READY FOR TOMORROW

Annual Report 2021

SBI (Mauritius) Ltd
Bank to grow with

Our Mission

Committed to providing simple, innovative, best in class technology, products and services.

Our Vision

Be the Bank of Choice for vibrant Mauritius

Our Values

Service / Transparency / Ethics / Politeness / Sustainability

Ready for ACTION

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Corporate information

Registered Office

7th Floor, SBI Tower Mindspace
45 Ebène, Cybercity - 72201
Mauritius.

Tel:

(230) 404 4900

Fax:

(230) 454 6890

Email:

info@sbimauritius.com

Website:

https://mu.stateBank

BRN:

C09008318

Group

State Bank of India Group

Company Secretary

Registrar and Transfer Office
Mr. A. B. Mosaheb, ACIS, M. MIoD

SBI (Mauritius) Ltd
7th Floor, SBI Tower Mindspace
45 Ebène, Cybercity - 72201
Mauritius.

Tel: (230) 404 4900
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Auditor

Deloitte
7th-8th Floor
Standard Chartered Tower
15-21 Bank Street
Cybercity
Ebène, 72201
Mauritius.

Directors' Report

DIRECTORS' REPORT

DIRECTORS' REPORT OF SBI (MAURITIUS) LTD

The Board of Directors of SBI (Mauritius) Ltd ("the Bank") is pleased to present the Annual Report, which contains the audited financial statements of the Bank for the year ended 31 March 2021.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the regulations and guidelines issued by the Bank of Mauritius.

Incorporation and Principal Activity

The Bank was incorporated in Mauritius under the Mauritius Companies Act 2001 and holds a banking licence issued by the Bank of Mauritius. Its registered office is at 7th Floor, SBI Tower Mindspace, 45, Ebène Cybercity, 72201, Mauritius. The principal activity of the Bank is retail and commercial banking, which includes both domestic and global business and encompasses all sectors of the economy.

Going Concern

The directors confirm that the Bank has adequate resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern and hence, they continue to adopt the 'going concern' basis for preparing the financial statements.

Overview of Operations

In 2020, the world experienced an economic and social upheaval on a scale unseen in living memory. The whole world was fighting against an invisible enemy which has impacted severely the global financial and human capital. The COVID-19 pandemic has considerably affected the global economic environment and outlook, resulting in adverse impacts on financial performance, downward credit worthiness and muted demand for lending throughout the banking industry.

Against this backdrop, the Bank has demonstrated a resilient performance and has faced these unprecedented challenges better than expected with an increased profit after tax of USD 5.7 Mio; up from USD 1.3 Mio in the previous financial year. The Bank has thus been able to more than offset the significant strains of the pandemic and reposition itself in key business areas.

The Bank further demonstrated that in this crisis, it stood relevant to the banking needs of its clients; evidenced by the growth of 5.1% in the net loan portfolio which closed at USD 491.2 Mio Customer deposits grew by 17.1% with the Bank's strategy of doing away with high-cost term deposits and Medium-Term Notes ("MTNs") and focusing more on Current Accounts and Savings Accounts ("CASA"). Both the Bank's Return on Equity ("ROE") and Return on Assets ("ROA") have improved to 3.9% and 0.6% respectively.

A closer look at the impact of COVID-19 on the Bank

Throughout the world, governments and regulatory agencies have been taking measures to address the adverse effects of the pandemic, and in Mauritius too, the government and the Bank of Mauritius have introduced multiple measures to sustain the economy and protect the strength of the financial sector. Some of the key measures are:

- Lowering the key interest rate to 1.85% in April 2020 down from 3.35% pre-March 2020, which itself is reflective of the measures adopted by regulatory bodies across the world which reduced their interest rates drastically (e.g. LIBOR);
- Introducing moratorium periods on capital repayments to households and other economic operators;
- Setting up a special relief programme for all sectors, including small and medium enterprises.

Net Interest Income

The net interest income of the Bank fell by 17.1% to USD 14.2m as a direct consequence of the reduced interest rate environment. This translated in a decline in the overall net interest margin and the operating income of the Bank.

Loan book

The Bank adopted cautious approach for building up its loan portfolio and was on the lookout for medium to long term loans, which was a challenge on account of adverse impact of subdued and uncertain global economic condition. However, the gross loan book experienced a growth from USD 498.9 Mio to USD 520.2 Mio as of 31 March 2021.

The pandemic has resulted in a decline in the overall credit worthiness as economic performance fell, and the level of uncertainties grew. The Bank has been more prudent in its credit risk assessment and has factored the latest economic data in its IFRS 9 impairment computations. The total impairment provisioning for the Bank grew by 13.7% to USD 39.3 Mio. Nevertheless, impaired credits fell by 16.6% on account of a formerly major impaired account being regularised. The coverage ratio on impaired credits however increased from 46.3% to 67.9%.

Investment securities

The Bank's investment book expanded further to USD 260.2 Mio at the close of the financial year 2019-20: USD 250.0 Mio, representing an increase of 4.1%. These investments were made for two principal reasons:

- To comply with the regulatory requirement of the Bank of Mauritius in respect to keeping a portfolio of "High Quality Liquid Assets" ("HQLAs");
- To have an effective utilisation of the excess liquidity in the Bank with the aim to earn higher interest income.

As at end of March 2021, placements stood at USD 146.9 Mio as compared to USD 123.5 Mio in the previous year, thereby comforting the Bank's liquidity position.

Also, it is worth noting that with the falls in the interest rate, the fair value of bonds, bills and notes that are measured at fair value will tend to rise.

Retirement benefit obligations

The provisions in respect to the retirement benefit obligations of the Bank increased by nearly 95% to reach USD 6.0 Mio. The main driver behind the computations of these liabilities is the discount rate which is derived from a yield curve on local government bonds. The discount rate used by the independent actuary for 2021 was 2.5%, which is down from the 5.6% in the preceding financial year.

Capital Adequacy

The Bank remains well capitalised with a capital adequacy of 26.29% against a regulatory limit of 11.875%. The Bank has further run different stress scenarios with the advent of COVID-19 and the directors remain confident on the strength and resilience of the Bank's balance sheet.

THE BOARD OF

DIRECTORS

The directors holding office during the year ended 31 March 2021, as well as their profiles are disclosed under section 2.5 of the Corporate Governance Report within this annual report.

The Board of Directors wishes to express its appreciation to the directors who resigned during the financial year, for their commitment and contribution towards the Bank's success over the past years.

DIRECTORS' REPORT

Challenges and Outlook

The COVID-19 pandemic was a challenge that few had anticipated. It hits without warning and turned lives and businesses upside down globally. Nevertheless, as a solid and well-capitalised financial institution, SBI (Mauritius) Ltd has been in a good position to support its customers and helped reduce the economic uncertainty on them by extending credit lines based on their needs and risk profiles and by contributing to the maintenance of a well-functioning financial infrastructure.

