITHIN INTERNATIONAL ORGANISATIONS

The Bank considers international cooperation as a pivotal mechanism to establish and strengthen stable cooperative ties with other central banks, supervisory and regulatory authorities and international institutions. In this respect, the Bank is a member of numerous international organisations, which facilitates the transfer and exchange of knowledge, experience and good practices between the Bank and other central banks/international organisations through a plethora of activities, such as meetings, conferences, discussions, workshops, seminars, staff secondments, expert visits, technical assistance and training programmes among others.

Since 2020, the Bank has become a member of several international bodies such as the Network for Greening the Financial System (NGFS), the Groupe des Superviseurs Bancaires Francophones (GSBF), the Basel Consultative Group (BCG), the OECD International Network on Financial Education (OECD-INFE), the Global Financial Innovation Network (GFIN), Groupe des Directeurs de la Formation et de la Coopération des Banques Centrales Francophones (GDFCBCF).

The Annual meetings of the Association of African Central Banks (AACB) for 2024, comprising technical meetings, Bureau meeting, Symposium on the theme: "using big data analysis, interest rates, and artificial intelligence in the fight against inflation", and the 46th Ordinary Meeting of the Assembly of Governors were held in Mauritius from 30 August 2024 to 4 September 2024. The Governor of the Bank of Mauritius was unanimously appointed as Chairperson of the AACB for a period of one year during the meeting of the Assembly of Governors. The AACB meeting was followed by the launch of the Innovation Hub on 4 September 2024.




## 5. CONFERENCES, WORKSHOPS AND SEMINARS HOSTED BY THE BANK

In 2024, the Bank strengthened its commitment to international best practices and experience-sharing on key economic and monetary matters by hosting a series of high-profile conferences, workshops, and seminars. These events, organised in partnership with renowned global organisations, have been pivotal in fostering dialogue and knowledge exchange among international experts and leaders.

# International and Institutional Relations

**The Bank hosted/co-hosted among others:**

- FinCoNet Annual General Meeting & International Seminar from 22 to 24 November 2023;
- Banque de France Regional Seminar on “La lutte contre le blanchiment de capitaux et le financement du terrorisme”, from 20 to 22 February 2024;
- International Conference on “Cap sur la finance durable en Afrique”, with the participation of Agence Française de Développement, from 26 to 27 February 2024;
- Réunion plénière du Groupe des Superviseurs Bancaires Francophones (GSBF), from 21 to 22 March 2024;
- 18-ème Réunion Annuelle du Groupe des Directeurs de la Formation et de la Coopération des Banques Centrales Francophones, from 24 to 27 April 2024;
- 2nd TSE-BoM Workshop, from 18 to 19 April 2024 in Toulouse;
- AACB Technical Committee Meeting, from 30 August – 1 September 2024;
- AACB Bureau Meeting on 2 September 2024;
- 46th Ordinary Meeting of the AACB Assembly of Governors on 4 September 2024 preceded by a Symposium on the theme: “Using Big Data Analysis, Interest Rates, and Artificial Intelligence in the Fight against Inflation” on 3 September 2024;
- Launch of the Innovation Hub on 4 September 2024; and
- 1st Annual OECD African Roundtable on Banking and Financial Markets, from 5 to 6 September 2024.

The Bank was also privileged to welcome the Governor of the Banque de France on 30 August 2024 for a talk on economic growth and monetary policy to its staff and regulatees.




## 6. COOPERATION AGREEMENTS

As at 30 October 2024, the Bank's network of partnerships has reached 64 agreements of cooperation, in the form of Memoranda of Understanding, Memoranda of Cooperation, Partnership Agreements and Exchange of Letters – including 44 agreements reached with international institutions and 20 with local institutions.

**Foreign Agreements of Cooperation signed by the Bank of Mauritius**

| Institution | Date Signed |
|---|---|
| Central Bank of Eswatini (Exchange of Letters) | 04-Sep-24 |
| Banque Centrale de Mauritanie (Exchange of Letters) | 04-Sep-24 |
| Bank of Namibia (Exchange of Letters) | 04-Sep-24 |
| Bank of Tanzania (Exchange of Letters) | 04-Sep-24 |
| Bank of Uganda (Exchange of Letters) | 04-Sep-24 |
| Bank of Zambia (Exchange of Letters) | 04-Sep-24 |
| Banky Foiben'i Madagasikara (Exchange of Letters) | 04-Sep-24 |
| L'Institut d'Émission des Départements d'Outre–Mer (Accord de Coopération) | 30-Aug-24 |
| Agence Française de Développement | Feb-24 |

# International and Institutional Relations

| Institution | Date Signed |
|---|---|
| Banque des États d'Afrique Centrale (BEAC) | 18-Sept-23 |
| Toulouse School of Economics | 07-Jul-24 |
| Tripartite Déclaration D'Intention between France, Bank of Mauritius and Bank of Djibouti | 30-Mar-23 |
| National Institute of Bank Management (NIBM) | 19-Jan-23 |
| Banco de Cabo Verde | 10-Sep-22 |
| Banque de France | 21-Mar-22 |
| Central Bank of Kuwait (Exchange of Letters) | 13-Mar-22 |
| Autorité de contrôle prudentiel et de résolution (ACPR) | 21-Mar-22 |
| Dubai Financial Services Authority (DFSA) | 16-Mar-22 |
| Central Bank of the United Arab Emirates (CBUAE) | 15-Mar-22 |
| Banque Centrale des Comores | 18-Feb-22 |
| Dubai International Financial Centre (DIFC) | 24-Jan-22 |
| Commission de Surveillance du Secteur Financier (CSSF) | 14-Dec-21 |
| Bank of Ghana | 26-Nov-21 |
| Central Bank of the Russian Federation | 13-May-21 |
| Bangko Sentral ng Pilipinas (BSP) | 01-Mar-21 |
| Deutsche Bundesbank | 14-Dec-20 |
| Bank Al-Maghrib (Controle Bancaire & Cooperation Generale) | 18-Oct-19 |
| China Banking and Insurance Regulatory Commission | 22-Jan-19 |
| Commission de Supervision Bancaire et Financière de Madagascar | 01-May-15 |
| Central Bank of Nigeria | 04-Dec-14 |
| Reserve Bank of Zimbabwe | 01-Nov-14 |
| Central Bank of Sudan | 22-May-14 |
| Registrar of Financial Institutions, Malawi | 07-Dec-12 |
| Reserve Bank of India | 03-Dec-12 |
| Maldives Monetary Authority | 19-Dec-11 |
| Central Bank of Kenya | 09-Aug-11 |
| Bank Negara Malaysia | 07-Oct-10 |
| Hong Kong Monetary Authority | 18-Jun-08 |
| Central Bank of Seychelles | 02-May-06 |
| The Bank Supervision Department of the South African Reserve Bank | 25-Jan-05 |
| Banco de Moçambique | 15-Mar-04 |
| State Bank of Pakistan | 26-Jan-04 |
| Commission Bancaire Française | 02-Nov-99 |
| Jersey Financial Services Commission | 15-Jan-99 |

**Local Agreements of Cooperation signed by the Bank of Mauritius**

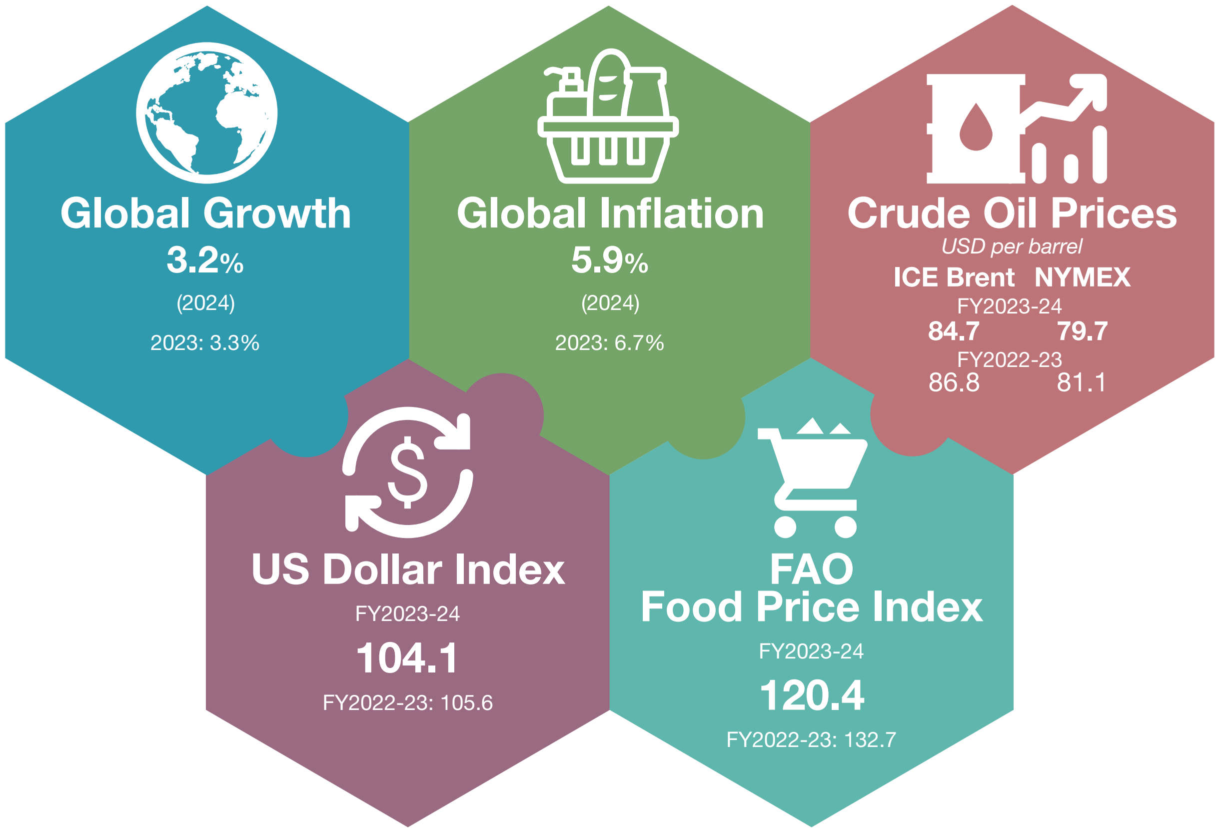
| Institution | Date Signed |
| --- | --- |
| MoU between the Bank of Mauritius and the University of Mauritius | 22-May-23 |
| MoU between the Bank of Mauritius and the National Sanctions Secretariat | 02-May-23 |
| Tripartite MoU among the Bank of Mauritius, the Ministry of Information Technology, Communication and Innovation and the Mauritius Police Force | 15-Apr-22 |
| Tripartite MoU among the Bank of Mauritius, the Ministry of Information Technology, Communication and Innovation and the Registrar of Civil Status | 15-Apr-22 |
| Counter Terrorism Unit | 04-Feb-22 |
| Mauritius Research and Innovation Council | 11-Oct-21 |
| Information and Communication Technologies Authority (ICTA) | 14-Jul-21 |
| Financial Reporting Council | 09-Dec-20 |
| Economic Development Board | 11-Nov-20 |
| Local AML/CFT Supervisors (Memorandum of Cooperation) | 27-Aug-20 |
| Tripartite MoU between the Bank of Mauritius, the Financial Services Commission, and the Economic Development Board | 19-May-20 |
| Mauritius Police Force (Memorandum of Cooperation) | 25-Jan-19 |
| Tripartite MoU among the Financial Services Commission, Financial Intelligence Unit and Bank of Mauritius | 19-Sep-18 |
| Independent Commission Against Corruption | 24-Nov-14 |
| Registrar of Cooperative Societies | 14-Aug-14 |
| Competition Commission of Mauritius | 26-Aug-10 |
| Mauritius Revenue Authority | 31-Dec-09 |
| Financial Intelligence Unit | 12-Nov-09 |
| Statistics Mauritius (formerly Central Statistics Office) | 01-Mar-09 |
| Financial Services Commission | 01-Dec-02 |

# 04

# MACROECONOMIC AND FINANCIAL OVERVIEW

# Macroeconomic and Financial Overview

## The Global Economy




The global economy remained resilient during FY2023-24 despite an environment characterised by lingering geopolitical tensions and still high interest rates. Buoyant consumer and government spending, favourable supply-side developments and improved trade developments, were among the key factors that supported economic activity. The diverging growth pathways across economies at the turn of 2024, in view of their heterogenous economic structures, have somewhat narrowed on the back of dissipating cyclical factors.

In its July 2024 World Economic Outlook (WEO) Update, the IMF projected global growth to remain rather stable at 3.2 per cent in 2024 and to increase marginally to 3.3 per cent in 2025. The growth forecast for 2024 was unchanged compared to the projection made in April 2024 while that for 2025 was upgraded by 0.1 percentage point (pp). Growth projection for advanced economies remained unchanged at 1.7 per cent in 2024 due to slower growth momentum in US and Japan while emerging market and developing economies' growth was revised upwards by 0.1 pp to 4.3 per cent owing to anticipated robust activity in Asia, particularly India and China.

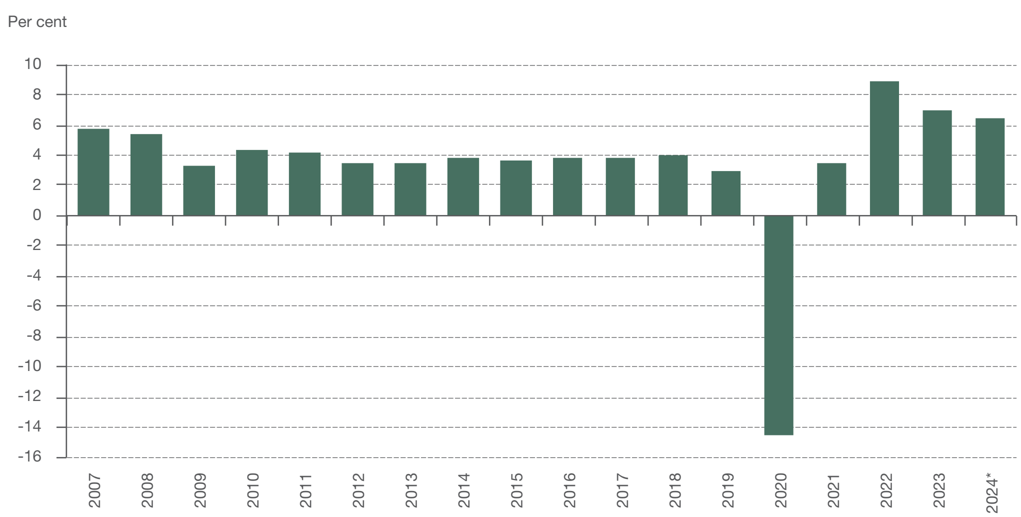
Global inflation declined considerably in FY2023-24, with inflation gradually converging towards central banks' respective targets, mainly on the back of favourable global commodity price developments and effects of tight monetary policies. The IMF, in its July 2024 WEO Update, forecast global inflation at 5.9 per cent in 2024 and at 4.4 per cent in 2025.

The disinflation process provided some central banks leeway to adopt a gradual dovish stance. Among advanced economies, the European Central Bank (ECB) lowered its key policy rate by 25 basis points to 4.25 per cent at its June 2024 meeting, mainly on account of fading price pressures and an improved inflation outlook. The US Fed and the Bank of England (BoE) kept their respective policy rates unchanged as they viewed that a restrictive monetary policy was still required to address the upside risks to the near-term inflation outlook, although they were widely expected to start cutting their rates in 2024H2.

## Domestic Economic Performance

The domestic economy maintained a solid growth performance in FY2023-24, supported by the main pillars of activity. Real GDP expanded by 7.0 per cent in 2023, with major economic sectors, such as tourism and construction, providing the necessary impetus to growth. The healthy performance of 7.1 per cent registered in 2024H1 further supports the post-pandemic robust growth pathway. The growth momentum is expected to persist, with real GDP growth projected at 6.5 per cent for 2024 (Chart 4.1).

**Chart 4.1: Real GDP Growth**




*Source: Statistics Mauritius.*

**Forecast.*

The services sector, encompassing, *inter alia*, tourism, financial and insurance activities, wholesale and retail trade and other professional services, remained the engine of growth, contributing to nearly 75 per cent of GDP. The *'Accommodation and food service activities'* sector grew by 26.8 per cent in 2023, with a contribution of 1.7 pp to real GDP growth. In 2023, the island was visited by 1,295,410 tourists, representing a surge of around 30 per cent compared to 2022, which contributed favourably to the country's external performance (Chart 4.2). In line with the resurgence in tourist arrivals, tourism earnings were also buoyant, posting a record high of approximately Rs86 billion in 2023 (Chart 4.3).

The sector's growth momentum was sustained in 2024H1, with tourist arrivals totaling 645,549 and constituting a recovery rate of around 99 per cent relative to the 2019 level. The European continent remained the main source market for Mauritius, accounting for nearly 65 per cent of total tourist arrivals. The average length of stay of tourists stood at 11.6 nights in 2024H1, well above 10.5 nights in 2019H1.

Tourism earnings aggregated Rs44.4 billion in 2024H1, higher by 6.5 per cent from a year ago. Going forward, benefitting from aggressive promotional campaigns, improved air connectivity, diversification of the tourism base as well as strong demand for holiday travel, the tourism sector is expected to maintain its buoyancy, with an estimated 1.4 million tourists in 2024.

**Chart 4.2: Tourist Arrivals**

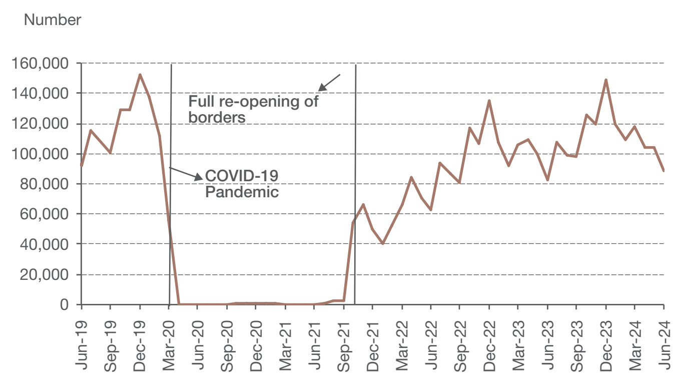
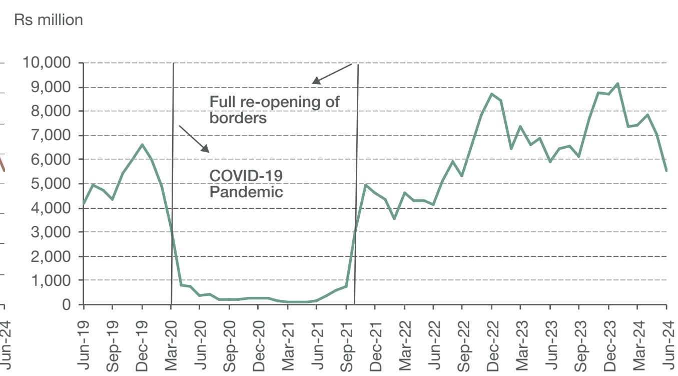



**Chart 4.3: Tourism Earnings**




The robust growth performance of the tourism sector spilled over to the *'Transportation and storage'* sector which grew, on average, by 5.3 per cent in 2024H1, after expanding by 8.9 per cent in 2023. Sustained investment spending on major capital projects bolstered growth in the construction sector, with an expansion of 37.4 per cent in 2023 and 51.4 per cent in 2024H1. This growth momentum is expected to persist, going forward, with Government investing heavily in public infrastructure projects.

The *'Financial and insurance activities'* sector, considered as another engine of growth, expanded by 4.3 per cent in 2023 and 5.6 per cent in 2024H1. The country has forged a strong reputation of an International Financial Centre of excellence adhering to international standards. This has largely benefitted the sector and spurred growth across other professional services sectors. The *'Manufacturing'* sector expanded by 2.1 per cent in 2023 and further by 2.9 per cent in 2024H1, driven mainly by the *'sugar'* and *'food'* sub-components offsetting the contraction noted in the *'textile'* sub-sector. The *'Agriculture, forestry and fishing'* sector maintained its momentum, registering double-digit growth of 13.9 per cent in 2023 and expansion of 5.6 per cent in 2024H1.

## Sectoral Performance

# Real GDP Growth

| | 2023 | 2022 |
|---|---|---|
| Real GDP Growth | 7.0% | 8.9% |
| Agriculture, forestry and fishing | 13.9% | 5.5% |
| Manufacturing | 2.1% | 9.1% |
| Construction | 37.4% | 1.3% |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 3.6% | 3.0% |
| Transportation and storage | 8.9% | 5.2% |
| Accommodation and food service activities | 26.8% | 200.8% |
| Information and communication | 6.0% | 4.0% |
| Financial and insurance activities | 4.3% | 4.2% |
| Real estate activities | 2.2% | 1.6% |

On the expenditure side, growth was backed by appreciable household consumption and ongoing investment in major infrastructural projects. Growth of final consumption expenditure stood at 1.5 per cent in 2023, supported by higher household consumption spending which counterbalanced the contraction in government spending. In 2024H1, final consumption expenditure rose by 3.9 per cent, led by both household and government spending. Investment spending, measured by Gross Fixed Capital Formation (GFCF), increased by 30.7 per cent in 2023, buttressed by both public and private sector investment. The strong performance continued in 2024H1, with expansion of 33.8 per cent in GFCF.

On the external front, net exports of goods and services remained a drag on economic activity. Exports of goods and services expanded by 0.2 per cent in 2023 and 7.4 per cent in 2024H1, mainly driven by the robust performance of the tourism industry. Imports of goods and services increased by 3.9 per cent in 2023 and 0.7 per cent in 2024H1, reflecting the improvement in domestic demand and higher spending on capital projects.

**Labour Market**

The labour market remained resilient in FY2023-24, reflecting broad-based momentum in the different economic sectors of activity, as well as positive impetus from labour market policies. The unemployment rate maintained its downward trajectory, falling from an average of 6.9 per cent in FY2022-23 to an average of 6.2 per cent in FY2023-24. Both the female and youth unemployment rates fell to historically low levels. The female unemployment rate dropped to 8.6 per cent in FY2023-24 while the youth unemployment rate declined to 18.0 per cent.

Looking ahead, further progress is anticipated in the labour market, underpinned by the expected expansion in economic activity and policy measures to tackle structural rigidities. Ongoing pro-female incentives announced in the Budget 2024-25, particularly the flexibility introduced to the *"Prime à l'emploi"* scheme, are likely to support female workers integrate the labour market. Streamlined foreign labour policy measures, such as reduced Occupation Permit threshold, new temporary Occupation Permits and removal of quotas on foreign labour in strategic sectors, will contribute in addressing labour shortages. In addition, training initiatives in targeted emerging sectors such as the application of Artificial Intelligence, will help to strengthen productivity growth going forward.

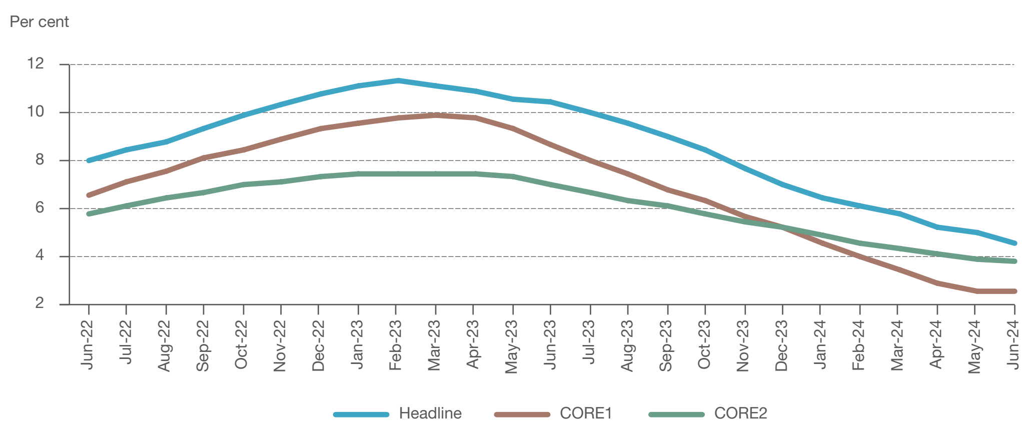

*Sources: Statistics Mauritius and Bank of Mauritius Staff calculations.*

## Price Developments

The Consumer Price Index (CPI) is calculated on an updated basket of goods and services, effective April 2024 and is derived from the 2023 Household Budget Survey conducted by Statistics Mauritius. The base period for the new CPI series is the twelve-month period spanning from January to December 2023. The weights of the various components of the CPI basket have been revised accordingly. Moreover, the CPI now includes items from thirteen divisions instead of twelve previously, as per the latest Classification of Individual Consumption According to Purpose.

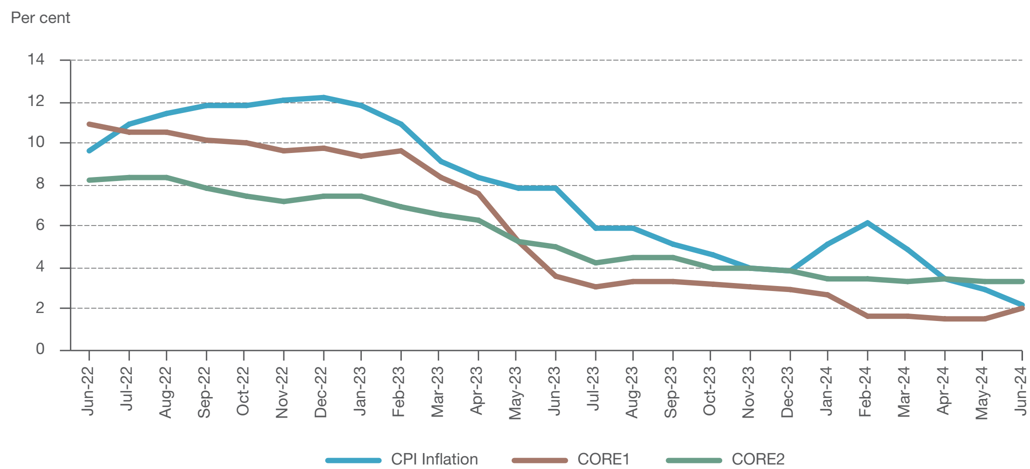
Domestic inflation maintained a downward trend during FY2023-24, driven by a confluence of both international and domestic factors. These included, *inter alia*, declining global commodity prices, receding trading-partner inflation, lasting effects of past monetary policy tightening and the rebalancing of domestic demand and supply conditions. Headline inflation, as measured by the percentage change in the yearly average CPI, more than halved, from 10.5 per cent in June 2023 to 4.5 per cent in June 2024. It thus moved back within the Bank's target range of 2 to 5 per cent for the first time since the introduction of the new Monetary Policy Framework in January 2023 (Chart 4.4).

**Chart 4.4: Headline and Core Inflation (12-month average)**




Year-on-year (y-o-y) inflation, defined as the percentage change in the CPI of a given month compared to the same month of the preceding year, also remained entrenched on a firm decelerating path, dropping from 7.9 per cent to 2.2 per cent over the same period (Chart 4.5). The normalisation of fresh vegetables prices and the decline in Mogas prices in January 2024 had a positive effect in helping to bring down inflationary pressures.

**Chart 4.5: CPI and Core Inflation (Y-o-y)**




Core measures of inflation which essentially provide an assessment of underlying demand pressures, were also on a downward trend. On a 12-month average basis, CORE1 inflation, which excludes the price effects of food items, softened from 8.7 per cent in June 2023 to 2.5 per cent in June 2024. CORE2 inflation, which further adjusts for movements in energy and administered prices, also subsided from 7.0 per cent to 3.8 per cent over the same period. On a y-o-y basis, CORE1 and CORE2 inflation receded from 3.6 per cent and 5.0 per cent in June 2023 to 2.0 per cent and 3.3 per cent, respectively, in June 2024. Previous monetary policy tightening helped in inhibiting demand-side pressures, while keeping inflation expectations well-anchored.

The main contributors to headline inflation in June 2024 were *'Food and Non-Alcoholic Beverages'* (1.8 pp), *'Alcoholic Beverages and Tobacco'* (0.9 pp) and *'Housing, Water, Electricity, Gas and Other Fuels'* (0.6 pp).

Food items, which have a relatively important weight in the CPI basket, experienced a favourable outturn after the supply shock emanating from adverse weather conditions in 2024Q1. Food inflation dropped from double digit figures at the beginning of 2024 to 2.8 per cent in June 2024, supported by improved supply of domestically-produced fresh vegetables. In addition, fuel prices contributed to deflationary pressures as from February 2024. Prices of domestic petroleum products, namely Mogas, were lowered by around 4 per cent in January 2024, which pushed down y-o-y fuel inflation into negative territory through to June 2024. Y-o-y goods inflation decelerated sharply, settling at 2.2 per cent in June 2024, largely attributable to the decline in international commodity prices and lower trading-partner inflation. Y-o-y services inflation also moderated to 2.6 per cent in June 2024.

### Contributors to Headline Inflation

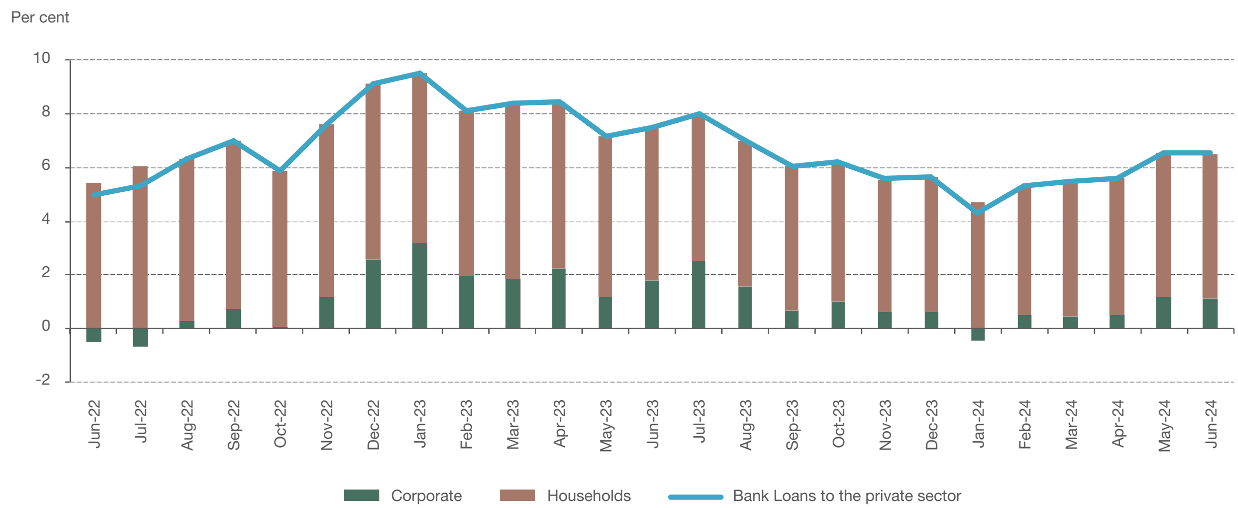

### Monetary Developments

Annual growth in bank loans[1] to the private sector[2] decelerated from 7.5 per cent in June 2023 to reach a trough of 4.3 per cent in January 2024, following which it gradually recovered to reach 6.6 per cent in June 2024. Y-o-y growth in bank loans to corporates[3] receded from 3.2 per cent in June 2023 to 2.0 per cent in June 2024 while bank loans to households slowed from 12.9 per cent in June 2023 to 11.7 per cent during the period under review.

As at end-June 2024, the household sector contributed 5.4 pp to the y-o-y growth in bank loans to the private sector, largely driven by housing loans. Household loans extended for 'other purposes', representing around one-third of total loans to households, contributed to around 4.2 pp to the annual growth in household sector loans. The corporate sector contributed around 1.1 pp to the growth in total bank loans to the private sector in June 2024, mostly driven by the 'Real estate activities' sub-sector.

*[1] Loans include only facilities extended by banks in the form of loans, overdrafts and finance leases.*
*[2] Comprises of Other Nonfinancial Corporations ('ONFCs'), households and Non-Profit Institution Serving Households (NPISHs).*
*[3] Corporates refer to ONFCs.*

**Chart 4.6: Contribution to Private Sector Loan Growth**




## External Sector Developments

The current account deficit improved in FY2023-24, as the strong performance of the tourism sector and high global interest rates led to higher surpluses in the services and primary income accounts of the balance of payments. The current account deficit is estimated to have declined from Rs45.8 billion in FY2022-23 (or 7.4 per cent of GDP) to Rs33.4 billion (or 4.7 per cent of GDP) in FY2023-24.

The deficit in the goods account widened by Rs5.8 billion to Rs168.9 billion in FY2023-24, reflecting a decline in exports and a rise in imports. The services account posted a higher surplus of Rs49.1 billion resulting mostly from the rise in gross tourism earnings, from Rs81.3 billion in FY2022-23 to Rs88.7 billion in FY2023-24. The primary income account recorded a higher surplus of Rs118.6 billion, benefitting from the ongoing high global interest rates and continued growth in residents' net assets. The deficit on the secondary income account was estimated at Rs32.2 billion in FY2023-24.

The country recorded an overall balance of payments surplus of Rs61.4 billion in FY2023-24 as against a deficit of Rs44.2 billion in FY2022-23. Net inflows in the financial account have been estimated at Rs35.3 billion in FY2023-24, mainly driven by 'portfolio investment' and 'other investment' net inflows. The direct investment account, inclusive of Global Business Licence Holders' (GBLHs) transactions, posted net outflows of Rs105.9 billion. Excluding GBLHs transactions, direct investment by non-residents in Mauritius, net of repatriation, amounted to Rs35.1 billion while direct investment abroad, net of repatriation, amounted to Rs1.1 billion. Net inflows in the portfolio investment account amounted to Rs118.1 billion, reflecting non-residents' investment in equity securities of GBLHs, as well as part repatriation of banks' investment in foreign debt securities. The 'other investment' account registered net inflows of Rs83.6 billion, mostly reflecting external borrowings by GBLHs and non-reisdents' deposits at banks. General Government received net disbursement of external loans amounting to Rs0.1 billion.

**Reserves**

The Gross Official International Reserves of the country, principally comprising the gross foreign assets of the Bank and reserve position in the IMF, stood at Rs389.6 billion (USD8.2 billion) as at end-June 2024. The external reserves of the country remained adequate as a buffer against external shocks, representing 12.9 months of imports as at end-June 2024, based on the value of imports of goods (f.o.b.) and non-factor services for the calendar year 2023.

The reserve portfolio of the Bank benefitted from favourable market dynamics, notably the high interest rates in the global environment as well as the commendable performance of selected asset classes during FY2023-24. A share of the reserve portfolio continued to be invested in ESG financial instruments, with the issuers of these financial instruments advocating low carbon footprints amongst others.

The prioritisation of security, liquidity and return continued to dictate the management of the foreign exchange reserves of the Bank. These guiding principles are embedded in the Strategic Asset Allocation framework as well as the Investment Policy Statement – as approved by the Board of the Bank as per the statutory requirements.

**International Investment Position**

Preliminary estimates of the International Investment Position (IIP) of Mauritius as at end-March 2024 indicate a net foreign asset position of Rs1,942 billion (equivalent to USD42 billion). Claims on non-residents stood at Rs26,881 billion (equivalent to USD576 billion) while liabilities to non-residents amounted to Rs24,939 billion (equivalent to USD534 billion).

The net foreign asset position of the Global Business Companies (GBC) sector stood at Rs1,391 billion (equivalent to USD30 billion) as at end-March 2024. GBCs' claims on non-residents amounted to Rs25,033 billion (equivalent to USD536 billion) while their liabilities to non-residents stood at Rs23,642 billion (equivalent to USD507 billion). The net foreign asset position of the non-GBC sector stood at Rs552 billion (equivalent to USD12 billion) as at end-March 2024. Non-GBC residents' claims on non-residents amounted to Rs1,849 billion (equivalent to USD40 billion) while their liabilities to non-residents totalled Rs1,297 billion (equivalent to USD28 billion).

The net IIP of banks and non-bank deposit-taking institutions rose from Rs520 billion (equivalent to USD11 billion) as at end-June 2023 to Rs544 billion (equivalent to USD12 billion) as at end-March 2024. This rise was largely driven by increases in banks' stock of foreign currency deposits abroad and loans to non-residents, which more than offset the rise in their stock of external liabilities in terms of foreign currency deposits from non-residents.

### Box 1: Improvement in Compilation and Dissemination of Bank of Mauritius Statistics

During FY2023-24, the Bank of Mauritius (Bank) made major strides in its statistical function, buttressing its chances of graduating from its status as an IMF SDDS[4] country to an IMF SDDS plus[5] country. It expanded the range of statistics that it compiles and disseminates, while improving the quality and timeliness of data releases.

**Release of Quarterly Other Financial Corporations survey results**

The compilation of monetary and financial statistics is based on the concepts and principles defined in the IMF's Monetary and Financial Statistics Manual and Compilation Guide 2016. The Bank has been compiling its sectoral balance sheet as well as those of banks and Non-Bank Deposit Taking Institutions (NBDTIs), culminating into the derivation of a Depository Corporations Survey (DCS). The latter is a consolidated statement of the stocks and flows of these three institutional units designed to facilitate the analysis of major variables, such as broad money, domestic claims, and depository corporations' foreign assets and liabilities.

With global financial transactions becoming more complex and Mauritius as an International Financial Centre (IFC), expanding monetary and financial statistics to include financial corporations other than the central bank, banks, and NBDTIs—classified as Other Financial Corporations (OFCs)—was considered essential.

The Bank has intensified its efforts to compile OFC statistics since October 2021. It worked in close collaboration with the Financial Services Commission (FSC), under whose purview the OFCs operate, to validate the results of the OFC surveys. The Bank also obtained technical assistance from the IMF in October 2022 to assess and review the available data sources for the OFCs, as well as the quality of the data being compiled. After several rounds of verification and validation, the survey responses improved materially, allowing the Bank to finally be able to disseminate the OFC survey results in July 2023. Since then, the OFC survey results are disseminated to the public on a quarterly basis, within four months from the reference period, on the Bank's website as well as in the Bank's Monthly Statistical Bulletin.

*[4] The SDDS (Special Data Dissemination Standard) was established by the IMF in March 1996 with the intention to guide its members in the provision of their economic and financial data to the public. Subscription to the SDDS reflects the enhanced availability of timely and comprehensive statistics, thereby contributing to the pursuit of sound macroeconomic policies and the improved functioning of financial markets. The SDDS identifies four dimensions of data dissemination — data coverage, periodicity, and timeliness; access by the public; the integrity of the disseminated data; and the quality of the disseminated data.*

*[5] The SDDS plus was established in 2012 by the IMF as the third and highest tier of the data standards initiatives to enhance the scope of economic and financial statistics being disseminated to the public by its member countries.*

**Release of Quarterly International Investment Position statistics**

Another significant achievement for the Bank in FY2023-24 has been the quarterly release of International Investment Position (IIP) data for Mauritius, effective from April 2024. Until then, the IIP had been released on an annual basis, with a significant lag. As an IFC, it was important for Mauritius to produce higher frequency IIP statistics to keep policymakers, as well as other stakeholders, better informed of the evolving net IIP position of the country. The availability of this statistics boosts the transparency of the Mauritius jurisdiction, placing the country at par with major advanced economies and contributing to facilitate the country's access to international capital markets. They can also serve for policy-making purposes, stress testing exercises, as well as monitoring and planning financial sector development.

The release of quarterly IIP for the country was partly made possible by the publication of quarterly OFC survey results as from July 2023. Moreover, the Bank launched quarterly Foreign Assets and Liabilities survey as from January 2023 to meet the required timeliness for the compilation of quarterly IIP, collecting data on some 270 non-financial corporate sector entities' foreign assets and liabilities. In parallel, the Bank stepped up its efforts to close remaining data gaps for the timely compilation of quarterly IIPs. Throughout this journey, the Bank obtained the support of two IMF technical assistance missions in August 2022 and January 2024. The quarterly IIP for Mauritius are disseminated to the public within four months from the reference period, both on the Bank's website and the Bank's Monthly Statistical Bulletin.

**Graduating to SDDS plus status**

It may be recalled that Mauritius had graduated to SDDS in February 2012, becoming the second Sub-Saharan African country to subscribe to this globally recognised Standard after it met the criteria required under the SDDS categorisation. With Mauritius now contemplating graduating to SDDS plus, the publication of quarterly OFC survey results and IIP statistics would reinforce the country's eligibility to achieve this objective.

### Box 2: Monetary Policy Decisions

The MPC maintained the Key Rate at 4.50 per cent per annum at its meetings held in September and November 2023 and in April and July 2024. The MPC carefully scrutinised latest developments shaping the global and domestic economic context and deliberated on their implications for domestic growth and inflation trajectories, while assessing the emergent risks to the outlook.

**Main considerations underlying the MPC's decisions:**

Global economic activity remained resilient in FY2023-24. Strong private consumption and government spending, coupled with favourable supply-side developments, supported global activity, despite prevailing geopolitical tensions and the still high interest rate environment. Leading economic indicators, notably the Global Purchasing Managers' Indices pointed towards ongoing expansion. However, the pace of growth varied across different economies, reflecting country-specific factors. While the US economy registered better-than-expected growth, activity in the euro-area and UK recovered at the turn of 2024 following near stagnation in 2023H2. Key emerging market and developing economies such as China and India saw sustained economic growth, driven by robust domestic demand.

Global inflation subsided, owing to lower global commodity prices associated with normalising global supply chains and the effects of tight monetary policies. Food prices moderated significantly, reflecting improved supply conditions. However, oil prices remained subject to uncertainties stemming from heightened geopolitical tensions and decisions of OPEC+ members' production cuts. The decline in core inflation has been more gradual across countries, reflecting persisting strength in labour markets and sticky services inflation. Overall, inflation continued to converge steadily towards central banks' targets across major economies.

Visible progress on the inflation front allowed policymakers to switch to a gradual dovish monetary policy stance. However, some central banks opted to leave their policy rates unchanged to ensure that past monetary policy decisions fully work through their economies and keep inflation firmly hooked. Main central banks, including the US Fed, BoE and ECB indicated continuous monitoring of incoming economic data, in particular the inflation trajectory towards their respective central banks' targets, before easing monetary policy. With the inflation outlook improving markedly, the ECB lowered its key policy rate by 25 basis points to 4.25 per cent at its June 2024 meeting. Among emerging economies, the central bank of Brazil was at the frontline of the easing cycle, with a cumulative 325 basis points cut between end-June 2023 and end-June 2024.

The domestic economy sustained a robust growth momentum through FY2023-24, bolstered by broad-based dynamism across key economic sectors. The tourism sector has been largely vibrant, given the steady flow in tourist arrivals. The tourism sector is expected to further benefit from increased demand for holiday travel and flight connectivity as well as diversification of markets, and induce positive spillover effects onto related sectors. The financial sector remained an important driver of growth, helped by authorities' concerted efforts to cement the international reputation of the Mauritian IFC.

The construction sector maintained an impressive performance, mainly on account of large-scale infrastructure projects, and is expected to further underpin investment expenditure. The buoyancy in economic activity underscored the improvement in labour market conditions, with strong employment creation. The Bank forecast real GDP growth at 6.5 per cent for 2024.

Domestic inflation dynamics provided concrete evidence that the disinflationary process was firmly underway. Headline inflation dropped steadily from 10.0 per cent in July 2023 to 4.5 per cent in June 2024, moving within the Bank's inflation target range of 2-5 per cent. Year-on-year inflation also remained entrenched on a downward trajectory, falling to 2.2 per cent in June 2024. Inflation is expected to continue subsiding towards the Bank's midpoint target of 3.5 per cent owing to favourable global commodity price developments, budgetary measures and a tight monetary policy stance keeping inflation expectations well anchored in the economy. The Bank projected headline inflation to close at around 4.9 per cent by end-2024.[6]

The MPC viewed that domestic growth remained resilient, with broad-based growth spanning across a wide spectrum of sectoral activities, and occurred against a backdrop of declining inflation. The MPC weighed the risks to growth and inflation outlooks and estimated that the lagged effects of past monetary actions were still working through the economy. The MPC concurred that the monetary policy stance was appropriate and warranted no change in the Key Rate.

[6] *Forecast from MPC meeting held in July 2024.*

## Financial Markets

### Monetary Policy Framework

The Bank pursued its monetary policy operations in line with the monetary policy framework implemented since January 2023. With the objective to further strengthen the monetary policy transmission and in light of market developments, some operational changes were brought to the framework as from July 2023. The main instrument for monetary operations, the 7-Day Bank of Mauritius (BoM) Bills, which was previously issued on a full allotment basis, is now being issued on a tender basis at the fixed rate equal to the Key Rate. The interest rate corridor was widened from 200 basis points to 300 basis points with the Overnight Deposit and Lending Facilities being available at banks' discretion at ± 150 basis points around the Key Rate.

### Implementation of Monetary Policy

The Bank conducted open market operations to curtail the rupee excess liquidity in the banking system and steer the operating target close to the Key Rate. The Bank used a combination of short-term and medium-term securities issued at market-determined rates, as well as the Overnight Deposit Facilities and 7-Day BoM Bills issued at the Key Rate in pursuit of its objectives.

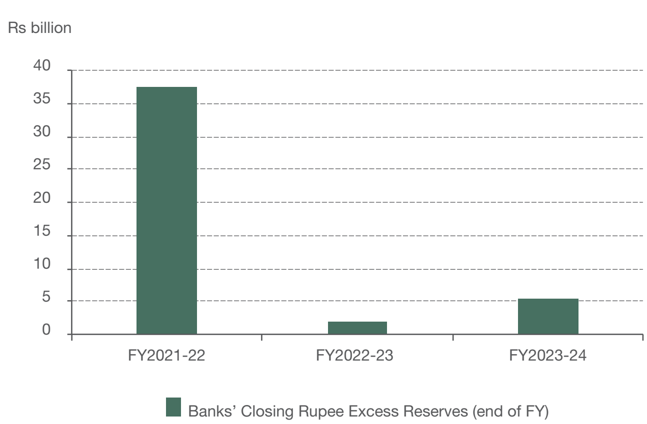
An aggregate amount of Rs110.6 billion BoM Bills were issued in the 91-Day, 182-Day and 364-Day tenors during FY2023-24. Weekly issuances of the 7-Day BoM Bills on tender basis at the fixed rate of 4.50 per cent ranged between Rs1.0 to Rs5.0 billion. In addition, Two-Year BoM Notes for a total amount of Rs29.2 billion were issued during FY2023-24 as part of liquidity management operations.

