



PAMOJA*
we help build each
other's future.

LINES OF BUSINESS AND DIGITAL TRANSFORMATION

PERSONAL FINANCIAL SERVICES (PFS)

As the Covid-19 pandemic situation continued to impact Mauritius through 2021, the Bank's PFS segment, which provides banking services to individuals and SMEs, had to refocus on brilliant basics – i.e. ensuring that the business managed the health & safety of its people and customers through enhanced sanitary protocols across branches, while enabling customers to manage their personal finances and businesses through the very difficult times.

Enhanced activity management from the PFS team helped maintain a high level of customer engagement. This in turn enabled PFS to continue driving new business and delivering improved innovations into the market. PFS focused on mortgage driven growth and, as a result, its asset book grew by 12.92% against a 2.55% increase in the deposit book. Key to the mortgage growth was a new Eco home loan campaign, in collaboration with La Vallée de Ferney. This enabled the Bank to deliver a best-in-class mortgage proposition, while allowing customers to contribute positively to the management of the environment.

Proactive management of moratoriums and lower than expected delinquencies, helped keep the impairments position of the line of business at a low level.

The pandemic has hit the SME segment particularly hard, but the team worked extremely hard to support its customers and, as a result, was delighted to be awarded the “Best SME Bank” in Mauritius by Global Finance.

Building on the Bank's shareholder cross border presence in Sub-Saharan Africa, the PFS team launched a new offshore banking proposition during the year. This won early recognition when the Elite PFS team won the “Best Mass Affluent Banking Offering” at the Global Retail Banking Innovation Awards in 2021, organised by Digital Banker.

The biggest story for the year, however, was the launch of POP in the fourth quarter – Mauritius' first universal instant payment app. Building on the principles of open banking, POP enables customers from any bank that is part of the Bank of Mauritius' central payment switch (MauCAS), to register on POP and avail free, instant payment to any other bank account in the country – be it a person, wallet or merchant. Users can link all their different bank accounts in the one POP app, split bills, recharge mobile and manage subscriptions. Merchants accepting POP benefit from a materially lower interchange cost, that it can use to provide enhanced value to customers, create loyalty and improve the bottom-line. Further developments are planned for POP.

CORPORATE BANKING (CBD)

The domestic corporate market remains rather challenged by the pandemic, particularly all sectors relating to tourism. The opening of the borders in October will eventually feed through to a recovery but it will take time. Despite the pandemic, the textile and real estate segments are showing some signs of recovery. Textile has benefited from a global de-risking from China, while real estate has seen an upswing from buyers looking for a location offering some shelter from the pandemic as well as improved stability/security.

During the year, the business restructured its balance sheet and let go of expensive deposits and low return money market lines.

Corporate Banking is now well positioned to benefit from a return to more normal business conditions. The focus for the coming year will be to support its domestic clients, particularly in the real estate segment, as well as Mauritian businesses looking to do business in Africa.

INTERNATIONAL BANKING (IBD)

The environment was characterised by numerous headwinds, triggered by continued global lockdowns, global supply chain disruptions, the Mauritius FATF listing, slow vaccine rollouts in key target markets, an extremely challenged credit environment and historically low interest rates.

Despite these significant challenges, IBD recorded a strong rebound to profitability.

Asset growth was selective due to the uncertain credit environment, and the focus was on growing fee income through trade and structured transactions.

On the liability side, the Bank conducted a review of its client base and exited customers with limited potential for growth.

During the year, IBD was recognised by CFI as the “Best Trade Finance Banking” in Mauritius and the Indian Ocean.

The core focus of the business is to work in collaboration with the Bank's shareholders to develop its Sub-Saharan African franchise. As the global and regional markets reopen, the opportunities for IBD remain positive.

PRIVATE BANKING AND WEALTH MANAGEMENT & SECURITIES SERVICES (PBWM)

PBWM clientele includes High Net worth Individuals (HNWI), external Asset Managers, financial institutions, Collective Investment Scheme (CIS) and pension funds.

To enhance its offering and customer experience, further investments have been made to improve the custody platform. The weekly newsletter, introduced around the end of 2020, has also been enhanced to provide regular market updates to clients.

On the liability side, the business conducted a review of all clients and exited those presenting limited opportunities for growth.

During the year, PBWM was recognised as the “Best Private Banking in Mauritius” by Global Finance Magazine.

PBWM continues to grow both its personal and institutional customer base and is positive about the opportunities to grow its business alongside its shareholders in Sub-Saharan Africa.

TREASURY BUSINESS

The key challenge for Treasury has been the shortage of foreign currency on the market. This has been caused by the closure of the tourism sector for the past 18 months. The Bank of Mauritius (BOM) has actively intervened on the market and done a great deal to alleviate the worst impacts of the shortage, though it nevertheless remains very difficult to meet clients' needs.

During the year, the MUR depreciated by over 9% against the dollar.

Interest rates have remained low and stable, and the market continues to be very liquid in MUR. It is likely, with rising inflation and a forecasted growth in global interest rates, there will be pressure on the upside for MUR rates to increase.

Treasury remains very focused on the Bank's Sub-Saharan African strategy. It has launched Falcon, a new trading platform for customers, and is also expanding its African currency trading pairs.

DIGITAL TRANSFORMATION

The Bank remains very focused on its digital transformation journey and is implementing its largest ever investment programme. The key remains digitising products and services, simplifying processes, and making available world class delivery channels for customers. Overarching the transformation change programme is a clear focus on data and analytics.

Key deliveries during the year were a new payments application for personal customers and an FX trading platform for financial institutions and corporates.

In 2022, the Bank will be delivering new mobile banking and internet banking capabilities, significant workflow improvements and a new cards platform.