The aim is to enable the Bank to respond better and faster to customers' changing expectations and to ensure a better and more digital customer experience; whilst at the same time bringing down costs. The Bank continued to make progress on digitalizing Know Your-Customer ("KYC") and ongoing due diligence processes in order to increase efficiency and improve customer experience.

Despite the turbulent times, the Bank has remained committed in its goals to improve its IT technology and has thus invested in enhancing its technological capabilities. During the COVID-19 crisis, our IT systems have proven to be stable, powerful and highly flexible. The Bank also deployed the parent bank's flagship digital application, YONO SBI MU, to offer a unique experience to all its customers and will continue expanding its digital offerings.

Challenges will continue to emerge in 2021, not least because the fight against the pandemic continues. The Bank had a strong start to 2021 and we expect economic activity to return in many markets that are important for our business. We continue to see opportunities for the coming years and we will shape our strategy accordingly. The Bank's focus will be on sustainable profitability with a well-disciplined cost and capital management, and stronger controls and processes.

The Mauritian economy is facing major upheavals and the key stakeholders are being called on to support and help shape its transformation. The Bank must therefore continue in its path towards being sustainably profitable so that it is even better positioned to be relevant to its clients, the Mauritian economy and the wider society.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Mauritius Companies Act 2001 requires the directors of the company to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Company. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make estimates and judgments that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed and complied with, subject to any material departures being disclosed and explained in the financial statements;
- prepare the financial statements on going concern basis unless it is inappropriate to presume that the Bank will continue in business; and
- ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained.

The directors confirm that they have complied with all of the above requirements in preparing the financial statements for the year ended 31 March 2021.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Bank and are also required to ensure that the financial statements comply with the Mauritius Companies Act, 2001. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

Auditor

The shareholders approved the appointment of Bank's auditor, M/S Deloitte, at the last Annual Meeting of Shareholders held on 19 November, 2020. A recommendation to the shareholders for the appointment of the statutory auditor is being moved through a separate resolution.

Acknowledgement

We would like to take this opportunity to thank our valued customers for their patronage, confidence and trust in the Bank. We wish to place on record the dedication and commitment of the staff and Senior Management which enabled the Bank to grow and create value for our stakeholders, especially during these testing times. The Bank also extends its sincere thanks to the regulators.

Approved by the Board of Directors and signed on its behalf by

Sudhir Sharma
Managing Director & CEO

D. Ponnusamy
Director

N. Maraye
Director

SBI (Mauritius) Ltd
Bank to grow with

ANNUAL REPORT 2021

Corporate Governance
Report 2021

Corporate Governance
Report 2021

Principle 1
Governance structure

Principle 2
The structure of the board and its committees

Principle 3
Director appointment procedures

Principle 4
Director duties, senior executive remuneration and performance

Principle 5
Risk governance and internal control

Principle 6
Reporting with integrity

Principle 7
Audit

Principle 8
Relations with shareholders and other key stakeholders

Ready and waiting

CORPORATE GOVERNANCE REPORT

Statement on Corporate Governance

SBI (Mauritius) Ltd, ("SBIML" or "The Bank"), a public company incorporated in Mauritius on 12 October 1989, is fully committed to the observance and adoption of the highest standards and that as far as good corporate governance is concerned, both in letter and spirit. In this regard, the Bank has complied with the provisions of the National Code of Corporate Governance for Mauritius ("The Code"), the Bank of Mauritius *Guideline on Corporate Governance* and the Mauritius Companies Act 2001.

The Bank believes that good governance enhances shareholder value, protects the interests of shareholders and other stakeholders including customers, employees and society at large. It promotes transparency, integrity in communication and accountability for performance. The Bank is a Public Interest Entity ("PIE") as defined by the Financial Reporting Act 2004 and is required to comply with the Code. In that regard, it has applied all of the principles contained in the code.

As of 31 March 2021, 96.60% of the Bank's shareholding is held by the State Bank of India ("SBI").

