The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Annual Report
for the year ended 31 December 2024

Contents

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis

The Hongkong and Shanghai Banking Corporation Limited – Mauritius Branch (the "Bank") is registered in the Republic of Mauritius as a foreign company and holds a banking licence issued by the Bank of Mauritius ("BoM"). The Bank's registered office is Icon Ebene, Level 5, Office 1 (West Wing), Rue de L'Institut, Ebene 72201, Mauritius.

Principal activities

During the year ended 31 December 2024, the Bank comprised of the following business units:

Wealth and Personal Banking ("WPB"): WPB offered a comprehensive range of retail banking products and services, including mortgages, credit cards and personal loans to individual customers.

On 5 July 2024, the retail activity was sold to ABSA and no more longer forms part of the Bank's business activities from that date. The results of the disposal groups have been disclosed as discontinued operations in the financial statements.

Wholesale Banking ("WSB"): Wholesale Banking provides a wide range of financial services and products having international connectivity to meet the need of both corporate, commercial and global banking customers. WSB manages the relationship with corporate customers and provides services including working capital, term loans, payment services and international trade facilitation, among other services.

Global Banking and Markets ("GBM"): Manages the Bank's relationships with institutional customers through 2 business units comprised of:
• Financial Institutions Group ("FIG"): FIG services the Group's relationships with bank and non-bank financial institutions, and
• Markets & Securities Services ("MSS"): MSS enables corporate and institutional clients to access financial markets and liquidity, unlock investment opportunities, manage risk and transact seamlessly, including a comprehensive range of custody and clearing services to institutional clients. MSS also provides financial solutions mainly in foreign exchange and money market products to its customers.

The Bank is registered in Mauritius as a branch of The Hongkong and Shanghai Banking Corporation Limited ("HBAP"), a company incorporated in Hong Kong. HSBC Holdings plc ("The Group"), a company incorporated in the United Kingdom is the ultimate holding company and controlling party.

Management discussion and analysis (continued)

The Management is pleased to present the Annual Report of The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch for the year ended 31 December 2024.

The financial statements on pages 76 to 197 have been prepared in accordance with IFRS Accounting Standards (“IFRS”) and in compliance with the requirements of the Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and the regulations and guidelines issued by the BoM.

In preparing the financial statements, the directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRS Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

Management has authorised the issue of this annual report on 28 March 2025.

This Annual Report and Accounts 2024 contains certain forward-looking statements with respect to the financial condition, environmental, social and governance ("ESG") related matters, results of operations and business of the Bank, including the strategic priorities; financial, investment and capital targets; and the Bank’s ability to contribute to the Bank’s ESG targets, commitments and ambitions described herein.

Statements that are not historical facts, including statements about the group’s beliefs and expectations, are forward-looking statements. Words such as ‘expects’, ‘anticipates’, ‘intends’, ‘plans’, ‘believes’, ‘seeks’, ‘estimates’, ‘potential’ and ‘reasonably possible’, variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore no undue reliance should be placed on them. Forward-looking statements apply only as of the date they are made. The group makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statement.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors, including ESG related factors, could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement.

Financial review

The commentary in this financial review compares the Bank’s financial performance for the year ended 31 December 2024 with the year ended 31 December 2023 unless otherwise stated. The prior years ended 2023 and 2022 have been revised in accordance with IFRS 5 to separately disclose discontinued operations pertaining to the domestic retail and business banking operations in the financial statements.

Management discussion and analysis (continued)

Result commentary

The Bank’s performance in 2024, in respect of its continuing operations, reflected stability in the wholesale banking revenues boosted by a decrease in expenses, resulting in a profit before income tax of MUR18.6m as compared to a loss of MUR4.6m against prior year.

Net operating income from continuing operations before changes in expected credit losses and other credit impairment charges was MUR775.1m down by MUR0.9m against prior year.

In 2024, the Bank reported a lower release in expected credit losses and other credit impairment charges of MUR5.7m, compared to a release of MUR20.3m in 2023.

The total expenses from continuing operations decreased by 5% or MUR38.7m to MUR762.1m compared to the prior year. The main reasons for the decrease being the lower personnel costs.

The Bank's discontinued performance recorded a loss before income tax of MUR49.6m for the year ended 31 December 2024 compared to a loss of MUR456.6m for prior year.

Outlook

The macro-economic environment remains important to the delivery of our financial objectives. During 2024, the Bank has benefitted from elevated levels of interest rates seen in the current interest rate cycle. This is now expected to reverse during 2025 albeit the timing for rate cuts remains uncertain which has already started in last quarter of 2024.

The improvements seen in the external economic conditions are not guaranteed and uncertainties have increased and could result in a marked slowdown of global demand and negatively impact the rate of growth of economic activity in Mauritius. In addition, high levels of geopolitical tensions persist and remains a drag on the pace of global economic activity, resulting in supply chain disruptions and impacting the growth in international trade.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Performance against objectives

*** Below performance has been disclosed in relation to continuing operations where relevant.**

Objectives for 2024	Performance for 2024	Objectives for 2025
1. Return on tangible equity ("ROTE")		
Deliver a positive ROTE.	A ROTE of 0.7% was noted due to the higher costs.*	Deliver a positive ROTE.
2. Revenue growth		
Maintaining revenue at 2023 levels.	Revenue decreased sightly by 0.1% compared to prior year.*	To maintain revenue at 2024 levels.
3. Expense growth		
Maintain operating costs flat to 2023 levels.	The cost efficiency ratio of the Bank was 98.3% and the Bank recorded a positive Jaws (Jaws ratio is used to measure income growth against expenses growth) of 4.7%. The reason for the decrease was mainly a reduction in personnel costs partly offset by an increase in intercompany expenses..*	Maintain operating costs flat to 2024 levels.
4. Portfolio quality		
To maintain asset quality and minimise impairment charges through sound underwriting policies and robust portfolio monitoring processes.	The impairment allowance as a percentage of total loans and advances to customers was 0.02% (Dec 2023: 0.03%)*.	To maintain asset quality and minimise impairment charges through sound underwriting policies and robust portfolio monitoring processes.
5. Capital and Liquidity risk		
To maintain total capital ratio above the BoM ("BoM") minimum regulatory requirement of 13.5%.	The Bank's total capital adequacy ratio was 52.9% and the Tier 1 ratio was 51.0%.	To maintain total capital ratio above the BoM ("BoM") minimum regulatory requirement of 12.5%.
As per 2023 objective.	The Bank's Liquidity Coverage Ratio ("LCR") stood at 406.5% for the Bank which is above the regulatory limit of 100%.	Above regulatory limit.
6. Return on average assets		
Maintain a positive return on average assets.	The Bank recorded a return on average assets of 0.1%.	Maintain a positive return on average assets.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Performance against objectives (continued)

The following commentary for performance against objectives section has been based on the continuing operations.

For the year ended 31 December 2024, the Bank recorded a profit before income tax of MUR18.6m in respect of continuing operations as compared to a loss of MUR4.6m for prior year.

Total operating income decreased slightly to MUR775.1m (Dec 2023: MUR776.0m) as compared to the prior year mainly from a decrease in net interest income as a result of the withdrawal of the 7-day bill, originally implemented under the new Monetary Policy framework in 2023, and decreases in net fee and commission income and net trading income due to lower transaction volumes.

During the year, a net impairment release on financial assets of MUR5.7m (Dec 2023: MUR20.3m) was recognised which was attributed to a reduction in the customer balances and a general improvement in the credit quality of the corporate portfolio.

Operating expenses decreased by MUR38.7m or 5% to MUR762.1m (Dec 2023: MUR800.9m) compared to the prior year period. This was mainly driven by a reduction in personnel costs partly offset by an increase in intercompany expenses.

As at 31 December 2024, the Bank's total assets had decreased by MUR15.9bn to MUR14.5bn (Dec 2023: MUR30.3bn) reflecting the sale of the WPB business to ABSA and related cash contribution made by the Bank offset by an increase in other borrowed funds.

Loans and advances to customers fell by MUR1bn during the year to MUR3.6bn (Dec 2023: MUR4.6bn) driven by repayments of matured facilities and subdued demand for new lending whilst loans and advances to banks also decreased by MUR0.1bn to MUR0.5bn (Dec 2023: MUR0.7bn).

At 31 December 2024, deposits from corporate customers increased by MUR0.8bn to MUR7.6bn (Dec 2023: MUR6.9bn).

At 31 December 2024, total assets of MUR0.1bn (Dec 2023: MUR6.5bn) and no liabilities (Dec 2023: MUR 19.7bn), were classified as held for sale. On 5 July 2024, the sale of the disposal group was completed.

As 31 December 2024, the Bank's Tier 1 and Total Capital ratios increased to stand at 51.0% and 52.9% respectively (Dec 2023: 23.4% and 25.5% respectively), mainly driven by a decrease in risk weighted assets following the sale of customer assets to ABSA.

As at 31 December 2024, the Bank's Liquidity Coverage Ratio decreased to 406.5% (Dec 2023: 803.8%) against a regulatory limit of 100% (2023: 100%) mainly due to lower stock of High Quality Liquid Assets driven by the cash contribution for the sale of the Bank's domestic retail and business banking operations.

As at 31 December 2024, the consolidated NSFR of the Bank was 230.7%. Further information on the Bank's NSFR can be found on its website (https://www.about.hsbc.co.mu/).

Management discussion and analysis (continued)

HSBC Global Businesses

The HSBC Group serves its customers through three Global Businesses: Wealth and Personal Banking (WPB), Commercial Banking (CMB) and Global Banking and Markets (GBM). The Global Businesses are responsible for developing, implementing and managing their business propositions consistently across the HSBC Group.

Effective from 1 January 2025, the Group has implemented a new organisational business structure that aims to unleash our full potential by building on our strong progress in recent years and driving our success into the future. These will now include Corporate and Institutional Banking, International Wealth and Premier banking, Hong Kong and UK. In Mauritius, the Bank's activities involve CMB and GBM and based on the new organisational business structure these fall under Corporate and Institutional Banking.

Key Ratios

	2024	2023	2022
	%	%	%
Net interest margin	**2.0**	1.4	0.8
Return on average assets	**0.1**	0.0	0.3
Cost / Income ratio	**98.3**	103.2	91.6

Key Balance Sheet items

	2024	2023	2022
	MUR'm	MUR'm	MUR'm
Assets			
Cash and cash equivalents	**7,218.5**	10,974.7	9,138.5
Loan and advances to banks	**524.0**	650.9	200.4
Loan and advances to customers	**3,596.4**	4,615.9	12,123.6
Investment securities at FVOCI	**2,063.2**	5,649.8	6,537.6
Investment securities at amortised cost	**671.0**	1,309.2	1,309.1
Liabilities			
Deposits from customers	**7,631.4**	6,871.6	26,335.8
Deposits from banks	**667.7**	236.9	451.2
Other borrowed funds	**3,217.5**	133.7	444.5

Net Interest Income analysis

	2024	2023	2022
	MUR'm	MUR'm	MUR'm
Interest income			
Cash and cash equivalents	**182.7**	177.4	17.3
Loans and advances to banks	**60.0**	25.4	1.1
Loans and advances to customers	**60.1**	79.1	143.6
Investment securities	**144.2**	85.6	75.9
Other	**0.2**	0.1	5.4
Total	**447.2**	367.6	243.3

Management discussion and analysis (continued)

Net Interest Income analysis (continued)

Interest expense			
Deposits from customers	**(32.4)**	(6.7)	(6.5)
Deposits from banks	**-**	(0.1)	(1.4)
Other borrowed funds	**(77.6)**	(12.4)	(19.3)
Other	**(1.8)**	(1.5)	(0.4)
Total	**(111.8)**	(20.7)	(27.6)
Net interest income from continuing operations	**335.4**	346.9	215.7

Net interest income for the Bank decreased by 3% compared to the prior year.

Non-interest income (Continuing operations)

	2024	2023	2022
	MUR'm	MUR'm	MUR'm
Net fee and commission income	**79.3**	81.9	94.5
Net trading income	**137.6**	163.0	192.6
Other operating income	**222.7**	183.9	188.8
Total	**439.6**	429.0	475.9

Non-interest income decreased by 2.5% to MUR439.6m (2023: MUR429.1m) mainly on account of lower operating income.

Net impairment release on financial assets (Continuing operations)

	2024	2023	2022
	MUR'm	MUR'm	MUR'm
Net impairment release on financial assets	**5.7**	20.3	42.2

Net impairment release of MUR5.7m compared to a release of MUR20.3m in 2023 mainly on account of loans and advances to customers.

Operating expenses (Continuing operations)

	2024	2023	2022
	MUR'm	MUR'm	MUR'm
Personnel expenses	**(302.9)**	(386.8)	(353.1)
Operating lease expenses	**(1.3)**	(1.3)	(2.2)
Depreciation and amortisation	**(36.5)**	(36.9)	(35.8)
Other expenses	**(421.4)**	(375.9)	(242.2)
Total	**(762.1)**	(800.9)	(633.3)

Operating expenses decreased by 4.8% to MUR762.1m (2023: MUR800.9m) mainly due to lower intercompany charges and personnel expenses.

Management discussion and analysis (continued)

Credit exposure and quality

General

The Bank manages its credit risks by establishing policies and control procedures for maintaining and developing risk assets, and off-balance sheet exposure of sound quality and distribution, over appropriate economic sectors. Such policies and control procedures are set out in the Bank's instructions manuals, which are in compliance with regulatory requirements.

In accordance with the BoM Guideline on Credit Concentration Risk, the Bank is subject to an aggregate large credit exposure limit in respect of its Mauritian denominated exposures as follows:

- Aggregate credit exposure to any single customer shall not exceed 25 per cent of the Bank's Tier 1 capital;

- Aggregate credit exposure to any group of closely-related customers shall not exceed 40 per cent of the Bank's Tier 1 capital; and

- Aggregate large credit exposures to all customers and groups of connected counterparties shall not exceed 800 per cent of the Bank's Tier 1 capital.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Credit exposure and quality (continued)

Gross customer advances by industry sector

	2024 Total		Entities Inside Mauritius		Entities Outside Mauritius	
	MUR'000	**% of total**	**MUR'000**	**% of total**	**MUR'000**	**% of total**
Other Non-Financial Corporations						
C - Manufacturing	**831,318**	**23.1%**	**831,318**	**23.1%**	**-**	**0%**
F - Construction	**78,369**	**2.2%**	**78,369**	**2.2%**	**-**	**0%**
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	**777,263**	**21.6%**	**777,263**	**21.6%**	**-**	**0%**
I - Accommodation and food service activities	**19,698**	**0.5%**	**19,698**	**0.5%**	**-**	**0%**
L - Real estate activities	**395**	**0.0%**	**395**	**0.0%**	**-**	**0%**
M - Professional, scientific and technical activities	**28,295**	**0.8%**	**28,295**	**0.8%**	**-**	**0%**
N - Administrative and support service activities	**23,175**	**0.6%**	**23,175**	**0.6%**	**-**	**0%**
Q - Human health and social work activities	**2,316**	**0.1%**	**2,316**	**0.1%**	**-**	**0%**
S - Other service activities	**318,662**	**8.9%**	**318,662**	**8.9%**	**-**	**0%**
Financial Corporations (excluding Global Business Companies)	**32,579**	**0.9%**	**32,579**	**0.9%**	**-**	**0%**
Public Non-Financial Corporations	**308,934**	**8.6%**	**308,934**	**8.6%**	**-**	**0%**
Global Business Corporations (GBCs)	**1,176,168**	**32.7%**	**1,176,168**	**32.7%**	**-**	**0%**
Households	**-**	**0.0%**	**0**	**0.0%**	**-**	**0%**
Total gross customer advances	**3,597,172**	**100.0%**	**3,597,172**	**100.0%**	**-**	**0%**

	2023 Total		Entities Inside Mauritius		Entities Outside Mauritius	
	MUR'000	% of total	MUR'000	% of total	MUR'000	% of total
Other Non-Financial Corporations						
C - Manufacturing	1,524,557	33.02%	1,524,557	33.02%	-	-
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	672,082	14.56%	672,082	14.56%	-	-
H - Transportation and storage	31,026	0.67%	31,026	0.67%	-	-
I - Accommodation and food service activities	163,902	3.55%	163,902	3.55%	-	-
L - Real estate activities	1,964	0.04%	1,964	0.04%		
M - Professional, scientific and technical activities	46,182	1.00%	46,182	1.00%		
S - Other service activities	72,062	1.56%	72,062	1.56%	-	-
Financial Corporations (excluding Global Business Companies)	338,000	7.32%	338,000	7.32%	-	-
Public Non-Financial Corporations	330,000	7.15%	330,000	7.15%	-	-
Global Business Corporations (GBCs)	1,130,758	24.49%	1,130,758	24.49%	-	-
Households	306,583	6.64%	306,583	6.64%	-	-
Total gross customer advances	4,617,116	100.0%	4,617,116	100.0%	-	0%

	2022 Total		Entities Inside Mauritius		Entities Outside Mauritius	
	MUR'000	% of total	MUR'000	% of total	MUR'000	% of total
A - Agriculture, forestry and fishing	47	0.0%	47	0.0%	-	-
C - Manufacturing	2,546,851	20.9%	2,546,793	21.0%	58	0.1%
F - Construction	2,892	0.0%	2,892	0.0%	-	-
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	924,685	7.6%	924,685	7.6%	-	-
H - Transportation and storage	12,474	0.1%	12,474	0.1%	-	-
I - Accommodation and food service activities	156,000	1.3%	156,000	1.3%	-	-
L - Real estate activities	3,536	0.0%	3,536	0.0%		
M - Professional, scientific and technical activities	62,616	0.5%	62,616	0.5%		
N - Administrative and support service activities	40,411	0.3%	40,411	0.3%		
Q - Human health and social work activities	1,144	0.0%	1,144	0.0%		
R - Arts, entertainment and recreation	989	0.0%	989	0.0%		
S - Other service activities	137,867	1.1%	137,867	1.1%		
Financial Corporations (excluding Global Business Companies)	484,483	4.0%	484,483	4.0%	-	-
Public Non-Financial Corporations	80,000	0.7%	80,000	0.7%	-	-
Global Business Corporations (GBCs)	1,578,968	13.0%	1,578,968	13.0%	-	-
Households	6,153,706	50.5%	6,097,935	50.3%	55,771	99.9%
Total gross customer advances	12,186,669	100.0%	12,130,840	100.0%	55,829	100.0%

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Management discussion and analysis (continued)

Credit exposure and quality (continued)

The nominal amount of the foreign exchange contracts by industry sector

	31-Dec-24		**Entities Inside Mauritius**		**Entities Outside Mauritius**	
	MUR'000	**% of total**	**MUR'000**	**% of total**	**MUR'000**	**% of total**
Banks - HSBC Group	**17,000**	**8.6%**	**-**	**0.0%**	**17,000**	**100.0%**
Banks - Non HSBC Group	**282**	**0.1%**	**282**	**0.2%**	**-**	**0.0%**
Corporate	**180,514**	**91.3%**	**180,514**	**99.8%**	**-**	**0.0%**
Total	**197,796**	**100.0%**	**180,796**	**100.0%**	**17,000**	**100.0%**

	31-Dec-23		Entities Inside Mauritius		Entities Outside Mauritius	
	MUR'000	% of total	MUR'000	% of total	MUR'000	% of total
Banks - HSBC Group	35,675	17.0%	-	0%	35,675	100.0%
Banks - Non HSBC Group	-	0.0%	-	0%	-	0%
Manufacturing	174,640	83.0%	174,640	100.0%	-	0%
Total	210,315	100.0%	174,640	100.0%	35,675	100.0%

	31-Dec-22		Entities Inside Mauritius		Entities Outside Mauritius	
	MUR'000	% of total	MUR'000	% of total	MUR'000	% of total
Banks - HSBC Group	825,267	73.1%	-	0%	825,267	99.2%
Banks - Non HSBC Group	6,318	0.6%	-	0%	6,318	0.8%
Manufacturing	297,116	26.3%	297,116	100.0%	-	0%
Total	1,128,701	100.0%	297,116	100.0%	831,585	100.0%

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Management discussion and analysis (continued)

Credit Quality

A breakdown of the loan portfolio for the years ended 2024, 2023 and 2022 is provided as below:

MURm	Other Non-Financial Corporations	Financial Corporations (excluding Global Business Companies)	Public Non-Financial Corporations	Global Business Corporations (GBCs)	Households	TOTAL
2024						
Total advances	**2,079**	**32**	**309**	**1,176**	**-**	**3,597**
Non performing advances	**-**	-	-	-	-	**-**
As a % of total advances	**-**	-	-	-	-	-
Stage 3 provisions	**-**	-	-	-	-	**-**
Stage 1 & 2 provisions	**1**	**-**	**0**			**1**
As a % of Total Advances	**0**	**-**	**0**	**-**	**-**	**0**
Stage 3 as a % of NPA's	**-**	**-**	**-**	**-**	**-**	**-**
2023						
Total advances	2,512	338	330	1,131	307	4,618
Non performing advances	-	-	-	-	-	-
As a % of total advances	-	-	-	-	-	-
Stage 3 provisions	-	-	-	-	-	-
Stage 1 & 2 provisions	1	0	-	-	0	1
As a % of Total Advances	0	0	-	-	0	0
Stage 3 as a % of NPA's	-	-	-	-	-	-
2022						
Total advances	3,890	484	80	1,579	6,154	12,187
Non performing advances	70	-	-	-	68	138
As a % of total advances	0	-	-	-	0	0
Stage 3 provisions	0	-	-	-	0	0
Stage 1 & 2 provisions	1	1	-	-	24	26
As a % of Total Advances	0	0	-	-	0	0
Stage 3 as a % of NPA's	0	-	-	-	0	0

Management discussion and analysis (continued)

Credit Quality (continued)

During the year, the BoM Guideline on Credit Impairment Measurement and Income Recognition which previously dictated the general banking reserve calculation has been repealed and superseded by the BoM Guideline on Classification, Provisioning and Write-off of Credit Exposures effective as from 30 September 2024. As at 31 December 2024, a general banking reserve of MUR71.1m has been set aside as an appropriation of retained earnings to cater for future potential losses in the portfolio.

IFRS 9 Stage 1 & 2 provisions stood at MUR0.8m at 31 December 2024 on loans and advances to customers (2023: MUR1.2m).

Credit-impaired (Stage 3)

The Bank determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for more than 90 days;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the loan is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

Therefore, the definitions of credit-impaired and default are aligned as far as possible so that stage 3 represents all loans which are considered defaulted or otherwise credit-impaired.

Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less ECL allowance.

An analysis of individually assessed credit impairment provisions (Stage 3) for the year by product is given in the table below.

	Total	Personal	Mortgages	Corporate
	MUR'000	MUR'000	MUR'000	MUR'000
Opening Balance - 1 January 2024	-	-	-	-
IFRS 9 - impairment (release)/charge	-	-	-	-
Closing balance - 31 December 2024	-	-	-	-

Restructured Credits

Stage 3 ECLs held on non-performing and restructured loans was NIL as at 31 December 2024 (2023: NIL). There were no significant non-performing loans which were restructured during the year.

Management discussion and analysis (continued)

Risk management policies and controls

The nature of the Bank's risks and the approach to manage those risks differ fundamentally between the trading and the non-trading portfolio. Those risks are reviewed on a monthly basis by the Asset and Liability Committee ("ALCO") and the Risk Management Meeting ("RMM"). Risk management information relating to the trading activities and non-trading activities, are set out below and the Bank's risks profile is analysed in note 36 of the financial statements.

Risks	Arising from	Measurement, monitoring and management of risk
Credit risk		
Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract.	- Credit risk arises principally through trading, lending and investing activities and in cases where the Bank acts as an intermediary on behalf of customers or other third parties or issues guarantees.	Credit risk is: - measured as the amount which could be lost if a customer or counterparty fails to make repayments; - monitored using various internal risk management measures and within limits approved by individuals within a framework of delegated authorities; and - managed through a robust risk control framework which outlines clear and consistent policies, principles and guidance for risk managers by setting appetite accross the sectors.
Treasury Risk		
Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, including the risk of adverse impact on earnings or capital due to structural and transactional foreign exchange exposures and changes in market interest rates, together with pension risk.	Treasury risk arises from changes to the respective resources and risk profiles driven by customer behaviour, management decisions or the external environment.	Treasury risk is: – measured through risk appetite and more granular limits, set to provide an early warning of increasing risk, minimum ratios of relevant regulatory metrics, and metrics to monitor the key risk drivers impacting treasury resources; – monitored and projected against appetites and by using operating plans based on strategic objectives together with stress and scenario testing; and – managed through control of resources in conjunction with risk profiles, strategic objectives and cash flows.
Market risk		
Market risk is the risk of an adverse financial impact on trading activities arising from changes in market parameters such as interest rates,foreign exchange rates, asset prices,volatilities, correlations and credit spreads.	Exposure to market risk is separated into two portfolios: - Trading portfolios - Non-trading portfolios	Market risk is: - measured using sensitivities,value at risk and stress testing,giving a detailed picture of potential gains and losses for a range of market movements and scenarios as well as tail risks over specified time horizons; - monitored using VaR, stress testing and other measures ; and - managed using risk limits approved by the RMM for the Bank and the various global businesses.

Management discussion and analysis (continued)

Risk management policies and controls (continued)

Risks	Arising from	Measurement, monitoring and management of risk
Climate Risk		
Climate risk relates to the financial and non-financial impacts that may arise as a result of climate change and the move to a net zero economy.	Climate risk can materialise through: – physical risk, which arises from the increased frequency and severity of weather events; – transition risk, which arises from the process of moving to a low-carbon economy; – net zero alignment risk, which arises from failing to meet our net zero commitments or to meet external expectations related to net zero because of inadequate ambition and/or plans, poor execution, or inability to adapt to changes in the external environment; and – the risk of greenwashing, which arises from the act of knowingly or unknowingly making inaccurate, unclear, misleading or unsubstantiated claims regarding sustainability to stakeholders.	Climate risk is: – measured using risk metrics; – managed through adherence to risk appetite thresholds, through specific policies, and through enhancements to processes and development of tools including the development of product market controls to manage the risk of greenwashing and the development of portfolio steering capabilities to manage our net zero targets
Resilience Risk		
Resilience risk is the risk of sustained and significant business disruption from execution, delivery, physical security or safety events, causing the inability to provide critical services to our customers, affiliates, and counterparties.	Resilience risk arises from failures or inadequacies in processes, people, systems or external events.	Resilience risk is: – measured using a range of metrics with defined maximum acceptable impact tolerances, and against our agreed risk appetite; – monitored through oversight of enterprise processes, risks, controls and strategic change programmes; and – managed by continual monitoring and thematic reviews.

Management discussion and analysis (continued)

Risk management policies and controls (continued)

Risks	Arising from	Measurement, monitoring and management of risk
Regulatory Compliance Risk		
Regulatory compliance risk is the risk associated with breaching our duty to clients and other counterparties, inappropriate market conduct (including unauthorised trading) and breaching related financial services regulatory standards.	Regulatory compliance risk arises from the failure to observe relevant laws, codes, rules and regulations and can manifest itself in poor market or customer outcomes and lead to fines, penalties and reputational damage to our business.	Regulatory compliance risk is: – measured by reference to identified metrics, incident assessments, regulatory feedback and the judgement and assessment of our regulatory compliance teams; – monitored against the first line of defence risk and control assessments, the results of the monitoring and control assurance activities of the second line of defence functions, and the results of internal and external audits and regulatory inspections; and – managed by establishing and communicating appropriate policies and procedures, training employees in them and monitoring activity to help ensure their observance. Proactive risk control and/or remediation work is undertaken where required.
Financial Crime Risk		
Financial crime risk is the risk that HSBC's products and services will be exploited for criminal activity. This includes fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing.	Financial crime risk arises from day-to day banking operations involving customers, third parties and employees.	Financial crime risk is: – measured by reference to risk appetite, identified metrics, incident assessments, regulatory feedback and the judgement of, and assessment by, our compliance teams; – monitored against the first line of defence risk and control assessments, the results of the monitoring and control assurance activities of the second line of defence functions, and the results of internal and external audits and regulatory inspections; and – managed by establishing and communicating appropriate policies and procedures, training employees in them and monitoring activity to help ensure their observance. Proactive risk control and/or remediation work is undertaken where required.

Management discussion and analysis (continued)

Concentration of risk policies

The Bank maintains a credit risk portfolio that is adequately diversified. Maximum exposure limits are set for individual counterparties, countries and sectors to maximise any potential diversification benefits while complying with BoM Guideline on Credit Concentration Risk.

The six most significant individual concentration cases in respect of one customer or group as at 31 December 2024 were as follows:

Customer Group	Total MUR'm	% of Total Corporate exposure*	% of CET1 Capital (Under Basel III)
Customer Group 1	**588**	**21.5**	**25.6**
Customer Group 2	**440**	**16.1**	**19.2**
Single Customer 1	**375**	**13.7**	**16.3**
Customer Group 3	**350**	**12.8**	**15.2**
Single Customer 2	**348**	**12.7**	**15.2**
Single Customer 3	**341**	**12.5**	**14.8**

**"Large credit exposure" means the sum of all exposures to a customer or a group of connected counterparties in Mauritian Rupees or foreign currencies or both which is over 10% of the Bank's Tier 1 Capital.*

The facilities extended to the above mentioned customers consist mostly of working capital, trade finance facilities and medium / long term loans.

The policies and practices on credit concentration are governed by the requirements of the BoM Guideline on Credit Concentration Risk.

As at 31 December 2024, the top 6 customer groups exposures accounted for 89.3% (2023: 60.2%) of total large credit exposure extended to corporates.

As at 31 December 2024, the Bank is in compliance with the BoM Guideline of Credit Concentration Risk.

Related party transactions policies and practices

In accordance with the BoM Guideline on Related Party Transactions, credit exposure to any single borrower/group of closely-related customers who are related parties to the Bank shall be subject to the following conditions:

(a) the aggregate of credit exposures to and investments in equity shares of all related parties in Category 1 (further described below), other than investments in subsidiaries and associates, should not exceed 60 per cent of the Bank's Tier 1 capital;

(b) the aggregate of credit exposures to and investments in equity shares of all related parties in Category 1 and Category 2 (further described below), other than investments in subsidiaries and associates, should not exceed 150 per cent of the Bank's Tier 1 capital.

For the purpose of determining the regulatory limits on exposures to related parties, the latter are classified into the following three categories:

Category 1

This includes credit exposures to:

(a) a person who has significant interest in the Bank;
(b) a director of the Bank;
(c) a director of a body corporate that controls the financial institution;
(d) the spouse, child and parent of a natural person covered in (a) or (b) or (c) above;
(e) any entity that is controlled by a person described in (a) or (b) or (c) or (d) above; and
(f) any entity in which the Bank has significant interest, excluding a subsidiary of the Bank as mentioned in (e) above.

Category 2

This includes credit exposures to:

(a) senior officers, which are outside the terms and conditions of employment contracts;
(b) the spouse, child and parent of senior officers;
(c) senior officers of a body corporate that controls the financial institution;
(d) any entity that is controlled by a person described in (a) or (b) or (c) above; and
(e) a subsidiary of the financial institution with no shareholder (natural person) holding directly or indirectly more than a significant shareholding in the parent financial institution.

Management discussion and analysis (continued)

Related party transactions policies and practices (continued)

Category 3

This includes credit exposures to senior officers, which are within the terms and conditions of employment contracts.

The following credit exposures are however exempted from the regulatory limits:

(a) a credit exposure to the extent to which it is collateralised by deposits with the Bank or Government securities or a loan to the extent to which it is guaranteed by Government;

(b) a credit exposure to the extent to which it is collateralised by securities issued by another government or a loan to the extent to which it is guaranteed by another government provided that the exposure is
(i) denominated and funded in its national currency, and
(ii) approved by the Bank under paragraph 4 of the Guideline on Standardised Approach to Credit Risk for a zero per cent risk weight;

(c) a credit exposure to parastatal bodies and to an entity in which the Government has more than 50 per cent shareholding;

(d) inter-bank transactions as part of treasury operations;

(e) credit exposures representing less than 2 per cent of the Bank's Tier 1 capital; and

(f) category 3 type of related party exposures.

The Bank complies with the BoM Guideline on Related Party Transactions which sets out the manner in which these transactions are identified, monitored and reported on a quarterly basis. A minimum of three from the group of Senior Management Officers, all Executive Committee ("EXCO") members, reviews and approves every related party transaction.

In line with the above guideline, Management has adopted a policy which sets out the rules governing the identification of related parties, the terms and conditions applicable to transactions entered into with them, and reporting procedures to the EXCO.

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

Related Party	Exposure MUR'm	% of Tier1 capital
1. The Hongkong and Shanghai Banking Corporation Limited, Hong Kong Branch	10,897	474.4
2. HSBC Bank (Mauritius) Limited, Mauritius	4,048	176.2
3. HSBC Bank Plc Group Treasury, United Kingdom	3,732	162.5
4. The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch	2,787	121.3
5. HSBC Bank (China) Company Limited, China	1,489	64.8
6. HSBC Bank Middle East, Dubai	770	33.5

All of the above exposures are exempted facilities under the BOM *Guideline Related Party Transactions*. None of the loans advanced to related parties were classified as non-performing as at 31 December 2024.

Management discussion and analysis (continued)

Basel III Disclosures

Scope of application

The Bank's credit, market and operational risks are measured under the Standardised Approach. The amount of credit risk capital is arrived at by applying the risk weights based on the external credit assessments for sovereign, central bank and bank exposures along with the standard Basel III risk weights as applicable under the Standardised Approach for corporate, retail, mortgage and past due exposures. The capital charge for market risk is based on the assessment of foreign exchange risk in the Bank's trading book. The computation of operational risk capital follows the Basel III measurement methodology whereby gross income is used as a proxy to calculate capital charge.

Capital Structure

The Hongkong and Shanghai Banking Corporation Limited-Mauritius Branch is a branch of The Hongkong and Shanghai Banking Corporation Ltd, a company registered in Hong Kong and regulated by the Hong Kong Monetary Authority.

The Capital Base under Basel III stood as follows:

MUR'000	**2024**	2023	2022
	Basel III	Basel III	Basel III
Tier 1 Capital			
CET1 Capital			
Assigned capital	**1,499,750**	1,499,750	794,150
Other disclosed reserves	**307,027**	282,329	225,231
Retained earnings*	**659,228**	451,573	896,274
CET1 before regulatory adjustments	**2,466,005**	2,233,652	1,915,655
Pension assets	**(167,266)**	(95,015)	(103,270)
Other intangible assets	**(1,795)**	-	-
Total regulatory adjustments to CET1	**(169,061)**	(95,015)	(103,270)
Tier 1 Capital (T1)	**2,296,944**	2,138,637	1,812,385
Tier 2 Capital			
Fixed Assets Revaluation Reserves (subject to a discount of 55%)	**41,711**	92,745	106,716
Provisions	**44,139**	97,146	114,114
Tier 2 Capital (T2)	**85,850**	189,891	220,830
Total Capital (T1 + T2)	**2,382,794**	2,328,528	2,033,215
Total risk weighted assets	**4,505,960**	9,136,009	10,703,071

** including audited profits/(losses) for the year*

Management discussion and analysis (continued)

Basel III disclosures (continued)

Capital Adequacy

At least 10 times a year, the Asset and Liability Management Committee ("ALCO") reviews the actual and projected capital adequacy ratios under the local regulatory capital requirement and ensures compliance with the regulatory requirement.

The Basel III Standardised Approach presents greater risk sensitivity in measuring credit risk in that it makes use of the credit ratings of External Credit Assessment Institutions ("ECAIs") to define the weights used when calculating the risk-weighted assets.

Claims on corporate customers as well as claims on corporate public sector entities are assigned a standard risk weight of 100% when they are not rated by the recognised rating agencies as disclosed on page 24. A standard risk weight of 75% is applied to retail exposures which meet the criteria set in the BoM Guideline on Standardised Approach to Credit Risk; claims secured by residential property for purposes other than purchase/construction in Mauritius are allocated a risk weight of 35% subject to an exposure limit of MUR 5 million and a loan to-value not exceeding 80% as required by the above referred guideline.

Past due claims are assigned a risk weight, ranging from 50% to 150%, depending on the proportion of Stage 3/ specific provision to the outstanding amount of the exposure.

With on-balance sheet total risk weighted assets ("RWA") of MUR2.8bn (2023: MUR7.3bn), details of which are given in the Credit Risk Exposures section on page 25, minimum capital requirements for credit risk for portfolios subject to the Standardised Approach as at 31 December 2024 was MUR350.7m (2023: MUR984m). Risk weighted assets of MUR725.5m (2023: MUR481.5m) for market and non-market related off balance sheet exposures and MUR35.0m (2023: MUR108.5m) for market risk foreign currency exposure, generated further capital requirement of MUR90.7m (2023: MUR65.0m).

Risk weighted assets for Operational Risk in accordance with the Basic Indicator Approach calculated based on the average gross income per annum for the last three years, amounted to MUR626.5m (2023: MUR961m), generated a capital charge for operational risk of MUR94.0m (2023: MUR125.6m).

Total risk weighted asset capital requirement therefore stood at MUR0.6bn (2023: MUR1.2bn) as compared to the Bank's capital base of MUR2.4bn (2023: MUR2.3bn).

The regulatory limits applicable to the Bank were as follows:

	2024	2023	2022
	%	%	%
CET 1 capital adequacy ratio*			
Regulatory Limit - Minimum CET 1 CAR	**51.0**	23.4	16.9
	10.0	*10.0*	*10.0*
Tier 1 capital adequacy ratio			
Regulatory Limit - Minimum Tier 1 CAR	**51.0**	23.4	16.9
	11.5	*11.5*	*11.5*
Total capital adequacy ratio*			
Regulatory Limit - Minimum Total CAR	**52.9**	25.5	19.0
** including audited profits for the year*	***12.5***	*13.5*	*13.5*

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Basel III disclosures (continued)

The Credit Risk Policy Framework

Credit Risk is the risk that a counterparty of the Bank will be unable or unwilling to meet a commitment that it has entered into. Credit Risk may take various forms, including:

- Lending - that funds will not be repaid;
- Guarantees or bonds - that funds will not be forthcoming upon crystallisation of the liability;
- Treasury products - that the payment or series of payments due from the counterparty under the contract is not forthcoming or ceases;
- Trading businesses - that settlement will not be effected;
- Cross-border exposure - that the availability and free transfer of currency is restricted or ceases; and
- Holdings of assets in the form of debt securities - that the value of these falls e.g. after a downgrading of credit rating.

Credit Risk may be mitigated by the deployment of appropriate techniques of risk analysis for the management of individual facilities and of portfolios and for the early detection of risk deterioration, as well as by the completion of effective legal documentation and the taking of security.

The Bank has historically sought to maintain a conservative, yet constructive and competitive credit risk culture. This

- The corporate values, principles and standards as set out in the HSBC Group Standards Manual;
- The organisational structure, governance arrangements, the assumption of authority/ responsibility, and the inter-action of functions; and
- The risk rating systems and assessment techniques, controls, reporting and other processes that are employed to measure, evaluate, monitor and manage credit risk.

The Bank's credit risk policy is governed by the Group's Credit instructions manuals and lending guidelines. The Bank's lending guidelines further give an indication of the local management's current view of the business development priorities. The guidelines also set out terms and conditions which are likely to lead to the approval of credit applications taking into account changes in the economic outlook, competitive environment and the evolution of the asset book. The guidelines are reviewed on an annual basis.

The Chief Risk Officer of the HSBC Group for the Asia Pacific region establishes the credit approval limit for the Chief Executive Officer and the Chief Risk & Compliance Officer at the local office, who in turn, delegate their limits to the credit team depending on their experience. Credit exposures in excess of the Country delegated limits are approved by the parent company in Hong Kong. The Credit Risk team ensures that credit risk assessment standards remain in line with the HSBC Group's credit policy.

The identification, understanding and management of our different risks are of increasing importance and as a result, a comprehensive Risk Management Framework is applied throughout the HSBC Group and across all risk types, including credit risk. Local risk governance is primarily exercised through the RMM, held six times a year, with clear visibility and communication through the same forums held regionally in Hong Kong and at the Group level in London. This structure helps to ensure appropriate oversight and accountability of risk, and facilitates reporting and escalation as appropriate. The Bank's information system has also been designed such that unauthorised excesses, overdue loan repayments and pending documentation are tracked and addressed in a timely manner. In addition, regular reporting on credit risk is made to Head Office and to the BoM.

Management discussion and analysis (continued)

Basel III disclosures (continued)

Credit Risk Exposures

As per the BoM Guideline on *Segmental Reporting under a Single Banking License Regime* , for branches of foreign banks, the capital adequacy ratio applies only to the Segment A type of business (Refer to note 2(h)).

Total Segment A gross credit risk exposures as at 31 December 2024 stood as follows:

Fund based:

Items	**31-Dec-24**
	MUR'000
Claims on cash items	**275,432**
Claims on sovereigns	**942,603**
Claims on central banks	**6,581,091**
Claims on banks	**1,505,987**
Claims on domestic PSEs ("Public sector entities")	**310,167**
Claims on corporates	**2,159,326**
Claims Secured by commercial real estate	**393**
Claims on other assets	**352,189**
Total	**12,127,188**

Non fund based:

Items	
	31-Dec-24
	MUR'000
Direct credit substitute	**225,534**
Transaction-related contingent items	**1,174,562**
Trade related contingencies	**204,773**
Commitments with an original maturity of up to one year	**509,560**
Commitments that can be unconditionally cancellable at any time by the Bank without prior notice, or that effectively provide for automatic cancellation due to the deterioration in a borrower's credit worthiness	7,613,953
Foreign exchange contracts	**1,805**
Total	9,730,187

The geographical distribution of the above fund based and non-fund based exposures are all to Mauritius.