The Management Discussions and Analysis report may contain various forward-looking statements with respect to Bank One's financial position, business strategy, plans and management objectives. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances including, but not limited to, domestic market, global economic and business conditions, market risks such as changes in interest and exchange rates, policies and actions of governmental and regulatory authorities. We caution readers of this report not to place undue reliance on our forward-looking statements, as these factors may cause future results to differ materially from the plans, goals, expectations or interests expressed in the forward-looking statements. Bank One Limited does not undertake to update any forward-looking statements that may be made from time to time by the organisation or on its behalf.

RISK MANAGEMENT

The report focuses on the holistic process involved in the integrated risk management of the Bank and the resultant outcome that assists the Bank in reaching its strategic vision.

RESPONSIBILITY OF THE BOARD

The Bank's Board of Directors (the Board) remains ultimately responsible for ensuring risks are adequately identified, measured, managed and monitored. It ensures proper governance is in place, allowing healthy risk discussions to take place in a forward-looking manner while also learning lessons from past risk events. The Board approves the risk appetite and ensures risks are managed within the set tolerance levels.

The Board and Board sub committees are kept informed of the Bank's risk status through the Chief Risk Officer (CRO). The CRO reports to the Chief Executive Officer (CEO) but has direct access to the Board and its Risk Committees.

RISK DEFENCE MODEL

The Bank currently employs a three-level defence model whereby:

1. Business lines take ownership of the risks from end to end.
2. Independent risk oversight through the various empowered Risk functions.
3. Internal Audit review and assurance.

The Bank continues to embed an objective-centric Enterprise Risk Management approach to ensure the Risk and Control functions add value to reaching the Bank's strategic objectives.

RISK MANAGEMENT FRAMEWORK

The Bank's fundamental approach to risk management is to ensure that both value preservation and value creation are promoted through the prudent and consistent adoption of the risk culture statement. The risk culture journey is complimented by a deliverable risk appetite statement and quarterly monitored via Board approved risk appetite metrics.

The Board of Directors approves the risk policies and guidelines. The Bank's management has the responsibility for the effective execution of these policies through the implementation of appropriate procedures.

The Board and relevant sub committees monitor the Bank's risk profile on a quarterly basis. Limits on the quantum of Credit Risk, Market Risk, Operational Risk and Country Risk are set within prudent guidelines. Other non-quantifiable risks such as Compliance Risk, Reputational Risk and Strategic Risk are assessed and monitored on a qualitative basis.

THE BOARD'S RESPONSIBILITIES INCLUDE:

- Approval of the risk management strategy and policies to confirm all risks are correctly managed at both portfolio and client level;
- Regularly reviewing the policies and key performance indicators;
- Analysing the Bank's ongoing financial performance against forecasts and budgets.

The Bank's management meets monthly via several management committees to make a comprehensive impact assessment of the Bank's various risks. The Bank holds a monthly Management Integrated Risk Committee (MIRC) that holistically assesses and manages the Bank's risks. The various risk functions escalate any issues and/or limit breaches to the relevant approval authorities, in line with the Bank's escalation matrix.

These Risk functions operate as independent units, which are segregated appropriately from the business and front-line functions.

Qualified and experienced team members lead the following areas:

- a. Compliance;
- b. Credit Risk Management;
- c. Cyber Resilience;
- d. Market Risk (within Finance Team);
- e. Operational Risk;
- f. Data & Analytics (DnA); and
- g. Sustainability

The Bank uses the Internal Capital Adequacy Assessment Process (ICAAP) to assess its optimal capital requirements. Its Asset and Liability Management Committee (ALCO) is responsible for the management of the bank-wide portfolio composition, risk weighted assets measurement and optimal capital allocation. The Bank adopts the Basel Standardised Approach in the calculation of regulatory capital, taking into consideration the macro-prudential policy measures introduced by BOM.

CREDIT RISK MANAGEMENT

DEFINITION	GOVERNANCE	MORE INFORMATION
The risk of loss arising from a client or counterparty failing to fulfil its financial obligations. Primarily arises from wholesale and retail loans & advances. Counterparty risk stems mainly from derivative contracts.	<p>The Board Risk Management Committee (BRMC) sets the Credit Strategy and approves the Credit Policy.</p> <p>The Board Credit Committee (BCC) monitors credit risk to be within the risk appetite and be proactive to any operating environment changes.</p> <p>Management credit approval rests with the Management Credit Committee (MCC). Credit portfolio risks are further discussed at the monthly MIRC.</p> <p>Governance is achieved through an independent credit risk assessment and oversight by Internal Audit. Financial Governance is further supplemented by regular reporting to the BCC, regulatory reporting and the ICAAP simulation.</p>	Various credit management controls are in place, such as credit policies, data analytics, models and risk indicators, to guide the decision-making process based on agreed principles and risk appetite levels. The impact of the following key aspects is considered – probability of default (PD), exposure at default (EAD), loss given default (LGD), provisions and the return on risk-adjusted capital.

CREDIT RISK MITIGATION

The primary credit risk mitigation comprises accurate data and information together with value added research to make an informed decision regarding the obligor's repayment ability. The sustainability of the cash flow generation over the contract period is critically assessed to ensure the proper servicing of the debt.

As an additional mitigation for credit risk, collateral and guarantees are taken to render the risk and reward equitable in terms of the Bank's Risk Appetite.

CREDIT RELATED COMMITMENTS

Credit related commitments include bank guarantees, documentary letters of credit, standby letters of credit and undrawn commitments on committed facilities. The relevant capital charges of the various instruments are calculated based on the criteria set in the BOM guideline on the standardised approach to credit risk.