1. PRINCIPLE 1

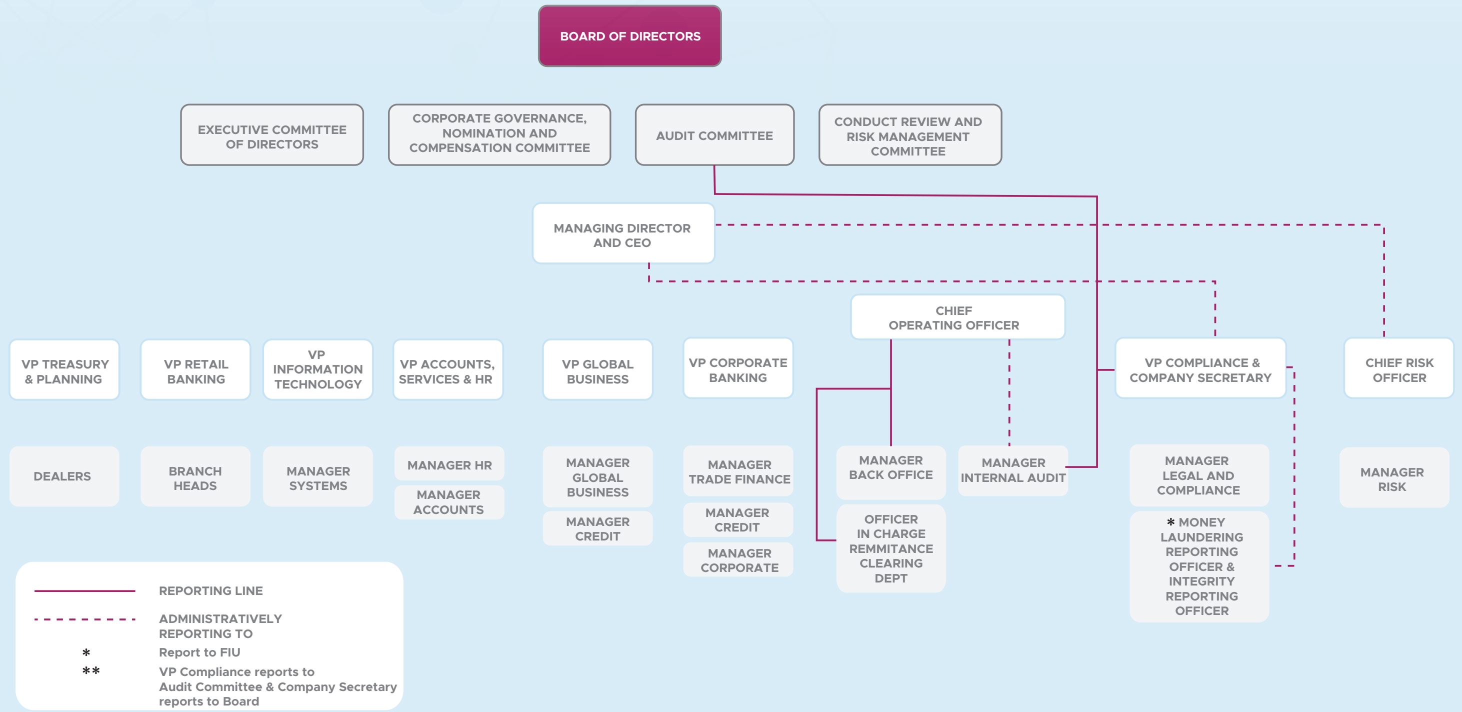
Governance Structure

The Bank has in place its Board Charter, job descriptions of key senior governance positions, the Code of Ethics and the statement of major accountabilities, which have been reviewed and approved by the appropriate authority. These documents are monitored and updated on a yearly interval or as and when required following changes in laws, regulatory changes or decisions taken by the appropriate Committee of the Board. The above-mentioned documents are available on the Board's website at https://mu.stateBank.

The Board exercises its powers and discharges its responsibilities by leading and controlling the Bank. Further, it ensures that the Bank has implemented effective systems and practices to achieve compliance with legal and regulatory requirements as well as guidelines issued by the Bank of Mauritius.

1.1 Organisational Chart

The organisational chart is depicted below along with profile of Senior Management.



1.2 Profile of Senior Management

Profile of Senior Management team is given below:

1. Mr. Sudhir SHARMA

The profile of Mr. Sharma, Executive Director, is given under the profile of Directors in section 3.4 of this report. Mr. Sharma is the Bank's Managing Director and Chief Executive Officer ("MD&CEO").

2. Mr. Mukesh ARYA

Mr. Arya, the Chief Operating Officer ("COO") of the Bank since 03 August 2018, is responsible for the day-to-day operations of the Bank. Presently, he is in charge of the Treasury (Back Office) of the Bank. He joined State Bank of India ("SBI") as Probationary Officer and occupied several positions during his tenure in India, last being Regional Manager at SBI in Delhi Circle before joining SBIML. He holds an MBA (Finance) degree, a BCom (H) and is a Certified Associate of the Indian Institute of Bankers ("IIBF"). His experience in the banking sector expands over 23 years and covers business development, marketing and communication, retail and corporate lending and the operational aspects of banking.

3. Mr. Debasish RATHA

Mr. Ratha, Vice President (Corporate Banking), joined SBI in 2001 as a Probationary Officer and has 19 years of experience in the banking industry covering international banking, corporate and retail credit, trade finance, treasury operations and branch administration. Previously he has served SBI in India and Japan. He holds a bachelor degree in commerce, a bachelor degree in law and a post graduate diploma in computer application. He is a Certified Associate of the IIBF and an Associate of Association of Certified Anti-Money Laundering Specialists (ACAMS).

He was deputed to SBIML in 2017 and is responsible for business development, framing of credit policies and procedures, product development, business efficiencies for corporate credit, financing to Small and Medium Enterprises ("SMEs") and trade finance.

1.2 Profile of Senior Management (CONT'D)

4. Mr. Patitapaban PARIDA

Mr. Parida, Vice President (Treasury & Planning), joined SBI in 2004 as a Probationary Officer. He has 17 years of banking experience in various aspects of banking which includes: foreign exchange and treasury management, international banking, trade finance, corporate credit and branch management. He has experience of working in various geographies in India as well as in the Canadian subsidiary of SBI. He holds a bachelor's degree in technology (Bachelor of Technology in Civil Engineering) and is a Certified Associate of both the ACAMS and the IIBF. Mr. Parida was deputed to SBIML in September 2017 as Vice-President (Treasury & Planning), looking after the treasury business, investments, assets and liabilities management and planning for the Bank.

7. Mr. Tajinder Pal SINGH

Mr. Singh is the Vice President (Retail Banking) of the Bank since September 2017. He is responsible for the operational and business efficiencies of all domestic branches of the Bank in Mauritius. He is also responsible for retail credit and other centralised processing cells ("CPCs"). He joined SBI in 1990 and has over 31 years of rich and diverse experience in branch operations, branch management, information technology ("IT") and trade finance. He holds an MBA (Finance) and is a Certified Anti-Money Laundering Specialist ("CAMS"), Certified Financial Planner ("CFP") and a Certified Associate of the IIBF.

5. Mr. Surya Rama Krishna SOMAYAJULA

Mr. Somayajula, Vice President (Global Banking), holds a Bachelor of Commerce and is a Certified Associate of the IIBF. He joined SBI in 1986 as an Assistant and was promoted as Trainee Officer in 1994 and has worked in various verticals during his career. His last assignment was as Chief Manager and Relationship Manager in Specialised Commercial Branch of SBI in Guntur, Andhra Pradesh, India. Having more than 34 years of experience, he has exposure in General Banking, Agriculture, Mid Corporate Group and Forex Exchange. He was deputed to SBIML on 12 October 2016 as the Vice President (Global Banking) up to 11 February 2021.

8. Mr. Umesh Chandra SAHU

Mr. Sahu, Vice President (IT) is an IT specialist with 27 years of experience in IT operations, IT security systems, application security and code review, software development, systems integration, Management Information Systems ("MIS"), IT audit and governance. He has served SBI in various positions before joining the Bank. Mr Sahu holds a Bachelor Degree in Physics, a Post Graduate Diploma in Systems Management, a Bachelor Degree in Journalism and Mass Communication. He is a Certified Associate of the IIBF, a Certified Information Security Banker, a Certified Big Data Science Analyst and a Certified Anti Money Laundering Specialist.
Mr. Sahu was deputed to SBIML on 30 August 2018. As Vice President (IT), he oversees all technology operations of the Bank and spearheads all IT initiatives. He is also responsible for enforcing best information security practices in the maintenance of IT Assets of SBIML.

6. Mr. Nikhil SINGH

Mr. Singh was deputed to SBIML on 11 February, 2021 as Vice President (Global Banking). He holds a Master of Commerce, Master of Business Administration and is a Certified Associate of the IIBF. He joined SBI in 2010 as Management Executive and has worked in various verticals during his career. His last assignment was as Chief Manager at SBI's Stressed Assets Resolution Group, Mumbai. Having more than 10 years of experience, he has exposure in general banking, agricultural finance, mid-corporate group financing and stressed assets management.

9. Mr. Kritanand RAMKHELAWON

Mr. Ramkhelawon is the Vice President (Accounts & Services) & Human Resources since 2008. He joined the Indian Ocean International Bank in 1980 and has held various positions with the Bank. He holds an MBA in Financial Management from the University of Mauritius. He has thorough knowledge in the local environment, legal and accounting related issues.