The counterparty type distribution of exposures was as follows, excluding cash items, past due claims and other assets:

Fund based:

Items	
	31-Dec-24
	MUR'000
Sovereign	**942,603**
Financial institutions	**8,087,078**
Corporates	**2,469,886**
Others	**627,621**
Total	12,127,188

Non fund based:

Items	
	31-Dec-24
	MUR'000
Corporates	180,514
Total	180,514

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Management discussion and analysis (continued)

Basel III disclosures (continued)

Credit Risk Exposures (continued)

The residual maturity breakdown of the portfolio was as follows:

Fund based (On balance sheet)

Items		Amount MUR000's						
(No Months)	Total	0-3m	3-6m	6-12m	12-24m	24-36m	36-60m	> 60m
Claims on sovereigns	942,603	305,362	247,759	140,033	149,106	100,343	-	-
Claims on central banks	6,581,091	4,988,168	393,523	1,149,543	49,857	-	-	-
Claims on banks	1,505,987	1,084,116	66,359	596	354,916	-	-	-
Claims on domestic PSEs	310,167	-	-	-	-	-	-	310,167
Claims on corporates	2,159,326	1,125,515	-	770,462	78,681	131,213	32,389	21,066
Claims secured by commercial real estate	393	393	-	-	-	-	-	-
TOTAL	11,499,567	7,503,554	707,641	2,060,634	632,560	231,556	32,389	331,233

Non fund based (Off balance sheet)

Items		Amount in MUR'000s						
(No Months)	Total	0-3 m	3-6 m	6-12 m	12-24 m	24-36 m	36-60 m	> 60 m
Direct credit substitute	225,534	55,105	4,600	151,179	322	360	13,708	260
Transaction-related contingent items	1,174,562	70,996	84,256	713,953	142,459	122,881	11,283	28,734
Trade related contingencies	204,773	176,179	28,594	-	-	-	-	-
Commitments with an original maturity of up to one year	509,560	-	509,560	-	-	-	-	-
Commitments that can be unconditionally cancellable at any time by the Bank without prior notice, or that effectively provide for automatic cancellation due to the deterioration in a borrower's credit worthiness	7,613,953	5,646,059	1,659,960	307,934	-	-	-	-
Foreign exchange contracts	1,805	1,805	-	-	-	-	-	-
TOTAL	9,730,187	5,950,144	2,286,970	1,173,066	142,781	123,241	24,991	28,994

All of the items in the above mentioned disclosures are subject to the Basel III Standardised Approach.

Management discussion and analysis (continued)

Basel III disclosures (continued)

Credit Risk Exposures (continued)

Credit Risk: Standardised Approach

The Standardised Approach to Credit Risk requires banks to use credit assessments provided by external credit

The following ECAIs are used by the Bank:

- Standard & Poor's Ratings Services
- Moody's Investors Service
- Fitch Ratings

The ratings of these international credit rating agencies are used for capital adequacy purposes for risk weighting claims

Apart from the above 3 referred ECAIs, the BoM Guideline on the Recognition and Use of External Credit Assessment

- Credit Analysis and Research Limited ("CARE")
- Credit Rating Information Services of India Limited ("CRISIL")
- India Research
- Investment Information and Credit Rating Agency of India ("ICRA")

The Bank also makes use of the corporate ratings indicated by the above four Indian agencies to risk weight the advances it extends to its portfolio of Indian corporates, for its calculation of capital adequacy. If ratings are not available, the facilities extended to them are risk weighted at 100%.

Management discussion and analysis (continued)

Basel III disclosures (continued)

Credit Risk Exposures (continued)

Credit Risk: Standardised Approach (continued)

Segment `A exposures after credit risk mitigation ("CRM") subject to the Standardised approach as at 31 December 2024 were as follows:

Fund Based:

Items	Exposures Before CRM	Exposures After CRM	Risk Weight	RWA
	MUR'000	MUR'000	%	MUR'000
Cash in hand	273,479	273,479	0	-
	1,953	1,953	20	391
Claims on Sovereigns	942,603	942,603	0	-
Claims on Central Banks	6,581,091	6,581,091	0	-
Claims on Banks	1,505,988	1,505,988	20	301,198
Claims on Domestic PSE	310,167	310,167	0	-
Claims on Corporate	2,159,327	2,151,427	100	2,151,427
Claims secured by commercial real estate	393	393	100	393
Other assets	352,189	352,189	100	352,189
Total	**12,127,190**	**12,119,290**		**2,805,598**

Management discussion and analysis (continued)

Basel III disclosures (continued)

Credit Risk Exposures (continued)

Non - Fund Based:

Items	Exposures Before CRM	Exposures After CRM	Credit Conversion Factor	Credit Equivalent Amount	RWA
	MUR'000	**MUR'000**	**%**	**MUR'000**	**MUR'000**
Direct Credit Substitute	225,534	214,921	100	214,921	95,577
Transaction-related Contingent Items	1,174,562	1,122,876	50	561,438	459,343
Trade Related Contingencies	204,773	204,773	20	40,955	66,829
Commitments with an original maturity of up to one year	509,560	509,560	20	101,912	101,912
Commitments that can be unconditionally cancellable at any time by the Bank without prior notice, or that effectively provide for automatic cancellation due to the deterioration in a borrower's credit worthiness	7,613,953	7,613,953	0	-	-
Total	9,728,382	9,666,083		919,226	723,661

Non - Fund Based:

Items	Notional principal amount	Credit conversion factor	Potential future exposure	Current exposure	Credit equivalent amount	RWA
	MUR'000	**%**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Foreign Exchange Contract	180,514	1	1,805	0	1,805	1,805

Credit Risk Mitigation:

The Bank generally accepts security as collateral for advances extended to its customer base. The acceptable forms of security are agreed every year by way of Country Risk Plans which are prepared and by the Credit Risk Management function and approved by the regional credit function at head office level in Hong Kong before being circulated to relationship managers for guidance and adherence. Credit derivatives, haircuts and on and off-balance sheet netting are not used in respect of credit risk mitigation.

Common acceptable forms of security are:

- Standby Letters of Credit /Guarantees from banks
- Cash or deposits held under lien
- Personal or Corporate Guarantees
- Letters of Undertaking
- Registered mortgages
- Fixed and floating charge on all assets

Market Risk

Market risk is the risk that the market rates and prices on which the Bank has taken views (interest rates, exchange rates, equity prices etc.) will move adversely relative to positions taken causing losses to the Bank.

It is the responsibility of the country Chief Executive Officer (CEO) or his delegate to ensure that market risk may only be taken by Markets & Securities Services business within authorised limits. Units other than Markets & Securities Services business must transfer market risk to the Markets & Securities Services business, either by an internal transaction between the two areas, or by the inclusion of the transaction in the Markets & Securities Services business' dealing position. The market risk limit mandate of the Bank therefore encompasses all market risks taken by the Bank. Exceptions to this rule are explicitly agreed with local Management, such as local and regional ALCO, with Group Market Risk function in Group Head Office in London. Any exceptions are subject to the same control and reporting requirements as that applied to risk taken by Markets & Securities Services, including annual review of limits by Group Market Risk.

An Annual Limit Review ("ALR") is prepared by Group Market Risk and reviewed by the RMM of the Group Management Board ("GMB") each year. The Bank henceforth submits a request annually to apply for market risk limits covering the following calendar year. All requests are submitted in writing and these clearly indicate the support of the CEO, or his delegate and, the local and regional Head of Markets & Securities Services and the Head of Market Risk in Hong Kong. These annual submissions contain formal confirmation that all limits can be independently monitored and that all products have passed through an appropriate due diligence process.

The foreign exchange risk position as at 31 December 2024 stood at MUR35.0m (2023: MUR109m), giving a capital requirement of MUR4.4m (2023: MUR14.7m).

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events, including legal risk. Operational risk arises from day to day operations or external events and is relevant to every aspect of the HSBC Group's business.

The HSBC Group's Risk Management Framework is the overarching approach adopted by the Bank to ensure governance and management of operational risks. The framework consists of a set of activities, processes and tools which are used in the management of operational risk across HSBC.

The purpose of the Risk Management Framework is to enable the Bank to fully identify and manage its operational risks in an effective manner and maintain operational risk within risk appetite.

Management discussion and analysis (continued)

Basel III disclosures (continued)

Operational Risk (continued)

The BoM Guideline on Operational Risk Management and Capital Adequacy determination which came into effect on 01 April 2008, defines three main methods for calculating operational risk capital charges. These are the Basic Indicator Approach ("BIA"), the Standardised Approach and the Advanced Measurement Approach. The Bank has chosen the BIA approach to calculate its operational risk capital requirement and this is briefly described below.

Under the BIA, the capital requirement for operational risk is equal to 15% of the average annual positive gross income over the previous three years.

Gross income is defined as the sum of net interest income and net non - interest income and is arrived at before accounting for:

a) Provisions, including those for credit impairment;
b) operating expenses (including fees paid for outsourced services); and
c) realised profits/ losses from the sale of investment securities.

The Bank's capital requirement for operational risk as at 31 December 2024, based on total Segment A operating income, stood as follows:

		Financial Year Ended 2024 MUR'000	Financial Year Ended 2023 MUR'000	Financial Year Ended 2022 MUR'000
	Annual Gross Income	**608,561**	574,732	696,284
-1	Number of Years with positive income	**3**		
-2	Average Gross Income over the last 3 years	**626,526**		
-3	Capital charge for Operational Risk	**93,979**		

Management discussion and analysis (continued)

Basel III disclosures (continued)

Interest rate risk in the trading book

Present Value of Basis Point ("PVBP") is one of the most widely used methods for quantifying outright interest rate risk. It expresses the impact on the present value of a position of a one basis point (1bp) rise in the interest rate used to calculate the present value - for example a change from 5.25% to 5.26%. PVBP is calculated net within each currency and gross across currencies.

This is an accurate expression of interest rate sensitivity and exposure and is the most appropriate method for books where the value of the book is sensitive to interest rate movements.

PVBP cannot, however, be readily calculated by mental arithmetic, unlike some other forms of limit. The PVBP of a given position is affected not only by the nominal amount of the position and its term but also by any coupon, for example on a bond, and by the actual level of interest rates used to calculate the present value.

PVBP is used by the Bank's treasury trading system to monitor interest rate risk. The outstanding position as at 31 December 2024 in the trading book by time buckets is disclosed in note 36 of these financial statements.

Hajrah Sakauloo
Chief Executive Officer and
Head of Banking

Sanjeev Suresh

Interim Head of Finance

Date : 28 March 2025

Statement on corporate governance practices

The Bank is registered in Mauritius as a branch of HBAP, a company incorporated in Hong Kong. HSBC Holdings plc, a company incorporated in United Kingdom, is the ultimate holding company.

The Bank is a public interest entity as defined under the Mauritian Financial Reporting Act 2004, and is guided by the Bank of Mauritius *Guideline on Corporate Governance,* and the National Code of Corporate Governance for Mauritius (2016) (the "Code").

Corporate governance involves a framework of processes and attitudes within a company and relationships between a company's management, board, shareholders and other stakeholders. Effective corporate governance practices are essential to adding value and ensuring long-term continuity and success of a company.

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

During the year under review, the Management of the Bank continuously assessed the requirements and provisions as specified in the Code, and took the necessary steps to ensure adherence thereto.

Throughout the year ended 31 December 2024, to the best of the Management's knowledge, where the Bank has not applied certain principles set out in the Code, the reasons for non-application are listed out in the relevant sections of the report.

Principles of the Code
Principle 1: Governance Structure
Principle 2: The Structure of the Senior Management and its Committees
Principle 3: Senior Management Appointment Procedures
Principle 4: Senior Management Duties, Remuneration and Performance
Principle 5: Risk Governance and Internal Controls
Principle 6: Reporting with Integrity
Principle 7: Audit
Principle 8: Relations with Shareholders and Other Key Stakeholders

Group Values, Charter and Code of Conduct

The HSBC Group outlines its values, Charter and Code of Conduct, and the management of the Bank strives to ensure effective management in line with all these principles.

The Bank's values describe how we interact with each other and with customers, regulators and the wider community. All employees are expected to have and reflect these refreshed values in their day-to-day behaviour.

Statement on corporate governance practices (continued)

Group Values, Charter and Code of Conduct **(continued)**

The Bank’s values are:

We value difference

- We were born speaking different languages. We were founded on the strength of different experiences, attributes and voices; they are integral to who we are and how we work.
- The greater our empathy and diversity, the better we reflect the worlds of our customers and communities – and the better we can serve them.
- So we champion inclusivity. We listen. We remove barriers. And we seek out views different from our own.

We succeed together

- We offer our customers a unique breadth of opportunity.
- And we can only deliver the full promise of this by being truly connected – across boundaries.
- With our customers and partners. Together as colleagues and as an organisation.
- So, we collaborate across boundaries. We break down silos. We trust and support each other. And, when necessary, get out of each other’s way.
- Together, we make possible what we cannot do alone.

We take responsibility

- What we do has a real impact on people’s lives, communities and the planet. We take this responsibility seriously.
- We set ourselves high standards and are each accountable for our actions. We use good judgement. And if something doesn’t feel right, as colleagues we speak up and act.
- We build for tomorrow, today. We succeed only by taking the long view, by focusing on the sustainable interests of our customers, investors, and the planet we all share.

We get it done

- We create value for our customers and investors by always moving forward and making things happen.
- We’re entrepreneurial: we try new things, we learn and improve, and we take smart risks.
- We’re dynamic: we reject mediocrity. We move at pace.
- We’re decisive: we make clear choices and take bold actions.
- And we keep our word: we always do what we promise.

All employees are expected to live the above values on a day-to-day basis and standing firm for what is right.

The Bank’s Code of Conduct (“Code”) is a document that brings together the Bank’s purpose and values in the context of Bank’s history and Bank’s future, and how they can be used to make better decisions.

Statement on corporate governance practices (continued)

<u>Group Values, Charter and Code of Conduct (continued)</u>

Management of conduct is a critical component of all the Bank's business activities, including the Bank's strategy and business model, the Bank's culture and behaviours, its interaction with customers, financial markets operations, and governance and oversight processes. Employees are empowered through the Code of Conduct to support responsible decision making and to adhere to the highest standards of business practice.

The Bank ensures effective management in line with the above values and its Code of Conduct (Code of Ethics) which was reviewed and approved by its Executive Committee in April 2023. Employees are empowered through the Code to support responsible decision making and to adhere to the highest standards of business practice. Incident reporting is encouraged and a dedicated confidential telephone is available for all employees.

Management is responsible for compliance of the Bank with all relevant laws and regulation and ensuring the integrity of the annual financial report and periodically monitors the compliance to the Code by all the employees of the Bank.

1. Governance Structure

<u>1.1 Shareholding Structure</u>

As at 31 December 2024, the Bank's assigned capital was MUR 1,499,750,000, solely held by The Hongkong and Shanghai Banking Corporation Limited.

<u>1.2 Responsibilities of the Board of The Hongkong and Shanghai Banking Corporation</u>

The Bank is led by a committed and unitary Board, which has the ultimate collective responsibility for the overall stewardship and oversight of the activities of the Bank. The Bank operates within a clearly defined governance framework, which provides for delegation of authority and clear lines of responsibility without abdicating the Board's responsibility.

The Board through the executive management aims to promote the long-term success of the Bank, delivering sustainable value and promoting a culture of openness and debate. In exercising its duty to promote the success of the Bank, the Board is responsible for overseeing the leadership and management of the Bank.

<u>1.3 Responsibilities of the Management of the Bank</u>

Management is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Bank. It is also responsible for safeguarding the assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Management is responsible for regularly reviewing and evaluating performance against financial and other strategic objectives, business challenges, business developments and risk (including strategic risk, financial risk, operational risk and compliance risk). It is also responsible for determining the nature and extent of risk which can be taken in order to achieve the Bank's strategic objectives.

Statement on corporate governance practices (continued)

1. Governance Structure (continued)

Management is responsible for the preparation and fair presentation of the financial statements as described in Section 6.1. Management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. Management has assessed the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

2. The Structure of the Senior Management and its Committees

2.1 Executive Committee

The Executive Committee ("EXCO") of the Bank meets regularly and operates as a general committee under the direct authority of the Board of the Company. Of note, the Bank has been dispensed by the BoM from establishing a local advisory board.

Frequency	At least 10 times yearly	
	Gregory Lowden[1]	Chief Executive Officer (Chairperson)
	Hajrah Sakauloo[2]	Chief Executive Officer (CEO) and Head of Banking
	Sarina Saul-Hassam	Chief Operating Officer
	Rajiv Gopaul[3]	Head of Finance
	Sanjeev Suresh	Interim Head of Finance as from 27 January 2025
	Nitin Ramlugon[4]	Head of Wealth and Personal Banking
	Masud A Monwar	Head of Human Resources
	Vivekananda Caleemootoo	Head of Markets and Securities Services
	Noor Jehan Meerun	Communications Manager
	Yousuf M Syed	Chief Risk and Compliance Officer (CRCO)
	Ashiti Prosand	Head of Legal
	Deepa Harcharan	Business Planning and Execution Manager – CEO Office
	Alexandra Kidson	Interim COO as from 17 February 2025
	Sanjeev Suresh	Interim CFO as from 27 January 2025
Purpose	The objective of the EXCO is to discuss, review and manage business strategies as well as performance in the Bank. Under the leadership of the CEO, the EXCO has the executive management responsibility for the Bank. The EXCO shall exercise all of the powers, authorities and discretions, in so far as they concern the management and day to day running of the Bank. The EXCO is a forum for discussion of business issues at the Bank level, with the intention to discuss and agree appropriate actions to ensure a consistent and proactive approach to strategy and business development. It carries responsibility to ensure all legal and regulatory requirements are fulfilled and risk is managed appropriately. The EXCO provides a framework which maintains a reporting and control structure whereby all business, operations and global functions lines of operation are accountable to individual members of the EXCO. While the EXCO and other sub-committees provide support and assistance for decision making and discharging duties, the responsibilities are personal and individuals are ultimately responsible for the timely and effective execution of the performance of their duties in accordance with their role profile and delegated authorities.	

Statement on corporate governance practices (continued)

2. The Structure of the Senior Management and its Committees (continued)

2.1 Executive Committee (continued)

Main Responsibilities	The EXCO members are responsible for timely and effective implementation of resolutions within their area of authority. Those assigned an action point must take responsibility for implementation overall in a timely and effective manner. The members notify the Chair promptly and the EXCO, without delay, of any extraordinary events or risks occurring in the course of the Bank's activities. The members must, in addition, immediately inform the Chair and/or the Head of Legal of any potential conflicts of interest that may arise in the execution of their role regarding topics tabled in the Agenda. In the decision process relating to business and other topics where there is a risk of conflict of interest with their private matters, the concerned members must abstain from participating in the deliberations and adoption of resolutions. Exceptional cases, which are the responsibility of the EXCO, owing to their urgent nature and in order to protect the best interests of the Bank, may be dealt with and decided by the Chairperson. Such decisions must be brought to the attention of the EXCO without delay and added in the minutes of the next meeting. In any case, the EXCO must be advised of such transactions or decisions.

[1]Gregory Lowden left the Bank as CEO on 28 February 2025.
[2]Hajrah Sakauloo was appointed as CEO and Head of Banking on 1 March 2025.
[3]Rajiv Gopaul left the Bank as Head of Finance on 6 January 2025.
[4]Nitin Ramlugon left the Bank on 31 December 2024.

2.2 Asset and Liability Committee

The Asset and Liability Committee (ALCO) of the Bank has a formal schedule of matters reserved to it and holds its meetings not less than 10 times each year. It is responsible for the overall balance sheet strategy, funding and capital management, acquisition and divestment policy, and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of the Bank and the impact of these risks on the balance sheet.

ALCO monitors the external environment in which the Bank operates and assesses the impact of factors such as interest rate volatility and trends, market liquidity, exchange rate movements, monetary and fiscal policies and competitors' actions.

Frequency	At least 10 times yearly	
Composition	Rajiv Gopaul[3]	Head of Finance (Chairperson)
	Sanjeev Suresh	Interim Head of Finance as from 27 January 2025
	Gregory Lowden[1]	Chief Executive Officer
	Hajrah Sakauloo[2]	CEO and Head of Banking
	Yousuf M Syed	CRCO
	Vivekananda Caleemootoo	Head of Markets and Securities Services
	Sameema Nobeebux[5]	Team Head – Operating Corporates
	Shoba Thancanamootoo	Head of Market Treasury
	Prabal Chakrabortty	Country Head of Global Liquidity and Cash Management
	Rajiv Bali	Country Head of Global Trade and Receivables Finance
	Nitin Ramlugon[4]	Head of Wealth and Personal Banking
	Jason Chin	Head of Assets and Liabilities Capital Management (ALCM) and Business Finance

2. The Structure of the Senior Management and its Committees (continued)

2.2 Asset and Liability Committee (continued)

Purpose	The key responsibilities of the Asset and Liability Committee include: (i) provide direction and ensure tactical follow-through to create an evolving balance sheet structure to meet the Bank's performance objectives within prescribed risk parameters; (ii) monitor the ALCM risks and influences; (iii) provide a forum for discussing ALCO issues; (iv) facilitate teamwork between different businesses/sites/departments; (v) resolve departmental inter-face issues such as transfer pricing and resource allocation; (vi) review overall sourcing and allocation of funding; (vii) be forward looking and determine the most likely banking environment for asset/liability forward planning and review contingency scenarios; (viii) evaluate alternative rate, pricing and portfolio mix scenarios, (ix) review asset/liability distribution and maturities; (x) companies' rationalisation.
Main Responsibilities	The key responsibilities of the Asset and Liability Committee include: (i) to manage the balance sheet with a view to achieving efficient allocation and utilization of all resources; (ii) to enhance economic profit by improving net profits and prompting efficiency in the use of capital and funding by enhancing return on risk weighted assets in the context of a clearly defined growth policy; (iii) to review all related risks and ensure their prudent management, including, but not limited to structural interest rate risk, structural foreign exchange risk and liquidity/funding risk; (iv) to monitor the external environment and measure the impact (current and projected) on profitability and the balance sheet of factors such as interest rate volatility/trends/expected future movements, market liquidity, trends/expected future movements, monetary and fiscal policies, customer behaviour and competitor bank actions, accounting and regulatory changes; (v) to understand the interaction between different lines of business and portfolios in the balance sheet and the issues affecting them such as funds transfer pricing, behaviouralisation and resource allocation. The members must notify the Chair promptly and ALCO, without delay, of any extraordinary events or risks occurring in the course of the Bank's activities impacting liquidity, funding, capital and any other ALCO matters. The members must, in addition, immediately inform the Chair of any potential conflicts of interest that may arise in the execution of their role regarding topics tabled in the Agenda. In the decision process relating to business and other topics where there is a risk of conflict of interest with their private matters, the concerned members must abstain from participating in the deliberations and adoption of resolutions.

[1]*Gregory Lowden left the Bank as CEO on 28 February 2025.*
[2]*Hajrah Sakauloo was appointed as CEO and Head of Banking on 1 March 2025.*
[3]*Rajiv Gopaul left the Bank as Head of Finance on 6 January 2025.*
[4]*Nitin Ramlugon left the Bank on 31 December 2024.*
[5]*Sameema Nobeebux joined the ALCO on 30 July 2024.*

Statement on corporate governance practices (continued)

2. The Structure of the Senior Management and its Committees (continued)

2.3 Risk Management Meeting (RMM)

The RMM is a formal governance committee established to provide recommendations and advice to the CRCO on enterprise-wide management of all risks, including key policies and frameworks for the management of risk within the Bank. It supports the CRCO's individual accountability for the oversight of enterprise risk as set out in the Group's Risk Management Framework ("RMF").

Decision-making authority in relation to all matters considered at the RMM remains with the CRCO, except where decision –making authority is within the scope of another RMM member in accordance with the RMF.

The CRCO is accountable to the Bank's EXCO. Members will provide reports to EXCO through the Bank's CRCO and other members of the Region/Local Risk Management Function as determined by the CRCO.

Frequency	6 meetings per Year	
	Yousuf M Syed	CRCO (Chairperson)
	Gregory Lowden[1]	Chief Executive Officer
	Hajrah Sakauloo[2]	CEO and Head of Banking
	Rajiv Gopaul[3]	Head of Finance
	Sanjeev Suresh	Interim Head of Finance as from 27 January 2025
	Sarina Saul-Hassam	Chief Operating Officer (COO)
	Alexandra Kidson	Interim Chief Operating Officer as from 17 February 2025
	Ashiti Prosand	Head of Legal
	Vivekananda Caleemootoo	Head of Markets and Securities Services
	Nitin Ramlugon[4]	Head of Wealth and Personal Banking
	Masud A Monwar	Head of Human Resources
Main Responsibilities	The RMM serves as the governance forum for enterprise-wide risk management with particular focus on risk culture, risk appetite, risk profile and integration of risk management into the Bank's strategic objectives. The members of the RMM (" Members") will debate, consider, advise and make recommendations on such matters as the CRCO will determine. This may include: Strategy • Providing a forum for risk issue to be considered, including strategic and budgetary responses to technology and climate risk • Receiving regular reports on the status of material Change/Transformation projects including the delivery, risk, key exposures, and risk mitigation plans in conjunction with the opinions from the Second Line, Risk, Internal Audit or external stakeholders as necessary.	

[1]Gregory Lowden left the Bank as CEO on 28 February 2025.
[2]Hajrah Sakauloo was appointed as CEO and Head of Banking on 1 March 2025.
[3]Rajiv Gopaul left the Bank as Head of Finance on 6 January 2025.
[4]Nitin Ramlugon left the Bank on 31 December 2024.

Statement on corporate governance practices (continued)

2. The Structure of the Management and its Committees (continued)

2.3 Risk Management Meeting (continued)

Main Responsibilities	Business Performance and Priorities (i) Reviewing key risk management policies and framework addendums; including but not limited to the Bank's Risk Appetite Framework, annual Risk Appetite Statements and Stress Testing Framework and changes thereto, prior to onward submission for the Bank/Management approval where appropriate; (ii) Reviewing of credit and market risk limits for the Bank's businesses and the delegation of these limits for the control of the credit, market, operational and reputational risks in the light of the Bank's capital and related risk capacity; (iii) Considering the Bank's Risk Profile, Key Risk Management Information, and be informed of material changes to the Risk Appetite Profile, Top and Emerging Risks and Risk Map; (iv) Considering relevant reports and updates pertaining to the key risks and issues across the three lines of defence, commissioning further review where required; (v) Reviewing the effectiveness of internal controls required to manage risk, including processes for managing Regulatory Compliance Risk arising from Volcker Rules in relation to the activity of entities that are owned by the Bank and do not come under the supervision of one of the Global Businesses; (vi) Receiving and reviewing reports and updates on regulatory reporting risk; (vii) Acting as a forum for the review, discussion or escalation of significant ALCO/Teasury Risk related matters; (viii) Reviewing, discussing and addressing material financial and non-financial risks, as listed in the Group risk taxonomy; (ix) Providing approval where required on financial crime matters such as the enterprise-wide Money Laundering/Terrorist Financing risk assessment and the Money Laundering/Terrorist Financing program, including policies, controls and procedures; (x) Receiving and reviewing reports and updates on the Bank's internal assessments and/or regulatory submissions, including but not limited to Recovery and Resolution, Stress Testing, the Internal Capital Adequacy Assessment Process ('ICAAP'), Internal Liquidity Adequacy Assessment Process ('ILAAP') and related management actions as required; (xi) Reviewing and understanding the high level structure and operational processes of the business in respect of Client Assets and assess the effectiveness, transparency and visibility of the controls over these. Discuss and oversee the remediation of breaches and to also consider Client Assets' findings from Regulator's supervision reports, Risk, Audit, and Regulatory Compliance monitoring reviews, as well as regulatory developments; (xii) Reviewing and providing on-going recommendation of updates to the Bank's Recovery Plan, to ensure that any material changes in the Bank's business, strategy, nature or scale of its activities or the regulatory or operational environment are considered and the Recovery Plan updated if required; (xiii) Reviewing, discussing and addressing regulatory risks and issues, policy changes and resultant impact. Promote, monitor and assess the regulatory risk culture; (xiv) Ensuring that risk management practices support desired conduct and culture outcomes; Governance (i) Considering the Bank's risk reports and taking action in relation to the issues raised therein as it considers appropriate; (ii) Any other matter within the remit of the CRCO that he may wish to bring to the RMM.

Statement on corporate governance practices (continued)

2. The Structure of the Management and its Committees (continued)

The terms of reference of the EXCO, ALCO and RMM are reviewed annually.

2.4 Corporate Governance Committee

All matters pertaining to Corporate Governance are regularly reviewed and discussed by the Management. Hence, a committee on Corporate Governance has not been constituted.

2.5 Remuneration Committee

The Bank has been dispensed from constituting a separate Remuneration Committee. The exemption was granted by Bank of Mauritius vide its letter dated 13 December 2012.

2.6 Committee Attendance

Committee Attendance

	EXCO	**ALCO**	**RMM**
Number of meetings held	10	10	6
Chief Executive Officer	10	8	6
CEO and Head of Banking	10	8	5
Chief Operating Officer	10	-	6
Head of Finance	10	10	6
Head of Wealth and Personal Banking	10	4	3
Head of Human Resources	10	-	6
Head of Markets and Securities Services	10	9	6
Business Planning and Executive Manager	10	-	-
Communications Manager	9	-	-
CRCO	10	10	6
Head of Legal	10	-	3
Head of Market Treasury	-	10	-
Country Head of Global Liquidity and Cash Management	-	10	-
Head of ALCM and Business Finance	-	10	-
Country Head of Global Trade and Receivables Finance	-	7	-
Team Head – Operating Corporates	-	5	-

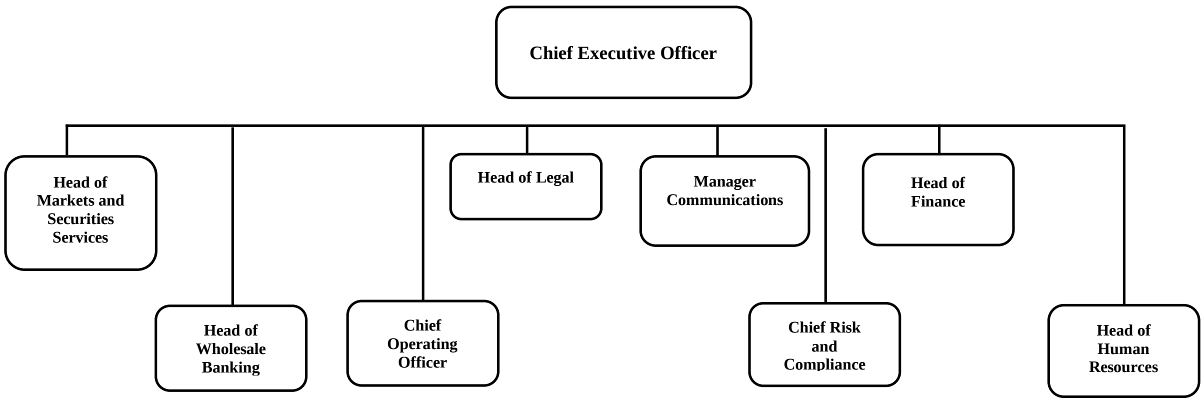
The Bank was headed by its Chief Executive Officer, Gregory Lowden.

Statement on corporate governance practices (continued)

2. The Structure of the Management and its Committees (continued)

<u>2.7 Senior Management's Profile</u>

As at 31 December 2024, the organisation chart of the Bank is as follows:



Gregory Lowden – Chief Executive Officer (Resident) – Left the Bank on 28 February 2025

Mr. Lowden joined HSBC on the International Management Programme in 2009 and has held a variety of senior roles across Commercial Banking, Trade Finance, Financial Crime Risk, and Government Affairs in the UK, US, and Hong Kong. Before moving back to Asia in 2021, he spent three years working directly for the Group Chairman.

Prior to his current role, as Managing Director and CEO of HSBC Mauritius, Mr. Lowden was the Deputy Head of International Subsidiary Banking, Hong Kong, where he led a strong team supporting the complex financing requirements of corporate clients headquartered in Europe, the Middle East, and around Asia.

After graduating from the University of Cambridge, Mr. Lowden lived and worked in Japan and Hong Kong, at the United Nations and law firm Herbert Smith.

Rajiv Gopaul – Head of Finance (Resident) – Left the Bank on 6 January 2025

Mr. Gopaul is Head of Finance, HSBC Mauritius. He joined HSBC in 2000 and has served in a number of roles in HSBC Group Finance spanning Tax, ALCM and Group Treasury in London and, in 2014, was appointed the Finance Lead for the UK Ring–Fenced Bank project. Prior to joining HSBC, he qualified as a Chartered Accountant specialising in Corporate Tax and worked at a large UK banking group as Head of UK tax compliance.

Mr. Gopaul holds a Bachelor of Science degree in Accounting & Finance from the London School of Economics & Political Science.

Statement on corporate governance practices (continued)

2. The Structure of the Management and its Committees (continued)

2.7 Senior Management's Profile (continued)

Hajrah Sakauloo – Chief Executive Officer and Head of Banking effective 1 March 2025 (Resident)

Fellow member of the Association of Chartered Certified Accountants, Mrs. Sakauloo joined HSBC in 1997 and has held various positions at the Bank within operations, Custody and Clearing, Corporate and Institutional banking and Global Banking and Markets with a particular focus on global business. She was previously the Bank's Head of Wholesale Banking which covers a wide spectrum of businesses ranging from large international corporate clients to mid corporates.

Yousuf M Syed – Chief Risk and Compliance Officer (Resident)

Mr. Syed has worked in leading international financial service organisations like Citicorp, American Express, Mashreq Bank, India Infoline Finance (IIFL), and geographically in India and the Middle East. He joined HSBC Invest Direct Financial Services (HIFSL) in 2014 as Chief Risk Officer where he was responsible for managing the enterprise-wide risk. Later he worked in the INM Remediation Management Office and Unsecured risk for India WPB Risk. He was appointed as Interim Chief Risk Officer as from 4 February 2022 to 30 April 2022 for the Bank. As from 1 May 2022, he was acting as the Chief Risk Officer and on 1 December 2023, he had been appointed as Chief Risk and Compliance Officer.

Nitin Ramlugon – Head of Wealth and Personal Banking– Left the Bank on 31 December 2024 (Resident)

Holding a B.Sc. in Management and an M.Sc. in Financial Management, Mr. Ramlugon is the Head of Retail Banking and Wealth Management. He has held management positions in diverse functions of the Bank including Human Resources, Operations, Retail Credit, Global Business and Compliance.

Masud A Monwar – Head of Human Resources (Resident)

Mr. Monwar is a seasoned HR Professional with more than 16 years' experience across multinational organizations. Prior to HSBC, he worked in GlaxoSmithKline as HR Manager in a Business Partnering Role for two Businesses with additional responsibility of Leading Reward, Performance and Talent for the country. He holds an Executive MBA Degree and a Bachelor Degree in Business Administration.

Ashiti Prosand – Head of Legal (Resident)

Ms. Prosand joined HSBC Mauritius in March 2019 as Head of Legal. She previously worked at MauBank Ltd in the same capacity. Prior joining MauBank Ltd, she worked in the legal and compliance department of Standard Chartered Bank (Mauritius) Limited, handling various roles in the aforementioned department. Ms. Prosand is a law graduate from the University of Mauritius and holds a Masters Degree in International Business Law from the University of Manchester. She is also an Associate of the Institute of Company Secretaries and Administrators (ICSA), UK.

Statement on corporate governance practices (continued)

2. The Structure of the Management and its Committees (continued)

2.7 Senior Management's Profile (continued)

Sarina Saul-Hassam – Chief Operating Officer (Resident)

Mrs. Saul-Hassam has been with HSBC Group for 18 years and was the Regional CMB Chief Administration Officer for ASP based in Hong Kong prior joining Mauritius as COO. Sarina has got rich experience that in having undertaken a variety of transformation and leadership roles within Commercial Banking and Wealth and Personal Banking across country (UK and Indonesia), regional and global roles. She graduated from the University of Manchester with a B.Sc.(Hons) Degree in Financial Services. She is passionate about leading Diversity and Inclusion with a key focus on creating career development opportunities in an inclusive and accessible way.

Alexandra Kidson – Acting Chief Operating Officer as from 18 February 2025 (Resident)

Ms. Kidson joined HSBC Mauritius in March 2022 as Head of Performance Services, from February 2025 she holds the Chief Operating Officer position on an interim basis. Across the last ten years Ms. Kidson has held different roles across HSBC in both Europe and the Middle East. Ms. Kidson is a Graduate from the University of Exeter, UK where she has completed a Bachelors of Arts in Philosophy and Politics.

Sanjeev Suresh – Acting Chief Finance Officer as from 27 January 2025 (Non-resident)

Mr. Suresh is a qualified accountant with more than 30 years of varied experience in finance roles. His most recent role was Head of Financial Control and Reporting for HSBC Life Singapore. Mr. Suresh joined the Bank as from January 2025 as Interim CFO on a short-term assignment.

Vivekananda Caleemootoo – Head of Markets and Securities Services (Resident)

Mr. Caleemootoo holds a BSc in Business Accounting with concentration in accounting from Lander University, USA and passed the Uniform Certified Public Accountant Examination, USA in 2001. He joined the Bank in 2002 within the finance and accounting team before moving into the role of FX trader in 2004. Prior to his appointment as Head of MSS, Mr. Caleemootoo was Head of Marketing for Global Markets since 2006.

Noor Jehan Meerun – Communications Manager (Resident)

Mrs Meerun is a seasoned journalist and communication specialist with a strong track record for crisis management, media engagement and public relations, having worked for the public and private sector. She is recalled as a national TV presenter and news reporter who was trained at France 2 Television, Paris. Holder of a Master's Degree in International Relations from Quaid E Azam University of Pakistan, she worked for Barclays Bank in Mauritius as Communications Manager before taking up her job in the Communications Department at HSBC in 2012.

Statement on corporate governance practices (continued)

3. Senior Management Appointments Procedures

3.1 Appointment of senior management roles

The Bank has a formal process in place for appointment of senior management roles, which is led by the CEO of the Bank, the regional business heads or function heads in Hong Kong. The CEO reviews the structure, size and composition of the Executive Committee annually, or whenever appointments are considered, to ensure that the Bank has a diverse mix of competencies, knowledge and experience, in order to enrich Executive Committee discussions and improve the quality of decision making.

3.2 Succession Planning

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

3.3 Induction and Orientation for senior management

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

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

3.4 Continuous Training and Development

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

As employees of the Bank, senior managers attended mandatory trainings as well as specific that are critical in their roles.

Statement on corporate governance practices (continued)

4. Management Duties, Remuneration and performance

4.1 Position Statement and Statement of Accountabilities

In line with the HSBC Group policy, each member of the management has an individual job description which has been reviewed and approved by his/her respective business or functional head. Each job description provides a clear description of the incumbent's roles and responsibilities.

Title	Roles and Responsibilities
Chief Executive Officer	Responsible for overseeing operations and business activities to ensure they produce the desired results and are consistent with the overall HSBC strategy.
Head of Wholesale Banking	Responsible for leading the Business, setting the strategic and day to day direction and driving growth aspirations and revenue for Commercial Banking Business whilst retaining the appropriate risk management discipline to achieve the Bank's strategic goals.
Chief Operating Officer	Responsible for directing and controlling all organisational operations in accordance with the strategic and business plans to ensure the organisational goals and objectives are met.
Head of Human Resources	Provide strategic HR leadership to the Business to align People Strategy with Business Strategy and drive the implementation of people processes to enable business performance.
Head of Wealth and Personal Banking	Responsible for leading the Business, setting the strategic and day to day direction and driving growth aspirations and revenue for Retail Business whilst retaining the appropriate risk management discipline to achieve the Bank's strategic goals.
Chief Risk and Compliance Officer	Responsible for directing the effective identification, assessment, management, monitoring and mitigation of risk across all current and potential future risk types within the remit area, including wholesale credit and market, retail, security and operational risk, and risk strategy and governance as well as for ensuring adequate controls are in place to manage financial crime and regulatory compliance risk and ensure the business complies with the letter and spirit of relevant regulations, thereby delivering fair outcomes and embedding a robust risk management culture in the Bank.
Head of Finance	Responsible for directing and controlling all aspects of financial management to ensure that the executive management board, auditors, tax authorities, regulators and shareholders are provided with accurate and timely information and advice on the financial position of the Bank, in compliance with prevailing financial, tax and regulatory requirements.
Head of Markets and Securities Services	Responsible for leading the Business, setting the strategic and day to day direction and driving growth aspirations and revenue for Global Markets and the international Customer Group whilst retaining the appropriate risk management discipline to achieve Group's strategic goals.
Manager Communications	Support the execution of the communications plans, campaigns and messaging in line with HSBC policies. Support internal communications for employees, as well as, external communications for a variety of audiences.
Head of Legal	Provides guidance to the Management on legal related matters and ensures that the Management is aware of their duties and responsibilities.

Statement on corporate governance practices (continued)

4. Management Duties, Remuneration and performance (continued)

4.2 Statement of Remuneration Policy

The Bank advocates to attract, retain and motivate the most talented individuals in order that there may be a positive contribution to the long-term success of the Bank.

The Bank applies a Group based reward strategy that focuses on rewarding successful performance and the assessment is tailored to both annual as well as long term objectives that have been agreed. Furthermore, the structure of remuneration is made up of fixed pay, benefits, annual incentive and the Group Performance Share Plan.

During the financial year 2024, Senior Management received emoluments, which includes salaries and other benefits as disclosed in note 35 on related party transactions.

4.3 Conflict of Interest

Personal interests of management or persons closely associated with management must not take precedence over those of the Bank. Management should make the best effort to avoid conflicts of interests or situations which others may reasonably perceive to be conflicts of interests.

The Bank has a comprehensive policy to provide guidance on what constitute a conflict of interest and how it will be managed and monitored by the Bank in line with the applicable laws. This policy is directed not only to management and Senior Officers of the Bank, but to all employees who can influence any decision of the Bank.

4.4 Information Governance

The Bank continuously seeks to foster frameworks that upholds the security of information and Information Technology (IT) systems in adherence to regulatory and industry norms keeping in mind the confidentiality, integrity and availability of information. The EXCO, through the Risk Management Committee, receives a quarterly update from the Head of IT to ensure that that set policies implemented by management to manage associated risks, supported by appropriate structures, processes and resources.

Information Risk occurs when information held by the Bank wherever it resides and in whatever format it is stored, is lost, stolen or manipulated. The Bank protects against this risk through the implementation of administrative, technical, and physical measures. There are normally wide-ranging duties of confidentiality with respect to customer information. Many of the jurisdictions in which HSBC operates also have specific data protection, privacy and bank secrecy laws, regulations and codes which also apply where information is outsourced or transferred to third parties and which additionally obligate Group companies to keep customer data safe from identity fraud.

The Bank has applied standard of confidentiality in relation to certain types of information. Managers are responsible for ensuring that all mandatory information risk policies are acted upon and implemented. They are also responsible for ensuring that effective procedures are in place to meet the obligations and requirements imposed by local data protection, privacy and bank secrecy laws, regulations, and codes. Local Security Risk, IT, HR, and Regulatory Compliance advice should be sought to ensure that all aspects of data protection are covered, and that wherever an incident of data loss occurs, a clear local reporting structure is in place and discuss in IT Steering Committee conduct quarterly. All key IT projects and expenditure are monitored and scrutinised by the EXCO.