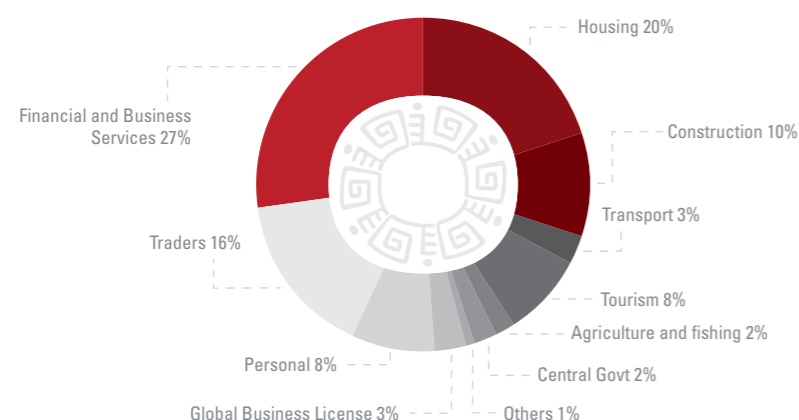
	Year ended Dec-19 MUR 000	Year ended Dec-20 MUR 000	Year ended Dec-21 MUR 000
CREDIT RELATED COMMITMENTS			
Bank guarantees and other contingent liabilities	760,284	1,262,164	920,688
Undrawn Credit Related Commitments	4,018,557	1,905,672	4,108,310

RISK MANAGEMENT

BANK PLACEMENTS AND LENDING

These instruments are normally of a better credit quality by the virtue of the regulated market in which these counterparties operate. External credit rating agencies' reports on the credit quality of rated banks are utilised as an input into the internal credit assessment, together with obtaining an internal credit rating for all bank obligors using the Moody's RiskCalc Bank Model.

SECTORWISE DISTRIBUTION



As shown in the chart above, the risk is well diversified. The largest concentration is on Financial and Business Services at 30% (2020: 24%) with the bulk of the exposure to other banks. This has increased from the prior year as Construction decreased their contribution. No major variance in the other sectors occurred during 2021.

In line with the Bank's strategy, the exposure to banks is expected to increase further in future years.

CONCENTRATION RISK

Maximum exposure limits are set for individual counterparties, countries and sectors, to maximise any potential diversification benefits while complying with the BOM Guideline on Credit Concentration Risk.

The top six groups and Single borrower exposures as at 31 December 2021 have shown an increase in concentration percentages:

Group	2021		2020	
	Exposure MUR 000	% of Tier 1 Capital	Exposure MUR 000	% of Tier 1 Capital
1	946,615	27.53	1,088,733	36.24
2	874,293	25.42	1,081,930	36.02
3	800,198	23.27	1,049,446	34.94
4	732,954	21.31	1,020,950	33.99
5	705,000	20.50	911,376	30.34
6	463,876	13.30	1,049,446	34.90

Single Borrower	2021		2020	
	Exposure MUR 000	% of Tier 1 Capital	Exposure MUR 000	% of Tier 1 Capital
1	650,250	18.64	590,250	19.65
2	650,250	18.91	590,250	19.65
3	643,234	18.71	590,250	19.65
4	606,900	17.65	583,881	19.44
5	540,430	15.72	482,960	16.08
6	445,855	12.78	472,200	15.72

HERFINDAHL-HIRSCHMAN INDEX (HHI) AND CONCENTRATION RISK LEVEL

The Bank uses the HHI to assess the concentration of its depositors and borrowers. The following table relates the HHI with the level of risk as at 31 December 2021:

HHI	RISK LEVEL	TOP 10 INDIVIDUALS	TOP 10 GROUPS	TOP 10 INDUSTRIES	TOP 10 DEPOSITORS
< 1 000	Low risk	→	→	→	→
1 000 – 1 800	Moderate risk	—	—	—	—
> 1 800	High risk	—	—	—	—

As at 31 December 2021, all portfolios remained in the Low Risk category for concentration risk, despite the increase in the top six group and single borrowers.

RELATED PARTY TRANSACTIONS

The Conduct Review & Corporate Governance Committee (CRCGC) approves every related party transaction and ensures these transactions are at standard market principles in terms of the arm's length principle.

The aggregate on balance sheet related party exposure of the Bank amounted to MUR 971 million (2020: MUR 727 million) which represents 28.24% of Tier I Capital (2020: 24.20%). The facilities range from bank placements, overdrafts and loans. Collateral is taken for the facilities, except for bank placements, which are bank senior unsecured risk. Settlement of facilities will be from the underlying obligor's operating cash flow and arm's length terms and conditions apply.

The aggregate related party exposure (Off-balance sheet) of the Bank was MUR 244 million as at year-end (2020: MUR 367.7 million).

None of the loans advanced to related parties were classified as non-performing as at 31 December 2021.

The table below sets out the six largest related party exposures and the respective percentages of the Bank's Tier 1 capital:

Related Party	2021		2020	
	Exposure MUR 000	% of Tier 1 Capital	Exposure MUR 000	% of Tier 1 Capital
1	380,000	11.05	380,000	12.65
2	348,600	10.14	348,729	11.61
3	222,700	6.48	220,740	7.35
4	173,400	5.04	57,435	1.91
5	27,232	0.79	12,360	0.41
6	15,958	0.46	9,396	0.31

The Bank complies with the BOM Guideline on Related Party Transactions.

CREDIT QUALITY

IMPAIRMENT AND PROVISIONING POLICIES

Impairment provisions are recognised for financial reporting purposes under International Financial Reporting Standard IFRS 9 and the relevant BOM guidelines. The Bank is compliant with the BOM Guideline on Credit Impairment Measurement and Income Recognition. An independent valuation from a qualified appraiser validates the net realisable value of collateral.

RISK MANAGEMENT

IFRS 9

The IFRS 9 standard requires the Bank to use the best estimates of three components, namely Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) to arrive at an Expected Credit Loss (ECL). These components are estimated using both internal and external models, together with respecting the relevant guidelines. External auditors have validated the internal models and tools for the purpose of IFRS 9.