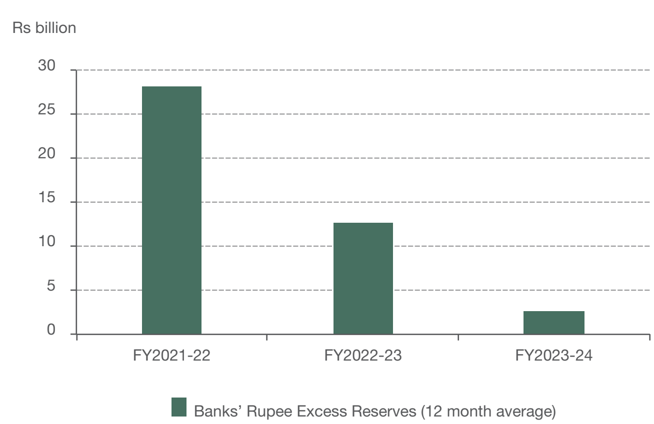
With the operational changes brought to the monetary policy framework, banks channeled surplus funds to the Overnight Deposit Facility at the rate of 3.00 per cent, starting 7 July 2023. Overnight deposits peaked at Rs89.5 billion during FY2023-24. As banks were flushed with liquidity, they did not have recourse to the Overnight Lending Facility during the year.

Given the significant increase in open market operations conducted by the Bank, the level of outstanding BoM instruments surged from Rs138.5 billion as at end-June 2023 to Rs150.3 billion as at end-June 2024.

In addition to rupee operations, an aggregate amount of Rs15.4 billion was mopped up through the sale of US dollars on the domestic foreign exchange market during FY2023-24. As a result of all open market operations, the rupee excess liquidity dropped from an average of Rs12.6 billion in FY2022-23 to an average of Rs2.7 billion in FY2023-24 (Chart 4.7).

**Chart 4.7: Banks Rupee Excess Reserves**

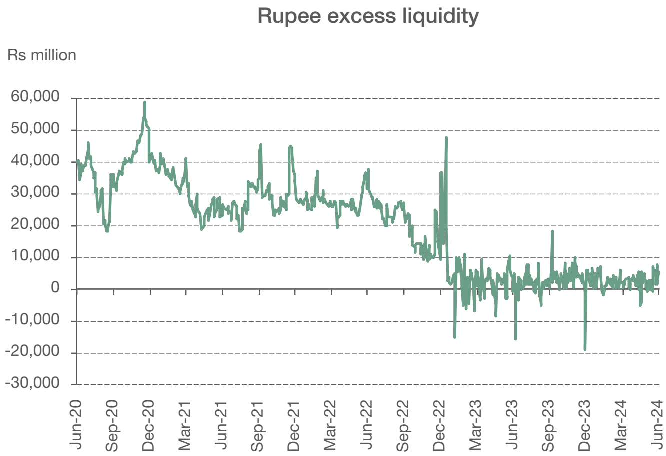


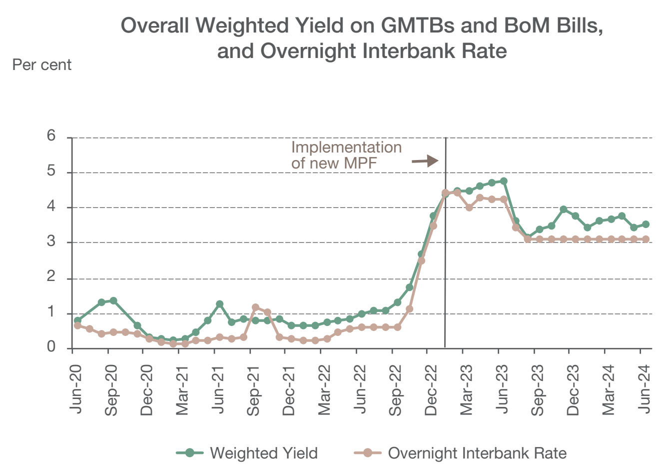



The evolution of short-term yields broadly reflected the prevailing level of rupee excess liquidity in the banking system. The operational target, that is the overnight interbank rate, hovered within the interest rate corridor and fluctuated within a range of 3.09 per cent to 3.60 per cent. The overall weighted average interbank rate, calculated on interbank transactions of all maturities, dropped from 4.30 per cent in June 2023 to 3.32 per cent in June 2024 (Chart 4.8). Turnover on the interbank market increased by around 32 per cent, from Rs233.7 billion in FY2022-23 to Rs309.2 billion in FY2023-24.

Reflecting the excess liquidity prevailing in the banking system, the 91-Day, 182-Day and 364-Day Bills yields, fell by 159 basis points (bps), 112 bps and 115 bps to 3.13 per cent, 3.46 per cent and 3.72 per cent, respectively as at end-June 2024, compared to 4.72 per cent, 4.58 per cent and 4.87 per cent as at end-June 2023.

**Chart 4.8: Excess Liquidity and Money Market Rates**




### Issue of Government Securities

During FY2023-24, the Bank issued Treasury Bills on behalf of Government for an aggregate amount of Rs63.6 billion in the 91-Day, 182-Day and 364-Day tenors against maturing Treasury Bills totalling Rs38.4 billion. All auctions conducted during the period were oversubscribed, with aggregate bids received of Rs138.2 billion against a total tender amount of Rs55.8 billion. Government maintained the issuance of Treasury Certificates to Non-Financial Public Sector Bodies on tap, with total issues of Rs23.5 billion at rates ranging between 3.38 per cent and 4.78 per cent. In line with the Government Issuance Plan for FY2023-24, benchmark issues were conducted in the Three-Year, Five-Year and Seven-Year tenors. Benchmark securities for an aggregate amount of Rs43.5 billion were issued during the year. Concurrently, longer-term Government Bonds for a total amount of Rs16.2 billion were issued in the Ten-Year, Fifteen-Year and Twenty-Year maturities.

**Auctions of Government of Mauritius Securities**

| Three-Year Treasury Notes | FY2022-23 | FY2023-24 | Five-Year Government of Mauritius Bonds | FY2022-23 | FY2023-24 |
|---|---|---|---|---|---|
| Tender Amount (Rs million) | 17,000 | 20,000 | Tender Amount (Rs million) | 10,000 | 10,000 |
| Value of Bids Received (Rs million) | 48,040 | 51,250 | Value of Bids Received (Rs million) | 27,870 | 29,360 |
| Value of Bids Accepted (Rs million) | 18,600 | 24,650 | Value of Bids Accepted (Rs million) | 10,200 | 12,600 |
| Weighted Average Yield of Bids Accepted (% p.a) | 2.88 - 5.17 | 3.63 - 5.02 | Weighted Average Yield of Bids Accepted (% p.a) | 3.46 - 5.16 | 3.79 - 5.25 |
| **Seven-Year Government of Mauritius Bonds** | **FY2022-23** | **FY2023-24** | **Ten-Year Government of Mauritius Bonds** | **FY2022-23** | **FY2023-24** |
| Tender Amount (Rs million) | 11,600 | 6,000 | Tender Amount (Rs million) | 6,900 | 4,600 |
| Value of Bids Received (Rs million) | 28,980 | 14,200 | Value of Bids Received (Rs million) | 17,170 | 10,990 |
| Value of Bids Accepted (Rs million) | 10,050 | 6,200 | Value of Bids Accepted (Rs million) | 6,900 | 6,290 |
| Weighted Average Yield of Bids Accepted (% p.a) | 4.14 - 5.40 | 4.73 - 5.29 | Weighted Average Yield of Bids Accepted (% p.a) | 4.79 - 5.93 | 4.41 - 5.68 |
| **Fifteen-Year Government of Mauritius Bonds** | **FY2022-23** | **FY2023-24** | **Twenty-Year Government of Mauritius Bonds** | **FY2022-23** | **FY2023-24** |
| Tender Amount (Rs million) | 4,800 | 4,600 | Tender Amount (Rs million) | 7,300 | 4,800 |
| Value of Bids Received (Rs million) | 12,140 | 12,280 | Value of Bids Received (Rs million) | 19,840 | 13,040 |
| Value of Bids Accepted (Rs million) | 4,800 | 4,600 | Value of Bids Accepted (Rs million) | 8,700 | 5,300 |
| Weighted Average Yield of Bids Accepted (% p.a) | 5.43 - 5.48 | 4.46 - 5.20 | Weighted Average Yield of Bids Accepted (% p.a) | 5.24 - 6.19 | 5.61 - 5.69 |

*Source: Financial Markets Operations Division.*

### Lines of Credit

The Bank continued to operate Lines of Credit with the Development Bank of Mauritius Ltd (DBM) and the Industrial Finance Corporation of Mauritius (IFCM). These Lines of credit were implemented during the COVID-19 pandemic to support economic operators facing financial difficulties. During FY2023-24, a total amount of Rs1.0 billion was disbursed to DBM mainly for on-lending to Small and Medium Enterprises, while an amount of Rs1.3 billion was disbursed to IFCM to finance eligible beneficiaries under the Modernisation and Transformation Fund.

### Secondary Market Development

In October 2023, the Guideline on the Operational Framework for Primary Dealers was revised to prevent banks from switching securities among participants through secondary market activities.

Turnover on the secondary market dropped significantly, from Rs264 billion in FY2022-23 to Rs123 billion in FY2023-24, reflecting the low volume of transactions being traded in the 7-Day Bank of Mauritius Bills, which were issued on tender basis as from July 2023. Transactions by Insurance Companies fell significantly to Rs17.7 billion, down from Rs100.6 billion in the previous financial year.

### Money Market Instruments

Money Market Instrument (MMI), which is an alternative source of funding in the shorter-term segment, further contributed to the deepening of the domestic market. During FY2023-24, a new MMI license was approved for the issuance of an instrument of a one-year tenor for an amount of Rs2.0 billion on the market. Since the introduction of the Guideline on the issue of Money Market Instruments in 2019, five licenses have been granted, and instruments for a total amount of Rs7.6 billion were issued. During FY2023-24, a new Issuing and Paying Agent, who acts as a facilitator for the issue of the MMI, was registered with the Bank.

### Foreign Exchange Market

In FY2023-24, the domestic foreign exchange market remained upbeat, driven by key economic sectors such as financial services, tourism and manufacturing. Total foreign exchange (FX) turnover, including spot and forward transactions but excluding interbank and swap transactions, increased by 6.7 per cent to US$12.3 billion. Total purchases by banks and foreign exchange dealers rose by 11.4 per cent, while total sales increased slightly by 2.5 per cent.

**Foreign Currency Transactions**[7]

**Purchases**

| (USD million) | FY2022-23 | FY2023-24 |
|---|---|---|
| **Spot** | | |
| Transactions of more than USD20,000 or equivalent | 2,528.0 | 2,441.4 |
| Miscellaneous transactions* | 2,129.2 | 2,546.5 |
| **Forward** | **765.4** | **1,053.2** |
| **Total** | **5,422.7** | **6,041.0** |

**Sales**

| (USD million) | FY2022-23 | FY2023-24 |
|---|---|---|
| **Spot** | | |
| Transactions of more than USD20,000 or equivalent | 3,161.4 | 2,655.4 |
| Miscellaneous transactions* | 2,146.5 | 2,619.9 |
| **Forward** | **817.6** | **1,001.3** |
| **Total** | **6,125.5** | **6,276.6** |

**Turnover**

| (USD million) | FY2022-23 | FY2023-24 |
|---|---|---|
| | 11,548.2 | 12,317.7 |

[7] *Transactions conducted by banks and foreign exchange dealers, excluding interbank and swap transactions.*

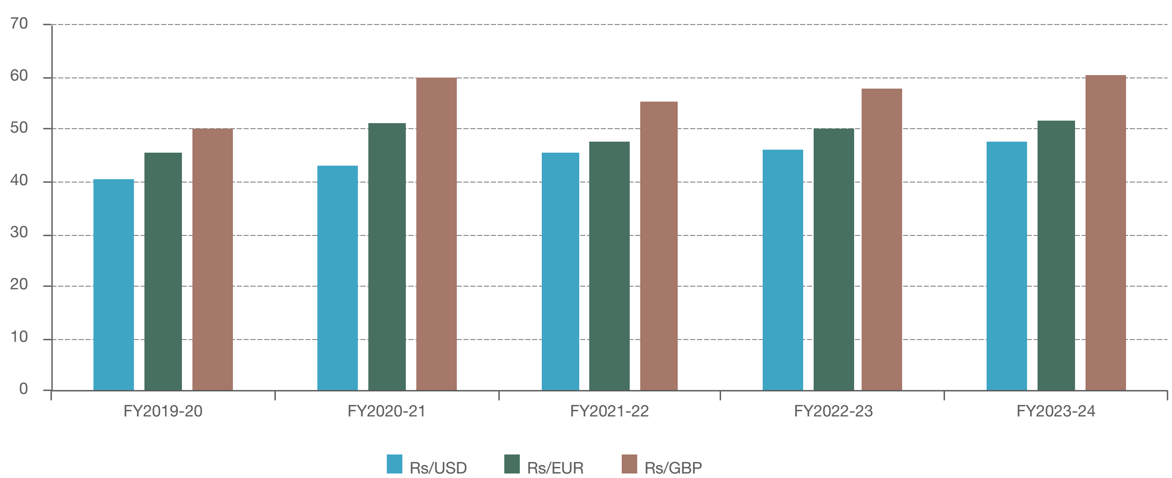
* *Includes transactions below US$20,000 or equivalent.*

Most FX transactions were denominated in US dollar, comprising 46 per cent of FX purchases and 61 per cent of FX sales. The euro remained the second most traded currency against the rupee, with 43 per cent of purchases and 24 per cent of sales in FY2023-24.

Following the significant improvement in liquidity conditions on the domestic foreign exchange market, the Bank scaled down its FX interventions. A total amount of US$315 million was sold to banks, compared to US$555 million in FY2022-23.

The exchange rate of the rupee remained influenced by domestic supply and demand factors, as well as movements in major currency pairs on the international markets. The rupee depreciated by 3.8 per cent against the US dollar during FY2023-24 owing to expectations that the US interest rate would remain elevated for longer on the back of stubborn inflationary pressures in the US economy. The rupee also weakened by 2.8 per cent against the euro and 4.0 per cent against the Pound sterling over the period under review (Chart 4.9).

**Chart 4.9: Rupee Exchange Rate**




## Financial Stability

Risks to financial stability receded considerably in Mauritius during FY2023-24. The macrofinancial landscape continued to progress favourably supported by disinflation and buoyant economic activity. Household and corporate sector vulnerabilities dropped, underpinned by lower cyclical risks, improved debt sustainability and better debt repayment capacity. Sound asset quality also indicated stronger balance sheet positions of banks. The resilience of the banking system was further propped up by strong capital and liquidity buffers as profitability attained historical peaks, despite persistent risks due to lingering uncertainty in the global economic and geo-political landscape. The macroprudential policy settings remained calibrated to contain the build-up of vulnerabilities in the financial system and mitigate financial stability risks.

The Systemic Risk Indicator (SRI) confirmed the sustained drop in systemic risk and vulnerabilities. From a historical perspective, the SRI fell below its long-term average, indicating subdued risk to financial stability. Looking ahead, systemic risk is expected to moderate further as the resilience of the banking system is strengthened and sectoral risks remain contained in coming quarters.

The Bank continues to closely monitor the evolution of risks and deploy suitable policy measures, as part of its statutory functions. The Bank regularly assesses the risks to and the resilience of the banking system by applying its financial stability toolkits. Policy responses aimed to strengthen the financial system to mitigate the build-up of vulnerabilities and absorb any materialisation of risk. The stress testing framework and the comprehensive set of macroprudential indicators – including composite indicators – were applied for the surveillance of risks. To capture risks from the broader financial sector, the Bank also engaged with other financial sector regulators.

**Financial Soundness Indicators of Deposit-Taking Institutions**

Financial Soundness Indicators (FSIs) confirmed the resilience of deposit-taking institutions. The soundness of these entities was supported by strong favourable domestic conditions, despite headwinds from the global economic and financial environment. Strong capital and liquidity buffers, bolstered by the high interest rate environment and improved earnings, provided cushion against any materialisation of risks. In terms of asset quality, the credit portfolio of deposit-taking institutions remained sound, buoyed by sustained dynamism in key economic sectors.

*Capital Adequacy*

Deposit-taking institutions held strong capital levels, thereby reducing vulnerabilities and bolstering their resilience to risks. Favourable economic and financial conditions propped up their profitability levels and helped in consolidating their solvency buffers. The Capital Adequacy Ratio (CAR) of deposit-taking institutions went up to 21.9 per cent as at end-June 2024, from 20.9 per cent as at end-June 2023. This increase was driven by a rise of 12.7 per cent in Common Equity Tier 1 capital over the same period. Risk-weighted assets also went up by 6.7 per cent in June 2024 relative to June 2023. The capital ratio of banks and non-bank deposit taking institutions remained well above their respective regulatory loss-absorption capacity.

*Asset quality*

The asset quality of deposit-taking institutions improved and non-performing loans (NPLs) were adequately provisioned. The ratio of NPLs to total loans fell to 4.0 per cent in June 2024, from 5.6 per cent in June 2023. The ratio of NPLs net of provisions to capital improved to 6.5 per cent in June 2024, implying better capital buffers to sustain plausible materialisation of credit risk. The coverage ratio as gauged by specific provisions to NPLs was at 57.5 per cent in June 2024, from 51.3 per cent in June 2023.

*Liquidity*

Deposit-taking institutions maintained substantial liquidity buffers to manage liquidity risk. Liquid assets held by deposit-taking institutions – consisting of currency, deposits and Government/Bank of Mauritius securities – increased by 19.6 per cent to Rs1.3 trillion as at end-June 2024 and represented around 49.7 per cent of total assets. The ratio of liquid assets to short-term liabilities (include only liabilities with 3-month maturity based on their contractual set-up) stood at 89.7 per cent in June 2024.

*Earnings and profitability*

Profitability levels of deposit-taking institutions remained robust. Annualised profit before tax stood at Rs65.7 billion in June 2024, representing an annual increase of 12.2 per cent from June 2023. Pre-tax return on assets of deposit-taking institutions stood at 2.6 per cent in June 2024, quasi-unchanged from June 2023. Concomitantly, post-tax return on equity declined to 20.7 per cent from 22.1 per cent over the same period.

*Market risk*

The exposure of deposit-taking institutions to foreign exchange risks remained at sound level. The net open position in foreign exchange relative to capital stood at 1.6 per cent in June 2024, compared to 1.1 per cent in June 2023 and remained below the prescribed limit of 15 per cent.

**Stress testing banking sector resilience**

The banking sector was regularly stress-tested against a range of hypothetical but plausible shocks to evaluate its capacity to absorb adverse events and continue performing its core functions in the economy. The shocks ranged from economic growth scenarios to sectoral credit sensitivity, combinations of interest rate and exchange rate adjustments, and liquidity stresses. To ensure that the tests adequately measured the resilience of the banking sector, three scenarios were considered namely, the baseline, moderate and severe scenarios. The baseline setting assumes mild strains, the severe scenario simulates extreme adverse events, while the moderate one assumes a scenario in between the baseline and severe ones.

The results of the upgraded stress testing framework demonstrated the capacity of the banking sector to withstand the range of shocks based on June 2024 data.[8] The comfortable capital and liquidity buffers enabled the banking sector to absorb the shocks, including over the next two quarters. The reverse stress test also revealed a higher capacity of banks to absorb materialisation of credit risk. The number of banks that showed vulnerability in some specific scenarios went down significantly between June 2023 and June 2024. These vulnerabilities were observed mostly in the severe scenario and the banks impacted did not hold a major share of banking sector assets.

The banking sector maintained profitability levels by investing into higher-yielding assets, while balancing risk through prudent risk management. Robust profitability helped banks to reinforce their CAR, which rose to 20.9 per cent as at end-June 2024, up from 19.9 per cent as at end-June 2023. Similarly, the Liquidity Coverage Ratio (LCR) at aggregate level increased to 335.7 per cent in June 2024, from 277.4 per cent in June 2023. These robust buffers and the sound quality of assets held by banks contributed to maintain stability of the banking sector. The non-performing loans ratio of the banking sector declined to 3.4 per cent in June 2024, relative to 4.6 per cent in June 2023.[9] Altogether, these core indicators are expected to continue supporting the resilience of the banking sector.

**Other initiatives to enhance surveillance of financial stability**

The dynamic macrofinancial landscape and the high degree of openness of the economy and financial system of Mauritius necessitate a multi-pronged approach for the surveillance of risks to financial stability. Collaboration with other financial sector regulators and agencies is kernel to formulate effective surveillance frameworks and to sustain the stability of the financial system. Accordingly, the Bank continuously reviews its surveillance toolkit and policy tools while also promoting capacity development of staff.

*[8] Refer to Box 4 in the Bank of Mauritius Financial Stability Report of December 2023 for more details on upgrades to the stress testing framework. Weblink: https://www.bom.mu/sites/default/files/financial_stability_report_december_2023.pdf.*

*[9] The figure for June 2024 excludes Silver Bank Limited which is under conservatorship since February 2024.*

Some of the main developments during FY2023-24 are outlined below:

i. The coverage of macroprudential indicators (MPIs) is being extended to the whole financial system, with the Bank and the FSC working in close collaboration on this initiative. The financial sector MPIs altogether cover broad-based, structural and sectoral indicators. The compilation of MPIs for the household sector is near completion, some of which are already analysed in the Bank's Financial Stability Report. The extended MPIs are expected to further strengthen the Bank's capacity to monitor and manage financial stability risks.

ii. The Bank is working in collaboration with the FSC to extend the coverage of the FSIs to the non-bank financial sector and the non-financial segment. The FSIs are compiled as per the IMF FSI Guide 2019 and complement the analysis of strengths and vulnerabilities in the financial system. The FSIs currently relate to deposit-taking institutions only due to a lack of data for the remaining segments. These data gaps were addressed to a large extent pursuant to the technical assistance received from the IMF in March 2024. The work is expected to be completed in 2025.

iii. The ongoing upgrading of the stress testing framework aims to better assess the resilience of the banking sector to the evolving macrofinancial and financial risk landscape. The first phase focused on reviewing existing modules on solvency and liquidity stress tests as well as introducing new modules to assess resilience to strains from cross-border activity. The strength of the banking sector is also evaluated over a pre-defined forecast horizon. The second phase includes the measurement of the capacity of the banking sector to absorb sectoral shocks – in particular, from the household and corporate sectors. A network stress testing model is also being studied for the domestic financial ecosystem where the stress test toolkit will provide a broader picture of risks and vulnerabilities for appropriate pre-emptive counter-measures.

iv. The Bank announced the introduction of the Net Stable Funding Ratio (NSFR) for the banking sector in January 2024, with effective implementation as from 30 June 2024. This macroprudential tool aims to reduce funding risk in the banking system by requiring banks to fund their activities with stable sources of deposits and, thus, reduce the likelihood of funding stresses. The expansion strategy of the banking system is increasingly geared towards cross-border activities and, without a macroprudential overlay, this approach can give rise to risks in the financial system. The implementation of the NSFR will complement the Bank`s macroprudential policy toolkit.

# 05

# REGULATION AND SUPERVISION

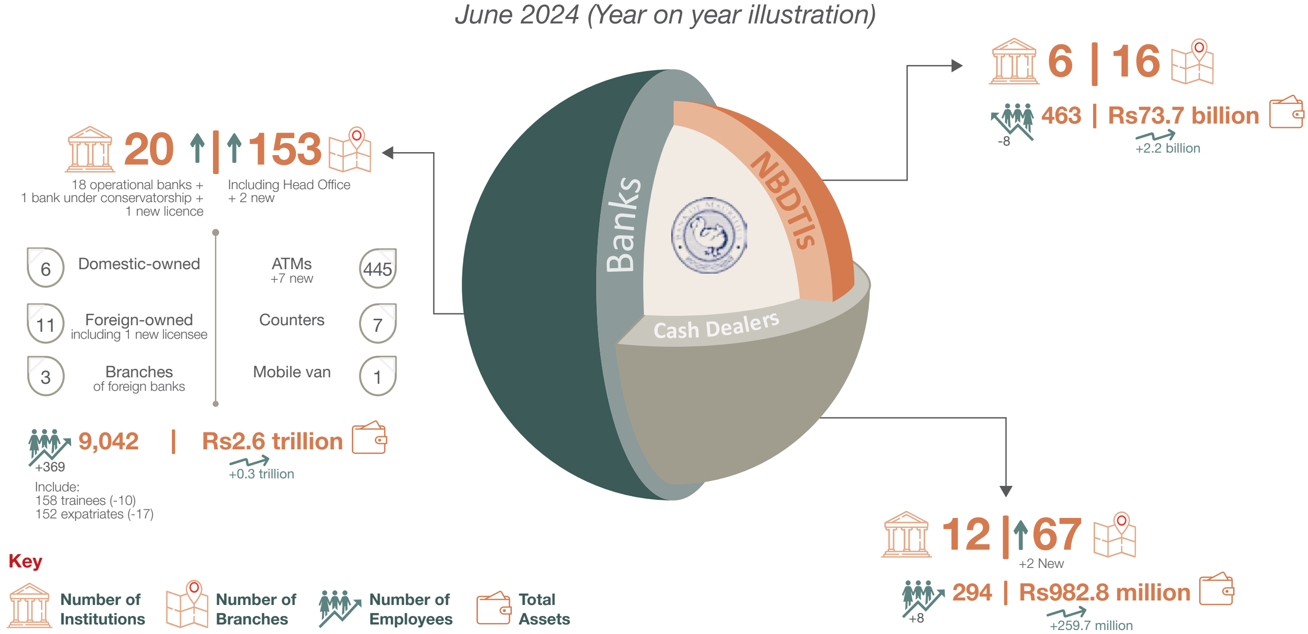
## Banking Sector Developments

The mandate of the Bank of Mauritius requires ensuring the stability and soundness of the financial system in Mauritius. The current worldwide context is marred by geopolitical tensions, disruptions in supply chains and other macroeconomic shocks impacting emerging countries. The banking sector in Mauritius remained resilient during the year the FY2023-24 as banks have maintained high capital levels, robust liquidity, solid earnings and satisfactory asset quality. The sector benefited from the prevailing high interest rate worldwide, resulting in high profits as well as the renewed dynamism in economic sectors such as the accommodation and food services.

Banks further enhanced their internal control systems, risk management framework and processes to better face the challenges posed by emerging risk factors, such as cyber-security and climate risks, under the guidance of the Bank. The Bank is continuing its efforts to further enhance the resilience of the banking system by initiating actions to align banks' governance and risk management systems along with their compliance processes, with global standards and international best practices.

### Snapshot of Banks, Non-Banks and Cash Dealers under the Supervision of the Bank of Mauritius

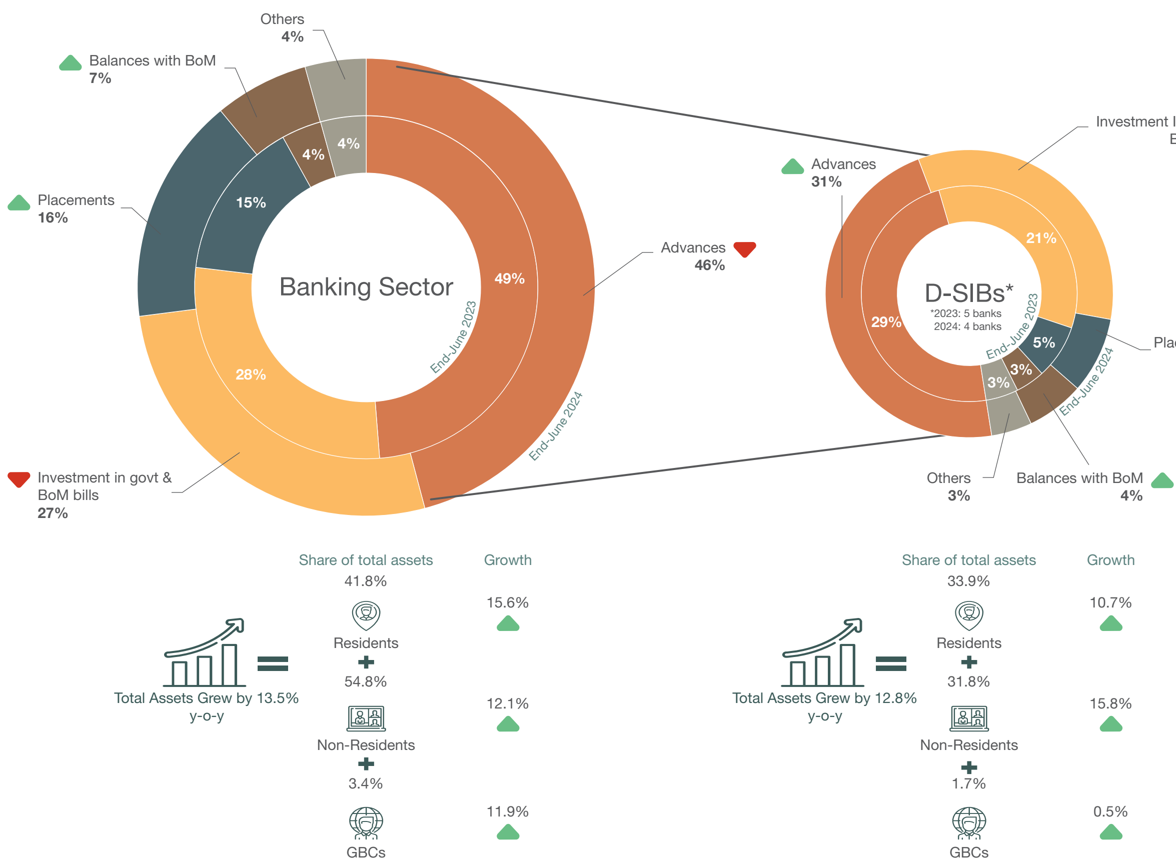
*June 2024 (Year on year illustration)*




*Note: On 27 February 2024, Banque Patronus Ltée was granted a Banking Licence but was not yet operational as at 30 June 2024. Further, on 7 June 2024, the Bank granted its approval to Absa Bank (Mauritius) Limited, in line with Sections 32(1) and (2) of the Banking Act 2004 for the direct acquisition of part of the undertaking of The Hong Kong and Shanghai Banking Corporation Limited.*

### Banking Sector Assets & Domestic-Systematically Important Banks

**Share of Total Assets**




Domestic–Systemically Important Banks (D-SIBs) are large banks that can have a systemic impact on the domestic economy. In June 2014, the Bank issued the Guideline for Dealing with D-SIBs which sets out the methodology to be applied for assessing the systemic importance of banks and the ensuing capital surcharge to be maintained by them. The assessment consists of identifying those banks on the basis of their importance in terms of five key indicators namely, size, exposure to large groups, interconnectedness, complexity and substitutability. These D-SIBs are required to hold a capital surcharge ranging from 1.0 to 2.5 per cent of their risk-weighted assets depending on their systemic importance. With these measures, the Bank aims at improving the resilience of D-SIBs to face shocks.

The growth in total assets emanated from both the non-resident and resident sectors, highlighting the dynamism in both domestic and global markets.

The share of total assets held by domestic owned banks to total banking sector assets increased slightly from 62.6 per cent as at end-June 2023 to 62.9 per cent as at end-June 2024, while the share of total assets held by foreign-owned subsidiaries and foreign branches declined marginally from 35.2 per cent and 2.2 per cent as at end-June 2023 to 34.9 per cent and 2.1 per cent as at end-June 2024, respectively.

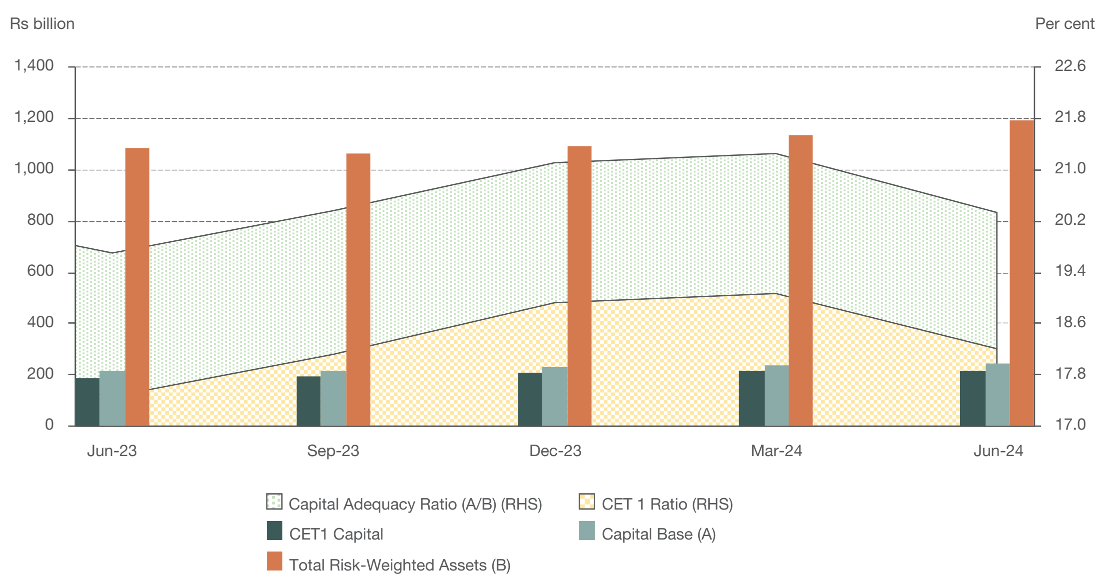
### Capital Adequacy

The Capital Adequacy Ratio (CAR) measures the adequacy of a bank's capital resources in relation to its risk-weighted assets. A strong capital base enhances the resilience of a bank and reduces the risk of bank failure by providing a buffer against potential unexpected losses.

In Mauritius, banks are required to maintain, at all times, a minimum capital adequacy ratio of 12.5 per cent, inclusive of the capital conservation buffer. It must be noted that the Basel requirement of the minimum capital adequacy ratio stands at 8.0 per cent. The four D-SIBs are required to maintain an additional capital buffer ranging from 1.0 to 2.5 per cent to enhance their absorption capacity and their resilience to potential shocks.

The current high interest rate environment helped banks to report elevated earnings, thereby allowing them to reinforce their capital base. Over the period end-June 2023 to end-June 2024, the capital base of banks (net of adjustment and capital deductions) increased by 13.7 per cent to Rs242.5 billion (Chart 5.1). Tier 1 capital, which represented 91.1 per cent of banks' capital base as at end-June 2024, rose by 14.7 per cent to Rs220.9 billion, owing to profits retained by banks. Tier 2 capital rose by 4.4 per cent to Rs21.6 billion as at end-June 2024, with its share to the capital base representing 8.9 per cent. Consequently, the combined risk-weighted CAR of banks rose from 19.7 per cent as at end-June 2023 to 20.3 per cent as at end-June 2024.

**Chart 5.1: Risk-Weighted Capital Adequacy Ratio**




### Risk Profile of On-Balance Sheet Assets

According to their risk profile, 26.6 per cent of banks' total assets were allocated in the 100 per cent risk-weight bucket where most of the banks' loan portfolios were also allocated. More than half of total banks' assets (55.3 per cent) were in the zero and 20 per cent risk-weighted buckets where banks' investment securities and placement with banks were respectively deployed into (Table 5.1).

**Table 5.1: Risk-Weights of On-Balance Sheet Assets**

| Risk Weights (%) | On-balance sheet assets (Rs million) Jun-23* | Percentage to total on-balance sheet assets (Per cent) Jun-23 | On-balance sheet assets (Rs million) Jun-24 | Percentage to total on-balance sheet assets (Per cent) Jun-24 |
|---|---|---|---|---|
| 0 | 850,167 | 39.1 | 1,018,965 | 41.7 |
| 20 | 309,270 | 14.2 | 333,000 | 13.6 |
| 30 | 17,233 | 0.8 | 18,781 | 0.8 |
| 35 | 97,021 | 4.5 | 107,873 | 4.4 |
| 50 | 160,945 | 7.4 | 178,373 | 7.3 |
| 75 | 52,382 | 2.4 | 58,539 | 2.4 |
| 100 | 598,532 | 27.5 | 650,631 | 26.6 |
| 125 | 26,708 | 1.2 | 25,509 | 1.0 |
| 150 | 57,683 | 2.7 | 46,529 | 1.9 |
| 250 | 5,678 | 0.3 | 5,720 | 0.2 |
| 1250 | 0 | 0.0 | 0 | 0.0 |
| | **2,175,620** | **100.0** | **2,443,921** | **100.0** |

**Revised figures for June 2023.*

The Risk Weight Density of banks, which measures the riskiness of banks, fell from 39.9 per cent as at end-June 2023 to 33.8 per cent as at end-June 2024. This decrease indicates a reduction in the credit risk profile of banks and a diversification towards less risky assets (Table 5.2).

**Table 5.2: Risk-Weight Density of Banks' Assets**

| | | End-June 2023* | End-June 2024 |
|---|---|---|---|
| | Total On-Balance Sheet Assets (Rs million) | 2,175,620 | 2,443,921 |
| | Total Off-Balance Sheet Assets (Rs million) | 538,623 | 808,702 |
| A | Total On and Off-Balance Sheet Assets (Rs million) | 2,714,243 | 3,252,622 |
| B | Total Risk-Weighted Assets (Rs million) | 1,082,621 | 1,098,550 |
| C | Risk Weight Density (B/A) (Per cent) | 39.9% | 33.8% |

**Revised figures.*

### Deposits

Deposits, which constitute the largest proportion of banks' total liabilities, were the primary source of funding for banks during FY2023-24. Total deposits of the banking sector grew by 15.2 per cent to Rs1,963.0 billion, mainly on account of a rise of 33.1 per cent in deposits from non-residents (Chart 5.2). This growth in total bank deposits in FY2023-24 was significantly higher than growth of 7.1 per cent and 8.6 per cent recorded in FY2022-23 and FY2021-22, respectively. GBCs and non-resident deposits, which together constituted 58.3 per cent of the total deposits of the banking sector, grew by 18.3 per cent, much higher than growth of 6.6 per cent recorded as at end-June 2023. Nevertheless, there was a slight shift from volatile GBC deposits in favour of the relatively less volatile non-resident deposits. The significant growth in non-resident deposits, as well as the high level of core GBC deposits in the Mauritian jurisdiction, indicates that Mauritius remains an attractive jurisdiction.

**Chart 5.2: Breakdown of Deposits**


## Advances

Total advances, including debentures and fixed-dated securities, increased by 6.9 per cent to Rs1,170.2 billion as at end-June 2024. The increase in advances was largely driven by non-residents followed by residents and GBCs in absolute terms.

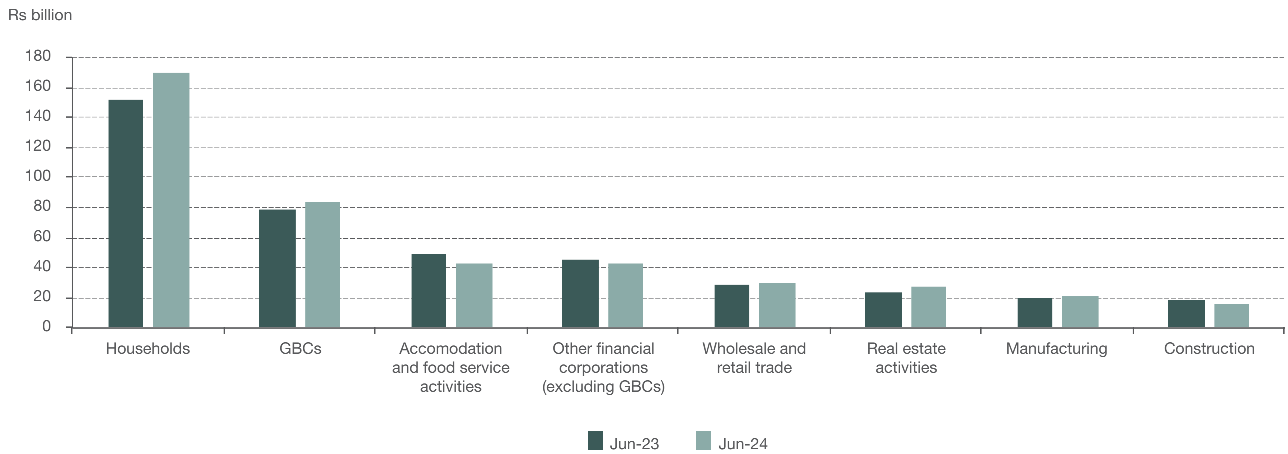
On 4 September 2020, the Bank issued a new Guideline on Cross-Border Exposure, which lays down a set of minimum standards to be followed by banks in respect of their cross-border exposures. These standards provide for a risk-based management framework aiming to mitigate the main cross-border banking risks.

More than 57.4 per cent of total advances were cross-border lending to non-residents and GBCs, which require heightened credit risk management. The share of advances to residents declined from 43.3 per cent to 42.6 per cent during FY2023-24.

Advances to residents (excluding GBCs) and GBCs recorded increases of Rs24.1 billion and Rs9.4 billion, respectively, to stand at Rs498.4 billion and Rs88.0 billion respectively as at end-June 2024. The main contributors to the increase in credit facilities to residents were 'Households', 'GBCs' and 'Real estate activities' (Chart 5.3). As at end-June 2024, 34.6 per cent of the loan book constituted of loans to households compared to 32.3 per cent as at end-June 2023.

Advances in local currency (MUR) expanded by 9.2 per cent to reach Rs399.5 billion as at end-June 2024, leading to a rise in its share to total banking sector advances from 33.4 per cent to 34.1 per cent. Advances in foreign currencies, which constituted 65.9 per cent of total banking sector advances, registered growth of 5.8 per cent, from Rs728.5 billion as at end-June 2023 to Rs770.6 billion as at end June-2024.

**Chart 5.3: Loans (Advances Excluding Debt Securities) to the Private Sector in Mauritius**




## Credit Concentration Risks

Credit concentration risk refers to the risk of loss arising from a bank's overexposure to particular sectors of the economy and/or groups of connected counterparties. There will be no limit on 'exempt large exposures' which a financial institution can take on a bank while 'non-exempt large exposures' are subject to regulatory credit concentration limits with foreign-owned banks benefiting from higher limits applicable on their aggregate credit exposure, in currencies other than the Mauritian Rupee.

Non-exempt large exposures in the banking sector, that is, exposures above 10 per cent of a bank's Tier 1 capital, totalled Rs674.8 billion, representing 47.2 per cent of total fund based and non-fund based facilities extended as at end-June 2024. The aggregate large exposures to borrowers represented 305.5 per cent of banks' Tier 1 capital as at end-June 2024 compared to 305.8 per cent of Tier 1 capital as at end-June 2023, and remained well below the required regulatory limit. Most banks are well-capitalised to withstand credit concentration shocks.

## Asset Quality

Banks' asset quality was broadly sound during FY2023-24, with improvement in the Non-Performing Loan (NPL) ratio from 4.6 per cent to 4.1 per cent. The NPL ratio of loans extended in Mauritius improved during the period under review as the level of non-performing advances went down by 18.9 per cent, mainly due to write offs, and the credit portfolio base increased by 3.9 per cent. The NPL ratio of loans extended outside Mauritius went up to 4.0 per cent as at end-June 2024 on account of an increase of 21.3 per cent in non-performing advances, which was partly offset by growth of 10.7 per cent in the external credit portfolio. The increase in the NPL ratio outside Mauritius was largely attributable to the 'Accommodation and food service activities' sector and in the 'Human health and social work activities' sector.

### Non-Performing Facilities of Banks

| | June 2023 | June 2024 |
|---|---|---|
| **Non-performing facilities** | Rs46.2 billion | Rs44.9 billion |
| **Non-performing loan ratio** | 4.6 per cent | 4.1 per cent |

**Non-performing facilities in Mauritius** (including GBC)

June 2023: Rs27.7 billion
June 2024: Rs22.4 billion

**NPL Ratio in Mauritius**

June 2023: 5.4 per cent
June 2024: 4.2 per cent

**Non-performing facilities outside Mauritius**

June 2023: Rs18.5 billion
June 2024: Rs22.4 billion

**NPL Ratio outside Mauritius**

June 2023: 3.7 per cent
June 2024: 4.0 per cent

Household and corporate sectors were able to service their debt obligations without major difficulties despite the elevated interest rates. Growing income level of households and Government support schemes bolstered the financial resilience of households and corporates.

The Coverage Ratio, that is, the ratio of specific provisions to non-performing advances, decreased from 54.5 per cent as at end-June 2023 to 48.8 per cent as at end-June 2024.

As at end-June 2024, the aggregate level of Stage 1 and Stage 2 provisions represented around 0.8 per cent of total exposure compared to 1.0 per cent of total exposure as at end-June 2023.

Stage 1: Financial instruments with no significant increase in risk since initial recognition.
Stage 2: Financial instruments with a significant credit risk increase since initial recognition but with no materialised impairment event.
Stage 3: Financial instruments with true signs of impairment as a result of one or more events.

### Breakdown of Provisions

**Stage 1**

- **June 2023:** Rs5,777 million
- **June 2024:** Rs6,459 million

**Stage 2**

- **June 2023:** Rs6,813 million
- **June 2024:** Rs4,755 million

**Stage 3**

- **June 2023:** Rs25,742 million
- **June 2024:** Rs24,655 million

### Liquidity

The Liquidity Coverage Ratio (LCR) promotes short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient unencumbered high-quality liquid assets to survive a significant stress scenario lasting for 30 calendar days. The Bank of Mauritius (Bank) introduced the LCR in October 2017 in its Guideline on Liquidity Risk Management.