Statement on corporate governance practices (continued)

5. Risk Governance and Internal Controls

5.1 Risk Management

All Bank employees have a role to play in the management of risk, with the ultimate accountability residing with the EXCO of the Bank. The management, advised by the RMM, sets the 'tone from the top' and is responsible for reviewing and evaluating the effectiveness of the Bank's risk management framework, as well as embedding and maintaining a supportive culture in relation to the management of risk.

The Group Risk Management Framework ("RMF") is applied throughout the Bank and across all the types of risk, both financial and non-financial, that the Bank faces in its business and operational activities. The effectiveness of the RMF depends on the staff living the values, behaviours, and principles contained within the framework.

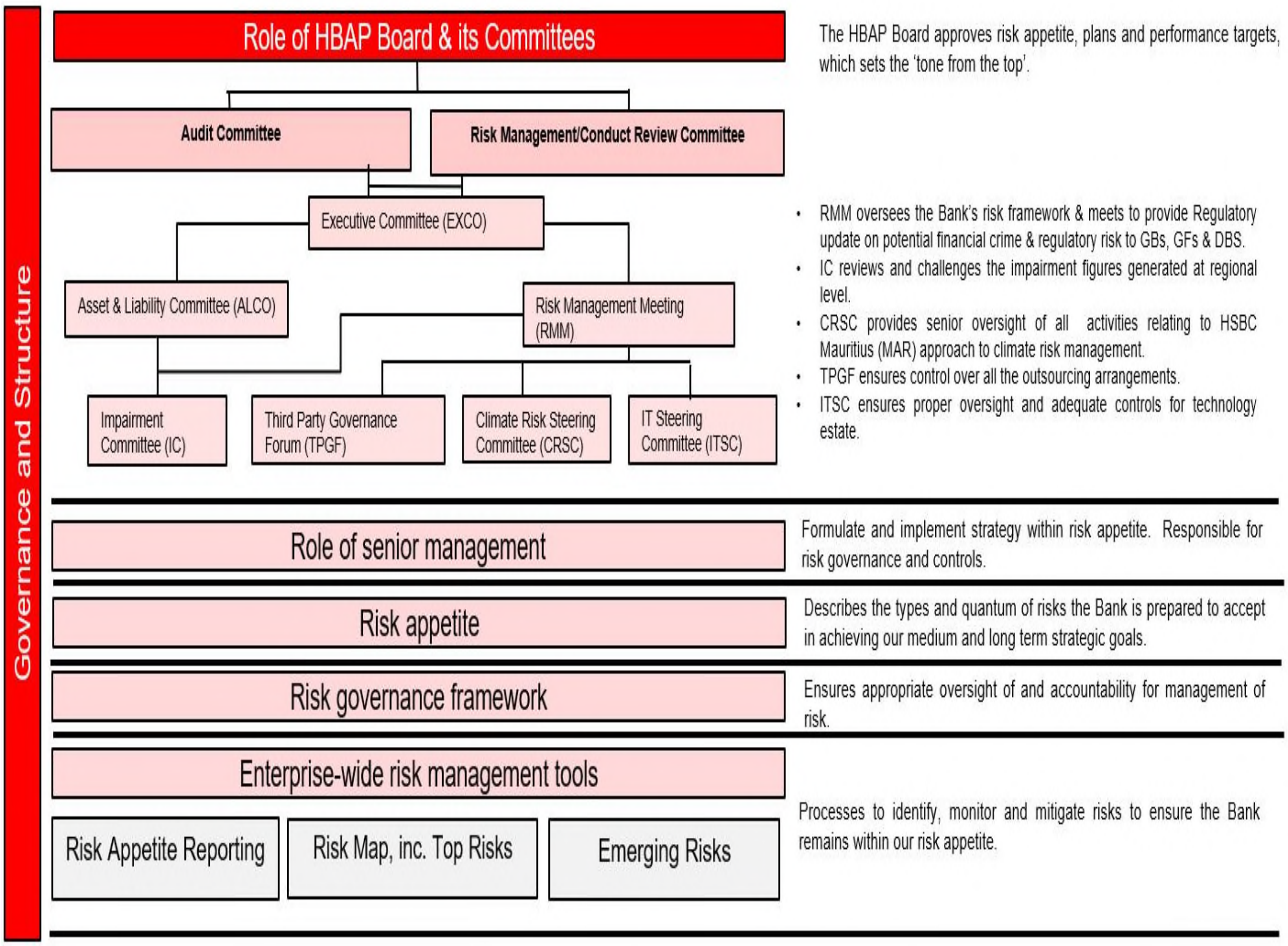
The RMF describes Group's and the Bank's approach to managing risk. It is applicable to all employees and is supplemented by specialist principles, risk frameworks, and guidance such as the Purpose-led Conduct Approach which is designed to capture how the Bank's risk management arrangements impact its customers and the financial markets in which the Bank operates, the Reputational Risk Framework, which sets out the Group's approach to the management of Reputational Risk; and the Model Risk Management Framework, which promotes an understanding of model risk on both an individual model basis as well as in aggregate across the Group.

Statement on corporate governance practices (continued)

5. Risk Governance and Internal Controls (continued)

5.1 Risk Management (continued)

The following diagram and descriptions summarises the key components of the framework, including governance, roles and responsibilities and internal controls.



The next sections provide an overview of the key components of the framework as applied by the Bank.

Statement on corporate governance practices (continued)

5. Risk Governance and Internal Controls (continued)

5.2 Risk Governance

Management has ultimate responsibility for the effective management of risk and approves the Bank's risk appetite. It is advised by the RMM.

Executive accountability for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the risk management framework resides with the CRO and is supported by the RMM and ensures all matters of significance are raised. The minutes of the RMM are made available to all management members.

Day-to-day responsibility of risk management is delegated to senior managers with individual accountability for decision making. All employees have a role to play in risk management and these roles are defined using the Three Lines of Defence Model, which is outlined in further detail below.

The above risk governance structure helps to ensure appropriate oversight and accountability of risk and facilitates reporting and escalation to the RMM. Matters of significance are, in turn, reported to the Executive Committee.

5.3 Risk Roles and Responsibilities

The Bank's three Line of Defence ("LOD") is an activity-based model and delineates accountabilities and responsibilities for risk management and the control environment within each LOD. The model applies to all individuals and all risk types and supports the delivery of conduct outcomes and a positive risk culture.

There must be a clear segregation between risk ownership (First LOD), risk oversight and stewardship (Second LOD) and independent assurance (Third LOD) to help support effective identification, assessment, management, and reporting of risks. It is the activities, not the job titles, which determine where one sit in the three LOD model.

- The First LOD has ultimate ownership for risk and controls, including read across assessments of identified issues, events and near misses, and the delivery of good conduct outcomes. It is the responsibility of the First LOD to assess whether an issue is likely to have relevance to another part of the business, and therefore what level of read across action is required, and whether when looked at in aggregate the level of consolidated risks is greater than on an individual basis.
- The Second LOD provides subject matter expertise, advice, guidance and review and challenge of the First LOD's activities to help ensure that risk management decisions and actions are appropriate, within risk appetite and support the delivery of conduct outcomes. The Second LOD is independent of the risk-taking activities undertaken by the First LOD and includes CRCO, Risk Stewards, the Operational and Resilience Risk ("ORR") function and Second LOD Assurance teams.
- The Third LOD is Global Internal Audit ("GIA"). GIA helps the EXCO to protect the assets, reputation and sustainability of the Group. GIA provides independent assurance to management and the non-executive Risk and Audit Committees as to whether our risk management, governance and internal control processes are designed and operating effectively.

The Bank risk function, headed by the CRCO, is responsible for the Bank's risk management framework and forms part of the second line of defence. It is independent from the businesses, including sales and trading functions, to provide challenge, appropriate oversight and balance in risk/return decisions.

5. Risk Governance and Internal Controls (continued)

5.3 Risk Roles and Responsibilities (continued)

The Bank uses a range of tools to identify, monitor and manage risks. The key enterprise-wide risk management tools are summarised below:

- Risk Appetite: The risk appetite is defined as the aggregate risks that the Bank takes in order to achieve its strategic objectives. The risk appetite also defines the risks that are outside the Bank's appetite or tolerance in order to operate effectively. Risk Appetite provides a mechanism for the management to collectively define the Bank's willingness to engage in certain activities.

- Risk Map: The Risk Map is an integrated risk management tool used to assess, monitor and report the current risk profile, including Risk Drivers and Top Risks, of the Bank. It provides a point-in-time view of the enterprise-wide risk profile across both financial and non-financial risks in line with the Group's risk taxonomy and identified Thematic Issues. The Risk Map provides a second LOD view of the residual risk profile against the qualitative statements for the Bank.

- Emerging Risks: An Emerging Risk is defined as a risk that could have a material impact on the risk profile of the Bank but is not under active management and is not immediate.

  The Emerging Risks report is a key enterprise risk management tool used and provides forward-looking and thematic analysis of Emerging Risks which are often large-scale events or trends, difficult to predict and are often beyond the Bank's ability to directly control. The report is used to assess the internal and external risk environment and provide a view of emerging issues that could threaten the execution of the Bank's strategy or operations.

All risks should be monitored and managed in line with the RMF.

In addition to the above tools, the Bank is also supported by a stress testing programme which supports risk management and capital planning. This includes execution of stress tests mandated by Bank's regulators and is supported by dedicated teams and infrastructure.

Statement on corporate governance practices (continued)

5. Risk Governance and Internal Controls (continued)

5.3 Risk Roles and Responsibilities (continued)

As at 31 December 2024, the following risks were identified by the Bank as emerging risks;

- Climate Risk – "Physical Risk": Second-order impacts include all impacts of climate change on economic, human and ecosystems beyond the boundaries of the corporation. These may include changes in the availability of natural resources, agricultural productivity, and the geographic distribution of species, disruption to transport, changes to global trade routes and migration. Clients' own infrastructure is impacted by extreme weather events, this could result in financial loss for them, increasing credit risk for the Bank. The Bank's business continuity (staff/property/systems) could be impacted, resulting in detriment to clients, thereby increasing operational risk for the Bank.
  Climate Risk – "Transition Risk": Existing clients' business models may not be aligned with the transition to a low carbon economy, resulting in potential economic and thereby increasing the risk for the Bank, e.g. Credit Risk, reputation risk. Transition to low carbon economy may cause reduced income or loss of employment thereby reducing customers' ability to repay loans and increasing credit risk.

- Digitalisation and Technological Advances – Lack of Infrastructure/resources/funding to benefit from new technologies and payment delivery and future modes of payments:
  - Continued expansion of technology and organisations involved will create competition.
  - Hire and train resources with expertise in an emerging and rapidly changing technology at a time when they are in extremely high demand. Lack of adequate infrastructure and funding for the Bank could result in depleting market share.
  - Metaverse is a universe of interoperable applications, virtual worlds and real-world connection points that make up an "experiential internet" where people can socialise, work, transact, play and create. As the Metaverse develops and expands, there will be several risks and capabilities that will impact how the Bank conducts business today.

- Evolving Regulatory Landscape and increasing number of policies/guidelines and systems mandated by the Regulators - Failure to meet increasing regulatory developments and/or to implement systems (including changes) mandated by the regulators: The risk of failing to identify, deal effectively with, prepare for, respond to or implement the requirements of regulatory change (including legislations, regulations, guidelines and systems) mandated by the regulators or authorities. The risk applies on an enterprise-wide basis, covering expectations for both the First LOD and the Second LOD when responding to regulatory change across all risk types. It scopes all developments and systems changes. Hence, the need to manage the bank's response to change to all rules, regulations, laws and systems whether they relate to any financial or non-financial risks; in other words, it is not limited to obligations related to Compliance risks. The Bank has no appetite for failing to implement material regulatory requirements (new or changing), in a timely and effective manner.

- General Elections and measures - Failure to abide with new measures from the Government: Mauritius General Elections 2024 held on 10 November 2024, resulted in the sitting government being voted out in favor of the opposition Alliance for Change. The government formation has been completed post which structural and policy changes impacting the operating environment for the Bank can be expected. Implementation of the electoral measures announced by the incoming government will be monitored. Changes in the politically appointed heads of the lead regulators for the Bank is expected.

Statement on corporate governance practices (continued)

5. Risk Governance and Internal Controls (continued)

5.4 Internal Controls

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

- Policies and Procedures: The Bank's policies and procedures document its risk management requirements; they are reviewed at least annually for continued relevance and appropriateness to help ensure compliance with all relevant regulatory requirements and general good governance.

- Control Activities: applicable for all risk categories, control activities are the actions established through policies and procedures which ensure the Bank's risks are managed effectively and consistently across the Bank. Control activities are preventive, detective or limiting in nature, and can be manual or automated.

- The enterprise-wide risk management tools, such as the Risk Appetite, Risk Map, Top and Emerging Risks Report and Stress Testing, are used to assess, monitor and report on the effectiveness of the control activities, the residual risks and escalate where the risk appetite has, or is likely to be, breached. It is through these tools and the risk governance structure in place that the management derives assurance that the internal control systems are effective and that any identified risks or deficiencies have monitoring and mitigating action plans in place.

- Systems and Infrastructure: systems or processes which support the identification, capture and exchange of information in a form and time-frame which enables employees to carry out their responsibilities.

During the year there were no significant or material deficiencies in the Bank's Internal Control systems that the management are not aware of. Management was not aware of any significant area not covered by Internal Control systems.

5.5 Whistleblowing and HSBC Confidential

The Bank's global whistleblowing arrangements through HSBC Confidential are intended to provide a safe and confidential method for individuals to report concerns and are a critical aspect of promoting a culture of openness and transparency, in support of the Bank's Values, Charter and Code of Conduct.

Individuals across the Bank are actively encouraged to report concerns about wrongdoing or unethical conduct including the use of normal and usual routes, for reporting and escalation. Where those procedures are, in the judgement of the person reporting their concern, inappropriate, unavailable, or where they have escalated a matter by normal routes and those routes have been exhausted or considered ineffective, individuals may report their concerns through HSBC Confidential.

Statement on corporate governance practices (continued)

5. Risk Governance and Internal Controls (continued)

5.5 Whistleblowing and HSBC Confidential (continued)

The Group Audit Committee ("GAC") and the Group Executive Committee (through the Group Risk Management Meeting ("GRMM")) are responsible for providing oversight over whistleblowing arrangements in line with their respective Terms of Reference, with the GAC having overall responsibility for determining the efficacy of these arrangements. The Chair of the GAC also acts as the Whistleblowers' Champion for the Group with regulatory responsibility for ensuring and overseeing the integrity, independence and effectiveness of the firm's policies and procedures on whistleblowing and protecting the Reporter.

Individuals should be able to raise genuine concerns without fear of reprisals and the Bank has a strict policy prohibiting retaliation against those who raise concerns. All allegations of retaliation reported are escalated to senior management.

6. Reporting with Integrity

6.1 Statement of management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to and forming part of the financial statements, which include a summary of material accounting policies and other explanatory notes, in accordance with IFRS Accounting Standards and in compliance with the requirements of the Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and regulations and guidelines of the Bank of Mauritius.

Please refer to the Statement of management's responsibility for financial reporting at page 68 forming part of this Annual report.

6.2 Performance and Outlook

Please refer to the Management Discussion and Analysis section forming part of this Annual report.

6.3 Website

This annual report will be published on the Bank's website.

6.4 Related Party transactions

Related party transactions of the Bank were conducted in line with relevant internal policies and guidelines. For related party transactions please refer to note 35 of the financial statements.

Please refer to the Management Discussion and Analysis section forming part of this Annual report.

Statement on corporate governance practices (continued)

6. Reporting with Integrity (continued)

6.5 Safety and Health

The Bank has an obligation as per the Occupational Safety and Health Act 2005 (OSHA) of Mauritius to manage safety and health at the workplace which comprises of:

- providing and maintaining a working environment;
- maintaining any place of work under his control, including the means of access to, or egress from it that is safe and without risks to health;
- providing and maintaining adequate facilities and arrangements for the welfare at work of his employees;
- providing information, instruction, training and supervision as is necessary to ensure the safety and health at work of his employees;
- ensuring that any person not in his employment is not exposed to any risk to his safety or health.
- Conducting workplace hazard assessments to identify potential risks to employee's safety and health;
- Development and implementation of safety policies to address identified hazards;
- Maintain records of workplace injuries and illnesses as required by OSHA;
- Regularly inspect the workplace for compliance with OSHA standards;
- Seek advice and assistance from Ministry of Labour, Occupational Safety and Health division as and when required.

As per section 30 (1) of OSHA, the Bank has employed a qualified Safety and Health Officer (SHO) who is registered with the Ministry of Labour to review, address and manage safety and health risks within the Bank's premises and to also assist the Bank in achieving its legal obligations towards his employees. The SHO provides advice and makes recommendations on risk mitigation and uses the regional safety and health risk steward for further safety and health advice.

Additionally, the Bank emphasised that in 2024, the Health and Safety Committee convened regularly with a robust attendance rate, addressing, and promptly resolving health and safety issues raised by employees. The Bank was able to demonstrate that the decline in workplace incidents particularly in offices indicates that the recent training programs and safety inspections are yielding results. Moreover, the Bank showed a strong commitment to safety by achieving a 100% completion rate for thorough risk assessments and fire drills.

Statement on corporate governance practices (continued)

7. Audit

7.1 Internal audit

The Bank's Audit Committee assists the EXCO in meeting its responsibilities in ensuring an effective system of internal control and compliance and for meeting its external financial reporting obligations on laws and regulations. Global Internal Audit (GIA) assists the Audit Committee in discharging its duties to review the internal control and risk management framework in the Bank.

The Regional Asia Pacific ("ASP") Internal Audit team, part of the GIA function provides independent and objective assurance on the design and operational effectiveness of the Bank's framework of risk management, control and governance processes, as designed and represented by management. The Group Head of Internal Audit reports functionally to the Chairman of the Group Audit Committee and administratively to the Group Chief Executive. The Head of Audit, ASP International participates in the Audit Committee to discuss audit plan status, key controls and risks and observations. Senior Manager Regional ASP Internal Audit also has a separate meeting with the Chairman of the Audit Committee to discuss matters in the absence of executive directors. The Head of Audit, ASP International and Senior Manager Regional ASP Internal Audit have direct access to the Audit Committee members. The Internal Audit function has no restrictions to access records, employees or management of the Bank.

A risk-based audit approach is adopted to focus on key risk areas and activities. The audit coverage is driven by the annual risk assessment results and regulatory expectations of the Bank. Executive management of the Bank is responsible for ensuring control issues raised by GIA are adequately addressed within an appropriate and agreed time frame.

7.2 External auditors

With a view to ensuring the overall adequacy of the Bank's internal control framework, the management evaluates the independence and effectiveness of the external auditor on an ongoing basis before making a recommendation to the head office on their appointment and retention. PricewaterhouseCoopers ("PwC") who were first appointed in 2015 as external auditor was approved by the management. As regards to the timeframe, the total duration of the assignment is for a period of one year with the possibility of re-appointment for another year and thereafter. The Bank follows HSBC Group policy together with the applicable local regulations to appoint external auditors.

For 2024, PwC presented to management their annual audit plan, which was tabled at the Executive Committee and circulated to the senior management of the Bank.

Statement on corporate governance practices (continued)

7. Audit (continued)

The table below shows the fees paid to the statutory auditors for the last three financial years:

	2024 MUR'000	2023 MUR'000	2022 MUR'000
Audit fees for statutory audit and Internal Control review fees	**6,810**	5,532	5,022
Fees for other services (Note a)	**2,024**	374	427
	8,834	5,906	5,449

Note a: Management has a policy on non-audit services which are provided by our External Auditors. Non-audit services were under continuous review throughout 2024 to determine whether they were permitted by reference to their nature, assessing potential threats and safeguards to auditor independence as well as the overall ratio of audit to non-audit fees. The fees for other services relate to comfort on AML/CFT review and an agreed-upon procedures of the disposal of the Bank's domestic retail and business banking operations to ABSA.

8. Relationship with shareholders and key stakeholders

8.1 Information for Key Stakeholders

The Bank continues to foster open and trusted relationships with key stakeholders through regular communication and engagement. The Bank communicates to stakeholders in a transparent and timely manner through various communication channels, including press announcements, events and the Bank's website (www.hsbc.co.mu).

Customers

HSBC Group aims to be the world's leading international bank and strives for excellence. Customers are at the heart of everything that the Bank does. The Bank is working to make life simpler, faster and better for its customers.

Operating with high standards of conduct is central to the Bank's long-term success and ability to serve customers. The Bank has clear policies, frameworks and governance in place to support the delivery of that commitment. These cover the way the Bank behaves, designs products and services, trains and incentivises employees, and interacts with customers and each other.

The HSBC approach to conduct is designed to ensure that through its actions and behaviours it delivers fair outcomes for its customers and do not disrupt the orderly and transparent operation of financial markets. The Management places a strong emphasis on conduct, requiring adherence to high behavioural standards and adhering to the HSBC Values.

Employees

The Bank encourages employees to perform at their best, and creates an environment to make that possible. Employees are encouraged to speak up, and reflect the Bank's values in the decisions they make and how they make them, as these decisions shape the future of customers and colleagues.

Statement on corporate governance practices (continued)

8. Relationship with shareholders and key stakeholders (continued)

8.1 Information for Key Stakeholders (continued)

Diversity and inclusion

The Bank is committed to enabling a thriving environment where people are valued, respected and supported; where different ideas, backgrounds, styles and perspectives are actively sought out to create business value; and where career advancement is based on objective criteria. The Bank focuses on the diversity profile of its workforce to make it more reflective of the communities it operates in and the customers it serves.

Employee development

The development of the Bank's employees is essential to the future strength of its business. The Bank continues to develop employee capability through Degreed. Degreed provides a personalized learning experience that helps develop now, next and future skills. It is a learning platform that can be used to discover learning content, build skills, and successfully take on new career challenge. The employee can select the Skills you want to learn about, and Degreed will serve you the best articles, books, videos, courses, and people based on your interests and learning habits.

Giving employees a voice

The Bank conducts employee surveys and hosts HSBC Exchange events to give employees a voice. Exchanges are meetings with no agendas, where managers and leaders simply listen and employees do the talking. It's an innovative approach that provides a forum for people to share their views on any issue and talk about what matters most to them.

Regulators and industry bodies

Management is fully engaged with the authorities and regulators, whom they meet on a regular basis. The management presents annually an overview of the Bank in a trilateral meeting with the central bank, the Bank of Mauritius. In addition, management participates in various work groups initiated by the Bank of Mauritius and the Financial Services Commission.

The Bank is a member of the Mauritius Bankers Association, the industry body representing commercial banks licensed and authorised to conduct banking business in Mauritius. The Bank is also a founder member of the Mauritius Institute of Directors, a local professional organization whose mission is to champion best business practices and effective corporate governance.

8.2 Reporting to The Hongkong and Shanghai Banking Corporation Limited

Given that the Bank is a branch of a foreign bank incorporated in Hong Kong, the management has constant access to and regularly reports to the head office in Hong Kong. Communications happen on a day-to-day basis between the Branch and the head office.

Statement on corporate governance practices (continued)

8. Relationship with shareholders and key stakeholders (continued)

8.3 Employee share plans

To help align the interests of employees with those of shareholders, share options are granted under all-employee share plans and discretionary awards of performance shares and restricted shares are made under the HSBC Share Plan.

8.4 All-employee share option plans

All-employee share option plans have operated within the Group and eligible employees have been granted options to acquire HSBC Holdings ordinary shares. Options under the plans are usually exercisable after one, three or five years.

The exercise of options may be advanced to an earlier date in certain circumstances, for example on retirement, and may be extended in certain circumstances, for example on the death of a participant, the executors of the participant's estate may exercise options up to six months beyond the normal exercise period.

8.5 Discretionary awards

Share awards are restricted shares that are awarded to some employees only, on a discretionary basis to help reward an individual's contribution to the Bank and in recognition of their future potential. In addition, the awards are designed to help retain and motivate key individuals by sharing with them the long-term growth and success of the Bank as a whole.

8.6 Profit remittance policy

Branches should remit 100% of their profits as per the profit remittance policy of the Company. Nevertheless, branches may be authorised to retain profits under particular circumstances that will be reviewed on a case by case basis. Profit retention requests from branches have to be submitted to regional Technical Asset and Liability Committee ("TALCO") for approval. Profit retention requests are usually driven by expected business growth and/or regulatory changes and their consequences on local regulatory requirements.

8.7 Third Party Management Agreement

No third party management agreement presently exists.

Statement on corporate governance practices (continued)

8. Relationship with shareholders and key stakeholders (continued)

8.8 Sustainability, Corporate Social Responsibility and Donations

The Bank seeks to connect customers to commercial opportunities which also support the transition to a low carbon economy. Applying environmental criteria to its lending decisions in such sectors as forestry and energy is integral to the Bank's approach.

Regarding the Bank's community role, the Bank continued its partnership with various organisations that support disadvantaged families as well as the talent of tomorrow The Bank is notably providing disaster relief to poor families affected by flooding during cyclones and torrential rains, which are worsening with the growing severity of climate change. The Bank is also helping university students to develop the skills and knowledge they need to succeed in an increasingly uncertain world.

The Bank is fully committed to helping the communities in which it operates, to develop, notably in terms of the skills needed to succeed in a global economy and in the face of the unprecedented challenges posed by climate change. Donations are designed to support the just transition to a net zero global economy – and help build a thriving, resilient future for society. The Bank's commitment to sustainability, notably the global Net Zero transition, will continue throughout 2025 and beyond.

The Bank donated MUR 2.9m (2023: MUR 2.9m) to charities in Mauritius, which was paid in full during the year. There were no statutory charitable giving payments in 2024 (2023: Nil). There were no political donations during the year.

Hajrah Sakauloo	**Sanjeev Suresh**
Chief Executive Officer and Head of Banking	*Interim Head of Finance*

Date: 28 March 2025

Climate-related and environmental financial risks disclosures

The Bank's approach to climate reporting

The Bank's disclosure is compliant with the BoM *Guideline on Climate-related and Environmental Financial Risk Management*, which sets out BoM's expected approach to climate-related and environmental financial risks with a view to enhancing the resilience of the banking sector against these risks.

The Group engages with standard setters to support the development of transparent and consistent climate-related industry standards in areas such as product labelling, sustainability disclosures, sustainable finance taxonomy and emissions accounting.

The effective measurement, governance, and reporting of progress against the Group's climate ambition relies heavily on the availability and quality of both internal and external data. Newer data sources and topics may be difficult to assure using traditional verification techniques. This, coupled with diverse external data sources and complex structures, further complicates data consolidation.

The Group continues to invest in the development of data and analytics capabilities to support the Group's net-zero transition. This includes sourcing more reliable data from external providers. The Group is also developing its processes, systems, controls, and governance to meet the demands of future environmental, social and governance ("ESG") reporting.

In 2025, the Bank will continue to review its approach to disclosures and enhance as appropriate.

How climate is governed

The Management of the Bank takes overall responsibility for the climate strategy, overseeing executive management in developing the approach, execution, and associated reporting. The CEO is supported by the Bank's EXCO and is responsible for supporting the day-to-day management of the business and implementation of the Group's strategy, including the Group's net zero ambitions. The CRCO is the key senior manager responsible for the management of climate-related risks.

A Climate Risk Steering Committee ("CRSC") has been instituted since 2023 to provide senior management oversight of all risk activities relating to the Bank's approach to climate and nature related risk management.

Co-chaired by the CEO and CRCO and attended by the EXCO members, the CRSC met four times in 2024.

The Bank's approach to the transition.

The Bank follows the Group's approach on implementing the transition plan.

Supporting our customers

The Group aims to help its customers transition to net zero and a sustainable future by providing and facilitating between $750bn and $1tn of sustainable finance and investment by 2030. Its sustainable finance and investment ambition aims to help promote green, sustainable and socially-focused business and sustainable investment products and solutions.

Climate-related and environmental financial risks disclosures

Supporting our customers (continued)

Continued progress towards achieving the Group's sustainable finance and investment ambition is dependent on market demand for the products and services set out in the Group's Sustainable Finance and Investment Data Dictionary 2024 (see www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre).

Working with customers

As part of implementing the Group's net zero transition plan, the Group is also promoting change in areas that play to its strengths as an organisation and can help deliver an impact on decarbonisation in the global economy. .

In 2024, the Bank was named the best ESG bank in Mauritius in the Euromoney Awards for Excellence.

The Group supports its clients in emissions intensive industries with their transition goals by engaging with them on their transition plans and by providing financing solutions. In 2024, the Group refreshed transition plan assessments for major clients in the oil and gas, power and utilities and coal mining sectors, and began assessing major clients in the automotive, aviation, cement, steel and aluminium sectors, to better understand their objectives and identify opportunities to enable their decarbonisation strategies.

Scaling infrastructure finance plays an important role in meeting global decarbonisation objectives. In 2024, the Group launched HSBC Infrastructure Finance ('HIF'), which brings together its infrastructure finance, export finance, and debt project finance capabilities to increase its capacity to realise opportunities in the transition to a low carbon economy.

Net zero in our own operations

The Bank contributes to the HSBC Group's climate ambitions. For details of HSBC Group's climate ambitions, see HSBC Holdings plc's Annual Report and Accounts at *www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre*.

The Group's guiding approach is, and will continue to be to reduce, replace and remove emissions from its own operations and supply chain. The Group plans to first focus on reducing carbon emissions from consumption, and then replaces remaining emissions with low-carbon alternatives in line with the Paris Agreement. The Group will reduce emissions through the purchase of 100% renewables and plan to add investments in sustainable aviation fuel to replace traditional fuel and reduce emissions from its travel over time.

Managing climate risk

Climate risk relates to the financial and non-financial impacts that may arise as a result of climate change and the move to a net zero economy. The Bank manages climate risk across all its businesses and is incorporating climate considerations within its traditional risk types in line with the Group-wide risk management framework.

Climate-related and environmental financial risks disclosures

Managing climate risk (continued)

The Bank’s business is well positioned to support its customers managing their own climate risk through financing. The Bank’s relationship managers engage with their identified wholesale customers through a transition engagement questionnaire (formerly the transition and physical risk questionnaire) to gather information and assess the alignment of the wholesale customers' business models to net zero and their exposure to physical and transition risks. The Bank uses the responses to the questionnaire to create a ESG climate score for its key wholesale customers.

Implementation of the questionnaire for identified sectors, subject to transition and physical risks for Mauritius is ongoing for in-scope customers.

The Bank’s material exposure to climate risk relates to wholesale client financing activity within its banking portfolio.

Overview

The Group's climate risk approach identifies two primary drivers of climate risk:

- physical risk, which arises from the increased frequency and severity of extreme weather events, such as tropical cyclones and floods, or chronic gradual shifts in weather patterns or rises in sea level; and

- transition risk, which arises from the process of moving to a net zero economy, including changes in government policy and legislation, technology, market demand, and reputational implications triggered by a change in stakeholder expectations, actions or inaction.

In addition, the Group has also identified the following thematic issues related to climate risk, which are most likely to materialise in the form of reputational, regulatory compliance and litigation risks:

- net zero alignment risk, which arises from the risk of HSBC failing to meet its net zero ambition or failing to meet external expectations related to net zero; and

- the risk of greenwashing, which arises from the act of knowingly or unknowingly making inaccurate, unclear, misleading or unsubstantiated claims regarding sustainability to the Group's stakeholders.

Approach

The Bank recognises that the physical impacts of climate change and the transition to net zero economy can create significant financial risks for companies, investors and the financial system. The Bank may be affected by climate risks either directly or indirectly through its relationships with customers, which could result in both financial and non-financial impacts.

The Bank's climate risk approach aims to effectively manage the material climate risks that could impact its operations, financial performance and stability, and reputation. The approach is informed by the evolving expectations of the Bank's regulators.

Approach (continued)

The Bank continues to develop its climate risk capabilities across businesses, by prioritising sectors, portfolios and counterparties with the highest impacts, and recognises that this is a long-term iterative process. This includes increasing coverage and incorporating mature data, climate analytics, frameworks and tools, as well as responding to emerging industry best practice and climate risk regulations as well as reflecting on how climate risk continues to evolve in the real world, and improving how the Bank embeds climate risk factors into strategic planning, transactions and decision-making across its businesses.

The Bank’s climate risk approach is aligned to the Group-wide risk management framework and three lines of defence model, which sets out how the Bank identifies, assesses and manages its risks. For further details of the three lines of defence framework, please refer to the Statement of corporate governance practices.

The table below provides an overview of the climate risk drivers considered within the Group's climate risk approach, which is followed by the Bank:

Climate risk – primary risk drivers		Details	Potential Impacts	Time horizons
Physical	Acute	Increased frequency and severity of weather events causing disruption to business operations.	– Decreased real estate values or stranded assets – Decreased household income and wealth – Increased costs of legal and compliance – Increased public scrutiny – Decreased profitability – Lower asset performance	Short term Medium term Long term
	Chronic	Longer-term shifts in climate patterns (e.g. sustained higher temperatures, sea level rise, shifting monsoons or chronic heat waves).		
Transition	Policy and legal	Mandates on, and regulation of products and services and/or policy support for low carbon alternatives. Litigation from parties who have suffered loss and damage from climate impacts.		
	Technology	Replacement of existing products with lower emissions and/or lower options.		
	End-demand (market)	Changing consumer demand from individuals and corporates.		
	Reputational	Increased scrutiny following a change in stakeholder perceptions of climate-related action or inaction.		

The Group conducts climate risk materiality assessment annually to help it to understand how climate risk may impact across HSBC's risk taxonomy. The assessment considers short-term (up to 2026), medium-term (2027-2035) and long-term (2036-2050) periods.

The table below provides a summary of how climate risk may impact a subset of the Group's principal risks.

Climate risk drivers	Credit risk	Traded risk	Reputational risk[1]	Regulatory compliance risk[1]	Resilience risk	Other financial and non-financial risk types
Physical risk	◆	◆			◆	◆
Transition risk	◆	◆	◆	◆	◆	◆

1 The Group's climate risk approach identifies thematic issues such as net zero alignment risk and the risk of greenwashing, which are most likely to materialise in the form of reputational, regulatory compliance and litigation risks.

Climate-related and environmental financial risks disclosures

Climate risk management

Key developments in 2024

The following outlines key developments in 2024:

- The Group has started to enhance its approach to assessing the impact of climate change on capital, focusing on credit, market and operational risk.
- The Bank rolled-out the Transition Engagement Questionnaire to its key wholesale customers and enhanced climate risk considerations in its credit risk assessments.
- The Bank has contributed and implemented the Group's approach for managing and mitigating the risk of greenwashing.
- The Bank has adopted the Group's climate risk metric to monitor its exposure of high transition risk sectors against its wholesale portfolio.

While the Bank has made progress, further work remains, including the need to develop additional metrics and tools to measure the Bank's exposure to climate-related risks.

Governance and Structure

The Management of the Bank takes overall responsibility for the climate strategy, overseeing executive management in developing the approach, execution, and associated reporting.

The Bank's CRCO is the key senior manager responsible for the management of climate-related risks.

The Bank's CRSC oversees risk activities relating to climate and nature related risk management and the escalation of the risks. The Bank's RMM receives regular updates related to climate risk and sustainability lending.

Risk appetite

The Bank's climate risk appetite forms part of the Bank's risk appetite statement and supports the business in delivering its net zero ambition effectively and sustainably.

Policies, processes and controls

The Group continues to integrate climate risk into the policies, processes and controls across many areas of its organisations, and the Group will continue to update these as its climate risk management capabilities mature over time.

The Bank follows the policies, processes and controls set by the Group.

Climate-related and environmental financial risks disclosures

Embedding climate risk within existing risk taxonomy

The table below provides further details on how the Bank has embedded the management of climate risk across key risk types in line with the Group's risk taxonomy.

Risk type	Details
Wholesale Credit Risk	The Bank has metric in place to monitor the exposure of its wholesale corporate lending portfolio to six high transition risk sectors which are automotive; chemicals; construction, contacting and building materials; metals and mining; oil and gas; and power and utilities. The Bank's relationship managers engage with their key wholesale customers, including those in higher transition risk sectors, through a transition engagement questionnaire ('TEQ'). The TEQ helps to gather information and assess the wholesale customers' business model alignment to a net zero transition and their exposure to physical and transition risks. The Bank uses the responses to the questionnaire to risk-assess its key wholesale customers. The Group's credit policies require that relationship managers comment on climate risk factors in credit applications for new money requests and annual credit reviews. The credit policies also require manual credit risk rating overrides if climate is deemed to have a material impact on credit risk under 12 months if not already captured under the original credit risk rating. Key developments to the Bank's framework in 2024 included rolling out of the TEQ, as set out above, and additionally the development of climate risk guidelines for relationship managers to further embed climate risk considerations into credit risk assessments. Key challenges for further embedding climate risk into credit risk management relate to the availability of adequate physical risk data to assess impacts to the Bank's wholesale customers.

Climate-related and environmental financial risks disclosures

Embedding climate risk within existing risk taxonomy (continued)

Risk type	Details
Treasury Risk	Climate risk may impact Treasury risk through increased regulatory requirements and from changes to customer behaviours, which may result in increased deposit outflows. From a capital perspective, climate risk has been considered as part of the Group's ICAAP in 2024, and the Group is continuing to develop its approach for climate risk management. In October 2024, the Group published its Green Financing Framework, in alignment with the International Capital Market Association Green Bond Principles. This framework promotes transparency, forming part of the Group's sustainability strategy and helping to further the Group's aim of supporting its clients in transitioning to a net zero future. The Bank adopts and supports the Group's Treasury Risk policies and approach to climate risk management.
Traded Risk	Climate risk may result in trading losses due to increases in market volatility and widening spreads from the macro and microeconomic impacts of transition and physical risk. The Group's market risk policies include specific climate risk control requirements, which ensure that the Group's climate risk limits and utilisations are monitored in the same way as market and traded credit risk exposures. The Group conducts monthly stress testing to understand the vulnerabilities of its trading portfolio to various climate scenarios, which are refined on annual basis, with the results reported to global and regional senior management. The Bank adopts and supports the Group's Traded Risk policies and approach to climate risk management.

Embedding climate risk within existing risk taxonomy (continued)

Risk type	Details
Reputational Risk	The Group manages the reputational impact of climate risk through its broader reputational risk framework, supported by its sustainability risk policies and metrics. The Group's sustainability risk policies set out its appetite for financing activities in certain sectors. The Group's thermal coal phase-out and energy policies aim to drive down greenhouse gas emissions while supporting a just transition. The Group's global and regional network of sustainability risk managers provide local policy guidance to relationship managers for the oversight of policy compliance and in support of implementation across the Group's wholesale banking activities. The Bank adopts and supports the Group's reputational risk framework and sustainability risk policies.
Regulatory compliance risk	Regulatory Compliance is responsible for the oversight and management of climate-related risks that could cause breaches of the Bank's regulatory duties to customers and inappropriate market conduct. The Group has updated its policies to incorporate considerations for ESG and climate risks, particularly in relation to new and ongoing product management, sales outcomes, and product marketing. To support its key policies, the Group also enhanced the underlying control frameworks and processes. This includes the integration of greenwashing risk and controls considerations in the design of new products and changes to them, as well as in relation to marketing materials. From a product sales perspective, the Group has established key control principles, encompassing the sales journey design, training and competence, supervision, sales quality, and governance. The Group Regulatory Compliance function operates an ESG and climate risk working group tasked with tracking and monitoring the integration of ESG and climate risk stewardship across its operations. This group also monitors regulatory and legislative developments related to the ESG and climate agenda. In Asia-Pacific, a dedicated working Group continues to coordinate the regional implementation of climate and ESG risk-related enhancements within the Regulatory Compliance function.

Embedding climate risk within existing risk taxonomy (continued)

Risk type	Details
Resilience Risk	Resilience risks may potentially crystallise through physical climate risk impacts to the Group's buildings supporting service provision, or through physical and/or transition disruption to the Group's third party supply chain relationships. The Group has developed metrics to assess how physical risk may impact its critical properties and to monitor progress against its own operations net zero ambitions. The Group's resilience risk policies are subject to continuous improvement to remain relevant to evolving climate risks. The Bank adopts and supports the Group's resilience risk policies and approach to climate risk management.
Model Risk	Model risk in ESG context refers to the uncertainties and complexities inherent in the modelling of the financial impact translation of climate-related changes and scenarios. Climate risk models are used for climate scenario analysis, risk management, and emissions reporting among other use cases. Climate risk modelling is at a nascent stage, with challenges - including limitations in data availability, consistency and quality - shared across the financial industry. The Group has developed model risk procedures that set out the minimum control requirements for identifying, measuring and managing model risk for climate-related models. All the identified climate-related models are subject to HSBC's model lifecycle controls and policy. The Bank adopts and supports the Group's Model risk policies and approach to climate risk management.

Challenges

While the Bank has continued to develop its climate risk capabilities, its remaining challenges include:

- the diverse range of internal and external data sources and data structures needed for climate related reporting, which introduces data accuracy and reliability risks;
- data limitations on customer assets and supply chains, and methodology gaps, which hinder the Group's ability to assess physical risks accurately;
- industry-wide data gaps on customer emissions and transition plan and methodology gaps, which limit its ability to assess transition risks accurately; and
- limitations in the management of net zero alignment risk, which is undertaken at a Group level and supported by actions within Asia-Pacific, is due to known and unknown factors, including the limited accuracy and reliability of data, merging methodologies, and the need to develop new tools to better inform decision making.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement of compliance

Name of Public Interest Entity (the "PIE"): The Hongkong and Shanghai Banking Corporation Limited – Mauritius Branch

Reporting period: 31 December 2024

We, on behalf of the Management of The Hongkong and Shanghai Banking Corporation Limited – Mauritius Branch, confirm that to the best of our knowledge the PIE has complied with the obligations and requirements of The National Code of Corporate Governance for Mauritius (2016).

Hajrah Sakauloo
Chief Executive Officer and Head of Banking

Sanjeev Suresh
Interim Head of Finance

Date: 28 March 2025

Statement of management's responsibility for financial reporting

The Bank's financial statements have been prepared by management, which is responsible for their integrity, consistency, objectivity, and reliability. IFRS Accounting Standards as well as the requirements of the Mauritian Banking Act 2004 and the guidelines issued thereunder have been applied and management has exercised its judgment and made best estimates, where deemed necessary.

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

The Bank's Senior Management oversees the Management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Bank's internal auditor conducts a well-designed program of internal audits. In addition, the Bank's compliance function maintains policies, procedures, and programs directed at ensuring compliance with regulatory requirements.