The Bank of Mauritius (BOM) has suspended the new guideline on credit impairment measurement and income recognition effective January 2020, in response to the Covid-19 pandemic.

COLLECTION AND RECOVERY PROCESS

The Bank's philosophy is to resolve recovery matters through negotiations. If no agreement is reached, legal action is pursued with urgency for the timely recovery of all non-performing assets (NPAs).

For 2021, the NPA portfolio decreased substantially, by 64%. The driver was the resolution of seven of the largest fifteen NPAs. The Provisions Coverage Ratio (PCR) has continued to improve from 78.32% in 2020 to 83.27% for the year under review.

COVID-19 MORATORIUM PORTFOLIO

Moratoriums have been provided to those clients directly affected by the pandemic. The moratorium requests follow the normal credit process to determine the medium- to long-term sustainability of all moratorium applicants.

Moratoriums provided to Retail and Corporate clients decreased to MUR 1.03 billion (2020: MUR 2.3 billion), which equates to 8% (2020: 17%) of the Segment A portfolio. Management conducts quarterly stress tests on this portfolio and has taken an additional management overlay Provision (Stage 1 & 2) of MUR 70 million (2020: MUR 88.4 million).

The past due portfolio has performed better than expected given the external environment and fallout of the pandemic.

STAGE 1 AND 2 OUTSTANDING BALANCE CONTRIBUTION

Loan and advances Stage 1 and Stage 2	As at 31 December 2021			As at 31 December 2020		
	Individual retail and mortgages	Corporate entities	Total loan and advances to customers	Individual retail and mortgages	Corporate entities	Total loan and advances to customers
Stage 1	99%	97%	98%	98%	93%	95%
Stage 2	1%	3%	2%	2%	7%	5%

As a result of proactive and effective monitoring of the total credit portfolio, 98% (2021: 95%) of the portfolio remains within Stage 1. The Stage 2 bucket contributes 2% (2021: 5%) to the overall portfolio. Given the operating environment of 2021, the portfolio's performance continues to exceed expectations.

RESTRUCTURED FACILITIES

Restructured loans are loans that have been renegotiated due to deterioration in the borrower's financial position and cash flow. In such cases, where assessed genuine, the Bank has reviewed the terms and conditions by allowing concessions such as extending the maturity, changing the frequency of interest servicing, review and downward revision of interest rate as well as amendments to other terms of loan covenants. The Bank follows the requirements of the Bank of Mauritius Guideline on Credit Impairment and Income Recognition on restructured facilities.

For the year under review, credit facilities were restructured for an amount of MUR 9.8 million (2020: MUR 5 million). These loans are being regularly repaid and the balance reduced to MUR 9.2 million (2020: MUR 4.9 million) as at 31 December 2021.

PROPERTIES IN POSSESSION (PIPS)

As at December 2021, the Bank held four PIPs in its books, with an assessed total value of MUR 9.1 million (2020: MUR 9.1 million) included in the "Other Assets" figure (note 21 of the financial statements). No new properties were added during the year under review. As at December 2021, the carrying value of these properties did not differ materially from the estimated market value. The Bank's policy regarding the PIPs is to dispose of them as soon as practically possible, this in line with banking legislation.

The policy of the Bank is to recognise the assets repossessed at the lower of the carrying value and the fair value less cost to resell.

MARKET RISK

DEFINITION	GOVERNANCE	MORE INFORMATION
The risk of a potential decrease in stakeholder value, resulting from adverse changes in market prices and interest rates that negatively affect assets and liabilities.	Market risk exposure for different types of transactions is managed within risk limits and guidelines approved by the Board and monthly monitored via the ALCO, which reports any key risks to the MIRC on a monthly basis, and quarterly to the Board Risk Management Committee (BRMC). The Analytics team monitors and reports on limit governance.	The Treasury department monitors the debt securities book on a weekly basis, reporting monthly to ALCO and quarterly to the BRMC.

MARKET RISK ARISING FROM THE TRADING BOOK

The Bank measures market risk from the trading book using the VaR technique (historical approach at a 99% confidence level over a one-day holding period) and controls market risk exposures within prudent risks limits set by the Board, in line with the Bank's risk appetite. Market risk is monitored on a daily basis.

MARKET RISK ARISING FROM THE BANKING BOOK

Various management action triggers are established to provide early alerts to Management on the different levels of exposures of the banking book activities, relative to foreign exchange risk, interest rate risk and liquidity risk. Sensitivity analysis and stress testing covering shocks and shifts in interest rates on the Bank's on-and-off balance sheet positions, liquidity drift under institution-specific and general market crisis scenarios are regularly performed to gauge and forecast the market risk inherent in the banking book portfolio.

(I) FOREIGN EXCHANGE RISK

The Bank has limited net foreign exchange exposure as foreign exchange positions and foreign currency balances arising from customer transactions are normally matched against other customer transactions or through cover transactions with the market. The net open exposure positions, both by individual currency and in aggregate, are managed by the Treasury department within established limits. They are reported to Bank of Mauritius on a daily basis.

During 2021, the Bank operated well within the regulatory limits regarding net open positions.

A monthly report is submitted to the ALCO and a quarterly report to the BRMC, for notification of any underlying breach in limits. Breaches are immediately notified to Senior Management and simultaneously escalated to the relevant sanctioning authority in terms of the Bank's escalation matrix.

Accordingly, as at 31 December 2021, VaR limits against the actual potential loss reflect sufficient headroom:

VAR LIMIT VS ACTUAL POSITION DECEMBER 2021	USD	EUR	GBP
Limit	MUR 800k	MUR 500k	MUR 200k
Potential Loss	MUR 652k	MUR 13k	MUR 16k

(II) INTEREST RATE RISK

The Bank considers the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken. This is reported monthly to the ALCO and quarterly to the BRMC.