### Coverage for GBC/Non-Resident Deposits in terms of FCY HQLA & Placements

| June 2023 | | June 2024 |
|---|---|---|
| 257% | Liquidity Coverage Ratio | 336% |
| 123% | Coverage of GBC deposit by FCY HQLA and Placements | 136% |
| 70% | Coverage of GBC and Non-Resident deposit by FCY HQLA and Placements | 70% |

The banking sector remained adequately liquid in FY2023-24. The LCR was well above the minimum regulatory requirement of 100 per cent, indicating the ability of banks to fund cash outflows and absorb potential liquidity shocks over a 30-days period. Banks also had sufficient High Quality Liquid Assets (HQLAs) and placements to withstand liquidity shocks, such as sudden and unexpected withdrawals of GBC and non-resident deposits, which are considered as relatively volatile deposits. Banks, therefore, appear to prudently manage their liquidity. The Bank regularly assesses the liquidity positions of banks to identify any incipient sign of liquidity strain.

In June 2024, the Bank issued the Guideline on Net Stable Funding Ratio (NSFR), which is the amount of available stable funding relative to the amount of required stable funding. The NSFR aims at decreasing funding risk and promoting resilience over a one-year time horizon by creating incentives for a bank to fund its activities, with more stable sources of funding on an ongoing basis, thereby reducing its probability of distress and by the same token potential broader systemic stress.

The NSFR ratio should be equal to at least 100 per cent on an ongoing basis as from December 2024. As at end-June 2024, all banks (exempt one bank which is under conservatorship) maintained NSFR above the current minimum regulatory requirement of 70 per cent (as from June 2024) for significant currencies as well as on a consolidated basis.

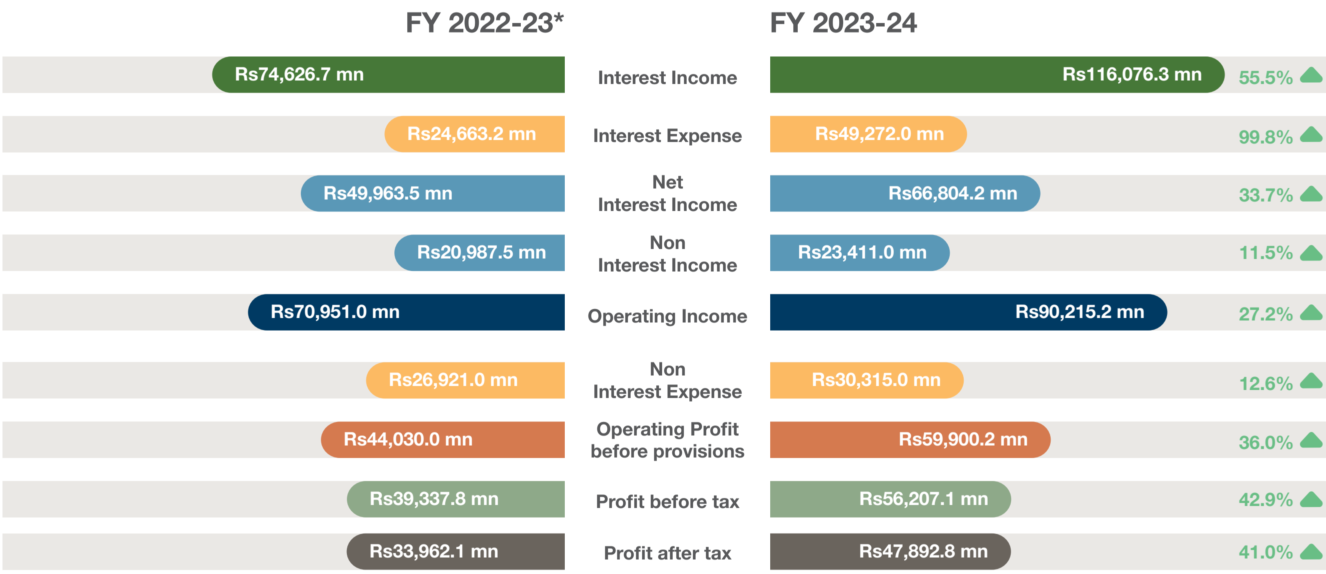
**Profitability**

Twelve banks close their accounts on 31 December, four on 30 June and three on 31 March. The consolidated profit and loss accounts of banks is thus based on the combined audited data available as at these different financial year-ends and is referred to as FY2023-24 positions.

Aggregate pre-tax profits of banks went up by 42.9 per cent, from Rs39.3 billion in FY2022-23 to Rs56.2 billion in FY2023-24, mainly on account of the growth in net interest income.

Net interest income, that is, interest received on advances, placements and investments net of interest paid on deposits and borrowings, expanded by 33.7 per cent, to Rs66.8 billion in FY2023-24. This rise was mainly attributable to the increase of Rs41.4 billion in total interest income, which was partly offset by a rise of Rs24.6 billion in total interest expense.

### Consolidated Income Statements of Banks




**Revised figures.*

*12-month period for which the accounts were audited and are different for different banks.*

*Figures may not agree due to rounding.*

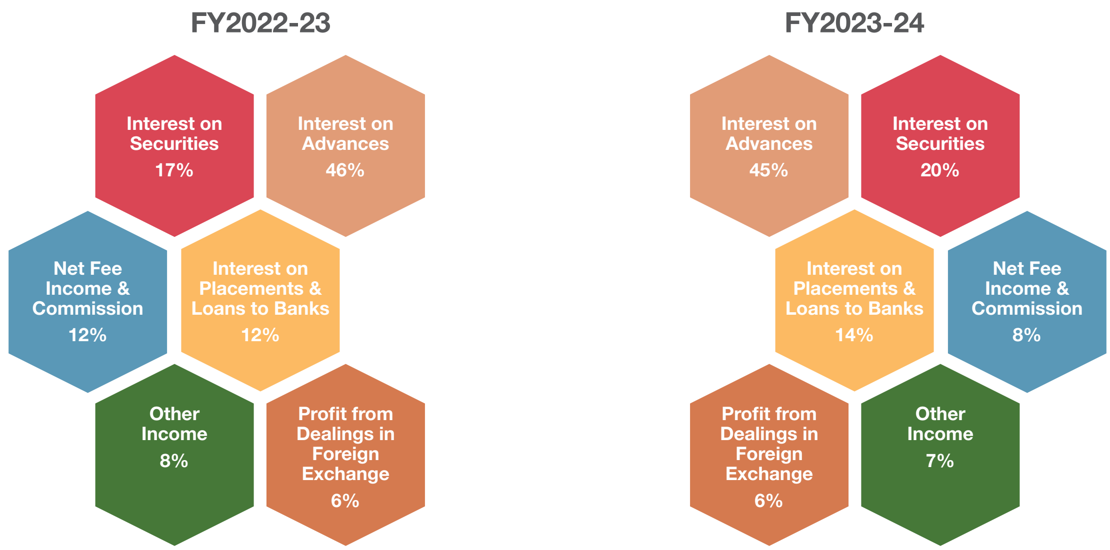
The operating income of banks increased by 27.2 per cent, from Rs71.0 billion in FY2022-23 to Rs90.2 billion in FY2023-24, on account of the significant increase of 33.7 per cent in net interest income and a rise of 11.5 per cent in the non-interest income.

Non-interest expense recorded a rise of 12.6 per cent to Rs30.3 billion in FY2023-24 on the back of increases in staff costs and operating expenses of 12.2 per cent and 13.0 per cent, respectively.

Total income (interest and non-interest income) rose by 45.9 per cent to Rs139.5 billion in FY2023-24. The share of interest income to total income rose from 78.0 per cent in FY2022-23 to 83.2 per cent in FY2023-24. Interest earned on advances, representing 45.5 per cent of total income, increased by 45.7 per cent to reach Rs63.4 billion as at end-June 2024, amidst the high interest rate environment.

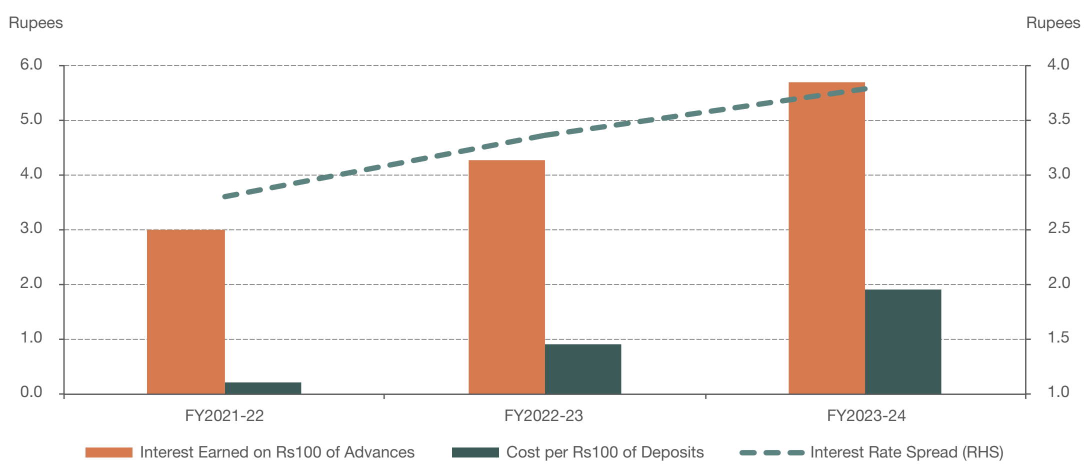
Non-interest income, which is an important source of banks' revenue, expanded by 11.5 per cent mainly following a rise of 35.3 per cent in the profit generated from dealings in foreign currencies. In addition, the share of fee-related income and profit generated from dealings in foreign currencies combined, increased to 85.0 per cent of total non-interest income in FY2023-24.

### Components of Income of Banks




The significant rise in the operating income of banks relative to the containment of rising costs improved further the cost-to-income ratio for the banking sector, which stood at 33.6 per cent as at end-June 2024 as compared to 37.9 per cent in June 2023.

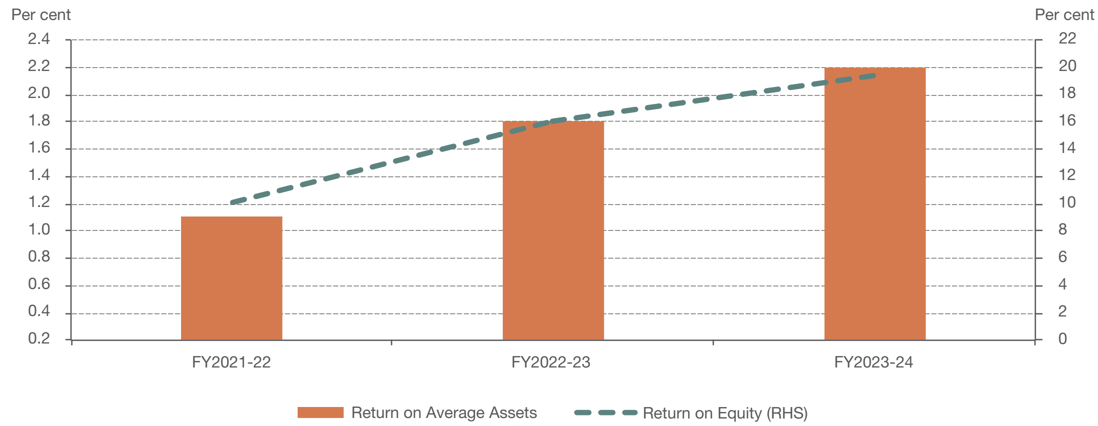
**Chart 5.4: Interest Rate Spread of Banks**




During FY2023-24, interest earned by banks on Rs100 of advances increased by Rs1.44 to Rs5.70, while the cost per Rs100 of deposits rose by Rs1.02 to Rs1.92. The interest rate spread increased from Rs3.36 to Rs3.78 during the period under review on account of the rise in interest earned on advances (Chart 5.4).

Banks' post-tax profits increased by 41.0 per cent in FY2023-24, supported by the relatively high interest rate environment and the containment of rising costs. This improvement in the profitability of banks was reflected in the steady increase in the Return on Equity (Chart 5.5).

**Chart 5.5: Return on Average Assets and Equity of Banks**




*Based on combined audited data for financial years ended 30 June, 31 December and 31 March.*
*All figures are for the period.*

### Cross-Border Exposures

Total cross-border exposures of the banking sector expanded by 11.3 per cent between end-June 2023 and end-June 2024. The expansion in cross-border exposures mainly reflected the rise in 'Placements with banks' and 'credit facilities'. The deployment of cross-border funds remained well diversified by country and region. As at end-June 2024, 58.1 per cent of funds were deployed in advanced economies, and the rest were allocated to Africa, Asia and Middle East.

Most 'Investment funds' and 'Placements with banks' were channelled to the US and UK, respectively, reflecting banks' preference to hold such assets in investment grade countries.

### Cross-Border Funding

Over the period June 2023 to June 2024, cross-border funding by banks registered growth of 19.5 per cent. As at end-June 2024, most of the cross-border funding originated from Africa, followed by advanced economies and Middle East.

Cross-border funding represented 26.6 per cent of banks' total funding as at 30 June 2024, relative to a share of 25.2 per cent that was recorded as at 30 June 2023. A higher proportion of cross-border funding of 72.8 per cent was in the form of non-resident deposits (GBC deposits excluded). Diversified funding sources in terms of jurisdiction and region mitigates the associated funding risk from non-resident deposits.

## Non-Bank Deposit-Taking Institutions

As at end-June 2024, there were six NBDTIs in operation in Mauritius, with a combined asset base of Rs73.7 billion. This represented a small fraction of banks' total assets (2.9 per cent). Three NBDTIs engaged only in leasing activities, two only in lending activities, and one in both leasing and lending activities.

All NBDTIs were, as at end-June 2024, in compliance with the minimum regulatory required capital of Rs200 million. They held capital adequacy ratios averaging to 52.7 per cent, higher than the regulatory threshold of 10 per cent, indicating sufficient loss-absorption capacity to withstand shocks.

Profit before tax of NBDTIs decreased by 11.3 per cent during the year to Rs1,858 million as a result of a significant increase in operating expenses.

NBDTIs are required to maintain liquid assets representing a minimum of 10 per cent of their deposit liabilities. As at end-June 2024, liquid assets held by NBDTIs represented 18.7 per cent of their deposits compared to 23.5 per cent in the previous year.

Deposits remained the main source of funding for NBDTIs, standing at Rs39.4 billion as at end-June 2024 and representing 53.4 per cent of total liabilities. NBDTIs used their deposits and borrowings to fund their advances. The advances-to-deposits ratio increased to 155.9 per cent while the leases-to-deposits ratio increased to 94.6 per cent for the four NBDTIs engaged in leasing activities. Gross non-performing advances increased by 4.3 per cent while outstanding credit facilities grew at a relatively higher rate of 7.5 per cent during the year June 2023 to June 2024. This resulted in a slightly lower NPL ratio of 4.8 per cent as at end-June 2024 compared to 4.9 per cent as end-June 2023.

### Cash Dealers

There were six money changers and six foreign exchange dealers in business as at end-June 2024. Money changers primarily deal in the exchange of foreign currency notes. Foreign exchange dealers are permitted to conduct spot and forward exchange rate transactions as well as provide remittance services in addition to the money-changing business.

Total assets of cash dealers increased by 34.5 per cent to Rs982.8 million as at end-June 2024 and were mostly made up of the assets of foreign exchange dealers that went up to Rs919.7 million during the year.

The bulk of cash dealers' assets consisted of cash in hand, balances held with financial institutions and Government/Bank of Mauritius securities, representing 25.2 per cent, 39.9 per cent and 14.4 per cent, respectively, of their assets.

Cash dealers registered profit after tax amounting to Rs126.0 million in FY2023-24 compared to Rs150.6 million in FY2022-23. This decrease was mainly on account of a decline of 34.4 per cent in the net fee and commission income.

## Regulatory Developments

The financial year under review was marked by a number of initiatives taken by the Bank to further enhance its regulatory and supervisory framework and ensure that the banking sector remains resilient to current and emerging risks. These, *inter alia*, included the introduction of guidelines with respect to the Classification, Provisioning and Write-off of Credit Exposures and Net Stable Funding Ratio, the completion of several initiatives related to cyber risk and the full application of the guideline on Cyber Risk and Technology Risk Management and the guideline on Climate-related and Environmental Financial Risk Management. Further, the implementation of the risk-based supervisory framework considerably improved the Bank's supervisory toolkit.

The Bank concurrently ensured that the regulatory and supervisory framework fosters financial innovation and enhances the banking sector's competitiveness relative to similar International Financial Centres in the region. To this end, the Bank issued a Guideline on Regulatory Sandbox Authorisation and made significant progress regarding the roll-out of the Central KYC System and Fintech Innovation Hub and Digital Lab. Further, the Bank achieved a significant milestone with respect to financial stability and depositor confidence through the proclamation of the Mauritius Deposit Insurance Scheme Act and the incorporation of the Mauritius Deposit Insurance Corporation Ltd.

With respect to Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT), several measures were taken to further strengthen the AML/CFT regime and maintain its ongoing effectiveness.

Details on these developments are found hereunder.

**Cyber Security Risks and Resilience - Cyber Risk Strategy**

Several objectives of the Cyber Risk and Resilience Strategy, which was developed with the assistance of the IMF, were implemented. The Mauritius Financial Sector Cyber Committee was established on 15 September 2023 to enhance the cyber resilience and hence operational resilience of the Mauritian financial sector and in turn contribute to the overall stability of the financial system. The Committee is chaired by the Governor of the Bank and comprises Chief Executive Officers of financial institutions. Its first meeting was held in September 2023. Subsequently, the first cyber-attack simulation exercise for the banking sector was conducted in November 2023 to test the collective readiness of the banking sector to respond effectively to cyber threats. The Guideline on Cyber Risk and Technology Risk Management, which was issued in May 2023, became fully effective in June 2024. Further, the Cyber and Technology incident reporting template is being developed in consultation with the banking sector and will be released shortly.

**Guideline on Classification, Provisioning and Write-off of Credit Exposures**

The Bank issued a new and comprehensive Guideline on Classification, Provisioning and Write-off of Credit Exposures in December 2023. The Guideline sets out the minimum prudential requirements with regard to asset classification, provisioning and write-off of credit exposures with a view to ensuring comparability across financial institutions and enhancing the resilience of the banking sector.

**Guideline for Regulatory Sandbox Authorisation**

The Guideline for Regulatory Sandbox Authorisation (RSA), which was issued by the Bank in May 2024, provides a framework for the issuance of RSAs by the Bank. It sets out the principles and objectives of the regulatory sandbox regime. The Guideline also provides an overview of the application process for an RSA as well as the information to be furnished by an applicant to the Bank and specifies the minimum ongoing obligations of sandbox entities. This Guideline applies to a financial institution, licensee or body corporate (including a fintech company) which has been authorised by the Bank to participate in the Sandbox. The RSA allows a sandbox entity to experiment with fintech, regtech or other innovation driven financial services falling under the supervisory purview of the Bank.

**Climate-Related and Environmental Financial Risk Management**

The Guideline on Climate-related and Environmental Financial Risk Management, which was issued in 2022, became fully effective on 31 December 2023. The Bank monitored the implementation of the Guideline through surveys and progress reports. Overall, it was noted that most banks have implemented appropriate governance and risk management frameworks. However, the development of relevant metrics and targets, as well as the conduct of stress testing, remained a challenge in light of data constraints and the absence of a green taxonomy. To this end, the disclosure requirements were reviewed in December 2023 such that disclosure of metrics and targets are no longer mandatory. The Bank is also collaborating with the Ministry of Finance, Economic Planning and Development, and the Ministry of Environment, Solid Waste Management and Climate Change on the formulation of a green taxonomy for Mauritius.

**Basel III Implementation**

The Guideline on NSFR was introduced in January 2024 and came into effect on 30 June 2024. The Guideline applies to all banks licensed by the Bank of Mauritius on an individual and consolidated basis.

The NSFR refers to the amount of available stable funding relative to the amount of required stable funding. The "Available Stable Funding" is defined as the portion of capital and liabilities held by a bank that is expected to be reliable over a one-year time horizon.

All banks were required to maintain a NSFR of at least 70 per cent as from 30 June 2024 and 100 per cent as from 31 December 2024.

While the LCR promotes short-term resilience of a bank's liquidity risk profile, the NSFR promotes the longer-term resilience by requiring banks to fund their activities with more stable sources of funding on an ongoing basis.

The upcoming development with regard to Basel III implementation is the alignment of regulatory risk weights for credit, market and operational risk exposures with the latest Basel III reforms.

**Guideline on the Recognition and the Use of External Credit Assessment Institutions**

The Guideline on the Recognition and the Use of External Credit Assessment Institutions was amended on 15 August 2023 to permit banks to use the credit ratings assigned by the Global Credit Rating Company Limited for risk-weighting their claims on new market segments, such as sovereigns, banks, multilateral development banks, corporates, public sector entities and insurance companies for capital adequacy purposes.

**Risk-Based Supervision**

The supervisory framework improved significantly with the full implementation of risk-based supervision. The framework comprises comprehensive risk modules covering AML/CFT, credit, liquidity, governance and assurance, operational, market, residual and capital. It thus enables a more in-depth assessment and monitoring of the governance and risk management frameworks of the banking sector to address current and emerging risks.

**Innovation Hub**

The Bank launched its Innovation Hub, known as the Innov8, on 4 September 2024. The main objective of the Innov8 is to foster innovation and the use of emerging technologies for the banking and other related financial services sector in Mauritius.

The Innov8 will be a dynamic and collaborative platform which will unite several stakeholders, such as entrepreneurs, industry experts, technology providers, regulators, academia and students.

The Innov8 will also serve as a regional innovation hub for central banks. Several central banks in the region have already joined the Innov8.

### Central KYC System

The Central KYC (CKYC) System project has made much headway, and the CKYC System and its web-services will be accessed by KYC institutions through the MACSS network. KYC institutions are licensees of the Bank and the Financial Services Commission. However, initially only banks will join the CKYC System and subsequently, at a later stage, non-bank deposit taking institutions and management companies will also join the system. The MACSS network has been upgraded to cater for the increased bandwidth utilisation by the KYC institutions and to reinforce security of personal data in transit. The network has also been extended to the Government Online Centre to allow access to the InfoHighway platform for retrieval of data or document regarding evidence of identity from the database of the Civil Status Division, the Police Traffic Branch and the Corporate & Business Registration Department. It has also been extended to the Central Electricity Board for retrieving proof of address. Banks have been provided with technical specifications of Application Programming Interface and the technical system installations are in process. The testing of the CKYC system by banks has started, and following successful testing, banks will eventually join the CKYC platform.

### Mauritius Deposit Insurance Scheme

Mauritius Deposit Insurance Corporation

Mauritius has an operational Deposit Insurance Scheme ("Scheme") since 14 June 2024, date on which the Mauritius Deposit Insurance Scheme Act 2019 (MDIS Act), promulgated on 2 December 2023, was fully effective. The objective of the Scheme is to protect insured depositors by guaranteeing a specified level of coverage for their deposits in the event of failure of a bank or a non-bank deposit taking institution in which that they have placed their money. That level of coverage has been set in the MDIS Act at Rs300,000 on a per depositor per institution basis. By assuring insured depositors that their savings are secure, the Scheme instils market confidence, helps to prevent bank runs and contributes to mitigating contagion in the financial sector, thus maintaining financial stability.

The Scheme is administered and managed by the Mauritius Deposit Insurance Corporation Ltd (MDIC) incorporated, under the Mauritius Companies Act, in March 2024. The MDIC is a private company and a wholly-owned subsidiary of the Bank of Mauritius. Deposit insurance schemes exist all over the world, the oldest one being the Federal Deposit Insurance Corporation in the United States of America as far back as 1933. The African Continent counts some twenty explicit deposit insurance schemes including Mauritius, the latest one in place.

The Mauritius Deposit Insurance Scheme will complement other financial safety-net players such as Banking Regulation and Supervision and the Central Bank as lender of last resort in the Mauritian financial landscape.

## AML/CFT Supervision

### Upholding an Effective AML/CFT Regime

Mauritius is now "Largely Compliant" or "Compliant" with all the 40 Recommendations of the Financial Action Task Force (FATF).

An effective AML/CFT regime helps to mitigate the factors that facilitate financial abuse and is essential to protect the integrity of the financial sector. In respect of the announcements made by the Minister of Finance, Economic Planning and Development in the Budget Speech 2023-24:

(a) A National Risk Assessment of money laundering and terrorism financing risks has already been carried out and the report is in the process of finalisation;

(b) A new AML/CFT Act is in force since 25 July 2024, and amendments to other laws would be brought in line with it; and

(c) The authorities have already commissioned an independent assessment of the effectiveness of our AML/CFT system ahead of the ESAAMLG mutual evaluation in 2027.

### Interagency Coordination Committee

The Interagency Coordination Committee ('ICC'), which is chaired by the Governor of the Bank, was established in August 2020 for the optimal implementation of the AML/CFT regime in Mauritius. The ICC regroups, amongst others, regulators and supervisors overseeing the financial services sector and the Designated Non-Financial Business and Professions (DNFBPs).

During FY2023-24, the ICC Secretariat organised eight workshops in a hybrid format, with most of them being hosted by the Bank. These workshops covered diverse topics, including, the role of the Compliance Officer and Money Laundering Reporting Officer, the AML/CFT Programme, terrorism financing and proliferation, targeted financial sanctions and transaction monitoring, beneficial ownership information and independent AML/CFT audit.

The ICC oversees the work of three Technical Sub-Committees, which comprise of representatives of all member agencies, namely:

(a) ***Technical Sub-Committee on Supervision,*** whose objectives include the establishment of an efficient and robust AML/CFT supervisory framework and the implementation of a risk-based approach to Supervision;

(b) ***Technical Sub-Committee on Coordination*** which focuses on the effective coordination by all supervisory authorities amongst themselves, and with the Financial Intelligence Unit and law enforcement authorities; and

(c) ***Technical Sub-Committee on Legal and Regulatory requirements, Training and Outreach*** which adopts a coordinated approach to the revision of existing laws and regulations related to AML/CFT, and regularly organises joint outreach sessions for private sector stakeholders, and training sessions for staff members of AML/CFT Regulators and Supervisors. This Technical Sub-Committee also discusses proposals for legislative amendments pertaining to cross-cutting AML/CFT issues.

With the continuous support of its Technical Sub-Committees, the ICC is proactively engaging with relevant stakeholders as well as competent authorities to prepare for the forthcoming independent assessment of the effectiveness of the national AML/CFT system of Mauritius. This engagement would enable stakeholders and competent authorities to identify and address any residual gaps before the formal mutual evaluation exercise is conducted by the ESAAMLG.

The Technical Sub-Committees are also coordinating with the relevant authorities in the finalisation of the relevant enactments that would assist Mauritius in becoming fully compliant on all the 40 recommendations of the FATF.

### Cooperation and Collaboration on AML/CFT

1. The Bank hosted a number of international delegations during FY2023-24 to share expertise in AML/CFT.
   (a) A delegation comprising representatives from the Reserve Bank of Malawi visited the Bank from 25 and 26 June 2024;
   (b) The Bank also hosted a one-week session with representatives from the Bank of Uganda from 24 to 28 June 2024; and
   (c) A delegation from Angola comprising representatives from the FIU of Angola, Central Bank of Angola, Attorney General's Office and the Gaming Supervision visited the Bank from 27 November to 01 December 2023.

2. A team led by the Director of the Supervision Department went on a mission to Djibouti in November 2023 to provide technical assistance to officers from the Central Bank of Djibouti and their stakeholders and share the Bank's experience in the combat against money laundering and the financing of terrorism.

3. On 21 March 2024, the Bank of Mauritius and Bank Al-Maghrib launched a joint report entitled "The fight against money laundering and financing of terrorism within GSBF jurisdictions" during the opening of the Plenary Meeting of the Group of French-speaking Banking Supervisors (GSBF) held in Mauritius.

   The report, published under the aegis of the GSBF, highlights the feedback from the Mauritian and Moroccan central banks in the wake of their management of the withdrawal of their respective countries from the FATF's grey list.

   A copy of the said report is available on the Bank's website.

   The Bank of Mauritius and Bank Al-Maghrib intend to encourage other jurisdictions to take advantage of the fundamental principles, good practices and lessons learned in the fight against money laundering and the financing of terrorism. The objective is to enable GSBF members to strengthen their legal and regulatory frameworks and improve their AML/CFT supervision and control systems.

4. The Financial Crimes Commission Act ('FCC Act'), which came into operation on 29 March 2024, brought major changes to the domestic AML/CFT landscape. It established the Financial Crimes Commission ('FCC') which now acts as the apex agency in Mauritius to detect, investigate and prosecute financial crimes such as corruption, money laundering, fraud and the financing of drug dealing offences, and any other ancillary offence connected thereto.

   The Bank of Mauritius, in collaboration with the Financial Crimes Commission, hosted a presentation on the Financial Crimes Commission (FCC) Act on 28 June 2024. The session was attended by staff of the Bank, its licensees and representatives of the Financial Services Commission. The aim of the presentation was to provide attendees a comprehensive overview of the FCC Act, including role and mandate of the Commission, and the main changes brought by the FCC Act to the AML/CFT landscape.

5. The Bank of Mauritius hosted the 2024 Annual Meeting of the Group of Directors of Training and Cooperation of French-speaking Central Banks from 24 to 27 April 2024. The Group represented approximately 30 French-speaking countries through 18 national and regional central banks, having a common focus on the digitalisation of ecosystems in capacity building. The annual meeting emphasised on the intrinsic links between the training and cooperation of central bankers in the fight against money laundering and the financing of terrorism in the era of digitalisation.

# 06

# PAYMENT SYSTEMS AND CURRENCY MANAGEMENT

## Payment Systems

Confidence in payment systems is fundamental for the Bank to effectively discharge its price and financial stability mandates. The Bank has the dual responsibility of providing payment means to all agents that carry out money transaction, including banks, Government and the Stock Exchange, and regulating the national payment system. All transactions involving cash, cheques, cards, as well as electronic payments, are routed through the national payment system.


## Mauritius Automated Clearing and Settlement System

The Mauritius Automated Clearing and Settlement System (MACSS), which is owned and operated by the Bank, is the only large value payment system in the country. MACSS is considered to be a systemically important payment system, as a disruption of the system may have a spillover effect on the whole financial sector and economy at large. It is a fully automated multi-currency system that allows transfer of funds on a Real-Time Gross Settlement (RTGS) basis. MACSS currently allows settlement in eight currencies, notably Mauritian rupee, Pound sterling, US dollar, euro, Swiss franc, South African rand, Singapore dollar and Japanese yen (Table 6.1).

MACSS also settles on a net deferred basis for the following:

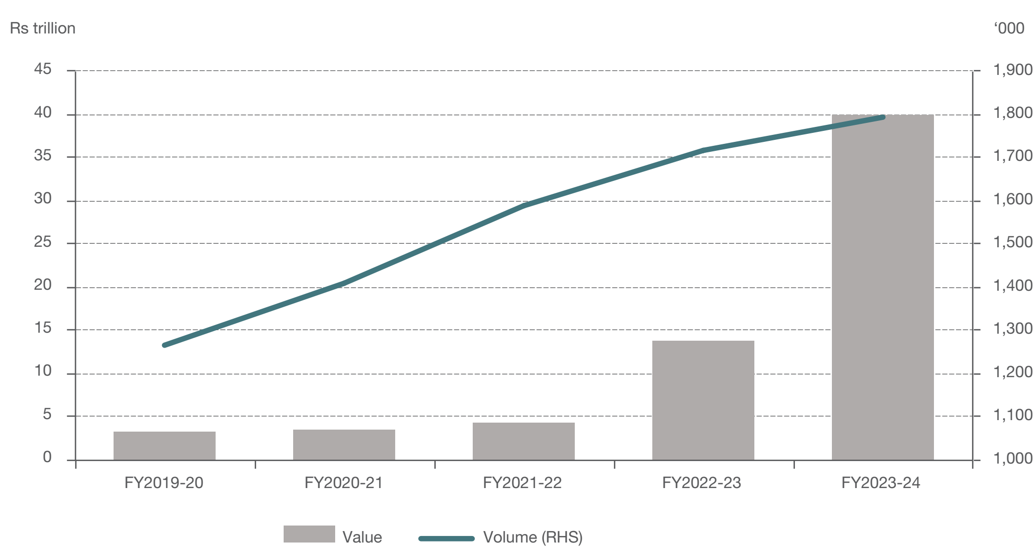
1. Cheque clearing positions, direct debit and low value electronic transfers of the Port Louis Automated Clearing House (PLACH);
2. The Central Depository & Settlement Co. Ltd in Mauritian rupee, US dollar, euro, Pound sterling and South African rand;
3. The Contribution Network Project (CNP) to the accounts of the Mauritius Revenue Authority (MRA) held with the Bank; and
4. Transactions routed through the MauCAS Card Payment System (CPS) and Instant Payment System (IPS).

**Table 6.1: Value of Transactions Settled on MACSS by Currency (million)**

| Currency | FY2022-23 | FY2023-24 |
|---|---|---|
| MUR | 13,824,471 | 40,076,101 |
| USD | 31,714 | 5,521 |
| GBP | 1,283 | 143 |
| EUR | 5,095 | 2,105 |
| CHF | 45 | 3 |
| ZAR | 1,480 | 588 |
| JPY | 1,599 | 992 |
| SGD | 14 | 79 |

During FY2023-24, MACSS processed 1,794,933 transactions in Mauritian rupee for a total value of Rs40,076,101 million, representing an increase of 4.6 per cent in volume terms and 189.9 per cent in value terms compared to FY2022-23 (Chart 6.1). The daily average volume of transactions settled during FY2023-24 was 7,418 compared to 6,865 in the previous year, representing a rise of 8.1 per cent. The daily average value of these transactions stood at Rs161.8 million compared to Rs55.8 million, representing an increase of 190.0 per cent over the preceding year. The surge in transactions can be mainly attributed to the new monetary policy framework implemented by the Bank effective January 2023, which allows banks to transfer the surplus liquidity to the Bank at the end of the day.

**Chart 6.1: Transactions on MACSS**



## The Bulk Clearing System

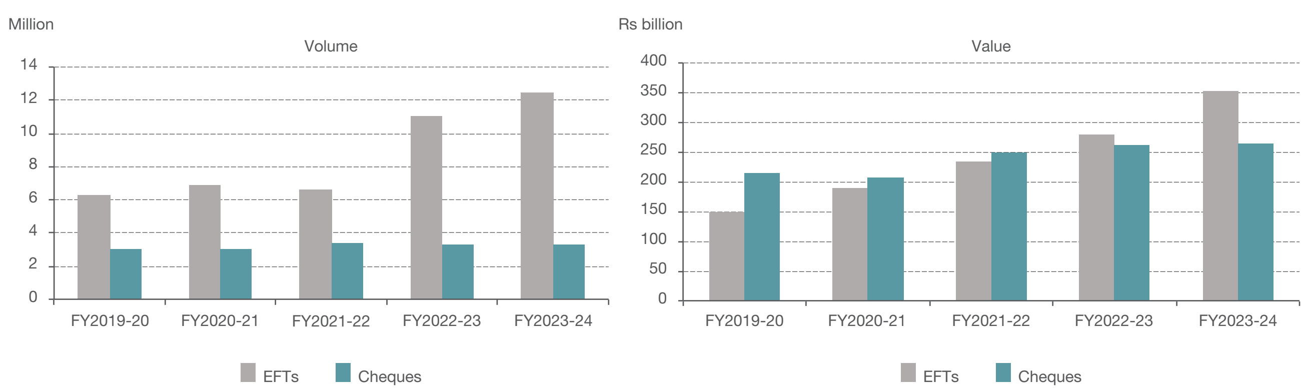
The Bulk Clearing System (BCS), the engine of the PLACH, clears cheques, direct debit instructions and low value electronic interbank payments during four daily clearing cycles. Over the past five years, the volume of cheques has remained mostly stable whilst their value has been on a rising trend, indicating an increasing use of large value cheques. Both the volume and value of Electronic Funds Transfer (EFTs) have been on ascending trends, reflecting a shift towards electronic payments.

During FY2023-24, 3,285,244 cheques for a total value of Rs263.8 billion were cleared. This represents a decline of 2.96 per cent in volume terms and an increase of 1.17 per cent in value terms compared to FY2022-23.

The aggregate volume of EFTs in FY2023-24 stood at 12,548,146 for a value of Rs353.3 million, compared to an aggregate volume of 11,022,291 for a value of Rs278.7 million in FY2022-23 (Chart 6.2).

The MRA makes extensive use of EFTs in the BCS for the payment of social benefits under different schemes, such as the Wage Assistance Scheme, Self Employed Assistance Scheme, CSG Income Allowance, and financial assistance for the payment of salary compensation.

**Chart 6.2: Value and Volume of Cheques and EFTs Cleared on BCS**




## EFT Transactions

**FY2022-23**

Volume: 11.0 million

Value: Rs278.7 billion

**FY2023-24**

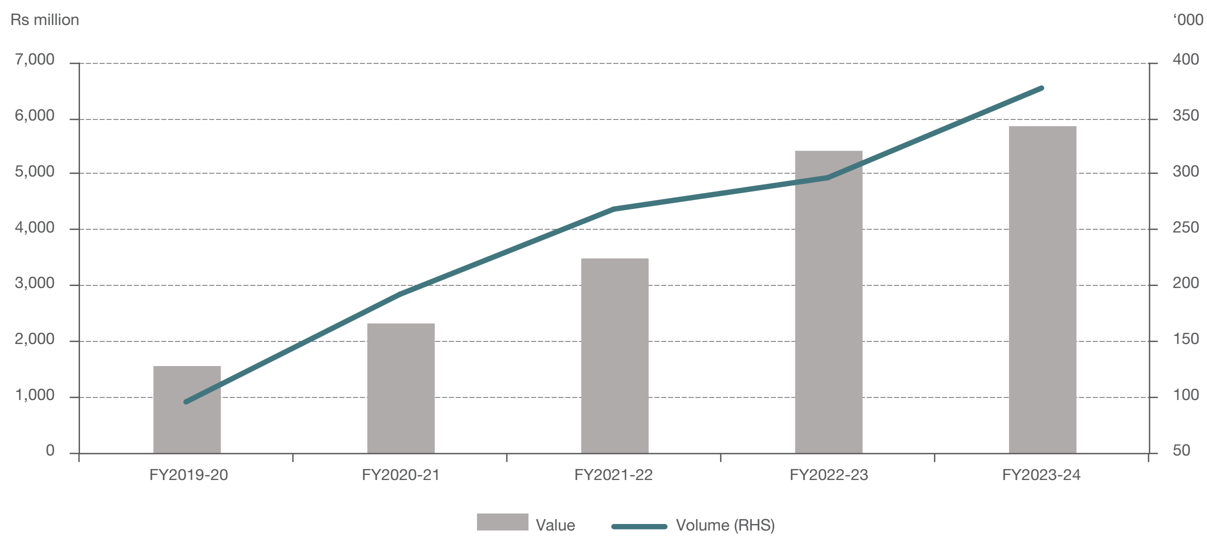
Volume: 12.5 million

Value: Rs353.3 billion

The Direct Debit Scheme is also widely used by the MRA for the collection of taxes and other contributions since its rollout in June 2017. Commercial banks have also started using the Direct Debit Scheme for collection of payments by their corporate customers.

A total of 673,130 transactions were processed during FY2023-24 compared to 579,865 in FY2022-23, that is, an increase of 16.1 per cent that confirms a growing interest for direct debits as payment instruments (Chart 6.3).

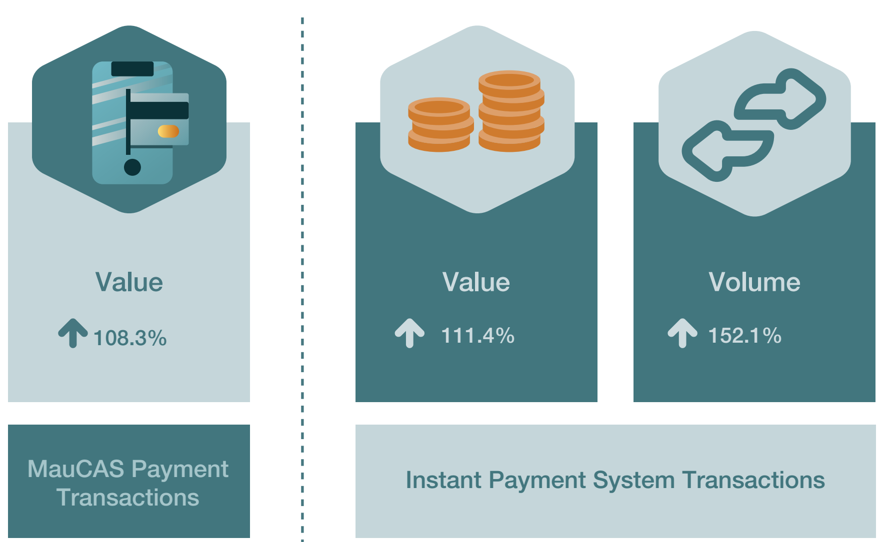
**Chart 6.3: Direct Debit Transactions**



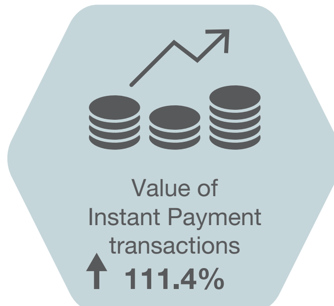

## Mauritius Central Automated Switch

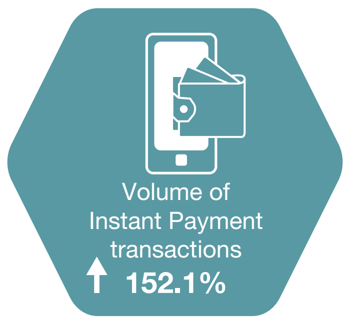
The Mauritius Central Automated Switch (MauCAS) is a national payment switch owned and operated by the Bank. It comprises a CPS and an IPS.

## Key Metrics for FY2023-24



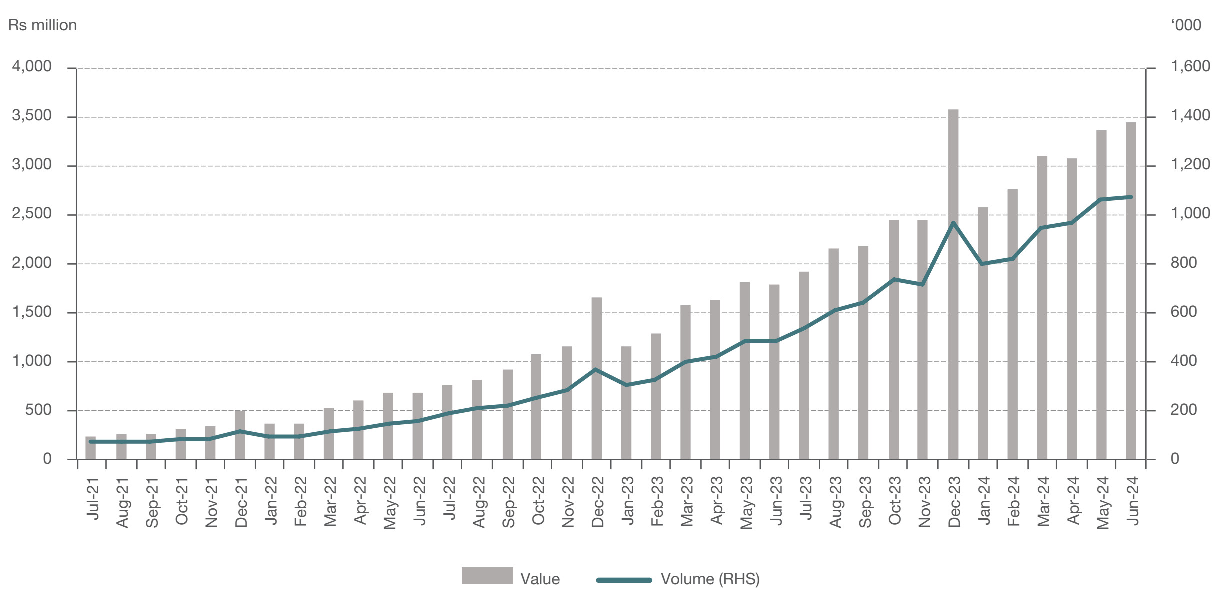
The IPS operates as a rapid retail payment solution, processing transactions in real-time on a 24/7 basis. It enables interoperability among participants for electronic payments through various channels, including mobile and internet banking. Presently, the IPS has 11 bank and 3 non-bank participants.




In FY2023-24, the IPS processed 9,911,428 transactions for a total amount of Rs33.2 billion compared to 3,932,095 transactions totalling Rs15.7 billion in FY2022-23. Transactions on IPS recorded an exponential growth during the past three years, which reflects the increasing uptake of digital payments in Mauritius (Chart 6.4).

**Chart 6.4: Transactions on IPS**



## Licensing

The Bank is empowered under the National Payment Systems Act (the Act) to regulate, supervise and oversee payment systems in Mauritius. The National Payment Systems Act is a comprehensive piece of legislation which provides for the entry of non-bank payment service providers in the payment space in Mauritius.

Non-bank payment service providers have revamped the retail payment eco-system with increased competition, innovative products and services, and more accessible points of sale. They are involved at different points in the retail payment chain and may become sources of risks in the payment system if not regulated. The National Payment Systems (Authorisation and Licensing) Regulations, which provide a licensing framework for non-bank payment service providers, came into operation on 31 May 2021.

The Bank has put in place a rigorous licensing process based on international standards. Accordingly, licences are granted only to applicants that satisfy the Bank's requirements for appropriate corporate governance structures, operational and risk management processes, internal controls, and the appointment of fit and proper persons at the helm of their institutions.

As at 30 June 2024, three companies have been granted a Payment Service Providers (PSP) license, namely, CIM Financial Services Ltd, Emtel MFS Co Ltd, and Cellplus Mobile Communications Limited, in November 2021, April and June 2022 to offer card payment, mobile payment and e-money issuance services to the public.

## Mauritius Credit Information Bureau

### 1. Overview

The Mauritius Credit Information Bureau (MCIB) plays a crucial role in ensuring the stability of the financial system by providing a robust credit reporting platform. The MCIB was established in December 2005 under Section 52 of the Bank of Mauritius Act 2004. It operates as a centralised repository for credit information and information collected on utility bills. Its main function is to collect and store data pertaining to credit recipients and guarantors, and make this data accessible to its participants.