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

The Bank's external auditor, PricewaterhouseCoopers ("PwC"), has full and free access to the management and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

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Hajrah Sakauloo	**Sanjeev Suresh**
Chief Executive Officer and Head of Banking	*Interim Head of Finance*

Date: 28 March 2025

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Independent Auditor's Report

To the Directors of
The Hongkong and Shanghai Banking Corporation Limited

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the financial statements give a true and fair view of the financial position of The Hongkong and Shanghai Banking Corporation Limited – Mauritius Branch (the "Bank") as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

The financial statements of The Hongkong and Shanghai Banking Corporation Limited – Mauritius Branch set out on pages 76 to 197 comprise:

- the statement of financial position as at 31 December 2024;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include material accounting policy information and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Business Registration Number : F07000530

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Independent Auditor's Report

To the Directors of
The Hongkong and Shanghai Banking Corporation Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Credit impairment provisions under IFRS 9 As at 31 December 2024, the Bank recorded allowances for expected credit losses on its financial assets of MUR2.4m (refer to note 36 (b)(ii) of the financial statements). This is an area of focus because the determination of expected credit losses ('ECL') requires the use of complex credit risk methodologies based on the Bank's historic experience of the correlations between defaults and losses, borrower creditworthiness and economic conditions, which can result in limitations in their reliability to appropriately estimate ECL. Judgement and subjectivity are involved in determining whether these methodologies and their application in models remain appropriate. Management judgement also include: • Evaluation of significant increase in credit risk ('SICR'); • Input assumptions applied to estimate the probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD'); • Incorporating forward economic guidance; • Likelihood of economic scenarios; and • Making post model adjustments.	Given the complexity of the model used for the ECL computation, specialist teams with experience in modelling assisted us. We tested controls in place over the methodologies, their application, significant assumptions and data used in determining the ECL provision. These included controls over the approval of credit facilities, subsequent monitoring, determination of customer credit ratings and system reconciliations performed. We performed substantive audit procedures over the compliance of ECL methodologies with the requirements of IFRS 9. We selected a sample of Stage 1 and Stage 2 exposures and assessed whether the stage classification of these exposures was appropriate in terms of the Bank's criteria for SICR at the end of the reporting period. This procedure included the inspection of credit ratings at the end of the reporting period, relative to origination date. We reviewed the minutes of the Impairment Committee to assess management's challenge and discussions surrounding models, ECL output and the approval of any model adjustments.

Independent Auditor's Report

To the Directors of
The Hongkong and Shanghai Banking Corporation Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Key audit matter (Continued)	How our audit addressed the key audit matter (Continued)
...	We assessed the appropriateness of methodologies used during the year, giving specific consideration to whether management judgmental adjustments were needed. Where management judgemental adjustments were made, we assessed ECL determined and the analysis supporting them. We further performed the following to assess the significant assumptions, data and disclosures: • We involved our economic experts s in assessing the significant assumptions made in determining the severity and probability of weighting of forward-looking economic scenarios; • We involved our modelling specialists in assessing the appropriateness of the assumptions of the significant assumptions and methodologies used for models; • We considered whether the judgements made in selecting the significant assumptions, as well as determining the management judgemental adjustments, would give rise to indicators of possible management bias; • We performed substantive audit procedures over critical data used in the determination of ECL to ensure these are relevant and reliable; and • We have evaluated and tested the credit risk disclosures made in annual report.

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Independent Auditor's Report

To the Directors of The Hongkong and Shanghai Banking Corporation Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and in compliance with the Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and regulations and guidelines issued by the Bank of Mauritius and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the financial reporting process.

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Independent Auditor's Report

To the Directors of The Hongkong and Shanghai Banking Corporation Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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Independent Auditor's Report

To the Directors of
The Hongkong and Shanghai Banking Corporation Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

(a) we have no relationship with or interests in the Bank other than in our capacity as auditor;
(b) we have obtained all the information and explanations we have required; and
(c) in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

Mauritian Banking Act 2004

The Mauritian Banking Act 2004 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

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

Independent Auditor's Report

To the Directors of
The Hongkong and Shanghai Banking Corporation Limited (Continued)

Report on Other Legal and Regulatory Requirements (Continued)

Mauritian Financial Reporting Act 2004

Our responsibility under the Mauritian Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance ("Code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Bank has, pursuant to section 75 of the Mauritian Financial Reporting Act 2004, complied with the requirements of the Code.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Maghun

Shakil Maghun, licensed by FRC

28 March 2025

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2024

	Notes	**2024**	2023	2022
		MUR'000	MUR'000	MUR'000
			Restated	Restated
Interest income		**447,163**	367,520	243,318
Interest expense		**(111,757)**	(20,652)	(27,631)
Net interest income	9	**335,406**	346,868	215,687
Fee and commission income		**83,319**	89,906	98,538
Fee and commission expense		**(3,986)**	(7,993)	(4,077)
Net fee and commission income	10	**79,333**	81,913	94,461
Net trading income	11	**137,648**	163,327	192,638
		552,387	592,108	502,786
Other operating income	12	**222,685**	183,887	188,790
Total operating income		**775,072**	775,995	691,576
Net impairment release on financial assets	13	**5,699**	20,268	42,191
Personnel expenses	14	**(302,938)**	(386,751)	(353,049)
Operating lease expenses	15	**(1,395)**	(1,307)	(2,216)
Depreciation, amortisation and impairment	23, 23 (a)	**(36,462)**	(36,938)	(35,802)
Other expenses	16	**(421,350)**	(375,876)	(242,218)
Total expenses		**(762,145)**	(800,872)	(633,285)
Profit/(loss) before income tax		**18,626**	(4,609)	100,482
Income tax credit	17	**-**	-	6,503
Profit/(loss) after income tax in respect of continuing operations		**18,626**	(4,609)	106,985
Loss after income tax in respect of discontinued operations	8	**(49,574)**	(456,641)	(95,092)
(Loss)/profit for the year		**(30,948)**	(461,250)	11,893
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of employee benefits	30	**44,736**	1,443	124,837
Deferred tax on remeasurements of employee benefits	24	**-**	-	(93,894)
Gain/(loss) on revaluation of land and buildings	23	**34,443**	(29,973)	12,998
Deferred tax impact on change in revaluation of land and buildings	24	**-**	-	4,915
		79,179	(28,530)	48,856
Items that may be reclassified to profit or loss				
Net change in fair value of financial assets at fair value through other comprehensive income	22	**24,546**	54,871	(159,504)
Deferred tax impact on change in fair value of financial assets at fair value through other comprehensive income		**-**	-	4,607
		24,546	54,871	(154,897)
Total other comprehensive income for the year from continuing operations		**103,725**	26,341	(106,041)
Total other comprehensive income for the year from discontinued operations		**-**	-	-
Total comprehensive income for the year		**72,777**	(434,909)	(94,148)

The notes on pages 81 to 197 form part of these financial statements.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement of financial position
at 31 December 2024

	Notes	**2024** **MUR'000**	2023 MUR'000 Restated	2022 MUR'000 Restated
ASSETS				
Cash and cash equivalents	18	**7,218,517**	10,974,704	9,138,471
Trading assets	19 (a)	**60**	31	5,530
Loans and advances to banks	20	**524,009**	650,864	200,357
Loans and advances to customers	21	**3,596,392**	4,615,880	12,123,598
Investment securities - fair value through other comprehensive income	22	**2,063,225**	5,649,758	6,537,624
Investment securities - Amortised cost	22	**670,986**	1,309,196	1,309,123
Assets held for sale	8	**86,625**	6,480,194	-
Other assets	25	**223,318**	382,192	443,815
Intangible assets	23 (a)	**1,795**	2,012	2,703
Property, plant and equipment	23	**65,532**	276,650	390,844
Total assets		**14,450,459**	30,341,481	30,152,065

The notes on pages 81 to 197 form part of these financial statements.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement of financial position (continued)
at 31 December 2024

	Notes	**2024**	2023	2022
		MUR'000	MUR'000	MUR'000
			Restated	Restated
LIABILITIES				
Deposits from banks	26	**667,664**	236,916	451,231
Deposits from customers	27	**7,631,443**	6,871,642	26,335,817
Trading liabilities	19 (b)	**744**	603	6,871
Other borrowed funds	28	**3,217,521**	133,687	444,494
Liabilities directly associated with assets classified as held for sale	8	**-**	19,662,529	-
Current tax liabilities	17	**-**	-	44,099
Other liabilities	29	**302,989**	878,198	583,918
Total liabilities		**11,820,361**	27,783,575	27,866,430
Shareholder's funds				
Assigned capital	31	**1,499,750**	1,499,750	794,150
Retained earnings	31	**659,228**	451,573	896,274
Other reserves	31	**471,120**	606,583	595,211
Total shareholder's funds		**2,630,098**	2,557,906	2,285,635
Total liabilities and shareholder's funds		**14,450,459**	30,341,481	30,152,065

Approved on and authorised for issue by the Executive Committee on 28 March 2025

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Hajrah Sakauloo
Chief Executive Officer and Head of Banking

Sanjeev Suresh
Interim Head of Finance

The notes on pages 81 to 197 form part of these financial statements.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement of changes in equity
for the year ended 31 December 2024

			Other Reserves					
	Assigned capital MUR'000	Retained earnings MUR'000	Share based payment MUR'000	Revaluation reserve MUR'000	Statutory reserve MUR'000	General banking reserve MUR'000	Fair value reserve MUR'000	Total shareholder's funds MUR'000
Balance at 1 January 2022	794,150	1,172,632	12,493	221,332	306,835	91,881	59,312	2,658,635
Total comprehensive income								
Profit for the year from continuing operations (restated*)	-	106,985	-	-	-	-	-	106,985
Other comprehensive income								-
Net change in fair value of financial asset at FVOCI	-	-	-	-	-	-	(159,504)	(159,504)
Realisation of revaluation reserve to retained earnings	-	2,098	-	(2,098)	-	-	-	-
Remeasurements of employee obligations	-	124,837	-	-	-	-	-	124,837
Revaluation of land and buildings	-	-	-	12,998	-	-	-	12,998
Write off of deferred tax	-	(93,894)	-	4,915	-	-	4,607	(84,372)
Total other comprehensive income	-	33,041	-	15,815	-	-	(154,897)	(106,041)
Total comprehensive income from continuing operations (restated*)	-	140,026	-	15,815	-	-	(154,897)	944
Total comprehensive income from discontinued operations (restated*)	-	(95,092)	-	-	-	-	-	(95,092)
Transactions with owner of the Bank								
Other movements during the year	-	-	1,830	-	-	-	-	1,830
Net change in fair value of share-based payment liability	-	342	(342)	-	-	-	-	-
Profit remittance to Head office	-	(280,682)	-	-	-	-	-	(280,682)
Transactions with owner of the Bank	-	(280,340)	1,488	-	-	-	-	(278,852)
Transfer from general banking reserve	-	(40,952)	-	-	-	40,952	-	-
Balance at 31 December 2022	794,150	896,274	13,981	237,147	306,835	132,833	(95,585)	2,285,635
Total comprehensive income								
Loss for the year from continuing operations (restated*)	-	(4,609)	-	-	-	-	-	(4,609)
Other comprehensive income								-
Net change in fair value of financial asset at FVOCI	-	-	-	-	-	-	54,871	54,871
Realisation of revaluation reserve to retained earnings	-	1,073	-	(1,073)	-	-	-	-
Remeasurements of employee obligations	-	1,443	-	-	-	-	-	1,443
Revaluation of land and buildings	-	-	-	(29,973)	-	-	-	(29,973)
Total other comprehensive income	-	2,516	-	(31,046)	-	-	54,871	26,341
Total comprehensive income from continuing operations (restated*)	-	(2,093)	-	(31,046)	-	-	54,871	21,732
Total comprehensive income from discontinued operations (restated*)	-	(456,641)	-	-	-	-	-	(456,641)
Transactions with owner of the Bank								
Other movements during the year	705,600	-	1,580	-	-	-	-	707,180
Net change in fair value of share-based payment liability	-	(647)	647	-	-	-	-	-
Profit remittance to Head office	-	-	-	-	-	-	-	-
Transactions with owner of the Bank	705,600	(647)	2,227	-	-	-	-	707,180
Transfer to general banking reserve	-	14,680	-	-	-	(14,680)	-	-
Balance at 31 December 2023	**1,499,750**	**451,573**	**16,208**	**206,101**	**306,835**	**118,153**	**(40,714)**	**2,557,906**
Total comprehensive income								
Profit for the year from continuing operations	-	18,626	-	-	-	-	-	18,626
Other comprehensive income								
Net change in fair value of financial asset at FVOCI	-	-	-	-	-	-	24,546	24,546
Realisation of revaluation reserve to retained earnings	-	147,852	-	(147,852)	-	-	-	-
Remeasurements of employee obligations	-	44,736	-	-	-	-	-	44,736
Revaluation of land and buildings	-	-	-	34,443	-	-	-	34,443
Total other comprehensive income	-	192,588	-	(113,409)	-	-	24,546	103,725
Total comprehensive income from continuing operations	-	211,214	-	(113,409)	-	-	24,546	122,351
Total comprehensive income from discontinued operations	-	(49,574)	-	-	-	-	-	(49,574)
Transactions with owner of the Bank								
Other movements during the year	-	-	(585)	-	-	-	-	(585)
Net change in fair value of share-based payment liability	-	(737)	737	-	-	-	-	-
Transactions with owner of the Bank	-	(737)	152	-	-	-	-	(585)
Transfer to general banking reserve	-	46,752	-	-	-	(46,752)	-	-
Balance at 31 December 2024	**1,499,750**	**659,228**	**16,360**	**92,692**	**306,835**	**71,401**	**(16,168)**	**2,630,098**

*See note 37 for details regarding the restatement as a result of an error.

The notes on pages 81 to 197 form part of these financial statements.

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Statement of cash flows

for the year ended 31 December 2024

	Notes	2024 MUR'000	2023 MUR'000 Restated	2022 MUR'000 Restated
Cash flows from operating activities				
Profit/(loss) before income tax from:				
Continuing operations		**18,626**	(4,609)	100,482
Discontinued operations		**(49,574)**	(456,641)	(81,845)
(Loss)/profit before income tax including discontinued operations		**(30,948)**	(461,250)	18,637
Adjustments for:				
Depreciation, amortisation and impairment		**31,103**	75,077	45,420
Loss recognised as a result of a remeasurement to fair value less costs to sell		**11,500**	-	-
Loss on disposal of property, plant and equipment	12	**5,966**	745	-
Loss on disposal of investment securities	12	**948**	-	-
Profit on modification of lease	12	**(99)**	(98)	(2,820)
Net impairment release on financial assets		**(5,790)**	(26,960)	(67,345)
Net interest income		**(512,925)**	(737,709)	(512,358)
Write off of plant, property and equipment	23	**-**	-	10,392
Exchange differences in respect of cash and cash equivalents		**(500,958)**	(62,449)	(139,114)
		(1,001,203)	(1,212,644)	(647,188)
Changes in:				
Other assets		**89,265**	42,765	2,715,382
Other liabilities		**(533,091)**	683,905	(691,302)
Trading assets	19 (a)	**(29)**	5,499	6,462
Trading liabilities	19 (b)	**141**	(6,268)	5,782
Loans and advances to customers		**979,575**	1,149,202	(1,241,417)
Loans and advances to banks		**139,112**	(454,155)	177,719
Deposits from customers		**759,801**	(130,130)	520,899
Deposits from banks		**430,748**	(214,315)	(726,054)
Interest received		**887,952**	1,201,432	681,144
Interest paid		**(341,372)**	(503,049)	(93,900)
Other borrowed funds		**3,083,834**	(310,807)	(639,009)
Operating assets and liabilities, net of effects from sale of business		**(1,856,182)**	-	-
Net cash outflow on sale of disposal group		**(11,382,096)**	-	-
		(8,743,545)	251,435	68,518
Tax paid	17	**-**	(44,099)	(42,778)
Net cash (used in)/from operating activities		**(8,743,545)**	207,336	25,740
Cash flows from investing activities				
Acquisition of property, plant and equipment	23	**(14,647)**	(40,294)	(52,483)
Proceeds from disposal of property, plant and equipment		**14,818**	400	-
Proceeds from sale of assets held for sale		**159,300**	-	-
Purchase of investment securities		**(5,550,529)**	(119,948,697)	(11,686,730)
Proceed from sale and maturity of investment securities		**9,872,897**	120,827,395	14,521,600
Net cash from investing activities		**4,481,839**	838,804	2,782,387
Cash flows from financing activities				
Principal element of lease payments		**(6,712)**	(14,488)	(22,207)
Repatriation of profit		**-**	-	(280,682)
Capital increase		**-**	705,600	-
Net cash (used in)/from financing activities		**(6,712)**	691,112	(302,889)
Net change in cash and cash equivalents		**(4,268,418)**	1,737,252	2,505,238
Cash and cash equivalents at 1 January		**11,087,407**	9,287,706	6,643,354
Exchange differences in respect of cash and cash equivalents		**500,958**	62,449	139,114
Cash and cash equivalents at 31 December	34	**7,319,947**	11,087,407	9,287,706

The notes on pages 81 to 197 form part of these financial statements.

Notes to and forming part of the financial statements
for the year ended 31 December 2024

1 Reporting entity

The Hongkong and Shanghai Banking Corporation Limited – Mauritius Branch (the "Bank") is registered in the Republic of Mauritius as a foreign company and holds a banking licence issued by the Bank of Mauritius ("BoM"). The Bank is registered in Mauritius as a branch of The Hongkong and Shanghai Banking Corporation Limited, a company incorporated in Hong Kong. The Bank's registered office is Icon Ebene, Level 5, Office 1 (West Wing), Rue de L'Institut, Ebene 72201, Mauritius. The Bank primarily is involved in corporate and treasury. On 5 July 2024, the Bank completed the disposal of its domestic retail and business banking operations to Absa Bank (Mauritius) Limited ("ABSA").

2 Basis of preparation

(a) Compliance with IFRS Accounting Standards

The Bank's financial statements have been prepared in accordance with IFRS Accounting Standards and in compliance with the requirements of the Mauritian Companies Act 2001, the Mauritian Banking Act 2004 and the regulations and guidelines issued by the BoM.

(b) New and amended standards effective during the year ended 31 December 2024

There are new standards, interpretations and amendments to accounting standards that are effective for annual period beginning on 1 January 2024 and that had no material impact on the Bank's financial statements.

IAS 1	Presentation of financial statements (Amendment): Non-current liabilities with covenants
IFRS 16	Amendment- Lease liability in a sale and leaseback
IAS 7 and IFRS 7	Amendment - Supplier finance arrangement

(c) New standards and interpretations not yet adopted

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Bank. The Bank's assessment of the impact of these new standards and amendments is set out below:

1. Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026)

On 30 May 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 which are as follows:

- clarify the date of recognition and derecognition of some financial assets and liabilities,with a new exception for some financial liabilities settled through an electronic cash transfer system;
-clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cashflows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through othercomprehensive income (FVOCI).

The Bank does not expect these amendments to have a material impact on its operations or financial statements.

2 Basis of preparation (continued)

(c) New standards and interpretations not yet adopted (continued)

2. IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)

IFRS 18 will replace IAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements. Management is currently assessing the detailed implications of applying the new standard on the Bank's financial statements.

The Bank will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial years ending 31 December 2025 and 31 December 2026 will be restated in accordance with IFRS 18.

3. Amendments to IAS 21 Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025)

In August 2023, the IASB amended IAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not.

The Bank does not expect these amendments to have a material impact on its operations or financial statements.

4. IFRS 19 Subsidiaries without Public Accountability (effective for annual periods beginning on or after 1 January 2027)

Issued in May 2024, IFRS 19 allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements.

The Bank does not expect this standard to have an impact on its operations or financial statements.

(d) Basis of measurement

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

- derivative financial instruments are measured at fair value;
- Fair value through other comprehensive income ("FVOCI") financial assets;
- financial instruments at fair value through profit or loss ("FVPL") are measured at fair value; and
- net defined benefit (asset)/liability is measured at fair value of plan assets less present value of the defined benefit obligation;
- assets held for sale are measured at the lower of carrrying amount and fair value less costs to sell.

2 Basis of preparation (continued)

(e) Critical accounting estimates and judgments

The preparation of financial information requires the use of estimates and judgements about future conditions. In view of the inherent uncertainties and the high level of subjectivity involved in the recognition or measurement of items highlighted as the critical accounting estimates and judgements in note 4, it is possible that the outcomes in the next financial year could differ from those on which management's estimates are based, resulting in materially different conclusions from those reached by management for the purposes of these financial statements. Management's selection of the Bank's accounting policies which contain critical estimates and judgements reflects the materiality of the items to which the policies are applied and the high degree of judgement and estimation uncertainty involved.

(f) Going concern

The financial statements are prepared on a going concern basis as management is satisfied that the Bank has the resources to continue in business for the foreseeable future. In making this assessment, Management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources. These considerations include stressed scenarios as well as considering potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity.

(g) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand Mauritian Rupees unless otherwise stated.

(h) Segmental reporting

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

In accordance with the BoM Guideline on Public Disclosure of Information, the Bank is required to split into Resident and Non-Resident:

- Non-Resident means a person whose centre of economic interest is located outside Mauritius; and includes a company incorporated in Mauritius in so far as its banking transactions carried out through a permanent establishment outside Mauritius are concerned; but does not include a company incorporated outside Mauritius in so far as its banking transactions carried out through a permanent establishment in Mauritius are concerned.

- Resident relates to banking business other than Non-Resident business.

Expenditure incurred by the Bank but which is not directly attributable to income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

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

3. Summary of material accounting policies

The accounting policies set out below have been applied consistently to all the years presented in the financial statements unless otherwise stated.

(a) Foreign currencies

(i) Functional and reporting currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The financial statements of the Bank are presented in Mauritian Rupees ("MUR"), which is the Bank's functional currency and reporting currency.

(ii) Transactions and balances

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the reporting date except non-monetary assets and liabilities measured at historical cost that are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the profit or loss depending on where the gain or loss on the underlying item is recognised.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(b) Interest

Interest income and expense are recognised in profit or loss for all interest bearing financial instruments measured at amortised cost and FVOCI using the effective interest method. The effective interest method is a way of calculating the amortised cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received by the Bank that are an integral part of the effective interest rate.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3. Summary of material accounting policies (continued)

(c) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Fees and commission income are earned from a diverse range of services provided by the Bank to its customers. The bank acts as principal in the majority of contracts with customers, with the exception of broking services. For most brokerage trades, the Bank acts as agent in the transaction and recognises broking income net of fees payable to other parties in the arrangement.

The Bank recognises fees earned on transaction-based arrangements at a point in time when we have fully provided the service to the customer, for example, fees arising from negotiating a transaction (fee and commission income and global custody fees). Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement (for example, retail banking customer fees, corporate banking related fees and financial guarantee contracts). It should be noted that the Bank does not offer services with multiple non-distinct/distinct performance obligations.

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

(d) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.

(e) Leases

Leases are recognised as a Rights of Use ("ROU") asset and a corresponding lease liability at the date at which the leased asset is made available for use. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant period rate of interest on the remaining balance of the liability. The ROU asset is depreciated over the shorter of the ROU asset's useful economic life and the lease term on a straight-line basis.

The Bank leased various offices and residential properties. The rental contracts are typically made for fixed period of 1 to 6 years but may have extension options as described below. However, during 2024, all office leases were terminated. The lease agreements do not impose any covenants, but the leased assets may not be used as a security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

3. Summary of material accounting policies (continued)

(e) Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Extension and termination option

Extension and termination options are included in the property leases. These terms are used to maximise operational flexibility in terms of managing contracts. The extension and termination options held are exercisable only by the Bank and not by the respective lessor.

Lease modification

A lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of its original terms and conditions. Common lease modifications include, for example:

– increasing the scope of the lease by adding the right to use one or more underlying assets;
– decreasing the scope of the lease by removing the right to use one or more underlying assets or shortening the contractual lease term;
– increasing the scope of the lease by extending the contractual lease term; and
– changing the consideration in the lease by increasing or decreasing the lease payments.

Changes that result from renegotiations and changes to the terms of the original contract are lease modifications.

(f) Income tax

The tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

On 20 June 2023, legislation was substantively enacted in the UK, the jurisdiction of the entity's ultimate parent entity, HSBC Holdings plc, to introduce the 'Pillar Two' global minimum tax model rules of the OECD's Inclusive Framework on Base Erosion and Profit Shifting (BEPS), with effect from 1 January 2024.

Under these rules, a top-up tax liability arises where the effective tax rate of the parent's operations in a jurisdiction, calculated based on principles set out in the OECD's Pillar Two model rules, is below 15%. Any additional tax arising in relation to jurisdictions in which a Qualified Domestic Minimum Top-up Tax ("QDMTT") applies will be payable to the tax authority in that jurisdiction. Where there is no QDMTT, any resulting tax is payable by HSBC Holdings plc, being the Group's ultimate parent, to the UK tax authority.

During 2022, the government of Mauritius has passed the proposed Pillar Two legislation and a QDMTT , however no effective date has been mentioned. Based on the Group's forecasts, no material top-up tax liability is expected to arise in Mauritius. However the impact is dependent upon the ongoing evolution of rules and guidance in the UK and Mauritius.

3. Summary of material accounting policies (continued)

(f) Income tax (continued)

(i) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Bank measures its tax balance either based on the most likely amount or the expected value depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate.

3. Summary of material accounting policies (continued)

(g) Financial assets and liabilities

Measurement methods

(i) Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

(ii) Initial recognition and measurement

The Bank initially recognises 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 the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 36(b)(iii), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

'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 market or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Bank measures 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 Bank uses 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.

3. Summary of material accounting policies (continued)

(g) Financial assets and liabilities (continued)

Measurement methods (continued)

(ii) Initial recognition and measurement (continued)

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 Bank determines 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 is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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 Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(iii) Classification and subsequent measurement of financial assets

The Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- FVPL;
- FVOCI; or
- Amortised cost.

3. Summary of material accounting policies (continued)

(g) Financial assets and liabilities (continued)

Measurement methods (continued)

(iii) Classification and subsequent measurement of financial assets (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

(i) the Bank's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 36(b)(iii). Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through other comprehensive income ("FVOCI")

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily investment securities. They are recognised on the trade date when the Bank enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Other operating income'.

Fair value through profit or loss ("FVPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented within 'Net trading income' in the period in which it arises. Interest income from these financial assets is included in `Interest income' using the effective interest rate method.

3. Summary of material accounting policies (continued)

(g) Financial assets and liabilities (continued)

Measurement methods (continued)

(iii) Classification and subsequent measurement of financial assets (continued)

Business model

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

(iv) Classification and subsequent measurement of financial liabilities

Under IFRS 9, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at FVPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at FVPL are presented partially in Other Comprehensive Income (“OCI”) (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments (see note 3(u)).

The Bank’s holding in financial liabilities represents mainly deposits and borrowings from banks, customers and other liabilities.

3. Summary of material accounting policies (continued)

(g) Financial assets and liabilities (continued)

Measurement methods (continued)

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Accounting Standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(vi) Derecognition

Financial assets or a portion thereof, are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition) or the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

(h) Impairment

The Bank assesses on a forward-looking basis the expected credit losses ("ECL" associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at the end of each reporting period. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 36(b)(iii) provides more detail of how the expected credit loss allowance is measured.

3. Summary of material accounting policies (continued)

(h) Impairment (continued)

Statutory and other regulatory requirements

Statutory and other regulatory loan loss reserve requirements (one percent of the aggregate amount of portfolio assessed loans) that exceed the amounts to be provided under IFRS 9 are dealt with in the general banking reserve as an appropriation of retained earnings.

The BoM Guideline on Classification, Provisioning and Write-off of Credit Exposures, effective as from 30 September 2024, also directs financial institutions to stand guided by the following minimum requirements with regards to classification and assessment of credit impairment:

Classified Credits		Specific Provisioning Requirement
(i) Sub-standard Credit		25 per cent of (outstanding amount of credit less any net realisable value of applicable collateral)
(ii) Doubtful Credit		50 per cent of (outstanding amount of credit less any net realisable value of applicable collateral)
(iii) Loss	Non Performing Exposure ("NPE") less than 4 years	75 per cent of (outstanding amount of credit less any net realisable value of applicable collateral)
	NPE more than 4 years	100 per cent of (outstanding amount of credit less any net realisable value of applicable collateral)

Under the BoM Guideline on Classification, Provisioning and Write-off of Credit Exposures, portfolio provision shall not be less than one percent of aggregate amount of portfolio assessed loans. Over and above, in line with the BoM Macroprudential Measures for the Banking Sector, additional portfolio provision is made as detailed below:

Exposure Type	Prudential General Provisions
Exposures with bullet repayment with remaining maturity of more than 2 years (other than those to sovereigns, central banks, Multilateral Development Banks and banks)	1.50%
Exposures to or guaranteed by counterparties whose rating is investment grade or better	0.50%
All Other performing Exposures	1.00%

Over and above, in line with the BoM Macroprudential Measures for the Banking Sector, additional portfolio provision is made as detailed below:

	Effective as from 30 September 2024
Accommodation	1.00%
Construction (including commercial real estates)	1.00%

3. Summary of material accounting policies (continued)

(i) Write-off of loans and advances

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss. Note 36(b)(iii)(G) provides more detail on the write off policy of the Bank.

(j) Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in profit or loss.

(k) Renegotiated loans and advances

The Bank may sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

– If the borrower is in financial difficulty, whether the modification merely reduces the contractual cashflows to amounts the borrower is expected to be able to pay.
– Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
– Significant extension of the loan term when the borrower is not in financial difficulty.
– Significant change in interest rate.
– Change in the currency the loan is denominated in.
– Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

These renegotiated loans are subject to ongoing review to determine whether they remain impaired. The carrying amounts of loans that have been classified as renegotiated retain this classification until maturity or derecognition.

Loans are identified as renegotiated and classified as credit-impaired when the Bank modifies the contractual payment terms due to significant credit distress of the borrower. An impairment test is performed on renegotiated loans prior to the modification. Renegotiated loans remain classified as credit-impaired until there is sufficient evidence to demonstrate a reduction in the risk of non-payment of future cash flows and retain the designation of renegotiated until maturity or derecognition.

A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the terms of an existing agreement are modified such that the renegotiated loan is a substantially different financial.

3. Summary of material accounting policies (continued)

(k) Renegotiated loans and advances (continued)

Other than originated credit-impaired loans, all other modified loans could be transferred out of stage 3 if they no longer exhibit any evidence of being credit-impaired and, in the case of renegotiated loans, there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, over the minimum observation period of one year, and there are no other indicators of impairment. These loans could be transferred to stage 1 or 2 by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms). Any amount written off as a result of the modification of contractual terms would not be reversed. As at 31 December 2024, the Bank had no renegotiated loans in its portfolio as disclosed in Note 36 (b)(iii)(J).

(l) Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents include unrestricted balances and mandatory balances held with the BoM and highly liquid financial assets with original maturities of three months or less from the acquisition date including balances with financial institutions.

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

(m) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, except that non-derivative trading assets may be reclassified out of the fair value through profit or loss – i.e. trading – category if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met.

3. Summary of material accounting policies (continued)

(n) Intangible assets

Intangible assets are recognised when they are separable or arise from contractual or other legal rights, and it is probable that future economic benefits will flow to the Bank, the cost of which can be measured reliably. Intangible assets include computer software, trade names, mortgage servicing rights, customer lists, core deposit relationships, credit card customer relationships and merchant or other loan relationships. Computer software includes both purchased and internally generated software. The cost of internally generated software comprises all directly attributable costs necessary to create, produce and prepare the software to be capable of operating in the manner intended by management. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred.

Intangible assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable.

Intangible assets with finite useful lives are generally amortised, on a straight-line basis, over their useful lives. The life period of the purchased software is 5 years.

(o) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses, except freehold land and buildings, which are measured at revalued amounts. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

(iii) Depreciation

Depreciation is calculated to write off the costs 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. Land is not depreciated.

The estimated useful lives of significant items of property, plant and equipment are as follows:

Buildings	- 50 years
Furniture and other equipment	- 2 years to 20 years
Computer and other equipment	- 3 years to 5 years
Motor vehicles	- 5 years

3. Summary of material accounting policies (continued)

(o) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset. Items less than MUR10,000 are not capitalised but expensed when incurred in the profit and loss. All items between MUR10,000 and MUR60,000 are capitalised with immediate depreciation.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(iv) Revaluation of freehold land and buildings

The Bank's policy is to revalue its freehold land and buildings every five years based on a full valuation report provided by professionally qualified valuers on an open market value basis. However, an interim or desktop valuation is carried out annually by a professionally qualified valuer and the freehold land and buildings are revalued accordingly.

Revaluation surpluses are credited to other comprehensive income and accumulated in the revaluation to reserves in equity. Any subsequent decrease is first charged to reserves in equity. Thereafter, decreases are charged to profit or loss to the extent that the decrease exceeds any amount formerly held in reserves in respect of the same asset. On disposal of revalued assets, the amounts included in the revaluation surplus are transferred to retained earnings.

Items of equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

(v) Derecognition

Any gain or loss on disposal of an item property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other operating income in profit or loss. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

3. Summary of material accounting policies (continued)

(p) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(q) Deposits and other borrowed funds

Deposits are the Bank's sources of debt funding. Other borrowed funds are used in the daily treasury management activities of the Bank.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits and other borrowed funds are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(r) Provisions

Provisions, including legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. Summary of material accounting policies (continued)

(s) Employee benefits

The Bank operates two pension plans, which include both a defined benefit and a defined contribution plan.

(i) Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank provides retirement benefits for its employees through a defined contribution plan which is funded by contributions from the Bank. Under the defined contribution plan, the Bank has no legal or constructive obligation to contribute further to what has been contributed into the fund as defined in the rules of the scheme. Pension contributions are charged to profit or loss in the year to which they relate. The Bank has an obligation under the current labour laws to pay a severance allowance on retirement of its employees and is allowed to deduct from this severance allowance up to five times the amount of any annual pension granted at retirement age from the said fund.

(ii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan 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 using the projected unit credit method. When the calculation results in a potential asset for 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.

Remeasurements 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 other comprehensive income. The Bank determines 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 personnel expenses in profit or loss.

The present value of the severance allowance payable under the Workers' Rights Act 2019 is calculated annually by independent actuaries using the projected unit credit method. The present value of the severance allowance is determined by the estimated future cash outflows using a discount rate by reference to current interest rates and the yield on bonds and treasury bills and recent corporate debenture issues. Where the present value of the severance allowance payable on retirement is greater than five years of pension payable under the pension plan, the additional severance allowance payable is recognised as a liability and disclosed as unfunded obligations under retirement benefits obligations.

3. Summary of material accounting policies (continued)

(s) Employee benefits (continued)

(ii) Defined benefit plans (continued)

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 Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) State pension plan

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

(iv) Share based payment

The Bank grants restricted shares of HSBC Holdings plc to certain employees under various vesting. Upon vesting, the HSBC Holdings plc delivers the shares to the employees. The Bank's liability against HSBC Holdings plc under such arrangements is measured at fair value at the end of each reporting period. The changes in fair value are recognised in "Other reserves" in each period. For restricted shares, the fair value is determined by using HSBC Holdings plc shares closing price as at year end.

For share options granted to employees of the Bank directly by HSBC Holdings plc, the compensation expense to be spread over the vesting period is determined by reference to the fair value of the options on grant date, and the impact of any nonmarket vesting conditions such as option lapses. The expense is recognised over the vesting period. The corresponding amount is credited to 'Reserve for own shares' in equity.

(v) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(vi) Termination benefits

Temination benefits are payable when employment is terminated by the Bank before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits at the earlier of the following dates:
(a) when the Bank can no longer withdraw the offer of those benefits; and
(b) when the Bank recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.
In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(vii) Vacation leaves

Vacation leave and other compensated absences with similar characteristics are accrued as a liability, as stipulated under long term benefits in IAS 19, as these benefits are earned by eligible employees based on past service and it is probable that the employer will compensate these employees for the benefits through paid time off or cash payments. The assessment of this provision is carried out annually by management for eligible employees. Such employees are those who fall under the definition of a worker under The Workers' Rights Act 2019 and have covered a qualifying period of service.

3. Summary of material accounting policies (continued)

(t) Assigned capital

Assigned capital represents the capital contribution made by the Head Office to the Bank. Incremental external costs directly attributable to raising additional capital are shown in equity as a deduction, net of tax, from the proceeds.

(u) Contingent liabilities, contractual commitments and guarantees

(i) Contingent liabilities

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

(ii) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised.

Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15.

Any increase in the liability relating to guarantees is taken to profit or loss under net impairment charge on financial asset.

Loan commitments provided by the Bank are measured as the amount of the loss allowance (calculated as described in note 36(b)(iii)). The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

3. Summary of material accounting policies (continued)

(u) Contingent liabilities, contractual commitments and guarantees (continued)

(iii) Acceptances and letters of credit

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances and letters of credit are accounted for as off-balance sheet items and are disclosed as contingent liabilities and commitments.

(v) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year. As required by the BoM *Guideline on Public Disclosure of Information* , disclosures have been made with comparative information for two years.

(w) Non current assets or disposal group held for sale and discontinued operations

With the sale of the domestic retail and business banking operations, the Bank classifies non-current assets or disposal groups (including assets and liabilities) as held for sale when their carrying amounts will be recovered principally through sale rather than through continuing use. To be classified as held for sale, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups, and the sale must be highly probable.

For a sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Held-for-sale assets and disposal groups are measured at the lower of their carrying amount and fair value less cost to sell except for those assets and liabilities that are not within the scope of the measurement requirements in IFRS 5. If the carrying value of the non current asset or disposal group is greater than the fair value less costs to sell, an impairment loss for any initial or subsequent write down of the asset or disposal group to fair value less costs to sell is recognised. The impairment loss is calculated upon the held for sale classification and is first allocated against the non-current assets that are in scope of IFRS 5 for measurement.

3. Summary of material accounting policies (continued)

(w) Non current assets or disposal group held for sale and discontinued operations (continued)

Any impairment losses in excess of the carrying value of the non-current assets in scope of IFRS 5 for measurement are recognised against the total assets of the disposal group (as a single unit of account rather than on a line-by-line basis against individual financial assets) on classification to held for sale.

The Bank classifies a component as discontinued operation when it either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geograpical area of operations.

After operations have been classified as discontinued, results will be reported as such in the income statement and cash flow statement. Discontinued operations held for sale are measured in the same way as other disposal groups, that is, at the lower of carrying amount and fair value less costs to sell.

4. Use of judgements and estimates

In preparing the financial statements, management has made 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts in the financial statements are described below.

(ii) Assumption and estimation uncertainties

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 36 (b)(iii), which also sets out key sensitivities of the ECL to changes in these elements.

4. Use of judgements and estimates (continued)

(ii) Assumption and estimation uncertainties (continued)

Measurement of the expected credit loss allowance (continued)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL mainly relating to:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience. The Bank does not have any historical loss experience. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions, remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'Upside scenarios' which have not generally been subject to experience gained through stress testing.

Wholesale models are developed at different levels of granularity and complexity depending on data availability and materiality of each portfolio. For the Bank, a simplified approach based on a proxy model, India, has been used. The risk characteristics of the target and proxy portfolios have been analysed and compared to justify the use of India as a proxy model.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in notes 36(b)(iii) and 36(b)(iv).

Sensitivity analysis of ECL estimates

The recognition and measurement of ECL involves the use of significant judgement and estimation. The Bank forms multiple economic scenarios based on economic forecasts, apply these assumptions to credit risk models to estimate future credit losses, and probability-weight the results to determine an unbiased ECL estimate. The Bank uses multiple economic scenarios to reflect assumptions about future economic conditions, starting with three economic scenarios based on consensus forecast distributions, supplemented by alternative or additional economic scenarios and/or management adjustments where, in management's judgement, the consensus forecast distribution does not adequately capture the relevant risks. The economic assumptions presented in this section have been formed by the Bank with reference to external forecasts specifically for the purpose of calculating ECL. The following table describes key macroeconomic variables and the probabilities assigned in the consensus Central scenario data:

Average of 5 year forecast period 1Q2025 - 4Q2029	%
GDP growth rate	**2.9**
Inflation	**2.6**

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

4. Use of judgements and estimates (continued)

(ii) Assumption and estimation uncertainties (continued)

Measurement of the expected credit loss allowance (continued)

The following table describes key macroeconomic variables and the probabilities assigned in the consensus Upside scenario and Downside scenario:

	Upside (2025-2029)	**Downside (2025-2029)**
GDP growth rate (%)	3.9	1.9
Inflation (%)	2.4	2.7

The following table describes key macroeconomic variables and the probabilities assigned in the consensus Severe Downside scenario:

	Additional Downside (2025-2029)
GDP growth rate (%)	-0.7
Inflation (%)	3.0

Defined Benefit Obligations

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in the assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The actuarial report determines the appropriate discount rate at the end of each year and which are validated by the Bank. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the actuary considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for defined pension obligations are based in part on current market conditions.

The sensitivity analysis for the key assumptions are disclosed in Note 30.

4. Use of judgements and estimates (continued)

(ii) Assumption and estimation uncertainties (continued)

Non current assets held for sale

The classification as held for sale depends on certain judgements.

Management judgement is required in determining whether the IFRS 5 held for sale criteria including whether a sale is highly probable and expected to complete within one year of classification. For large and complex plans judgment will also include an assessment of the enforceability of any binding sale agreement, the nature and magnitude of any disincentives for non-performance, and the ability of the counterparty to undertake necessary pre-completion preparatory work, comply with conditions precedent, and otherwise be able to comply with contractual undertakings to achieve completion within the expected timescale. Once classified as held for sale, judgement is required to be applied on a continuous basis to ensure that classification remains appropriate in future accounting periods.

Provisions

Judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows.

Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When matters are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous judgements and estimates as appropriate. At more advanced stages, it is typically easier to make judgements and estimates around a better defined set of possible outcomes. However, the amount provisioned can remain very sensitive to the assumptions used. There could be a wide range of possible outcomes for any pending legal proceedings, investigations or inquiries.

As a result, it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved.

Fair Value of Financial Instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models.

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 assumption and other risks affecting the specific instrument.

5 Fair value of financial instruments

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 all other financial instruments, the Bank determines fair values using other valuation techniques.