The framework adopted by the Bank to measure interest rate risk exposures is consistent with the BOM guidelines for reporting interest rate risk exposures, which comprise mainly interest rate sensitivity analysis and stress testing.

RISK MANAGEMENT

INTEREST RATE REPRICING GAP ANALYSIS

A detailed evaluation of the interest rate sensitivity analysis as at 31 December 2021 is provided in note 2 (f) of the financial statements.

Earnings at risk methodology used to assess the impact of various interest rate change scenarios on net interest income over a 12-month horizon, as required under the domestic and global regulatory guidelines.

MUR & USD EARNINGS AT RISK ANALYSIS AS AT 31 DECEMBER 2021

INTEREST RATE MOVEMENT 2021	IMPACT ON EARNINGS ON ACCOUNT OF INTEREST BASIS (MUR M)	IMPACT ON EARNINGS ON ACCOUNT OF INTEREST BASIS (USD M)
+ 100 bps	4.72	0.53
-100 bps	(4.72)	(0.53)
+ 200 bps	9.43	1.07
-200 bps	(9.43)	(1.07)

The Bank is able to absorb potential interest shocks.

LIQUIDITY RISK

DEFINITION	GOVERNANCE	MORE INFORMATION
The risk of losses from not having cash to honour commitments when falling due.	Treasury is responsible for the daily management of liquidity and provides daily reporting to Senior Management. The ALCO oversees the activities of Treasury on a monthly basis and reports monthly to the MIRC and quarterly to the BRMC.	The Bank manages its liquidity on a prudent and proactive basis and ensures that the statutory minimum cash reserve requirements are maintained throughout the year. No statutory limits have been breached during the year, including the Liquidity Coverage Ratio (LCR). A contingent liquidity plan is in place to prepare for any extreme liquidity stress scenario.

The ALCO reviews monthly, or on ad hoc basis if required, the Bank's liquidity position. Appropriate limits on liquidity and maturity mismatch are set and sufficient liquid assets are held to ensure the Bank can meet all its short-term funding requirements.

The Bank's funding comprises mainly customer deposits and borrowings, both short- and long-term. Short-term interbank deposits are accepted on a limited basis.

The table in note 2(g) of the financial statements analyses the Bank's assets and liabilities into relevant maturity buckets.

The Bank monitors liquidity gaps on a static, cumulative as well as dynamic basis. Under the dynamic scenario, the Bank arranges assets and liabilities into different maturity ranges, according to the BOM guideline on liquidity risk management, considering the historical behavioural pattern of these assets and liabilities. Stress testing and scenario analysis form an important part of the Bank's liquidity management process. The Bank has a liquidity contingency plan that is regularly updated to ensure it can be executed as expected, if required.

LIQUIDITY COVERAGE RATIO (LCR)

LCR is computed as the percentage of high-quality liquid assets to total net cash outflows over the next 30 days under a severe stress scenario. As at December 2021, the Bank was well above the minimum consolidated liquidity requirements as shown in the table below:

LIQUIDITY COVERAGE RATIO - QUARTER ENDING DECEMBER 2021

(CONSOLIDATED IN MUR 000s)	TOTAL UNWEIGHTED VALUE (quarterly average of monthly observations)	TOTAL WEIGHTED VALUE (quarterly average of monthly observations)
High-Quality Liquid Assets		
Total high-quality liquid assets (HQLA)	7,403,444	7,403,444
Cash Outflows		
Retail deposits and deposits from small business customers, of which:		
<i>Less stable deposits</i>	13,221,600	1,322,160
Unsecured wholesale funding, of which:		
<i>Non-operational deposits (all counterparties)</i>	11,440,209	4,576,083
<i>Unsecured debt</i>	2,234,669	2,234,669
Additional requirements, of which:		
<i>Credit and liquidity facilities</i>	571,213	141,001
Other contractual funding obligations		
Other contingent funding obligations	422,548	21,127
Total Cash Outflows	27,890,239	8,295,041
Cash Inflows		
Secured funding	5,218,018	5,218,018
Inflows from fully performing exposures	1,155,480	577,740
Other cash inflows	15,454	15,454
Total Cash Inflows	6,388,952	5,811,212
		TOTAL ADJUSTED VALUE
TOTAL HQLA		7,403,444
TOTAL NET CASH OUTFLOWS		2,483,829
Liquidity Coverage Ratio (%)		298%
Quarterly Average Of Daily HQLA		7,357,750

Notes: The reported values for 'quarterly average of monthly observations' are based on October, November and December 2021 month end figures.

The reported values for 'quarterly average of daily HQLA' are based on business days figures over the 1 October 2021 to 31 December 2021 period.

- As at end of December 2021, the Bank's quarterly average LCR was 298% (2020: 394%), significantly above the regulatory minimum of 100%.
- The Bank's stock of High-Quality Liquid Assets (HQLA) is proactively managed to ensure high levels of liquidity.
- Liquidity levels are monitored daily.
- Formal reviews of the Bank's liquidity position and limits take place monthly during the ALCO and quarterly in the BRMC.

RISK MANAGEMENT

OPERATIONAL RISK

DEFINITION	GOVERNANCE	MORE INFORMATION
The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.	<p>The management of operational risk within Bank One is based on the Enterprise Risk Management approach, in accordance with the Basel Committee’s guidance on “Sound Practice for the Management and Supervision of Operational Risk” and the BOM Guidelines on Operational Risk Management.</p> <p>The Operational Risk function reports monthly to the MIRC and quarterly to the BRMC.</p>	The Operational Risk function is focused on managing non-credit risk, in line with the Bank’s stated risk appetite. In addition to existing risks, the function is responsible for undertaking regular horizon scanning exercises to help anticipate and prevent new risk occurrences. A Risk Control and Self-Assessment (RCSA) process is in place within the Bank, to assist the Bank’s businesses and support functions in planning for and anticipating operational risk events.