The MCIB thus, equips its participants with reliable and up-to-date credit data, to assist them in making more informed decisions regarding the creditworthiness of applicants for credit. In addition to its important role in ensuring financial stability, the MCIB also contributes significantly in promoting a responsible borrowing culture, preventing adverse selection by lenders and ensuring a resilient credit landscape in Mauritius.

### 2. Data Integrity

Data integrity and quality are paramount for the effective functioning of a credit information system. The MCIB ensures that all participants adhere strictly to the regulatory requirements outlined in the Bank of Mauritius Act 2004 and the Terms and Conditions of the MCIB. Appropriate action against non-compliant participants may be taken as per Section 52(5) of the Bank of Mauritius Act.

### 3. Data Security and Privacy

The MCIB operates within a closed secure private network. Access to the MCIB platform is rigorously controlled through a combination of validation of workstations and user credentials as follows:

a) **Control of accessing workstation:** Each participant in the MCIB is assigned a group ID and the participant's proxy server interfacing the MCIB is registered with the MCIB along with IPs of the participant workstations. The IP of any workstation connecting to the MCIB platform is validated against pre-registered participant IPs in the MCIB database. Access is denied to any IP that cannot be validated.

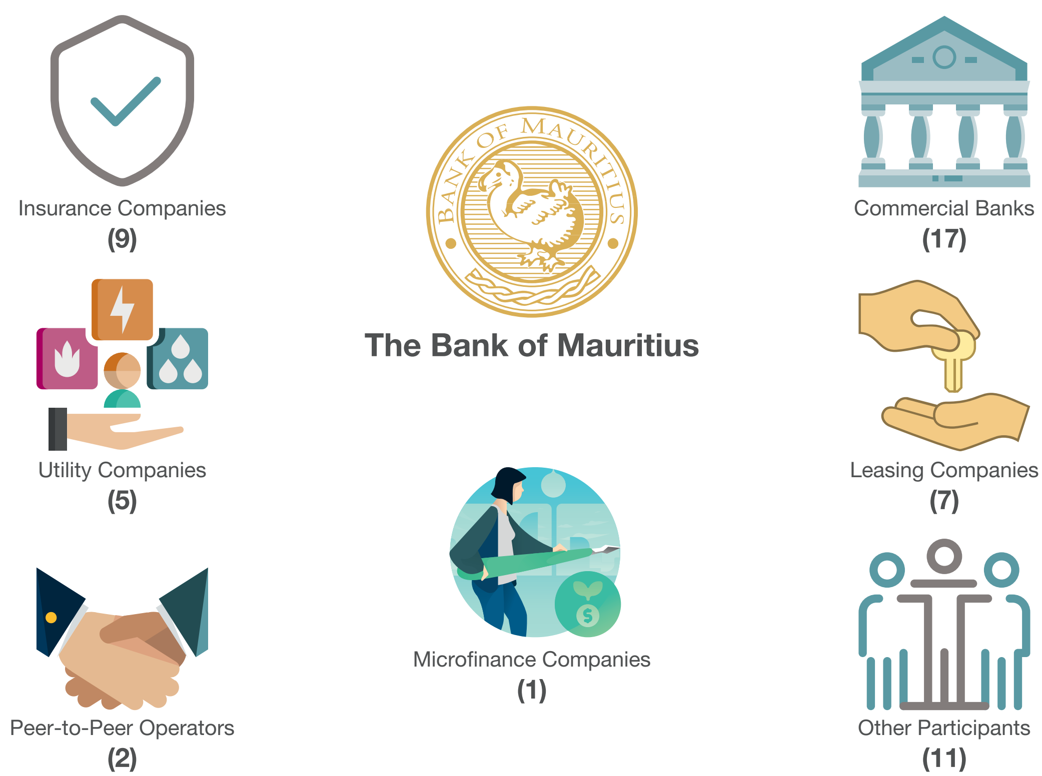
b) **User credentials verification:** The credentials of users are verified against the MCIB database and failed validations restrict access to the MCIB.

As owner and operator of the MCIB database, the Bank also maintains a close scrutiny on MCIB consultation by participants to ensure that there is no abuse of data privacy for commercial purposes.

### 4. Participants of the MCIB

According to Section 52 of the Bank of Mauritius Act and the Terms and Conditions of the MCIB, participating institutions of the MCIB shall include any institution offering credit, leasing facilities, hire purchase, utility bodies or any crowdlending platform. As at end-June 2024, the participation base of the MCIB consisted of 53 participants, including the Bank of Mauritius.

## Participants in the MCIB



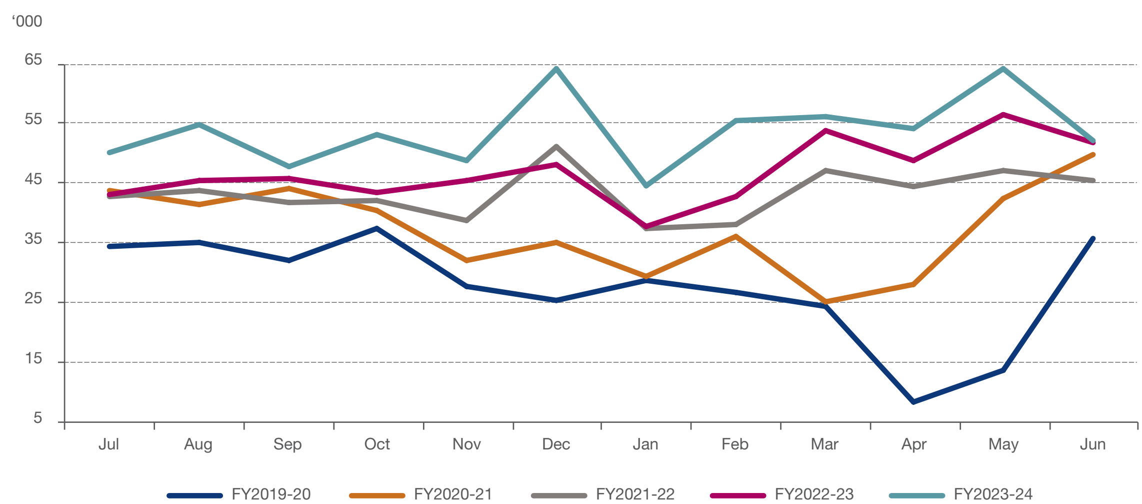
## Consultation of the MCIB Database

*Number of reports drawn*

In accordance with Paragraph 5.0 of the MCIB Terms and Conditions, participants of the MCIB, other than utility bodies, are required to consult the MCIB Database prior to approving, increasing or renewing credit facilities. The number of credit profile reports extracted by participants of the MCIB increased by 14.7 per cent, from 562,720 in FY2022-23 to 645,432 in FY2023-24.

Peaks registered during the financial year were in the months of December 2023 and May 2024 and were primarily driven by hire purchase and credit finance providers, as the demand for consumption credit presumably grew during these months.

**Chart 6.5: Number of Reports Drawn on the MCIB**




*Credit facilities availed of by firms and individuals*

The number of borrowers/guarantors registered in the MCIB database rose by 3.0 per cent, from 1,039,117 as at end-June 2023 to 1,070,152 (of whom 977,549 individuals) as at end-June 2024. Concurrently, the number of credit records increased by 10.3 per cent, from 6,321,427 to 6,971,089 as at end-June 2024.

The number of new credit facilities availed of by firms and individuals stood at 565,180 for FY2023-24, representing an increase of 5.1 per cent over the preceding financial year. This represented the highest number of yearly new credit facilities recorded over the past 5 years. Table 6.2 demonstrates a comparison of new credit facilities reported to the MCIB in terms of credit type and borrower type over the last 5 financial years.

**Table 6.2: Number of New Credit Facilities**

| Credit Type | Borrower Type | FY2019-20 | FY2020-21 | FY2021-22 | FY2022-23 | FY2023-24 |
|---|---|---|---|---|---|---|
| Credit Card | Firms | 1,050 | 1,034 | 1,524 | 1,965 | 1,384 |
| | Individuals | 13,821 | 18,080 | 16,356 | 19,823 | 29,707 |
| Loans | Firms | 10,786 | 12,521 | 14,915 | 13,981 | 15,055 |
| | Individuals | 94,773 | 131,601 | 139,138 | 134,109 | 134,167 |
| Overdraft | Firms | 3,746 | 2,923 | 3,926 | 4,576 | 4,911 |
| | Individuals | 4,753 | 3,545 | 3,874 | 4,471 | 5,013 |
| Finance Lease | Firms | 2,941 | 2,534 | 2,713 | 3,850 | 3,989 |
| | Individuals | 5,090 | 5,853 | 5,458 | 6,617 | 8,390 |
| Retailer | Firms | 245 | 230 | 242 | 136 | 110 |
| | Individuals | 348,265 | 313,885 | 349,266 | 348,325 | 362,454 |
| **Total number of new facilities** | | **485,470** | **492,206** | **537,412** | **537,853** | **565,180** |

## Developments in Domestic Payment systems

The Bank has made significant strides in modernising the payment ecosystem in Mauritius by leveraging on technological advancements. In FY2023-24, some key milestones have been achieved to enhance the resilience of the national payment system, while fostering innovation and promoting payment automation to support the digital transformation of the economy.

### MauCAS Instant Payment System

The MauCAS Instant Payment System has become a critical component in the country's payment landscape with its capacity to make all payments through mobile phones and other electronic devices fully inter-operable. It has created a conducive environment for the democratisation of payments by enabling non-bank operators to enter the ecosystem and widening acceptance of electronic payments by merchants through the MauCAS QR Code. Even very small merchants can accept electronic payments cheaply using the latter.

To further catalyse the adoption of digital payments and ensure fair competition among IPS participants, the Bank revised participant interchange fees, removed fees on person-to-person transfers and increased the transaction limit from Rs 100,000 to Rs 250,000. Additionally, the Bank abolished transaction routing fees from the IPS participant fee structure. The Bank bears all the costs associated with the setting up and operations of the IPS.

### Government Payment Portal

The Government Payment Portal is one of the major projects launched by the Bank as part of its strategy to digitalise payments in Mauritius, while supporting the Government's e-services project and increasing the acceptance of electronic payment methods across all government agencies and online services.

The portal went live on a pilot basis on 15 December 2022 and since then, has been increasingly adopted by Government agencies as part of the digitalisation of their services. The Portal leverages on the IPS and MauCAS QR Code to provide a cheap, efficient, fast, secure and convenient payment mode to users of Government Services.

### Central Bank Digital Currency – The Digital Rupee

The Bank embarked on the Central Bank Digital Currency (CBDC) journey in early 2020 to probe on the potential implementation of a digital currency issued by the Bank. In November 2023, the Bank launched a pilot project. The Bank has successfully implemented a sandbox environment leveraging private blockchain and distributed ledger technology to establish a permissioned blockchain network.

The Digital Rupee's pilot API was operational in December 2023, thus facilitating real end-to-end testing and integration with one commercial bank. This collaboration allowed the simulation of inter-bank transactions, and rigorously assessing the system's functionality and robustness in practical scenarios. The pilot successfully concluded in April 2024 and has allowed the Bank to gather valuable insights to enhance the security and payment efficiency features of the CBDC.

The next phase of the project comprises the introduction of retail CBDC APIs to stakeholders, within a sandbox environment, for testing new financial products with the CBDC. Concurrently, a CBDC will also be undertaken to explore the feasibility and impact of a cross-border wholesale CBDC.

### Migration to SWIFT ISO 20022 Messaging Format

The move to ISO 20022 messaging format by all major RTGS and High-Value Payments Systems (HVPS+) globally is one of the most far-reaching initiatives currently underway in the financial services industry. The ISO 20022, an open global standard for financial information providing consistent, rich and structured data that can be used for all kinds of financial business transaction enables greater interoperability among financial institutions and between financial institutions and Payments Market Infrastructures. Better quality data in payments will significantly improve customer experience, with faster processing, fewer manual interventions, reduced costs, better remittance information and improved compliance.

The Bank went live on the ISO 20022 with its correspondent banks since June 2023. The migration of the SWIFT interface to ISO 20022 to support Cross-Border Payments Reporting (CBPR+ project) was completed in March 2023, well ahead of the cut-off date of November 2025 set by SWIFT as the end of the MT/ISO 20022 cross-border coexistence period.

The Bank is also expanding the adoption of ISO 20022 to the domestic market and MACSS is being upgraded for migration to ISO 20022 messages. The new MACSS system will include ISO 20022 compatibility and implementation of HVPS+/CBPR+ standards/flows for message formats in addition to the existing ones.

### Payment Systems Oversight

The Bank has the statutory mandate for the oversight of the national payment system and payment systems operated in Mauritius. The Bank is reviewing its payment systems oversight framework with the support of technical assistance from IMF Afritac South in light of the evolution of the payment landscape, with new services and products being offered, and the entry of new service providers on the market. The oversight framework will be geared towards addressing the emergence of new risks.

### Cross-border Payment Systems

A landmark development was achieved in the history of payments in Mauritius on 12 February 2024, with the launching of the bilateral cross-border payment infrastructure established between India and Mauritius. As part of this project, the Bank introduced a MauCAS RuPay co-branded card, which has been designated the domestic card in Mauritius. With the integration of MauCAS to the National Payment Corporation of India (NPCI),

(i) Indian mobile apps can be used to scan QR codes in Mauritius for payment and vice versa;

(ii) cards issued in India are accepted at ATMs and merchant Point of Sales in Mauritius; and

(iii) co-branded MauCAS RuPay cards issued in Mauritius are accepted in India through the Rupay network.

The next step in the collaborative NPCI/Bank of Mauritius cross-border payment project is the implementation of peer-to-peer transfers to boost adoption of digital payments between India and Mauritius.

## Regional Cross Border Initiatives

Regional payment systems aim to address the frictions of speed, cost, accessibility and lack of transparency associated with cross-border payments. They offer the opportunity to settle in domestic or regional currencies, thereby eliminating the need for third currencies for settlement. The Bank actively participates in the regional payment initiatives of the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC).

### 1. Common Market for Eastern and Southern Africa

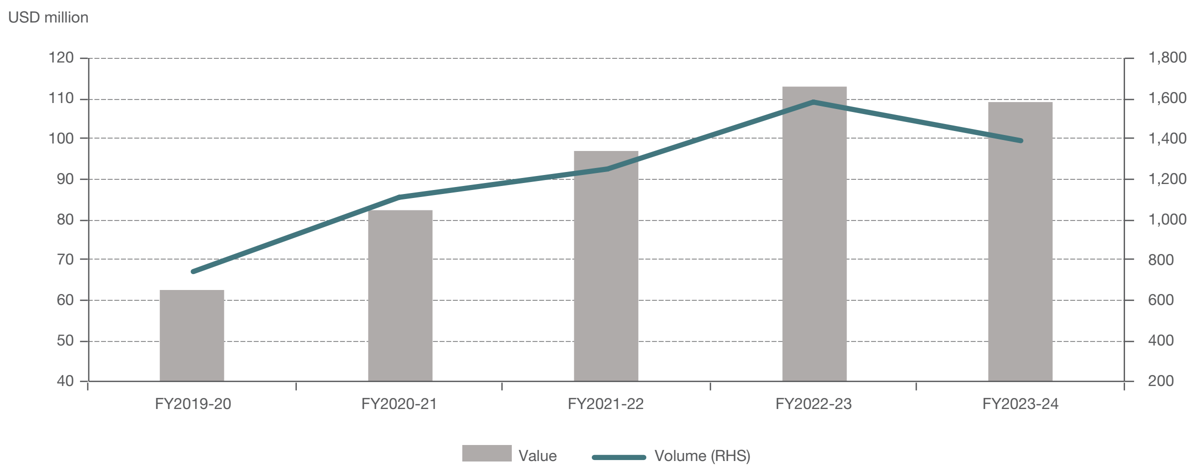
The COMESA Regional Payment and Settlement System (REPSS), an initiative of the COMESA Clearing House, is a multi-lateral netting cross-border payment system with end-of-day settlement. REPSS has a multi-currency settlement capacity and currently settles in USD and euro. The Bank of Mauritius hosts the REPSS and is the settlement bank of the system.

Member states connect to REPSS through their respective central banks. This linkage facilitates intra-regional same-day payments without the need for costly and complex payment chains involving correspondent banks. This setup also guarantees finality of payments.

REPSS is live since October 2012. It currently has nine active member state participants, namely Democratic Republic of Congo, Egypt, Eswatini, Kenya, Malawi, Mauritius, Rwanda, Uganda and Zambia.

During FY2023-24, the volume and value of transactions on the REPSS decreased slightly by 4.0 per cent to 1,519 and by 2.0 per cent to USD110.0 million equivalent, respectively, compared to FY2022-23 (Chart 6.6).

**Chart 6.6: REPSS Transactions**




The COMESA Cross Border Digital Retail Payments Scheme has made significant progress. A Proof of Concept has gone live between Malawi and Zambia. The Scheme's main benefits include the ability to use local currencies to settle cross-border payments, affordability for Micro and Small Medium Enterprises (MSMEs) due to low transaction costs and interoperability between participants, such as Mobile Money Operators and commercial banks, for cross-border payments. The Bank is actively collaborating with the COMESA Business Council on this project.

**2. Southern African Development Community**

Two cross-border payment systems operate in the SADC regional block under the purview of the SADC Committee of Central Bank Governors, namely, the SADC-RTGS and the Transactions Cleared on Immediate Basis (TCIB).

- **SADC-RTGS**

Fifteen SADC member countries participate in the SADC-RTGS, a large value real-time cross-border payment system with 88 participants, including both commercial and central banks. Three local banks, namely ABSA Bank (Mauritius) Limited, Standard Bank (Mauritius) Limited and the Mauritius Commercial Bank Limited participate in SADC-RTGS.

The number of transactions settled on the SADC-RTGS since it started operations in July 2013 to end-June 2024 was 3,572,669 for a total value of ZAR14.3 trillion (equivalent to USD780 billion), representing increases of 19.0 per cent and 12.6 per cent in volume and value terms, respectively, compared to data as at end-June 2023.

The SADC-RTGS system successfully migrated to the SWIFT ISO 20022 messaging standards on 10 June 2024, a major achievement for the SADC region. The Mauritian banks participated in the testing phase and are now live on the system.

- Transactions Cleared on an Immediate Basis

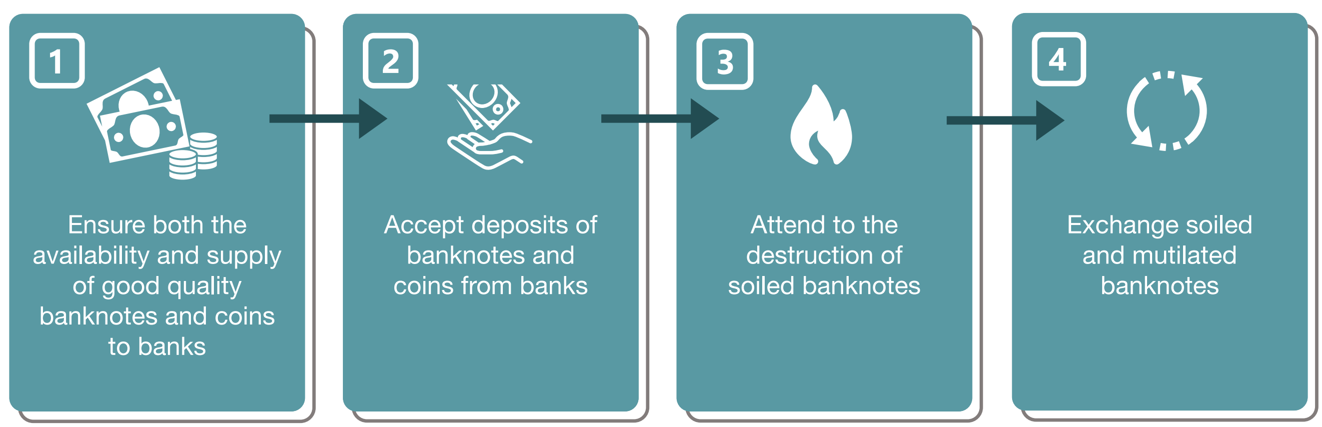
The Transactions Cleared on an Immediate Basis is a regional payment system, which offers instant clearing of low-value transactions within and among countries in the SADC region. The TCIB currently hosts 54 participants, both banks and non-banks, across 11 countries.

**3. Association of African Central Banks**

The Association of African Central Banks is progressing with its project to integrate payment systems and mobile payments in Africa. In its capacity as Deputy Chair of the Working Group on the Strategy for Integrating Mobile Payments in Africa, the Bank has been actively participating in the execution of different initiatives undertaken under the project.

## Currency Management

The Bank of Mauritius is legally required to ensure an adequate supply of banknotes and coins to meet the demand of the public in the Republic of Mauritius. Specifically, the Bank is required to:




**Currency Management**

**Banknotes and coins deposited at and issued by the Bank**

| | FY2022-23 | FY2023-24 |
|---|---|---|
| Deposits: | Rs28.4 billion | Rs30.8 billion |
| Issues: | Rs31.9 billion | Rs36.7 billion |

**Examination of banknotes**

| | FY2022-23 | FY2023-24 |
|---|---|---|
| Number: | 64.0 million | 61.1 million |
| Value: | Rs26.5 billion | Rs27.4 billion |

**Examined banknotes unfit for circulation**

| | FY2022-23 | FY2023-24 |
|---|---|---|
| Share of total: | 16.2% | 18.3% |
| Value: | Rs2.9 billion | Rs4.8 billion |

**Destruction of soiled banknotes**

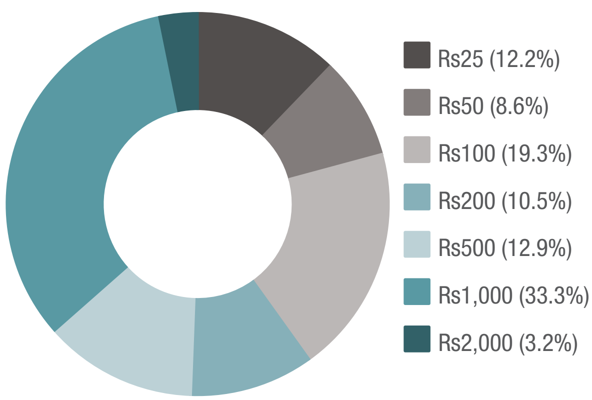
| | FY2022-23 | FY2023-24 |
|---|---|---|
| Share of total: | 89.2% | 92.8% |
| Value: | Rs2.5 billion | Rs4.6 billion |

In FY2023-24, the value of banknotes in circulation increased by 11.4 per cent compared to 7.2 per cent in FY2022-23, while the volume of banknotes in circulation rose by 10.1 per cent compared to 6.0 per cent in the preceding financial year. Banknotes of Rs1,000 denomination constituted 65.5 per cent of the total value of banknotes in circulation, followed by banknotes of Rs500 denomination, which accounted for 12.7 per cent of the total value. In volume terms, banknotes of Rs1,000 denomination represented 33.3 per cent of all banknotes in circulation, followed by banknotes of Rs100 denomination, with a share of 19.3 per cent. Chart 6.7 illustrates the total value and volume of banknotes in circulation by denomination.

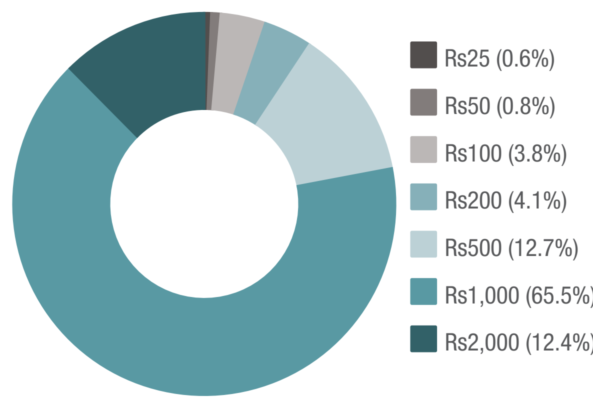
During FY2023-24, the total value and volume of coins in circulation increased by 7.4 per cent and 3.9 per cent, respectively.

**Chart 6.7: Banknotes in Circulation as at end-June 2024**

**Volume of Banknotes in Circulation**




**Value of Banknotes in Circulation**




## Polymer Banknotes

The Bank has introduced polymer banknotes in denominations of Rs25, Rs50 and Rs500 since August 2013. In December 2018, the Bank put into circulation polymer banknotes in denomination of Rs2,000. The polymer Rs2,000 denomination banknote is an upgrade of the Rs2,000 paper banknote. Polymer banknotes are cleaner and more durable, besides containing enhanced security features.

**Value and Volume of Polymer Banknotes in Circulation as at end-June 2024**

| Denomination | Volume | Value |
|---|---|---|
| Rs25 | 11.0 million | Rs274.7 million |
| Rs50 | 7.8 million | Rs392.4 million |
| Rs500 | 13.3 million | Rs6,661.0 million |
| Rs2,000 | 3.5 million | Rs7,029.5 million |

## Coin Exchange Campaign

The Bank has a coin exchange campaign and invites members of the public to put back into circulation coins they have in their possession and which are lying idle. The Bank of Mauritius has secured collaboration from all banks in the country for this ongoing campaign.

## Gold Transactions

### Sale of Gold to Licensed Jewellers

The Bank imports and sells gold of high quality:

- 24 carats 999.9 assay in bar forms of 1,000 grams;
- 500 grams; and
- 100 grams as well as in grain forms to industrialist and licensed jewellers.

The selling prices of industrial gold bars and grains are based on prevailing international gold market prices and are posted daily in the Bank's Banking Hall and on the Bank's website.

### Sale of Dodo Gold Coins

Dodo Gold coins of 22 carats were issued in 1988 by the Bank in four different denominations, namely:

- one ounce with a face value of Rs1,000;
- half an ounce with a face value of Rs500;
- quarter of an ounce with a face value of Rs250; and
- one-tenth of an ounce with a face value of Rs100.

The coins are legal tender in Mauritius for the value stated thereon. The daily selling price of the coins based on their gold content and on international gold market price, are posted daily in the Bank's Banking Hall and on the Bank's website.

## Sale of Commemorative coins and Platinum coins

The Bank offers for sale several commemorative coins in Platinum, Gold and Silver at the Bank's counters to members of the public. The coins are legal tender in Mauritius for the value stated thereon. The daily selling price of the coins based on their metal content and on international market prices, are posted daily in the Bank's Banking Hall and on the Bank's website.

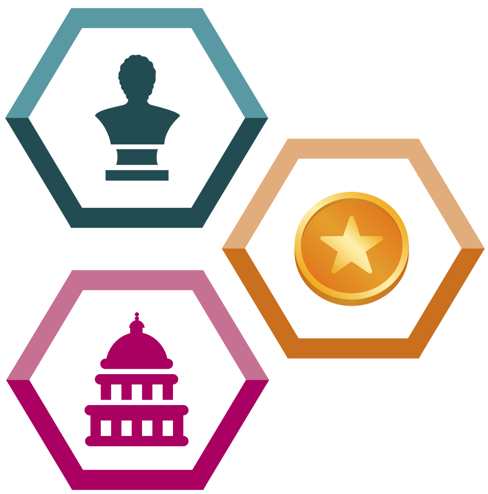
### Father of the Nation Platinum Coins

The three Platinum Commemorative coins, namely State House (Rs1,500), Aapravasi Ghat (Rs1,200) and Le Morne Brabant (Rs1,200) in proof condition, in the 'Father of the Nation' Platinum Series were issued in October 2009, November 2010 and December 2011, respectively.

### Bank of Mauritius 50$^{th}$ Anniversary Commemorative coins

In November 2017, the Bank issued three commemorative coins, in proof condition, to mark its 50$^{th}$ Anniversary:

- Rs1,500 denomination Gold Coin;
- Rs1,000 denomination Gold coin; and
- Rs200 denomination Silver coin.



### Bank of Mauritius 55$^{th}$ Anniversary Commemorative coins

To mark the 55$^{th}$ Anniversary of the Bank, two commemorative gold coins, in proof condition, were issued in September 2022:

- Rs2,000 denomination Gold Coin; and
- Rs2,500 denomination Gold coin.

# 07

# CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

# Contents

# Overview

The Bank of Mauritius (Bank) realised a net profit of Rs3.3 billion, in terms of section 11(1) of the Bank of Mauritius Act 2004 (the "BOM Act" or the "Act"), for the financial year ended 30 June 2024 compared to Rs1.9 billion in the previous year. Strategic investment decisions taken over the past few years are continuing to generate higher levels of income.

The income of the Bank, excluding fair value gains and losses, increased by Rs4.4 billion from Rs10.0 billion for the year ended 30 June 2023 to Rs14.4 billion for the year ended 30 June 2024.

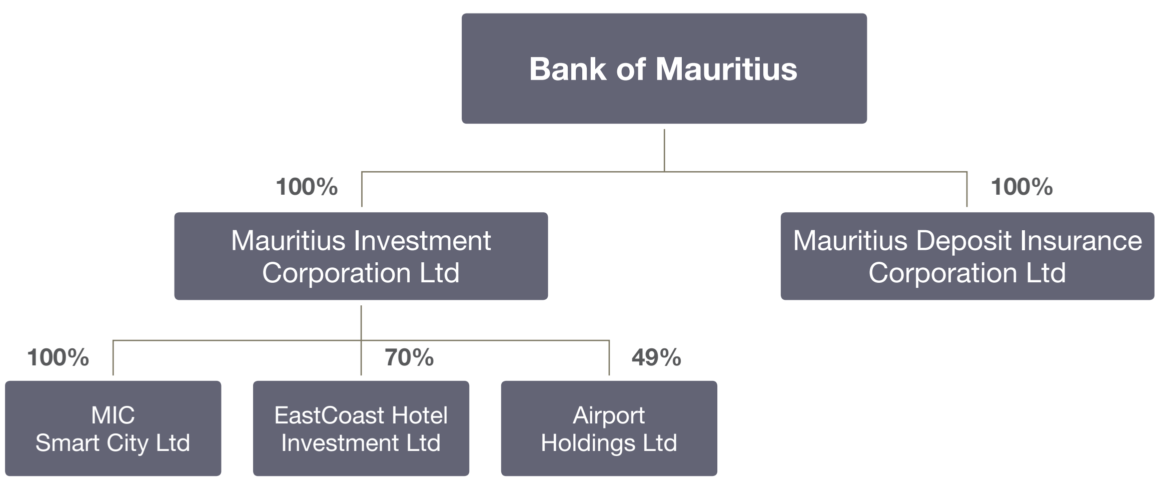
Expenditure of the Bank increased by Rs1.6 billion from Rs4.7 billion to Rs6.3 billion mainly due to interest paid on obligations to foreign counterparties. Interest expense on monetary policy operations increased by Rs1.2 billion from Rs3.2 billion to Rs4.4 billion.

### Group Structure

The Bank's fully owned subsidiary, Mauritius Investment Corporation Ltd (MIC), acquired a 49% stake in Airport Holdings Ltd (AHL) in December 2021 for a consideration of Rs25 billion thus becoming an associate. In accordance with IAS 28 - Investments in Associates and Joint Ventures (2011), the Bank is required to account for AHL under the equity method in its consolidated financial statements. MIC also acquired a 70% stake in EastCoast Hotel Investment Ltd in June 2024.

In March 2024, the Bank incorporated the Mauritius Deposit Insurance Corporation Ltd (MDIC) with a capital of Rs200 million. The MDIC is a wholly owned subsidiary of the Bank.

The Group consisting of the Bank, its subsidiaries and associate is presented below:




The Group results, excluding fair value gains and losses, are summarised below:

| | 2024 | 2023 |
|---|---|---|
| | **Rs 000** | Rs 000 |
| BOM-Net Profit as per section 11(1) of the BOM Act | **3,316,778** | 1,873,594 |
| MIC-Net Profit excluding Dividend, Impairment Loss | **1,176,848** | 586,191 |
| MIC Smart City Ltd-Net Loss | **(2,704)** | (8,513) |
| MDIC-Net Loss | **(1,364)** | - |
| Airport Holdings Ltd-Share of (Loss)/Profit | **(2,129,312)** | 2,201,267 |
| Net Profit | **2,360,246** | 4,652,539 |

### Bank's Assets

Total assets of the Bank increased by Rs86.7 billion from Rs414.0 billion as at 30 June 2023 to Rs500.7 billion as at 30 June 2024. Foreign assets increased by Rs84.2 billion from Rs305.5 billion to Rs389.7 billion, mainly due to transfers of foreign currencies by commercial banks under the Overnight Deposit Facility and valuation gains.

### Bank's Liabilities

Liabilities of the Bank increased by Rs65.7 billion from Rs398.5 billion as at 30 June 2023 to Rs464.2 billion as at 30 June 2024 mainly due to an increase in Monetary Policy Instruments and Overnight Deposits in foreign currency placed by commercial banks.

### Bank's Capital and Reserves

The capital and reserves of the Bank increased by Rs21.0 billion from Rs15.5 billion as at 30 June 2023 to Rs36.5 billion as at 30 June 2024 mainly due to Net Profit and transfer to Reserves. Net profits realised during the year amounting to Rs3.3 billion were transferred to the General Reserve Fund and no distribution was made to Government in accordance with section 11(2) and section 11(5) of the Act. An amount of Rs17.6 billion, representing fair value gains on foreign investments, was transferred to the Special Reserve Fund.

### *Statement of Responsibilities*

The Bank, which acts as the central bank for the Republic of Mauritius, is set up as a body corporate as per section 3(4) of the Act which states that the Companies Act 2001 shall not apply to it.

The Board of Directors has, under section 12 of the Act, been entrusted with the general policy of the affairs and business of the Bank. Responsibility for the day-to-day administration of the Bank has been entrusted, in terms of section 14(3) of the Act, to the two Deputy Governors who shall act under the supervision of the Governor.

The Governor is the principal representative of the Bank and is responsible for the execution of the policy of the Board. Further, he is responsible for the general supervision of the Bank. In the discharge of his functions, the Governor is answerable to the Board.

The Board presently consists of the Governor as Chairperson, two Deputy Governors and six other Directors. The Act provides for not less than five but not more than seven other Directors.

The Governor and Deputy Governors are appointed by the President of the Republic of Mauritius, on the recommendation of the Prime Minister and may hold office for a term not exceeding five years and are eligible for re-appointment. The Minister of Finance appoints the other Directors who may hold office for a term not exceeding three years. They are eligible for re-appointment at the end of their term of office.

The Bank is responsible for the preparation and fair presentation of the financial statements in conformity with accounting principles applicable to central banks and best international practices in accordance with section 31(1) of the Act and the implementation of an internal control structure to maintain the reliability of the financial statements and to provide reasonable but not absolute assurance against the possibility of errors and irregularities that are material to the financial statements.

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# INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF BANK OF MAURITIUS

## Report on the Audit of the Consolidated and Separate Financial Statements

*Opinion*

We have audited the consolidated and separate financial statements of BANK OF MAURITIUS (the Bank), which comprise the consolidated and separate statement of financial position as at 30 June 2024 and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, comprising material accounting policies, as set out on pages 119 to 198.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of BANK OF MAURITIUS as at 30 June 2024, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the Bank of Mauritius Act 2004.

*Basis for opinion*

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

*Other Information*

The directors are responsible for the other information. The other information comprises the overview, but does not include the consolidated and separate financial statements and our auditors' report thereon, which we obtained prior to the date of the auditors' report, and the Annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF BANK OF MAURITIUS

**Report on the Audit of the Consolidated and Separate Financial Statements**

*Responsibilities of Directors for the Consolidated and Separate Financial Statements*

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in conformity with the accounting principles applicable to central banks and best international practices pursuant to section 31(1) of the Bank of Mauritius Act 2004, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended for the Bank to cease operations as per the provisions of the Bank of Mauritius Act 2004.

*Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements*

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

# INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF BANK OF MAURITIUS

**Report on the Audit of the Consolidated and Separate Financial Statements**

*Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)*

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

**KPMG**
Ebène, Mauritius

**John Chung, BSc FCA**
*Licensed by FRC*

Date: 30 October 2024

# Statements of Financial Position
as at 30 June 2024

| | | GROUP | | BANK | |
|---|---|---|---|---|---|
| | Note | **2024 Rs 000** | 2023 Rs 000 | **2024 Rs 000** | 2023 Rs 000 |
| **ASSETS** | | | | | |
| *Foreign Assets* | | | | | |
| Cash and Cash Equivalents | 6 | **89,594,510** | 54,086,313 | **89,594,510** | 54,086,313 |
| Gold Deposits | 7 | **44,227,272** | 34,919,234 | **44,227,272** | 34,919,234 |
| Financial Assets held at Amortised Cost | 8(i) | **82,347,742** | 95,705,955 | **82,347,742** | 95,705,955 |
| Financial Assets held at Fair Value Through Other Comprehensive Income | 9 | **43,660,648** | 1,652,707 | **43,660,648** | 1,652,707 |
| Financial Assets held at Fair Value Through Profit or Loss | 10(i) | **129,867,590** | 119,103,414 | **129,867,590** | 119,103,414 |
| | | **389,697,762** | 305,467,623 | **389,697,762** | 305,467,623 |
| *Domestic Assets* | | | | | |
| Equity Investment in Mauritius Investment Corporation Ltd | 12(i) | **-** | - | **81,000,000** | 81,000,000 |
| Equity Investment in MDIC Ltd | 12(ii) | **-** | - | **200,000** | - |
| Financial Assets held at Amortised Cost | 8(ii) | **26,871,499** | 24,864,502 | **26,871,499** | 24,864,502 |
| Financial Assets held at Fair Value Through Profit or Loss | 10(ii) | **20,738,871** | 17,357,776 | **-** | - |
| Investment Properties | 13 | **11,867,754** | 9,008,104 | **-** | - |
| Investment in Associate | 14 | **22,880,991** | 25,942,204 | **-** | - |
| Computer Software | 15 | **225,803** | 167,158 | **224,365** | 166,865 |
| Goodwill | 38 | **1,135,940** | - | **-** | - |
| Right-of-Use Assets | 39 | **502,710** | - | **-** | - |
| Property, Plant and Equipment | 16 | **1,915,011** | 1,905,990 | **1,908,165** | 1,903,034 |
| Other Assets | 17 | **766,873** | 614,556 | **749,827** | 608,188 |
| | | **86,905,452** | 79,860,290 | **110,953,856** | 108,542,589 |
| **TOTAL ASSETS** | | **476,603,214** | 385,327,913 | **500,651,618** | 414,010,212 |
| **LIABILITIES** | | | | | |
| Currency in Circulation | 18 | **58,600,328** | 52,649,945 | **58,600,328** | 52,649,945 |
| *Demand Deposits* | | | | | |
| Government | | **6,091,122** | 17,482,647 | **6,091,122** | 17,482,647 |
| Banks | | **85,632,169** | 77,510,264 | **85,632,169** | 77,510,264 |
| Mauritius Investment Corporation Ltd | | **-** | - | **26,445,810** | 31,579,030 |
| Others | | **2,060,993** | 1,823,733 | **2,259,675** | 1,823,733 |
| | | **93,784,284** | 96,816,644 | **120,428,776** | 128,395,674 |
| Monetary Policy Instruments | 19 | **150,069,956** | 138,559,649 | **150,069,956** | 138,559,649 |
| Provisions | 20 | **100,000** | 100,000 | **100,000** | 100,000 |
| Employee Benefits | 21 | **1,466,198** | 1,036,400 | **1,466,198** | 1,036,400 |
| Other Liabilities | 22 | **133,989,459** | 77,764,268 | **133,532,486** | 77,752,163 |
| **TOTAL LIABILITIES** | | **438,010,225** | 366,926,906 | **464,197,744** | 398,493,831 |
| **CAPITAL AND RESERVES** | | | | | |
| Stated and Paid Up Capital | **5** | **10,000,000** | 10,000,000 | **10,000,000** | 10,000,000 |
| Reserves | **5** | **27,965,523** | 8,401,007 | **26,453,874** | 5,516,381 |
| Equity Attributable to the Parent | | **37,965,523** | 18,401,007 | **36,453,874** | 15,516,381 |
| Non-Controlling Interests | **5** | **627,466** | - | **-** | - |
| Total Equity | | **38,592,989** | 18,401,007 | **36,453,874** | 15,516,381 |
| **TOTAL LIABILITIES, CAPITAL AND RESERVES** | | **476,603,214** | 385,327,913 | **500,651,618** | 414,010,212 |

The financial statements have been approved and authorised for issue by the Board of Directors on 30 October 2024 and signed on its behalf by:

**Shardhanand Gopaul**
Director-Accounting and Budgeting

**Hemlata S Sewraj-Gopal**
Second Deputy Governor

**Harvesh Seegolam**
Governor

The notes on pages 125 to 198 form an integral part of these financial statements.

# Statements of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2024

| | | GROUP | | BANK | |
|---|---|---|---|---|---|
| | | **2024** | 2023 | **2024** | 2023 |
| | **Note** | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| **Income** | | | | | |
| Interest and Similar Income on Financial Assets using EIR | 23 | **7,655,049** | 4,234,687 | **7,655,049** | 4,234,687 |
| Interest and Similar Income on Financial Assets at Fair Value Through Profit or Loss | 24 | **7,653,929** | 6,181,189 | **6,306,557** | 5,542,025 |
| Miscellaneous Income | 25 | **504,695** | 245,906 | **441,977** | 207,954 |
| Gain on Revaluation of Foreign Currencies/SDR | | **6,476,241** | 1,343,530 | **6,476,241** | 1,343,530 |
| Gain on Revaluation of Gold | 7 | **9,363,316** | 2,143,849 | **9,363,316** | 2,143,849 |
| Gain on Revaluation of Investment Properties | 13 | **188,796** | 419,625 | **-** | - |
| Gain/(Loss) on Financial Assets at Fair Value Through Profit or Loss | 26 | **2,122,649** | (1,715,358) | **1,795,988** | (930,533) |
| **Total Income** | | **33,964,675** | 12,853,428 | **32,039,128** | 12,541,512 |
| **Expenditure** | | | | | |
| Interest Payable and Similar Charges | 27 | **4,413,040** | 2,749,053 | **4,413,040** | 2,749,053 |
| Staff Salaries and Other Benefits | 28 | **631,086** | 620,676 | **595,374** | 599,675 |
| General Expenditure | | **658,843** | 583,944 | **510,958** | 534,654 |
| Fees Payable | 29 | **506,526** | 489,575 | **464,498** | 469,804 |
| Coin Issue Expenses | | **60,134** | 81,787 | **60,134** | 81,787 |
| Note Issue Expenses | | **73,556** | 57,390 | **73,556** | 57,390 |
| Depreciation and Amortisation | 15,16 | **115,340** | 129,818 | **112,376** | 127,601 |
| Directors' Remuneration | 30 | **53,395** | 37,873 | **44,673** | 30,713 |
| Impairment on Financial Assets | 11 | **17,626** | 6,517 | **17,626** | 6,517 |
| **Total Expenditure** | | **6,529,546** | 4,756,633 | **6,292,235** | 4,657,194 |
| **Surplus of Income over Expenditure before Monetary Policy Operations** | | **27,435,129** | 8,096,795 | **25,746,893** | 7,884,318 |
| Interest Expense on Monetary Policy Operations | 31 | **(4,392,450)** | (3,181,553) | **(4,392,450)** | (3,181,553) |
| Share of (Loss)/Profit of Equity-Accounted Associate | 14 | **(2,129,312)** | 2,201,267 | **-** | - |
| **NET PROFIT FOR THE YEAR** | | **20,913,367** | 7,116,509 | **21,354,443** | 4,702,765 |
| **OTHER COMPREHENSIVE INCOME** | | | | | |
| *Items that will not be reclassified subsequently to Profit or Loss* | | | | | |
| Remeasurements of defined benefit liability | 21 | **(402,120)** | (272,325) | **(402,120)** | (272,325) |
| Equity-Accounted Associate-Share of OCI | | **(98,968)** | (241,626) | **-** | - |
| *Items that are or may be reclassified subsequently to Profit or Loss* | | | | | |
| Financial Assets at FVOCI-net change in fair value | | **(29,875)** | 120,176 | **(29,875)** | 120,176 |
| Financial Assets at FVOCI-reclassified to profit or loss | | **15,045** | 65,144 | **15,045** | 65,144 |
| Equity-Accounted Associate-Share of OCI | | **(832,933)** | 459,326 | **-** | - |
| **TOTAL COMPREHENSIVE INCOME** | | **19,564,516** | 7,247,204 | **20,937,493** | 4,615,760 |

The notes on pages 125 to 198 form an integral part of these financial statements.

| | BANK 2024 Rs 000 | BANK 2023 Rs 000 |
|---|---|---|
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR AS PER IFRS** | **20,937,493** | 4,615,760 |
| Transfer to Special Reserve Fund in terms of Section 47(1) of the Bank of Mauritius Act 2004-Gain on Revaluation of Foreign Currency and SDR | **(6,476,241)** | (1,343,530) |
| Transfer to Special Reserve Fund in terms of Section 47(1) of the Bank of Mauritius Act 2004-Gain on Revaluation of Gold | **(9,363,316)** | (2,143,849) |
| Transfer (to)/from Special Reserve Fund in terms of Section 47(1A) of the Bank of Mauritius Act 2004-(Gain)/Loss on financial assets at FVTPL | **(1,795,988)** | 930,533 |
| Transfer from/(to) Special Reserve Fund in terms of Section 47(1A) of the Bank of Mauritius Act 2004-Loss/(Gain) on financial assets at FVOCI | **14,830** | (185,320) |
| | **(17,620,715)** | (2,742,166) |
| **NET PROFIT FOR THE YEAR IN TERMS OF SECTION 11 (1) OF THE BANK OF MAURITIUS ACT 2004** | **3,316,778** | 1,873,594 |
| Transfer to General Reserve Fund in terms of section 11(2) of the Bank of Mauritius Act 2004 | **(497,517)** | (281,039) |
| Transfer to General Reserve Fund in terms of section 11(5) of the Bank of Mauritius Act 2004 | **(2,819,261)** | (1,592,555) |
| **BALANCE OF NET PROFITS PAYABLE INTO THE CONSOLIDATED FUND IN TERMS OF SECTION 11(3) OF THE BANK OF MAURITIUS ACT 2004** | **-** | - |

The above Statement of Distribution has been prepared according to the requirements of the Bank of Mauritius Act 2004 and does not form part of the primary statements.