(i) Valuation of financial instruments

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

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

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

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

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

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Valuation models for financial instruments measured at fair value that employ significant unobservable inputs require a higher degree of management judgement and estimation in determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

5 Fair value of financial instruments (continued)

(ii) Recurring financial instruments measured at fair value – fair value hierarchy

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised:

There has been no transfer between the fair value hierarchy level during the year.

		Quoted market price	Using observable inputs	With significant unobservable inputs	
		Level 1	Level 2	Level 3	Total
At 31 December 2024	Note	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Trading assets	19 (a)	**-**	**-**	**60**	**60**
Investment securities - fair value through other comprehensive income	22	**-**	**2,063,225**	**-**	**2,063,225**
Trading liabilities	19 (b)	**-**	**-**	**744**	**744**
At 31 December 2023					
Trading assets	19 (a)	-	31	-	31
Investment securities - fair value through other comprehensive income	22	-	5,649,758	-	5,649,758
Trading liabilities	19 (b)	-	36	567	603
At 31 December 2022					
Trading assets	19 (a)	-	5,520	10	5,530
Investment securities - fair value through other comprehensive income	22	-	6,537,624	-	6,537,624
Trading liabilities	19 (b)	-	5,714	1,157	6,871

IFRS 13 reconciliation for Level 3

	Assets		Liabilities
	Investment securities	Trading assets	Trading liabilities
	MUR'000	MUR'000	MUR'000
At 1 January 2022	-	11,536	737
Transfers in	-	24,147	10,351
Settlements	-	(35,673)	(9,931)
At 31 December 2022	-	10	1,157
Transfers in	-	7,359	6,650
Settlements	-	(7,369)	(7,240)
At 31 December 2023	-	-	567
Transfers in	**-**	**3,561**	**30,837**
Settlements	**-**	**(3,501)**	**(30,660)**
At 31 December 2024	**-**	**60**	**744**

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

5 Fair value of financial instruments (continued)

(ii) Recurring financial instruments measured at fair value – fair value hierarchy (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at 31-Dec-24 MUR '000	31-Dec-23 MUR '000	31-Dec-22 MUR '000	Unobservable Input	Range of Inputs 2024	2023	2022	Relationship of unobservable inputs to fair value
Foreign exchange derivative assets	**60**	-	10	Forward Points	**44.32-47.4275**	43.8125-47.0375	42.9005-46.3095	Sensitivity of the foreign exchange assets and liabilities are monitored on a net basis. A change of 1 basis point in interest rate would change fair value by +/- MUR 748
Foreign exchange derivative liabilities	**744**	567	1,157	Forward Points	**44.32-47.4275**	43.8125-47.0375	42.9005-46.3095	

The discounted cash flow method has been used to fair value the foreign exchange derivative assets and liabilities, whether the forward rates have been used as the discount factor.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

5 Fair value of financial instruments (continued)

(iii) Financial instruments not measured at fair value

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

		Fair values			
		Valuation techniques			
	Carrying amount	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
		Level 1	Level 2	Level 3	
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets and Liabilities at 31 Dec 2024					
Assets					
Loan and advances to banks	**524,009**	**-**	**524,009**	**-**	**524,009**
Loan and advances to customers	**3,596,392**	**-**	**3,603,518**	**-**	**3,603,518**
Investment securities at amortised cost	**670,986**	**613,819**	**49,067**	**-**	**662,886**
Liabilities					
Deposits from banks	**667,664**	**-**	**667,664**	**-**	**667,664**
Deposits from customers	**7,631,443**	**-**	**7,631,443**	**-**	**7,631,443**
Other borrowed funds	**3,217,521**	**-**	**3,224,821**	**-**	**3,224,821**
Assets and Liabilities at 31 Dec 2023					
Assets					
Loan and advances to banks	650,864	-	650,864	-	650,864
Loan and advances to customers	4,615,880	-	4,624,876	-	4,624,876
Investment securities at amortised cost	1,309,196	1,090,358	198,861	-	1,289,219
Liabilities					
Deposits from banks	236,916	-	236,916	-	236,916
Deposits from customers	6,871,642	-	6,871,642	-	6,871,642
Other borrowed funds	133,687	-	133,687	-	133,687
Assets and Liabilities at 31 Dec 2022					
Assets					
Loan and advances to banks	200,357	-	200,357	-	200,357
Loan and advances to customers	12,123,598	-	12,078,983	-	12,078,983
Investment securities at amortised cost	1,309,123	-	1,289,563	-	1,289,563
Liabilities					
Deposits from banks	451,231	-	451,231	-	451,231
Deposits from customers	26,335,817	-	26,335,817	-	26,335,817
Other borrowed funds	444,494	-	444,494	-	444,494

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

Assets	Liabilities
Cash and cash equivalents Other Assets including: ▪ Balances due in the clearing ▪ Short-term receivables ▪ Investment securities at amortised cost	Other liabilities including: ▪ Acceptance and endorsements ▪ Short-term payables

5 Fair value of financial instruments (continued)

(iii) Financial instruments not measured at fair value (continued)

Bases of valuation

The fair value measurement is the Bank's estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It does not reflect the economic benefits and costs that the Bank expects to flow from the instruments' cash flows over their expected future lives. Other reporting entities may use different valuation methodologies and assumptions in determining fair values for which no observable market prices are available.

Fair values of the following assets and liabilities are estimated for the purpose of disclosure as described below:

Loans and advances to banks and customers

The fair value of loans and advances is based on observable market transactions, where available. In the absence of observable market transactions, fair value is estimated using valuation models that incorporate a range of input assumptions. These assumptions may include value estimates from third party brokers which reflect over-the-counter trading activity, forward looking discounted cash flow models using assumptions which the Bank believes are consistent with those which would be used by market participants in valuing such loans, and trading inputs from other market participants which includes observed primary and secondary trades.

Loans are grouped, as far as possible, into homogeneous groups and stratified by loans with similar characteristics to improve the accuracy of estimated valuation outputs.

Valuation techniques are calibrated on a regular basis and tested for validity using prices from observable current market transactions in the same instrument, without modification or repackaging, or are based on any available observable market data.

The fair value of a loan reflects both loan impairments at the reporting date and estimates of market participants' expectations of impairment losses over the life of the loans, and the fair value effect of repricing between origination and the reporting date. The fair valuation of loans and advances to banks and customers is based on indirect observable inputs and therefore classifies under Level 2.

Deposits from banks and customer accounts

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

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

6 Classification of Financial assets and Financial liabilities

The accounting policies are highlighted in Note 3 (g)(ii). The table below provides reconciliation between line items in the statement of financial position and categories of financial instruments. There has been no reclassification between the categories of financial instruments during the year.

	IFRS 9 Measurement Category	2024 MUR'000	2023 MUR'000	2022 MUR'000
Assets				
Cash and cash equivalents	Amortised cost	**7,218,517**	10,974,704	9,138,471
Trading assets	FVPL	**60**	31	5,530
Loans and advances to banks	Amortised cost	**524,009**	650,864	200,357
Loans and advances to customers	Amortised cost	**3,596,392**	4,615,880	12,123,598
Investment securities	FVOCI	**2,063,225**	5,649,758	6,537,624
Investment securities	Amortised cost	**670,986**	1,309,196	1,309,123
Other assets	Amortised cost	**53,030**	281,244	336,958
Assets held for sale[1]	FVPL	**-**	6,451,813	-
		14,126,219	29,933,490	29,651,661
Liabilities				
Deposits from banks	Amortised cost	**667,664**	236,916	451,231
Deposits from customers	Amortised cost	**7,631,443**	6,871,642	26,335,817
Trading liabilities	FVPL	**744**	603	6,871
Other borrowed funds	Amortised cost	**3,217,521**	133,687	444,494
Other liabilities	Amortised cost	**261,422**	784,595	528,224
Liabilities of disposal groups held for sale[2]	FVPL	**-**	19,659,650	-
		11,778,794	27,687,093	27,766,637

[1]Assets held for sale exclude non-financial assets consisting of property and equipment.

[2]Liabilities of disposal groups held for sale exculde non-financial liabilities comprising of contract liabilities under IFRS 15.

Notes to and forming part of the financial statements

for the year ended 31 December 2024 (continued)

7 Segmental reporting

The information on pages 113 to 114 is provided for in accordance with the BoM Guideline on Public Disclosure of Information.

The financial statements incorporate both segments with a functional currency of Mauritian Rupees (MUR).

A. Statement of financial position
MUR'000

		2024			2023			2022		
ASSETS	Note	**Total**	**Resident**	**Non-Resident**	Total	Resident	Non-Resident	Total	Resident	Non-Resident
Cash and cash equivalents	18	**7,218,517**	**6,091,844**	**1,126,673**	10,974,704	6,741,563	4,233,141	9,138,471	5,862,076	3,276,395
Trading assets	19	**60**	**-**	**60**	31	-	31	5,530	5,509	21
Loans and advances to banks	20	**524,009**	**524,009**	**-**	650,864	546,218	104,646	200,357	100,357	100,000
Loans and advances to customers	21	**3,596,392**	**3,596,392**	**-**	4,615,880	4,615,880	-	12,123,598	12,067,861	55,737
Investment securities - fair value through other comprehensive income	22	**2,063,225**	**2,063,225**	**-**	5,649,758	5,649,758	-	6,537,624	6,537,624	-
Investment securities - Amortised cost	22	**670,986**	**670,986**	**-**	1,309,196	1,309,196	-	1,309,123	1,309,123	-
Other assets	25	**223,318**	**214,558**	**8,760**	382,192	264,613	117,579	443,815	377,213	66,602
Intangible assets	23 (a)	**1,795**	**1,795**	**-**	2,012	2,012	-	2,703	2,703	-
Property, plant and equipment	23	**65,532**	**65,532**	**-**	276,650	276,650	-	390,844	390,844	-
Assets held for sale	8	**86,625**	**86,625**	**-**	6,480,194	6,480,194	-	-	-	-
Total assets		**14,450,459**	**13,314,966**	**1,135,493**	30,341,481	25,886,084	4,455,397	30,152,065	26,653,310	3,498,755
LIABILITIES										
Deposit from banks	26	**667,664**	**318,690**	**348,974**	236,916	28,119	208,797	451,231	143,703	307,528
Deposit from customers	27	**7,631,443**	**7,351,028**	**280,415**	6,871,642	6,633,351	238,291	26,335,817	24,677,966	1,657,851
Trading liabilities	19	**744**	**683**	**61**	603	500	103	6,871	442	6,429
Other borrowed funds	28	**3,217,521**	**3,217,521**	**-**	133,687	133,687	-	444,494	444,494	-
Liabilities of disposal groups held for sale	8	**-**	**-**	**-**	19,662,529	19,662,529	-	-	-	-
Current tax liabilities	17	**-**	**-**	**-**	-	-	-	44,099	44,099	-
Other liabilities	29	**302,989**	**290,904**	**12,085**	878,198	760,614	117,584	583,918	517,314	66,604
Total liabilities		**11,820,361**	**11,178,826**	**641,535**	27,783,575	27,218,800	564,775	27,866,430	25,828,018	2,038,412
Shareholder’s funds										
Assigned capital	31	**1,499,750**			1,499,750			794,150		
Retained earnings	31	**659,228**			451,573			896,274		
Other reserves	31	**471,120**			606,583			595,211		
Total shareholder’s funds		**2,630,098**			2,557,906			2,285,635		
Total liabilities and shareholder's funds		**14,450,459**			30,341,481			30,152,065		

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

7 Segmental reporting (continued)

B. Operating Income
MUR'000

	Notes	2024			2023			2022		
		Total	**Resident**	**Non-Resident**	Total	Resident	Non-Resident	Total	Resident	Non-Resident
Interest income		**447,163**	**311,973**	**135,190**	367,520	220,947	146,573	243,318	226,024	17,294
Interest expense		**(111,757)**	**(110,760)**	**(997)**	(20,652)	(20,555)	(97)	(27,631)	(19,477)	(8,154)
Net interest income	9	**335,406**	**201,213**	**134,193**	346,868	200,392	146,476	215,687	206,547	9,140
Fee and commission income		**83,319**	**56,324**	**26,995**	89,906	58,302	31,604	98,538	61,552	36,986
Fee and commission expense		**(3,986)**	**(1,968)**	**(2,018)**	(7,993)	(7,073)	(920)	(4,077)	(1,024)	(3,053)
Net fee and commission income	10	**79,333**	**54,356**	**24,977**	81,913	51,229	30,684	94,461	60,528	33,933
Net trading income	11	**137,648**	**130,307**	**7,341**	163,327	139,224	24,103	192,638	240,419	(47,781)
Other operating income	12	**222,685**	**222,685**	**-**	183,887	183,887	-	188,790	188,790	-
		360,333	**352,992**	**7,341**	347,214	323,111	24,103	381,428	429,209	(47,781)
Operating income		**775,072**	**608,561**	**166,511**	775,995	574,732	201,263	691,576	696,284	(4,708)

8. Assets held for sale, liabilities directly associated with assets classified as held for sale and discontinued operations

Held for sale as at 31 December 2024

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Disposal groups	**-**	6,417,233	-
Other non-current assets held for sale	**86,625**	62,961	-
Of which freehold properties [1]	***86,625***	*46,350*	-
Total assets	**86,625**	6,480,194	-
Liabilities directly associated with assets classified as held for sale	**-**	19,662,529	-

At 31 December 2023, in relation to the sale of the Bank's domestic retail and business banking operations to ABSA, MUR6.5bn in total assets, including MUR6.4bn of loans and advances to customers, and MUR19.7bn of customer accounts, were reclassified as held for sale in accordance with IFRS 5.

On 5 July 2024, the Bank completed the disposal to ABSA. At 31 December 2024, total assets and liabilities associated with the disposal groups were NIL.

The disposal groups and the other non-current assets held for sale were remeasured at the lower of the carrying amount and fair value less costs to sell at each reporting period.

[1]The other non-current assets held for sale of MUR86.6m (2023:MUR46.4m) represent the Bank's freehold properties. For one property, the last full valuation was carried out at 31 December 2024 by an experienced, qualified independent valuer, Aestima Ltd, who has relevant professional experience in the locality and category of property held. For the other freehold property, a bid offer was considered for the valuation amount. During the year, one of the Bank's freehold properties had been transferred to held for sale and was sold as of 31 December 2024.

The valuation of land and buildings has been determined using market comparables. To provide an indication about the reliability of the inputs used in determining fair value, the Bank has classified its land and buildings into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 5 on Fair value of financial instruments. The freehold properties consist of freehold land and buildings and have been determined to be under Level 3. The key factors for this level category is that for both methods, unobservable inputs were used i.e. for the bid offer and also assumptions and necessary adjustments were made in the valuation report.

	2024	2023	2022
MUR’000			
Land and Building - Level 3	**86,625**	46,350	-

There was no transfer in fair value hierarchy during the year.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

8. Assets held for sale, liabilities directly associated with assets classified as held for sale and discontinued operations (continued)

Assets and liabilities of disposal group classified as held for sale

At 31 December 2024, the major classes and associated liabilities of disposal groups held for sale are as follows:

	2024	2023	2022
Assets of the disposal group held for sale	**MUR'000**	MUR'000	MUR'000
Loans and advances to customers	-	6,384,340	-
Property and equipment	-	16,611	-
Accrued income and other assets	-	32,893	-
Total assets	-	6,433,844	-
Liabilities of the disposal group held for sale			-
Customer accounts	-	19,334,045	-
Other liabilities	-	328,484	-
Total liabilities	-	19,662,529	-

Details of the sale of the disposal group

Under the financial terms of the sale and purchase agreement, the Bank transferred the domestic retail and business banking operations for a consideration of MUR1. Based on the net liability position of the disposal group, the Bank made a cash contribution of MUR11.4bn. The carrying amounts of assets and liabilities as at date of sale were:

	05-Jul-24
	MUR'000
Loans and advances to customers	**6,339,135**
Property and equipment	**23,963**
Accrued income and other assets	**19,499**
Total assets	**6,382,597**
Customer accounts	**17,550,024**
Other liabilities	**214,669**
Total liabilities	**17,764,693**
Net liability position	**(11,382,096)**

The sale of domestic retail and business banking operations also met the criteria of discontinued operations classification and presentation under IFRS 5 and accordingly the loss after tax in respect of the discontinued operations for the year ended 31 Dec 2024 amounted to MUR49.6m (2023: loss of MUR456.6m, 2022: loss of MUR95.1m) has been reported separately in the statement of profit or loss.

8. Assets held for sale, liabilities directly associated with assets classified as held for sale and discontinued operations (continued)

Discontinued operations statement of profit or loss and other comprehensive income

	2024	2023	2022
		Restated	Restated
	MUR'000	MUR'000	MUR'000
Interest income	423,631	816,134	381,943
Interest expense	(246,112)	(425,293)	(85,272)
Net interest income	177,519	390,841	296,671
Fee and commission income	53,168	104,028	91,647
Fee and commission expense	(16,436)	(41,462)	(44,473)
Net fee and commission income	36,732	62,566	47,174
Net trading income	23,816	26,019	16,115
Other operating income/(expense)	12,969	(400,038)	95
Total operating income	251,036	79,388	360,055
Net impairment release on financial assets	91	6,692	25,154
Personnel expenses	(55,054)	(235,472)	(114,479)
Operating lease expenses	(643)	(1,084)	(2,060)
Depreciation and amortisation	(6,141)	(38,137)	(9,618)
Other expenses	(238,863)	(268,028)	(340,897)
Total expenses	(300,701)	(542,721)	(467,054)
Loss before income tax	(49,574)	(456,641)	(81,845)
Income tax charge	-	-	(13,247)
Loss after tax in respect of discontinued operations	(49,574)	(456,641)	(95,092)

Other comprehensive income relating to discontinued operations is as follows:

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Total other comprehensive income for the year in respect of discontinued operations	-	-	-

The cash flows attributed to the discontinued operations are as follows:

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Net cash from/(used in) operating activities	13,225,153	(13,225,153)	-
Net cash from/(used in) financing activities	3,532	(3,532)	-
Net cash from/(used in) discontinued operations	13,228,685	(13,228,685)	-

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

9. Net interest income

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Interest income			
Recognised on financial assets measured at amortised cost			
Cash and cash equivalents	**182,659**	177,413	17,333
Investment securities	**35,212**	9,156	6,914
Loans and advances to banks	**59,972**	25,375	1,131
Loans and advances to customers	**60,100**	79,061	143,589
Other	**268**	86	5,344
Recognised on financial assets measured at FVOCI			
Investment securities	**108,952**	76,429	69,007
Total interest income	**447,163**	367,520	243,318
Interest expense			
Recognised on financial liabilities measured at amortised cost			
Deposits from banks	**21**	73	1,377
Deposits from customers	**32,395**	6,703	6,480
Other borrowed funds	**77,616**	12,438	19,262
Other			
Other (including interest expense under IFRS 16)	**1,725**	1,438	512
Total interest expense	**111,757**	20,652	27,631
Net interest income	**335,406**	346,868	215,687

Net interest income derived from discontinued operations amounted to MUR177.5m during the year ended 31 December 2024 (2023: MUR390.8m, 2022: MUR296.7m).

10 Net fee and commission income

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Fee and commission income			
Corporate banking related fees	**50,220**	58,801	61,530
Financial guarantee contracts	**3,079**	2,906	3,123
Global custody	**16,540**	16,791	19,531
Other	**13,480**	11,408	14,354
Of which intercompany fee income	***7,290***	*9,220*	*4,542*
Of which fee related to guarantees	***4,428***	*2,916*	*3,592*
Total fee and commission income	**83,319**	89,906	98,538
Fee and commission expense			
Corporate banking related fees	**-**	667	11
Other	**3,986**	7,326	4,066
Of which intercompany fee expense	***2,020***	*6,811*	*3,059*
Total fee and commission expense	**3,986**	7,993	4,077
Net fee and commission income	**79,333**	81,913	94,461

Net fee and commission income derived from discontinued operations amounted to MUR36.7m during the year ended 31 December 2024 (2023: MUR62.6m, 2022:MUR47.2m).

11 Net trading income

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Foreign exchange	**137,648**	163,327	192,638
	137,648	163,327	192,638

Net trading income derived from discontinued operations amounted to MUR23.8m during the year ended 31 December 2023 (2023: MUR26.0m, 2022: MUR16.1m).

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

12 Other operating income

	2024 MUR'000	2023 MUR'000	2022 MUR'000
Intercompany recharges	**248,784**	183,880	188,444
(Loss)/gain on disposal of property plant and equipment	**(5,966)**	91	-
Profit on modification of lease	**99**	98	128
(Loss)/gain on disposal of investment securities	**(948)**	-	73
Other	**(19,284)**	(182)	145
Of which cost to sell	***(15,664)***	-	-
	222,685	183,887	188,790

Intercompany recharges relate mainly to regionally allocated cost and IT costs.

Other operating income/(expense) derived from discontinued operations amounted to (MUR13m) during the year ended 31 December 2024 (2023: MUR400m, 2022: MUR95k).

13 Net impairment release/(charge) on financial assets

	2024 MUR'000	2023 MUR'000	2022 MUR'000
Release/(charge) for impairment losses for the year:			
Loans and advances to customers	**456**	19,132	48,893
Investment securities at FVOCI	**571**	3,101	(3,841)
Investment securities at amortised costs	**287**	1,262	(1,754)
Loans and advances to banks	**3,868**	(3,653)	(555)
Loan commitments and financial guarantees	**507**	410	(513)
Other assets	**10**	16	(39)
	5,699	20,268	42,191

Net impairment charge pertaining to discontinued operations amounted to MUR91k during the year ended 31 December 2024 (2023: release of MUR6.7m, 2022: release of MUR25.2m).

14 Personnel expenses

	2024 MUR'000	2023 MUR'000	2022 MUR'000
Wages and salaries	**216,553**	292,505	261,661
Compulsory social security obligations	**14,527**	15,370	13,986
Defined contribution plan costs (unfunded) (Note 30)*	**(7,851)**	3,074	3,569
Equity-settled share based payments	**2,604**	1,419	1,830
Defined benefit plan costs (funded) (Note 30)*	**(16,591)**	4,030	13,190
Provision for termination benefits	**32,516**	49,742	28,438
Other personnel expenses	**61,180**	20,611	30,375
	302,938	386,751	353,049

*This is in connection with sale of the domestic retail and business banking operations in July 2024, a curtailment gain was incurred and a settlement arrangement was agreed with the plan participants, effective 31 December 2024, which settled all post-employment benefit plan obligations relating to the employees of that business unit.

Personnel costs pertaining to discontinued operations amounted to MUR55.1m during the year ended 31 December 2024 (2023:MUR235.5m, 2022: MUR114.5m).

15 Operating lease expenses

Non-cancellable operating lease rentals are payable as follows:

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Minimum rental recognised in profit or loss	**1,395**	1,307	2,216
Operating lease commitments			
Future minimum rentals to be paid:			
- Less than one year	**1,395**	1,307	2,216

Operating lease expenses pertaining to discontinued operations amounted to MUR0.6m during the year ended 31 December 2024 (2023:MUR1.1m, 2022:MUR2.1m).

The leasing arrangements are mainly on printers that are referred to as expense relating to lease on low-value asset.

16 Other expenses

The other expenses are mainly head office charges.

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
		Restated	Restated
Information and technology costs	**16,921**	12,142	16,778
Maintenance of premises costs	**14,822**	17,014	23,726
Other administrative expenses	**138,506**	125,359	123,457
Intercompany recharges	**251,033**	216,142	54,777
Write off of plant, property and equipment	**-**	-	10,392
Other expenses	**68**	5,219	13,088
	421,350	375,876	242,218

Other expenses pertaining to discontinued operations amounted to MUR238.9m during the year ended 31 December 2024 (2023:MUR268m, 2022:MUR340.9m).

17 Income tax

Income tax is calculated on the Bank's taxable profits as follows:
- up to MUR 1.5bn - 5%
- over to MUR 1.5bn - 15%

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit (or loss) of the periods in which the temporary differences are expected to reverse. Based on year 31 December 2024 and the budgeted figures of 2025 to 2029, the effective tax rate for 2024 has been determined to be at 5% (2023:5%; 2022: 5%).

The Bank is also liable to pay a special levy on its leviable income (Net interest income and other income before deduction of expenses) derived during the year. Special levy is calculated at the rate of 5.5% on leviable income subject always to a maximum cap at 1.5 times the amount paid in respect of the year ended 31 December 2017. The special levy is included in income tax expense and current liability in the financial statements. The Bank is subject to the Advances Payment System ('APS') whereby it pays income tax on a quarterly basis.

Corporate Social Responsibility tax (CSR) is payable at the rate of 2% on Resident (excluding GBC) chargeable income and a Corporate Climate Responsibility ("CCR") Levy is also payable by the Bank at the rate of 2% of the total chargeable income.

17 Income tax (continued)

	2024 MUR'000	2023 MUR'000	2022 MUR'000
Current tax expense/(credit)			
Current year:			
Income tax	**-**	-	34,877
Deferred tax	**-**	-	(28,133)
Total tax credit per statement of profit or loss and other comprehensive income	**-**	-	6,744
Income tax expense is attributable to:			
Loss from continuing operations	**-**	-	(6,503)
Profit from discontinued operations	**-**	-	13,247
Reconciliation of effective tax rate			
Profit/(loss) before income tax in respect of continuing operations	**18,626**	(4,609)	100,482
Loss before income tax in respect of discontinued operations	**(49,574)**	(456,641)	(81,845)
(Loss)/profit before income tax per statement of profit or loss and other comprehensive income	**(30,948)**	(461,250)	18,637
Income tax at 5%	**(1,547)**	(23,063)	932
Special levy on banks	**-**	-	44,099
Effect of non-deductible expenses	**329**	175	215
Over provision of income tax in prior year	**-**	-	(9,223)
Under provision of deferred tax	**-**	-	(1,146)
Deferred tax not recognised	**1,218**	22,888	-
Deferred tax written off	**-**	-	(28,133)
	-	-	6,744
Current Tax Liabilities			
As 1 January	**-**	44,099	52,002
Charge for the year	**-**	-	34,877
Payment	**-**	(44,099)	(42,780)
At 31 December	**-**	-	44,099

18 Cash and cash equivalents

	2024 MUR'000	2023 MUR'000 Restated	2022 MUR'000 Restated
Cash in hand	**274,184**	281,270	204,336
Foreign currency notes and coins	**-**	16,549	15,246
Mandatory balances with central bank*	**696,129**	2,292,628	2,069,555
Unrestricted balances with central bank	**1,840,397**	1,747,665	3,335,211
Money market placements	**3,281,134**	5,488,563	252,974
Balances with banks abroad	**1,126,673**	1,148,029	3,261,149
	7,218,517	10,974,704	9,138,471

Mandatory balances with central bank are non-interest bearing balances to be maintained with the BoM as cash reserve requirement. The funds can be used overnight and as such, the funds are not restricted.

Unrestricted balances with Central Bank include non-interest bearing balances over and above the minimum cash reserve requirement (CRR). Money market placements under cash and cash equivalents are floating interest bearing investments with original maturities of three months or less from the acquisition date. Cash and cash equivalents are measured at amortised cost, less impairment.

19 Trading assets and liabilities

(a) Trading assets

	2024 MUR'000	2023 MUR'000	2022 MUR'000
Derivative assets			
- Currency spot	**-**	31	21
- Currency forwards	**60**	-	5,509
	60	31	5,530

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

19 Trading assets and liabilities (continued)

(b) Trading liabilities

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Derivative liabilities			
- Currency spot	-	36	8
- Currency forwards	744	567	6,863
	744	603	6,871

All trading assets and trading liabilities are current in nature.
The nominal amount of the foreign exchange contracts are as follows:

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Currencies			
USD	-	6,714	605,149
EUR	-	5,561	139,847
GBP	-	6,002	5,007
CNH	-	-	920
MUR	197,796	189,639	373,733
Others	-	2,398	4,045
	197,796	210,314	1,128,701

20 Loans and advances to banks

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Loans and advances to banks			
In Mauritius	524,415	550,439	100,930
Outside Mauritius	-	104,646	100,000
	524,415	655,085	200,930
Less Stage 1 and 2 impairment	(406)	(4,221)	(573)
	524,009	650,864	200,357
Remaining term to maturity			
Up to 3 months	103,140	100,439	100,000
Over 3 months and up to 12 months	66,358	504,646	100,930
Over 1 year and up to 5 years	354,917	50,000	-
	524,415	655,085	200,930
Current	169,498	605,085	200,930
Non-Current	354,917	50,000	-
	524,415	655,085	200,930

21 Loans and advances to customers

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Retail customers:			
Credit cards	-	-	247,945
Mortgages	-	-	4,738,083
Other retail loans	-	306,583	1,111,907
Corporate customers	3,288,238	3,980,533	5,952,905
Governments	308,934	330,000	80,000
Entities outside Mauritius	-	-	55,829
	3,597,172	4,617,116	12,186,669
Less Stage 3 impairment		-	(37,465)
Less Stage 1 and 2 impairment	(780)	(1,236)	(25,606)
	3,596,392	4,615,880	12,123,598

21 Loans and advances to customers (continued)

(a) Remaining term to maturity of loans and advances

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Within 3 months	**2,625,925**	3,447,082	5,485,263
Over 3 to 6 months	**260,420**	252,680	7,307
Over 6 to 12 months	**76,771**	221,387	196,577
Over 1 to 5 years	**303,952**	324,598	1,441,016
Over 5 years	**330,104**	371,369	5,056,506
	3,597,172	4,617,116	12,186,669
Current	**2,963,116**	3,921,149	5,689,147
Non-Current	**634,056**	695,967	6,497,522
	3,597,172	4,617,116	12,186,669

(b) Credit concentration of risk by industry sectors

Total credit facilities extended by the Bank to customers classified by industry sectors:

	2024			2023			2022		
	MUR'000	**MUR'000**	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
	Total	**Resident**	**Non-Resident**	Total	Resident	Non-Resident	Total	Resident	Non-Resident
Other Non-Financial Corporations									
A - Agriculture, forestry and fishing	**-**	**-**	**-**	-	-	-	47	47	-
C - Manufacturing	**831,318**	**831,318**	**-**	1,524,557	1,524,557	-	2,546,851	2,546,793	58
F - Construction	**78,369**	**78,369**	**-**	-	-	-	2,892	2,892	-
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	**777,263**	**777,263**	**-**	672,082	672,082	-	924,685	924,685	-
H - Transportation and storage	**-**	**-**	**-**	31,026	31,026	-	12,474	12,474	-
I - Accommodation and food service activities	**19,698**	**19,698**	**-**	163,902	163,902	-	156,000	156,000	-
L - Real estate activities	**395**	**395**	**-**	1,964	1,964	-	3,536	3,536	-
M - Professional, scientific and technical activities	**28,295**	**28,295**	**-**	46,182	46,182	-	62,616	62,616	-
N - Administrative and support service activities	**23,175**	**23,175**	**-**	-	-	-	40,411	40,411	
Q - Human health and social work activities	**2,316**	**2,316**	**-**	-	-	-	1,144	1,144	
R - Arts, entertainment and recreation	**-**	**-**	**-**	-	-	-	989	989	
S - Other service activities	**318,662**	**318,662**	**-**	72,062	72,062	-	137,867	137,867	-
Financial Corporations (excluding Global Business Companies)	**32,579**	**32,579**	**-**	338,000	338,000	-	484,483	484,483	-
Public Non-Financial Corporations	**308,934**	**308,934**	**-**	330,000	330,000	-	80,000	80,000	-
Global Business Corporations (GBCs)	**1,176,168**	**1,176,168**	**-**	1,130,758	1,130,758	-	1,578,968	1,578,968	-
Households	**-**	**-**	**-**	306,583	306,583	-	6,153,706	6,097,935	55,771
	3,597,172	**3,597,172**	**-**	4,617,116	4,617,116	-	12,186,669	12,130,840	55,829

In accordance with BoM Guidelines, home mortgage loans are included within the Households sector.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

21 Loans and advances to customers (continued)

(c) Allowance for impairment losses

	Stage 3	Stage 1&2	Total
	MUR'000	MUR'000	MUR'000
Balance at 31 December 2021	93,539	46,861	140,400
Release for credit impairment for the year	(56,074)	(21,255)	(77,329)
Balance at 31 December 2022	37,465	25,606	63,071
Provision for credit impairment for the year	(22,728)	(4,527)	(27,255)
Transferred to held for sale	(14,737)	(19,843)	(34,580)
Balance at 31 December 2023	-	1,236	1,236
Release for credit impairment for the year	-	(456)	(456)
Balance at 31 December 2024	**-**	**780**	**780**

(d) Provision for impairment losses by industry sectors

2024	**Gross amount of loans**	**Non-performing loans**	**Stage 3**	**Stage 1& 2**	**Total credit loss allowance**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Other Non-Financial Corporations					
C - Manufacturing	**831,318**	**-**	**-**	**438**	**438**
F - Construction	**78,369**	**-**	**-**	**1**	**1**
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	**777,263**	**-**	**-**	**102**	**102**
I - Accommodation and food service activities	**19,698**	**-**	**-**	**1**	**1**
L - Real estate activities	**395**	**-**	**-**	**-**	**-**
M - Professional, scientific and technical activities	**28,295**	**-**	**-**	**73**	**73**
N - Administrative and support service activities	**23,175**	**-**	**-**	**87**	**87**
Q - Human health and social work activities	**2,316**	**-**	**-**	**1**	**1**
S - Other service activities	**318,662**	**-**	**-**	**-**	**-**
Financial Corporations (excluding Global Business Companies)	**32,579**	**-**	**-**	**-**	**-**
Public Non-Financial Corporations	**308,934**	**-**	**-**	**77**	**77**
Global Business Corporations (GBCs)	**1,176,168**	**-**	**-**	**-**	**-**
	3,597,172	**-**	**-**	**780**	**780**

2023	Gross amount of loans	Non-performing loans	Stage 3	Stage 1& 2	Total credit loss allowance
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
C - Manufacturing	1,524,557	-	-	484	484
F - Construction	1,964	-	-	1	1
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	672,082	-	-	114	114
H - Transportation and storage	31,026	-	-	-	-
I - Accommodation and food service activities	163,902	-	-	107	107
M - Professional, scientific and technical activities	46,182	-	-	-	-
S - Other service activities	72,062	-	-	-	-
Financial Corporations (excluding Global Business Companies)	338,000	-	-	299	299
Public Non-Financial Corporations	330,000	-	-	131	131
Global Business Corporations (GBCs)	1,130,758	-	-	-	-
Households	306,583	-	-	100	100
	4,617,116	-	-	1,236	1,236

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

21 Loans and advances to customers (continued)

(d) Provision for impairment losses by industry sectors (continued)

2022	Gross amount of loans	Non-performing loans	Stage 3	Stage 1&2	Total credit loss allowance
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
A - Agriculture, forestry and fishing	47	-	-	-	-
C - Manufacturing	2,546,851	-	-	386	386
F - Construction	2,892	-	-	4	4
G - Wholesale and retail trade; and repair of motor vehicles and motorcycles	924,685	-	-	291	291
H - Transportation and storage	12,474	-	-	-	-
I - Accommodation and food service activities	156,000	69,825	24,374	251	24,625
L - Real estate activities	3,536	-	-	-	-
M - Professional, scientific and technical activities	62,616	-	-	-	-
N - Administrative and support service activities	40,411	-	-	-	-
Q - Human health and social work activities	1,144	-	-	-	-
R - Arts, entertainment and recreation	989	-	-	-	-
S - Other service activities	137,867	-	-	18	18
Financial Corporations (excluding Global Business Companies)	484,483	-	-	981	981
Public Non-Financial Corporations	80,000	-	-	-	-
Global Business Corporations (GBCs)	1,578,968	-	-	-	-
Households	6,153,706	68,442	13,091	23,675	36,766
	12,186,669	138,267	37,465	25,606	63,071

22 Investment securities

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Investment securities carried at FVOCI	**2,063,225**	5,649,758	6,537,624
Investment securities carried at amortised cost	**670,986**	1,309,196	1,309,123
	2,734,211	6,958,954	7,846,747
Treasury Bills/Notes	**2,685,241**	6,760,480	7,546,800
Corporate bonds	**48,970**	198,474	299,947
	2,734,211	6,958,954	7,846,747
Current	**2,036,101**	5,473,767	5,473,767
Non-Current	**698,110**	1,485,187	2,372,980
	2,734,211	6,958,954	7,846,747

Investments securities comprise Government of Mauritius treasury bills and treasury notes that are held for regulatory purposes. Investment securities at amortised cost comprise of Government of Mauritius treasury bills, treasury notes and corporate bonds.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

23 Property, plant and equipment

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Owned property, plant and equipment	41,707	238,963	356,267
Right-of-use assets	23,825	37,687	34,577
At 31 December	65,532	276,650	390,844

	Right-of-use assets (Land and Building)	Land and buildings	Computer and other equipment	Motor Vehicles	Furniture and other equipment	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cost						
Balance at 1 Janaury 2022	60,680	251,500	70,707	-	139,358	522,245
Additions	28,366	-	125	-	52,358	80,849
Disposals	-	-	(30,864)	-	(32,326)	(63,190)
Revaluation adjustment	-	10,900	-	-	-	10,900
Modification of lease	(42,148)	-	-	-	-	(42,148)
Transfers	-	-	484	-	(484)	-
Balance at 31 December 2022	46,898	262,400	40,452	-	158,906	508,656
Additions	10,851	-	25,735	-	3,708	40,294
Disposals	-	-	(365)	-	(19,633)	(19,998)
Revaluation adjustment	-	(1,536)	-	-	-	(1,536)
Modification of lease	8,295	-	-	-	-	8,295
Reclassified as held for sale	(11,427)	(46,350)	(1,019)	-	(12,632)	(71,428)
Balance at 31 December 2023	**54,617**	**214,514**	**64,803**	**-**	**130,349**	**464,283**
Additions	**3,076**	**3,494**	**6,291**	**-**	**1,786**	**14,647**
Reclassification to motor vehicle	**-**	**-**	**-**	**5,515**	**(5,515)**	**-**
Reclassification to computer and other equipment	**-**	**-**	**6,207**	**-**	**(6,207)**	**-**
Reclassification to intangible assets			**(603)**	**-**	**-**	**(603)**
Adjustment for held for sale	**-**	**-**	**1,019**	**-**	**191**	**1,210**
Disposals	**-**	**-**	**(36,029)**	**-**	**(53,604)**	**(89,633)**
Revaluation adjustment	**-**	**32,035**	**-**	**-**	**-**	**32,035**
Modification of lease	**(20,562)**	**-**	**-**	**-**	**-**	**(20,562)**
Reclassified as held for sale	**-**	**(250,043)**	**-**	**-**	**-**	**(250,043)**
Balance at 31 December 2024	**37,131**	**-**	**41,688**	**5,515**	**67,000**	**151,334**
Accumulated depreciation						
Balance at 1 January 2022	38,710	-	60,151	-	78,141	177,002
Depreciation for the year	22,636	2,098	5,567	-	14,430	44,731
Disposals/write off	-	-	(30,864)	-	(21,934)	(52,798)
Revaluation adjustment	-	(2,098)	-	-	-	(2,098)
Modification of lease	(49,025)	-	-	-	-	(49,025)
Balance at 31 December 2022	12,321	-	34,854	-	70,637	117,812
Depreciation for the year	15,323	2,208	13,950	-	17,032	48,513
Disposals/write off	-	-	(365)	-	(18,488)	(18,853)
Revaluation adjustment	-	28,442	-	-	-	28,442
Modification of lease	(5,687)	-	-	-	-	(5,687)
Impairment	-	-	-	-	25,873	25,873
Reclassified as held for sale	(5,027)	-	(786)	-	(2,654)	(8,467)
Balance at 31 December 2023	**16,930**	**30,650**	**47,653**	**-**	**92,400**	**187,633**
Depreciation for the year	**9,792**	**2,408**	**7,188**	**1,103**	**9,098**	**29,589**
Reclassification to motor vehicle	**-**	**-**	**-**	**3,401**	**(3,401)**	**-**
Reclassification to computer and other equipment	**-**	**-**	**3,261**	**-**	**(3,261)**	**-**
Reclassification to intangible assets	**-**	**-**	**(131)**	**-**	**-**	**(131)**
Adjustment for held for sale	**-**	**-**	**786**	**-**	**(1,241)**	**(455)**
Disposals/write off	**-**	**-**	**(31,184)**	**-**	**(37,665)**	**(68,849)**
Revaluation adjustment	**-**	**(2,408)**	**-**	**-**	**-**	**(2,408)**
Modification of lease	**(13,416)**	**-**	**-**	**-**	**-**	**(13,416)**
Impairment release	**-**	**-**	**(242)**	**-**	**(15,269)**	**(15,511)**
Reclassified as held for sale	**-**	**(30,650)**	**-**	**-**	**-**	**(30,650)**
Balance at 31 December 2024	**13,306**	**-**	**27,331**	**4,504**	**40,661**	**85,802**
Net Book Value						
As at 31 December 2024	**23,825**	**-**	**14,357**	**1,011**	**26,339**	**65,532**
As at 31 December 2023	37,687	183,864	17,150	-	37,949	276,650
As at 31 December 2022	34,577	262,400	5,598	-	88,269	390,844

The last full valuation was carried out as at 31 December 2024 by an experienced, qualified independent valuer, Aestima Ltd, who has relevant professional experience in the localities and categories of the properties held.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

23 Property, plant and equipment (continued)

The valuation of land and buildings has been determined using market comparables. To provide an indication about the reliability of the inputs used in determining fair value, the Bank has classified its land and buildings into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 5.

	At 31 December 2024		At 31 December 2023		At 31 December 2022	
MUR'000	**Land**	**Buildings**	Land	Buildings	Land	Buildings
Level 2	-	-	127,590	-	152,019	-
Level 3	-	-	-	56,274	-	110,373

IFRS 13 reconciliation for Level 3

Bank (Total)	**2024**	2023	2022
	MUR'000	MUR'000	MUR'000
At 1 January	**183,864**	262,400	251,500
Revaluation	**35,529**	(32,186)	10,900
Assets classified as held for sale	**(219,393)**	(46,350)	-
At 31 December	**-**	183,864	262,400

Valuation inputs and relationships to fair value

Valuation model	**Sales comparison Approach and Depreciated Replacement cost**
Unobservable inputs	Rate per square metre

There was no transfer in fair value hierarchy during the year.