In line with the new operational risk management vision, the operational risk management framework has been further enhanced to cater for the following underlying risk principles:

- Proactive risk management and disciplined risk taking
- Risk and control culture with clear ownership and accountability
- Sound and sustainable risk and control environment

For this purpose, risk management concepts including operational risk appetite, the three lines of defence model, key risk indicators, risk and control self-assessments, control issues monitoring and the internal control programme are the fundamentals of the new operational risk strategy. Focus is on sustainably reducing the Bank’s material risk exposures consistent with its risk appetite as well as scanning and analysing emerging risks to which the Bank must demonstrate resiliency.

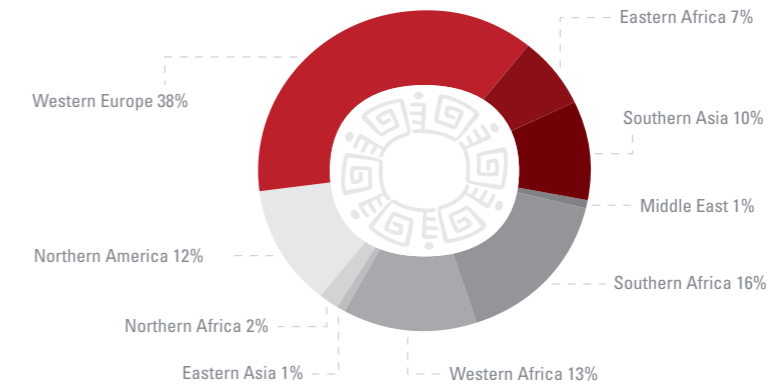
Business continuity is a key focus area for the Operational Risk function. The Covid-19 pandemic provided a live test of the Bank’s continuity plans. While lessons were learned, the plans held up well during the lockdowns and all major functions of the Bank continued to operate and serve clients. Lessons learned will be fed back into the normal contingency plan testing process.

COUNTRY RISK

DEFINITION	GOVERNANCE	MORE INFORMATION
The risk of investing or lending in a foreign country, arising from possible changes in the business environment that may adversely affect the ability of the obligor in the country to repay the capital and interest.	The Analytics team provides weekly information on the limits and headroom to the limits to Senior Management. The MIRC has monthly overview and the BRMC quarterly oversight on the country risk portfolio and BRMC approves all country limits. The frequency of country limit reviews is done monthly to support the Bank’s strategic intent.	Wherever possible, “on the ground information” is obtained from group or associate companies operating in such jurisdictions.

Country risk exposures by region as at 31 December 2021 are disclosed in the chart below:

EXPOSURE BY REGION - DEC 2021



Management ensured that the Bank remained well capitalised and with acceptable liquidity. In line with the Bank’s future strategy, regions and countries will be rationalised to concentrate on Sub-Saharan Africa. Western Europe reflects a high contribution due to excess foreign currency held at AAA rated banks.

BUSINESS / STRATEGIC RISK

DEFINITION	GOVERNANCE	MORE INFORMATION
The risk of non-attainment of the planned strategic objectives, the consequences of inappropriate strategies or the decline in income or margins that affect negatively on profitability.	The Board Strategic Committee has oversight of the business risk. An Exco sub-committee (StratCo) manages business risk operationally and strategic risk is debated monthly at the MIRC.	The strategic direction of the Bank is reviewed once a year and forms part of the annual business budget and operating plan of the Bank. This is done in conjunction with the ICAAP and risk appetite review, so that a holistic approach is prudently adopted.

CYBER RESILIENCE

DEFINITION	GOVERNANCE	MORE INFORMATION
The ability of a firm to manage a cyber-breach or data breach while continuing to conduct its business activities as usual.	The policies and procedures are in place to ensure global best practices are implemented to cater for governance progress, projects progress, prevention capability, detection capability and response capability. Cyber resilience is one of the top risks reported monthly to the MIRC and quarterly to the BRMC.	A dedicated team of IT Security specialists are hired, and various cyber resilience testing and trainings are regularly carried out.

RISK MANAGEMENT

REPUTATION RISK

DEFINITION	GOVERNANCE	MORE INFORMATION
The current or potential risk to earnings and capital driven by the adverse perception of Bank One on the part of clients, counterparties, employees, or regulators.	Exco sub-committee (Legal Committee) directly manages reputational risk reporting quarterly to the MIRC.	The Bank continues to dynamically assess and monitor reputational risk on a qualitative basis. Overall, reputation risk in 2021 remained acceptable and stable from prior years.

COMPLIANCE RISK

DEFINITION	GOVERNANCE	MORE INFORMATION
The risk of the potential for losses and legal penalties, due to failure to comply with laws and/or regulations.	The Compliance team reports compliance matters to the MIRC on a monthly basis. The BRMC has oversight over the Bank's compliance risks and receives detailed reporting on a quarterly basis.	The Bank has completed a significant compliance transformation programme, managed as a project with the appropriate governance in place. The regulatory and compliance framework will now be governed through a regulatory & compliance forum that will monthly report to MIRC.

RISK CAPITAL MANAGEMENT

The main objective of Bank One is to maintain a strong capital adequacy position despite facing a significant and prolonged uncertainty, due to exceptional circumstances under the Covid-19 pandemic. The Bank also ensures it can support and sustain its business growth, even in such difficult times. The Bank's aim is to maximise and create shareholder value, by being proficient on the market.

CAPITAL ADEQUACY ASSESSMENT

As per Basel III guidelines, the Bank was required to maintain a minimum Capital Adequacy Ratio (CAR) of 12.5% for the year 2021. However, due to the challenges caused by the Covid-19 pandemic and its potential impacts on economic activities, the BOM has implemented some measures to alleviate the effects on banks. The minimum CAR of 12.5% in 2021 has thus been deferred until 31 March 2022, hence maintaining a capital conservation buffer of 1.875% for this year. The Bank has computed its CAR as at 31 December 2021 and ensures capital levels at all-time exceed the minimum capital requirements of 11.875% set by the regulator. The capital charge for operational risk is calculated under the Basic Indicator Approach and the capital charge for credit and market risk under the Standardised Approach.