1.2 Profile of Senior Management (CONT'D)

10. Mr. Aboo Bakar MOSAHEB

Mr. Mosaheb, Vice President (Compliance) & Company Secretary, is an Associate Member of the Institute of Chartered Secretaries and Administrators ("ICSA") and a member of the Mauritius Institute of Directors ("MIoD"), which is a not for profit organisation that promotes the highest standards and best practices of corporate governance in Mauritius. He has over 20 years of experience in the banking sector at senior management level; mainly in areas of internal audit, compliance, Anti Money Laundering & Combating Financing of Terrorism and Proliferation ("AML/CFT &P"), risk management including a two-year stint overseeing the human resource department among others. Before joining the banking sector, he worked for 5 years in an accountancy firm as well as in a private company, where he gained experience in areas of accountancy, audit and corporate secretarial practice. Mr. Mosaheb also has over 10 years of overseas experience in IT, accounting, international recruitment, and bidding exercises for large complex projects.
As Vice President Compliance, he oversees the Compliance and Legal Department providing direction and oversight including on-going assessment and reporting of the AML/CFT & P function through the relevant governance Sub-Committees and the Board. As Corporate Secretary, he is responsible for the corporate secretarial and corporate governance matters.

11. Mr. Jaspal SINGH

Mr. Singh, Chief Risk Officer, is an experienced banker with over 22 years of experience in general banking, credit and treasury management. He has served SBI in various positions as Field Officer, Branch Manager, Foreign Exchange Dealer and Chief Dealer, before being deputed to SBI (Mauritius) Ltd. Mr. Singh holds a master's degree in Financial Management, a diploma in Treasury Investment and Risk Management and is a Certified Associate of the IIBF.
Mr. Singh was deputed to SBIML on 18 December 2019. As Chief Risk Officer, he oversees management, identification, evaluation and reporting of Bank's risks externally and internally.

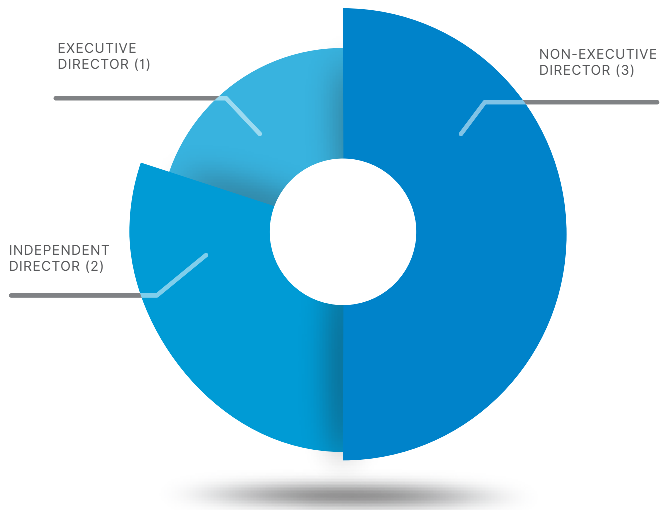
2. PRINCIPLE 2

The Structure of the Board and its Committees

The Board of SBIML has a unitary structure and has been constituted in compliance with the Bank's constitution, the National Code of Corporate Governance for Mauritius, the Bank of Mauritius *Guideline on Corporate Governance*, the Mauritius Banking Act 2004 and the Mauritius Companies Act 2001.

Keeping in view the Mauritius Banking Act 2004, the Bank's constitution and the size of the Bank's operations as of 31 March 2021, the membership of the Board comprised 6 Directors; 3 of whom are non-executive, 2 are independent and 1 is executive.

By virtue of Section 18(4) of the Mauritius Banking Act 2004, the Bank of Mauritius has approved the composition of the Board, being made up of at least 40% of non-executive directors. In order to promote gender diversity, the Board has inducted a new female independent director, namely, Mrs. Neeveditah MARAYE on its Board and also on all its Sub-Committees. Mrs. Maraye has taken the position of Mrs. Bibi Khoudijah MAUDABOCUS-BOODOO who resigned from the Board during the financial year ended 31st March 2021.



2.1 Company Secretary

The Company Secretary, Mr. Aboo Bakar Mosaheb, ACIS, MIoD is also the Vice President (Compliance). His profile is given under Section 1.2 of this report.

2.2 Board of Directors

The Board of SBIML functions as an authoritative decision-making body and meets regularly as required and periodically monitors the performance of Management. All the Directors possess expertise and experience in relevant areas such as accountancy, public administration, corporate management and banking. The Board collectively and the Directors individually are fully involved in the Bank's affairs and adhere to the highest ethical standards.

The Directors are elected to hold Office until the next Annual Meeting of Shareholders and are eligible for re-election as provided by the Bank's constitution. The Chairperson of the Board is a Non-Executive Director.

2.3 Board Charter

The Board exercises its powers and discharges its responsibilities as provided in the Board's Charter which covers the fbelow matters among others:

a) Review operational reports, financial results and cash flow projections;
b) Review the reports and recommendations of the Audit Committee;
c) Approve the quarterly announcement and quarterly financial statements to shareholders and the public;
d) Approve capital expenditure, acquisitions and the disposal of the Bank's assets as per delegated powers;
e) Review committee minutes and board circular resolutions for notation;
f) Review changes in directorships and disclosure of interests;
g) Review disclosure of dealings by directors and principle officers;
h) Approve policies/manuals as recommended by its Sub Committees.
i) Approve the Bank's corporate plan covering short term and long term business objectives, strategy together with appropriate policies to execute the strategy, including those relating to risk management, capital adequacy, liquidity, risk appetite, compliance, internal controls, communication policy, director selection, and orientation and evaluation;
j) Require Management to review periodically the effectiveness of the established corporate plan and report results to the Board;
k) Appoint and monitor senior management, question and scrutinise its performance in the achievement of corporate objectives;
l) Question, scrutinise and monitor the performance of Board Sub-Committees, and individual directors;
m) Ensure that policies and systems in place are effective to achieve a prudential balance between risks and returns to shareholders;
n) Require management to review and assess periodically the efficiency and effectiveness of policies, systems and controls and report results to the Board; and
o) Any other matters requiring its authority.

The Board Charter which is available on the Bank's website is reviewed by the Corporate Governance, Nomination and Compensation Committee ("CGNCC") on a yearly interval or earlier if so required.

CORPORATE GOVERNANCE REPORT

2. PRINCIPLE 2 – THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)

2.4 Responsibilities of the Board of Directors

The fundamental statutory responsibilities of the Board of Directors are to:

a) Determine the overall policies regulating the various businesses/activities of the Bank.

b) Supervise the management of the business and conduct of affairs by the Management.

c) Monitor the performance of the Management to ensure satisfactory implementation of the policies it has laid down.

d) Enunciate and oversee the Bank's strategic direction and to ensure that its organisational structure and capabilities are appropriate for implementing the chosen strategies.