The carrying amounts of buildings that would have been included in the financial statements had the assets been carried at cost less accumulated depreciation is as follows:

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Cost	**27,500**	27,500	27,500
Accumulated depreciation	**(25,561)**	(25,385)	(25,209)
Net book value	**1,939**	2,115	2,291

23 (a) Intangible assets

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Cost			
Balance as at 1 January	**3,450**	3,450	3,450
Reclassification from Property, Plant and Equipment	**603**	-	-
Balance as at 31 December	**4,053**	3,450	3,450
Amortisation			
Balance as at 1 January	**1,439**	747	58
Charge	**688**	691	689
Reclassification from Property, Plant and Equipment	**131**	-	-
Balance as at 31 December	**2,258**	1,438	747
Net Book Value	**1,795**	2,012	2,703

The intangible assets relate to computer software with a useful life of 5 years and amortised in a straight-line basis. The remaining useful life is approximately 2 years.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

24 Deferred tax assets

	Employee benefits	Revaluation of non-investment property	Impairment allowances	Accelerated capital allowances	Lease	Fair valuation	Tax losses	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 1 January 2022	42,251	(4,915)	9,898	(1,468)	(40)	(4,607)	15,120	56,239
Write off of deferred tax to P&L	51,643	-	(9,898)	1,468	40	-	(15,120)	28,133
Write off of deferred tax in other comprehensive income	(93,894)	4,915	-	-	-	4,607	-	(84,372)
At 31 December 2022	-	-	-	-	-	-	-	-
Write off of deferred tax to P&L	-	-	-	-	-	-	-	-
Write off of deferred tax in other comprehensive income	-	-	-	-	-	-	-	-
At 31 December 2023	-	-	-	-	-	-	-	-
Write off of deferred tax to P&L	-	-	-	-	-	-	-	-
Write off of deferred tax in other comprehensive income	-	-	-	-	-	-	-	-
At 31 December 2024	-	-	-	-	-	-	-	-

Deferred tax assets relate to non-current assets.

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available which the Bank can use the benefits therefrom. The tax losses can be carried forward for the next five years.

	2024		2023		2022	
	MUR'000	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
	Gross amount	**Tax effect**	Gross amount	Tax effect	Gross amount	Tax effect
Deductible temporary differences	**225,970**	**11,298**	425,126	21,256	503,119	25,156
Tax losses	**497,481**	**24,874**	327,297	16,365	323,048	16,152
	723,451	**36,172**	752,423	37,621	826,167	41,308

25 Other assets

	Note	**2024**	2023	2022
		MUR'000	MUR'000	MUR'000
			Restated	Restated
Employee benefits (funded)	30	**167,266**	95,015	103,270
Items in course of collection from other banks		**1,951**	15,954	47,604
Accrued interest receivable		**-**	69,619	80,390
Other		**54,103**	201,615	212,578
of which Acceptance & Endorsement		***35,946***	*161,145*	*158,588*
of which Intercompany receivable		***8,760***	-	-
		223,320	382,203	443,842
Less Stage 1and 2 impairment		**(2)**	(11)	(27)
		223,318	382,192	443,815
Current		**56,052**	287,177	340,545
Non-Current		**167,266**	95,015	103,270
		223,318	382,192	443,815

26 Deposits from banks

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Deposits from banks	**667,664**	236,916	451,231

All deposits from banks are current.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

27 Deposits from customers

	2024			2023			2022		
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
	Total	Resident	Non-Resident	Total	Resident	Non-Resident	Total	Resident	Non-Resident
Retail customers									
Current accounts	-		-	-	-	-	490,112	463,896	26,216
Savings accounts	-	-	-	-	-	-	13,428,491	12,623,263	805,228
Time deposits with remaining term to maturity									
Up to 3 months	-	-	-	-	-	-	909,310	843,390	65,920
Over 3 months and up to 6 months	-	-	-	-	-	-	616,005	571,146	44,859
Over 6 months and up to 12 months	-	-	-	-	-	-	1,088,094	995,636	92,458
Over 1 year and up to 5 years	-	-	-	-	-	-	998,446	924,192	74,254
Corporate customers									
Current accounts	6,013,408	5,732,993	280,415	6,583,239	6,344,948	238,291	8,226,506	7,677,590	548,916
Savings accounts	14,238	14,238	-	19,567	19,567	-	162,665	162,665	-
Time deposits with remaining term to maturity									
Up to 3 months	1,229,523	1,229,523	-	111,172	111,172	-	66,920	66,920	-
Over 3 months and up to 6 months	190,309	190,309	-	7,220	7,220	-	43,775	43,775	-
Over 6 months and up to 12 months	172,724	172,724	-	133,450	133,450	-	165,631	165,631	-
Over 1 year and up to 5 years	345	345	-	-	-	-	6,016	6,016	-
Government									
Current accounts	10,896	10,896	-	16,994	16,994	-	133,846	133,846	-
	7,631,443	7,351,028	280,415	6,871,642	6,633,351	238,291	26,335,817	24,677,966	1,657,851

Current accounts are mostly non-interest bearing, whereas for Savings account a managed rate is applicable. Interest rate on time deposits will be fixed in nature.

28 Other borrowed funds

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Borrowings from banks (In Mauritius)	3,217,521	133,687	444,494
Current	579,225	133,687	444,494
Non-Current	2,638,296	-	-
	3,217,521	133,687	444,494

Other borrowed funds are interest bearing and unsecured in nature. The Bank has a facility line of USD225m with HSBC Hong Kong which enables it to drawdown as and when needed to meet liquidity and funding requirements. The facility has no drawn amount as at 31 December 2024 (2023: Nil; 2022: nil). There have been no defaults during the year.

29 Other liabilities

	Note	2024 MUR'000	2023 MUR'000	2022 MUR'000
Accrued interest payable		**18,622**	2,125	59,230
Accrued expenses (Note a)		**59,778**	88,038	64,754
Other employee obligation (unfunded)	30	**22,302**	29,499	31,457
Lease liabilities (note b)		**25,879**	39,157	35,977
Other		**176,408**	719,379	392,500
of which: Acceptance and Endorsement		***35,946***	*161,145*	*158,588*
Intercompany recharge costs		***11,107***	*34,581*	*29,378*
Provision for off-balance sheet exposure		***672***	*679*	*1,547*
Severance allowance		***56,716***	*156,905*	-
Cost to sell		**-**	*237,655*	-
		302,989	878,198	583,918
Current		**262,079**	823,252	547,203
Non-Current		**40,910**	54,946	295,782
		302,989	878,198	842,985

Note a - Accrued expenses relate mainly to provision for bonuses, professional charges and other accruals.

Note b - The Bank leases various offices and residential properties. All office leases have been terminated during the year. Lease liabilities represent the present value of lease payments over the leases contract period inclusive of the extension option. The lease payments amounted to MUR10.3m. Please refer to note 36(d)(iii) for the maturity analysis.

30 Employee benefits

(a) Defined benefits plan

The plan is a defined benefit arrangement, with benefits based on final salary. It provides for a pension at retirement and a benefit on death or disablement in service before retirement. In addition, the plan provides for a spouse's pension on a member's death in retirement. The spouse's pension is equal to one-third of the member's pension.

The pension plan is managed by a committee which comprise representatives from across the Bank and regulated by the Private Pension Scheme Act 2012. The committee is responsible of the investment policy with regards to the assets of the pension plan in accordance with the Private Pension Scheme Act 2012. The committee has outsourced the portfolio and administrative services of the pension plans to Swan Wealth Managers Ltd and Swan Pensions Ltd with effect from 21 December 2016.

The assets of the funded plan are held and administered by HSBC Superannuation Fund for Resident Officers ("ROCS") and HSBC Superannuation Fund for Staff Officers, Clerical and Subordinate Staff ("SOCS") respectively. The latter is expected to produce a smooth progression of return from one year to the next. As the fund is expected to produce a smooth return, a fairly reasonable indication of future returns can be obtained by looking at historical ones. Therefore, the long term expected return on asset assumption has been based on historical performance of the fund. In terms of the individual expected returns, the expected return on equities has been based on an equity risk premium above a risk free rate. The risk free rate has been measured in accordance to the yields on government bonds at the measurement date. The fixed interest portfolio includes government bonds, loan stocks and mortgages. The expected return for this asset class has been based on yields of government bonds at the measurement date. The actual return on plan assets was MUR144.0m (2023: MUR87.5m).

The defined benefit plans expose the Bank to actuarial risks, such as longevity risk, mortality risk, interest risk, salary risk, withdrawal risk, liquidity risk and investment risk.

Longevity risk
The plan liability is calculated by reference to the best estimate for the mortality of plan participants both during and after their employment. An increase in life expectancy of the plan participants will increase the plan liability.

Mortality risk
Higher than expected death will expose the company to having to effect payouts that were not expected.

Interest rate risk
A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Salary risk
The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

Withdrawal risk
Lower than expected withdrawal will expose the employer to the risk that more employees make it to retirement to claim their benefits while the provisions assume that fewer employees will remain in employment.

Liquidity risk
This risk arises if the employer's actual net cashflows are not sufficient to pay for the employee benefits when they become due.

Investment risk
The present value of the liabilities of the plan are calculated using a discount rate. If the returns on the assets of the plan is lower than the discount rate, then a deficit will arise. Lower returns on the defined contribution scheme will reduce the expected pension which in turn will reduce the allowable gratuity offset. The net result will be an increase in the residual liability. Lower return on the PRGF asset will also increase the deficit.

30 Employee benefits (continued)

(a) Defined benefits plan (continued)

The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

The principal actuarial assumptions are:

	2024	2023	2022
Discount rate			
ROCS Funded	**5.10%**	5.30%	6.30%
SOCS Funded	**5.10%**	5.20%	6.30%
ROCS Unfunded	**4.70%**	4.70%	5.40%
SOCS Unfunded	**4.90%**	4.80%	5.60%
Future long-term salary increase	**3.0%**	3.0%/3.4%	4.00%/ 4.70%
Future expected pension increase	**3.0%**	3.20%	3.75%/ 4.03%

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Equities	**500,652**	421,307	365,008
Fixed interest	**421,062**	580,323	476,976
Cash	**247,112**	73,661	184,111
Total market value of assets	**1,168,826**	1,075,291	1,026,095
Present value of plan liabilities	**(1,001,560)**	(980,276)	(922,825)
Net asset for employee obligation recognised in statement of financial position	**167,266**	95,015	103,270

Expected contribution next year

The Bank is not expected to contribute to the pension schemes for the year ending 31 December 2025 (2024: Nil) .

Maturity profile of the Defined Benefits Obligation

As at 31 December 2024, the average remaining working life of the employees for ROCS funded and SOCS funded is 10 years and 9 years respectively (2023: ROCS funded and SOCS funded was 10 years, 2022: ROCS funded was 12 years and SOCS funded was 11

As at 31 December 2024, the average remaining working life of the employees for ROCS unfunded and SOCS unfunded is 5 years and 6 years respectively (2023: ROCS unfunded and SOCS unfunded was 6 years, 2022: ROCS unfunded was 5 years and SOCS unfunded was

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

30 Employee benefits (continued)

(a) Defined benefits plan (continued)

	2024 MUR'000	2023 MUR'000	2022 MUR'000
Pension expense components for the year			
Current service cost	**8,899**	11,913	16,736
Effect of curtailments/settlements	**(16,861)**	-	-
Service cost	**(7,962)**	11,913	16,736
Interest cost	**49,798**	56,761	50,983
Interest income	**(55,133)**	(63,300)	(50,132)
Net interest cost	**(5,335)**	(6,539)	851
Total amount recognised in profit or loss	**(13,297)**	5,374	17,587
Movement in asset recognised in statement of financial position			
At start of the year	**95,015**	103,270	2,402
Total amount recognised in profit or loss	**13,297**	(5,374)	(17,587)
Actuarial gains/(losses)	**43,831**	(4,615)	116,707
Employer's contributions	**15,123**	1,734	1,748
At end of the year	**167,266**	95,015	103,270
Change in defined benefit obligation			
Present value of defined benefit obligation			
At start of the year	**(980,276)**	(922,825)	(1,124,625)
Current service cost	**(8,899)**	(11,913)	(16,736)
Effect of curtailments*	**16,861**	-	-
Interest cost	**(49,798)**	(56,761)	(50,983)
Remeasurements	**(45,080)**	(28,647)	220,259
Benefits paid	**65,632**	39,870	49,260
Present value of defined benefit obligation at end of the year	**(1,001,560)**	(980,276)	(922,825)

*In connection with sale of the domestic retail and business banking operations in July 2024, a curtailment gain was incurred and a settlement arrangement was agreed with the plan participants, effective 31 December 2024, which settled all post-employment benefit plan obligations relating to the employees of that business unit.

	2024 MUR'000	2023 MUR'000	2022 MUR'000
Change in plan assets			
Fair value of plan assets at start of the year	**1,075,291**	1,026,095	1,127,027
Interest income	**55,133**	63,300	50,132
Employer's contributions	**15,123**	1,733	1,747
Return on plan assets, excluding amounts included in interest income	**88,911**	24,033	(103,551)
Benefits paid	**(65,632)**	(39,870)	(49,260)
Fair value of plan assets at end of the year	**1,168,826**	1,075,291	1,026,095

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

30 Employee benefits (continued)

(a) Defined benefits plan (continued)

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Analysis of amount recognised in statement of changes in equity			
Gains/(losses) on pension scheme assets	**88,911**	24,033	(103,551)
Remeasurements - Experience gains on the liabilities	**(48,956)**	13,804	9,793
Remeasurements - Changes in financial assumptions on the liabilities	**3,876**	(42,452)	210,465
Actuarial gains/(losses) recognised in other comprehensive income	**43,831**	(4,615)	116,707
Net asset/(liability) relating to the funded plans			
Present value of funded obligations	**(1,001,560)**	(980,276)	(922,825)
Fair value of plan assets	**1,168,826**	1,075,291	1,026,095
Surplus of funded plans	**167,266**	95,015	103,270

Sensitivity analysis

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Decrease in Defined Benefit Obligation due to 1% increase in discount rate	**114,188**	103,514	97,143
Increase in Defined Benefit Obligation due to 1% decrease in discount rate	**140,614**	141,532	133,723
Increase in Defined Benefit Obligation due to 1% increase in future long-term salary assumption	**16,780**	24,864	24,736
Decrease in Defined Benefit Obligation due to 1% decrease in future long-term salary assumption	**15,580**	23,051	22,833
Increase in Defined Benefit Obligation due to 1% increase in future long-term pension assumption	**122,982**	117,801	107,560
Decrease in Defined Benefit Obligation due to 1% decrease in future long-term pension assumption	**103,063**	99,694	90,632

The sensitivity analysis above has been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting year if all other assumptions remained unchanged. The methods and type of assumptions used in preparing the sensitivity analysis did not change compared to the prior years.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of the one another as some of the assumptions may be correlated.

(b) Severance allowance - Defined Contribution Plan employees

The liability relates to employees who are entitled to statutory benefits prescribed under parts VIII and IX of the Workers' Rights Act 2019 ('WRA'). The latter provides for a lump sum on withdrawal, at retirement or death, whichever occurs earlier, based on final salary and years of service.
For employees who are members of the Defined Contribution plan , half of any lumpsum and 5 years of pension (relating to Employer's share of contributions only) payable from the pension fund have been offset from the gratuities.

The Bank is not expected to contribute to its post-employment defined contribution plans for the year ending 31 December 2025.

30 Employee benefits (continued)

(b) Severance allowance - Defined Contribution Plan employees (continued)

The principal actuarial assumptions are:

	2024	2023	2022
Discount rate	**5.20%**	5.60%	6.90%
Future long-term salary increase	**3.0%**	3.40%	5.00%

Maturity profile

The weighted average duration of the liabilities at 31 December 2024 is 17 years (2023: 19 years, 2022: 20 years).

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Pension expense components for the year			
Current service cost	**1,171**	1,929	2,877
Past service cost	**(9,115)**	-	-
Net interest cost	**1,652**	2,171	1,881
Total amount recognised in profit or loss	**(6,292)**	4,100	4,758
Movement in liability recognised in statement of financial position			
At start of the year	**(29,499)**	(31,457)	(34,829)
Total amount recognised in profit or loss	**6,292**	(4,100)	(4,758)
Actuarial gains	**905**	6,058	8,130
At end of the year	**(22,302)**	(29,499)	(31,457)
Change in defined contribution obligation			
Present value of defined contribution obligation			
At start of the year	**(29,499)**	(31,457)	(34,829)
Current service cost	**(1,171)**	(1,929)	(2,877)
Interest cost	**(1,652)**	(2,171)	(1,881)
Past service cost	**9,115**	-	-
Remeasurements	**905**	6,058	8,130
Present value of defined benefit obligation at end of the year	**(22,302)**	(29,499)	(31,457)
Analysis of amount recognised in statement of changes in equity			
Remeasurements - Experience losses on the liabilities	**826**	1,368	(2,012)
Remeasurements - Changes in financial assumptions on the liabilities	**79**	4,690	10,142
Actuarial gains recognised in other comprehensive income	**905**	6,058	8,130
Cumulative actuarial (losses)/gains recognised			
Cumulative actuarial losses at start of year	**(5,280)**	(11,338)	(19,468)
Actuarial gains recognised this year	**905**	6,058	8,130
Cumulative actuarial losses at end of year	**(4,375)**	(5,280)	(11,338)

30 Employee benefits (continued)

(b) Severance allowance - Defined Contribution Plan employees (continued)

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Net liability relating to the unfunded plans			
Unfunded defined contribution obligation	**(22,302)**	(29,499)	(31,457)
Actuarial gains on plan liabilities	**905**	6,058	8,130

Sensitivity analysis

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Increase in defined benefit obligation due to 1% decrease in discount rate	**8,374**	11,558	11,407
Decrease in defined benefit obligation due to 1% increase in discount rate	**6,902**	9,290	9,305
Increase in defined benefit obligation due to 1% increase in future long-term salary assumption	**8,529**	11,739	11,684
Decrease in defined benefit obligation due to 1% decrease in future long-term pension assumption	**7,117**	9,601	9,626

The sensitivity analysis above has been carried out by recalculating the present value of obligation at end of period after increasing the discount rate/salary increase rate while leaving all other assumptions unchanged. The results are particularly sensitive to a change in discount rate/salary increase rate due to the nature of the liabilities being the difference between the pure retirement gratuities under the Workers Rights Act 2019 and the deductions allowable, being five times the annual pension provided and half the lump sum received by the member at retirement from the pension fund with reference to the Bank's share of contributions.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

31 Capital and reserves

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Other Reserves			
Share based payment reserve	**16,360**	16,208	13,981
Revaluation reserve	**92,692**	206,101	237,147
Statutory reserve	**306,835**	306,835	306,835
General banking reserve	**71,401**	118,153	132,833
Fair value reserve	**(16,168)**	(40,714)	-95,585
	471,120	606,583	595,211
Retained Earnings	**659,228**	451,573	896,274
	1,130,348	1,058,156	1,491,485

a) Assigned capital

The Bank's assigned capital was at MUR1,499.8m (2023: MUR1,499.8m, 2022: MUR794.2m) which is above the minimum capital requirement of MUR400m as per Section 20 of the Mauritian Banking Act 2004.

b) Revaluation reserve

The revaluation reserve comprises the cumulative increase in the existing value of freehold land and buildings held by the Bank.

c) Statutory reserve

The Bank's statutory reserve was at MUR307m in accordance with Section 21 of the Mauritian Banking Act 2004 which requires the Bank to transfer 15% of its annual profits to a statutory reserve until this reserve equals its stated capital.

d) General banking reserve

This represents the amount set aside by the Bank as appropriation of earnings for unforeseeable risks and future credit losses. During the year, the BoM Guideline on Credit Impairment Measurement and Income Recognition which previously dictated the general banking reserve calculation has been repealed and superseded by the BoM Guideline on Classification, Provisioning and Write-off of Credit Exposures effective as from 30 September 2024.

For year ended 31 December 2024, the performing exposures were MUR67.5m, macroprudential provision were MUR3.9m and there was no non-performing exposures, giving a total general banking reserve of MUR71.4m.

e) Fair value reserve

The fair value reserve comprises the cumulative net change in the financial assets held at FVOCI until the assets are derecognised or impaired.

f) Retained earnings

Retained earnings relates to profit or loss carried forward at year-end.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

31 Capital and reserves (continued)

g) Share based payment reserve

This represents reserves for restricted share plan and share options granted to employees.

Share awards are restricted shares that are awarded to some employees only, on a discretionary basis to help reward an individual's contribution to the Bank and in recognition of their future potential. In addition, the awards are designed to help retain and motivate key individuals by sharing with them the long-term growth and success of the Bank as a whole. The shares are granted over a period of 3 years with staggered vesting conditions of 33% each year and are equity settled.

	MUR'000
At 1 January 2022	12,493
Charge to profit or loss	1,830
Fair value movement on shares held	(342)
At 31 December 2022	13,981
Charge to profit or loss	1,580
Fair value movement on shares held	647
At 31 December 2023	**16,208**
Credit to profit or loss	**(585)**
Fair value movement on shares held	**737**
At 31 December 2024	**16,360**

32 Contingent liabilities

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and are generally extended over the year of the facility. These commitments and contingent liabilities have off-balance sheet credit risk. Only origination fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expired. The possibility of any outflow in settlement is remote.

The contractual amounts of commitments and contingent liabilities are set out below.

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Guarantees on account of customers	**2,260,033**	2,417,190	2,482,759
Letters of credit and other obligations	**205,708**	81,248	163,738
	2,465,741	2,498,438	2,646,497

33 Commitments

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Undrawn credit facilities	9,137,359	10,010,514	9,647,576

34 Analysis of cash and cash equivalents

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Cash and cash equivalents (Note 18)	7,218,517	10,974,704	9,138,471
Investment securitites less than three months	101,430	112,703	149,235
	7,319,947	11,087,407	9,287,706

35 Related party transactions

Key management personnel

The total remuneration and transactions entered by the members of senior management with the Bank as listed in the statement of corporate governance practices is disclosed below:

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Loans	-	33,189	26,354
Interest income	-	1,048	370
Deposits	-	57,014	38,032
Interest expense	-	367	36
Key management compensation			
Salaries and short-term employee benefits	68,775	89,716	96,403
Post-employment benefits	2,955	7,601	9,127
Key management exposure (MUR'000)	-	33,841	28,361
% of Tier 1 capital	-	1.6	1.6

Loans to members of senior management are granted on the same terms and conditions and at the same interest rates as prescribed by policies governing all staff loans. Deposits from members of senior management are agreed at commercial rate and same terms and conditions for all customers of the Bank. On 5 July 2024, all loans and deposits were transferred to ABSA further to the disposal of the retail banking operations. None of the facilities granted to related parties were non-performing.

An amount of MUR40.5m was paid as termination benefits during the year.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

35 Related party transactions (continued)

Group Companies

The Bank is a branch of The Hongkong and Shanghai Banking Corporation Limited ("HSBC Ltd") and has a related party relationship with it. The Bank has also a related party relationship with other group companies under HSBC Holdings plc, the ultimate holding company. The Bank has bank accounts (nostro) with the related parties and the latter also hold bank accounts (vostro) with the Bank. Interests, fees and commissions were paid and/or received in relation to these bank accounts. During the year, the Bank also paid and/or received group support costs to its Head Office. The following table summarises the transactions during the year and the balances at year-end with related parties.

MUR'000	31-Dec-24					
	HSBC Holdings Plc*	HSBC Ltd*	HSBC Bank Plc*	HSBC Bank USA	Other related parties	Total
Statement of financial position:						
Assets						
Intercompany bank accounts	36,435	761,112	310,060	541,296	2,413	1,651,316
Balances and placements with banks	-	1,495,897	8,771	-	-	1,504,668
Other assets	-	8,760	-	-	-	8,760
Liabilities						
Other borrowed funds	-	2,717,521	-	-	-	2,717,521
Intercompany deposits	-	884,199	258,080	40	9,364	1,151,683
Other liabilities	-	16,849	-	-	-	16,849
Statement of comprehensive income:						
Other interest receivable	-	116,862	22,927	42,869	1	182,659
Other interest payable	-	72,150	-	-	-	72,150
Fee and commission receivable	-	6,678	-	624	-	7,302
Fee and commission payable	310	248	254	931	277	2,020
Other income	-	248,784	-	-	-	248,784
Other expenses	129,372	520,656	-	-	-	650,028

** HSBC Ltd and HSBC Bank Plc includes their international branches.*

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates, as for comparable transactions with third-party counterparties.

35 Related party transactions (continued)

MUR'000	31-Dec-23 HSBC Holdings Plc*	HSBC Ltd*	HSBC Bank Plc*	HSBC Bank USA	Other related parties	Total
Statement of financial position:						
Assets						
Intercompany bank accounts	120,303	626,588	312,021	288,758	234,714	1,582,384
Balances and placements with banks		3,382,281	561,259	-	-	3,943,540
Liabilities						
Other borrowed funds	-	133,687	-	-	-	133,687
Intercompany deposits	-	487,787	95,256	40	9,274	592,357
Other liabilities		34,581	-	-	-	34,581
Statement of comprehensive income:						
Other interest receivable	132	123,151	13,769	40,361	1	177,414
Other interest payable	3	12,435	-	-	-	12,438
Fee and commission receivable	-	8,779		442	-	9,220
Fee and commission payable	349	223	267	5,037	935	6,811
Other income	-	183,667	-	-	-	183,667
Other expenses	107,147	166,292	-	-	-	273,439

** HSBC Ltd and HSBC Bank Plc includes their international branches.*

MUR'000	31-Dec-22 HSBC Holdings Plc*	HSBC Ltd*	HSBC Bank Plc*	HSBC Bank USA	Other related parties	Total
Statement of financial position:						
Assets						
Intercompany bank accounts	417,127	389,192	525,459	2,054,871	198,870	3,585,519
Balances and placements with banks	156	454,061	177	-	-	454,394
Liabilities						
Other borrowed funds	-	442,974	-	-	-	442,974
Intercompany deposits	-	490,026	169,832	10	4,549	664,417
Other liabilities	-	29,378	-	-	-	29,378
Statement of comprehensive income:						
Other interest receivable	42	9,725	407	7,159	-	17,333
Other interest payable	-	14,357	4,905	-	-	19,262
Fee and commission receivable	-	4,323	-	219	-	4,542
Fee and commission payable	286	153	122	1,732	766	3,059
Other income	-	188,036	-	408	-	188,444
Other expenses	78,907	288,811	-	-	-	367,718
Profit remittance	-	280,682	-	-	-	280,682

** HSBC Ltd and HSBC Bank Plc includes their international branches.*

None of the facilities granted to Group companies were non-performing.

36 Financial Risk Management

(a) Introduction and overview

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

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

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risks, and the Bank's management of capital. The measurement of ECL under IFRS 9 uses the information and approaches that the Bank uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed separately in note 36(b)(iii).

Risk management framework

The Board of Directors of the Head Office has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Bank has established the Assets and Liabilities Committee ('ALCO') and RMM committees, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas.

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

The Group Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Group Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

The credit risk management framework of the Bank includes RMM, which provides a holistic forum for oversight of the different aspects of risk management. The RMM at a minimum meets six times a year to review all risks across all line of businesses and functions. The Bank's information system, has been designed such that unauthorised excesses, overdue loan repayments and pending documentation are tracked and addressed in a timely manner. In addition, regular reporting on credit risk is made to the parent, The Hongkong and Shanghai Banking Corporation Limited, incorporated in Hong Kong, and to the BoM.

36 Financial Risk Management (continued)

(a) Introduction and overview (continued)

Risk management framework (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The Bank generally accepts security as collateral for advances extended to its corporate customer base. The acceptable forms of tangible security are agreed every year by way of area lending guidelines which are prepared by the Credit Risk Management function and approved by the regional credit function in Hong Kong before being circulated to relationship managers for guidance and adherence. Credit derivatives, haircuts and on and off-balance sheet netting are not used in respect of credit risk mitigation.

For risk management purposes, credit risk arising on trading assets is managed independently; and information thereon is disclosed below. The market risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk.

(i) Management of credit risk

The Global Risk & Compliance function, headed by the HSBC Group Chief Risk & Compliance Officer, has functional responsibility for the management of the Bank's credit risk, including:

- formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- establishing the authorisation structure for the approval and renewal of credit facilities;
- reviewing and assessing credit risk in excess of designated limits;
- reviewing and limiting concentrations of exposure to counterparties, geographies and industries and product types;
- developing and maintaining the Bank's risk rating systems; and
- providing advice, guidance and specialist skills to business units to promote best practice throughout HSBC Group in the management of credit risk.

Each business unit is required to implement HSBC Group credit policies and procedures, with credit approval authorities delegated from the HSBC Group Credit Committee. Each business unit has a Chief Risk & Compliance Officer / Chief Risk Officer who is responsible for the implementation of the HSBC Group's credit policies and procedures and for monitoring and controlling all credit risks in its portfolios. The Bank's Management, through the local Quarterly Impairment Committee, reviews the adequacy of the Expected Credit Losses ("ECL") and accounts written off, if any.

For rating assignment at individually significant customer level, businesses adopt an internal ratings-based ("IRB") approach and maintain risk rating methodologies incorporating the PD and the attribution of EAD and LGD values at facility level.

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

PD reflects the likelihood of the obligor default within the next 12 months or the life of the instrument, and is assigned to all corporate and other judgmentally assessed obligors, reviewed at least annually.

LGD, is an estimate of the severity of the loss that the Bank is likely to incur in the event that the borrower defaults, expressed as a percentage of exposure at default and applied as a rating at facility level. The use of EAD and LGD ensure the Bank complies with Group and local regulatory parameters to evaluate the severity of loss associated with judgmentally assessed credit exposures.

Regular audits of business units and HSBC Group Credit processes are undertaken by the Internal Audit function.

The Bank assesses the credit quality of all financial instruments that are subject to credit risk. The credit quality of financial instruments is a point in time assessment of the probability of default of financial instruments, whereas IFRS 9 stages 1 and 2 are determined based on relative deterioration of credit quality since initial recognition. Accordingly, for non-credit impaired financial instruments, there is no direct relationship between the credit quality assessment and IFRS 9 stages 1 and 2, though typically the lower credit quality bands exhibit a higher proportion in stage 2. The five credit quality classifications defined below, each encompass a range of granular internal credit rating grades assigned to wholesale and retail lending businesses and the external ratings attributed by external agencies to debt securities, as shown in the table below. As at 31 December 2024, the Bank has not classified any of its financial assets as having low credit risk. The credit quality classifications for wholesale lending are unchanged and are based on internal credit risk ratings.

	Sovereign Debt securities and bills	Other Debt securities and bills	Wholesale lending	
	External credit rating		Internal credit rating	12-month Basel probability of default %
Credit quality classification				
Strong	BBB and above	A- and above	CRR1 to CRR2	0.000–0.169
Good	BBB- to BB	BBB+ to BBB-	CRR3	0.170–0.740
Satisfactory	BB- to B & unrated	BB+ to B & unrated	CRR4 to CRR5	0.741–4.914
Sub-standard	B- to C	B- to C	CRR6 to CRR8	4.915–99.999
Credit-impaired	Default	Default	CRR9 to CRR10	100

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit Quality of financial instruments

2024

	Gross carrying/nominal amount							
	Strong	**Good**	**Satisfactory**	**Sub-standard**	**Credit impaired**	**Total**	**Allowance for ECL**	**Net**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Loans and advances to customers at amortised cost	**393,665**	**1,730,495**	**948,725**	**524,287**	**-**	**3,597,172**	**(780)**	**3,596,392**
– Personal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
– corporate and commercial	**393,665**	**1,730,495**	**948,725**	**491,708**	**-**	**3,564,593**	**(780)**	**3,563,813**
– non-bank financial institutions	**-**	**-**	**-**	**32,579**	**-**	**32,579**	**-**	**32,579**
Loans and advances to banks at amortised cost	**524,415**	**-**	**-**	**-**	**-**	**524,415**	**(406)**	**524,009**
Other financial assets measured at amortised cost	**6,946,204**	**665,954**	**53,905**	**2,492**	**-**	**7,668,555**	**(196)**	**7,668,359**
– cash and cash equivalents*	**6,944,333**	**-**	**-**	**-**	**-**	**6,944,333**	**-**	**6,944,333**
– investment securities	**-**	**621,784**	**49,396**	**-**	**-**	**671,180**	**(194)**	**670,986**
– acceptance and endorsement	**-**	**35,946**	**-**	**-**	**-**	**35,946**	**(2)**	**35,944**
– accrued income and other assets	**1,871**	**8,224**	**4,509**	**2,492**	**-**	**17,096**	**-**	**17,096**
Investment securities measured at FVOCI	**2,063,609**	**-**	**-**	**-**	**-**	**2,063,609**	**(384)**	**2,063,225**
Trading assets measured at FVPL	**60**	**-**	**-**	**-**	**-**	**60**	**-**	**60**
Total gross carrying amount on balance sheet	**9,927,953**	**2,396,449**	**1,002,630**	**526,779**	**-**	**13,853,811**	**(1,766)**	**13,852,045**
Loan and other credit related commitments	**2,203,658**	**3,801,230**	**3,127,555**	**5,169**	**-**	**9,137,612**	**(253)**	**9,137,359**
Financial guarantee and similar contracts	**1,400,575**	**778,122**	**287,423**	**40**		**2,466,160**	**(419)**	**2,465,741**
Total nominal amount off–balance sheet	**3,604,233**	**4,579,352**	**3,414,978**	**5,209**	**-**	**11,603,772**	**(672)**	**11,603,100**
At 31 December 2024	**13,532,186**	**6,975,801**	**4,417,608**	**531,988**	**-**	**25,457,583**	**(2,438)**	**25,455,145**

*Cash and cash equivalents exclude cash in hand, foreign currency notes and coins.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit Quality of financial instruments

2023

	Gross carrying/nominal amount							
	Strong	Good	Satisfactory	Sub-standard	Credit impaired	Total	Allowance for ECL	Net
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances to customers at amortised cost	539,178	1,261,568	2,652,235	164,135	-	4,617,116	(1,336)	4,615,780
– Personal	-	-	-	-	-	-	(100)	(100)
– corporate and commercial	539,178	1,261,568	2,434,235	44,135	-	4,279,116	(1,180)	4,277,936
– non-bank financial institutions	-	-	218,000	120,000	-	338,000	(56)	337,944
Loans and advances to banks at amortised cost	655,085	-	-	-	-	655,085	(4,221)	650,864
Other financial assets measured at amortised cost	12,011,450	121,915	130,182	4,270	-	12,267,817	(492)	12,267,325
– cash and cash equivalents*	10,676,885	-	-	-	-	10,676,885	-	10,676,885
– investment securities	1,309,677					1,309,677	(481)	1,309,196
– acceptance and endorsement	10,862	89,096	61,187	-	-	161,145	(11)	161,134
– accrued income and other assets	14,026	32,819	68,995	4,270	-	120,110	-	120,110
Assets held for sale	6,090,836	22,706	270,526	-	67,745	6,451,813	(34,580)	6,417,233
Investment securities measured at FVOCI	5,650,899	-	-	-	-	5,650,899	(1,141)	5,649,758
Trading assets measured at FVPL	31	-	-	-	-	31	-	31
Total gross carrying amount on balance sheet	24,947,480	1,406,189	3,052,943	168,405	67,745	29,642,761	(41,770)	29,600,991
Loan and other credit related commitments	3,046,777	2,925,091	4,026,879	12,036	-	10,010,783	(271)	10,010,512
Financial guarantee and similar contracts	1,241,490	868,159	388,207	990		2,498,846	(408)	2,498,438
Total nominal amount off–balance sheet	4,288,267	3,793,250	4,415,086	13,026	-	12,509,629	(679)	12,508,950
At 31 December 2023	29,235,747	5,199,439	7,468,029	181,431	67,745	42,152,390	(42,449)	42,109,941

*Cash and cash equivalents exclude cash in hand and foreign currency notes and coins.

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit Quality of financial instruments

2022

	Gross carrying/nominal amount							
	Strong	Good	Satisfactory	Sub-standard	Credit impaired	Total	Allowance for ECL	Net
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Loans and advances to customers at amortised cost	5,918,258	2,938,316	2,584,073	607,755	138,267	12,186,669	(63,071)	12,123,598
– Personal	5,707,610	245,638	166,268	-	68,442	6,187,958	(36,766)	6,151,192
– corporate and commercial	210,648	2,692,678	2,099,805	441,272	69,825	5,514,228	(26,083)	5,488,145
– non-bank financial institutions	-	-	318,000	166,483	-	484,483	(222)	484,261
Loans and advances to banks at amortised cost	200,930	-	-	-	-	200,930	(573)	200,357
Other financial assets measured at amortised cost	10,303,355	110,962	103,489	-	-	10,517,806	(1,791)	10,516,015
– cash and cash equivalents*	8,918,889	-	-	-	-	8,918,889	-	8,918,889
– investment securities	1,310,887					1,310,887	(1,764)	1,309,123
– acceptance and endorsement	8,228	67,328	83,032	-	-	158,588	(27)	158,561
– accrued income and other assets	65,351	43,634	20,457	-	-	129,442	-	129,442
Investment securities measured at FVOCI	6,541,686	-	-	-	-	6,541,686	(4,062)	6,537,624
Trading assets measured at FVPL	5,530	-	-	-	-	5,530	-	5,530
Total gross carrying amount on balance sheet	22,969,759	3,049,278	2,687,562	607,755	138,267	29,452,621	(69,497)	29,383,124
Loan and other credit related commitments	2,203,721	5,656,572	1,396,566	391,000	-	9,647,859	(283)	9,647,576
Financial guarantee and similar contracts	980,651	1,288,125	366,932	12,053	-	2,647,761	(1,264)	2,646,497
Total nominal amount off–balance sheet	3,184,372	6,944,697	1,763,498	403,053	-	12,295,620	(1,547)	12,294,073
At 31 December 2022	26,154,131	9,993,975	4,451,060	1,010,808	138,267	41,748,241	(71,044)	41,677,197

*Cash and cash equivalents exclude cash in hand and foreign currency notes and coins.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit Quality of financial instruments (continued)

Total loans and advances at amortised cost by portfolio stage distribution

2024	Gross carrying amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
By portfolio								
Personal lending	-	-	-	-	-	-	-	-
Residential mortgages	-	-	-	-	-	-	-	-
Other personal lending	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
- credit cards	-	-	-	-	-	-	-	-
Wholesale	**2,677,427**	**1,444,160**	**-**	**4,121,587**	**(643)**	**(543)**	**-**	**(1,186)**
Corporate and commercial	**2,120,433**	**1,444,160**	**-**	**3,564,593**	**(237)**	**(543)**	**-**	**(780)**
Non-bank financial institutions	**32,579**	**-**	**-**	**32,579**	**-**	**-**	**-**	**-**
Bank	**524,415**	**-**	**-**	**524,415**	**(406)**	**-**	**-**	**(406)**
				-				
At 31 December 2024	**2,677,427**	**1,444,160**	**-**	**4,121,587**	**(643)**	**(543)**	**-**	**(1,186)**

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit Quality of financial instruments (continued)

Total loans and advances at amortised cost by portfolio stage distribution

2023	Gross carrying amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
By portfolio								
Personal lending	-	-	-	-	-	-	-	-
Residential mortgages	-	-	-	-	-	-	-	-
Other personal lending	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
- credit cards	-	-	-	-	-	-	-	-
Wholesale	3,198,180	2,074,021	-	5,272,201	(4,467)	(990)	-	(5,457)
Corporate and commercial	2,405,095	1,874,021	-	4,279,116	(239)	(941)	-	(1,180)
Non-bank financial institutions	138,000	200,000	-	338,000	(7)	(49)	-	(56)
Bank	655,085	-	-	655,085	(4,221)	-	-	(4,221)
				-				
At 31 December 2023	3,198,180	2,074,021	-	5,272,201	(4,467)	(990)	-	(5,457)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit Quality of financial instruments (continued)

Total loans and advances at amortised cost by portfolio stage distribution

2022	Gross carrying amount				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
By portfolio								
Personal lending	5,953,248	166,268	68,442	6,187,958	(12,556)	(11,119)	(13,091)	(36,766)
Residential mortgages	4,590,120	130,584	64,738	4,785,442	(2,382)	(3,929)	(11,065)	(17,376)
Other personal lending	1,363,128	35,684	3,704	1,402,516	(10,174)	(7,190)	(2,026)	(19,390)
- other	1,117,490	34,943	2,138	1,154,571	(6,581)	(6,616)	(1,795)	(14,992)
- credit cards	245,638	741	1,566	247,945	(3,593)	(574)	(231)	(4,398)
Wholesale	4,241,801	1,888,015	69,825	6,199,641	(914)	(1,590)	(24,374)	(26,878)
Corporate and commercial	3,972,871	1,471,532	69,825	5,514,228	(340)	(1,369)	(24,374)	(26,083)
Non-bank financial institutions	68,000	416,483	-	484,483	(1)	(221)	-	(222)
Bank	200,930	-	-	200,930	(573)	-	-	(573)
				-				
At 31 December 2022	10,195,049	2,054,283	138,267	12,387,599	(13,470)	(12,709)	(37,465)	(63,644)

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit Quality of financial instruments (continued)

For the years ended 31 December 2024 and 2023, the Bank did not have any of below financial assets.