As at December 2021, the Bank's CAR stood at 20.89% (against a regulatory requirement of 11.875%), out of which the Common Equity Tier 1 (CET 1) CAR was 14.16% (against minimum regulatory requirement of 6.5%) which is well above the minimum requirement.

CORE CAPITAL (TIER 1 CAPITAL)

	Basel III Dec-19 MUR 000	Basel III Dec-20 MUR 000	Basel III Dec-21 MUR 000
Paid up capital	1,156,456	1,456,456	1,456,456
Statutory reserve	401,538	401,538	463,552
Retained earnings	1,875,669	1,376,237	1,725,369
Deductions			
Intangibles	(138,466)	(111,585)	(130,667)
Deferred tax	(51,277)	(88,683)	(45,937)
Investment in other bank	(40,395)	(29,984)	(30,021)
Total tier 1 capital	3,203,525	3,003,979	3,438,752

SUPPLEMENTARY CAPITAL (TIER 2 CAPITAL)

Reserves arising from revaluation of assets	43,791	43,791	43,791
Portfolio provision	284,954	220,017	218,290
General banking reserves	47,881	55,589	57,867
Subordinated debt	673,831	1,327,219	1,316,544
Fair value gains	42,534	128,689	-
Total tier 2 capital	1,092,991	1,775,303	1,636,492
Total capital base	4,296,517	4,779,282	5,075,244

RISK WEIGHTED ASSETS FOR:

Credit risk	27,280,266	22,048,421	22,092,561
Market risk	46,133	25,244	96,415
Operational risk	1,876,059	2,055,049	2,103,468
Total risk weighted assets	29,202,458	24,128,714	24,292,444
Tier 1 ratio	10.97%	12.45%	14.16%
Capital adequacy ratio	14.71%	19.81%	20.89%

RISK WEIGHTED ON-BALANCE SHEET ITEMS

	MUR 000	Risk weight %	Dec-19 MUR 000	Dec-20 Risk weighted MUR 000	Dec-21 MUR 000
Cash in Hand & with Central Bank	1,710,950	0-50%	54,068	-	-
Balance and Placements with Banks	11,695,611	20-100%	2,427,330	3,605,792	3,242,884
Balance in Process of Collection	13,267	20%	6,099	4,374	2,653
Treasury Bills and GOM Bills	5,261,619	0%	-	-	-
Other Investment	5,852,117	0-100%	1,725,469	1,964,327	1,566,397
Fixed and Other Assets	683,331	100%	581,025	517,997	683,331
Loans and Advances	20,641,882	0 - 100%	22,197,502	15,509,389	16,113,479
	45,858,776		26,991,494	21,601,879	21,608,744

RISK MANAGEMENT

RISK WEIGHTED OFF-BALANCE SHEET ITEMS

	Credit Conversion Factor (%)	Risk weight %	Dec-19	Dec-20	Dec-21
			Risk weighted		
			MUR 000	MUR 000	MUR 000
Acceptances and Bill of Exchange	100%	100%	209,860	340,823	369,025
Guarantees, bonds etc	50%	100%	61,451	92,188	78,441
Letter of credit	20%	100%	2,493	6,057	25,580
Foreign Exchange Contracts	1% to 7.5%	20-100%	14,968	7,474	10,771
			288,772	446,542	483,817

RISK WEIGHTED EXPOSURES

	Dec-19	Dec-20	Dec-21
	MUR 000	MUR 000	MUR 000
Risk weighted On-Balance Sheet Assets	26,991,494	21,601,879	21,608,744
Risk weighted off-balance sheet exposures	288,772	446,542	483,817
Risk weighted on market risk	46,133	25,244	96,415
Risk weighted on operational risk	1,876,059	2,055,049	2,103,468
Total risk weighted assets	29,202,458	24,128,714	24,292,444

	Dec-19	Dec-20	Dec-21
	MUR 000	MUR 000	MUR 000
Foreign exchange risk	46,133	25,244	96,415
Interest rate risk	-	-	-
Equivalent risk-weighted assets	46,133	25,244	96,415

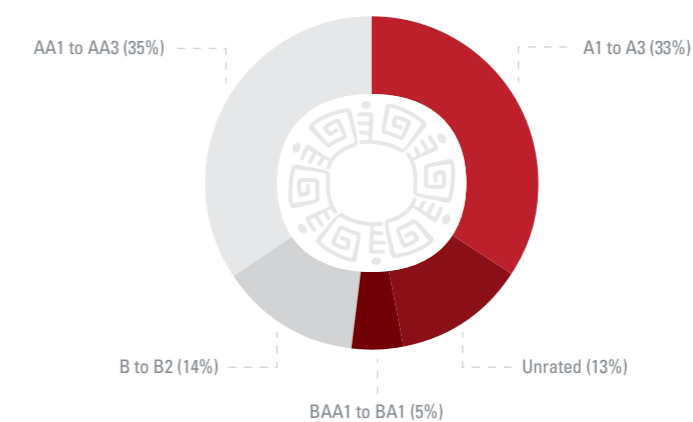
RISK -WEIGHTED ASSETS FOR OPERATIONAL RISK

	Dec-19	Dec-20	Dec-21
	MUR 000	MUR 000	MUR 000
Average gross income for last 3 years	1,250,706	1,370,032	1,402,312
Capital charge	187,606	205,505	210,346
Equivalent risk-weighted assets	1,876,059	2,055,049	2,103,468

In line with the recommendations of the BOM guideline on the recognition and use of the External Credit Assessment Institutions (ECAI)¹, the ratings from the agencies listed below have been used in computing the relative risk weights for balance with foreign banks, lending to foreign entities and banks and other foreign investments.