On top of the responsibilities outlined in the Board Charter, and described in Section 2.3 of this report, the approval of the Board is specifically required for the below:

- Appointment of the MD & CEO and other senior officers including company secretary and board committee members, and assessing periodically their performance in the context of established corporate objectives and plans;
- The capital and operating budgets of the Bank including the internal capital adequacy assessment process ("ICAAP"), capital and liquidity plans;
- Significant business decision/matter requiring the convening of a general meeting of shareholders or any matter required by the laws;
- Interim and annual report including audited financial statements, corporate governance report and directors report;
- Changes to accounting policies and any other significant internal policies;
- Director's fee/remuneration in general including staff compensation policies;
- Capital expenditure/bad debts write-off/investment or divestment decisions;
- Granting of powers of attorney;
- Considering and, if deem appropriate, declare or recommend the payment of dividends;
- Reports and recommendations from the Audit Committee, Conduct Review and Risk Management Committee and Corporate Governance, Nomination and Compensation Committee.

The Board discharges the above responsibilities either directly or through its Sub-Committees for more in-depth analysis and review of various issues. The minutes of the Sub-Committees are placed before the Board for approval or information, as the case may be.

In line with the Banking Act 2004 and with the best practices of Corporate Governance, the Board of SBIML has set up four Sub-Committees of the Board of Directors namely:

- Executive Committee of Directors
- Audit Committee
- Conduct Review and Risk Management Committee and ("CRRMC")
- Corporate Governance, Nomination & Compensation Committee

The Executive Management team (comprising the different Vice Presidents) is invited to the Board and Sub-Committee meetings as required. The Board remains directly accountable to the shareholders for the overall performance of the Bank.

The Board promotes openness, integrity, accountability to improve corporate behaviour, strengthens internal control systems and reviews senior management's performance on a regular basis. To fulfill their responsibilities, Board members of SBIML have unhindered access to accurate, relevant and timely information.

The Board has further delegated the day to day running of the business and affairs of the Bank to the Executive Management but remains ultimately responsible and accountable. There is a Central Management Committee ("CENMAC") and the Risk Management Committee ("RCOM") comprising key management staff who are responsible for specific tasks within the limits of the authority determined and powers delegated.

Issues are debated and decisions in Management Committees are taken unanimously. All the main Management Committees such as Central Management Committee, Risk Management Committee and the Assets and Liabilities Committee are chaired by the MD & CEO.

In compliance with the Bank of Mauritius *Guideline on Corporate Governance*, there is a clear demarcation of responsibilities of the Board and Management in the interest of an effective accountability regime.

2.5 Board Composition

As of 31 March 2021, the Board of Directors comprised the following members:

SN	Name of directors	Category	Resident / Non – Resident	Other directorships in listed companies	Date of appointment
1	Mr. Venkat Nageswar Chalasani	Non-Executive Director and Chairperson	Non-Resident	None	07 December 2018
2	Mr. Rama Sundara Satyanarayana Brahmandam	Non-Executive Director	Non-Resident	None	08 July 2019
3	Mr. Uday Laxman Bodas	Non-Executive Director	Non-Resident	None	07 October 2020
4	Mr. Sudhir Sharma	Executive Director	Resident	None	27 November 2020
5	Mr. Dhiren Ponnusamy	Independent Director	Resident	None	06 November 2020
6	Mrs. Neeveditah Maraye	Independent Director	Resident	None	18 November 2020

The below directors resigned during the year ended 31 March 2021:

SN	Name of directors	Category	Resident / Non – Resident	Other directorships in listed companies	Date of resignation
1	Mr. Subbaramaiah Ramesh Rajapur	Non-Executive Director	Non-resident	None	12 October 2020
2	Mrs. Shashi Prabha	Executive Director	Resident	None	27 November 2020
3	Mr. Geeanduth Gopee	Independent Director	Resident	None	25 December 2020
4	Mrs. Bibi Khoudijah Maudarbocus-Boodoo	Independent Director	Resident	None	15 September 2020

NOTE:

The Non-Executive Directors are based in India.

2. PRINCIPLE 2 – THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)

2.6 Board Evaluation

The performance evaluation of the Board and its Sub-Committees and the Independent Directors is conducted every year. The evaluation exercise for the current financial year ended 31 March 2021 was conducted internally at the board meeting held on 24 December, 2020 facilitated by the Company Secretary and the following process methodology was covered:

- Plan and collect preliminary information;
- Design and validate assessment questionnaire;
- Administer questionnaire; and
- Report on results

The methodology in more details is provided below:

- Circulate the self-assessment questionnaire to the members of the Board and its Sub-Committees;
- Interact with each member of the Board and Sub-Committees to discuss their responses to the questionnaire as may be required;
- Perform reviews of various documents (e.g. Board Charter, the terms of reference of the four Sub-Committees and any other documents such as minutes of Board and Sub-Committees meetings and policies) to understand and assess whether the Bank complies with the Code and Bank of Mauritius Guidelines;
- Interact with key management to understand how the Bank complies with the Code and Bank of Mauritius Guidelines; and
- Assess the extent to which the Bank complies with the Code and Bank of Mauritius Guidelines.

Several recommendations were made for implementation by the Board which are in the process of implementation over the next couple of years.

2.7 Shareholding Interest of Directors

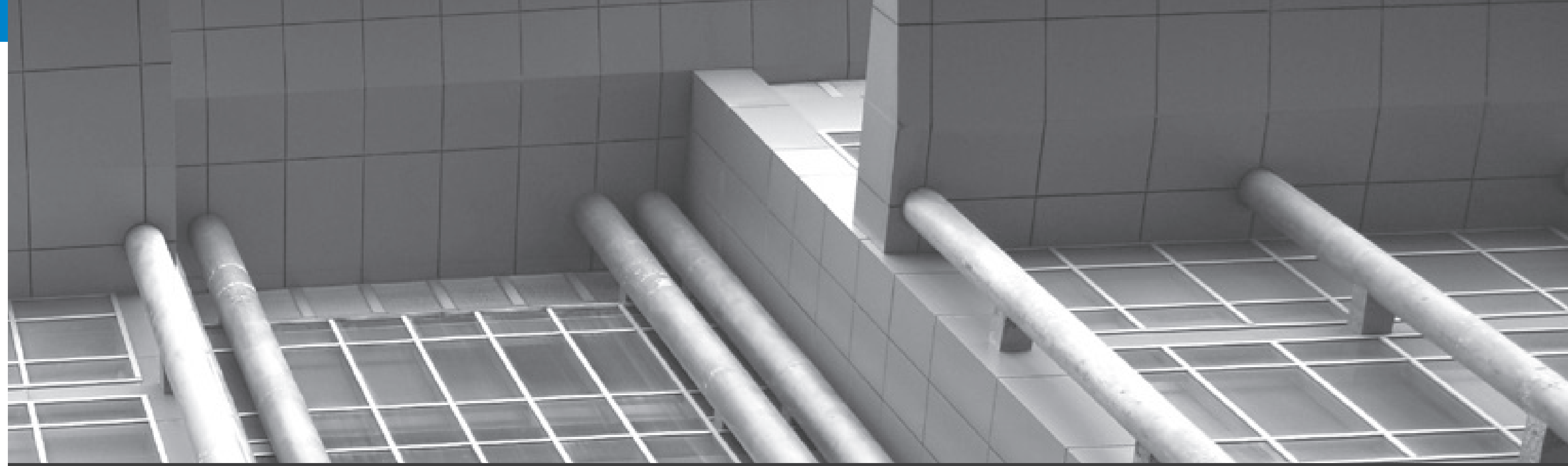
None of the directors has any direct or indirect shareholding in the Bank. The MD & CEO is on deputation from State Bank of India and the non-executive directors are Senior Executives from SBI.