Personal lending - credit risk profile by internal PD band for loans and advances to customers at amortised cost

2022		Gross carrying amount				Allowance for ECL				
	PD range	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	ECL coverage
	%	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	%
Residential mortgages		4,590,120	130,584	64,738	4,785,442	(2,382)	(3,929)	(11,065)	(17,376)	0.36
Band 1	0.000 to 0.250	4,590,120	-	-	4,590,120	(2,382)	-	-	(2,382)	0.05
Band 2	0.251 to 0.500	-	-	-	-	-	-	-	-	-
Band 3	0.501 to 1.500	-	-	-	-	-	-	-	-	-
Band 4	1.501 to 5.000	-	-	-	-	-	-	-	-	-
Band 5	5.001 to 20.000	-	130,584	-	130,584	-	(3,929)	-	(3,929)	3.01
Band 6	20.001 to 99.999	-	-	-	-	-	-	-	-	-
Band 7	100	-	-	64,738	64,738	-	-	(11,065)	(11,065)	17.09
Other personal lending		1,363,128	35,684	3,704	1,402,516	(10,174)	(7,190)	(2,026)	(19,390)	1.38
Band 1	0.000 to 0.250	1,117,490	-	-	1,117,490	(6,582)	-	-	(6,582)	0.59
Band 2	0.251 to 0.500	-	-	-	-	-	-	-	-	-
Band 3	0.501 to 1.500	245,638	-	-	245,638	(3,592)	-	-	(3,592)	1.46
Band 4	1.501 to 5.000	-	-	-	-	-	-	-	-	-
Band 5	5.001 to 20.000	-	35,684	-	35,684	-	(7,190)	-	(7,190)	20.15
Band 6	20.001 to 99.999	-	-	-	-	-	-	-	-	-
Band 7	100	-	-	3,704	3,704	-	-	(2,026)	(2,026)	54.70
At 31 December 2022		5,953,248	166,268	68,442	6,187,958	(12,556)	(11,119)	(13,091)	(36,766)	0.59

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit Quality of financial instruments (continued)

Wholesale lending - credit risk profile by obligor grade for loans and advances at amortised cost

2024		Gross carying amount					Allowance for ECL				
	PD range	Stage 1	Stage 2	Stage 3	Total		Stage 1	Stage 2	Stage 3	Total	ECL coverage
	%	MUR'000	MUR'000	MUR'000	MUR'000		MUR'000	MUR'000	MUR'000	MUR'000	%
Corporate and Commercial		**2,120,434**	**1,444,159**	**-**	**3,564,593**		**(237)**	**(543)**	**-**	**(780)**	**(0.02)**
CRR1	0.000 to 0.053	-	-	-	-		-	-	-	-	-
CRR2	0.054 to 0.169	393,665	-	-	393,665		(5)	-	-	(5)	**(0.00)**
CRR3	0.170 to 0.740	1,040,534	689,961	-	1,730,495		(126)	(67)	-	(193)	**(0.01)**
CRR4	0.741 to 1.927	188,897	57,818	-	246,715		(10)	(68)	-	(78)	**(0.03)**
CRR5	1.928 to 4.914	497,338	204,671	-	702,009		(94)	(38)	-	(132)	**(0.02)**
CRR6	4.915 to 8.860	-	491,709	-	491,709		(2)	(370)	-	(372)	**-**
CRR7	8.861 to 15.000	-	-	-	-		-	-	-	-	**-**
CRR8	15.001 to 99.999	-	-	-	-		-	-	-	-	**-**
CRR9/10	100.000	-	-	-	-		-	-	-	-	**-**
Non bank financial institutions		**32,579**	**-**	**-**	**32,579**	**-**	**-**	**-**	**-**	**-**	**-**
CRR1	0.000 to 0.053	-	-	-	-		-	-	-	-	**-**
CRR2	0.054 to 0.169	-	-	-	-		-	-	-	-	**-**
CRR3	0.170 to 0.740	-	-	-	-		-	-	-	-	**-**
CRR4	0.741 to 1.927	-	-	-	-		-	-	-	-	**-**
CRR5	1.928 to 4.914	-	-	-	-		-	-	-	-	**-**
CRR6	4.915 to 8.860	32,579	-	-	32,579		-	-	-	-	**-**
CRR7	8.861 to 15.000	-	-	-	-		-	-	-	-	**-**
CRR8	15.001 to 99.999	-	-	-	-		-	-	-	-	**-**
CRR9/10	100.000	-	-	-	-		-	-	-	-	**-**
Banks		**524,415**	**-**	**-**	**524,415**		**(406)**	**-**	**-**	**(406)**	**(0.08)**
CRR1	0.000 to 0.053	-	-	-	-		-	-	-	-	-
CRR2	0.054 to 0.169	524,415	-	-	524,415		(406)	-	-	(406)	**(0.08)**
CRR3	0.170 to 0.740	-	-	-	-		-	-	-	-	**-**
CRR4	0.741 to 1.927	-	-	-	-		-	-	-	-	**-**
CRR5	1.928 to 4.914	-	-	-	-		-	-	-	-	**-**
CRR6	4.915 to 8.860	-	-	-	-		-	-	-	-	**-**
CRR7	8.861 to 15.000	-	-	-	-		-	-	-	-	**-**
CRR8	15.001 to 99.999	-	-	-	-		-	-	-	-	**-**
CRR9/10	100.000	-	-	-	-		-	-	-	-	**-**
At 31 December 2024		**2,677,428**	**1,444,159**	**-**	**4,121,587**		**(643)**	**(543)**	**-**	**(1,186)**	**(0.03)**

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to and forming part of the financial statements

for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit Quality of financial instruments (continued)

Wholesale lending - credit risk profile by obligor grade for loans and advances at amortised cost

2023		Gross carying amount				Allowance for ECL				
	PD range	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	ECL coverage
	%	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	%
Corporate and Commercial		2,405,095	1,874,022	-	4,279,117	(239)	(941)	-	(1,180)	(0.03)
CRR1	0.000 to 0.053	291,583	62	-	291,645	-	-	-	-	-
CRR2	0.054 to 0.169	247,534	-	-	247,534	(19)	-	-	(19)	(0.01)
CRR3	0.170 to 0.740	882,381	379,186	-	1,261,567	(178)	(41)	-	(219)	(0.02)
CRR4	0.741 to 1.927	695,561	746,118	-	1,441,679	(29)	(282)	-	(311)	(0.02)
CRR5	1.928 to 4.914	288,036	704,520	-	992,556	(13)	(366)	-	(379)	(0.04)
CRR6	4.915 to 8.860	-		-	-	-	-	-	-	-
CRR7	8.861 to 15.000	-	44,136	-	44,136	-	(252)	-	(252)	(0.57)
CRR8	15.001 to 99.999	-		-	-	-	-	-	-	-
CRR9/10	100.000	-	-	-	-	-	-	-	-	-
Non bank financial institutions		138,000	200,000	-	338,000	(7)	(49)	-	(56)	(0.02)
CRR1	0.000 to 0.053	-	-	-	-	-	-	-	-	-
CRR2	0.054 to 0.169	-	-	-	-	-	-	-	-	-
CRR3	0.170 to 0.740	-	-	-	-	-	-	-	-	-
CRR4	0.741 to 1.927	-	-	-	-	-	-	-	-	-
CRR5	1.928 to 4.914	18,000	200,000	-	218,000	-	(29)	-	(29)	(0.01)
CRR6	4.915 to 8.860	-	-	-	-	-	-	-	-	-
CRR7	8.861 to 15.000	120,000	-	-	120,000	(7)	(20)	-	(27)	(0.02)
CRR8	15.001 to 99.999	-	-	-	-	-	-	-	-	-
CRR9/10	100.000	-	-	-	-	-	-	-	-	-
Banks		655,085	-	-	655,085	(4,221)	-	-	(4,221)	(0.64)
CRR1	0.000 to 0.053	-	-	-	-	-	-	-	-	-
CRR2	0.054 to 0.169	655,085	-	-	655,085	(4,221)	-	-	(4,221)	(0.64)
CRR3	0.170 to 0.740	-	-	-	-	-	-	-	-	-
CRR4	0.741 to 1.927	-	-	-	-	-	-	-	-	-
CRR5	1.928 to 4.914	-	-	-	-	-	-	-	-	-
CRR6	4.915 to 8.860	-	-	-	-	-	-	-	-	-
CRR7	8.861 to 15.000	-	-	-	-	-	-	-	-	-
CRR8	15.001 to 99.999	-	-	-	-	-	-	-	-	-
CRR9/10	100.000	-	-	-	-	-	-	-	-	-
At 31 December 2023		3,198,180	2,074,022	-	5,272,202	(4,467)	(990)	-	(5,457)	(0.10)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit Quality of financial instruments (continued)

Wholesale lending - credit risk profile by obligor grade for loans and advances at amortised cost

2022		Gross carying amount					Allowance for ECL				
	PD range	Stage 1	Stage 2	Stage 3	Total		Stage 1	Stage 2	Stage 3	Total	ECL coverage
	%	MUR'000	MUR'000	MUR'000	MUR'000		MUR'000	MUR'000	MUR'000	MUR'000	%
Corporate and Commercial		3,972,871	1,471,532	69,825	5,514,228		(340)	(1,369)	(24,374)	(26,083)	(0.47)
CRR1	0.000 to 0.053	-	-	-	-		-	-	-	-	-
CRR2	0.054 to 0.169	210,647	-	-	210,647		(2)	-	-	(2)	(0.00)
CRR3	0.170 to 0.740	2,290,230	402,448	-	2,692,678		(120)	(278)	-	(398)	(0.01)
CRR4	0.741 to 1.927	1,038,811	420,953	-	1,459,764		(85)	(69)	-	(154)	(0.01)
CRR5	1.928 to 4.914	433,183	206,858	-	640,041		(133)	(62)	-	(195)	(0.03)
CRR6	4.915 to 8.860	-	350,545	-	350,545		-	(425)	-	(425)	(0.12)
CRR7	8.861 to 15.000	-	-	-	-		-	-	-	-	-
CRR8	15.001 to 99.999	-	90,728	-	90,728		-	(535)	-	(535)	(0.59)
CRR9/10	100.000	-	-	69,825	69,825		-	-	(24,374)	(24,374)	(34.91)
Non bank financial institutions		68,000	416,483	-	484,483	-	(1)	(221)	-	(222)	(0.05)
CRR1	0.000 to 0.053	-	-	-	-		-	-	-	-	-
CRR2	0.054 to 0.169	-	-	-	-		-	-	-	-	-
CRR3	0.170 to 0.740	-	-	-	-		-	-	-	-	-
CRR4	0.741 to 1.927	-	-	-	-		-	-	-	-	-
CRR5	1.928 to 4.914	68,000	250,000	-	318,000		(1)	(36)	-	(37)	-
CRR6	4.915 to 8.860	-	-	-	-		-	-	-	-	-
CRR7	8.861 to 15.000	-	166,483	-	166,483		-	(185)	-	(185)	-
CRR8	15.001 to 99.999	-	-	-	-		-	-	-	-	-
CRR9/10	100.000	-	-	-	-		-	-	-	-	-
Banks		200,930	-	-	200,930		(573)	-	-	(573)	(0.29)
CRR1	0.000 to 0.053	-	-	-	-		-	-	-	-	-
CRR2	0.054 to 0.169	200,930	-	-	200,930		(573)	-	-	(573)	(0.29)
CRR3	0.170 to 0.740	-	-	-	-		-	-	-	-	-
CRR4	0.741 to 1.927	-	-	-	-		-	-	-	-	-
CRR5	1.928 to 4.914	-	-	-	-		-	-	-	-	-
CRR6	4.915 to 8.860	-	-	-	-		-	-	-	-	-
CRR7	8.861 to 15.000	-	-	-	-		-	-	-	-	-
CRR8	15.001 to 99.999	-	-	-	-		-	-	-	-	-
CRR9/10	100.000	-	-	-	-		-	-	-	-	-
At 31 December 2022		4,241,801	1,888,015	69,825	6,199,641		(914)	(1,590)	(24,374)	(26,878)	(0.43)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit risk measurement and analysis

(A) Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.

- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. A description of how the Bank determines when a significant increase in credit risk has occurred is given below.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. A description of how the Bank defines credit-impaired and default is given below.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. A description of inputs, assumptions and estimation techniques used in measuring the ECL is given below.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. An explanation of how the Bank has incorporated this in its ECL models is given below.

- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

(B) Explanation of inputs, assumptions and estimation techniques

In general, the Bank calculates ECL using three main components, a PD, a LGD, and the EAD. The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the lifetime. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument, respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the end of the reporting period to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis (continued)

(B) *Explanation of inputs, assumptions and estimation techniques (continued)*

The measurement of ECL needs to take into account forecast of future economic conditions. This could be incorporated into the measurement of ECL in more than one way. In theory, forecast economic conditions could be expanded into full credit risk variables. These variables are incorporated into the risk parameters (PDs, LGDs and EADs) used to determine IFRS 9 stage allocation and ECL measurement. This is possible if the risk parameters are calculated using an economic response model. The projection of future economic conditions relies on point in time statistical models supplemented by judgement or based entirely on judgement where there is insufficient data and correlations to develop statistically based models. Where PDs are adjusted on a systemised basis, stage allocation is determined using PDs which are calculated on a probability weighted basis. The ECL is then measured on a probability weighted basis based on this stage allocation. In practice, methods that put less pressure on calculations performed during the reporting periods may be used, for example, the use of scalars provided that these methods meet the measurement objective. Simplified approaches which rely on the judgement of credit risk managers are applied where models do not support a systemised approach, e.g. the use of discounted cash flow models.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Change in credit quality since initial recognition		
Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Stage 1 and 2

IFRS 9 credit risk models (IFRS 9 models) produce a number of risk component estimates that are used to measure ECL allowances and provisions for Stage 1 and 2 instruments. These models must be developed, implemented and maintained in line with approved global model standards. Stage 1 and 2 ECL allowances and provisions must be measured on either up to 12 months or lifetime ECL basis (depending on stage allocation) in a way that is unbiased and probability-weighted and incorporates forecasts of future economic conditions.

Stage 3

The ECL allowance assessment for financial instruments graded CRR 9/10 (i.e. Stage 3) must be determined on a Lifetime ECL basis.

Furthermore, expected credit losses of any financial instrument should also be measured in a way that reflects:

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis (continued)

(B) *Explanation of inputs, assumptions and estimation techniques (continued)*

Stage 3 (continued)

a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b) the time value of money; and
c) reasonable and supportable information that is available without undue cost or effort at the end of the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL under stage 3 is determined on an individual basis using a discounted cash flow ("DCF") methodology. The expected future cash flows are based on the credit risk officer's estimates as at the end of the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on its estimated fair value of collateral at the time of expected realisation, less costs for obtaining and selling the collateral. The cash flows are discounted at a reasonable approximation of the original effective interest rate.

(C) *Significant increase in credit risk ("SICR")*

An assessment of whether credit risk has increased significantly since initial recognition is performed at the end of each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the end of the reporting date compared to that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower, and the geographical region. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of lending, particularly between retail and wholesale.

However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due for wholesale. In addition, wholesale loans that are individually assessed, typically corporate and commercial customers, and included on a watch or worry list are included in stage 2.

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis (continued)

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

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime PD which encompasses a wide range of information including the obligor's customer risk rating, macroeconomic condition forecasts and credit transition probabilities. Significant increase in credit risk is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at reporting date (or that the origination PD has doubled in the case of origination CRR greater than 3.3). The significance of changes in PD was informed by expert credit risk judgement, referenced to historical credit migrations and to relative changes in external market rates. The quantitative measure of significance varies depending on the credit quality at origination as follows:

Origination CRR	Significant trigger – PD to increase by
CRR 0.1 – 1.2	15bps
CRR 2.1 – 3.3	30bps
Greater than CRR 3.3 and not impaired	2 times

For loans originated prior to the implementation of IFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. For these loans, the quantitative comparison is supplemented with additional CRR deterioration based thresholds as set out in the table below:

Origination CRR	Number notches in the band	Additional significance criteria – Number of CRR grade notches of deterioration required to identify as significant
0.1	1 notch	5 notches
1.1 – 4.2	9 notches	4 notches
4.3 – 5.1	2 notches	3 notches
5.2 – 7.1	5 notches	2 notches
7.2 – 8.2	3 notches	1 notch
8.3	1 notch	0 notch

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis (continued)

(D) Period over which ECL is measured

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Bank is exposed to credit risk. For wholesale overdrafts, credit risk management actions are taken no less frequently than on an annual basis and therefore this period is to the expected date of the next substantive credit review. The date of the substantive credit review also represents the initial recognition of the new facility. However, where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit the Bank's exposure to credit risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period the Bank remains exposed to credit risk that is not mitigated by credit risk management actions. This applies to retail overdrafts and credit cards, where the period is the average time taken for stage 2 exposures to default or close as performing accounts, determined on a portfolio basis and ranging from between two and six years. In addition, for these facilities it is not possible to identify the ECL on the loan commitment component separately from the financial asset component. As a result, the total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.

Under IFRS 9, the scope of impairment now covers amortised cost of financial assets, loan commitments and financial guarantees, as well as debt instruments measured at FVOCI. Impairment is calculated in three stages and financial instruments are allocated into one of the three stages where the transfer mechanism depends on whether there is a significant increase in credit risk between its first recognition and the relevant reporting period. After the allocation, the measurement of ECL, which is the product of PD, LGD and EAD, will reflect the change in risk of default occurring over the remaining life of the instruments.

(E) Definition of default and credit-impaired assets

IFRS 9 requires an assessment of the extent of increase in credit risk of a financial instrument since initial recognition. This assessment is performed by considering the change in the risk of default occurring over the remaining life of the financial instrument. As a result, the definition of default is important.

IFRS 9 does not specifically define default, but requires it to be applied on a consistent basis with internal credit risk management practice for the relevant instruments and consider qualitative factors where appropriate. In addition, IFRS 9 also introduces a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging criterion is more appropriate.

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis (continued)

(E) Definition of default and credit-impaired assets

In addition, default is defined under Basel for regulatory reporting purposes. The Basel regulation provides a clear definition by referring to the number of days past due and criteria for unlikeliness to pay. The criteria for unlikeliness to pay are similar to the definition of credit-impaired under IFRS 9 and in general, default for regulatory reporting purposes does not occur later than when a financial asset is 90 days past due as well.

In view of the above, the Bank has decided to align the IFRS 9 definition of default and Basel definition of 'default' whenever possible. The Bank has decided not to rebut the presumption introduced by IFRS 9, that is, default does not occur later than when a financial asset is 90 days past due. The use of the same default definition ensures that a single and consistent view of credit risk is applied for internal risk management, regulatory capital, and impairment calculations. In addition, since the criteria for credit-impaired under IFRS 9 can be interpreted consistently with the accounting default definition, all accounting defaults are considered to be credit-impaired and all credit-impaired assets are considered to be defaulted for accounting purposes.

(F) Movement between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Except for renegotiated loans, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above. Renegotiated loans will continue to be in stage 3 until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period and there are no other indicators of impairment. For loans that are assessed for impairment on a portfolio basis, the evidence typically comprises a history of payment performance against the original or revised terms, as appropriate to the circumstances. For loans that are assessed for impairment on an individual basis, all available evidence is assessed on a case-by-case basis.

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis (continued)

(G) Write-off policy

The Bank writes off a loan/security balance (and any related allowances for impairment losses) when the Bank's Credit Risk Team determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status. A total amount of MUR0.6m (2023: MUR1.4m) was written off during the year, which is still subject to enforcement activity. The Bank is complying with BoM Guideline on Classification, Provisioning and Write-off of Credit Exposures.

(H) Collaterals

Although collateral can be an important mitigant of credit risk, it is the Bank's general practice to lend on the basis of the customer's ability to meet their obligations out of their cash flow resources rather than rely on the value of security offered. Depending on the customer's standing and the type of product, facilities may be provided unsecured. For other lending, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default, the Bank may use the collateral as a source of repayment. There has been no change in the Bank's collateral policy for the year and there are no financial instruments for which the underlying collaterals would have resulted in no impairment allowance.

The Bank holds collateral against loans and advances to customers in the form of mortgage on property, deposit and securities under lien and charge on plant and machinery. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated every 3 years and every year when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks and investment securities, and no such collateral was held at 31 December 2024, 31 December 2023 and 31 December 2022. Additional information on collaterals is available in note 36 (b)(iv).

(I) Modification of financial assets

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis (continued)

(I) Modification of financial assets (continued)

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for a minimum period of one year or more.

The Bank continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

(J) Renegotiated loans and forbearance

The following table shows the gross carrying amounts of the Bank's holdings of renegotiated loans and advances to customers by industry sector and by stages. The Bank does not hold any wholesale renegotiated loans as at 31 December 2024, however those renegotiated loans are to be classified as stage 3 until there is sufficient evidence to demonstrate a significant reduction in the risk of nonpayment of future cash flows, observed over a minimum one-year period, and there are no other indicators of impairment. Personal renegotiated loans are deemed to remain credit impaired until repayment or derecognition.

Renegotiated loans and advances to customers at amortised costs by stage allocation

		Stage 3	
	MUR'000	MUR'000	MUR'000
	2024	2023	2022
Gross carrying amount			
Personal lending	-	-	61,190
– Residential mortgages	-	-	59,052
– Other personal lending	-	-	2,138
At 31 December	-	-	61,190
Allowance for ECL			
Personal lending	-	-	(6,272)
– Residential mortgages	-	-	(4,910)
– Other personal lending	-	-	(1,362)
At 31 December	-	-	(6,272)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis (continued)

(K) Forward looking economic inputs

At 31 December 2024, four scenarios were used to capture the latest economic expectations and to articulate management's view of the range of risks and potential outcomes. Each scenario is updated with the latest economic forecasts and distributional estimates every quarter.

Three scenarios, the Upside, Central and Downside are drawn from consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. The fourth scenario, the Downside 2, represents management's view of severe downside risks. Consensus estimates are deployed as conditioning vaiables in a proprietary expansion of the scenario variables.

The Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting. It is created using consensus forecasts, which is the average of a panel of external forecasts.

The outer scenario represent the tails of the distribution and are less likely to occur. The Consensus Upside and Downside scenarios are created with reference to forecast probability distributions for select markets that capture economists' views of the entire range of economic outcomes. In the later years of those scenarios, projections revert to long-term consensus trend expensctions. Reversion to trend expectations is done with reference to historically observed quarterly changes in the values of macroeconomic variables.

The fourth scenario, the Downside 2, is designed to represent management's view of severe downside risks. It is globally consistent, narrative-driven scenario that explores a more extreme economic outcome than those captured by the consensus scenarios. In this scenario, variables do not, by design, revert to long-term trend expectations and may instead explore alternative states of equilibrium, where economic activities moves permanently away from past trends.

The consensus Downside and the consensus Upside scenarios are each constructed to be consistent with a 10% probability. The Downside 2 is constructed to a 5% probability. The Central scenario is assigned the remaining 75% probability This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, management may depart from this probability-based scenario weighting approach when the economic outlook and forecasts are determined to be particularly uncertain and risks are elevated.

At 31 December 2024, consensus forecasts and distributional estimates were assessed to inadequately reflect the consequences of the US election on the global economic outlook. Forecasts lag and there is increased uncertainty as to how economic policy will change and how tariffs will be implemented. Scenarios were constructed using the standard methodology, as described, before an adjustment to account for policy changes was subsequently applied. The adjustment is based on a modelled update to the Central scenario and incorporated a detailed narrative of US economic policy proposals, including specific tariff rates. The modelled results were then layered onto the Central scenario. Outer scenarios are adjusted in parallel.

The scenario adjustment entailed no change in scenario probability weights, which remained in-line with the Forward Economic Guidance framework. Uncertainty relating to the policy outlook have been addressed in the scenarios directly. Measures of dispersion and uncertainty have remained low but may reflect lags in the consensus economic forecasting process. Scenarios produced to calculate ECL are aligned to the Group's top and emerging risks.

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iii) Credit risk measurement and analysis (continued)

Critical accounting estimates and judgements

The calculation of ECL under IFRS 9 involves significant judgements, assumptions and estimates. The most significant are set out below:

- the selection and configuration of economic scenarios, given the constant change in economic conditions and distribution of economic risks; and;

- estimating the economic effects of those scenarios on ECL, where similar observable historical conditions cannot be captured by the credit risk models.

- the identification of customers experiencing significant increases in credit risk and credit impairment, particularly where those customers have accepted payment deferrals and other reliefs designed to address short-term liquidity issues, or have extended those deferrals, given limitations in the available credit information on these customers. The use of segmentation techniques for indicators of significant increases in credit risk involves significant estimation uncertainty and;

- For wholesale, a global methodology is used for the estimation of the term structure of probability of default ('PD') and loss given default ('LGD'). For PDs, the Bank considers the correlation of forward economic guidance to default rates for a particular industry in a country. For LGD calculations, the Bank considers the correlation of forward economic guidance to collateral values and realisation rates for a particular country and industry. PDs and LGDs are estimated for the entire term structure of each instrument.

For impaired loans, LGD estimates take into account independent recovery valuations provided by external consultants where available or internal forecasts corresponding to anticipated economic conditions and individual company conditions. In estimating the ECL on impaired loans that are individually considered not to be significant, the Bank incorporates forward economic guidance proportionate to the probability-weighted outcome and the Central scenario outcome for non-stage 3 populations.

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Summary of credit risk

The disclosure below presents the gross carrying/nominal amount of financial instruments to which the impairment requirements in IFRS 9 are applied and the associated allowance for ECL.

The following tables analyse all financial assets which represents the concentration of exposures in which how credit risks are managed.

	Gross carrying/ nominal amount	**Allowance for ECL**	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	MUR'000	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
	2024	**2024**	2023	2023	2022	2022
Loans and advances to customers at amortised cost:	**3,597,172**	**(780)**	4,617,116	(1,336)	12,186,669	(63,071)
- Personal	**-**	**-**	-	(100)	6,187,958	(36,766)
- Corporate and Commercial	**3,564,593**	**(780)**	4,279,116	(1,180)	5,514,228	(26,083)
- Non-bank financial institutions	**32,579**	**-**	338,000	(56)	484,483	(222)
Loans and advances to banks at amortised cost:	**524,415**	**(406)**	655,085	(4,221)	200,930	(573)
Other financial assets at amortised costs:	**7,668,555**	**(196)**	12,267,817	(492)	10,517,806	(1,791)
– cash and cash equivalents	**6,944,333**	**-**	10,676,885	-	8,918,889	-
– investment securities	**671,180**	**(194)**	1,309,677	(481)	1,310,887	(1,764)
– acceptance and endorsement	**35,946**	**(2)**	161,145	(11)	158,588	(27)
– accrued income and other assets	**17,096**	**-**	120,110	-	129,442	-
Assets held for sale	**-**	**-**	6,451,813	(34,580)	-	-
Total gross carrying amount on balance sheet	**11,790,142**	**(1,382)**	23,991,831	(40,629)	22,905,405	(65,435)
Loan and other credit related commitments	**9,137,612**	**(253)**	10,010,783	(271)	9,647,859	(283)
Financial guarantee and similar contracts	**2,466,160**	**(419)**	2,498,846	(408)	2,647,761	(1,264)
Total nominal amount off-balance sheet	**11,603,772**	**(672)**	12,509,629	(679)	12,295,620	(1,547)
At 31 December	**23,393,914**	**(2,054)**	36,501,460	(41,308)	35,201,025	(66,982)

	Gross carrying amount	**Allowance for ECL**	Gross carrying amount	Allowance for ECL	Gross carrying amount	Allowance for ECL
	MUR'000	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
	2024	**2024**	2023	2023	2022	2022
At 31 December	**2,063,669**	**(384)**	5,650,930	(1,141)	6,547,216	(4,062)
Investment securities measured at FVOCI (Stage 1)	**2,063,609**	**(384)**	5,650,899	(1,141)	6,541,686	(4,062)
Trading assets measured at FVPL	**60**	**-**	31	-	5,530	-

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Summary of credit risk

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector

	Gross carrying/ notional amount						Allowance/ provision for ECL						ECL coverage %					
2024	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total Gross carrying/ notional amount	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total Allowance/ provision for ECL	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total ECL coverage %
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000						
Loans and advances to customers at amortised cost:	2,153,012	1,444,160	-	-	-	3,597,172	(237)	(543)	-	-	-	(780)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- Personal	-	-			-	-	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- Corporate and Commercial	2,120,433	1,444,160	-	-	-	3,564,593	(237)	(543)	-	-	-	(780)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- Non-bank financial institutions	32,579	-	-	-	-	32,579	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances to banks at amortised cost:	524,415	-	-	-	-	524,415	(406)	-	-	-	-	(406)	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
Other financial assets measured at amortised cost	7,640,490	28,065	-	-	-	7,668,555	(194)	(2)	-	-	-	(196)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loan and other credit related commitments:	6,106,129	3,031,483	-	-	-	9,137,612	(100)	(153)	-	-	-	(253)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial guarantee and similar contracts	1,979,032	487,128	-	-	-	2,466,160	(298)	(121)	-	-	-	(419)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
At 31 December	18,403,078	4,990,836	-	-	-	23,393,914	(1,235)	(819)	-	-	-	(2,054)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The Hongkong and Shanghai Banking Corporation Limited - Mauritius Branch

Notes to and forming part of the financial statements

for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Summary of credit risk

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector

	Gross carrying/ notional amount						Allowance/ provision for ECL						ECL coverage %					
2023	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total Gross carrying/ notional amount	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total Allowance/ provision for ECL	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total ECL coverage %
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000						
Loans and advances to customers at amortised cost:	2,543,095	2,074,021	-	-	-	4,617,116	(246)	(990)	(9)	(8)	-	(1,236)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- Personal	-	-			-	-	-	-	(9)	(8)	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- Corporate and Commercial	2,405,095	1,874,021	-	-	-	4,279,116	(239)	(941)	-	-	-	(1,180)	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
- Non-bank financial institutions	138,000	200,000	-	-	-	338,000	(7)	(49)	-	-	-	(56)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances to banks at amortised cost:	655,085	-	-	-	-	655,085	(4,221)	-	-	-	-	(4,221)	0.6%	0.0%	0.0%	0.0%	0.0%	0.6%
Other financial assets measured at amortised cost	12,267,817	-	-	-	-	12,267,817	(481)	(11)	-	-	-	(492)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Assets held for sale	6,092,225	292,104	-	-	67,484	6,451,813	(16,685)	(3,940)	-	-	(13,955)	(34,580)	0.3%	1.3%	0.0%	0.0%	20.7%	0.5%
Loan and other credit related commitments:	9,950,158	60,239	-	-	386	10,010,783	(76)	(195)	-	-	-	(271)	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%
Financial guarantee and similar contracts	1,530,193	538,653	-	-	430,000	2,498,846	(289)	(119)	-	-	-	(408)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
At 31 December	33,038,573	2,965,017	-	-	497,870	36,501,460	(21,998)	(5,255)	(9)	(8)	(13,955)	(41,208)	0.1%	0.2%	0.0%	0.0%	2.8%	0.1%

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Summary of credit risk

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector

	Gross carrying/ notional amount						Allowance/ provision for ECL						ECL coverage %					
2022	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total Gross carrying/ notional amount	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total Allowance/ provision for ECL	Stage 1	Stage 2	Of which: <30 DPD	Of which: >30 DPD	Stage 3	Total ECL coverage %
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000						
Loans and advances to customers at amortised cost:	9,994,119	2,054,283	75,996	13,031	138,267	12,186,669	(12,897)	(12,709)	(9)	(8)	(37,465)	(63,071)	0.1%	0.6%	0.0%	0.1%	27.1%	0.5%
- Personal	5,953,248	166,268	75,996	13,031	68,442	6,187,958	(12,556)	(11,119)	(9)	(8)	(13,091)	(36,766)	0.2%	6.7%	0.0%	0.1%	19.1%	0.6%
- Corporate and Commercial	3,972,871	1,471,532	-	-	69,825	5,514,228	(340)	(1,369)	-	-	(24,374)	(26,083)	0.0%	0.1%	0.0%	0.0%	34.9%	0.5%
- Non-bank financial institutions	68,000	416,483	-	-	-	484,483	(1)	(221)	-	-	-	(222)	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Loans and advances to banks at amortised cost:	200,930	-	-	-	-	200,930	(573)	-	-	-	-	(573)	0.3%	0.0%	0.0%	0.0%	0.0%	0.3%
Other financial assets measured at amortised cost	10,453,431	64,375	-	-	-	10,517,806	(1,764)	(27)	-	-	-	(1,791)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loan and other credit related commitments:	8,928,601	719,258	-	-	-	9,647,859	(53)	(230)	-	-	-	(283)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial guarantee and similar contracts	2,469,123	178,638	-	-	-	2,647,761	(1,219)	(45)	-	-	-	(1,264)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
At 31 December	32,046,204	3,016,554	75,996	13,031	138,267	35,201,025	(16,506)	(13,011)	(9)	(8)	(37,465)	(66,982)	0.1%	0.4%	0.0%	0.1%	27.1%	0.2%

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Summary of credit risk (continued)

Collateral and other credit enhancements

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

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:
– Mortgages over residential properties;
– Margin agreement for derivatives, for which the Bank has also entered into master netting agreements;
– Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. Derivatives are also collateralised.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

As at 31 December 2024, the Bank did not have any repossessed collateral (2023: nil, 2022: nil).

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Summary of credit risk (continued)

Collateral and other credit enhancements (continued)

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

– Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
– Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
– Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
– Impacts on the measurement of ECL due to changes made to models and assumptions;
– Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
– Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
– Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the year (see note 3(g)(vi)).

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss provision relates mainly to the new disbursements made to corporate clients and repayments of existing clients where maturity date of the loans were reached.

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Summary of credit risk (continued)

2024	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 01 January 2024	**20,770,756**	**(21,517)**	**2,965,017**	**(5,244)**	**497,870**	**(13,955)**	**24,233,643**	**(40,716)**
Transfers of financial instruments:	**54,577**	**35**	**(57,205)**	**(35)**	**2,628**	**-**	**-**	**-**
- transfers from stage 1 to stage 2	**(595,272)**	**53**	**595,272**	**(53)**	**-**	**-**	**-**	**-**
- transfers from stage 2 to stage 1	**649,808**	**(18)**	**(649,808)**	**18**	**-**	**-**	**-**	**-**
- transfers to stage 3	**-**	**-**	**(2,676)**	**-**	**2,676**	**-**	**-**	**-**
- transfers from stage 3	**41**	**-**	**7**	**-**	**(48)**	**-**	**-**	**-**
Net remeasurement of ECL arising from transfer of stage	**-**	**-**	**-**	**(8)**	**-**	**-**	**-**	**(8)**
Net new and further lending/repayments	**4,601,563**	**(248)**	**-**	**-**	**-**	**-**	**4,601,563**	**(248)**
Changes in risk parameters - credit quality	**(3,821,683)**	**79**	**5,650,667**	**407**		**430**	**1,828,984**	**916**
Asset derecognised (including final repayment)	**(10,842,625)**	**20,610**	**(3,595,708)**	**4,063**	**(495,197)**	**8,224**	**(14,933,530)**	**32,897**
Changes to model used form ECL calculation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Assets written off	**-**	**-**	**-**	**-**	**(5,301)**	**5,301**	**(5,301)**	**5,301**
Classified to assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2024	**10,762,588**	**(1,041)**	**4,962,771**	**(817)**	**-**	**-**	**15,725,359**	**(1,858)**
ECL (charge)/release for the year	**-**	**(169)**	**-**	**399**	**-**	**430**	**-**	**660**
Recoveries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,670**
Foreign exchange difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(489)**
Total change in ECL for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,841**

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Summary of credit risk (continued)

2023	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 01 January 2023	21,592,773	(16,506)	2,952,179	(13,011)	138,267	(37,465)	24,683,219	(66,982)
Transfers of financial instruments:	(2,183,275)	(24,803)	2,246,763	25,291	(63,489)	(487)	-	-
- transfers from stage 1 to stage 2	(3,024,342)	1,870	3,024,342	(1,870)	-	-	-	-
- transfers from stage 2 to stage 1	834,750	(25,625)	(834,750)	25,625	-	-	-	-
- transfers to stage 3	(1,026)	11	(30,039)	2,748	31,065	(2,759)	-	-
- transfers from stage 3	7,343	(1,059)	87,210	(1,212)	(94,554)	2,272	(1)	1
Net remeasurement of ECL arising from transfer of stage	-	25,226	-	(44,362)	-	(206)	-	(19,342)
Net new and further lending/repayments	9,083,023	(5,769)	-	-	-	-	9,083,023	(5,769)
Changes in risk parameters - credit quality	(7,344,831)	15,517	51,187	(32,080)	141,382	28,130	(7,152,262)	11,567
Asset derecognised (including final repayment)	(6,436,664)	1,503	(2,577,216)	66,495	221,354	2,902	(8,792,526)	70,900
Changes to model used form ECL calculation	-	-	-	(3,637)	-	-	-	(3,637)
Assets written off	-	-	-	-	(7,128)	7,126	(7,128)	7,126
Classified to assets held for sale	6,059,730	(16,685)	292,104	(3,940)	67,484	(13,955)	6,419,318	(34,580)
At 31 December 2023	20,770,756	(21,517)	2,965,017	(5,244)	497,870	(13,955)	24,233,643	(40,716)
ECL release/(charge) for the year	-	19,792	-	(17,524)	-	16,871	-	19,139
Recoveries	-	-	-	-	-	-	-	5,681
Foreign exchange difference	-	-	-	-	-	-	-	(8,915)
Total change in ECL for the year	-	-	-	-	-	-	-	15,905

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(iv) Summary of credit risk (continued)

2022	Non-credit impaired				Credit impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 01 January 2022	16,921,747	(25,571)	5,815,007	(22,529)	243,016	(93,397)	22,979,770	(141,497)
Transfers of financial instruments:	(1,838,784)	(23,525)	1,836,132	22,040	2,652	1,485	-	-
- transfers from stage 1 to stage 2	(3,581,207)	2,421	3,581,207	(2,421)	-	-	-	-
- transfers from stage 2 to stage 1	1,739,441	(24,825)	(1,739,441)	24,825	-	-	-	-
- transfers to stage 3	(59)	-	(15,727)	1,539	15,786	(1,539)	-	-
- transfers from stage 3	3,041	(1,121)	10,093	(1,903)	(13,134)	3,024	-	-
Net remeasurement of ECL arising from transfer of stage	-	15,571	-	(14,849)	-	(7)	-	715
Net new and further lending/repayments	2,678,636	(7,379)	-	-	-	-	2,678,636	(7,379)
Changes in risk parameters - credit quality	6,959,985	2,041	(5,714,444)	2,462	49,290	16,904	1,294,831	21,407
Asset derecognised (including final repayment)	(3,128,811)	3,545	1,015,484	3,270	(142,452)	8,893	(2,255,779)	15,708
Changes to model used form ECL calculation	-	18,812	-	(3,405)	-	14,418	-	29,825
Assets written off	-	-	-	-	(14,239)	14,239	(14,239)	14,239
At 31 December 2022	21,592,773	(16,506)	2,952,179	(13,011)	138,267	(37,465)	24,683,219	(66,982)
ECL release/(charge) for the year	-	34,173	-	(12,602)	-	38,694	-	60,265
Recoveries	-	-	-	-	-	-	-	12,723
Foreign exchange difference	-	-	-	-	-	-	-	(48)
Total change in ECL for the year	-	-	-	-	-	-	-	72,940

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(v) Credit exposure

Maximum exposure to credit risk

The Bank's credit exposure is spread across a broad range of asset classes, including trading assets, loans and advances to customers, loans and advances to banks. The following table presents the maximum exposure to credit risk from balance sheet and off-balance sheet financial instruments, before taking account of any collateral held or other credit enhancements (unless such credit enhancements meet accounting offsetting requirements). For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount; for financial guarantees and similar contracts granted, it is the maximum amount that the Bank would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities. Total exposure to credit risk dropped significantly compared to last year.

		2024	2023	2022
	Note	**MUR'000**	MUR'000	MUR'000
Cash and cash equivalents	(A)	**6,944,333**	10,676,885	8,918,889
Trading assets	(B)	**60**	31	5,530
Loans and advances to banks	(C)	**524,009**	650,864	200,357
Loans and advances to customers	(C)	**3,596,392**	4,615,880	12,123,598
Investment securities - fair value through other comprehensive income	(D)	**2,063,225**	5,649,758	6,537,624
Investment securities - Amortised cost	(D)	**670,986**	1,309,196	1,309,123
Other assets	(E)	**53,040**	281,244	288,003
Assets held for sale	(F)	**-**	6,451,813	-
Financial guarantees and other credit-related contingent liabilities	(G)	**2,466,160**	2,498,846	2,646,497
Loan and other credit-related commitments	(H)	**9,137,612**	10,010,783	9,647,576
		25,455,817	42,145,300	41,677,197

The Bank does not hold any collaterals against its financial assets other than loans and advances to customers.

(A) Cash and cash equivalents

The Bank held cash and cash equivalents of MUR6.9bn (2023: MUR10.7bn) which represents its maximum credit exposure on these assets, which excludes cash in hand and foreign currency notes and coins.

(B) Trading Assets

The Bank held trading assets of MUR0.06m at 31 December 2024 (2023: MUR0.03m). An analysis of the credit quality of the maximum credit exposure is as follows:

		2024	2023	2022
		MUR'000	MUR'000	MUR'000
Derivatives assets:				
- Bank counterparties	19 (a)	**-**	31	5,509
- Non-bank counterparties	19 (a)	**60**	-	21
		60	31	5,530

The derivatives assets are with Group banks and local corporates, with a strong credit rating.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(v) Credit exposure (continued)

Maximum exposure to credit risk (continued)

(C) Loans & advances neither past due nor impaired

Loans and advances are summarised as follows:

	Loans and advances to customers			Loans to banks		
	2024	2023	2022	**2024**	2023	2022
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Neither past due nor impaired	**3,563,753**	4,595,108	11,729,700	**524,415**	655,085	200,930
Past due but not impaired	**33,419**	22,008	318,702	**-**	-	-
Individually impaired	**-**	-	138,267	**-**	-	-
Gross	**3,597,172**	4,617,116	12,186,669	**524,415**	655,085	200,930
Less: allowance for impairment	**(780)**	(1,236)	(63,071)	**(406)**	(4,221)	(573)
Net	**3,596,392**	4,615,880	12,123,598	**524,009**	650,864	200,357

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	Loans and advances to customers			Loans to banks		
	2024	2023	2022	**2024**	2023	2022
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
CRR 1	**-**	290,819	5,587,805	**524,415**	655,085	200,930
CRR 2	**393,630**	247,534	210,648	**-**	-	-
CRR 3	**1,730,586**	1,261,566	2,938,302	**-**	-	-
CRR 4	**213,177**	1,422,693	1,349,907	**-**	-	-
CRR 5	**702,045**	1,208,360	1,035,282	**-**	-	-
CRR 6	**524,315**	-	350,545	**-**	-	-
CRR 7	**-**	164,136	166,483	**-**	-	-
CRR 8	**-**	-	90,728	**-**	-	-
Total	**3,563,753**	4,595,108	11,729,700	**524,415**	655,085	200,930

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(v) Credit exposure (continued)

Maximum exposure to credit risk (continued)

(C) Loans and advances past due but not impaired

Loans and advances where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

Gross amount of loans and advances that were past due but not impaired were as follows:

	Loans and advances to customers		
	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Past due up to 30 days	**33,419**	827	305,671
Past due 30 - 60 days	**-**	21,167	8,375
Past due 60 - 90 days	**-**	14	4,656
Total	**33,419**	22,008	318,702

Loans and advances individually impaired

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s). These loans are graded 6 to 7 (CRR 8 to 9) in the Bank's internal credit risk grading system.

The table below shows the gross amount of individually impaired assets.

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Gross amount	**-**	-	138,267
Individual allowance	**-**	-	37,465

(D) Investment securities

Investment securities at FVOCI amounting to MUR2.1bn (2023: MUR5.6bn) as at 31 December 2024 consist mainly of Treasury Bill / Notes held with the BoM. Investment securities at amortised cost amounting to MUR0.7bn (2023: MUR1.3bn) consist mainly of Treasury Bill / Notes held with the BoM and corporate bonds.