The notes on pages 125 to 198 form an integral part of these financial statements.

# Statement of Changes in Equity
For the year ended 30 June 2024

## THE GROUP

| | Attributable to Equity Holders of the Parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Stated and Paid Up Capital | General Reserve Fund | Special Reserve Fund | Revaluation Reserve | Fair Valuation Reserve | Retained Earnings | Total | Non-Controlling Interests | Total Equity |
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| Balance at 1 July 2022 | 10,000,000 | 620,214 | 280,407 | 1,626,788 | (323,089) | (1,050,517) | 11,153,803 | - | 11,153,803 |
| Total Comprehensive Income | - | - | - | - | - | 7,247,204 | 7,247,204 | - | 7,247,204 |
| Transfer to Special Reserve Fund | - | - | 2,742,166 | - | - | (2,742,166) | - | - | - |
| Transfer to General Reserve Fund | - | 1,873,594 | - | - | - | (1,873,594) | - | - | - |
| Transfer to Revaluation Reserve | - | - | - | 411,112 | - | (411,112) | - | - | - |
| Transfer to Fair Valuation Reserve | - | - | - | - | (784,827) | 784,827 | - | - | - |
| Balance at 30 June 2023 | 10,000,000 | 2,493,808 | 3,022,573 | 2,037,900 | (1,107,916) | 1,954,642 | 18,401,007 | - | 18,401,007 |
| **Balance at 1 July 2023** | **10,000,000** | **2,493,808** | **3,022,573** | **2,037,900** | **(1,107,916)** | **1,954,642** | **18,401,007** | **-** | **18,401,007** |
| **Total Comprehensive Income** | **-** | **-** | **-** | **-** | **-** | **19,564,516** | **19,564,516** | **-** | **19,564,516** |
| **Transfer to Special Reserve Fund** | **-** | **-** | **17,620,715** | **-** | **-** | **(17,620,715)** | **-** | **-** | **-** |
| **Transfer to General Reserve Fund** | **-** | **3,316,778** | **-** | **-** | **-** | **(3,316,778)** | **-** | **-** | **-** |
| **Transfer to Revaluation Reserve** | **-** | **-** | **-** | **197,309** | **-** | **(197,309)** | **-** | **-** | **-** |
| **Transfer to Fair Valuation Reserve** | **-** | **-** | **-** | **-** | **326,660** | **(326,660)** | **-** | **-** | **-** |
| **Transfer from Revaluation Reserve** | **-** | **-** | **-** | **(7,173)** | **-** | **7,173** | **-** | **-** | **-** |
| **Non-Controlling Interests arising on business combination** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **627,466** | **627,466** |
| **Balance at 30 June 2024** | **10,000,000** | **5,810,586** | **20,643,288** | **2,228,036** | **(781,256)** | **64,869** | **37,965,523** | **627,466** | **38,592,989** |

The notes on pages 125 to 198 form an integral part of these financial statements.

# Statement of Changes in Equity
For the year ended 30 June 2024

## THE BANK

| | Stated and Paid Up Capital | General Reserve Fund | Special Reserve Fund | Comprehensive Income | Total |
|---|---|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| Balance at 1 July 2022 | 10,000,000 | 620,214 | 280,407 | - | 10,900,621 |
| Total Comprehensive Income | - | - | - | 4,615,760 | 4,615,760 |
| Transfer to Special Reserve Fund | - | - | 2,742,166 | (2,742,166) | - |
| Transfer to General Reserve Fund | - | 1,873,594 | - | (1,873,594) | - |
| Balance at 30 June 2023 | 10,000,000 | 2,493,808 | 3,022,573 | - | 15,516,381 |
| **Balance at 1 July 2023** | **10,000,000** | **2,493,808** | **3,022,573** | **-** | **15,516,381** |
| **Total Comprehensive Income** | **-** | **-** | **-** | **20,937,493** | **20,937,493** |
| **Transfer to Special Reserve Fund** | **-** | **-** | **17,620,715** | **(17,620,715)** | **-** |
| **Transfer to General Reserve Fund** | **-** | **3,316,778** | **-** | **(3,316,778)** | **-** |
| **Balance at 30 June 2024** | **10,000,000** | **5,810,586** | **20,643,288** | **-** | **36,453,874** |

The notes on pages 125 to 198 form an integral part of these financial statements.

# Statements of Cash Flows

For the year ended 30 June 2024

| | | GROUP | | BANK | |
|---|---|---|---|---|---|
| | | **2024** | 2023 | **2024** | 2023 |
| | **Note** | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| **Cash Flow from Operating Activities** | | | | | |
| Interest Received | | **8,235,299** | 6,658,703 | **8,235,299** | 6,308,213 |
| Interest Paid and Similar Charges | | **(3,737,685)** | (2,451,809) | **(3,737,685)** | (2,451,809) |
| Interest Paid on Monetary Policy Instruments | | **(2,628,860)** | (1,315,367) | **(2,628,860)** | (1,315,367) |
| Miscellaneous Income | | **940,573** | 205,654 | **244,700** | 202,516 |
| Staff Salaries and Other Benefits | | **(564,828)** | (561,173) | **(564,828)** | (561,173) |
| General Expenditure | | **(527,821)** | (604,219) | **(526,457)** | (604,219) |
| Fees Paid | | **(247,534)** | (265,381) | **(247,534)** | (265,381) |
| Notes and Coin Issue | | **(133,689)** | (139,176) | **(133,689)** | (139,176) |
| **Net cash flow from operating activities before changes in operating assets and liabilities** | | **1,335,455** | 1,527,232 | **640,946** | 1,173,604 |
| Net increase in operating assets | | | | | |
| Financial Assets held at Amortised Cost | | **(2,006,997)** | (451,469) | **(2,006,997)** | (451,469) |
| Other Assets | | **(143,093)** | (115,373) | **(141,640)** | (112,229) |
| Net increase/(decrease) in operating liabilities | | | | | |
| Government Deposits | | **(11,391,526)** | 694,191 | **(11,391,526)** | 694,191 |
| Banks Deposits | | **8,121,905** | (86,874,465) | **8,121,905** | (86,874,465) |
| Mauritius Investment Corporation Ltd Deposits | | **-** | - | **(5,133,220)** | (3,403,675) |
| Other Deposits | | **435,942** | 488,115 | **435,942** | 488,115 |
| Other Liabilities | | **391,528** | 223,244 | **391,528** | 223,244 |
| **Net Cash Flow from Operating Activities** | | **(3,256,786)** | (84,508,525) | **(9,083,062)** | (88,262,684) |
| **Cash Flows from Investing Activities** | | | | | |
| Additions to Financial Assets held at Amortised Cost | | **(86,735,507)** | (93,273,048) | **(86,735,507)** | (93,273,048) |
| Disposals of Financial Assets held at Amortised Cost | | **102,581,631** | 49,160,391 | **102,581,631** | 49,160,391 |
| Additions to Financial Assets at FVOCI | | **(46,041,130)** | (11,398,410) | **(46,041,130)** | (11,398,410) |
| Disposals of Financial Assets at FVOCI | | **5,798,602** | 35,638,041 | **5,798,602** | 35,638,041 |
| Additions to Financial Assets at FVTPL | | **(4,047,936)** | (3,240,000) | **(1,152,936)** | - |
| Disposals of Financial Assets at FVTPL | | **330,000** | 17,971,939 | **-** | 17,971,939 |
| Additions to Monetary Policy Instruments | | **265,810,892** | 1,839,160,052 | **265,810,892** | 1,839,160,052 |
| Disposal of Monetary Policy Instruments | | **(256,064,173)** | (1,810,169,800) | **(256,064,173)** | (1,810,169,800) |
| Proceeds from Overnight Deposit in Foreign Currency | | **54,992,733** | - | **54,992,733** | - |
| Acquisition of Subsidiary | | **(2,598,226)** | - | **(200,000)** | - |
| Acquisition of Investment Properties | | **(855,050)** | (511,075) | **-** | - |
| Disposal of Gold | | **-** | 48,607 | **-** | 48,607 |
| Purchase of PPE and Intangibles | | **(185,728)** | (221,385) | **(177,728)** | (218,301) |
| Proceeds of Sale of PPE | | **3,207** | 21,418 | **3,207** | 21,418 |
| Dividend Received | | **532,283** | 36,797 | **532,283** | 36,797 |
| **Net cash flow from investing activities** | | **33,521,598** | 23,223,527 | **39,347,874** | 26,977,686 |
| **Cash Flows from Financing Activities** | | | | | |
| Increase in Currency in Circulation | | **5,950,383** | 3,525,903 | **5,950,383** | 3,525,903 |
| Retirement Benefits Obligations Funding | | **(2,186)** | - | **(2,186)** | - |
| Proceeds from Obligations to Foreign Counterparties | 22 (i) | **84,420,357** | 13,800,367 | **84,420,357** | 13,800,367 |
| Repayment of Obligations to Foreign Counterparties | 22 (i) | **(87,471,266)** | (4,597,600) | **(87,471,266)** | (4,597,600) |
| **Net Cash Flow from Financing Activities** | | **2,897,288** | 12,728,670 | **2,897,288** | 12,728,670 |
| **Net Cash Flow** | | **33,162,100** | (48,556,328) | **33,162,100** | (48,556,328) |
| Effect of Exchange Rate Fluctuations | | **2,346,097** | (788,355) | **2,346,097** | (788,355) |
| **Net increase/(decrease) in Cash and Cash Equivalents** | | **35,508,197** | (49,344,683) | **35,508,197** | (49,344,683) |
| **Cash and Cash Equivalents at beginning of year** | | **54,086,313** | 103,430,996 | **54,086,313** | 103,430,996 |
| **Cash and Cash Equivalents at end of year** | 6 | **89,594,510** | 54,086,313 | **89,594,510** | 54,086,313 |

The notes on pages 125 to 198 form an integral part of these financial statements.

## 1. LEGAL FRAMEWORK

**Bank of Mauritius (the "Bank")**

In terms of section 4(2)(c) of the Bank of Mauritius Act 2004 (the "Act"), the Bank is established to act as the central bank for the Republic of Mauritius. Its main place of business is at Sir William Newton Street, Port Louis, and it operates an office in Rodrigues. The Bank is an independent institution with its own legal personality and submits, in accordance with section 32(3) of the Act, a copy of its audited financial statements to the Minister who lays a copy thereof before the National Assembly.

The primary objective of the Bank is to maintain price stability and to promote orderly and balanced economic development.
To attain these objectives, the Bank's principal functions are to:

- conduct monetary policy and manage the exchange rate of the Mauritian Rupee, taking into account the orderly and balanced economic development of Mauritius;
- regulate and supervise financial institutions carrying on activities in, or from within, Mauritius;
- manage, in collaboration with other relevant supervisory and regulatory bodies, the clearing, payment and settlement systems of Mauritius;
- collect, compile and disseminate, on a timely basis, monetary and related financial statistics; and
- manage the foreign exchange reserves of Mauritius.

Under section 10 of the Act, the stated and paid up capital of the Bank shall be not less than one billion rupees and shall be subscribed and held solely by the Government of Mauritius. Further, the amount paid as capital of the Bank may be increased from time to time by transfer from the General Reserve Fund or the Special Reserve Fund of such amounts as the Board may, with the approval of the Minister, resolve. The capital was increased to Rs2 billion in November 2011 and to Rs10 billion in July 2020 in terms of Section 47 (5)(a) of the Act.

Under section 11(2) of the Act, the Bank shall establish a General Reserve Fund to which shall be allocated, at the end of every financial year of the Bank, 15 per cent of the net profit of the Bank.

Under section 11(3) of the Act, the balance of the net profit for the financial year remaining after the allocation made under subsection 11(2) shall, subject to subsection 11(4), be paid into the Consolidated Fund as soon as practicable after the end of every financial year.

Section 11(4) of the Act provides that subject to subsection 11(5), the balance in the General Reserve Fund shall be at least equivalent to the amount paid as capital of the Bank. Under section 11(5) of the Act, where, at any time, the balance in the General Reserve Fund is less than the amount paid as capital of the Bank, the Bank shall endeavour to bring the balance to the required level.

In terms of Section 35(1) of the Act the Bank has the sole right to issue Mauritius currency notes, coins and digital currency.

## 2. BASIS OF PREPARATION

(a) Statement of Compliance

In terms of section 31(1) of the Act, the accounting of the Bank shall, at all times be carried out in conformity with accounting principles applicable to central banks and best international practices. In line with best practices, the Group and the Bank have prepared their financial statements in accordance with IFRS® Accounting Standards as issued by the International Accounting Standard Board ("IFRS® Accounting Standards").

Where necessary, comparative figures have been amended to conform with changes in presentation in the current year.

The financial statements include the consolidated financial statements of the parent, Bank of Mauritius, and its subsidiaries (together the "Group") and the separate financial statements of the parent (the "Bank").

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss and financial instruments at fair value through other comprehensive income are measured at fair value;
- the liability for defined benefit obligations is recognised as the fair value of plan assets less the present value of the defined benefit obligations;
- investment properties are measured at fair value.

(c) Functional and Presentation Currency

Functional currency is the currency of the primary economic environment in which the Group and the Bank operate. When indicators of the primary economic environment are mixed, management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. Management has determined that the functional currency of the Group and the Bank is Mauritian Rupees ("Rs").

These financial statements are presented in Mauritian Rupees rounded to the nearest thousand (Rs 000) except when otherwise indicated.

(d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

## 2. BASIS OF PREPARATION (CONTINUED)

(d) Use of Estimates and Judgements (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these financial statements are described in Note 4.

(e) Going Concern

The Bank made an assessment of its ability to continue as going concern and it is satisfied that it has the resources to continue its business for the foreseeable future. The financial statements have thus been prepared on a going concern basis.

(f) Application of New and Revised IFRS® Accounting Standards

**Standards, amendments and interpretations effective for the current period**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amendments to IFRS® Accounting Standards that were relevant to the Group and the Bank's financial statements and were effective as from 1 July 2023:

| Standard/Amendment/Interpretation | | Date issued by IASB | Effective date Periods beginning on or after |
|---|---|---|---|
| IAS 8 amendment | Definition of Accounting Estimates | February 2021 | 1 January 2023 |
| IAS 1 and IFRS® Practice Statement 2 amendment | Disclosure Initiative: Accounting Policies | February 2021 | 1 January 2023 |

**Definition of accounting estimates (Amendments to IAS 8)**

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates.
- Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

**2. BASIS OF PREPARATION (CONTINUED)**

(f) Application of New and Revised IFRS® Accounting Standards (continued)

**Standards, amendments and interpretations effective for the current period (continued)**

**Definition of accounting estimates (Amendments to IAS 8) (continued)**

- The International Accounting Standards Board ('IASB') clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The effects of changes in inputs and/or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments did not have a material impact on the Group and the Bank's financial statements.

**Disclosure Initiative: Accounting Policies (Amendments to IAS 1 and IFRS® Practice Statement 2)**

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the IASB.

The IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS® Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;
- accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

**2. BASIS OF PREPARATION (CONTINUED)**

(f) Application of New and Revised IFRS® Accounting Standards (continued)

**Standards, amendments and interpretations effective for the current period (continued)**

**Disclosure Initiative: Accounting Policies (Amendments to IAS 1 and IFRS® Practice Statement 2) (continued)**

The IASB also amended IFRS® Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material.

Management have assessed the impact of the adoption of this standard on the consolidated and separate financial statements and concluded that the adoption of this standard did not result in significant amendments in the financial statements. Material accounting policies of the Group and the Bank is disclosed in note 3 (2023: significant accounting policies)

**Standards, amendments and interpretations not yet effective**

At the date of authorisation of the financial statements of the Group and the Bank for the year ended 30 June 2024, the following relevant Standards, Amendments and Interpretations were in issue but not yet effective:

| IFRS® Accounting Standard/Interpretation | | Date issued by IASB | Effective date Periods beginning on or after |
|---|---|---|---|
| IAS 1 amendment | *Classification of liabilities as current or non-current*<br>*Non-current liabilities with covenants* | October 2022 | 1 January 2024 |
| IFRS® 16 amendment | *Lease Liability in a Sale and Leaseback* | September 2022 | 1 January 2024 |
| IAS 21 amendments | *Lack of Exchangeability* | August 2023 | 1 January 2025 |
| IFRS® 7 and IFRS® 9 amendments | *Classification and measurement requirements for financial instruments*<br>*Settlement by electronic payments*<br>*Other amendments* | May 2024 | 1 January 2026 |
| IFRS® 18 | *Presentation and Disclosure in Financial Statements* | April 2024 | 1 January 2027 |

Several new or revised IFRS® accounting standards, interpretations and amendments in issue that are not yet effective have been assessed to be not applicable to the Group and the Bank and therefore the directors do not expect an impact on future financial statements.

**2. BASIS OF PREPARATION (CONTINUED)**

(f) Application of New and Revised IFRS® Accounting Standards (continued)

**Classification of liabilities as current or non-current (Amendments to IAS 1)**

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional was removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

The amendments also clarify how an entity classifies a liability that can be settled in its own shares. When a liability includes a counterparty conversion option that involves a transfer of the company's own equity instruments, the conversion option is recognised as either equity or a liability separately from the host liability under IAS 32 Financial Instruments: Presentation. The amendments now clarified that when a company classifies the host liability as current or non-current, it can ignore only those conversion options that are recognised as equity.

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with early application permitted.

The amendments are not expected to have a material impact on the Group and the Bank.

**Lease Liability in a Sale and Leaseback (Amendments to IFRS® 16)**

Amendments to IFRS® 16 Leases confirm that:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

The amendments are not expected to have a material impact on the Group and the Bank.

**Lack of Exchangeability (Amendments to IAS 21)**

The amendments clarify when a currency is exchangeable into another currency and how a company estimates a spot rate when a currency lacks exchangeability.

**2. BASIS OF PREPARATION (CONTINUED)**

(f) Application of New and Revised IFRS® Accounting Standards (continued)

**Lack of Exchangeability (Amendments to IAS 21) (continued)**

*Assessing exchangeability: When to estimate a spot rate*

A currency is exchangeable into another currency when a company is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, a company needs to estimate a spot rate.

*Estimating a spot rate: Meeting the estimation objective*

A company's objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments contain no specific requirements on how to estimate a spot rate.

Therefore, when estimating a spot rate a company can use:

- an observable exchange rate without adjustment; or
- another estimation technique.

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

The amendments are not expected to have a material impact on the Group and the Bank.

**Classification and measurement requirements for financial instruments (Amendments to IFRS® 7 and IFRS® 9)**

**Classification of financial assets with contingent feature**

The amendments introduce an additional SPPI (solely payment of principal and interest) test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs – e.g. where the cash flows change depending on whether the borrower meets an ESG (environmental, social, and governance) target specified in the loan contract.

Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature.

## 2. BASIS OF PREPARATION (CONTINUED)

(f) Application of New and Revised IFRS® Accounting Standards (continued)

**Classification and measurement requirements for financial instruments (Amendments to IFRS® 7 and IFRS® 9) (continued)**

**Classification of financial assets with contingent feature (continued)**

The amendments also include additional disclosures for all financial assets and financial liabilities that have certain contingent features that are:

- not related directly to a change in basic lending risks or costs; and
- are not measured at fair value through profit or loss.

**Settlement by electronic payments**

A company that settles its trade payable by using an electronic payment system generally derecognises its trade payable on settlement date. The amendments provide an exception for the derecognition of such financial liabilities. The exception allows the company to derecognise its trade payable before the settlement date when it uses an electronic payment system that meets all of the following criteria:

- no practical ability to withdraw, stop or cancel the payment instruction;
- no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- the settlement risk associated with the electronic payment system is insignificant.

**Contractually linked instruments (CLIs) and non-recourse features**

The amendments clarify the key characteristics of CLIs and how they differ from financial assets with non-recourse features. The amendments also include factors that a company needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test).

**Disclosures on investments in equity instruments**

The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI).

The amendments apply for reporting periods beginning on or after 1 January 2026. Companies can choose to early-adopt these amendments (including the associated disclosure requirements), separately from the amendments for the recognition and derecognition of financial assets and financial liabilities.

The Group and the Bank are in the process of assessing the impact of these amendments, particularly with respect to the collation of additional information needed to assess the recognition and derecognition of financial instruments, as well as to meet the new disclosure requirements.

**2. BASIS OF PREPARATION (CONTINUED)**

(f) Application of New and Revised IFRS® Accounting Standards (continued)

**Presentation and Disclosure in Financial Statements (Amendments to IFRS® 18)**

IFRS® 18 promotes a more structured income statement, in particular, it introduces a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories being, operating, investing and financing activities, based on a company’s main business activities. However, the company’s net profit will not change.

IFRS® 18 also requires companies to analyse their operating expenses directly on the face of the income statement – either by nature, by function or using a mixed presentation. If any items are presented by function on the face of the income statement (e.g. cost of sales), then a company provides more detailed disclosures about their nature.

IFRS® 18 also requires the disclosure of Management Performance Indicators (“MPMs”) which are subject to audit. They are designed to capture some but not all ‘non-GAAP’ measures. The standard requires MPMs to be:

- a subtotal of income and expenses;
- used in public communications outside the financial statements; and
- reflective of management’s view of financial performance.

For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconciled to an amount determined under IFRS® Accounting Standards. Furthermore, a company must state that it provides management’s view of financial performance and is not necessarily comparable to those of other companies. Any changes or new MPMs must also be explained.

The amendments are not expected to have a material impact on the Group and the Bank.

## 3. MATERIAL ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Bank are set out below. The terms Group and Bank are used interchangeably and applicable to either the Group and the Bank or both depending on the nature of the accounting policies and/or the notes that are disclosed.

(a) Basis of Consolidation

*(i) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Investment in subsidiary in the separate financial statements of the Bank is carried at cost, net of any impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

*(ii) Investment in Associate*

The Group and the Bank's interest in equity-accounted investee comprises investment in associate. An associate is an entity in which the Group has significant influence, but not control, over the financial and operating policies of the investee company.

Investment in associate is accounted for using the equity method. It is initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of the equity-accounted investee, until the date on which significant influence ceases.

(b) Financial Instruments

*Recognition and initial measurement*

The Group and the Bank initially recognise loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group and the Bank become a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for items not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(b) Financial Instruments (continued)

*Classification*

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

All other financial assets are classified at FVTPL.

On initial recognition of an equity investment that is not held for trading, the Group and the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment by investment basis. The Group and the Bank classify all equity investments as financial assets at FVTPL.

In addition, on initial recognition, the Group and the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(b) Financial Instruments (continued)

Financial assets (continued)

*Business model assessment*

The Group and the Bank make an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group and the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL, because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

*Solely Payments of principal and interest (SPPI)*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risks and administrative cost), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group and the Bank consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would meet this condition. In making the assessment, the Group and the Bank consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group and the Bank's claim to cash flows from specified assets (e.g. Non-recourse arrangement); and
- features that modify consideration of the time value of money-e.g. periodical reset of interest rates.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(b) Financial Instruments (continued)

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within both a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to the expected credit loss requirements. Gains and losses on derecognition or modification are recognised directly in profit or loss and presented in similar income on financial assets. Impairment losses are presented as separate line item in the statement of profit or loss.

The Group and the Bank include in this category:

- Cash and cash equivalents
- Short term deposits meeting the definition of cash and cash equivalents
- Quoted debt instruments under the internally managed portfolio which are held to collect contractual cash flows
- Loans in foreign currency
- Loans in local currency
- Cash deposits
- Government securities
- Staff loans
- Other receivables

Financial assets at fair value through Other Comprehensive Income (OCI) (debt instruments)

The Group and the Bank measure a debt instrument at fair value through OCI if both of the following conditions are met and if the instrument is not designated as at FVTPL:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling financial assets; and
- 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group and the Bank's debt instruments at fair value through OCI includes quoted debt instruments under the internally managed portfolio.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(b) Financial Instruments (continued)

Financial assets measured at fair value through profit or loss (FVTPL)

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- It is classified as financial asset held for trading for the purpose of selling or repurchasing in the near term; or
- At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group and the Bank include in this category:

- gold deposits
- secured redeemable convertible bonds and fixed secured notes
- equity instruments in unquoted investments
- foreign investments managed by external fund managers designated at FVTPL

*Subsequent measurement of financial assets*

Effective interest rate

Under IFRS® 9, interest income is recorded using the effective interest method on all financial instruments measured at amortised cost and on interest bearing financial assets measured at FVOCI. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

Subsequent to initial recognition, financial assets are either measured at amortised cost or at fair value.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(b) Financial Instruments (continued)

The Group and the Bank classify its financial assets as subsequently measured under the following classification categories on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income ("FVOCI") with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through profit or loss ("FVTPL")

*Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group and the Bank include in this category:

- currency in circulation
- demand deposits
- monetary policy instruments
- obligations to foreign counterparties
- abandoned funds
- special drawing rights (SDR)
- other deposits
- interest and other payables

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group and the Bank's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group and the Bank have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Bank have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(b) Financial Instruments (continued)

*Derecognition (continued)*

When the Group and the Bank have transferred their rights to receive cash flows from an asset or has entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Bank continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Bank also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained. Examples of such transactions are securities lending, sale-and-repurchase transactions and gold swaps.

Sale-and-repurchase agreements (repos) are transactions in which the Group and the Bank sell a security and simultaneously agree to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. The Group and the Bank continue to recognise the securities in their entirety in the statement of financial position because they retain substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price. Because the Group and the Bank sell the contractual rights to the cash flows of the securities, they do not have the ability to use the transferred assets during the term of the arrangement.

Securities lending agreements are transactions in which the Group and the Bank lend securities and receives cash as collateral. The Group and the Bank continue to recognise the securities in their entirety in the statement of financial position because they retain substantially all of the risks and rewards of ownership. The cash received is recognised as a financial asset and a financial liability is recognised for the obligation to repay it. Because as part of the lending arrangement the Group and the Bank sell the contractual rights to the cash flows of the securities, they do not have the ability to use the transferred assets during the term of the arrangement.

Gold swaps are transactions in which the Group and the Bank sell gold and simultaneously agree to repurchase it at a fixed price on a future date. In all cases, the Group and the Bank retain substantially all of the risks and rewards of ownership. Therefore, the Group and the Bank continue to recognise the transferred gold in its statement of financial position. The cash received is recognised as a financial asset and a corresponding liability is recognised. The Group and the Bank do not separately recognise swap that prevents derecognition of the gold as a derivative because doing so would result in recognising the same rights and obligations twice. Because the Group and the Bank sell the contractual rights to the cash flows of the gold, they do not have the ability to use the transferred assets during the term of the arrangement.

A financial liability is derecognised when its contractual obligations are discharged or cancelled or expire.

## 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

*Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group and the Bank change their business model for managing financial assets.

*Impairment of financial assets*

The Group and the Bank recognise an allowance for expected credit losses (ECLs) on all of the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments measured at amortised cost and FVOCI
- Loan commitments and financial guarantee contracts issued

No impairment loss is recognised on equity instruments.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Bank expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, an impairment allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

*Definition of default*

For internal credit risk management purposes, the Group and the Bank consider a financial asset in default and therefore Stage 3 (credit-impaired) for ECL calculations in accordance with the contractual terms of the financial asset.

For foreign investment assets and domestic loans:

- A missed or delayed disbursement of a contractually-obligated interest or principal payment as defined in credit agreements and indentures;
- A bankruptcy filing or legal receivership by the debt issuer or obligor that will likely cause a miss or delay in future contractually-obligated debt service payments;

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(b) Financial Instruments (continued)

*Impairment of financial assets (continued)*

*Definition of default (continued)*

- A distressed exchange whereby:
  1) an issuer offers creditors new or restructured debt, or a new package of securities, cash or assets, that amount to a diminished value relative to the debt obligation's original promise and
  2) the exchange has the effect of allowing the issuer to avoid a likely eventual default;
- A change in the payment terms of a credit agreement or indenture imposed by the sovereign that results in a diminished financial obligation, such as a forced currency or re-denomination (imposed by the debtor, or the debtor's sovereign) or a forced change in some other aspect of the original promise, such as indexation or maturity.

If any of those criteria are met, the asset is moved to stage 3.

The Group and the Bank consider treasury and interbank balances in default when the required intraday payments are not settled by the close of business, as outlined in the individual agreements.

**Significant increase in credit risk**

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group and the Bank compare the risk of a default occurring on the financial asset as at the reporting date with the risk as at the date of initial recognition. The Group and the Bank consider many factors when assessing a financial asset for a significant increase in credit risk, including:

- an actual or expected significant deterioration in the financial asset's credit rating;
- significant deterioration in external market indicators of credit risk for a financial asset (e.g., a significant increase in the credit spread, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the counterparty's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the counterparty;
- significant increases in credit risk on other financial instruments of the same counterparty; or an actual or expected significant adverse change in the regulatory, economic or technological environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its debt obligations.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(b) Financial Instruments (continued)

*Impairment of financial assets (continued)*

**Significant increase in credit risk (continued)**

For foreign investment, the Group and the Bank consider that there has been a significant increase in credit risk when:

- If the rating of the financial asset is 'investment grade' at initial recognition, a significant increase in credit risk is identified if it downgrades to 'speculative grade'. The financial asset will be moved to stage 2.
- If the rating of the financial asset is 'speculative grade' at initial recognition, an increase in credit risk is identified if there is a one notch downgrade in credit rating. The financial asset will be moved to stage 2.
- The Group and the Bank consider that the asset has cured: if the asset moves one notch upwards in credit rating after being downgraded, then the Group and the Bank would monitor the coupon payments due in the year. If no coupon payments are missed, then they would move the financial asset back to stage 1.
- If the asset's credit rating does not move after being moved to stage 2, then the Group and the Bank would need to obtain the next twelve coupon payments for asset with quarterly coupon payments, the next six coupon payments for asset with semi-annual coupon payments, the next three coupon payments for assets with yearly coupon payments before moving the asset back to stage 1.

**Inputs into measurement of ECLs**

The key inputs into the measurement of ECL are the term structures of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

PD are estimates at a certain date that are based on a mix of internally compiled data, rating agency outputs and expert judgement, comprising both quantitative and qualitative factors.

LGD is the estimated percentage of exposure that will be lost at the time of default.

EAD represents the amount of exposure that the Group and the Bank are exposed to if there is a default.

## 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (continued)

*Impairment of financial assets (continued)*

**Forward looking information**

In its ECL models, the Group and the Bank rely on the Bloomberg composite ratings on global fixed income for the probability of default component. Credit ratings are a tool, among others, that investors can use when making decisions about purchasing bonds and other fixed income investments. They express independent opinions on creditworthiness, using a common terminology that may help investors make more informed investment decisions.

As part of their ratings analysis, the external credit agencies evaluate current and historical information and also assess the potential impact of a broad range of forward looking information, such as:

- Industry specific risk and broad economic factors that may affect the business cycle
- Key performance indicators
- Economic, regulatory and geopolitical influences
- Management and corporate governance attributes
- Competitive position.

Additionally, for sovereign or national government, the analysis may take into consideration:

- Fiscal and Economic performance
- Monetary Stability
- Effectiveness of the Government's institutions.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments when such differences are significantly material.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(b) Financial Instruments (continued)

*Impairment of financial assets (continued)*

*Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and the Bank currently have a legally enforceable right to offset the amounts and intend either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

*Fair value measurement*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group and the Bank have access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group and the Bank measure the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group and the Bank use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group and the Bank determine that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation wholly supported by observable market data or the transaction is closed out.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Group and the Bank recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(b) Financial Instruments (continued)

*Gold Deposits*

Gold deposits are held by the Group and the Bank for reserve management purposes. IFRS® 9 excludes from its scope gold deposits and therefore *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, has been considered to assess the most appropriate accounting standard for the gold deposits. Accordingly, the Group and the Bank have considered IFRS® 9 to be the most appropriate accounting standard for gold deposits. The gold deposits do not meet the SPPI test as prescribed in IFRS® 9 and are hence classified at fair value through profit or loss. Accordingly, all gains and losses on revaluation of gold are recognised in profit or loss. Gold is valued at the price ruling on the international market.

*Gains and Losses on Subsequent Measurement*

Gains or losses on financial assets and financial liabilities at FVTPL arising from changes in their fair value are recognised in profit or loss in the period in which they arise. For those financial instruments carried at amortised cost and FVOCI gains or losses are recognised in profit or loss when the financial instrument is de-recognised or impaired and through the amortisation process on the reporting date.

*Bank of Mauritius Securities*

Monetary Policy Instruments comprise of Bank of Mauritius Securities which are issued for liquidity management and are measured at amortised cost.

*Cash and Cash Equivalents*

Cash and cash equivalents comprise cash balances with other financial institutions and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents are measured at amortised cost. The Group and the Bank have elected to present the statement of cash flows using the direct method.

(c) Computer Software

Under IAS 38 Intangible assets, Computer Software which does not form an integral part of computer hardware, is classified as an intangible asset. Intangible assets are stated at cost, net of accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis at the rate of 20% per annum so as to write off the depreciable value of the assets over their estimated useful lives. Amortisation methods, useful lives and residual values if not insignificant, are reviewed at each reporting date and adjusted as appropriate.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(d) Property, Plant and Equipment

*Recognition and Measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant or equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within miscellaneous income in profit or loss.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group and the Bank. Ongoing repairs and maintenance are expensed as incurred.

*Depreciation*

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Freehold land and capital work in progress are not depreciated.

Depreciation is provided at the following annual percentage rates:

| | | |
|---|---|---|
| Buildings | - | 2% |
| Furniture, Equipment, Fixtures and Fittings | - | 10% |
| Computer Equipment, Cellular Phones and ICT Systems | - | 20% - 33 1/3% |
| Motor Vehicles | - | 25% |

Depreciation methods, useful lives and residual values if not insignificant, are reviewed at each reporting date and adjusted as appropriate.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. The costs of inventories are based on a first-in-first-out (FIFO) principle and include all expenditure incurred in acquiring the inventories and in bringing them to their existing location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated selling expenses. Inventories include Industrial Gold, Dodo Gold Coins, Gold Bars and Silver Coins which are sold to the public.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(f) Currency in Circulation

Notes and coins issued represent an unserviced liability of the Group and the Bank and are recorded at face value. The costs of minting coins and printing of polymer banknotes are amortised in the profit and loss account over five years while that of printing paper banknotes are amortised over two years.

The Group and the Bank also issue a range of Mauritius commemorative coins. All costs associated with the production of these numismatic coins are expensed in profit or loss when incurred.

(g) Employee Benefits

*Defined Benefit Pension Plan*

The Group and the Bank's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary. Currently, the Group and the Bank employ the State Insurance Company of Mauritius Ltd as their actuary. When the calculation results in a potential asset for the Group and the Bank, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group and the Bank determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in "Staff Salaries and Other Benefits" in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group and the Bank recognise gains and losses on the settlement of a defined benefit plan when the settlement occurs.

*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 Group and the Bank have 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.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(g) Employee Benefits (continued)

*Termination Benefits*

Termination benefits are expensed when the Group and the Bank can no longer withdraw the offer of those benefits. If benefits are not expected to be settled wholly within 12 months at the end of the reporting period, then they are discounted.

*State Pension Plan*

Contribution to the National Pension Scheme is expensed to profit or loss in the period in which it falls due. Since September 2020, the Group and the Bank contribute to the Contribution Sociale Generalisee payable by their staff and is included in the item Staff Salaries and Other Benefits.

(h) Foreign Currencies

Transactions in foreign currencies are recorded in Mauritian Rupees using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Mauritian Rupees using the rate of exchange ruling at the reporting date. Foreign exchange differences arising on translation are included in profit or loss in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates).

However, for the purpose of determining the net profit of the Group and the Bank in terms of section 11 of the Bank of Mauritius Act 2004, foreign exchange differences are excluded in accordance with section 47(2) of the Act. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transactions.

(i) Impairment of non-financial assets

The carrying amounts of the Group and the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU.

An impairment loss is reversed 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.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(j) Provisions

Provisions are recognised when the Group and the Bank have a present obligation as a result of a past event, and it is probable that the Group and the Bank will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by the Group and the Bank through their best estimate of the expenditure required to settle the obligation at the reporting date. These are calculated by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(k) Short-term leases and leases of low-value assets

The Group and the Bank have elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group and the Bank recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Investment Property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(m) Taxation

*Current Tax*

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

*Deferred Tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

(m) Taxation (continued)

*Deferred Tax (continued)*

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting year and are expected to apply in the year when the related deferred income tax is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

**4. USES OF ESTIMATES AND JUDGEMENT**

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

Particular areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

*Determining Fair Values of Financial Assets*

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in Note 3(b). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

*Employee Benefits*

The present value of the employee benefits, depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the employee benefit obligations.

One of the main assumptions used in determining the net cost or income for employee benefits is the discount rate. The Group and the Bank determine the appropriate discount rate at the end of each year. 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 employee benefit obligations.

## 4. USES OF ESTIMATES AND JUDGEMENT (CONTINUED)

*Employee Benefits (continued)*

In determining the appropriate discount rate, the Group and the Bank consider the interest rates of high-quality corporate bonds or its equivalent 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 liability. Details of the defined benefit obligation are disclosed in Note 21.

*Calculation of Expected Credit Loss*

Impairment under IFRS® 9 adopts a staging approach, with stage 1 representing the lowest credit risk and stage 3 the highest. When a new asset is originated it is classified in stage 1 (normal origination). Moving from stage 1 to stage 2 is a judgement, and is based on management defined criteria of whether there is a significant increase in credit risk. Given the impact of ECL on the Group and the Bank's financial statements, this is not considered to be a significant judgement.

When measuring ECL, the Group and the Bank use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how the drivers will affect each other as described in detail in Note 3(b).

Probability of default ("PD") is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions as described in detail in Note 3(b).

Loss given default ("LGD") is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group and the Bank would expect to receive, taking into account cash flows from credit enhancements.

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

*Determination of Fair Value of Investment Properties*

The Group carries its investment property at fair value, with changes in fair value being recognized in profit or loss. The Group engaged independent valuation specialists to determine fair value as at 30 June 2024. The valuer used a valuation technique based on sales comparison approach and residual method of valuation.

## 5. CAPITAL AND RESERVES

*Stated and Paid up Capital*

The stated and paid up capital of the Bank is Rs10 billion in accordance with section 10(4) of the Bank of Mauritius Act 2004. All amounts paid as Capital are subscribed and held solely by the Government of Mauritius (refer to Note 1).

*General Reserve Fund*

The General Reserve Fund is a reserve fund created in accordance with section 11(2) of the Bank of Mauritius Act 2004 (refer to Note 1).

*Special Reserve Fund*

In terms of section 47(1) of the Bank of Mauritius Act 2004, the Special Reserve Fund is a reserve built up from any net realised gains or losses in any financial year of the Bank arising from changes in the valuation of its assets or liabilities in, or denominated in gold, SDR, or foreign currencies subsequent to any change in the values or exchange rates of gold, SDR, or foreign currencies in terms of the domestic currency.

Section 47(1A) of the Bank of Mauritius Act 2004 provides that any unrealised gains or losses of the Bank in any financial year arising from changes in the valuation of investments held by the Bank shall be credited to or debited from the Special Reserve Fund.

As per section 47(2) of the Bank of Mauritius Act 2004, neither net gains nor net losses in any financial year of the Bank arising from changes in the valuation of its assets or liabilities in, or denominated in gold, Special Drawing Rights, or foreign currencies shall be included in the computation of annual income of the Bank.

*Revaluation Reserve and Fair Valuation Reserve*

Revaluation reserve relates to the revaluation on investment property and fair valuation reserve relates to fair value movements in convertible bonds and fixed and floating secured notes.

*Non-Controlling Interests*

Non-Controlling Interest (NCI) arise on the consolidation of a subsidiary which is not fully owned by the parent.

## 6. CASH AND CASH EQUIVALENTS

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Current Accounts | **26,265,951** | 15,110,334 | **26,265,951** | 15,110,334 |
| Short Term Deposits | **49,078,402** | 25,575,403 | **49,078,402** | 25,575,403 |
| Special Drawing Rights | **14,239,644** | 13,397,633 | **14,239,644** | 13,397,633 |
| Foreign Currency Notes | **10,513** | 2,943 | **10,513** | 2,943 |
| | **89,594,510** | 54,086,313 | **89,594,510** | 54,086,313 |

## 7. GOLD DEPOSITS

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Opening Balance | **34,919,234** | 32,780,953 | **34,919,234** | 32,780,953 |
| Adjustment for Prior Year Interest | **(55,940)** | (12,860) | **(55,940)** | (12,860) |
| Disposal during the Year | **-** | (48,648) | **-** | (48,648) |
| Interest Receivable | **662** | 55,940 | **662** | 55,940 |
| Gain on Revaluation | **9,363,316** | 2,143,849 | **9,363,316** | 2,143,849 |
| Closing Balance | **44,227,272** | 34,919,234 | **44,227,272** | 34,919,234 |

Gold deposits represent allocated gold bars in storage, under swap arrangement and on deposits.

## 8. FINANCIAL ASSETS HELD AT AMORTISED COST

### (i) Foreign Assets

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Foreign Investments | **64,226,588** | 75,717,186 | **64,226,588** | 75,717,186 |
| Deposits | **18,142,543** | 19,998,713 | **18,142,543** | 19,998,713 |
| Impairment Allowance | **(21,389)** | (9,944) | **(21,389)** | (9,944) |
| | **82,347,742** | 95,705,955 | **82,347,742** | 95,705,955 |

Foreign Investments held at Amortised Cost represent quoted fixed income securities which are managed internally and principally held to collect contractual cash flows. Deposits represent placements held with foreign institutions with a maturity between one and three years.

## 8. FINANCIAL ASSETS HELD AT AMORTISED COST (CONTINUED)

### (ii) Domestic Assets

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Loans in Local Currency | **11,147,233** | 9,335,339 | **11,147,233** | 9,335,339 |
| Staff Loans | **149,231** | 84,178 | **149,231** | 84,178 |
| Impairment Allowance | **(432)** | (310) | **(432)** | (310) |
| | **11,296,032** | 9,419,207 | **11,296,032** | 9,419,207 |
| Government Securities | **15,470,342** | 15,357,534 | **15,470,342** | 15,357,534 |
| Others | **34,839** | 36,969 | **34,839** | 36,969 |
| Net Balances due in Clearing | **70,286** | 50,792 | **70,286** | 50,792 |
| | **26,871,499** | 24,864,502 | **26,871,499** | 24,864,502 |

Loans in local currency are granted to economic operators to support the economic development of the country. These loans are guaranteed and are at fixed interest rates.

## 9. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Foreign Investments | **43,668,170** | 1,654,165 | **43,668,170** | 1,654,165 |
| Impairment Allowance | **(7,522)** | (1,458) | **(7,522)** | (1,458) |
| | **43,660,648** | 1,652,707 | **43,660,648** | 1,652,707 |

Foreign Investments held at FVOCI represent mainly quoted fixed income securities which are held to collect contractual cash flows and to sell.

## 10. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

### (i) Foreign Assets

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Foreign Investments | **127,493,824** | 117,091,754 | **127,493,824** | 117,091,754 |
| Equity Investments | **2,373,766** | 2,011,660 | **2,373,766** | 2,011,660 |
| | **129,867,590** | 119,103,414 | **129,867,590** | 119,103,414 |

Foreign Investments include funds entrusted to external fund managers and investment in foreign currency denominated securities and bonds. Equity investments represent shares in unquoted institutions, and these have been fair valued on the basis of their latest net asset value.

## 10. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

### (ii) Domestic Assets

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| **Convertible Bonds** | | | | |
| Opening Balance | **17,105,405** | 14,438,980 | **-** | - |
| Additions during the Year | **2,845,000** | 3,305,000 | **-** | - |
| Redemption | **(330,000)** | (65,000) | **-** | - |
| Interest Receivable | **1,334,598** | 626,664 | **-** | - |
| Interest Received | **(845,442)** | (415,507) | **-** | - |
| Net increase/(decrease) in Fair Value | **323,383** | (784,732) | **-** | - |
| Closing balance | **20,432,944** | 17,105,405 | **-** | - |
| **Fixed Secured Notes** | | | | |
| Opening Balance | **252,371** | 252,466 | **-** | - |
| Interest Receivable | **12,534** | 12,500 | **-** | - |
| Interest Received | **(12,496)** | (12,500) | **-** | - |
| Net decrease in Fair Value | **-** | (95) | **-** | - |
| Closing balance | **252,409** | 252,371 | **-** | - |
| **Floating Secured Notes** | | | | |
| Opening Balance | **-** | - | **-** | - |
| Additions during the Year | **50,000** | - | **-** | - |
| Interest Receivable | **240** | - | **-** | - |
| Net increase in Fair Value | **3,278** | - | **-** | - |
| | **53,518** | - | **-** | - |
| **Total** | **20,738,871** | 17,357,776 | **-** | - |

Financial Assets at FVTPL include investments made by MIC in secured redeemable convertible bonds of systemically large, important and viable companies in Mauritius, with the main objective of maintaining financial stability in the wake of the COVID-19 pandemic. The carrying amount at 30 June 2024 reflects the fair value of the bonds which have been estimated using a scenario-based valuation model. The investments held in fixed secured notes and floating secured notes are quoted in an active market. The fair value of quoted securities is based on published market prices.

## 11. IMPAIRMENT ALLOWANCE ON FINANCIAL ASSETS

### THE GROUP AND THE BANK

| | Foreign Assets | | Domestic Assets | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 1 | |
| | 12-month | Lifetime | 12-month | |
| | ECL | ECL | ECL | |
| | Collective Basis | Collective Basis | Collective Basis | Total |
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| **Impairment Allowance as at 30 June 2023** | **11,403** | **-** | **314** | **11,717** |
| **Changes to Risk Parameters and FX Translation** | **(1,008)** | **-** | **(21)** | **(1,029)** |
| **Financial Assets Derecognised** | **(8,170)** | **-** | **(4)** | **(8,174)** |
| **New Financial Assets** | **26,686** | **-** | **143** | **26,829** |
| **ECL Charge for the year** | **17,508** | **-** | **118** | **17,626** |
| **Impairment Allowance as at 30 June 2024** | **28,911** | **-** | **432** | **29,343** |
| | | | | |
| Impairment Allowance as at 30 June 2022 | 5,022 | - | 178 | 5,200 |
| Changes to Risk Parameters and FX Translation | 300 | - | (15) | 285 |
| Financial Assets Derecognised | (2,039) | - | (114) | (2,153) |
| New Financial Assets | 8,120 | - | 265 | 8,385 |
| ECL Charge for the year | 6,381 | - | 136 | 6,517 |
| Impairment Allowance as at 30 June 2023 | 11,403 | - | 314 | 11,717 |

## 12. EQUITY INVESTMENT

### THE BANK

| (i) | **2024** | 2023 |
|---|---|---|
| | **Rs 000** | Rs 000 |
| Equity Investment in Mauritius Investment Corporation Ltd | **81,000,000** | 81,000,000 |

The Bank owns 100% of the share capital of MIC, incorporated in Mauritius.

| (ii) | **2024** | 2023 |
|---|---|---|
| | **Rs 000** | Rs 000 |
| Equity Investment in Mauritius Deposit Insurance Corporation Ltd | **200,000** | - |

The Bank owns 100% of the share capital of MDIC, incorporated in Mauritius.