¹ECAI includes Moody's, Standard & Poor's, Fitch, CARE Ratings & GCR.

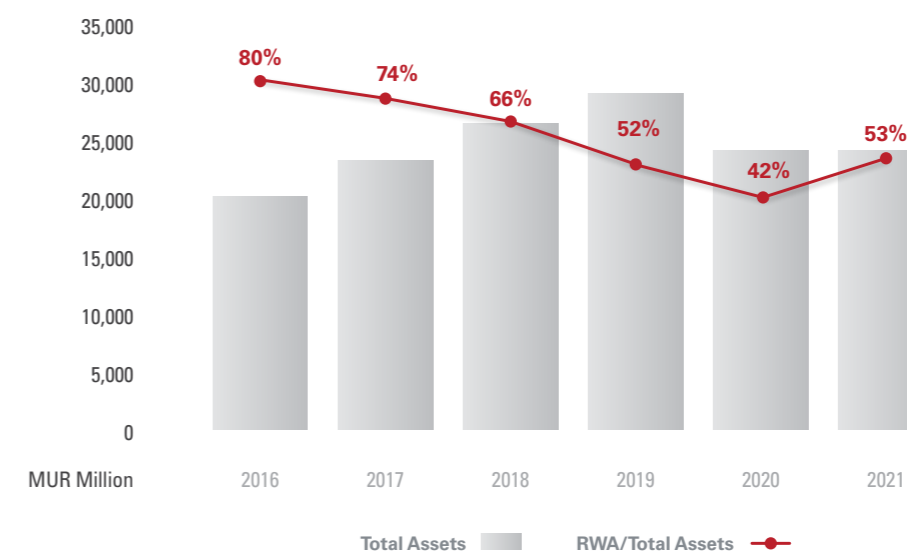
EXPOSURES BY RISK GRADE



Note: For each exposure, we have selected Moody's assignment for the different ratings

The Bank has reviewed its portfolio to ensure a proper mix of assets class is maintained from a risk and tenor point of view.

RISK WEIGHTED ASSETS/TOTAL ASSETS



There has been an increase in risk weighted assets to total assets in 2021, mainly due to an increase in loans to banks.

RISK MANAGEMENT

INTERNAL CAPITAL ADEQUACY ASSESSMENT AND SUPERVISORY REVIEW PROCESS

The purpose of the ICAAP is to inform the Board of the ongoing assessment of risk and how the Bank expects to mitigate those risks and proactively develop strategies to maintain its capital at the desired level.

ICAAP is a simulation exercise carried out to inform the Board on the Bank's risks and their impact on the Bank's business. It identifies all existing and probable future risks, and assess its risk management and their capital adequacy in relation to it and ensures that the institution holds adequate capital in relation to the institution risk's profiles.

The Bank's ICAAP document is reviewed yearly, or earlier if warranted. The level of capitalisation of Bank One is determined using different types of plausible as well as unexpected stress scenarios, allowing us to adopt a more prudential concept, by proactively mitigating risks through multiple actions such as reviewing and changing limits on highly risky exposures.

Stress testing forms an integral part of the ICAAP. It is performed monthly to assess the impact of market risks and reported to the Assets and Liabilities Committee. The Bank performs different kind of stress testing techniques, including scenario analyses and other techniques used to evaluate the potential negative impact on the capital available, caused by specific event or movement in risk factors ranging from plausible to extreme conditions, based on a three-year horizon.

Moreover, the supervisory review and evaluation process is used to evaluate the Bank's risk profile, including an assessment of the Bank's level of risk, its internal regulations and strategies, and also the risk management systems for the main risk, including credit, operational, market, liquidity, strategic and reputation risks. It also determines whether sufficient capital cushion is available against any risks that may occur during a distress period.

METHODOLOGY AND ASSUMPTIONS

METHODOLOGY & ASSUMPTIONS	
RISK TYPE	ASSESSMENT METHODOLOGY
Compliance Risk	Qualitative Assessment
Concentration Risk	HH Index and Stress Testing
Country Risk	Quantitative and Qualitative Assessment
Credit Risk	Moody's risk analyst & Risk Calc models for Institutional Obligors and banks
Interest rate risk in banking book	Gap analysis and stress testing
Liquidity Risk	Ratio Analysis and Stress Testing
Operational Risk	Risk and Control Self-Assessment
Reputational Risk	Qualitative Assessment
Strategic Risk	MIRC and Board subcommittee created to assess risks & opportunities

SUSTAINABILITY

EMBRACING SUSTAINABILITY AT BANK ONE

Despite the challenges of the pandemic, the Bank has sought to maintain the momentum of its sustainability strategy to support unprivileged communities and make a real difference to the environment of the island.

KEY 2021 INITIATIVES HAVE INCLUDED

A. FOOD AND FINANCIAL RELIEF

The focus was on a food and financial relief programme managed by Caritas for vulnerable families during the Covid-19 pandemic.

B. LEARNING AND DEVELOPMENT OF CHILDREN



The provision of school materials and the establishment of an IT centre for students aged 6 to 11 years old at the Jean Blaise Learning Centre, near Port Louis.

C. ENVIRONMENTAL



A partnership with Vallée-de-Ferney Trust to protect endemic forests on the island. This included the launch of the innovative Eco-Home loan campaign.

Bank One remains committed to integrating sustainability criteria into its business strategies. Since 2020, Bank One has implemented an environmental and social management system (ESMS) in line with World Bank performance standards to ensure greater environmental and social efficacy in its lending practices.

With a detailed World Bank ESMS in place, Bank One is aligned to the Bank of Mauritius draft guidelines on climate-related and environmental financial risk management.