(E) Other assets

Other assets consisted mainly of employee benefits of MUR167.3m (2023: MUR95.0m).

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(v) Credit exposure (continued)

Maximum exposure to credit risk (continued)

(F) Assets held for sale

As at 31 December 2024, the assets held for sale amounted to MUR0.09bn (2023: MUR6.5bn).

(G) Financial guarantees and other credit-related contingent liabilities

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities. As at 31 December 2024, the Bank held MUR2.5bn (2023: MUR2.5bn) financial guarantees mainly with corporate customers.

(H) Loan commitments

As at 31 December 2024, the Bank held MUR9.1bn (2023: MUR10.0bn) as undrawn credit facilities with corporate customers.

(vi) Concentration of credit risk

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below. The tables below show the concentration of credit risk by sector.

Prepayments amounting to MUR3.0m (2023: MUR5.8m) and have been excluded from other assets.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(vi) Concentration of credit risk (continued)

2024 (MUR '000)	Business banking	Corporate	Sovereign	Bank	Other	Total
Cash & cash equivalents	**-**	**-**	**2,536,526**	**4,407,807**	**-**	**6,944,333**
Loans & advances to customers	**-**	**3,597,172**	**-**	**-**	**-**	**3,597,172**
Loans & advances to banks	**-**	**-**	**-**	**524,415**	**-**	**524,415**
Financial assets held for trading	**-**	**60**	**-**	**-**	**-**	**60**
Investment securities - FVOCI	**-**	**-**	**2,063,225**	**-**	**-**	**2,063,225**
Investment securities - Amortised cost	**-**	**48,970**	**622,016**	**-**	**-**	**670,986**
Other assets	**-**	**51,079**	**-**	**1,951**	**-**	**53,030**
As at 31 December 2024	**-**	**3,697,281**	**5,221,767**	**4,934,173**	**-**	**13,853,221**
Undrawn Commitments	**-**	**8,161,038**	**-**	**976,321**	**-**	**9,137,359**
Financial guarantees and other credit related contingencies	**-**	**1,199,098**	**-**	**1,266,643**	**-**	**2,465,741**
	-	**9,360,136**	**-**	**2,242,964**	**-**	**11,603,100**
2023 (MUR '000)						
Cash & cash equivalents	-	-	4,040,293	6,636,592	-	10,676,885
Loans & advances to customers	306,583	4,310,533	-	-	-	4,617,116
Loans & advances to banks	-	-	-	655,085	-	655,085
Financial assets held for trading	-	-	-	31	-	31
Investment securities - FVOCI	-	-	5,649,758	-	-	5,649,758
Investment securities - Amortised cost	-	198,474	1,110,722	-	-	1,309,196
Other assets	-	265,290	-	15,954	-	281,244
Assets held for sale	6,429,754	22,059	-	-	-	6,451,813
As at 31 December 2023	6,736,337	4,796,356	10,800,773	7,307,662	-	29,641,128
Undrawn Commitments	1,189,743	8,820,771	-	-	-	10,010,514
Financial guarantees and other credit related contingencies	630	1,334,020	-	1,163,788	-	2,498,438
	1,190,373	10,154,791	-	1,163,788	-	12,508,952
2022 (MUR '000)						
Cash & cash equivalents	-	-	5,404,766	5,583,678	-	10,988,444
Loans & advances to customers	6,097,935	6,088,734	-	-	-	12,186,669
Loans & advances to banks	-	-	-	200,930	-	200,930
Financial assets held for trading	-	5,509	-	21	-	5,530
Investment securities - FVOCI	-	-	6,537,624	-	-	6,537,624
Investment securities - Amortised cost	-	299,947	1,009,176	-	-	1,309,123
Other assets	-	289,354	-	47,604	-	336,958
As at 31 December 2022	6,097,935	6,683,544	12,951,566	5,832,233	-	31,565,278
Undrawn Commitments	1,008,735	8,638,841	-	-	-	9,647,576
Financial guarantees and other credit related contingencies	730	1,475,452	-	1,170,315	-	2,646,497
	1,009,465	10,114,293	-	1,170,315	-	12,294,073

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(b) Credit risk (continued)

(vi) Concentration of credit risk (continued)

The tables below show the concentration of credit risk by region and country.

2024 (MUR '000)	**North America**	**Europe**	**Asia Pacific**	**Middle East & Africa**	**Mauritius**	**Total**
Cash & cash equivalents	**579,594**	**341,510**	**200,686**	**4,883**	**5,817,660**	**6,944,333**
Loans & advances to customers	**-**	**-**	**-**	**-**	**3,597,172**	**3,597,172**
Loans & advances to banks	**-**	**-**	**-**	**-**	**524,415**	**524,415**
Financial assets held for trading	**-**	**-**	**-**	**-**	**60**	**60**
Investment securities - FVOCI	**-**	**-**	**-**	**-**	**2,063,609**	**2,063,609**
Investment securities - Amortised cost	**-**	**-**	**-**	**-**	**671,180**	**671,180**
Other assets	**-**	**-**	**-**	**-**	**53,030**	**53,030**
Assets held for sale	**-**	**-**	**-**	**-**	**86,625**	**86,625**
As at 31 December 2024	**579,594**	**341,510**	**200,686**	**4,883**	**12,813,751**	**13,940,424**
Undrawn Commitments	**2,500**	**34,871**	**-**	**235,362**	**8,864,879**	**9,137,612**
Financial guarantees and other credit related contingencies	**-**	**108,408**	**737,060**	**14,468**	**1,606,224**	**2,466,160**
	2,500	**143,279**	**737,060**	**249,830**	**10,471,103**	**11,603,772**
2023 (MUR '000)						
Cash & cash equivalents	522,456	855,149	2,784,346	54,641	6,460,293	10,676,885
Loans & advances to customers	-	-	-	-	4,617,116	4,617,116
Loans & advances to banks	-	-	104,646	-	550,439	655,085
Financial assets held for trading	-	31	-	-	-	31
Investment securities - FVOCI	-	-	-	-	5,649,758	5,649,758
Investment securities - Amortised cost	-	-	-	-	1,309,677	1,309,677
Other assets	-	-	10,862	87,871	182,511	281,244
Assets held for sale	-	-	-	-	6,480,194	6,480,194
As at 31 December 2023	522,456	855,180	2,899,854	142,512	25,249,988	29,669,990
Undrawn Commitments	9,723	271,884	1,124,787	1,236,499	7,367,890	10,010,783
Financial guarantees and other credit related contingencies	8,158	122,455	999,534	65,253	1,303,446	2,498,846
	17,881	394,339	2,124,321	1,301,752	8,671,336	12,509,629
2022 (MUR '000)						
Cash & cash equivalents	2,253,508	515,161	466,565	25,916	5,657,739	8,918,889
Loans & advances to customers	3,631	8,999	22,065	21,136	12,130,838	12,186,669
Loans & advances to banks	-	-	100,000	-	100,930	200,930
Financial assets held for trading	-	21	-	-	5,509	5,530
Investment securities - FVOCI	-	-	-	-	6,537,624	6,537,624
Investment securities - Amortised cost	-	-	-	-	1,309,677	1,309,677
Other assets	-	-	66,602	-	270,356	336,958
As at 31 December 2022	2,257,139	524,181	655,232	47,052	26,012,673	29,496,277
Undrawn Commitments	-	26	2,480,029	1,314,962	5,852,559	9,647,576
Financial guarantees and other credit related contingencies	14,095	160,218	1,114,336	23,030	1,334,818	2,646,497
	14,095	160,244	3,594,365	1,337,992	7,187,377	12,294,073

36 Financial Risk Management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

(i) Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Markets Treasury ("MKTY") receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. MKTY accordingly maintains a portfolio of liquid assets, largely investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO.

The Bank relies on capital, deposits from customers and borrowings from banks as its primary sources of funding. Deposits from customers generally have short maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the Bank's liquidity risk as compared to borrowing from banks which have longer term maturities.

(ii) Exposure to liquidity risk

Risk is managed by cash flow matching and maintaining sufficient cash resources, investing in high credit-quality investments with deep and liquid markets, monitoring investment concentrations and restricting them where appropriate, and establishing committed contingency borrowing facilities.

The Bank uses the Liquidity Coverage Ratio ("LCR") framework as the basis for its liquidity management and ensures that an adequate stock of unencumbered high-quality liquid assets ("HQLA"), that can be converted easily and immediately into cash to meet the liquidity needs for a 30 calendar day liquidity stress scenario, are maintained. The LCR is calculated as a percentage of the stock of HQLA over net cash outflows over a 30-day time period and is monitored, managed and reported to senior management daily and to ALCO on a monthly basis. At 31 December 2024, the Bank maintained an LCR ratio of 406.5% (2023: 803.8%) against a set regulatory limit of 100% (2023: 100%).

In addition to regulatory metrics, HSBC makes use of an 'Internal Liquidity Metric" from its Liquidity Risk Framework, which is used to monitor and manage liquidity risk via a low-point measure across a 270-day horizon taking into account recovery capacity over 3 stress conditions (Idiosyncratic, Market Wide and Combined).

As from 30 June 2024, BoM Guideline on Net Stable Funding Ratio (NSFR) became effective. 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 Bank is expected to meet the NSFR requirements on an ongoing basis which is based on the NSFR standards published by the Basel Committee on Banking Supervision and must be read in conjunction with BoM Guideline on Liquidity Risk Management. The Bank should maintain a minimum NSFR of 100% at all times.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(c) Liquidity risk (continued)

(iii) Maturity analysis for financial assets and financial liabilities

The table below sets out the remaining contractual maturities of the Bank's financial assets and financial liabilities. The expected cash flows can be significantly different from the contractual cash flows. The most common example of such instruments is the current deposit accounts reported under deposits from customers which are largely contractually repayable on demand. However, those deposits are not expected to be fully withdrawn immediately but to remain with the Bank for a longer period.

In MUR millions	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
2024						
Non -derivative liabilities						
Deposits from banks	(668)	-	-	-	-	(668)
Deposits from customers	(6,687)	(591)	(373)	(0)	-	(7,651)
Other borrowed funds	(580)	-	-	(2,656)	-	(3,236)
Other liabilities	(201)	(23)	(15)	(20)	(7)	(266)
Of which lease liabilities	*1*	*1*	*6*	*15*	*7*	*30*
	(8,136)	(614)	(388)	(2,676)	(7)	(11,821)
Derivative liabilities						
Trading:						
Outflow	(95)	-	-	-	-	(95)
Inflow	94	-	-	-	-	94
	(1)	-	-	-	-	(1)
Unrecognised loan commitments	(4,324)	(1,734)	(3,079)	-	-	(9,137)
Financial guarantees and other credit related contingencies	(310)	(259)	(1,295)	(546)	(56)	(2,466)
Non-derivative assets						
Cash and cash equivalents*	7,219	-	-	-	-	7,219
Loans and advances to banks	-	103	66	355	-	524
Loans and advances to customers	1,505	1,121	337	304	330	3,597
Investment securities	251	255	1,929	299	-	2,734
Other assets	24	20	9	-	-	53
	8,999	1,499	2,341	958	330	14,127
Derivative assets						
Trading:						
Outflow	(104)	-	-	-	-	(104)
Inflow	104	-	-	-	-	104
	-	-	-	-	-	-
Net liquidity gap	(3,772)	(1,108)	(2,421)	(2,264)	267	(9,298)

Other liabilities and other assets include only financial liabilities and financial assets respectively.
*The cash and cash equivalents include amounts bearing interest as well as non-interest bearing balances. This balance includes both the unrestricted and mandatory balances with the central bank.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(c) Liquidity risk (continued)

(iii) Maturity analysis for financial assets and financial liabilities (continued)

In MUR millions	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
2023						
Non -derivative liabilities						
Deposits from banks	(237)	-	-	-	-	(237)
Deposits from customers	(6,705)	(27)	(142)	-	-	(6,874)
Other borrowed funds	(134)	-	-	-	-	(134)
Liabilities directly associated with assets classified as held for sale	(15,583)	(920)	(3,157)	-	-	(19,660)
Other liabilities	(626)	(105)	(29)	(24)	(1)	(785)
Of which lease liabilities	(1)	(3)	(10)	(24)	(1)	(39)
	(23,285)	(1,052)	(3,328)	(24)	(1)	(27,690)
Derivative liabilities						
Trading:						
Outflow	(199)	-	-	-	-	(199)
Inflow	198	-	-	-	-	198
	(1)	-	-	-	-	(1)
Unrecognised loan commitments	(989)	(3,227)	(5,620)	(12)	(163)	(10,011)
Financial guarantees and other credit related contingencies	(68)	(208)	(1,313)	(850)	(60)	(2,499)
Non-derivative assets						
Cash and cash equivalents	10,975	-	-	-	-	10,975
Loans and advances to banks	-	100	505	50	-	655
Loans and advances to customers	1,020	2,427	474	325	371	4,617
Investment securities	1,212	1,994	2,331	1,422	-	6,959
Other assets	107	139	27	5	6	284
Assets held for sale	277	1	6,175	-	-	6,453
	13,591	4,661	9,512	1,802	377	29,943
Derivative assets						
Trading:						
Outflow	(12)	-	-	-	-	(12)
Inflow	12	-	-	-	-	12
	-	-	-	-	-	-
Net liquidity gap	(10,752)	174	(749)	916	153	(10,258)

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(c) Liquidity risk (continued)

(iii) Maturity analysis for financial assets and financial liabilities (continued)

In MUR millions	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
2022						
Non -derivative liabilities						
Deposits from banks	(451)	-	-	-	-	(451)
Deposits from customers	(22,681)	(750)	(1,958)	(1,053)	-	(26,442)
Other borrowed funds	(5)	(2)	(447)	-	-	(454)
Other liabilities	(345)	(59)	(64)	(47)	(13)	(528)
Of which lease liabilities	*(2)*	*(3)*	*(12)*	*(19)*	-	*(36)*
	(23,482)	(811)	(2,469)	(1,100)	(13)	(27,875)
Derivative liabilities						
Trading:						
Outflow	(892)	(91)	-	-	-	(983)
Inflow	889	88	-	-	-	977
	(3)	(3)	-	-	-	(6)
Unrecognised loan commitments	(6,442)	(1,081)	(1,968)	(1)	(156)	(9,648)
Financial guarantees and other credit related contingencies	(301)	(372)	(1,180)	(732)	(61)	(2,646)
Non-derivative assets						
Cash and cash equivalents	8,888	250	-	-	-	9,138
Loans and advances to banks	-	100	101	-	-	201
Loans and advances to customers	4,639	846	204	1,441	5,057	12,187
Investment securities	1,277	2,979	1,470	2,121	-	7,847
Other assets	254	57	14	12	-	337
	15,058	4,232	1,789	3,574	5,057	29,709
Derivative assets						
Trading:						
Outflow	(59)	(88)	-	-	-	(147)
Inflow	61	91	-	-	-	152
	2	3	-	-	-	5
Net liquidity gap	(15,168)	1,968	(3,828)	1,741	4,827	(10,459)

Assets have been shown at carrying amount in the above tables.

36 Financial Risk Management (continued)

(d) Market risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Management of market risks

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Global Banking and Markets unit, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

All foreign exchange risk within the Bank is transferred and managed by Global Banking and Markets. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

Overall authority for market risk is vested in RMM. Group Market Risk is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

(ii) Exposure to market risks – trading portfolios

One of the tools used to measure and control market risk exposure within the Bank's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified year of time (holding year) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 1-day holding year. The VaR model used is based mainly on historical simulation. Taking account of market data from the previous two years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- The use of historical data as a proxy for estimating future market moves may not encompass all potential market events, particularly those that are extreme in nature.
- the use of a one-day holding period for risk management purposes of trading and non-trading books assumes that this short period is sufficient to hedge or liquidate all positions.
- The use of a 99% confidence level by definition does not take into account losses that might occur beyond this level of confidence.
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not reflect intra-day exposures.

The Bank uses VaR limits for total market risk and specific foreign exchange, interest rate, and equity and other price risks. The overall structure of VaR limits is subject to review and approval by the Bank's ALCO. VaR limits are allocated to trading portfolios. However, PVBP and FX Exposure are more actively used for market risk management and as such no information is disclosed for VaR.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(d) Market risks (continued)

(ii) Exposure to market risks – trading portfolios (continued)

Management also uses Present Value of Basis Point ("PVBP") which is one of the most widely used methods for quantifying outright interest rate risk. It expresses the impact on the present value of a position of a one basis point (1bp) rise in the interest rate used to calculate the present value – for example a change from 5.25% to 5.26%.

PVBP is calculated net within each currency and gross across currencies.

This is a more accurate expression of interest rate sensitivity and exposure than any other method and is the most appropriate method for books where the value of the book is very sensitive to interest rate movements.

PVBP cannot, however, be readily calculated by mental arithmetic, unlike some other forms of limit. The PVBP of a given position is affected not only by the nominal amount of the position and its term but also by any coupon, for example on a bond, and by the actual level of interest rates used to calculate the present value.

A summary of the risk position of the Bank's trading portfolios as at 31 December is as follows:

In MUR Million	**At 31 December**	**Average**	**Maximum**	**Minimum**
2024				
Interest rate risk (PVBP)	**(0.00002)**	**0.00002**	**0.00021**	**-**
2023				
Interest rate risk (PVBP)	(0.00002)	0.00002	0.00005	-
2022				
Interest rate risk (PVBP)	(0.00002)	0.00002	0.00010	-

36 Financial Risk Management (continued)

(d) Market risks (continued)

(iii) Exposure to market risks – Non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Global Banking and Markets in its day-to-day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

2024 *In MUR thousand*	Note	**Carrying amount**	**Less than 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**	**Non-interest bearing**
Cash and cash equivalents	18	**7,218,517**	**3,838,142**	**-**	**-**	**-**	**-**	**3,380,375**
Trading assets	19 (a)	**60**	**-**	**-**	**-**	**-**	**-**	**60**
Loans and advances to banks	20	**524,415**	**103,140**	**66,358**	**-**	**354,917**	**-**	**-**
Loans and advances to customers	21	**3,597,172**	**3,107,971**	**460,332**	**-**	**28,869**	**-**	**-**
Investment securities	22	**2,734,405**	**505,911**	**643,486**	**1,285,899**	**299,109**	**-**	**-**
Other assets	25	**53,032**	**-**	**-**	**-**	**-**	**-**	**53,032**
		14,127,601	**7,555,164**	**1,170,176**	**1,285,899**	**682,895**	**-**	**3,433,467**
Deposits from banks	26	**667,664**	**667,664**	**-**	**-**	**-**	**-**	**-**
Deposits from customers	27	**7,631,443**	**7,268,065**	**190,309**	**172,724**	**345**	**-**	**-**
Trading liabilities	19 (b)	**744**	**-**	**-**	**-**	**-**	**-**	**744**
Other borrowed funds	28	**3,217,521**	**579,225**	**-**	**-**	**2,638,296**	**-**	**-**
Other liabilities	29	**235,543**	**-**	**-**	**-**	**-**	**-**	**235,543**
Lease liabilities		**25,879**	**1,988**	**1,989**	**3,294**	**12,269**	**6,339**	**-**
		11,778,794	**8,516,942**	**192,298**	**176,018**	**2,650,910**	**6,339**	**236,287**
Interest sensitivity gap		**2,348,807**	**(961,778)**	**977,878**	**1,109,881**	**(1,968,015)**	**(6,339)**	**3,197,180**

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(d) Market risks (continued)

(iii) Exposure to market risks – Non-trading portfolios (continued)

2023 *In MUR thousand*	Note	Carrying amount	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non-interest bearing
Cash and cash equivalents	18	10,974,704	5,938,243	-	-	-	-	5,036,461
Trading assets	19	31	-	-	-	-	-	31
Loans and advances to banks	20	655,085	100,439	-	504,646	50,000	-	-
Loans and advances to customers	21	4,617,116	3,462,815	309,067	165,000	308,865	371,369	-
Investment securities	22	6,959,434	3,206,003	491,706	1,839,737	1,421,988	-	-
Other assets	25	281,255	-	-	-	-	-	281,255
Assets held for sale	8	6,451,813	268,535	5,432	6,145,351	-	-	32,495
		29,939,438	12,976,035	806,205	8,654,734	1,780,853	371,369	5,350,242
Deposits from banks	26	236,916	236,916	-	-	-	-	-
Deposits from customers	27	6,871,642	6,730,972	7,220	133,450	-	-	-
Trading liabilities	19	603	-	-	-	-	-	603
Other borrowed funds	28	133,687	133,687	-	-	-	-	-
Other liabilities	29	745,438	-	-	-	-	-	745,438
Lease liabilities		39,157	4,045	3,323	6,342	24,165	1,282	-
Liabilities directly associated with assets classified as held for sale	8	19,659,650	16,409,047	875,364	2,056,187	-	-	319,052
		27,687,093	23,514,667	885,907	2,195,979	24,165	1,282	1,065,093
Interest sensitivity gap		2,252,345	(10,538,632)	(79,702)	6,458,755	1,756,688	370,087	4,285,149

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(d) Market risks (continued)

(iii) Exposure to market risks – Non-trading portfolios (continued)

2022 *In MUR thousand*	Note	Carrying amount	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non-interest bearing
Cash and cash equivalents	18	9,138,471	2,662,481	-	-	-	-	6,475,990
Trading assets	19	5,530	-	-	-	-	-	5,530
Loans and advances to banks	20	200,930	100,000	-	100,930	-	-	-
Loans and advances to customers	21	12,186,669	5,485,263	7,307	196,577	1,441,016	5,056,506	-
Investment securities	22	7,848,511	4,257,241	199,428	1,271,011	2,120,831	-	-
Other assets	25	336,958	-	-	-	-	-	336,958
		29,717,069	12,504,985	206,735	1,568,518	3,561,847	5,056,506	6,818,478
Deposits from banks	26	451,231	451,231	-	-	-	-	-
Deposits from customers	27	26,335,817	18,553,650	659,780	1,253,725	1,004,462	-	4,864,200
Trading liabilities	21	6,871	-	-	-	-	-	6,871
Other borrowed funds	28	444,494	6,494	438,000	-	-	-	-
Other liabilities	29	492,247	28,615	8,011	10,611	10,842	-	434,168
Lease liabilities		35,977	5,332	4,700	7,064	18,881	-	-
		27,766,637	19,045,322	1,110,491	1,271,400	1,034,185	-	5,305,239
Interest sensitivity gap		1,950,432	(6,540,337)	(903,756)	297,118	2,527,662	5,056,506	1,513,239

36 Financial Risk Management (continued)

(d) Market risks (continued)

(iii) Exposure to market risks – Non-trading portfolios (continued)

PVBP is used by the Bank's treasury trading system to monitor interest rate risk and the outstanding position as at 31 December 2024 in the banking book by time buckets stood as follows:

2024											
USD PVBP	**1M**	**2M**	**3M**	**6M**	**9M**	**1Y**	**2Y**	**3Y**	**4Y**	**5Y**	**7Y**
Currency Limit	**5,000**	**-**	**10,000**	**20,000**	**-**	**25,000**	**20,000**	**-**	**-**	**5,000**	**-**
Total Position	**32**	**(92)**	**47**	**(505)**	**(952)**	**323**	**133**	**(150)**	**1**	**-**	**-**

2023											
USD PVBP	1M	2M	3M	6M	9M	1Y	2Y	3Y	4Y	5Y	7Y
Currency Limit	30,000	30,000	30,000	30,000	30,000	30,000	30,000	20,000	20,000	20,000	-
Total Position	(12)	(361)	(587)	(393)	(1,408)	(44)	(240)	1,952	325	28	-

2022											
USD PVBP	1M	2M	3M	6M	9M	1Y	2Y	3Y	4Y	5Y	7Y
Currency Limit	30,000	30,000	30,000	30,000	30,000	30,000	30,000	20,000	20,000	-	-
Total Position	(271)	(181)	248	1,007	1,589	307	(934)	1,370	905	-	-

36 Financial Risk Management (continued)

(d) Market risks (continued)

(iv) Exposure to currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank's main foreign transactions are in US Dollar ('USD'). As the currency in which the Bank presents its financial statements is the Mauritian Rupee, the Bank's financial statements are affected by movements in the exchange rates between the foreign currencies and the Mauritian Rupee. The net open position was as follows:

	2024	2023	2022
	MUR Million	MUR Million	MUR Million
Pound Sterling	**(1)**	(1)	(1)
Euro	**-**	-	1
Japanese yen	**-**	-	(1)
USD	**31**	105	80
Other foreign currencies	**5**	5	4
	35	109	83

36 Financial Risk Management (continued)

(e) Capital management

Regulatory capital

The Bank's lead regulator, the BoM, sets and monitors capital requirements for the whole banking sector in Mauritius.

The BoM Guideline on Scope of Application of Basel III and Eligible Capital was issued in June 2014 and was revised in June 2021.

Basel III is a comprehensive set of reform measures, established by the Basel Committee on Banking Supervision (BCBS), to reinforce the regulation, supervision and risk management of the banking sector. The objective of the reforms is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. Basel III seeks to improve the quality of capital that banks hold and provide a more transparent definition of different types of capital.

The Bank's regulatory capital consists of the sum of the following elements:

(a) Tier 1 capital, which comprises of Common Equity Tier 1 (CET1)

(b) Tier 2 capital

For each of the two categories above, there is a single set of criteria described in the guideline that the instruments are required to meet before they are included in the relevant category.

For the purpose of determining the capital adequacy ratio, the capital base is the sum of Tier 1 and Tier 2 capital net of regulatory adjustments applied.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(e) Capital management (continued)

Regulatory capital (continued)

The Bank's regulatory capital is analysed as follows:

- Tier 1 capital (all qualifies as CET1 capital), which includes ordinary stated capital, statutory reserve, reserves for own shares, fair value reserves and retained earnings reserves.
- Tier 2 capital, which includes general banking reserves.

Regulatory adjustment applicable to CET1 capital which is only the deduction of deferred tax asset and the defined pension fund asset net of defined benefit fund liabilities.

The Bank's regulatory capital position at 31 December 2024 was as follows:

MUR'000		**2024**	2023	2022
Reference		**Basel III**	Basel III	Basel III
Tier 1 capital				
CET1 Capital				
Assigned Capital	A	**1,499,750**	1,499,750	794,150
Other Disclosed Reserves	B	**307,027**	282,329	225,231
Retained Earnings	C	**659,228**	451,573	896,274
CET1 before regulatory adjustments		**2,466,005**	2,233,652	1,915,655
Deferred tax assets	D	**-**	-	-
Pension funds assets	G	**(167,266)**	(95,015)	(103,270)
Other intangible assets		**(1,795)**	-	-
Total regulatory adjustments to CET1		**(169,061)**	(95,015)	(103,270)
Tier 1 Capital (T1)		**2,296,944**	2,138,637	1,812,385
Tier 2 Capital				
Fixed Assets Revaluation Reserves (subject to a discount of 55%)	E	**41,711**	92,745	106,716
Provisions	F	**44,139**	97,146	114,114
Tier 2 Capital (T2)		**85,850**	189,891	220,830
Total Capital (T1 + T2)		**2,382,794**	2,328,528	2,033,215

	2024	2023	2022
	MUR'000	MUR'000	MUR'000
Total on-balance sheet risk-weighted credit exposures	**2,805,598**	7,290,209	8,713,201
Total non-market-related off-balance sheet risk-weighted credit exposures	**723,661**	479,759	411,026
Total market-related off-balance sheet risk-weighted credit exposures	**1,865**	1,746	8,481
Risk weighted assets for operational risk	**939,789**	1,255,790	1,487,014
Aggregate net open foreign exchange position	**35,047**	108,505	83,349
Total risk weighted assets	**4,505,960**	9,136,009	10,703,071
Capital adequacy ratio (%)	**52.9%**	25.5%	19.0%

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(e) Capital management (continued)

Regulatory capital (continued)

Each component of the capital base is mapped by cross reference to a full reconciliation of the Bank's statement of financial position as at 31 December 2024 as described in the table below:

(MUR'000)	As Published	Capital Base under Basel III	Reference
ASSETS			
Cash and cash equivalents	7,218,517		
Trading assets	60		
Loans and advances to banks	524,009		
Loans and advances to customers	3,596,392		
of which,			
- Gross loans		4,121,587	
- Stage 3 impairment		-	
- Stage 1&2 impairment		1,186	F
Investment securities - fair value through other comprehensive income	2,063,225		
Investment securities - Amortised cost	670,986		
Intangible assets	1,795	1,795	
Property, plant and equipment	65,532		
Assets held for sale	86,625		
Other assets	223,318	167,266	G
Total assets	14,450,459		
LIABILITIES			
Deposits from banks	667,664		
Deposits from customers	7,631,443		
Trading liabilities	744		
Other borrowed funds	3,217,521		
Liabilities of disposal groups held for sale	-		
Other liabilities	302,989		
Total liabilities	11,820,361		
Shareholder's funds			
Assigned capital	1,499,750	1,499,750	A
Retained earnings	659,228	659,228	C
Other reserves	471,120		
of which,			
- Statutory Reserve	*306,835*	*306,835*	B
- Reserves for own shares	*16,360*	*16,360*	B
- Fair value reserve	*(16,168)*	*(16,168)*	B
- General Banking Reserve	*71,401*	*44,139*	F
- Revaluation Reserves	*92,692*	*41,711*	E
Total shareholder's funds	2,630,098		
Total liabilities and shareholder's funds	14,450,459		

36 Financial Risk Management (continued)

(e) Capital management (continued)

Regulatory capital (continued)

Banks are required to apply a capital conservation buffer which aims at promoting the conservation of capital and build-up of adequate buffers above the minimum during normal times which can be drawn down during stressed period.

As from 28 June 2021, banks are required to meet the following new minimum capital requirements in relation to risk-weighted assets (RWAs):

(a) 10% Common Equity Tier 1/RWAs;
(b) 11.5% Tier 1 capital/RWAs, and
(c) 12.5% total capital/RWAs.

Moreover, banks are required to apply a capital conservation buffer which aims at promoting the conservation of capital and build-up of adequate buffers above the minimum during normal times which can be drawn down during stressed year.

The bank is required to maintain additional Common Equity Tier 1 Capital (CET1) of 1.00 per cent as additional loss absorbency under BoM Domestic Systemically Important Banks ("DSIB") framework. As from 1 January 2024, the Bank was no longer subject to a 1% capital surcharge in respect of the Domestic Systemically Important Bank.

Various limits and minima are applied to elements of the capital base. The restriction applicable to the Bank is on the amount of general banking reserves that may be included as part of tier 2 capital.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirements throughout the year.

Notes to and forming part of the financial statements
for the year ended 31 December 2024 (continued)

36 Financial Risk Management (continued)

(e) Capital management (continued)

Regulatory capital (continued)

The Bank's regulatory capital position at 31 December 2024 was as follows:

	2024	2023	2022
	%	%	%
CET 1 capital adequacy ratio*	**51.0**	23.4	16.9
Regulatory Limit - Minimum CET 1 CAR	***10.0***	*10.0*	*10.0*
Tier 1 capital adequacy ratio	**51.0**	23.4	16.9
Regulatory Limit - Minimum Tier 1 CAR	***11.5***	*11.5*	*11.5*
Total capital adequacy ratio*	**52.9**	25.5	19.0
Regulatory Limit - Minimum Total CAR	***12.5***	*13.5*	*13.5*

Management uses regulatory capital ratios in order to monitor its capital base and these capital ratios remain the international standards for measuring capital adequacy.

Main features of capital

The Bank's assigned capital is at MUR1.5bn which is above the minimum capital requirement of MUR400 million for banks as per Section 20 of the Mauritian Banking Act 2004. The main feature of the assigned capital is that it is perpetual and there are no circumstances under which distributions are mandatory.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon HSBC Group Internal Ratings Based Approach ("IRBA"). ALCO then manages the balance between the notional capital allocated to businesses and the actual invested capital to ensure the Bank does not fall below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation and is subject to review by ALCO as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision-making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by management.

37. Impact of prior year restatement

(a) Correction of error in other expenses attributed to discontinued operations

Certain expenses were wrongly classified as part of the continuing operations instead of being split into the continuing and discontinued operations.

In line with IAS 8 - Accounting policies, changes in accounting estimates and errors, the prior year figures were restated to reflect the proper split of these expenses. As such, other expenses of MUR179.3m for the year ended 31 December 2023 (2022: MUR212.6m) meets the criteria to be considered as other expenses from discontinued operations.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

MUR'000	As previously stated 31-Dec-23	Impact of restatement	As restated 31-Dec-23	As previously stated 31-Dec-22	Impact of restatement	As restated 31-Dec-22
Statement of profit or loss and other comprehensive income (extract)						
Other expenses	(555,151)	179,275	(375,876)	(454,815)	212,597	(242,218)
(Loss)/profit before income tax	(183,884)	179,275	(4,609)	(112,115)	212,597	100,482
(Loss)/profit after tax in respect of continuing operations	(183,884)	179,275	(4,609)	(105,612)	212,597	106,985
(Loss)/profit after tax in respect of discontinued operations	(277,366)	(179,275)	(456,641)	117,505	(212,597)	(95,092)
Statement of changes in equity (extract)						
(Loss)/profit for the year from continuing operations	(183,884)	179,275	(4,609)	(105,612)	212,597	106,985
Total comprehensive income from continuing operations	(157,543)	179,275	21,732	(211,653)	212,597	944
Total comprehensive income from discontinued operations	(277,366)	(179,275)	(456,641)	117,505	(212,597)	(95,092)
Statement of cash flows (extract)						
(Loss)/profit before tax in respect of continuing operations	(183,884)	179,275	(4,609)	(112,115)	212,597	100,482
(Loss)/profit before tax in respect of discontinued operations	(277,366)	(179,275)	(456,641)	130,752	(212,597)	(81,845)

(b) Minimum cash balance wrongly classified

Section 49 of the Bank of Mauritius Act provides that the Central Bank of Mauritius may require all banks to maintain a minimum cash balance of up to 25% of each bank's total deposit and other liabilities as the Central Bank of Mauritius may specify.

In prior period, management has considered that the minimum cash balance was restricted and as such the balance was classified as a receivable under other assets. In the current period, management has reassessed the classification of the minimum cash balance and consider that the classification was not proper on the basis that the Bank can use the funds overnight. The nature of the restriction imposed by the BoM does not change the nature of the minimum cash balance in a way that it would not meet the definition of cash in IAS 7. During the maintenance period, the Bank does not have access to use the funds and is allowed to replenish same as and when required. As such , the minimum cash balance of MUR2.3bn for 2023 (2022: MUR2.1bn) meets the criteria to be considered as cash and cash equivalents.

In line with IAS 8 - Accounting policies, changes in accounting estimates and errors, the prior year figures were restated to reflect the proper classification of the minimum cash balance under cash and cash equivalents.

The effect of the restatement on the financial statements as at 01 January 2023 and 31 December 2023 are as follows:

MUR'000	As previously stated 31-Dec-23	Impact of restatement	As restated 31-Dec-23	As previously stated 31-Dec-22	Impact of restatement	As restated 31-Dec-22
Statement of financial position (extract)						
Other assets	2,674,820	(2,292,628)	382,192	2,513,370	(2,069,555)	443,815
Cash and cash equivalents	8,682,076	2,292,628	10,974,704	7,068,916	2,069,555	9,138,471
Statement of cash flows (extract)						
Changes in other assets	(180,308)	2,292,628	2,112,320	645,827	2,069,555	2,715,382
Net cash (used in)/from operating activities	(15,737)	2,292,628	2,276,891	(2,043,815)	2,069,555	25,740
Cash and cash equivalents at 31 December	8,794,779	2,292,628	11,087,407	7,218,151	2,069,555	9,287,706

38 Subsequent event

Management is not aware of any matter or circumstance arising since the end of the financial year to the date of this report which could significantly affect the financial position of the Bank at 31 December 2024.

39 Ultimate holding company

The Bank is registered in Mauritius as a branch of The Hongkong and Shanghai Banking Corporation Limited, a company incorporated in Hong Kong. HSBC Holdings plc, a company incorporated in the United Kingdom is the ultimate holding company and controlling party.

Additional cautionary statement regarding ESG and climate-related data, metrics and forward-looking statements

The *Annual Report and Accounts 2024* contains a number of forward-looking statements (as defined above) with respect to the Group's (including the Bank's) ESG targets, commitments, ambitions, climate-related pathways, processes and plans, and the methodologies and scenarios the Group (including the Bank) uses, or intends to use, to assess the Group's (including the Bank's) progress in relation to these ('ESG-related forward-looking statements').

In preparing the ESG-related information contained in the *Annual Report and Accounts 2024,* the Group (including the Bank) has relied on a number of key judgements, estimations and assumptions of the Group and the processes and issues involved are complex. The Group (including the Bank) has used ESG (including climate) data, models and methodologies that it considers, as of the date on which they were used, to be appropriate and suitable to understand and assess climate change risk and its impact, to analyse financed emissions, operational and supply chain emissions, to set ESG-related targets and to evaluate the classification of sustainable finance and investments. However, these data, models and methodologies are often new, are rapidly evolving and are not of the same standard as those available in the context of other financial information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. In particular, it is not possible to rely on historical data as a strong indicator of future trajectories in the case of climate change and its evolution. Outputs of models, processed data and methodologies are also likely to be affected by underlying data quality, which can be hard to assess and the Group (including the Bank) expects industry guidance, market practice, and regulations in this field to continue to change. The Group (including the Bank) also face challenges in relation to its ability to access data on a timely basis, lack of consistency and comparability between data that is available and its ability to collect and process relevant data. Consequently, the ESG-related forward-looking statements and ESG metrics disclosed in the *Annual Report and Accounts 2024* carry an additional degree of inherent risk and uncertainty.

Due to the unpredictable evolution of climate change and its future impact and the uncertainty of future policy and market response to ESG-related issues and the effectiveness of any such response, the Group (including the Bank) may have to re-evaluate its progress towards its ESG ambitions, commitments and targets in the future, update the methodologies it uses or alter its approach to ESG (including climate) analysis and may be required to amend, update and recalculate its ESG disclosures and assessments in the future, as market practice and data quality and availability develop.

No assurance can be given by or on behalf of the Bank as to the likelihood of the achievement or reasonableness of any projections, estimates, forecasts, targets, commitments, ambitions, prospects or returns contained herein. Readers are cautioned that a number of factors, both external and those specific to the Group (including the Bank), could cause actual achievements, results, performance or other future events or conditions of the Bank to differ, in some cases materially, from those stated, implied and/or reflected in any ESG-related forward-looking statement or metric due to a variety of risks, uncertainties and other factors (including without limitation those referred to below):

Additional cautionary statement regarding ESG and climate-related data, metrics and forward-looking statements (continued)

- Climate change projection risk: this includes, for example, the evolution of climate change and its impacts, changes in the scientific assessment of climate change impacts, transition pathways and future risk exposure and limitations of climate scenario forecasts;
- ESG projection risk: ESG metrics are complex and are still subject to development. In addition, the scenarios employed in relation to them, and the models that analyse them have limitations that are sensitive to key assumptions and parameters, which are themselves subject to some uncertainty, and cannot fully capture all of the potential effects of climate, policy and technology-driven outcomes;
- Changes in the ESG regulatory landscape: this involves changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets;
- Variation in reporting standards: ESG reporting standards are still developing and are not standardised or comparable across all sectors and markets, new reporting standards in relation to different ESG metrics are still emerging;
- Data availability, accuracy, verifiability and data gaps: the Group's (including the Bank's) disclosures are limited by the availability of high-quality data in some areas and the Group's (including the Bank's) own ability to timely collect and process such data as required. Where data is not available for all sectors or consistently year on year, there may be an impact to the Group's (including the Bank's) data quality scores. While the Group (including the Bank) expects its data quality scores to improve over time, as companies continue to expand their disclosures to meet growing regulatory and stakeholder expectations, there may be unexpected fluctuations within sectors year on year, and/or differences between the data quality scores between sectors. Any such changes in the availability and quality of data over time, or the Group's (including the Bank's) ability to collect and process such data, could result in revisions to reported data going forward, including on financed emissions, meaning that such data may not be reconcilable or comparable year-on year;
- Developing methodologies and scenarios: the methodologies and scenarios the Group (including the Bank) uses to assess financed emissions and set ESG-related targets may develop over time in line with market practice, regulation and/or developments in science, where applicable. Such developments could result in revisions to reported data, including on financed emissions or the classification of sustainable finance and investments, meaning that data outputs may not be reconcilable or comparable year-on year; and;
- Risk management capabilities: global actions, including the Group's (and the Bank's) own actions, may not be effective in transitioning to net zero and in managing relevant ESG risks, including in particular climate, nature-related and human rights risks, each of which can impact the Group (including the Bank) both directly and indirectly through its customers, and which may result in potential financial and non-financial impacts to the Group (including the Bank).

Additional cautionary statement regarding ESG and climate-related data, metrics and forward-looking statements(continued)

In particular:

- the Group (including the Bank) may not be able to achieve its ESG targets, commitments and ambitions (including with respect to the positions set forth in the Group's thermal coal phase-out policy and its energy policy, and its targets to reduce its on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors), which may result in the Group's (including the Bank's) failure to achieve some or all of the expected benefits of its strategic priorities;
- and the Group (including the Bank) may not be able to develop sustainable finance and ESG-related products consistent with the evolving expectations of its regulators, and its capacity to measure the environmental and social impacts from its financing activity may diminish (including as a result of data and model limitations and changes in methodologies), which may affect its ability to achieve its ESG targets, commitments and ambitions, including its net zero ambition, its targets to reduce its on-balance sheet financed emissions and, where applicable, facilitated emissions in its portfolio of selected high-emitting sectors and the positions set forth in its thermal coal phase-out policy and energy policy, and increase the risk of greenwashing.

Any forward-looking statements made by or on behalf of the Group (including the Bank) speak only as of the date they are made. The Group (including the Bank) expressly disclaims any obligation to revise or update these ESG forward-looking statements, other than as expressly required by applicable law.

Written and/or oral ESG-related forward-looking statements may also be made in the Group's (including the Bank's) periodic reports to its regulators, public offering or disclosure documents, press releases and other written materials, and in oral statements made by the Group's (including the Bank's) Directors, officers or employees to third parties, including financial analysts.

The Group's data dictionaries and methodologies for preparing the above ESG-related metrics and third-party limited assurance reports can be found on: www.hsbc.com/who-we-are/esg-and-responsible-business/esg-reporting-centre.