Investment in subsidiary in the separate financial statements of the Bank is carried at cost, net of any impairment.

## 13. INVESTMENT PROPERTIES

### THE GROUP

| | 2024 | 2023 |
|---|---|---|
| | **Rs 000** | Rs 000 |
| Opening Balance | **9,008,104** | 8,069,524 |
| Additions by MIC | **875,000** | 518,955 |
| Transfer arising on business combination | **1,812,381** | - |
| Disposal by MIC | **(16,527)** | - |
| Fair Value Adjustment (MIC Smart City) | **81,621** | 182,800 |
| Fair Value Adjustment (MIC) | **107,175** | 236,825 |
| Closing Balance | **11,867,754** | 9,008,104 |

The investment properties are held by MIC, MIC Smart City Ltd and ECHIL, which is a subsidiary of MIC. Changes in fair value of investment properties are recognised as gains/(losses) in profit or loss and are unrealised.

Investment properties have been fair valued on 30 June 2024 by an independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The fair value was determined on an open-market basis by reference to market evidence of transaction prices for similar properties or on a discounted cash flow analysis. Details of the Group's investment properties and information about the fair value hierarchy is shown in the table below. There were no transfers between the levels during the year.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **30 June 2024** | **Rs 000** | **Rs 000** | **Rs 000** | **Rs 000** |
| Land and Buildings | **-** | **-** | **11,867,754** | **11,867,754** |
| | **-** | **-** | **11,867,754** | **11,867,754** |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| 30 June 2023 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| Land | - | - | 9,008,104 | 9,008,104 |
| | - | - | 9,008,104 | 9,008,104 |

The sales comparison approach and residual method of valuation have resulted in an increase of Rs189 million in the fair value of the carrying value of investment properties as at 30 June 2024. The assumptions used in the models are based on certain inputs and data prevailing as at 30 June 2024.

Valuation technique, assumptions and sensitivity analysis

The investment properties were valued on 30 June 2024 by a qualified independent professional valuer, Elevante Property Services Ltd. The sales comparison approach involves the assessment of the property based on sales comparable in the neighbourhood and adjusted to reflect its location, characteristics and size. The residual method of valuation involves a discounted cash flow analysis.

## 13. INVESTMENT PROPERTIES (CONTINUED)

Valuation technique, assumptions and sensitivity analysis (continued)

The fair value of investment properties is based on its market value, which is defined as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion. On the basis of current economic and property environment, the directors are satisfied that the carrying amount of investment properties reflects the fair value at the reporting date.

The following table shows the significant unobservable inputs used and the sensitivity of these inputs on the fair value:

### Mauritius Investment Corporation Ltd

| **2024** | **Fair Value Hierarchy** | **Significant unobservable input** | **Range of unobservable input** |
|---|---|---|---|
| **Land and Buildings** | **Level 3** | **Price per Arpent** | **Rs4.4mn-Rs4.9mn** |
| | | **Rs4.67million** | **±5%** |

| 2023 | Fair Value Hierarchy | Significant unobservable input | Range of unobservable input |
|---|---|---|---|
| Land | Level 3 | Price per Arpent | Rs4.3mn-Rs4.7mn |
| | | Rs4.52million | ±5% |

### MIC Smart City

| **2024** | **Fair Value Hierarchy** | **Significant unobservable input** | **Range of unobservable input** |
|---|---|---|---|
| **Freehold/Leasehold Land** | **Level 3** | **Price per square metre** | **Rs1,624-Rs3,618** |
| | | **Rs 1,547-Rs3,446** | **+5%** |
| | | | **Rs1,470-Rs3,274** |
| | | | **-5%** |

| 2023 | Fair Value Hierarchy | Significant unobservable input | Range of unobservable input |
|---|---|---|---|
| Freehold/Leasehold Land | Level 3 | Price per square metre | Rs1,591-Rs3,482 |
| | | Rs 1,515-Rs3,317 | +5% |
| | | | Rs1,439-Rs3,151 |
| | | | -5% |

## 14. INVESTMENT IN ASSOCIATE

### THE GROUP

| | 2024<br>Rs 000 | 2023<br>Rs 000 |
|---|---|---|
| Interest in Equity-Accounted Associate | **22,880,991** | 25,942,204 |

Details of the associate are as follows:

| Name of associate | Type of shares | Principal place of business | Percentage of equity held | |
|---|---|---|---|---|
| | | | **2024** | 2023 |
| Airport Holdings Ltd | Equity | Mauritius | **49%** | 49% |

Bank of Mauritius' subsidiary, Mauritius Investment Corporation Ltd (MIC) holds 49% of the shares of Airport Holdings Ltd (AHL) an entity created in August 2021 by the Government of Mauritius to hold the strategic investments related to the airport operations and national airline activities of the country.

A summary of the unaudited financial information for the year ended 2024 and 2023 is as follows:

| | 2024<br>Rs 000 | 2023<br>Rs 000 |
|---|---|---|
| Non-Current Assets | **82,536,286** | 83,745,043 |
| Current Assets | **14,729,839** | 16,704,936 |
| Non-Current Liabilities | **27,595,355** | 30,996,166 |
| Current Liabilities | **21,912,598** | 17,312,995 |
| Revenue | **39,057,257** | 32,145,546 |
| (Loss)/Profit from Continuing Operations | **(2,658,833)** | 3,027,375 |
| Total Comprehensive Income | **(3,224,130)** | 3,027,375 |

| | 2024<br>Rs 000 | 2023<br>Rs 000 |
|---|---|---|
| Group's interest in net assets of associate at beginning of year | **25,942,204** | 23,523,237 |
| Share of: | | |
| (Loss)/Profit for the period | **(1,302,828)** | 1,916,015 |
| Adjustment for (underprovision)/overprovision | **(336,233)** | 285,252 |
| OCI for the period | **(276,996)** | (432,601) |
| Adjustment for (underprovision)/overprovision | **(654,905)** | 650,301 |
| Less Dividend received | **(490,250)** | - |
| Carrying amount of interest in equity-accounted associate at end of year | **22,880,992** | 25,942,204 |

## 15. COMPUTER SOFTWARE

### THE GROUP

| | Rs 000 |
|---|---|
| **COST** | |
| At 1 July 2022 | 286,943 |
| Additions | 40,105 |
| At 30 June 2023 | 327,048 |
| Additions | 68,826 |
| Transfer to General Expenditure | (953) |
| **At 30 June 2024** | **394,921** |
| **ACCUMULATED AMORTISATION** | |
| At 1 July 2022 | 150,005 |
| Charge for the year | 9,885 |
| At 30 June 2023 | 159,890 |
| Charge for the year | 9,228 |
| **At 30 June 2024** | **169,118** |
| **CARRYING VALUE** | |
| **At 30 June 2024** | **225,803** |
| At 30 June 2023 | 167,158 |

### THE BANK

| | Rs 000 |
|---|---|
| **COST** | |
| At 1 July 2022 | 286,943 |
| Additions | 39,666 |
| At 30 June 2023 | 326,609 |
| Additions | 67,387 |
| Transfer to General Expenditure | (953) |
| **At 30 June 2024** | **393,043** |
| **ACCUMULATED AMORTISATION** | |
| **At 1 July 2022** | 150,005 |
| Charge for the year | 9,739 |
| At 30 June 2023 | 159,744 |
| Charge for the year | 8,934 |
| At 30 June 2024 | **168,678** |
| **CARRYING VALUE** | |
| **At 30 June 2024** | **224,365** |
| At 30 June 2023 | 166,865 |

The Directors have reviewed the carrying values of intangible assets and are of the opinion that, at 30 June 2024, the carrying values have not suffered any impairment.

## 16. PROPERTY, PLANT AND EQUIPMENT

### THE GROUP

| | Land and Buildings | Capital Work in Progress | Furniture, Equipment, Fixtures and Fittings | Computer Equipment | Motor Vehicle | Total |
|---|---|---|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| **COST** | | | | | | |
| At 1 July 2022 | 1,972,028 | 152,876 | 973,926 | 268,458 | 31,846 | 3,399,134 |
| Additions | - | 69,531 | 23,327 | 75,523 | 12,899 | 181,280 |
| Transfer | - | (88,807) | 86,568 | 2,239 | - | - |
| Disposals | - | - | (2,053) | - | (7,990) | (10,043) |
| Scrapped | - | - | (153) | (631) | - | (784) |
| **At 30 June 2023** | **1,972,028** | **133,600** | **1,081,615** | **345,589** | **36,755** | **3,569,587** |
| **Additions** | **913** | **58,937** | **7,516** | **36,309** | **13,225** | **116,900** |
| **Transfer to General Expenditure** | **-** | **(427)** | **-** | **-** | **-** | **(427)** |
| **Transfer** | **228** | **(57,151)** | **645** | **56,278** | **-** | **-** |
| **Disposals** | **-** | **-** | **(202)** | **-** | **(11,257)** | **(11,459)** |
| **Scrapped** | **(190)** | **-** | **(104)** | **-** | **(1,375)** | **(1,669)** |
| **At 30 June 2024** | **1,972,979** | **134,959** | **1,089,470** | **438,176** | **37,348** | **3,672,932** |
| **ACCUMULATED DEPRECIATION** | | | | | | |
| At 1 July 2022 | 471,805 | - | 800,694 | 252,234 | 29,745 | 1,554,478 |
| Charge for the year | 36,506 | - | 41,382 | 35,840 | 6,205 | 119,933 |
| Disposals | - | - | (2,046) | - | (7,988) | (10,034) |
| Scrapped | - | - | (151) | (629) | - | (780) |
| **At 30 June 2023** | **508,311** | **-** | **839,879** | **287,445** | **27,962** | **1,663,597** |
| **Charge for the year** | **36,522** | **-** | **41,894** | **21,965** | **5,731** | **106,112** |
| **Disposals** | **-** | **-** | **(202)** | **-** | **(11,254)** | **(11,456)** |
| **Scrapped** | **-** | **-** | **(102)** | **-** | **(230)** | **(332)** |
| **At 30 June 2024** | **544,833** | **-** | **881,469** | **309,410** | **22,209** | **1,757,921** |
| **CARRYING AMOUNT** | | | | | | |
| **At 30 June 2024** | **1,428,146** | **134,959** | **208,001** | **128,766** | **15,139** | **1,915,011** |
| At 30 June 2023 | 1,463,717 | 133,600 | 241,736 | 58,144 | 8,793 | 1,905,990 |

## 16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### THE BANK

| | Land and Buildings | Capital Work in Progress | Furniture, Equipment, Fixtures and Fittings | Computer Equipment | Motor Vehicle | Total |
|---|---|---|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| **COST** | | | | | | |
| At 1 July 2022 | 1,972,028 | 152,876 | 973,923 | 267,156 | 28,071 | 3,394,054 |
| Additions | - | 69,531 | 23,327 | 72,877 | 12,899 | 178,634 |
| Transfer | - | (88,807) | 86,568 | 2,239 | - | - |
| Disposals | - | - | (2,053) | - | (7,990) | (10,043) |
| Scrapped | - | - | (153) | (631) | - | (784) |
| **At 30 June 2023** | **1,972,028** | **133,600** | **1,081,612** | **341,641** | **32,980** | **3,561,861** |
| **Additions** | **913** | **58,937** | **6,894** | **31,796** | **11,800** | **110,340** |
| **Transfer to General Expenditure** | **-** | **(427)** | **-** | **-** | **-** | **(427)** |
| **Transfer** | **228** | **(57,151)** | **645** | **56,278** | **-** | **-** |
| **Disposals** | **-** | **-** | **(202)** | **-** | **(11,257)** | **(11,459)** |
| **Scrapped** | **(190)** | **-** | **(104)** | **-** | **(1,375)** | **(1,669)** |
| **At 30 June 2024** | **1,972,979** | **134,959** | **1,088,845** | **429,715** | **32,148** | **3,658,646** |
| **ACCUMULATED DEPRECIATION** | | | | | | |
| At 1 July 2022 | 471,805 | - | 800,694 | 251,800 | 27,481 | 1,551,780 |
| Charge for the year | 36,506 | - | 41,382 | 34,524 | 5,450 | 117,862 |
| Disposals | - | - | (2,046) | - | (7,988) | (10,034) |
| Scrapped | - | - | (151) | (629) | - | (780) |
| **At 30 June 2023** | **508,311** | **-** | **839,879** | **285,694** | **24,943** | **1,658,827** |
| **Charge for the year** | **36,522** | **-** | **41,842** | **20,428** | **4,650** | **103,442** |
| **Disposals** | **-** | **-** | **(202)** | **-** | **(11,254)** | **(11,456)** |
| **Scrapped** | **-** | **-** | **(102)** | **-** | **(230)** | **(332)** |
| **At 30 June 2024** | **544,833** | **-** | **881,417** | **306,122** | **18,109** | **1,750,481** |
| **CARRYING AMOUNT** | | | | | | |
| **At 30 June 2024** | **1,428,146** | **134,959** | **207,428** | **123,593** | **14,039** | **1,908,165** |
| At 30 June 2023 | 1,463,717 | 133,600 | 241,733 | 55,947 | 8,037 | 1,903,034 |

The Directors have reviewed the carrying values of tangible assets and are of the opinion that as at 30 June 2024, the carrying values have not suffered any impairment.

## 17. OTHER ASSETS

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Gold Bars | **184,329** | 180,993 | **184,329** | 180,993 |
| Industrial Gold and Dodo Gold Coins | **146,957** | 148,846 | **146,957** | 148,846 |
| Commemorative Coins | **47,892** | 48,456 | **47,892** | 48,456 |
| Prepayments | **348,472** | 207,764 | **348,472** | 207,764 |
| Others | **39,223** | 28,497 | **22,177** | 22,129 |
| | **766,873** | 614,556 | **749,827** | 608,188 |

## 18. CURRENCY IN CIRCULATION

### THE GROUP AND THE BANK

| | **2024** | 2023 |
|---|---|---|
| | **Rs 000** | Rs 000 |
| **Notes issued** | | |
| Face value | | |
| 2,000 | **7,029,480** | 5,941,654 |
| 1,000 | **37,141,944** | 33,327,338 |
| 500 | **7,191,891** | 6,753,994 |
| 200 | **2,344,531** | 2,123,314 |
| 100 | **2,147,045** | 1,906,673 |
| 50 | **479,746** | 454,116 |
| 25 | **340,530** | 315,644 |
| Demonetised Notes | **391,082** | 399,276 |
| Total | **57,066,249** | 51,222,009 |
| | | |
| **Coins issued** | | |
| Face value | | |
| 20 rupees | **402,668** | 369,802 |
| 10 rupees | **507,315** | 468,642 |
| 5 rupees | **216,654** | 200,141 |
| 1 rupee | **251,897** | 237,528 |
| 50 cents | **49,462** | 47,653 |
| 25 cents * | **6,321** | 6,321 |
| 20 cents | **59,099** | 57,706 |
| 10 cents * | **2,414** | 2,414 |
| 5 cents | **14,681** | 14,233 |
| 2 cents * | **330** | 330 |
| 1 cent | **223** | 223 |
| Others** | **23,015** | 22,943 |
| Total | **1,534,079** | 1,427,936 |
| Total face value of Notes and Coins in Circulation | **58,600,328** | 52,649,945 |

* These denominations have ceased to be issued by the Bank.
** Others include Gold Coins and Commemorative Coins.

## 19. MONETARY POLICY INSTRUMENTS

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Bank of Mauritius Savings Bonds | **1,038** | 1,038 | **1,038** | 1,038 |
| Bank of Mauritius Bonds | **15,166,291** | 15,158,965 | **15,166,291** | 15,158,965 |
| Bank of Mauritius Notes | **37,597,635** | 18,069,296 | **37,597,635** | 18,069,296 |
| Bank of Mauritius Bills | **55,247,197** | 82,545,525 | **55,247,197** | 82,545,525 |
| 1Yr Bank of Mauritius Certificate | **-** | 3,136,643 | **-** | 3,136,643 |
| 2Yr Bank of Mauritius Note | **4,401,013** | 4,419,804 | **4,401,013** | 4,419,804 |
| Bank of Mauritius Emerald Jubilee Bond | **7,546,359** | 7,747,661 | **7,546,359** | 7,747,661 |
| Overnight Deposit Facility to Banks | **30,110,423** | 7,480,717 | **30,110,423** | 7,480,717 |
| | **150,069,956** | 138,559,649 | **150,069,956** | 138,559,649 |

## 20. PROVISIONS

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| **Balance as at 30 June** | **100,000** | 100,000 | **100,000** | 100,000 |

The provision relates to the liquidation of the MCCB Limited. Under the MCCB Limited (Liquidation) Act 1996, the Group and the Bank may make additional funds available to the liquidator of MCCB Limited where the liabilities of the MCCB Limited exceed the proceeds from the realisation of its assets. The liquidation of MCCB Limited is still in progress and since the case is still ongoing, the expected timing of the cash flows cannot be determined reliably.

## 21. EMPLOYEE BENEFITS

### THE GROUP AND THE BANK

Amounts recognised in the Statement of Financial Position:

| | **2024** | 2023 |
|---|---|---|
| | **Rs 000** | Rs 000 |
| Defined Benefit Plan (Note (a)) | **1,276,683** | 840,900 |
| Short Term Employee Benefits (Note (b)) | **189,515** | 195,500 |
| | **1,466,198** | 1,036,400 |

(a) Defined Benefit Plan

The Bank operates a defined benefit plan for its employees who joined the Bank prior to January 2013 and the plan is wholly funded. The assets of the funded plan are held independently and are administered by The State Insurance Company of Mauritius Ltd.

The plan is exposed to risks such as: investment risk, interest rate risk, longevity risk and salary risk.

The report dated 23 August 2024 submitted by The State Insurance Company of Mauritius Ltd, who also acts as independent actuaries, is produced hereunder.

## 21. EMPLOYEE BENEFITS (CONTINUED)

### THE GROUP AND THE BANK (CONTINUED)

(a) Defined Benefit Plan (continued)

| | 2024 | 2023 |
|---|---|---|
| | Rs 000 | Rs 000 |
| Current Service Cost | 27,832 | 28,525 |
| Employee Contributions | (12,754) | (13,372) |
| Fund Expenses | 829 | 898 |
| Net Interest Expense | 49,058 | 27,298 |
| Net Periodic Pension Cost included in Staff Salaries and Other Benefits | 64,965 | 43,349 |

Past service cost is nil.

Remeasurement of defined benefit liability recognised in Other Comprehensive Income (OCI):

| | 2024 | 2023 |
|---|---|---|
| | Rs 000 | Rs 000 |
| Actuarial Loss | 402,120 | 272,325 |

Movements in liability recognised in the Statement of Financial Position:

| | 2024 | 2023 |
|---|---|---|
| | Rs 000 | Rs 000 |
| At start of the year | 840,900 | 557,104 |
| Total Expenses as per above | 64,965 | 43,349 |
| Actuarial Loss recognised in OCI | 402,120 | 272,325 |
| Special Fund Additional Contribution | (2,186) | - |
| Bank of Mauritius share of pension (topping-up) | (420) | (337) |
| Employer Contributions | (28,696) | (31,541) |
| At end of the year | 1,276,683 | 840,900 |

**21. EMPLOYEE BENEFITS (CONTINUED)**

**THE GROUP AND THE BANK (CONTINUED)**

(a) Defined Benefit Plan (continued)

Movements in the present value of the Defined Benefit Obligations in the current period were as follows:

| | **2024** | 2023 |
|---|---|---|
| | **Rs 000** | Rs 000 |
| At start of the year | **2,449,465** | 2,135,813 |
| Current Service Cost | **27,832** | 28,525 |
| Interest Cost | **140,916** | 106,091 |
| Actuarial loss | **442,966** | 290,896 |
| Benefits Paid | **(186,018)** | (111,860) |
| At end of the year | **2,875,161** | 2,449,465 |

Movements in the fair value of the Plan Assets in the current period were as follows:

| | **2024** | 2023 |
|---|---|---|
| | **Rs 000** | Rs 000 |
| At start of the year | **1,608,565** | 1,578,707 |
| Expected Return on Plan Assets | **91,857** | 78,794 |
| Actuarial Gain/(Loss) | **40,847** | 18,572 |
| Contributions from the Employer | **28,696** | 31,541 |
| Special Fund Additional Contribution | **2,186** | - |
| Employee Contributions | **12,754** | 13,373 |
| Bank of Mauritius Share of Pension | **420** | 337 |
| Benefits Paid (Excluding BOM share of pension) | **(186,018)** | (111,861) |
| Fund Expenses | **(829)** | (898) |
| At end of the year | **1,598,478** | 1,608,565 |

The amount included in the Statement of Financial Position arising from the Bank's obligation in respect of its defined benefit plans is as follows:

| | **2024** | 2023 |
|---|---|---|
| | **Rs 000** | Rs 000 |
| Present Value of Defined Benefit Obligation | **2,875,161** | 2,449,465 |
| Fair Value of Plan Assets | **(1,598,478)** | (1,608,565) |
| Net Liability arising from Defined Benefit Obligation | **1,276,683** | 840,900 |

## 21. EMPLOYEE BENEFITS (CONTINUED)

### THE GROUP AND THE BANK (CONTINUED)

(a) Defined Benefit Plan (continued)

The major categories of plan assets at the reporting date are as follows:

| | **2024** | 2023 |
|---|---|---|
| | **%** | % |
| Local Equities | **15.2** | 14.0 |
| Overseas Equities and Bonds | **31.3** | 28.8 |
| Fixed Interest Securities and Deposits | **49.9** | 53.9 |
| Others | **3.6** | 3.3 |

The overall expected rate of return on Plan Assets is determined by reference to market yields on bonds.

The history of experience adjustments is as follows:

| | **2024** | 2023 |
|---|---|---|
| | **Rs 000** | Rs 000 |
| Experience losses on plan liabilities | **(442,966)** | (290,897) |
| Experience gains on plan assets | **40,846** | 18,572 |
| | **(402,120)** | (272,325) |

The Group and the Bank expect to make a contribution of Rs29.2 million (2023: Rs30.4 million) to the defined benefit plans during the next financial year. This estimate may be amended by the Bank on the basis of availability of more accurate information.

| | **BANK** | BANK |
|---|---|---|
| | **2024** | 2023 |
| | **Years** | Years |
| Weighted average duration of the defined benefit obligation (calculated as a % change in PV of liabilities for a 1% change in discount rate) | **12** | 13 |

The principal assumptions used for actuarial valuation were:

| | **2024** | 2023 |
|---|---|---|
| | **Rs 000** | Rs 000 |
| Discount rate | **5.60%** | 5.98% |
| Future salary increases | **4.50%** | 4.50% |
| Future pension increases | **3.50%** | 3.50% |
| Mortality before retirement | | nil |
| Mortality in retirement | | PA (90) Tables rated down by 2 years |
| Retirement age | | 65 years |

## 21. EMPLOYEE BENEFITS (CONTINUED)

### THE GROUP AND THE BANK (CONTINUED)

(a) Defined Benefit Plan (continued)

Significant actuarial assumptions for determination of the defined benefit obligation are discount rate, expected salary increase, pension growth and mortality. The sensitivity analysis below have been determined based reasonably on possible changes of the assumptions occurring at the end of the reporting period on the defined benefit obligation.

| | | 2024<br>Rs 000 | 2023<br>Rs 000 |
|---|---|---|---|
| **Discount rate** | +100 basis points | **(318,600)** | (277,000) |
| | -100 basis points | **390,900** | 337,800 |
| **Salary growth** | +100 basis points | **117,400** | 115,200 |
| | -100 basis points | **(106,100)** | (103,900) |
| **Pension growth** | +100 basis points | **248,300** | 205,900 |
| | -100 basis points | **(215,800)** | (176,700) |
| **Life Expectancy** | +One Year | **92,800** | 76,200 |
| | -One Year | **(92,400)** | (75,700) |

In reality one might expect interrelationships between the assumptions, especially between discount rate and expected salary increases, given that both depends to a certain extent on expected inflation rates. The analysis above abstracts from these interdependencies between the assumptions.

(b) Short Term Employee Benefits

| | 2024<br>Rs 000 | 2023<br>Rs 000 |
|---|---|---|
| Provision for Annual and Sick Leaves | **114,442** | 113,207 |
| Provision for Passage Benefits | **75,073** | 82,293 |
| | **189,515** | 195,500 |

(c) Employer Contribution towards Pension Cost

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2024<br>Rs 000 | 2023<br>Rs 000 | 2024<br>Rs 000 | 2023<br>Rs 000 |
| Contributions Expensed (Note 28) | **81,858** | 57,883 | **80,905** | 57,252 |

(d) State Pension Plan (Note 28)

| | GROUP | | BANK | |
|---|---|---|---|---|
| | 2024<br>Rs 000 | 2023<br>Rs 000 | 2024<br>Rs 000 | 2023<br>Rs 000 |
| National Savings Fund Contributions | **3,082** | 2,501 | **2,724** | 2,362 |
| Contribution Sociale Generalisee | **33,808** | 26,802 | **32,468** | 26,121 |
| | **36,890** | 29,303 | **35,192** | 28,483 |

## 22. OTHER LIABILITIES

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Obligations to Foreign Counterparties (i) | **61,977,244** | 62,344,207 | **61,977,244** | 62,344,207 |
| Overnight Deposit Facility in Foreign Currency (ii) | **55,057,497** | - | **55,057,497** | - |
| Special Drawing Rights | **12,845,686** | 12,100,776 | **12,845,686** | 12,100,776 |
| Abandoned Funds | **3,197,074** | 2,955,803 | **3,197,074** | 2,955,803 |
| Creditors | **267,755** | 177,675 | **267,755** | 177,675 |
| Interest and Charges Payable | **170,155** | 156,629 | **170,155** | 156,629 |
| Others | **474,048** | 29,178 | **17,075** | 17,073 |
| | **133,989,459** | 77,764,268 | **133,532,486** | 77,752,163 |

(i) Obligations to Foreign Counterparties

| | **2024** | 2023 |
|---|---|---|
| | **Rs 000** | Rs 000 |
| Opening Balance | **62,344,207** | 52,339,138 |
| Adjustment Prior Year Interest | **(322,340)** | (85,898) |
| Additions | **84,420,357** | 13,800,367 |
| Repayments | **(87,471,266)** | (4,597,600) |
| Interest Payable | **968,321** | 322,340 |
| Gain on Revaluation | **2,037,965** | 565,860 |
| Closing Balance | **61,977,244** | 62,344,207 |

The overnight deposit facility was introduced in December 2023 by the Bank to all commercial banks as an alternate investment opportunity.

## 23. INTEREST AND SIMILAR INCOME ON FINANCIAL ASSETS USING EFFECTIVE INTEREST RATE ("EIR")

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| **Interest Income at Amortised Cost** | | | | |
| Repurchase Agreement | **1,040,983** | 939,998 | **1,040,983** | 939,998 |
| Special Drawing Rights | **554,902** | 366,136 | **554,902** | 366,136 |
| Current Accounts | **454,516** | 189,502 | **454,516** | 189,502 |
| Fixed Income Securities | **3,478,414** | 1,767,465 | **3,478,414** | 1,767,465 |
| Interest on Deposits | **1,219,722** | 424,593 | **1,219,722** | 424,593 |
| Loans and Advances | **148,740** | 145,820 | **148,740** | 145,820 |
| Government Securities | **112,808** | 112,500 | **112,808** | 112,500 |
| | **7,010,085** | 3,946,014 | **7,010,085** | 3,946,014 |
| **Interest and Similar Income at FVOCI** | | | | |
| Fixed Income Securities | **658,445** | 291,253 | **658,445** | 291,253 |
| Realised Loss on disposal of Fixed Income Securities | **(13,481)** | (2,580) | **(13,481)** | (2,580) |
| | **644,964** | 288,673 | **644,964** | 288,673 |
| | **7,655,049** | 4,234,687 | **7,655,049** | 4,234,687 |

## 24. INTEREST AND SIMILAR INCOME ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Income from UCITS | **2,821,722** | 3,564,953 | **2,821,722** | 3,564,953 |
| Dividend Income | **2,058,605** | 1,345,670 | **2,058,605** | 1,345,670 |
| Interest Income | **2,773,602** | 1,270,566 | **1,426,230** | 631,402 |
| | **7,653,929** | 6,181,189 | **6,306,557** | 5,542,025 |

UCITS: Undertakings for the collective investments of transferable securities. These are managed by the Bank's external fund managers.

## 25. MISCELLANEOUS INCOME

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Dividend Income on Domestic Equity | **490,250** | - | **490,250** | - |
| Payment Systems Fees | **122,266** | 116,196 | **122,266** | 116,196 |
| Licence and Processing Fees | **116,414** | 119,241 | **116,414** | 119,241 |
| Front End Fee, Legal Cost and Registration Fees | **19,683** | 12,371 | **-** | - |
| Loss on Foreign Exchange Transactions | **(295,629)** | (51,343) | **(295,629)** | (51,343) |
| Profit on Sale of Property, Plant and Equipment | **2,058** | 1,342 | **2,058** | 1,342 |
| Fees and Charges | **505** | 403 | **505** | 403 |
| Penalty | **1,984** | 3,555 | **1,984** | 3,555 |
| Other | **47,164** | 44,141 | **4,129** | 18,560 |
| | **504,695** | 245,906 | **441,977** | 207,954 |

## 26. GAIN/(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Domestic Investments | **326,661** | (784,825) | **-** | - |
| Foreign Investments | **1,552,763** | (1,057,550) | **1,552,763** | (1,057,550) |
| Unquoted Investments | **243,225** | 127,017 | **243,225** | 127,017 |
| | **2,122,649** | (1,715,358) | **1,795,988** | (930,533) |

## 27. INTEREST PAYABLE AND SIMILAR CHARGES

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Interest Paid on Obligations to Foreign Counterparties | **3,377,604** | 2,247,253 | **3,377,604** | 2,247,253 |
| Interest on Overnight Deposit Facility | **502,988** | - | **502,988** | - |
| International Monetary Fund Charges | **493,475** | 341,144 | **493,475** | 341,144 |
| Negative Interest and Charges | **38,973** | 160,656 | **38,973** | 160,656 |
| | **4,413,040** | 2,749,053 | **4,413,040** | 2,749,053 |

## 28. STAFF SALARIES AND OTHER BENEFITS

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Staff Salaries and Allowances | **505,875** | 510,248 | **478,706** | 490,982 |
| Short Term Employee Benefits | **(564)** | 16,327 | **(5,985)** | 16,327 |
| Employer Contribution Towards Pension Cost (Note 21(c)) | **81,858** | 57,883 | **80,905** | 57,252 |
| Staff Family Protection Scheme | **6,565** | 6,551 | **6,392** | 6,473 |
| National Savings Fund (Note 21(d)) | **3,082** | 2,501 | **2,724** | 2,362 |
| Contribution Sociale Generalisee (Note 21(d)) | **33,808** | 26,802 | **32,468** | 26,121 |
| HRDC Levy | **462** | 364 | **164** | 158 |
| | **631,086** | 620,676 | **595,374** | 599,675 |

## 29. FEES PAYABLE

Fees payable by the Bank represent management fees payable to external fund managers with respect to funds managed by them as disclosed under Foreign Investments in Note 10(i). Fees payable also include custodian fees.

## 30. DIRECTORS' REMUNERATION

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Governor | **14,362** | 12,979 | **14,362** | 12,979 |
| Deputy Governors (2) | **17,091** | 15,574 | **17,092** | 15,574 |
| Former Governor | **11,059** | - | **11,059** | - |
| Other Directors: Bank | **2,160** | 2,160 | **2,160** | 2,160 |
| Other Directors: MIC | **4,015** | 2,925 | **-** | - |
| Chairperson: MIC | **4,108** | 4,235 | **-** | - |
| Directors: MDIC | **600** | - | **-** | - |
| | **53,395** | 37,873 | **44,673** | 30,713 |

(i) Directors of the Bank were paid a monthly fee of Rs30,000 (2023: Rs30,000). The number of Other Directors on the board of the Bank was 6 (2023:6).

(ii) Directors of MIC were paid a monthly fee of Rs50,000 (2023: Rs50,000). The number of Other Directors on the Board of MIC was 6 (2023:6). The Chairperson of MIC was paid a monthly fee of GBP6,500.

(iii) Directors of MDIC were paid a monthly fee of Rs25,000. The number of Directors on the Board of MDIC was 7.

(iv) Pursuant to an undertaking given before the Supreme Court, the amount of Rs11,059,000 represents the balance of a claim in respect of a former Governor which was not provided in previous years.

## 31. MONETARY POLICY OPERATIONS

The Bank, in the pursuit of its objectives to maintain price stability and to promote orderly and balanced economic development, undertakes monetary policy operations to manage liquidity conditions in the domestic money markets. The interest expense conducted through the issue of Bank of Mauritius Securities and through overnight deposit facility from banks are provided below.

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| **Interest Expense** | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Bank of Mauritius Securities | **3,340,270** | 3,084,917 | **3,340,270** | 3,084,917 |
| Overnight Deposit Facility | **1,052,180** | 96,636 | **1,052,180** | 96,636 |
| | **4,392,450** | 3,181,553 | **4,392,450** | 3,181,553 |

## 32. COMMITMENTS AND OTHER CONTINGENCIES

Commitments not otherwise provided for in these financial statements and which existed at 30 June 2024 are as follows:

The Bank has a commitment to pay on call 60% of the value of 1,263 shares for capital subscription in the African Export-Import Bank.

There was no other contingent liability that existed at 30 June 2024.

Commitment of MIC, not otherwise provided for in the financial statements and which existed at 30 June 2024, include an amount of Rs2,830 million (2023: Rs3,140 million) for bonds subscription and represents the amount approved but not yet disbursed.

## 33. SHORT-TERM LEASES AND LEASES OF LOW VALUE ASSETS

The Bank has elected not to recognises right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The following table relates to the lease of the Bank's fallback site and other properties with lease terms between 1 to 5 years. The Bank does not have an option to purchase the leased properties at the end of the lease periods.

| **2024** | **1 Year** | **>1-5 Yrs** | **Total** |
|---|---|---|---|
| | **Rs 000** | **Rs 000** | **Rs 000** |
| Archiving-Plaine Lauzun DBM | **237** | **-** | **237** |
| Fallback Site-Cyber Tower | **3,719** | **8,539** | **12,258** |
| Bata Building - Port Louis | **1,240** | **1,743** | **2,983** |
| | **5,196** | **10,282** | **15,478** |

| 2023 | 1 Year | >1-5 Yrs | Total |
|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 |
| Archiving-Plaine Lauzun DBM | 226 | - | 226 |
| Fallback Site-Cyber Tower | 3,662 | 12,259 | 15,921 |
| | 3,888 | 12,259 | 16,147 |

An amount of **Rs6,439,162** (2023: Rs4,357,647) has been expensed in profit or loss for the year relating to short-term and low value item leases. The total cash outflow for short-term and low value item leases recognised in statement of cash flows amounted to **Rs6,439,162** (2023: Rs4,357,647) and is recognised under General Expenditure in Profit or Loss.

## 34. FINANCIAL INSTRUMENTS

(a) Introduction

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

As the monetary authority for Mauritius, the Group and the Bank's activities are policy orientated. In the course of carrying out their functions, the Group and the Bank are faced with financial risks, operational risks and reputational risks. The main financial risks to which the Group and the Bank are exposed to are credit risk, interest rate risk, liquidity risk, price risk and foreign exchange risk. A significant proportion of these risks arise from the management of foreign exchange reserves of the Group and the Bank.

The foreign exchange risk or the capital loss as a consequence of fluctuations in the exchange rates is managed mainly through diversification of currency portfolios in which the Group and the Bank invest. In the management of foreign exchange reserves, minimising liquidity risk and maximising safety and preservation of capital are the prime considerations in order to achieve their prime objectives.

(b) (i) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value due to the short term nature of the financial instrument or the effect of discounting is not material.

**THE GROUP**

| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
|---|---|---|---|---|
| | **2024** | **2024** | 2023 | 2023 |
| **Financial Assets** | **Rs 000** | **Rs 000** | Rs 000 | Rs 000 |
| **Amortised Cost** | | | | |
| Foreign Investments | **64,212,692** | **64,393,440** | 75,710,307 | 74,700,187 |
| Cash and Cash Equivalents | **89,594,510** | **89,594,510** | 54,086,313 | 54,086,313 |
| Deposits | **18,135,050** | **18,135,050** | 19,995,648 | 19,995,648 |
| Government Securities | **15,470,342** | **14,981,550** | 15,357,534 | 14,959,200 |
| Loans and Advances | **11,318,107** | **11,318,107** | 9,441,092 | 9,441,092 |
| Other Financial Assets | **83,050** | **83,050** | 65,876 | 65,876 |
| | **26,871,499** | **26,382,707** | 24,864,502 | 24,466,168 |
| | **198,813,751** | **198,505,707** | 174,656,770 | 173,248,316 |
| **Fair Value Through Other Comprehensive Income** | | | | |
| Foreign Investments | **43,660,648** | **43,660,648** | 1,652,707 | 1,652,707 |
| **Fair Value Through Profit or Loss** | | | | |
| Gold Deposits | **44,227,272** | **44,227,272** | 34,919,234 | 34,919,234 |
| Foreign Investments | **127,493,824** | **127,493,824** | 117,091,754 | 117,091,754 |
| Convertible Bonds | **20,432,944** | **20,432,944** | 17,105,405 | 17,105,405 |
| Fixed Secured Notes | **252,409** | **252,409** | 252,371 | 252,371 |
| Floating Securities | **53,518** | **53,518** | - | - |
| Other Investments | **2,373,766** | **2,373,766** | 2,011,660 | 2,011,660 |
| | **150,606,461** | **150,606,461** | 136,461,190 | 136,461,190 |
| | **194,833,733** | **194,833,733** | 171,380,424 | 171,380,424 |
| **Total Financial Assets** | **437,308,132** | **437,000,088** | 347,689,901 | 346,281,447 |
| **Financial Liabilities** | | | | |
| Amortised Cost | **436,444,027** | **434,901,964** | 365,790,506 | 363,769,432 |

**34. FINANCIAL INSTRUMENTS (CONTINUED)**

(b) (i) Categories and fair values of financial instruments (continued)

**THE BANK**

| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|---|---|---|---|---|
| | 2024 | 2024 | 2023 | 2023 |
| **Financial Assets** | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| **Amortised Cost** | | | | |
| Foreign Investments | 64,212,692 | 64,393,440 | 75,710,307 | 74,700,187 |
| Cash and Cash Equivalents | 89,594,510 | 89,594,510 | 54,086,313 | 54,086,313 |
| Deposits | 18,135,050 | 18,135,050 | 19,995,648 | 19,995,648 |
| Government Securities | 15,470,342 | 14,981,550 | 15,357,534 | 14,959,200 |
| Loans and Advances | 11,318,107 | 11,318,107 | 9,441,092 | 9,441,092 |
| Other Financial Assets | 83,050 | 83,050 | 65,876 | 65,876 |
| | 26,871,499 | 26,382,707 | 24,864,502 | 24,466,168 |
| | 198,813,751 | 198,505,707 | 174,656,770 | 173,248,316 |
| **Fair Value Through Other Comprehensive Income** | | | | |
| Foreign Investments | 43,660,648 | 43,660,648 | 1,652,707 | 1,652,707 |
| **Fair Value Through Profit or Loss** | | | | |
| Gold Deposits | 44,227,272 | 44,227,272 | 34,919,234 | 34,919,234 |
| Foreign Investments | 127,493,824 | 127,493,824 | 117,091,754 | 117,091,754 |
| Other Investments | 2,373,766 | 2,373,766 | 2,011,660 | 2,011,660 |
| | 129,867,590 | 129,867,590 | 119,103,414 | 119,103,414 |
| | 174,094,862 | 174,094,862 | 154,022,648 | 154,022,648 |
| **Total Financial Assets** | 416,569,261 | 416,261,217 | 330,332,125 | 328,923,671 |
| **Financial Liabilities** | | | | |
| Amortised Cost | 462,631,546 | 461,089,482 | 397,357,431 | 395,336,354 |

(b) (ii) Fair value of financial instruments

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) (ii) Fair value of financial instruments (continued)

**Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. Reasonable possible changes to one of the significant unobservable inputs at reporting date would have no material effect on the fair value of the equity securities.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

### THE GROUP

| | Level 1 | Level 2 | Level 3 | Total Carrying Amount | Total Fair Value |
|---|---|---|---|---|---|
| **2024** | **Rs 000** | **Rs 000** | **Rs 000** | **Rs 000** | **Rs 000** |
| **Financial Assets** | | | | | |
| Gold Deposits | **44,227,272** | **-** | **-** | **44,227,272** | **44,227,272** |
| Foreign Investments | **43,660,648** | **127,493,824** | **-** | **171,154,472** | **171,154,472** |
| Other Investments | **-** | **-** | **2,373,766** | **2,373,766** | **2,373,766** |
| Convertible Bonds | **-** | **-** | **20,432,944** | **20,432,944** | **20,432,944** |
| Fixed Secured Notes | **252,409** | **-** | **-** | **252,409** | **252,409** |
| Floating Securities | **-** | **-** | **53,518** | **53,518** | **53,518** |
| | **88,140,329** | **127,493,824** | **22,860,228** | **238,494,381** | **238,494,381** |
| 2023 | | | | | |
| Financial Assets | 34,919,234 | - | - | 34,919,234 | 34,919,234 |
| Gold Deposits | 1,652,707 | 117,091,754 | - | 118,744,461 | 118,744,461 |
| Foreign Investments | - | - | 2,011,660 | 2,011,660 | 2,011,660 |
| Other Investments | - | - | 17,105,405 | 17,105,405 | 17,105,405 |
| Convertible Bonds | 252,371 | - | - | 252,371 | 252,371 |
| Fixed Secured Notes | 36,824,312 | 117,091,754 | 19,117,065 | 173,033,131 | 173,033,131 |

### THE BANK

| | Level 1 | Level 2 | Level 3 | Total Carrying Amount | Total Fair Value |
|---|---|---|---|---|---|
| **2024** | **Rs 000** | **Rs 000** | **Rs 000** | **Rs 000** | **Rs 000** |
| **Financial Assets** | | | | | |
| Gold Deposits | **44,227,272** | **-** | **-** | **44,227,272** | **44,227,272** |
| Foreign Investments | **43,660,648** | **127,493,824** | **-** | **171,154,472** | **171,154,472** |
| Other Investments | **-** | **-** | **2,373,766** | **2,373,766** | **2,373,766** |
| | **87,887,920** | **127,493,824** | **2,373,766** | **217,755,510** | **217,755,510** |
| 2023 | | | | | |
| Financial Assets | | | | | |
| Gold Deposits | 34,919,234 | - | - | 34,919,234 | 34,919,234 |
| Foreign Investments | 1,652,707 | 117,091,754 | - | 118,744,461 | 118,744,461 |
| Other Investments | - | - | 2,011,660 | 2,011,660 | 2,011,660 |
| | 36,571,941 | 117,091,754 | 2,011,660 | 155,675,355 | 155,675,355 |

**34. FINANCIAL INSTRUMENTS (CONTINUED)**

(b) (ii) Fair value of financial instruments (continued)

The fair value of the level 2 instruments is calculated using the net asset value ("NAV") of the external fund managers. The NAV is based 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.

A reconciliation of fair value measurements in level 3 is set out below:

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Opening balance | **19,117,065** | 16,303,918 | **2,011,660** | 1,864,938 |
| Additions during the year | **2,904,713** | 3,305,000 | **9,713** | - |
| Redemption during the year | **(330,000)** | (65,000) | **-** | - |
| Dividend/Interest receivable | **1,371,564** | 626,664 | **36,726** | - |
| Interest received | **(845,442)** | (415,507) | **-** | - |
| Change in fair value | **642,328** | (638,010) | **315,667** | 146,722 |
| **Closing balance** | **22,860,228** | 19,117,065 | **2,373,766** | 2,011,660 |

Reasonable possible changes to one of the significant unobservable inputs at reporting date would have no material effect on the fair value of the equity securities. There have been no transfers between the levels in the fair value hierarchy during the year.

**Valuation techniques used**

For other investments, the Group and the Bank determine fair values using the valuation technique as per table below:

| Type of Instrument | Fair value at 30 June 2024 Rs 000 | Valuation techniques | Significant unobservable inputs | Range of estimates (weighted average) for unobservable input | Fair value measurement sensitivity to unobservable inputs |
|---|---|---|---|---|---|
| Other investments | **2,373,766**<br>(2023:2,011,660) | Net asset value of the investee company | None | Not applicable | Not applicable |
| Convertible bonds | **20,486,462**<br>(2023:17,105,405) | Scenario-Based Technique: employs a hybrid approach to valuation incorporating the MUR yield curve, default probabilities and credit spreads. | MUR yield curve<br>Probability of default | **3.17% - 5.55%**<br>(2023:3.9%-5.25%)<br>**0.13%-1.39%**<br>(2023: 0.01%-2.00%) | An increase/(decrease) in the MUR yield curve would result in (lower)/higher fair value.<br>An increase/(decrease) in the probability of default would result in a (lower)/higher fair value.<br>An increase/(decrease) in credit spread would result in a (lower)/higher fair value. |

**34. FINANCIAL INSTRUMENTS (CONTINUED)**

(b) (ii) Fair value of financial instruments (continued)

**Valuation techniques used (continued)**

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For those investments where there is no active market, net asset value is used. The fair value of a convertible bond has been calculated as the present value of discounted cash flows. This valuation model considers the present value of expected cash flows discounted at risk-free rate plus a pre-determined issuer credit spread, in a simulation framework. Cash flows are conditional on the default of the issuer which is proxied using an estimated probability of default. The final fair value of the convertible bond is the average of the randomly generated simulated prices.