2.8 Meetings of the Board and Sub-Committees

The Board and its sub-committees meet regularly as per the periodicity approved by the Board. The details of attendance by each director at the different meetings held during the year are as follows:

	Board of Directors	Executive Committee Of Directors	Audit Committee	Conduct Review & Risk Management Committee	Corporate Governance Nomination & Compensation Committee
No. of Meetings held	**5**	**5**	**5**	**4**	**4**
Directors	Attendance	Attendance	Attendance	Attendance	Attendance
Current directors as of 31 March 2021					
Mr. Venkat Nageswar Chalasani (Chairperson of Board)	5	^	^	^	^
Mr. Rama Sundara Satyanarayana Brahmandam	5	5	4	4	4
Mr. Uday Laxman Bodas (as from 07.10.2020)	2	3	2	2	2
Mr. Sudhir Sharma (as from 27.11.2020)	2	2	^	2	2
Mr. Dhiren Ponnusamy (as from 06.11.2020)	2	3	1	2	2
Mrs. Neeveditah Maraye (as from 18.11.2020)	2	2	1	2	2
Directors who resigned during the year					
Mr. Subbaramaiah Ramesh Rajapur (up to 11.10.2020)	1	-	1	-	-
Mrs. Shashi Prabha (Former MD & CEO)(up to 27.11.2020)	3	3	^	2	2
Mr. Geeanduth Gopee (up to 24.12.2020)	4	3	4	3	3
Mrs. Bibi Khoudijah Maudarbocus-Boodoo (up to 14.09.2020)	3	2	3	2	2

NOTE: ^ Not a member



2.8 Sub-Committees of the Board

With the exception of the Executive Committee of Directors which is chaired by a Non-Executive Director, all the remaining Committees are chaired by an Independent Director.

Each Committee has its own charter, a summary of which is given below. The charters are available on the Bank's website and are reviewed by CGNCC every year or earlier if so required.

I. Executive Committee of Directors

The Executive Committee of Directors' ("ECOD") Charter provides that the Committee shall comprise a number of executive and non-executive directors as may be decided by the Board from time to time.

The ECOD acts as a sub-committee of the Board of Directors and meets frequently at short notice to dispose of credit proposals and operational matters as per the Delegation of Powers vested with it. Minutes of the ECOD are put up to the Board for Approval / information.

The mandate of the ECOD includes:

a) Review and approve of credit proposals within its power;
b) Review and approve expenditure falling within its power;
c) Review control reports for facilities sanctioned by Executive Credit Committee
d) Review of decisions taken by the Procurement Committee;
e) Review minutes of Central Management Committee (CENMAC) meetings;
f) Review statement of expenditure for the Bank on a monthly basis;
g) Review of Top 20 Non-Performing Assets ("NPAs") and NPA positions on a regular basis.
h) Regularly review the performance of the Bank against the Board approved benchmarks.
i) Deal with such other matters as are delegated by the Board to the Executive Committee from time to time.

As of 31 March 2021, the ECOD was made of the below five Directors:

1. **Mr. Rama Sundara Satyanarayana Brahmandam (Chairperson)**
2. **Mr. Uday Laxman Bodas**
3. **Mr. Sudhir Sharma**
4. **Mr. Dhiren Ponnusamy**
5. **Mrs. Neeveditah Maraye**

The Executive Committee of Directors met 5 times during the period under review and considered matters relating to the above at each meeting.

CORPORATE GOVERNANCE REPORT

2. PRINCIPLE 2 – THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)

2.8 Sub-Committees of the Board (continued)

II. Audit Committee

The Audit Committee's Charter provides that the Committee shall consist of 4 directors with at least 2 independent directors or such composition designated by the Board. The Committee consists of 2 independent directors and 2 non-executive directors, namely:

- Mrs. Neeveditah Maraye (Chairperson)
- Mr. Rama Sundara Satyanarayana Brahmandam
- Mr. Uday Laxman Bodas
- Mr. Dhiren Ponnusamy

In compliance with the Bank of Mauritius Guidelines and the provisions contained in Section 54 of the Mauritius Banking Act 2004, the Audit Committee ("AC") oversees the financial stewardship of the Bank's management and also the performance of the external and internal audit functions. It maintains direct communications with the external auditor especially during periodical review of the Bank's accounts. The external auditor is invited to participate in the Audit Committee meetings at the time of the review and adoption of the Bank's quarterly and annual financial statements.

The mandate of the Audit Committee includes, inter alia:

a) Examine the audited financial statements for adequacy of the Bank before they are approved by the Board;

b) Require the Management of the Bank to implement and maintain appropriate accounting, internal control and financial disclosure procedures and review, evaluate and approve such procedures;

c) Review such transactions as could adversely affect the sound financial condition of the Bank as the external auditor or any officers of the Bank may bring to the attention of the committee or as may otherwise come to its attention;

d) Perform such additional duties as may be assigned to it by the Board of Directors;

e) Evaluate the independence and effectiveness of the external auditor and consider any non-audit services rendered by such auditor as to whether this substantively impairs its independence;

f) Evaluate the performance of the external auditor;

g) Discuss and review, with the external auditor before the audit commences, the auditor's engagement letter, the terms, nature and scope of the audit function, procedure and engagement, the audit fees;

h) Provide oversight of the Bank's internal and external auditor and prior endorsement for their appointment and removal;

i) Establish and maintain policies and procedures for employees of the Bank to submit confidentially information with respect to accounting, internal control, compliance, audit and any other related matters of concern;

j) Implement a process for ensuring that employees are aware of the policies covered under (i) above and for dealing with matters raised by employees with it, under these policies;

k) Examine policies and escalate the findings to the Board for consideration and necessary action;

l) Approve audit plans (external and internal) to ensure that these are risk-based and address all activities over a measurable cycle, and that the work of the external and internal auditors is coordinated;

m) Recommend to shareholders the appointment, removal, and remuneration of the external auditor;

n) Approve the remuneration of the Head of Internal Audit;

o) Assess periodically the skills, resources, and independence of the external audit firm and its practices for quality control;

p) Assess whether the accounting practices of the Bank are appropriate and within the bounds of acceptable practice;

q) Ensure that there is appropriate structure in place for identifying, monitoring, and managing compliance risk as well as a reporting system to advise the Committee and the Board of instances of non-compliance on a timely basis;

r) Discuss with senior management and the external auditor the overall results of the audit, the quality of financial statements and any concerns raised by the external auditor. This should include:

- Key areas of risk for misinformation in the financial statements, including critical accounting policies, accounting estimates and financial statement disclosures;
- Changes in audit scope and whether the external auditor considers the estimates used as aggressive or conservative within an acceptable range;
- Significant or unusual transactions and internal control deficiencies identified during the course of the audit.

s) Review of any transactions brought to its attention by auditors or any officers of the institution, or that might otherwise come to its attention, which might adversely affect the financial condition of the Bank;

t) Report to the Board on the conduct of its responsibilities in frequency specified by the Board, with particular reference to section 39 of the Banking Act 2004; and

u) Ensure that management is taking appropriate corrective action in response to deficiencies identified by the auditors, including internal control weaknesses and instances of non-compliance with laws.

Reporting Responsibilities for the Audit Committee

The Audit Committee Chairperson reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and also formally reports to the Board on how it has discharged its responsibilities. This report includes:

- The significant issues that it considered in relation to the financial statements and how these were addressed;
- Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
- Any other issues on which the Board has requested the Committee's opinion.

The Audit Committee also makes recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

During the year under review, the Audit Committee met five times and the main issues discussed at the Audit Committees are as follows:

- Examining, reviewing and challenging the quality and integrity of the quarterly condensed financial information the annual financial statements of the Bank;
- Reviewing of the annual report including the directors' report, corporate governance report, management discussion & analysis and the audited financial statements for the year ending 31.03.2020.
- Reviewing the management letter, external auditor's report on the operating effectiveness of the Bank's controls over financial reporting in line with the Bank of Mauritius *Guideline on Maintenance of Accounting and Other Records and Internal Control Systems* for the year ended 31.03.2020.
- Reviewing the half yearly reports, interim reports and any other formal announcement relating to the Bank's financial performance, and
- Overseeing appropriateness of the process, models and the assumptions made for IFRS 9 and assessing their impact on the Bank's financial statements.

The external auditor, M/s Deloitte, was invited to attend all of the Meetings convened to review the quarterly and yearly results.

III. Corporate Governance, Nomination and Compensation Committee ("CGNCC")

Per its Terms of Reference, the CGNCC must be made of at least 5 members with a majority of non-executive directors or independent directors and the MD&CEO must be part of the Committee. The Committee presently consists of the five below members:

- Mrs. Neeveditah Maraye (Chairperson)
- Mr. Rama Sundara Satyanarayana Brahmandam
- Mr. Uday Laxman Bodas
- Mr. Sudhir Sharma
- Mr. Dhiren Ponnusamy

The CGNCC ensures enforcement of good governance practices in line with the *Guideline on Corporate Governance* issued by the Bank of Mauritius and the National Code of Corporate Governance for Mauritius. Its mandate includes, among others, nomination and selection of "Fit and Proper Persons" as directors and senior executives of the Bank, determination of the Bank's general policy on Directors' fees, remuneration of executives and senior management and consideration of other important staff related matters.

The Committee aims to attract and retain qualified and experienced management personnel and executives necessary to meet the Bank's objectives.

The Committee has regard to the size and composition of the Board to ensure that there is the appropriate mix of skills, experience and competencies for the Board to fulfill its responsibilities. The Committee also seeks that any recommended candidate for directorship has the right profile, resources and time commitment to contribute to the Board.

The minutes of the Committee are put up to the Board for Approval/information.

The mandate of CGNCC includes to:

a) Consider, evaluate and recommend to the Board any new Board appointments;

b) Recommend to the Board candidates for Board positions, including the Chairperson of the Board and Chairpersons of the Board's Committees;

c) Recommend the criteria for the selection of board members and the criteria for the evaluation of their performance;

d) Evaluate on an annual basis, the effectiveness of the Board as a whole, the Board's Committees and each director's ability to contribute to the effectiveness of the Board and the relevant Board Committees;

(e) Ensure an appropriate framework and plan for Board and management succession in the Bank;

(f) Provide adequate training and orientation to new directors as well as continuous training for all Directors during the year;

(g) Review and ensure that the policy on directors' fees for the company are reflective of the contribution of each individual director;

(h) Prepare for approval of the Board the remuneration and compensation package for directors, senior managers, and other key personnel, taking into account the soundness of risk taking and risk outcomes as well as any relevant information available on industry norms;

(i) Review management's recommendation on appointment or promotion of senior management personnel.

(j) Approve overall conditions of other employees of the Bank, taking into consideration proposals of trade union/s.

(k) Recommend to the Board an incentive package, as necessary, to enhance staff performance, while ensuring that incentives embedded within remuneration structures do not incentivise staff to take excessive risk;

(l) Determine the level of fees for directors to be recommended to the shareholders.

(m) Review policies and recommend to the Board for approval.

(n) Comment on the contribution of individual directors to the achievement of corporate objectives as well as on the regularity of their attendance at the Board and Committee meetings.

During the year under review, the CGNCC met four times and the main issues discussed at the said Committee are as follows:

- Reviewing the Bank's HR related policies and the Corporate Governance Policy in accordance with the recommendations of the National Code of Corporate Governance;
- Reviewing Board appointments, recruitments, manpower budget and training requirements of the Board members, and
- Discussing and recommending the Annual Board assessment report to the Board for approval.