(c) Credit Risk

Disclosure of credit risk enables the users of financial statements to assess the extent to which failures by counterparties to discharge their obligations could adversely impact on the Group and the Bank's future cash inflows from financial assets held at the reporting date.

The Group and the Bank are exposed to credit risk which is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Group and the Bank. Credit risk on the securities held by the Group and the Bank are managed by holding only high quality marketable securities issued chiefly by entities enjoying a good credit rating. Credit risk also arises as a result of investment of foreign exchange reserves with foreign counterparties. Investment in Government securities is considered as risk free. Credit risk also arises when the Group and the Bank provide liquidity to financial institutions through open market operations as part of monetary policy implementation.

The Group and the Bank use a broad range of forward looking information, such as:

- Industry specific risk and broad economic factors that may affect the business cycle;
- Key performance indicators;
- Economic, regulatory and geopolitical influences;
- Management and corporate governance attributes; and
- Competitive position.

Additionally, for Sovereign or national government, the analysis may take into consideration:

- Fiscal and Economic performance;
- Monetary Stability; and
- Effectiveness of the Government's institutions.

The Group and the Bank mitigate the credit risk of sale-and-repurchase agreements, securities lending and gold swap by entering into master netting agreements and holding collateral in the form of cash and marketable securities.

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk (continued)

Derivative transactions are entered into under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty. The Group and the Bank execute a credit support annex in conjunction with the ISDA agreement, which requires the Group and the Bank and their counterparties to post collateral to mitigate counterparty credit risk. Certain derivatives are 'settled-to-market' daily, whereby the daily variation margin is a partial settlement of the outstanding derivative positions and the fair values of the derivatives are reduced accordingly.

The Group and the Bank's sale-and-repurchase and securities lending are covered by master agreements with netting terms similar to those of ISDA master netting agreements.

The Group and the Bank receive and give collateral in the form of cash and marketable securities in respect of the following transactions:

- sale-and-repurchase;
- securities lending and borrowing;
- gold swap.

This collateral is subject to standard industry terms including, when appropriate, an ISDA credit support annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

*(i) Concentration of Credit Exposure by Geographical Area*

The Group and the Bank's significant end-of-year concentration of credit exposure by geographical area was as follows:

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Mauritius | **47,787,736** | 42,033,839 | **27,048,865** | 24,676,063 |
| USA | **148,670,194** | 111,126,205 | **148,670,194** | 111,126,205 |
| United Kingdom | **152,509,065** | 157,266,888 | **152,509,065** | 157,266,888 |
| Europe | **44,237,328** | 22,777,171 | **44,237,328** | 22,777,171 |
| Other | **44,103,809** | 14,485,798 | **44,103,809** | 14,485,798 |
| | **437,308,132** | 347,689,901 | **416,569,261** | 330,332,125 |

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk (continued)

*(ii) Concentration of Credit Exposure by Counterparty Types*

The Group and the Bank's significant end-of-year concentration of credit exposure by Counterparty types was as follows:

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024** | 2023 | **2024** | 2023 |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| Government | **88,680,440** | 82,974,457 | **88,680,440** | 82,974,397 |
| Supranational Financial Institutions | **261,489,787** | 207,187,273 | **261,489,787** | 207,187,273 |
| Foreign Banks and Financial Institutions | **50,274,344** | 30,439,808 | **50,274,344** | 30,439,808 |
| Other | **36,863,561** | 27,088,363 | **16,124,690** | 9,730,587 |
| | **437,308,132** | 347,689,901 | **416,569,261** | 330,332,125 |

*(iii) Credit Exposure by Credit Rating*

The following table presents the credit ratings of respective financial assets based on the ratings of Moody's. The Bank's investment in equity shares which typically do not obtain ratings and in Gold are denoted as Others. The Group and the Bank's investments with foreign central banks are presented separately.

| | Credit Rating | GROUP | | | | BANK | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2024** | | 2023 | | **2024** | | 2023 | |
| | | **Rs 000** | % | Rs 000 | % | **Rs 000** | % | Rs 000 | % |
| Cash and Cash Equivalents | Central Banks | **88,673,629** | **22.75** | 46,042,213 | 15.07 | **88,673,629** | **22.75** | 46,042,213 | 15.07 |
| | Others | **920,881** | **0.24** | 8,044,100 | 2.63 | **920,881** | **0.24** | 8,044,100 | 2.63 |
| Gold Deposits | Others | **44,227,272** | **11.35** | 34,919,234 | 11.43 | **44,227,272** | **11.35** | 34,919,234 | 11.43 |
| Foreign Financial Assets held at Amortised Cost and Fair Value Through Other Comprehensive income | Central banks | **-** | **-** | 2,375,041 | 0.78 | **-** | **-** | 2,375,041 | 0.78 |
| | Aaa | **59,680,475** | **15.31** | 62,797,064 | 20.57 | **59,680,475** | **15.31** | 62,797,064 | 20.57 |
| | Aa | **10,537,535** | **2.70** | 412,196 | 0.13 | **10,537,535** | **2.70** | 412,196 | 0.13 |
| | A | **16,908,310** | **4.34** | 7,852,078 | 2.57 | **16,908,310** | **4.34** | 7,852,078 | 2.57 |
| | Baa | **9,075,955** | **2.33** | 1,241,837 | 0.41 | **9,075,955** | **2.33** | 1,241,837 | 0.41 |
| | Ba | **-** | **-** | 245,205 | 0.08 | **-** | **-** | 245,205 | 0.08 |
| | Others | **29,806,115** | **7.65** | 22,435,240 | 7.34 | **29,806,115** | **7.65** | 22,435,240 | 7.34 |
| Foreign Financial Assets held at Fair Value Through Profit or Loss | Central banks | **5,624,543** | **1.44** | 5,166,395 | 1.69 | **5,624,543** | **1.44** | 5,166,395 | 1.69 |
| | Others | **124,243,047** | **31.89** | 113,937,020 | 37.30 | **124,243,047** | **31.89** | 113,937,020 | 37.30 |
| **Total Foreign Financial Assets** | | **389,697,762** | **100.00** | 305,467,623 | 100.00 | **389,697,762** | **100.00** | 305,467,623 | 100.00 |

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk (continued)

*(iii) Credit Exposure by Credit Rating (continued)*

| | Credit Rating | GROUP | | | | BANK | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2024** | | 2023 | | **2024** | | 2023 | |
| | | **Rs 000** | **%** | Rs 000 | % | **Rs 000** | **%** | Rs 000 | % |
| Loan and Advances | Others | **11,318,107** | **23.77** | 9,441,092 | 22.36 | **11,318,107** | **42.12** | 9,441,092 | 37.97 |
| Government Securities | Others | **15,470,342** | **32.49** | 15,357,534 | 36.37 | **15,470,342** | **57.57** | 15,357,534 | 61.76 |
| Other Assets | Others | **83,050** | **0.19** | 65,876 | 0.16 | **83,050** | **0.31** | 65,876 | 0.27 |
| Financial Assets held at Fair Value Through Profit or Loss | Others | **20,738,871** | **43.55** | 17,357,776 | 41.11 | **-** | **-** | - | - |
| **Total Domestic Financial Assets** | | **47,610,370** | **100.00** | 42,222,278 | 100.00 | **26,871,499** | **100.00** | 24,864,502 | 100.00 |

| Summary | Credit Rating | GROUP | | | | BANK | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2024** | | 2023 | | **2024** | | 2023 | |
| | | **Rs 000** | **%** | Rs 000 | % | **Rs 000** | **%** | Rs 000 | % |
| Foreign Financial Assets | Central Banks | **94,298,172** | **24.20** | 53,583,649 | 17.54 | **94,298,172** | **24.20** | 53,583,649 | 17.54 |
| | Aaa | **59,680,475** | **15.31** | 62,797,064 | 20.56 | **59,680,475** | **15.31** | 62,797,064 | 20.56 |
| | Aa | **10,537,535** | **2.70** | 412,196 | 0.13 | **10,537,535** | **2.70** | 412,196 | 0.13 |
| | A | **16,908,310** | **4.34** | 7,852,078 | 2.57 | **16,908,310** | **4.34** | 7,852,078 | 2.57 |
| | Baa | **9,075,955** | **2.33** | 1,241,837 | 0.41 | **9,075,955** | **2.33** | 1,241,837 | 0.41 |
| | Ba | **-** | **-** | 245,205 | 0.08 | **-** | **-** | 245,205 | 0.08 |
| | Others | **199,197,315** | **51.12** | 179,335,594 | 58.71 | **199,197,315** | **51.12** | 179,335,594 | 58.71 |
| | | **389,697,762** | **100.00** | 305,467,623 | 100.00 | **389,697,762** | **100.00** | 305,467,623 | 100.00 |
| Domestic Financial Assets | Others | **47,610,370** | **100.00** | 42,222,278 | 100.00 | **26,871,499** | **100.00** | 24,864,502 | 100.00 |
| | | **47,610,370** | **100.00** | 42,222,278 | 100.00 | **26,871,499** | **100.00** | 24,864,502 | 100.00 |

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit Risk (continued)

*(iv) Credit Exposure by Credit Quality*

| | GROUP | | BANK | |
|---|---|---|---|---|
| | **2024 Stage 1 12-month ECL** | 2023 Stage 1 12-month ECL | **2024 Stage 1 12-month ECL** | 2023 Stage 1 12-month ECL |
| | **Rs 000** | Rs 000 | **Rs 000** | Rs 000 |
| **Securities at Amortised Cost** | | | | |
| Credit Rating AAA to Baa: Low to fair risk | **82,347,742** | 95,705,955 | **82,347,742** | 95,705,955 |
| Credit Rating Ba: Monitoring | **-** | - | **-** | - |
| Credit Rating below Ba: Default | **-** | - | **-** | - |
| Total Carrying Amount | **82,347,742** | 95,705,955 | **82,347,742** | 95,705,955 |
| Loss Allowance | **21,388** | 9,944 | **21,388** | 9,944 |
| **Securities at FVOCI** | | | | |
| Credit Rating AAA to Baa: Low to fair risk | **43,660,648** | 1,407,502 | **43,660,648** | 1,407,502 |
| Credit Rating Ba: Monitoring | **-** | 245,205 | **-** | 245,205 |
| Credit Rating below Ba: Default | **-** | - | **-** | - |
| Total Carrying Amount | **43,660,648** | 1,652,707 | **43,660,648** | 1,652,707 |
| Loss Allowance | **7,552** | 1,459 | **7,552** | 1,459 |

*(v) Collateral*

### THE BANK

The following table gives details of facilities availed by the Bank under Securities Lending Agreements, Repurchase Agreements (Repo) and Swap:

| | **2024** | 2023 |
|---|---|---|
| | **Rs 000** | Rs 000 |
| Obligations to Foreign Counterparties (Note 22) | **61,977,244** | 62,344,207 |
| Securities on Lending and on Repo | **34,013,362** | 56,197,787 |
| Gold under Swap | **35,186,930** | 9,964,566 |
| | **69,200,292** | 66,162,353 |

**34. FINANCIAL INSTRUMENTS (CONTINUED)**

(c) Credit Risk (continued)

*(v) Collateral (continued)*

**30 JUNE 2024**

| Types of financial instruments | Gross amounts of financial instruments in the statement of financial position | Related financial instruments that are not offset | Net amount |
|---|---|---|---|
| | **Rs 000** | **Rs 000** | **Rs 000** |
| **Financial assets** | | | |
| Foreign Investments and Gold | **69,200,292** | **(61,977,244)** | **7,223,048** |
| **Financial liabilities** | | | |
| Obligations to Foreign Counterparties | **(61,977,244)** | **61,977,244** | **-** |

30 JUNE 2023

| Types of financial instruments | Gross amounts of financial instruments in the statement of financial position | Related financial instruments that are not offset | Net amount |
|---|---|---|---|
| | **Rs 000** | **Rs 000** | **Rs 000** |
| **Financial assets** | | | |
| Foreign Investments | 66,162,353 | (62,344,207) | 3,818,146 |
| **Financial liabilities** | | | |
| Obligation to Foreign Counterparties | (62,344,207) | 62,344,207 | - |

(d) Liquidity Risk

Liquidity risk is the difficulty that an entity will encounter in raising funds at short notice to meet financial commitments as and when they arise. Liquidity risk is also the risk arising from the possibility of an entity not realising the fair value of a financial asset that it may have to dispose of to meet a financial obligation. In order to reduce the level of liquidity risk arising out of open market operations, the Group and the Bank require highly liquid marketable securities such as Government of Mauritius Treasury Bills as collateral for loans after applying a haircut for additional security.

The Group and the Bank manage liquidity of its foreign currency assets in order to settle commitments of the Bank and Government as and when they arise, as well as to intervene on the domestic foreign exchange market. The Group and the Bank have set limits with regard to currency and counterparty exposures to contain the risk.

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

The tables below show the Group and the Bank's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows, inclusive of interest receivable or payable on interest bearing non-derivative financial instruments.

### THE GROUP

| Maturity Analysis | | Up to 3 months | Above 3 and up to 6 months | Above 6 and up to 12 months | Between 1 and 5 years | Above 5 years | Total |
|---|---|---|---|---|---|---|---|
| | | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| **At 30 June 2024** | | | | | | | |
| **Non Derivative Financial Assets** | | | | | | | |
| Foreign Assets | (i) | 109,787,715 | 3,432,224 | 10,720,056 | 256,180,710 | 27,190,472 | 407,311,177 |
| Loans and Advances | | 142,924 | 147,205 | 343,830 | 7,439,402 | 3,633,429 | 11,706,790 |
| Government Securities | | - | - | 15,470,342 | - | - | 15,470,342 |
| Other Assets | | 100,677 | - | - | 148,776 | - | 249,453 |
| Total Financial Assets | | 110,031,316 | 3,579,429 | 26,534,228 | 263,768,888 | 30,823,901 | 434,737,762 |
| **Non Derivative Financial Liabilities** | | | | | | | |
| Currency in Circulation | (ii) | 58,600,328 | - | - | - | - | 58,600,328 |
| Demand Deposits | (iii) | 93,784,284 | - | - | - | - | 93,784,284 |
| Monetary Policy Instruments | | 66,191,095 | 7,721,480 | 24,294,394 | 47,644,693 | 5,386,483 | 151,238,145 |
| Other Liabilities | | 88,320,775 | 14,693,424 | 296,074 | 33,353,537 | - | 136,663,810 |
| Total Financial Liabilities | | 306,896,482 | 22,414,904 | 24,590,468 | 80,998,230 | 5,386,483 | 440,286,567 |
| Net Liquidity Gap | | (196,865,166) | (18,835,475) | 1,943,760 | 182,770,658 | 25,437,418 | (5,548,805) |

Note: (i) The Foreign Assets of the Group are highly liquid and can be realised at any point in time by the Group.

(ii) Currency in circulation represent notes and coins issued by the Bank and which are in circulation in public. These are classified under liabilities in the bucket up to 3 months as the exact date on which the liabilities will be relinquished is not known.

(iii) Demand deposits include foreign currency deposits in respect of regulatory requirements (cash reserve ratio and liquidity coverage ratio).

## 4. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

### THE GROUP

| Maturity Analysis | | Up to 3 months | Above 3 and up to 6 months | Above 6 and up to 12 months | Between 1 and 5 years | Above 5 years | Total |
|---|---|---|---|---|---|---|---|
| | | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| At 30 June 2023 | | | | | | | |
| Non Derivative Financial Assets | | | | | | | |
| Foreign Assets | (i) | 100,612,948 | 19,580,489 | 55,223,832 | 129,423,582 | 2,410,113 | 307,250,964 |
| Loans and Advances | | 215,746 | 196,687 | 517,353 | 7,227,213 | 19,693,011 | 27,850,010 |
| Government Securities | | - | - | - | 15,357,534 | - | 15,357,534 |
| Other Assets | | 70,901 | - | - | 84,145 | - | 155,046 |
| Total Financial Assets | | 100,899,595 | 19,777,176 | 55,741,185 | 152,092,474 | 22,103,124 | 350,613,554 |
| | | | | | | | |
| Non Derivative Financial Liabilities | | | | | | | |
| Currency in Circulation | (ii) | 52,649,945 | - | - | - | - | 52,649,945 |
| Demand Deposits | (iii) | 96,816,644 | - | - | - | - | 96,816,644 |
| Monetary Policy Instruments | | 100,949,333 | 2,739,341 | 3,611,335 | 28,613,822 | 6,181,261 | 142,095,092 |
| Other Liabilities | | 39,056,571 | 23,536,159 | 16,410,261 | - | - | 79,002,991 |
| Total Financial Liabilities | | 289,472,493 | 26,275,500 | 20,021,596 | 28,613,822 | 6,181,261 | 370,564,672 |
| Net Liquidity Gap | | (188,572,898) | (6,498,324) | 35,719,589 | 123,478,652 | 15,921,863 | (19,951,118) |

Note: (i) The Foreign Assets of the Group are highly liquid and can be realised at any point in time by the Group.

(ii) Currency in circulation represent notes and coins issued by the Bank and which are in circulation in public. These are classified under liabilities in the bucket up to 3 months as the exact date on which the liabilities will be relinquished is not known.

(iii) Demand deposits include foreign currency deposits in respect of regulatory requirements (cash reserve ratio and liquidity coverage ratio).

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

### THE BANK

| Maturity Analysis | | Up to 3 months | Above 3 and up to 6 months | Above 6 and up to 12 months | Between 1 and 5 years | Above 5 years | Total |
|---|---|---|---|---|---|---|---|
| | | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| **At 30 June 2024** | | | | | | | |
| **Non Derivative Financial Assets** | | | | | | | |
| **Foreign Assets** | **(i)** | 109,787,715 | 3,432,224 | 10,720,056 | 256,180,710 | 27,190,472 | 407,311,177 |
| **Loans and Advances** | | 142,924 | 147,205 | 343,830 | 7,439,402 | 3,633,429 | 11,706,790 |
| **Government Securities** | | - | - | 15,470,342 | - | - | 15,470,342 |
| **Other Assets** | | 83,650 | - | - | 148,776 | - | 232,426 |
| **Total Financial Assets** | | 110,014,289 | 3,579,429 | 26,534,228 | 263,768,888 | 30,823,901 | 434,720,735 |
| | | | | | | | |
| **Non Derivative Financial Liabilities** | | | | | | | |
| **Currency in Circulation** | **(ii)** | 58,600,328 | - | - | - | - | 58,600,328 |
| **Demand Deposits** | **(iii)** | 120,428,776 | - | - | - | - | 120,428,776 |
| **Monetary Policy Instruments** | | 66,191,095 | 7,721,480 | 24,294,394 | 47,644,693 | 5,386,483 | 151,238,145 |
| **Other Liabilities** | | 87,863,801 | 14,693,424 | 296,074 | 33,353,537 | - | 136,206,836 |
| **Total Financial Liabilities** | | 333,084,000 | 22,414,904 | 24,590,468 | 80,998,230 | 5,386,483 | 466,474,085 |
| **Net Liquidity Gap** | | (223,069,711) | (18,835,475) | 1,943,760 | 182,770,658 | 25,437,418 | (31,753,350) |

Note: (i) The Foreign Assets of the Bank are highly liquid and can be realised at any point in time by the Bank.

(ii) Currency in circulation represent notes and coins issued by the Bank and which are in circulation in public. These are classified under liabilities in the bucket up to 3 months as the exact date on which the liabilities will be relinquished is not known.

(iii) Demand deposits include foreign currency deposits in respect of regulatory requirements (cash reserve ratio and liquidity coverage ratio).

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity Risk (continued)

### THE BANK

| Maturity Analysis | | Up to 3 months | Above 3 and up to 6 months | Above 6 and up to 12 months | Between 1 and 5 years | Above 5 years | Total |
|---|---|---|---|---|---|---|---|
| | | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| At 30 June 2023 | | | | | | | |
| Non Derivative Financial Assets | | | | | | | |
| Foreign Assets | (i) | 100,612,948 | 19,580,489 | 55,223,832 | 129,423,582 | 2,410,113 | 307,250,964 |
| Loans and Advances | | 215,746 | 196,687 | 517,353 | 7,227,213 | 1,743,968 | 9,900,967 |
| Government Securities | | - | - | - | 15,357,534 | - | 15,357,534 |
| Other Assets | | 65,876 | - | - | 84,145 | - | 150,021 |
| Total Financial Assets | | 100,894,570 | 19,777,176 | 55,741,185 | 152,092,474 | 4,154,081 | 332,659,486 |
| Non Derivative Financial Liabilities | | | | | | | |
| Currency in Circulation | (ii) | 52,649,945 | - | - | - | - | 52,649,945 |
| Demand Deposits | (iii) | 128,395,675 | - | - | - | - | 128,395,675 |
| Monetary Policy Instruments | | 100,949,333 | 2,739,341 | 3,611,335 | 28,613,822 | 6,181,261 | 142,095,092 |
| Other Liabilities | | 39,044,463 | 23,536,159 | 16,410,261 | - | - | 78,990,883 |
| Total Financial Liabilities | | 321,039,416 | 26,275,500 | 20,021,596 | 28,613,822 | 6,181,261 | 402,131,595 |
| Net Liquidity Gap | | (220,144,846) | (6,498,324) | 35,719,589 | 123,478,652 | (2,027,180) | (69,472,109) |

Note: (i) The Foreign Assets of the Bank are highly liquid and can be realised at any point in time by the Bank.

(ii) Currency in circulation represent notes and coins issued by the Bank and which are in circulation in public. These are classified under liabilities in the bucket up to 3 months as the exact date on which the liabilities will be relinquished is not known.

(iii) Demand deposits include foreign currency deposits in respect of regulatory requirements (cash reserve ratio and liquidity coverage ratio).

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk

Repricing Analysis

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with specific financial assets and financial liabilities, whose interest rates are periodically reset to market, as well as the fair values of other instruments on which the interest rates are fixed throughout the period of the contract. The policy pertaining to changes in fair values due to changes on exchange rates is explained at section (f) below.

The rates on financial assets and financial liabilities which are interest-bearing are set at or around current market levels.

The Bank's reserves management includes investments in a variety of foreign currency denominated cash, deposits and other securities. The Bank's objective is to maximise return within the constraints of liquidity and safety and these are effected through investments with sound financial institutions.

The following table demonstrates the sensitivity of the Bank's profit to interest rate changes, all other variables held constant.

| | Change in yield (basis points) | Effect on Profit and equity 2024 | Effect on Profit and equity 2023 |
|---|---|---|---|
| | | **Rs 000** | Rs 000 |
| Foreign Currency Portfolio | +50 | **1,609,798** | 1,433,351 |
| | -50 | **(1,609,798)** | (1,433,351) |
| Domestic Portfolio | +50 | **77,352** | 76,788 |
| | -50 | **(77,352)** | (76,788) |

Government securities are amortised in the Statement of Financial Position of the Bank.

The tables below summarise the Group and the Bank's exposure to interest rate risk. The amounts disclosed in the tables are the contractual undiscounted cash flows, inclusive of interest receivable or payable on interest bearing non-derivative financial instruments.

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (continued)

### THE GROUP

| Repricing Analysis | Up to 3 months | Above 3 and up to 6 months | Above 6 and up to 12 months | Above 9 and up to 12 months | Over 12 months | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| At 30 June 2024 | | | | | | | |
| Non Derivative Financial Assets | | | | | | | |
| Foreign Assets | 108,505,038 | 3,467,990 | 1,347,160 | 7,751,586 | 268,904,713 | 3,619,716 | 393,596,203 |
| Loans and Advances | 120,849 | 147,205 | 113,398 | 230,433 | 11,072,830 | 20,760,946 | 32,445,661 |
| Government Securities | - | - | - | 15,470,342 | - | - | 15,470,342 |
| Other Assets | 100,678 | - | - | - | 148,776 | - | 249,454 |
| Total Financial Assets | 108,726,565 | 3,615,195 | 1,460,558 | 23,452,361 | 280,126,319 | 24,380,662 | 441,761,660 |
| | | | | | | | |
| Non Derivative Financial Liabilities | | | | | | | |
| Currency in Circulation | - | - | - | - | - | 58,600,328 | 58,600,328 |
| Demand Deposits | 806,116 | - | - | - | - | 92,978,169 | 93,784,285 |
| Monetary Policy Instruments | 66,191,095 | 7,721,480 | 10,659,108 | 16,959,007 | 49,707,455 | - | 151,238,145 |
| Other Liabilities | 71,993,188 | 14,693,424 | 296,073 | 33,353,537 | - | 16,327,588 | 136,663,810 |
| Total Financial Liabilities | 138,990,399 | 22,414,904 | 10,955,181 | 50,312,544 | 49,707,455 | 167,906,085 | 440,286,568 |
| Net Liquidity Gap | (30,263,834) | (18,799,709) | (9,494,623) | (26,860,183) | 230,418,864 | (143,525,423) | 1,475,092 |

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (continued)

### THE GROUP

| Repricing Analysis | Up to 3 months | Above 3 and up to 6 months | Above 6 and up to 12 months | Above 9 and up to 12 months | Over 12 months | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| At 30 June 2023 | | | | | | | |
| Non Derivative Financial Assets | | | | | | | |
| Foreign Assets | 89,460,609 | 19,624,207 | 29,366,350 | 26,269,783 | 129,523,307 | 13,246,055 | 307,490,311 |
| Loans and Advances | 193,858 | 196,687 | 233,166 | 248,187 | 8,971,181 | 21,888 | 9,900,967 |
| Government Securities | - | - | - | - | 15,357,534 | - | 15,357,534 |
| Other Assets | 70,901 | - | - | - | 84,145 | - | 155,046 |
| Total Financial Assets | 89,725,368 | 19,820,894 | 29,599,516 | 26,553,970 | 153,936,167 | 13,267,943 | 332,903,858 |
| | | | | | | | |
| Non Derivative Financial Liabilities | | | | | | | |
| Currency in Circulation | - | - | - | - | - | 52,649,945 | 52,649,945 |
| Demand Deposits | 1,068,598 | - | - | - | - | 95,748,048 | 96,816,646 |
| Monetary Policy Instruments | 100,949,333 | 2,739,341 | 209,980 | 3,401,355 | 34,795,083 | - | 142,095,092 |
| Other Liabilities | 23,648,619 | 23,536,159 | 4,794,213 | 11,616,407 | - | 15,407,954 | 79,003,352 |
| Total Financial Liabilities | 125,666,550 | 26,275,500 | 5,004,193 | 15,017,762 | 34,795,083 | 163,805,947 | 370,565,035 |
| Net Liquidity Gap | (35,941,182) | (6,454,606) | 24,595,323 | 11,536,208 | 119,141,084 | (150,538,004) | (37,661,177) |

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (continued)

### THE BANK

| Repricing Analysis | Up to 3 months | Above 3 and up to 6 months | Above 6 and up to 12 months | Above 9 and up to 12 months | Over 12 months | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| **At 30 June 2024** | | | | | | | |
| **Non Derivative Financial Assets** | | | | | | | |
| Foreign Assets | 108,505,038 | 3,467,990 | 1,347,160 | 7,751,586 | 268,904,713 | 3,619,716 | 393,596,203 |
| Loans and Advances | 120,849 | 147,205 | 113,398 | 230,433 | 11,072,830 | 22,075 | 11,706,790 |
| Government Securities | - | - | - | 15,470,342 | - | - | 15,470,342 |
| Other Assets | 83,650 | - | - | - | 148,776 | - | 232,426 |
| Total Financial Assets | 108,709,537 | 3,615,195 | 1,460,558 | 23,452,361 | 280,126,319 | 3,641,791 | 421,005,761 |
| | | | | | | | |
| **Non Derivative Financial Liabilities** | | | | | | | |
| Currency in Circulation | - | - | - | - | - | 58,600,328 | 58,600,328 |
| Demand Deposits | 806,116 | - | - | - | - | 119,622,661 | 120,428,777 |
| Monetary Policy Instruments | 66,191,095 | 7,721,480 | 10,659,108 | 16,959,007 | 49,707,455 | - | 151,238,145 |
| Other Liabilities | 71,536,213 | 14,693,424 | 296,073 | 33,353,537 | - | 16,327,588 | 136,206,835 |
| Total Financial Liabilities | 138,533,424 | 22,414,904 | 10,955,181 | 50,312,544 | 49,707,455 | 194,550,577 | 466,474,085 |
| Net Liquidity Gap | (29,823,887) | (18,799,709) | (9,494,623) | (26,860,183) | 230,418,864 | (190,908,786) | (45,468,324) |

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (continued)

### THE BANK

| Repricing Analysis | Up to 3 months | Above 3 and up to 6 months | Above 6 and up to 12 months | Above 9 and up to 12 months | Over 12 months | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| At 30 June 2023 | | | | | | | |
| Non Derivative Financial Assets | | | | | | | |
| Foreign Assets | 89,460,609 | 19,624,207 | 29,366,350 | 26,269,783 | 129,523,307 | 13,246,055 | 307,490,311 |
| Loans and Advances | 193,858 | 196,687 | 233,166 | 284,187 | 8,971,181 | 21,888 | 9,900,967 |
| Government Securities | - | - | - | - | 15,357,534 | - | 15,357,534 |
| Other Assets | 65,876 | - | - | - | 84,145 | | 150,021 |
| Total Financial Assets | 89,720,343 | 19,820,894 | 29,599,516 | 26,553,970 | 153,936,168 | 13,267,943 | 332,898,833 |
| | | | | | | | |
| Non Derivative Financial Liabilities | | | | | | | |
| Currency in Circulation | - | - | - | - | - | 52,649,945 | 52,649,945 |
| Demand Deposits | 1,068,598 | - | - | - | - | 127,327,078 | 128,395,676 |
| Monetary Policy Instruments | 100,949,333 | 2,739,341 | 209,980 | 3,401,355 | 34,795,083 | - | 142,095,092 |
| Other Liabilities | 23,636,511 | 23,536,159 | 4,794,213 | 11,616,407 | - | 15,407,954 | 78,991,244 |
| Total Financial Liabilities | 125,654,442 | 26,275,500 | 5,004,193 | 15,017,762 | 34,795,083 | 195,384,977 | 402,131,957 |
| Net Liquidity Gap | (35,934,099) | (6,454,606) | 24,595,323 | 11,536,208 | 119,141,084 | (182,117,034) | (69,233,124) |

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Interest Rate Risk (continued)

The interest-bearing Mauritian rupee denominated assets earn interest at rates ranging from 0.45% p.a. to 2.5% p.a. (2023: 0.45% p.a. to 4.0% p.a.) and from 0.02% p.a. to 7.28% p.a. (2023: -0.50% p.a. to 8.83% p.a.) for foreign currency denominated assets.

The interest-bearing Mauritian rupee denominated liabilities bear interest at rates ranging from 1.45% p.a. to 6.95% p.a. (2023: 0.50% p.a. to 6.24% p.a.) and from 0.20% p.a. to 5.80% p.a. (2023: 0.57% p.a. to 5.89% p.a.) for liabilities denominated in foreign currencies.

**Mauritius Investment Corporation Ltd**

*Interest Rate Risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. MIC's income and operating cash are dependent on changes in interest rates as MIC has both fixed rate and floating rate interest bearing financial assets. The interest-bearing Mauritian rupee denominated assets earn both fixed and floating interest at rates ranging from 3% p.a. to 7.9% p.a. On this basis, MIC is significantly exposed to interest rate risk.

Bond Price Risk

Bond price risk is the risk of unfavourable changes in fair values financial assets at FVTPL as the result of changes in the value of individual bonds. The bond price risk exposure arises from MIC's investments in Secured Redeemable Convertible Bonds. MIC's policy is to manage bond price risk through selection of securities and other financial instruments within the specified limits set by its investment policy.

Sensitivity Analysis

The following table summarises the impact of increases/decreases of the bond value on MIC's profit and equity assuming that the yield is increased/decreased by 1%, with all other variables held constant.

| | Change in yield (basis points) | Effect on Profit and equity 2024 | Effect on Profit and equity 2023 |
|---|---|---|---|
| | | **Rs 000** | Rs 000 |
| Financial Assets at Fair Value through Profit or Loss | 100 | **(33,466)** | (480,865) |
| | -100 | **721,899** | 948,309 |

## 34. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Foreign Currency Risk

The Bank has monetary assets and liabilities denominated in foreign currencies, which consist mainly of currencies of the major trading partners of Mauritius. The liabilities represent mainly deposit accounts maintained by its customers and obligations to foreign counterparties.

The Bank does not hedge against risk of fluctuations in exchange rates. However, it has set aside the Special Reserve Fund (Note 5), which is used to cater for movements due to appreciation/depreciation in foreign currencies, Gold and SDR.

The Bank considers it has a diversified portfolio of foreign currencies which would mitigate any foreign currency risk that may arise from volatility in exchange rates. The composition of the Bank's Foreign Assets based on the SDR Basket is as follows:

| | 2024 | 2023 |
|---|---|---|
| | Rs 000 | Rs 000 |
| SDR Basket | 323,298,032 | 250,306,182 |
| Non-SDR Basket | 66,399,730 | 55,161,441 |
| | 389,697,762 | 305,467,623 |

The SDR Basket comprises the following currencies: GBP, USD, EUR, JPY and RMB.

The following table demonstrates the sensitivity of the Bank's equity to exchange rate changes, all other variables held constant.

| | Change in MUR Exchange Rate | Effect on Profit and equity 2024 | Effect on Profit and equity 2023 |
|---|---|---|---|
| | | Rs 000 | Rs 000 |
| Foreign Currency Portfolio | +50 cents | 7,131,097 | 6,733,315 |
| | -50 cents | (7,131,097) | (6,733,315) |

## 35. RELATED PARTY TRANSACTIONS

The balances and transactions with Government of Mauritius are disclosed in Notes 5, 8(ii) and 23 to the financial statements. The Bank also maintains demand deposits for Rs6,091,121,779 (2023: Rs17,482,647,476) for the Government.

Emoluments payable to Directors are disclosed in Note 30 as per their terms of appointment.

The Bank contributes for the post-retirement benefits of its employees as disclosed in Note 21(c) and the Second Deputy Governor who is on the permanent and pensionable establishment of the Bank. The contribution of the Second Deputy Governor was Rs1,009,092 (2023: Rs934,668).

The balances and transactions with the subsidiaries are disclosed in Notes 10(ii),12 ,13, 14, 15, 16, 17, 22, 24, 25, 26, 28, 29 and 30.

## 36. TRANSACTIONS WITH THE INTERNATIONAL MONETARY FUND (“IMF”)

As a member of IMF, Mauritius was initially allocated an amount of SDR15,744,000. In August 2009, the IMF Board of Governors approved an allocation of Special Drawing Rights (SDR) to member countries.

Accordingly, a total amount of SDR81,061,549 was allocated to Mauritius. In August 2021, the IMF Board of Governors approved an additional General Allocation of SDRs and an amount of SDR136,292,305 was allocated to Mauritius bringing the total allocation to SDR233,097,854. A total amount of SDR27,695,342 was utilized for prescribed transfers bringing the balance to SDR205,402,512. IMF charges the Bank on the SDR allocations and also remunerates it on the SDR holdings on a quarterly basis. IMF charges for the current year amounted to Rs493,474,571 (2023: Rs341,143,583).

The Bank maintains two current accounts and one securities account for the IMF. The IMF No 1 and No 2 current accounts appear in the Statement of Financial Position under the heading “Demand Deposits: Others”. The securities account is not included in the Statement of Financial Position and is kept separately.

The Government of Mauritius has been participating in the IMF Quarterly Financial Transactions Plan. Participation in the plan entails the obligation to provide usable currencies in exchange for SDRs when designated and accords the right to use SDRs in case of a balance of payment need.

In September 2022, the Government of Mauritius and the International Monetary Fund entered into a Voluntary Trading Arrangement (VTA) to buy and sell SDRs against US Dollars. As at 30 June 2024, a net amount of SDR1,801,342 was traded under the VTA.

## 37. BUSINESS COMBINATION

On 7 June 2024, the Group, through its wholly owned subsidiary, Mauritius Investment Corporation Ltd, acquired 70% of the shareholding of EastCoast Hotel Investment Ltd (ECHIL) in its pledge to financially assist distressed large, important and viable companies in Mauritius.

As a result of this acquisition, the Group has obtained control on ECHIL. The company's main activity is that of an investment holding company and its sole investment is in Armand Apavou & co Ltd which holds the industrial site lease of Ambre Resort with the Government of Mauritius and its main activity is to rent a hotel building.

The Group has assessed whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has concluded that the acquired set is a business.

The Group has accounted for the above transaction under IFRS® 3, "Business Combinations" in the consolidated financial statements. Details of the purchase consideration, fair value of the acquiree's assets and liabilities arising from the acquisition and goodwill are given below:

| | **2024** |
|---|---|
| | **Rs 000** |
| Cash Consideration | **2,398,226** |
| Non-Controlling Interests | **627,466** |
| | **3,025,692** |
| Fair Value of Net Assets Acquired | **(2,091,553)** |
| Goodwill | **934,139** |

The fair value of the acquiree's assets and liabilities arising from the acquisition are as follows:

| | **Rs 000** |
|---|---|
| Goodwill | **201,801** |
| Right-of use assets | **502,710** |
| Investment Properties | **1,812,381** |
| Other Receivables | **7,057** |
| Other Payables | **(432,396)** |
| Fair Value of Net Assets Acquired | **2,091,553** |

## 38. GOODWILL

(i) The goodwill amount of Rs201.8 million arose when EastCoast Hotel Investment Ltd acquired all the shares of Armand Apavou Co Ltd in 2015.

(ii) The goodwill amount of Rs934.1 million arose when MIC acquired 70% shares of EastCoast Hotel Investment Ltd in 2024.

## 39. RIGHT-OF-USE ASSETS

### Carrying Amount

| | 2024 | | |
|---|---|---|---|
| | Right-of-Use Leasehold Land | Fair Value of Leasehold Land | Total |
| | Rs 000 | Rs 000 | Rs 000 |
| Net Book Value as at 30 June 2024 | 175,755 | 326,955 | 502,710 |

### Depreciation and Lease Payments

There is no depreciation charge and lease payments on the consolidated financial statements as these arise on EastCoast Hotel Investment Ltd which was acquired in June 2024.

### Lease Liabilities

| | Rs 000 |
|---|---|
| Current Liabilities | 196,629 |
| Non-Current Liabilities | 777 |
| At 30 June 2024 | 197,406 |

The lease liabilities are included under 'Other Liabilities' in the Statement of Financial Position.

### Land held on Lease

The subsidiary, Armand Apavou Co Ltd, has signed an agreement with the Government of Mauritius for a lease of 63,313 square metres for a duration of 60 years starting from 19 July 2008. Leasehold land runs for a remaining period of 44 years. The lease carry average interest rate of 6.82% per annum.

| | Minimum Lease Payments | Present Value of Minimum Lease Payments |
|---|---|---|
| | Rs 000 | Rs 000 |
| Within one year | 262,114 | 15,280 |
| After one year but before two years | 262,114 | 16,322 |
| After two years but before three years | 262,114 | 17,435 |
| After three years but before five years | 524,229 | 38,518 |
| After five years | 10,244,300 | 3,793,836 |
| | 11,292,757 | 3,866,111 |
| | 11,554,871 | 3,881,391 |
| Less Future finance charges | (7,673,480) | - |
| | 3,881,391 | 3,881,391 |

## 40. SUBSEQUENT EVENTS

There have been two significant events after the reporting date as follows:

1. The MIC has appointed a new chairman, Mrs Catherine Bouvier d'Yvoire, on 01 October 2024
2. On 10 July 2024, Sun Limited exercised the option to buy 21% of the stake in EastCoast Hotel Investment Ltd from MIC for a consideration of EUR 14.4 million and therefore there is a loss of control by MIC.

There were no other significant events after the reporting date which need disclosures.

## 41. TAX EXEMPTION

The Bank and MIC are exempt from payment of tax under the Bank of Mauritius Act 2004 and the Mauritius Income Tax Act 1995, respectively.

MIC Smart City Ltd is exempt from payment of tax for a period of 8 years from the date of issue (28 June 2022) of a registration certificate under the Investment Promotion (Smart City Scheme) Regulations 2015.

# 08

# APPENDICES

# Appendices

| | |
|---|---|
| **Appendix I** | Bank of Mauritius - Organisation Chart |
| **Appendix II** | Senior Management |
| **Appendix III** | Overseas Meetings attended by Governor, First Deputy Governor and Second Deputy Governor |
| **Appendix IV** | Staff Turnover |
| **Appendix V** | Main Legislative Amendments |
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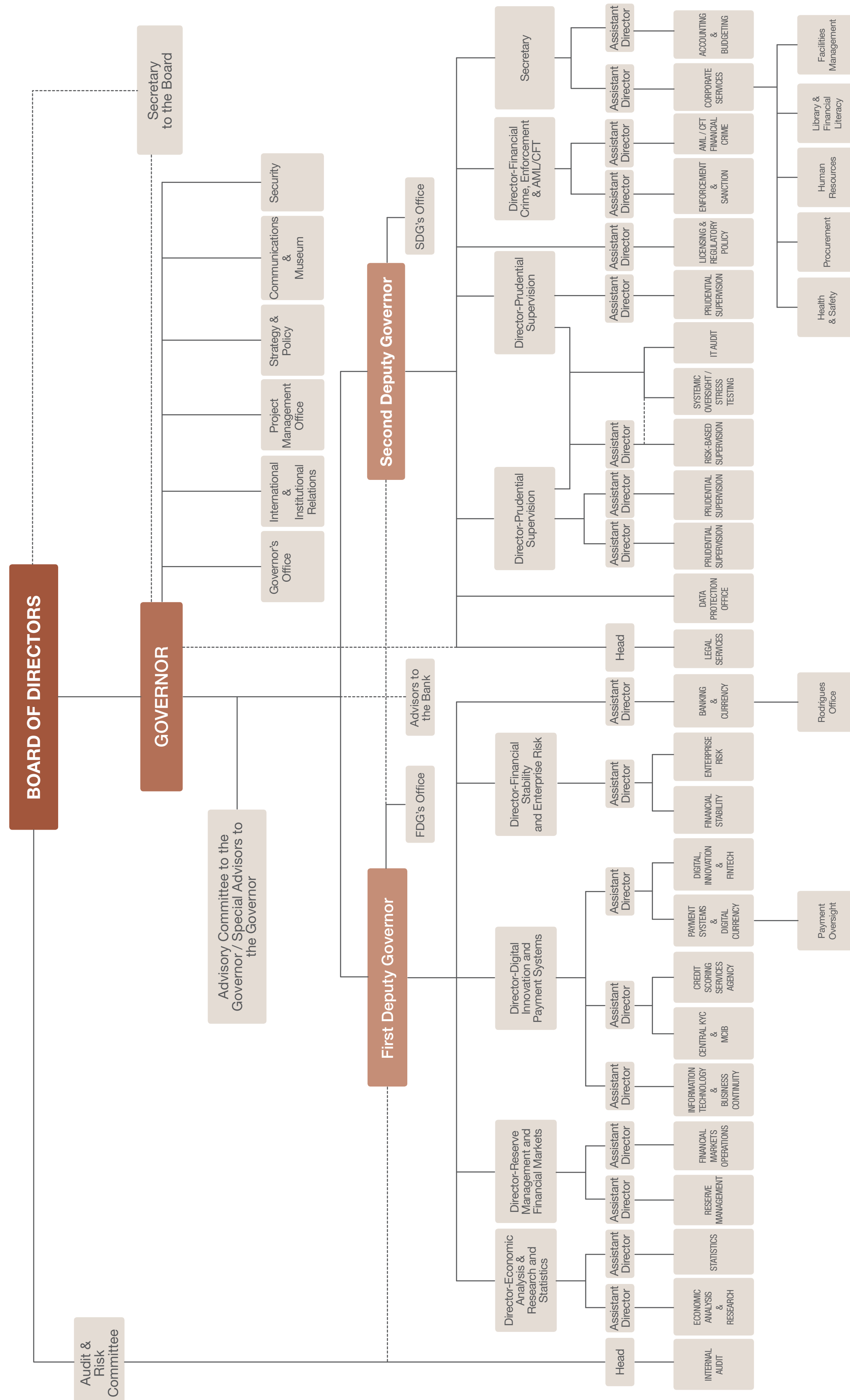
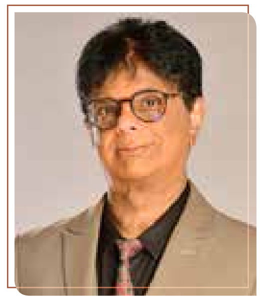
# Appendix I

## Bank of Mauritius - Organisation Chart

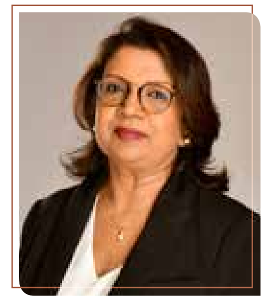


## Appendix II

**Harvesh Kumar Seegolam, G.C.S.K.**
**Governor**
MSc International Finance,
BSc (Hons) Economics



**Mardayah Kona Yerukunondu**
**First Deputy Governor**
LLB (Hons), Barrister



**Hemlata Sadhna Sewraj-Gopal**
**Second Deputy Governor**
ACA, BA (Hons) Economics

**Shardhanand Gopaul**
**Acting Secretary**
FCCA, MSc (conversion) Information Systems,
BSc (Hons) Accounting

**Ramsamy Chinniah**
**Director - Supervision**
FCCA, MSc Financial Economics

**Marjorie M. A. Heerah-Pampusa**
**Director - Economic Analysis & Research and Statistics**
MA Economics, BA (Hons) Economics

**Sudha Hurrymun**
**Director - Supervision**
FCCA, MSc Finance

**Arnaud Herve Michel Bazerque Bacha**
**Director - Digital Innovation and Payment Systems**
Master in Computer Science and
Telecommunications,
DEUG – Sciences et Technologies pour
l'Ingénieur

**Pauline Charazac**
**Consultant/Advisor - International and Institutional Relations**
MA Public Affairs,
BA Social Sciences and Humanities

**Dr Tilottama Matabudul**
**Consultant/Advisor - Strategy & Policy**
CPA, CA, PhD International Tax Law,
LLM International Tax Law,
BSc Physics

**Urvashi Chuttarsing-Soobarah**
**Acting Director - Supervision**
MSc Financial Mathematics,
BSc Mathematics

**Youssouf Waësh Khodabocus**
**Acting Director – Financial Stability and Enterprise Risk**
BA (Hons) Economics

**Ng Cheong Jose Li Yun Fong**
**Assistant Director – Information Technology and Business Continuity**
BSc Computer Science

**Yuntat Chu Fung Leung**
**Assistant Director – Banking & Currency**
MBA Finance,
BA (Hons) Economics and Social Studies

**Smeeta Bissoonauth**
**Assistant Director – Enterprise Risk**
ACMA CGMA, MSc Actuarial Science,
BA (Hons) Finance,
Mathematics & Statistics

**Rajshri Jutton-Gopy**
**Head - Legal Services**
LLB (Hons), Attorney

**Sanjay Ramnarainsing**
**Assistant Director – Financial Markets Operations**
FCCA, MBA Financial Management

**Tilotma Gobin-Jhurry**
**Assistant Director – Payment Systems & Digital Currency and Digital Innovation & FinTech**
BCS Professional Graduate Diploma

**Dr Ashwin Moheeput**
**Assistant Director – Economic Analysis & Research**
CFA, PhD Economics, MSc Economics, BSc (Hons) Economics

**Neetyanand Kowlessur**
**Head – Climate Change Centre**
MSc Financial Economics, BA (Hons) Economics

**Dhirajsingh Rughoobur**
**Head - Governor's Office**
MSc International Securities, Investment and Banking, BA (Hons) Economics

**Ali Ghanty**
**Assistant Director - Information Security**
CISSP, CISM,
Masters in Business Administration,
BSc (Hons) Information Systems

## Appendix III

### High Level Overseas Forums and Bilateral Meetings attended by Governor, First Deputy Governor and Second Deputy Governor

**Governor Harvesh Seegolam, G.C.S.K.:**

i. An interactive session on FATF ICRG Process with the relevant authorities in the United Arab Emirates from 13 to 15 August 2023

ii. Bilateral meetings with representatives of the Central Bank of the United Arab Emirates, Dubai Financial Services Authority and Arab Monetary Fund from 10 to 12 September 2023

iii. The International Monetary Fund / World Bank Annual Meetings in Marrakech, Morocco from 9 to 14 October 2023. Thereafter, he proceeded to the United Arab Emirates for meetings with Visa and Bloomberg on 16 and 17 October 2023 respectively

iv. The International Conference on the Future of the Monetary System in Basel, Switzerland on 8 and 9 November 2023. Thereafter, he had a series of bilateral meetings with representatives of the International Association of Deposit Insurers, the Financial Stability Board and the BIS Innovation Hub on 10 November 2023

v. The 31st Governing Board meeting of the International Islamic Liquidity Management in Istanbul, Turkey from 11 to 13 December 2023, followed by a meeting with the Chief Executive Officer of the Dubai Financial Services Authority in Dubai on 14 December 2023

vi. A meeting with the Commonwealth Secretariat, the University of Warwick Economics Summit as a panelist from 2 to 4 February 2024 in the United Kingdom, followed by the Conférence internationale sur le role des banques centrales face aux défis du changement climatique on 6 February 2024. The Governor then had bilateral meetings with the Organisation of Economic Cooperation and Development in Paris, France on 7 February 2024

vii. The International Monetary Fund / World Bank Spring Meetings in Washington DC, USA from 15 to 20 April 2024, followed by a visit to the Dubai International Financial Centre Innovation Hub in the United Arab Emirates on 23 April 2024

viii. The Annual Meeting of the African Development Bank in Nairobi, Kenya on 28 May 2024. Thereafter, the Governor proceeded to Brussels, Belgium for the Conférence des Gouverneurs des banques centrales francophones on 30 and 31 May 2024 respectively

ix. The Annual General Meetings of the Bank for International Settlements in Basel, Switzerland on 29 and 30 June 2024 respectively.

**First Deputy Governor Mardayah Kona Yerukunondu:**

i. Meetings with Banque de France, L'Autorité de Contrôle Prudentiel et de Résolution, Groupes des Superviseurs Bancaires Francophones, OECD, RCE, FinCoNet in Paris, France from 10 to 12 July 2023

ii. 3rd G20 Finance and Central Bank Deputies Meeting from 14 to 15 July 2023, Ministerial/Deputy Level Seminars on 16 July 2023, and the 3rd G20 Finance Ministers and Central Bank Governors Meeting in Gujarat, India from 17 to18 July 2023

iii. 45th Association of African Central Banks Annual Meeting hosted by Bank of Zambia/AACB, in Livingstone, Zambia from 3 to 4 August 2023

iv. Islamic Financial Services Board 2023 Annual Meetings in Riyadh, Kingdom of Saudi Arabia from 14 to 16 August 2023

v. 3rd BIS Working Party on Monetary Policy in Sub-Saharan Africa in Johannesburg, South Africa from 26 to 27 September 2023

vi. International Symposium hosted by Banky Foiben'i Madagasikara on the occasion of its 50th Anniversary in Antananarivo, Madagascar from 28 to 29 September 2023

vii. Asset Allocation and Alternatives Programme of the JP Morgan Asset Management in London, United Kingdom from 4 to 8 December 2023

viii. 3rd edition of the World Police Summit 2024 in Dubai, United Arab Emirates from 5 to 7 March 2024

ix. Visit Program at Oberthur Fiduciaire Headquarters in Paris and production site in Rennes, France from 25 to 29 March 2024

x. 58th Meeting of the Committee of Central Bank Governors of Southern African Development Community & Symposium, and the 50th Anniversary Celebrations of the Central Bank of Eswatini, in Mbabane, Kingdom of Eswatini, from 7 to 9 May 2024

xi. The HSBC Sovereign Investor Forum in Hong Kong from 4 to 6 June 2024.

**Second Deputy Governor Hemlata Sadhna Sewraj-Gopal:**

i. South African Reserve Bank Biennial Research Conference in Cape Town, South Africa from 31 August to 1 September 2023

ii. 23rd ESAAMLG Council of Ministers Meeting, 46th Task Force of Senior Officials Meeting and 6th Sub Saharan Africa AML/CFT Public Private Dialogue hosted by ESAAMLG in Kasane, Botswana from 3 to 9 September 2023

iii. Meeting of the Basel Consultative Group hosted by BIS in Basel, Switzerland from 24 to 25 October 2023

iv. Central Banking Autumn Meetings on Managing Central Bank Balance Sheets in Turbulent times hosted by Central Banking & Eastern Carribean Central Bank in St Kitts, Carribean Island from 8 to 9 November 2023

v. Commonwealth Secretariat COP28 Pavilion Side Event hosted by Commonwealth Secretariat in Dubai on 10 December 2023

vi. 19th BCBS-FSI High Level Meeting for Africa on Strengthening Financial Sector Supervision in Cape Town, South Africa from 14 to 15 February 2024

vii. 50th Anniversary of the BCBS and ICBS meeting hosted by Basel Committee on Banking Supervision in Basel, Switzerland from 24 to 25 April 2024

viii. OECD-FSB Roundtable on Artificial Intelligence in Finance hosted by OECD in Paris, France on 22 May 2024

ix. Morgan Stanley Official Institutions Conference hosted by Morgan Stanley in London, United Kingdom from 16 to 20 June 2024.

# Appendices

## Appendix IV

## Staff Turnover

### Recruitment

| Sn | Name | Designation | Date |
|---|---|---|---|
| 1 | MANIKION, Mr Veeren | Payment System Architect | 15/08/23 |
| 2 | BAZERQUE BACHA, Mr Arnaud Hervé Michel | Director | 01/09/23 |
| 3 | KOONJOOBEEHARRY, Mr Nundraj | Analyst | 01/09/23 |
| 4 | ROHEE, Mr Tulsidass | Bank Officer | 17/10/23 |
| 5 | RAMKISSOON, Mr Maanav | Bank Officer | 17/10/23 |
| 6 | BHOOKUL, Mr Rajnish | Bank Officer | 17/10/23 |
| 7 | RAGADU, Mr Rovin | Bank Officer | 17/10/23 |
| 8 | MUNGUR, Mrs Hansah | Bank Officer | 03/11/23 |
| 9 | RAMSURRUN, Ms Aadevee | Bank Officer | 03/11/23 |
| 10 | HURRY, Mr Khemraj | Chief | 03/11/23 |
| 11 | SAMPUTH, Mr Bhavesh Dev | Analyst | 03/11/23 |
| 12 | Munohur, Mr Yovan Ramruttun | Bank Officer | 03/11/23 |
| 13 | PUTTOO, Mr Devindra | Chief | 13/11/23 |
| 14 | RAGOBUR, Mr Rajiv | Bank Officer | 20/11/23 |
| 15 | NAPAUL, Mr Girish | Bank Officer | 20/11/23 |
| 16 | BHONAH, Ms Ojaswinee | Bank Officer | 20/11/23 |
| 17 | BHOLAH, Ms Soushmita | Bank Officer | 28/11/23 |
| 18 | CHOOAH, Mr Thacoordas | Bank Officer | 28/11/23 |
| 19 | BANKA, Mr Ouvesh | Bank Officer | 01/12/23 |
| 20 | RAMDEEN, Ms Heshna | Bank Officer | 03/01/24 |
| 21 | BABOOLALL, Ms Urvashi | Bank Officer | 03/01/24 |
| 22 | JORAI, Ms Mahima | Bank Officer | 03/01/24 |
| 23 | CHOWTEE, Ms Dharnawadhi | Support Officer | 02/02/24 |
| 24 | SEEDANIE, Ms Navishta Kumarie | Support Officer | 02/02/24 |
| 25 | CONSENS, Ms Marie Beatrice Nathalia | Support Officer | 02/02/24 |
| 26 | KOODABUX, Ms Bibi Farheen | Bank Officer | 05/02/24 |
| 27 | JHAURRY, Mrs Chandranee | Bank Officer | 26/02/24 |
| 28 | BEEDAH, Mr Karanveer | Support Officer | 25/03/24 |
| 29 | DEHUL, Mr Roshan | Security Guard | 01/04/24 |
| 30 | BABOOLALL, Mr Hansraj | Security Guard | 01/04/24 |
| 31 | ROSEEAWON, Mr Jhasveer | Security Guard | 01/04/24 |
| 32 | RAMFUL, Ms Janhavi | Security Guard | 01/04/24 |
| 33 | BULLORAM, Mr Girish | Security Guard | 01/04/24 |
| 34 | MANGAR, Mr Rahul Kumar | Security Guard | 01/04/24 |

| Sn | Name | Designation | Date |
|---|---|---|---|
| 35 | EDOUARD, Mr Jean Guivaryien | Security Guard | 23/04/24 |
| 36 | DABYDOYAL, Mr Yashkumar | Security Guard | 01/04/24 |
| 37 | MARION, Ms Marie-Annael Eldie Owena | Security Guard | 23/04/24 |
| 38 | GOOLAM HOSSEN, Mr Mohammad Jibraan | Security Guard | 23/04/24 |
| 39 | SEVRET, Mr Achille Gael Metouchael | Security Guard | 23/04/24 |
| 40 | ANGNOO, Miss Ashveena | Support Officer | 25/04/24 |
| 41 | GHUGROO, Mr Roodee | Support Officer | 25/04/24 |
| 42 | TENGUR, Mr Bhavish | Support Officer | 25/04/24 |
| 43 | DOOKOOA, Mr Yash Kumar | Support Officer | 25/04/24 |
| 44 | SHAMAH, Mr Sanjay | Security Guard | 06/05/24 |
| 45 | APANAH, Mrs Soogambal | Business Intelligence Developer | 13/05/24 |
| 46 | SAHYE AUMEER, Mrs Prista | Business Intelligence Developer | 03/06/24 |

### Retirement

| Sn | Name | Designation | Date |
|---|---|---|---|
| 1 | BUNDHOO, Mrs Soomuntee | Bank Officer Grade II | 09/08/23 |
| 2 | CHINAPIAL, Mr Goinsamy | Bank Attendant Grade II | 07/09/23 |
| 3 | HURRIL, Mr Soodhakar | Bank Attendant Grade II | 22/09/23 |
| 4 | SEEBURRUN, Mrs Yasmatee | Senior Analyst | 19/10/23 |
| 5 | PEEROO-TEGALLY, Mrs Yasmeena Bee | Analyst | 26/10/23 |
| 6 | PHILIBERT, Miss Marie-Line Gilberte | Senior Analyst | 01/10/23 |
| 7 | MATTAN, Mr Jagatsingh | Bank Attendant Grade I | 28/11/23 |
| 8 | NABELAH, Mr Suresh | Analyst | 06/12/23 |
| 9 | DABOO, Mr Grooduth | Chief | 05/02/24 |
| 10 | JAHUL, Mrs Permawat | Bank Officer Grade II | 14/02/24 |
| 11 | RAJABALEE, Mrs Roukaiya Bibi | Bank Officer Grade I | 24/02/24 |
| 12 | DWARKA, Mrs Kevina | Analyst | 02/04/24 |
| 13 | MUNNEE, Mrs Smita | Analyst | 19/04/24 |
| 14 | RAMFUL, Mr Leckraz | Senior Analyst | 27/04/24 |
| 15 | NUNKOO, Mr Rajeshwar | Bank Attendant Grade II | 22/05/24 |
| 16 | BOODHUN, Mr Ravindranath | Technical Officer Grade B | 04/06/24 |
| 17 | DOOLAR, Mr Dhaylall | Bank Attendant Grade II | 27/06/24 |

### Resignation

| Sn | Name | Designation | Date |
|---|---|---|---|
| 1 | BHUJUN, Mr Larveen | Bank Officer Grade I | 08/07/23 |
| 2 | BABOOLALL, Mr Yogeshwar | Bank Officer Grade II | 28/07/23 |
| 3 | BAPTISTE, Miss Anne Cecile | Bank Officer Grade I | 03/08/23 |
| 4 | ROSSAN, Mr Shehzaad Ahmud | Help Desk Officer | 18/09/23 |
| 5 | GHURBHURN, Mrs Padmini Shah | Bank Officer Grade II | 11/09/23 |
| 6 | GOPAUL, Mr Yashilall | Analyst | 14/10/23 |
| 7 | SOBRUN, Mrs Yageshwaree | Bank Officer | 20/10/23 |
| 8 | LANFRAY, Mr François Yohann | Analyst | 23/11/23 |
| 9 | KURRUMCHAND, Miss Preksha | Analyst | 11/01/24 |
| 10 | JEETUN, Mr Nadeem Azad | Analyst | 08/02/24 |
| 11 | BHURTUN, Mr Muhammad Yaasir | Analyst | 29/02/24 |
| 12 | KOONJA, Mr Abhishek Rahul | Bank Officer | 29/02/24 |
| 13 | CHOOAH, Mr Thacoordas Nekitsing | Bank Officer | 09/03/24 |
| 14 | JHURRY, Mr Dronacharya | Database Administrator | 27/03/24 |
| 15 | GUNNOO, Miss Tejasweenee | Bank Officer | 12/05/24 |
| 16 | JHARITTAYA, Mrs Saraspati Devi | Bank Officer Grade I | 23/05/24 |
| 17 | MUNOHUR, Mr Yovan Ramruttun | Bank Officer | 01/06/24 |
| 18 | DABYDOYAL, Mr Yashkumar | Security Guard | 05/06/24 |

## Appendix V

## Main Legislative Amendments

### A. The Mauritius Deposit Insurance Scheme Act 2019

The Mauritius Deposit Insurance Scheme Act 2019 (MDIS Act) was enacted in April 2019 to, inter alia, provide for the establishment of the Mauritius Deposit Insurance Scheme which shall be administered and managed by the Mauritius Deposit Insurance Corporation Ltd (MDIC), a company incorporated and registered under the Companies Act.

The purpose of the Mauritius Deposit Insurance Scheme is to:

(i) protect insured depositors of a bank or non-bank deposit taking institution by providing insurance against the loss of insured deposits; and

(ii) contribute to the stability of the financial system in Mauritius by ensuring that depositors have prompt access to their insured deposits, in the event of failure by a bank or non-bank deposit taking institution.

By way of Proclamation Notice No. 30 of 2023 dated 1st December 2023, the MDIS Act was proclaimed in a phased manner whereby the relevant provisions pertaining to the incorporation of the MDIC became operational as from 15 December 2023 while the remaining provisions became operational on 14 June 2024.

The MDIC has been incorporated on 26 March 2024 as a fully owned subsidiary of the Bank of Mauritius (Bank) and its registered office is situated at the Bank of Mauritius Tower.

Section 18(1) of the MDIS Act which, inter alia, provides for member institutions to pay an initial contribution into the Mauritius Deposit Insurance Fund, has been amended by the Finance (Miscellaneous Provisions) Act 2024, to provide that the payment of the initial contribution shall be effected on such date as the Board of the MDIC may determine.

**Consequential amendments brought by the Mauritius Deposit Insurance Scheme Act 2019**

The consequential amendments made to the Bank of Mauritius Act and the Banking Act in the MDIS Act and which came into operation on 15 December 2023, are as follows:

**I. Bank of Mauritius Act**

1. *Section 2 - Interpretation*

   A new definition of "Mauritius Deposit Insurance Corporation Ltd" was inserted in section 2, as follows:

   "Mauritius Deposit Insurance Corporation Ltd" means the Mauritius Deposit Insurance Corporation Ltd incorporated and registered under the Companies Act and referred to in the Mauritius Deposit Insurance Scheme Act 2019.

2. *Section 26 - Confidentiality*

   A new paragraph (ac) was inserted in section 26(4) with a view to allowing the disclosure by the Bank to the MDIC of such information as the MDIC may require for the purposes of assisting it in the discharge of its functions.

3. *Section 60 – Mauritius Deposit Insurance Scheme*

   The existing section 60 was repealed and replaced with a new section entitled "Mauritius Deposit Insurance Scheme" which permits the Bank to:

(i) subscribe to all or part of the share capital of the MDIC;

(ii) advance funds to the MDIC, on such repayment terms and conditions as the Bank may determine, for the administration and management of the Mauritius Deposit Insurance Scheme established under the MDIS Act;

(iii) open and maintain accounts in the name of the MDIC; and

(iv) provide such other resources as it considers necessary to enable the MDIC to discharge its functions under the MDIS Act.

**II. Banking Act**

1. *Section 2 - Interpretation*

   A new definition of "Mauritius Deposit Insurance Corporation Ltd" along the same line as the one inserted in section 2 of the Bank of Mauritius Act was also inserted in section 2 of the Banking Act.

2. *Section 27 - Restriction on payment of dividends*

   A new paragraph (d) was added to section 27(1) to provide that notwithstanding the Companies Act 1984 and Companies Act 2001, no bank or non-bank deposit taking institution shall declare, credit or pay, or transfer abroad, any dividend or make any other transfer from profits until adequate provision, to the satisfaction of the Bank of Mauritius, has been made in respect of premium contribution to the MDIC.

3. *Section 30A - Prohibition of floating charge on assets*

   A new section 30A entitled "Prohibition of floating charge on assets" was inserted after section 30 of the Banking Act, to provide that notwithstanding section 30, a bank or non-bank deposit taking institution shall not create a floating charge on the undertaking or any property of the bank or non-bank deposit taking institution or any part thereof, unless the creation of such floating charge is approved by the Bank as not being detrimental to the interests of the depositors of the bank or non-bank deposit taking institution.

   Any floating charge created without the approval of the Bank shall be null and void.

4. *Section 64 - Confidentiality*

   A new paragraph (q) was added to section 64(3) so that the duty of confidentiality imposed under section 64 shall not apply where the information is required for transmission to the MDIC.

5. *Section 86 – Priority of Claims*

   Section 86 of the Banking Act provides for the order of priority for the settlement of claims against the general assets of a financial institution which is under receivership.

   The order of priority of claims has been amended whereby paragraph (d) was repealed and replaced by a paragraph which provides that any premium contributions due and payable by the bank or non-bank deposit taking institution to the MDIC now ranks in the fourth place in the order of priority of claims.

   Additionally, a new paragraph (da) was inserted after paragraph (d), to the effect that liabilities incurred by the Mauritius Deposit Insurance Corporation Ltd in respect of insured deposits, up to the amount of compensation paid or payable out of the Deposit Insurance Fund referred to in the MDIS Act now ranks in the fifth place in the order of priority under section 86 of the Banking Act.

6. *Section 93 – Deposit Insurance Scheme*

   Section 93 relating to the Deposit Insurance Scheme has been repealed.

## B. The Financial Crimes Commission Act 2023

The Financial Crimes Commission (Commission) has been established under the Financial Crimes Commission Act 2023 (FCC Act) which came into operation on 29 March 2024.

The object of the FCC Act is to provide for the establishment of the Commission, which will be the apex agency in Mauritius to detect, investigate and prosecute financial crimes such as corruption offences, money laundering offences, fraud offences, the financing of drug dealing offences and any other ancillary offence connected thereto.

The Prevention of Corruption Act, the Asset Recovery Act, the Good Governance and Integrity Reporting Act and Part II of the Financial Intelligence and Anti-Money Laundering Act were repealed and replaced by this new legal framework and the existing provisions of the repealed enactments were reinforced.

Accordingly, the Commission took over the functions and powers of the Independent Commission Against Corruption (ICAC) under the Prevention of Corruption Act, the Asset Recovery Investigation Division (ARID) of the Financial Intelligence Unit under the Asset Recovery Act and the Integrity Reporting Services Agency (IRSA) under the Good Governance and Integrity Reporting Act. In addition, the Commission is the depository of all declarations made under the Declaration of Assets Act.

The FCC Act brought consequential amendments to various enactment, amongst others:

### I. Banking Act

The Banking Act was amended by the FCC Act in:

(i) section 2, to provide that the definition of “banking laws” henceforth includes the Financial Crimes Commission Act 2023;

(ii) section 64(9), by deleting reference therein to the Director-General under the Prevention of Corruption Act and the Enforcement Authority under the Asset Recovery Act; and

(iii) section 64(10)(b), by deleting the words “the Financial Intelligence and Anti-Money Laundering Act” and replacing them by the words “the Financial Crimes Commission Act 2023”.

### II. The Financial Intelligence and Anti-Money Laundering Act

Several amendments were brought to the Financial Intelligence and Anti-Money Laundering Act to align the relevant provisions thereof with the Financial Crimes Commission Act. Amongst others, Part II of the Financial Intelligence and Anti-Money Laundering Act pertaining to “Money Laundering Offences” has been repealed and these offences are now criminalised under the Financial Crimes Commission Act.

## C. The Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation (Miscellaneous Provisions) Act 2024

The Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation (Miscellaneous Provisions) Act 2024 (‘AML/CFTP Act’) has amended various enactments with a view to, inter alia, meeting international standards on anti-money laundering and combatting the financing of terrorism and proliferation.

The AML/CFTP Act has been gazetted on 25 July 2024 as Act No. 10 of 2024 and has brought amendments to, amongst others, the following banking laws:

(i) Bank of Mauritius Act 2004 (‘BoMA’);

(ii) Banking Act 2004 (‘BA’);

(iii) Financial Intelligence and Anti-Money Laundering Act 2002 (‘FIAMLA’); and

(iv) National Payment Systems Act 2018 (‘NPSA’).

The amendments, which are of interest to the Bank and which are deemed to have come into operation on 25 July 2024, are set out hereunder.

## I. Bank of Mauritius Act 2004

1. *Section 26 – Confidentiality*

A new subsection (5A) was inserted in section 26 which provides that the Bank shall ensure that it has the prior authorisation of the institution, authority or agency which has shared any information with it pursuant to the Banking laws, for the dissemination of any information exchanged with it, or for the use of the information exchanged for supervisory or non-supervisory purposes.

This requirement shall not apply where the Bank is under a legal obligation to disclose or report the information, in which case, at a minimum, the Bank shall promptly inform the institution, authority or agency of this obligation.

2. *Section 50 - Power to issue instructions*

The following amendments have been brought to section 50:

(a) Subsection (6)(b) of section 50 has been amended to provide that where the Bank is determining the quantum of the administrative penalty to be imposed on a financial institution, the Bank shall in addition to the gravity of the breach also take into consideration the duration, extent and recurrence of the breach as well as the past compliance history and general conduct of the financial institution, and such other relevant factor as the Bank may deem appropriate.

(b) New subsections (8), (9) and (10) were added to Section 50:

(i) in addition to administrative penalties, to empower the Bank to apply a range of administrative sanctions where a financial institution has failed to comply, or refrains from complying, with any instructions or guidelines issued by the Bank or requirement imposed under the banking laws;

The administrative sanctions to be applied shall depend on the gravity, duration, extent and recurrence of the breach as well as the past compliance history and general conduct of the financial institution and such other relevant factor as the Bank thinks fit;

(ii) to provide a non-exhaustive list of administrative sanctions which may be applied by the Bank, namely, private warning, public censure, disqualifying a financial institution from holding a licence or a licence of a specified kind for a specified period, issue a warning or disqualify a director, senior officer, employee, agent or shareholder of a financial institution; and

(iii) to extend the definition of "financial institution" for the purpose of section 50, to include a licensee under the NPSA.

3. *Section 52A - Establishment of Central KYC System and Central Accounts Registry*

Section 52A(1D)(a) has been amended to provide that the Bank may where it is necessary for the prevention, detection, investigation or prosecution of proliferation financing, as well, disclose or allow access to account information collected on the Central Accounts Registry to a supervisory authority or law enforcement agency under conditions of confidentiality and subject to the compliance with such conditions as the Bank may determine.

## II. Banking Act

The following amendments were brought to the Banking Act:

1. *Section 2 – Interpretation*

(i) Definitions of the terms 'AML/CFT' (which means anti-money laundering and combatting the financing of terrorism and proliferation), 'proliferation' (which holds the same meaning as in the FIAMLA), and 'terrorism or terrorists' (which is deemed to include proliferation) have been added to the Interpretation section.

(ii) The term "examination" has also been defined to provide clarity on the different types of examinations which may be conducted by the Bank under the BA, namely an on-site or off-site regular examination, a special examination or an off-site monitoring.

2. *Section 44 – Powers of examiners and special examiners*

   A new paragraph (aa) has been added to Section 44(1) to enable the Bank to request a financial institution to provide it with an off-site or remote access to such information and system as may be required for the conduct of an examination.

3. *Section 45 – Powers of central bank following examination*

   Section 45(1)(e) has been amended to enable the Bank to require financial institutions to submit to it such reports on remedial actions taken following an examination, amongst others, at such frequency and in such manner as the Bank may specify.

   A new paragraph (c) has also been added to section 45(2) to provide that the Bank may in the light of the examination report, take such action, as may be warranted pursuant to section 50(6) to (9) of the BoMA.

4. *Section 53A – New products, business practices, delivery mechanisms and technologies*

   A new subsection (2) has been added to section 53A which requires every financial institution or holder of a licence to document their risk assessments in writing, keep them up-to-date, and, on request, make it available to the Bank without delay and in such form or manner as may be specified by the Bank.

   The purpose of such risk assessments is to identify, assess and take appropriate measures to manage and mitigate the money laundering or terrorism financing risks that may arise in relation to, amongst others, new products or business practices, or new or developing technologies for both new and pre-existing products.

5. *Section 64A – Programmes against money laundering and terrorism financing*

   The following amendments have been brought to section 64A in order to align same with the requirements of FATF Recommendation 18:

(a) Subsections (1) and (2) have been repealed and replaced by two new subsections which, inter alia, reinstate the requirement for:

(i) financial institutions to implement AML/CFT programmes having regard to the money laundering and terrorism financing risks and the size of their business;

(ii) the internal policies, procedures and controls which must be included in the AML/CFT Programmes;

(iii) financial groups to implement group-wide programmes against money laundering and terrorism financing which shall be applicable and appropriate to all branches and majority-owned subsidiaries of the financial group; and

(iv) the measures to be included in the group-wide programme, including safeguards on the confidentiality and use of information exchanged, as well as safeguards to prevent tipping off.

(b) two new subsections (3) and (4) have been added which, inter alia:

(i) require financial institutions to ensure that their foreign branches and majority-owned subsidiaries apply AML/CFT measures which are consistent with the home country's requirement, where the minimum AML/CFT requirements of the host country are less strict than those of the home country, to the extent that host country's laws and regulations permit; and

(ii) provide for a definition of "financial group".

6. *Section 64E – Cooperation and exchange of information with domestic and foreign counterparts*

   A new section 64E has been added under Part VIIIA (Prevention of money laundering and terrorism financing), which sets out the provisions to be adhered to by the Bank when cooperating and exchanging supervisory information, with domestic and foreign counterparts, related to, or relevant for AML/CFT purposes. The section also specifies the types of information which may be exchanged, amongst others.

**III. The Financial Intelligence and Anti-Money Laundering Act 2002**

Various amendments have been brought to the Financial Intelligence and Anti-Money Laundering Act (FIAMLA), and the amendments, which are of interest to the Bank are set out hereunder.

*(a) Section 2 – Interpretation*

The definitions of "Minister" and "Ministry" have been amended and refer to the Minister to whom responsibility/the Ministry responsible, for the subject of anti-money laundering and combatting the financing of terrorism and proliferation.

A new definition for the term "guidelines" which means codes, guidance notes, practice notes and other similar instruments issued by a supervisory body, has been added to this section.

*(b) Section 13 – Dissemination of information by Director*

Section 13(4) has been amended to, inter alia, provide that where a reporting person receives a request for information from the FIU under section 14(2) and (3), the reporting person shall, notwithstanding section 300 of the Criminal Code and any other enactment, furnish the FIU with the requested information promptly but not later than 15 working days after the request.

*(c) Section 14 – Reporting of suspicious transaction by reporting person or auditor*

Section 14(1) has been amended to provide that every reporting person shall, as soon as he becomes aware of a suspicious transaction, make a report to FIU of such transaction promptly but not later than 5 working days.

Section 14(1B) has also been amended to clarify that the feedback provided by FIU under subsection (1A) shall be of a general nature and shall not be construed to be a substitute for the reporting person's own internal screening mechanisms.

*(d) Section 16 – Legal consequences of reporting*

Subsection (1) of section 16 which provides that a reporting person shall not disclose to any person that a suspicious transaction report is being or has been filed, amongst others, has been amended to make this subsection subject to subsection (3), which provides for specified instances where a reporting person may share information pertaining to suspicious transaction reports.

*(e) Section 17H - High risk country*

Section 17(1) has been repealed and replaced by a new subsection (1) which provides that where a jurisdiction is identified by the Financial Action Task Force as having significant or strategic deficiencies in its AML/CFT measures, the Minister responsible for the subject of AML/CFT, may, on the recommendation of the National Committee for AML/CFT, identify that jurisdiction as a high risk country.

*(f) Section 18 – Regulatory action in the event of non-compliance*

Section 18(1) has been amended in:

(i) paragraph (a), by deleting the words "codes and" therefrom in the light of the new definition of "guidelines" which includes "codes"; and

(ii) paragraph (b), by specifying that the Bank of Mauritius may for the purpose of supervising and enforcing compliance by its licensees with the requirements of the FIAMLA, regulations made thereunder and guidelines issued by it, have access to all books, records and other information, in either physical or electronic form, maintained by banks and cash dealers.

*(g) Section 19AA – Establishment of Core Group*

(i) The Core Group has been renamed as Core Group for Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation, and combatting foreign bribery.

Additionally, the functions of the Core Group has been extended to:

- oversee and coordinate all matters pertaining to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and its 2021 Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions; and

- formulate policies and make recommendations on skills development and capacity building initiatives, to enhance the capabilities of the competent authorities in the fight against financial crimes.

(ii) A new subsection (3A)(a) has also been introduced to provide that the Core Group may set up any subcommittee to initiate and coordinate all preparations for the business of the Core Group and perform such other functions as may be necessary to assist the Core Group in the discharge of its functions under the FIAMLA.

*(h) New section 19CA – Committees*

A new Section 19CA has been introduced in the Act to empower the Minister to whom responsibility for the subject of money laundering and combatting the financing of terrorism and proliferation is assigned, to, by way of regulations, set up such committees as may be necessary for the effective administration and implementation of the provisions of the FIAMLA.

**IV. National Payment Systems Act**

*Section 28 – Infringement and remedial measures*

A new paragraph (g) has been added to section 28, to broaden the range of administrative actions which the Bank may take against its licensees, in case of infringement of the NPSA amongst others, to include such other action as may be warranted pursuant to section 50(6), (7), (8) and (9) of the BoMA.

**Other relevant legislations amended by the AML/CFTP Act**

The AML/CFTP Act has also brought amendments to the following legislations, which are of relevance to the Bank:

**V. Companies Act**

Section 91 (Company to maintain share register) has been amended to provide that:

(i) a company shall, at all times, identify its beneficial owner or ultimate beneficial owner and, where applicable, any nominee;

(ii) companies also have the obligation to keep the information recorded in a separate register, as well as a record of the action taken for the purpose of identifying a beneficial owner or an ultimate beneficial owner in such manner as the Registrar of Companies may determine; and

(iii) any record, register or any other information required to be kept under section 91 shall, at all times, be accurate and up to date and, on request, be made available forthwith to competent authorities.

**VI. Notaries Act**

Section 34 of the Notaries Act has been amended to require every notary to hold at least 2 professional accounts; one for the notarial office and another for clients' funds, ensuring segregation from personal and professional monies.

## D. The Finance (Miscellaneous Provisions) Act 2024

The Finance (Miscellaneous Provisions) Act 2024, which provides for the implementation of measures announced in the Budget Speech 2024-25 and for matters connected, consequential and incidental thereto, has been gazetted on 27 July 2024 as Act No. 11 of 2024.

The amendments, which are of interest to the Bank, are set out hereunder. These amendments pertain to the BoMA, BA, and the NPSA. The amendments to these legislations came into operation on 27 July 2024.

### I. Bank of Mauritius Act 2004

*Section 47 – Special Reserve Fund*

Subsection (5) of Section 47 has been repealed and replaced by a new subsection which provides that funds out of the Special Reserve Fund may, with the approval of the Board, be used (a) for the purpose of increasing the amount paid as capital of the Bank in accordance with section 10(4) of the BoMA, (b) for monetary policy purposes, and (c) for transfer to the General Reserve Fund established under section 11 of the BoMA.

### II. Banking Act 2004

(a) *Section 27 – Restriction on payment of dividends and Section 30A – Prohibition of floating charge on assets*

Section 27(1)(d) and section 30A have been amended by deleting the word "Bank" and replacing it by the words "central bank", to re-align the reference to central bank throughout the BA.

(b) *Section 39 - Appointment, powers and duties of auditors*

Section 39(5A)(b) has been amended by:

(i) removing the time period of a maximum of 5 years for the extension of the appointment of the firm of auditors for branches or subsidiaries of a foreign bank, and providing that the extension of the appointment may be for such additional period as the Bank may determine; and

(ii) providing that the engagement partner of the audit firm is, with respect to the additional period determined by the Bank, rotated after having completed a continuous period of 5 years.

(c) *Section 47 - Disqualification*

Subsection (2) of Section 47 has been amended to extend the prohibition imposed on a director or senior officer or employee of any financial institution to, at the same time, be a director or senior officer or an employee of a licensee under the National Payment Systems Act (in addition to the prohibition to be a director or senior officer or an employee of any other financial institution), except with the approval of the Bank.

(d) *Section 63 – Bank holidays*

Subsection (2)(b) of Section 63 has been amended to remove the timeframe of at least 24 hours within which a financial institution had to give notice to the public before the day on which it proposes to transact business with the public when that day is a bank holiday or a public holiday.

### III. National Payment Systems Act 2018

(a) *Section 2 – Interpretation*

The definition of the term "payment instrument" has been amended in paragraph (a) thereof, to widen its ambit and include instruments that the Bank may specify, by way of guidelines.

A definition for the term "senior officer" has been included in Section 2, as meaning (a) the chief executive officer, deputy chief executive officer, chief operating officer, chief financial officer, secretary, treasurer, chief internal auditor, money laundering reporting officer, compliance officer or manager of a significant business unit, of a licensee; or (b) a person in a similar position and with similar responsibilities as a person referred to in paragraph (a).

(b) *Section 7 - Authority for grant of authorisation and issue of licence*

The existing provision of Section 7 has been renumbered as subsection (1) and amended to provide for the extension of the authority of the Bank to authorise a person to operate a clearing system or a settlement system.

A new subsection (2) has been added to Section 7 to empower the Bank to grant in-principle approval to an applicant to operate a payment system, clearing system or settlement system or to act as a payment service provider; and qualify such in-principle approval granted by the Bank.

(c) *Section 18 - Confidentiality*

Subsection (3) of Section 18 has been amended by deleting the words “financial institution” and replacing them by the word “licensee”, in order to align the reference to licensee throughout the NPSA.

Subsection (4) of Section 18 which provided for a definition of “senior officer” for the purpose of Section 18, has been repealed.

(d) *Section 27 - Appointment, powers and duties of auditors*

A new subsection (2A) has been added to Section 27 to allow the Bank to, where circumstances so require, revoke an approval granted to a payment service provider or an operator to appoint a firm of auditors.

Subsection (4) of Section 27 has been amended to allow the re-appointment of a firm of auditors, which was responsible for the audit of a payment service provider or an operator for a continuous period of 5 or less years, after 3 years (instead of 5 years) from the date of termination of the previous audit.

A new subsection (4A) has been added to Section 27 to enable the Bank to, approve the extension of the appointment of a firm of auditors for an additional period not exceeding 2 years, upon request from a payment service provider or an operator and on reasonable grounds.

(e) *PART VIA - Responsibilities of Directors and Other Officers of Licensees*

A new Part VIA, comprising new Sections 27A to 27E, has been inserted after Part VI of the NPSA to define the responsibilities of directors and other officers of licensees under the NPSA, and cater for:

(i) the requirement for licensees to appoint or reappoint fit and proper person as directors and senior officer (Section 27A);

(ii) the disqualification of directors, senior officers or employees of a licensee (Section 27B);

(iii) the disclosure of interest by director or senior officers (Section 27C);

(iv) the type of indemnity insurance which the Bank may require a licensee to subscribe (Section 27D); and

(v) the control of advertisement (Section 27E).

## E. Promulgation of two new regulations under the Banking Act

The Banking (Processing and Licence Fees) (Amendment) Regulations 2023 as well as the Banking (Significant Interest Fees) Regulations 2023 were promulgated on 21 December 2023.

**(a) Banking (Processing and Licence Fees) (Amendment) Regulations 2023**

The Banking (Processing and Licence Fees) (Amendment) Regulations 2023 was made by the Bank with the approval of the Minister of Finance, Economic Planning and Development on 21 December 2023. The Regulations provide for an increase in the processing fee payable to the Bank by an applicant in respect of a banking licence, a foreign exchange dealer licence, and a money changer licence.

**(b) Banking (Significant Interest Fees) Regulations 2023**

The Banking (Significant Interest Fees) Regulations 2023 was made by the Minister of Finance, Economic Planning and Development on 21 December 2023. A new processing fee has been introduced under these Regulations, for an application made in respect of an acquisition of a significant interest in a financial institution under Section 31 of the Banking Act.

## Appendix VI

### List of Banks, Non-Bank Deposit Taking Institutions, Money-Changers, Foreign Exchange Dealers and Payment Service Providers Licensed by the Bank of Mauritius

The following is an official list of banks holding a Banking Licence, institutions other than banks, which are licensed to transact deposit taking business, cash dealers licensed to transact the business of money changer or foreign exchange dealer in Mauritius and Rodrigues and payment service providers as at 30 June 2024.

**Banks**

1. ABC Banking Corporation Ltd
2. Absa Bank (Mauritius) Limited
3. AfrAsia Bank Limited
4. Bank One Limited
5. Bank of Baroda
6. Bank of China (Mauritius) Limited
7. Banque Patronus Limitée[1]
8. BCP Bank (Mauritius) Ltd
9. Habib Bank Limited
10. HSBC Bank (Mauritius) Limited
11. Investec Bank (Mauritius) Limited
12. MauBank Ltd
13. SBI (Mauritius) Ltd
14. SBM Bank (Mauritius) Ltd
15. Silver Bank Limited[2]
16. Standard Bank (Mauritius) Limited
17. Standard Chartered Bank (Mauritius) Limited
18. The Hongkong and Shanghai Banking Corporation Limited
19. The Mauritius Commercial Bank Limited
20. Warwyck Private Bank Ltd[3]

**Non-Bank Deposit Taking Institution**

1. La Prudence Leasing Finance Co. Ltd
2. Mauritius Housing Company Ltd
3. MCB Leasing Limited
4. SICOM Financial Services Ltd
5. SPICE Finance Ltd
6. The Mauritius Civil Service Mutual Aid Association Ltd

**Money-Changers (Bureaux de Change)**

1. Abbey Royal Finance Ltd
2. EFK Ltd
3. FX Market Edge Limited
4. Iron Eagle Ltd
5. Moneytime Co. Ltd
6. Vish Exchange Ltd

**Foreign Exchange Dealers**

1. British American Exchange Co. Ltd
2. Change Express Ltd
3. Mauritius Post Foreign Exchange Co Ltd
4. Shibani Finance Co. Ltd
5. Swan Forex Ltd
6. Thomas Cook (Mauritius) Operations Company Limited

**Payment Service Providers**

1. Cellplus Mobile Communications Ltd
2. CIM Financial Services Ltd
3. Emtel MFS Co Ltd

*[1] Banque Patronus Limitée has been granted a banking licence on 27 February 2024. The bank has not yet started operations.*
*[2] The bank is currently under conservatorship.*
*[3] The bank carries on exclusively private banking business.*

# List of Charts

# List of Tables

# List of Acronyms

| | |
|---|---|
| AI | Artificial Intelligence |
| AML | Anti-Money Laundering |
| API | Application Programming Interface |
| ARID | Asset Recovery Investigation Division |
| BA | Banking Act |
| BCS | Bulk Clearing System |
| BoE | Bank of England |
| BoM | Bank of Mauritius |
| BoMA | Bank of Mauritius Act |
| CAR | Capital Adequacy Ratio |
| CBDC | Central Bank Digital Currency |
| CBPR | Cross-Border Payments Reporting |
| CCC | Climate Change Centre |
| CCOC | Climate Change Oversight Committee |
| CCTCDST | Climate Change Technical Committee on Data and Stress Testing |
| CEO | Chief Executive Officer |
| CET1 | Common Equity Tier 1 |
| CFT | Counter-Financing of Terrorism |
| CFTP | Combatting the Financing of Terrorism and Proliferation |
| CKYC | Central KYC |
| COMESA | Common Market for Eastern and Southern Africa |
| CPI | Consumer Price Index |
| CPS | Card Payment System |
| DBM | Development Bank of Mauritius Ltd |
| DCS | Depository Corporations Survey |
| DLT | Distributed Ledger Technology |
| DNFBPs | Designated Non-Financial Business and Professions |
| D-SIBs | Domestic-Systemically Important Banks |
| ECB | European Central Bank |
| EFT | Electronic Funds Transfer |
| ESAAMLG | Eastern and Southern Africa Anti-Money Laundering Group |
| FATF | Financial Action Task Force |
| FCC | Financial Crimes Commission |
| FCY | Foreign Currency |
| FIAMLA | Financial Intelligence and Anti-Money Laundering Act |
| FSC | Financial Services Commission |
| FSIs | Financial Soundness Indicators |
| FX | Foreign Exchange |

# List of Acronyms

| | |
|---|---|
| FY | Financial Year |
| GBC | Global Business Companies |
| GBLHs | Global Business Licence Holders |
| GDP | Gross Domestic Product |
| GFCF | Gross Fixed Capital Formation |
| GRC | Governance, Risk and Compliance |
| GSBF | Group of French-speaking Banking Supervisors |
| HQLA | High Quality Liquid Assets |
| HVPS | High-Value Payments Systems |
| ICAC | Independent Commission Against Corruption |
| ICC | Interagency Coordination Committee |
| IFC | International Financial Centre |
| IFCM | Industrial Finance Corporation of Mauritius |
| IFRS | International Financial Reporting Standards |
| IIP | International Investment Position |
| IMF | International Monetary Fund |
| IP | Internet Protocol |
| IPS | Instant Payment System |
| IRSA | Integrity Reporting Services Agency |
| ISO | International Organization for Standardization |
| KR | Key Rate |
| KYC | Know Your Customer |
| LCR | Liquidity Coverage Ratio |
| MACSS | Mauritius Automated Clearing and Settlement System |
| MauCAS | Mauritius Central Automated Switch |
| MCIB | Mauritius Credit Information Bureau |
| MDIC | Mauritius Deposit Insurance Corporation Ltd |
| MDIS | Mauritius Deposit Insurance Scheme |
| MIS | Management Information System |
| ML | Machine Learning |
| MMI | Money Market Instrument |
| MPC | Monetary Policy Committee |
| MPIs | Macroprudential Indicators |
| MRA | Mauritius Revenue Authority |
| MUGA | Multi Use Games Area |
| NBDITs | Non-Bank Deposit Taking Institutions |
| NGFS | Network for Greening the Financial System |
| NPCI | National Payment Corporation of India |

# List of Acronyms

| | |
|---|---|
| NPISH | Non-Profit Institution Serving Households |
| NPL | Non-Performing Loan |
| NPSA | National Payment Systems Act |
| NSFR | Net Stable Funding Ratio |
| OFCs | Other Financial Corporations |
| OMOs | Open Market Operations |
| ONFCs | Other Nonfinancial Corporations |
| PLACH | Port Louis Automated Clearing House |
| QR | Quick Response |
| REPSS | Regional Payment and Settlement System |
| RSA | Regulatory Sandbox Authorisation |
| RTGS | Real-Time Gross Settlement |
| SADC | Southern African Development Community |
| SDDS | Special Data Dissemination Standard |
| SRI | Systemic Risk Indicator |
| SWIFT | Society for Worldwide Interbank Financial Telecommunications |
| TCIB | Transactions Cleared on Immediate Basis |
| UBS | Union Bank of Switzerland |
| WEO | World Economic Outlook |
| WGCS | Working Group on Cyber Security |
| Y-o-y | Year-on-year |

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