IV. Conduct Review & Risk Management Committee ("CRRMC")

The CRRMC was set up to advise the Board on the Bank's overall current and future risk appetite, to oversee senior management's implementation of the risk appetite framework and to report on the state of risk culture in the Bank. It also monitors and reviews related party transactions and the overall risk management of the Bank. Its mandate also includes, among others:

a) Approving, reviewing or overseeing the process, framework, principles, operating procedures and systems developed by the management to identify, evaluate and oversee the appropriate management of principal risks;

b) Maintaining an orientation, with continuing education as the risk in the market changes and/or standards for measuring risks are enhanced;

c) Reviewing the policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the Bank;

d) Establishing risk management processes namely by facilitating and reviewing the development and implementation of improvements to simplify and enhance the effectiveness of the existing risk management system;

e) Review minutes of the Risk Management Committee;

f) Review the Bank's Internal Capital Adequacy Assessment Process ("ICAAP") with a view to address the risk management of the Bank;

g) To provide prior endorsement for the appointment and removal of the Chief Risk Officer;

h) Require management of the Bank to establish policies and procedures to comply with the requirements of the relevant guidelines issued by the Bank of Mauritius, namely the *Guideline on Credit Risk Management, Guideline on Related Party Transactions, Guideline on Maintenance of Accounting and Other Records and Internal Control Systems and Guideline on Corporate Governance*, amongst others;

i) Review and approve each credit exposure to related parties;

j) Ensure that market terms and conditions are applied to all related party transactions;

k) Review the practices of the Bank to ensure that any transaction with related parties that may have a material effect on the stability and solvency of the Bank is identified and dealt with in a timely manner;

l) Report periodically and in any case not less frequently than on a quarterly basis to the Board on matters reviewed by it, including exceptions to policies, processes and limits.

m) Identification of principal risks, including those relating to credit, market, liquidity, operational, compliance, and reputation of the institution, and actions to mitigate the risks;

n) Appointment of a Chief Risk Officer who, among other things, shall provide assurance that the oversight of risk management is independent from operational management and is adequately resourced with proper visibility and status in the Bank;

o) Ensuring independence of the Chief Risk Officer from operational management without any requirement to generate revenues;

p) Requirement of the Chief Risk Officer to provide regular reports to the Committee, Senior Management and the Board on his activities and findings relating to the institution's risk appetite framework;

q) Receive from senior officers periodic reports on risk exposures and activities to manage risks; and

r) Formulate and make recommendations to the Board on risk management issues.

As of the reporting date, the Conduct Review and Risk Management Committee was composed of five Directors out of whom two are independent directors and two are non-executive directors. The members are:

1. Mr. Dhiren Ponnusamy (Chairperson)
2. Mr. Rama Sundara Satyanarayana Brahmandam
3. Mr. Uday Laxman Bodas
4. Mr. Sudhir Sharma
5. Mrs.Neeveditah Maraye

2.8 Sub-Committees of the Board (continued)

IV. Conduct Review & Risk Management Committee ("CRRMC") (continued)

During the year under review, the CRRMC met four times and the main issues discussed at the said meeting are as follows:

- Quarterly reporting to the Board of Directors on policies and processes reviewed and approved by the Committee;
- Quarterly reviewing and ratifying the related party transactions of the Bank and ensuring the market terms and conditions are applied to all the related party transactions;
- Identifying, reviewing and assessing the principal risks, including but not limited to credit, market, liquidity, operational, technological, legal & compliance, reputational risks and the action taken to mitigate these risks, and
- Adequacy of impairment provisioning under IFRS 9 and in the wake of COVID-19

2.9 Management Team

Details of the Management team are given below:

Senior Management	
Mr. Sudhir Sharma	Managing Director & CEO
Mr. Mukesh Arya	Chief Operating Officer
Mr. J. Singh	Chief Risk Officer
Mr. U. C. Sahu	Vice President – Information Technology
Mr. D. Ratha	Vice President - Corporate Banking
Mr. P. Parida	Vice President - Treasury & Planning
Mr. K. Ramkhelawon	Vice President - Accounts & Services and HR
Mr. N. Singh	Vice President - Global Banking
Mr. T. P. Singh	Vice President - Retail Banking
Mr. A. B. Mosaheb	Vice President - Compliance and Company Secretary

The profile of the senior management team is given in section 1.2 of this report.

Managers			
Mr. S. K. Saini	Manager, Credit of Global Business	Mr. A. Sihmar	Manager, Treasury Operations
Mr. D. Sharma	Manager, Corporate Banking	Ms. A. Awasthi	Manager, Risk
Mr. R. K. Bhundhoo	Manager, Trade Finance	Ms. M. Abraham	Manager, Systems
Mr. H. K. Choony	Manager, Internal Audit	Mr. A. Mishra	Manager, Main Branch
Mr. Y. R. Chineah	Manager, Legal & Compliance	Mr. B. Mungur	Money Laundering Reporting Officer & Integrity Reporting Officer
Mr. A. Agarwal	Manager, Global Business	Mr. K. Choudhary	Dealer
Mr. S. Ramlagan	Manager, Accounts	Mr. V. Kumar	Dealer
Mr. P. Gungah	Manager, Corporate		

3. PRINCIPLE 3

Director Appointment Procedures

3.1 Appointment and induction of new directors

The Board is responsible for appointment, induction and succession planning of directors.

The Board is empowered by virtue of its constitution, to approve proposal from the Corporate Governance, Nomination and Compensation Committee for the appointment of Director to fill casual vacancy. The Director, upon appointment shall stay in office until the next annual meeting of shareholders and is entitled for re-appointment.

Immediately after appointment of a new Director, the Bank provides a comprehensive, formal and tailored induction. The purpose of the orientation program is to help new directors assume their responsibilities quickly, maximizing their potential contribution and the capacity of the Board as a whole. The Board aims to foster a culture that encourages new directors to participate fully and effectively in board activities as soon as possible.

All Directors are required to sign off their letter of appointment as evidence of having read and acknowledged their roles and responsibilities.

During the Financial year the following Directors were inducted on the Board of SBIML:

- Mr. Uday Laxman Bodas (Non-Executive Director)
- Mr. Dhiren Ponnusamy (Independent Director)
- Mrs. Neeveditah Maraye (Independent Director)
- Mr. Sudhir Sharma (Executive Director)

As part of orientation programme for new Directors, information on the following subjects is submitted to the directors:

1. Corporate Governance Policy;
2. Mauritius Companies Act 2001 and Data Protection Act
3. National Code of Corporate Governance for Mauritius (2016);
4. Mauritius Banking Act 2004;
5. Constitution of SBIML;
6. Financial Reporting Act 2004;
7. The Financial Intelligence & Anti-Money Laundering Act ("FIAMLA");
8. Bank of Mauritius ("BoM") Guidelines;
9. Code of Ethics for directors of SBIML;
10. The latest Annual Report of SBIML;
11. A list of policies of SBIML;
12. Role of the Company Secretary of SBIML;
13. The minutes of the Board and all sub-committees of the Board for the preceding 12 months;
14. Details of major litigations;
15. The Bank's organisational chart;
16. Brief Profile of SBIML including details such as the shareholding pattern, market share, financial highlights for the past 3 years, and details of dividend paid for the past 6 years among others;
17. Details of key clients, contractors and stakeholders;
18. Panel of barristers for the Bank;
19. Board Assessment Report;
20. Legal duties of Directors; and
21. Schedule of dates for upcoming Board and Sub Committee meetings.

3.2 Succession Planning

The Board has an effective succession planning policy in place for the orderly succession of appointments to the Board and to Senior Management positions in order to maintain an appropriate balance of knowledge, skills and experience within the Bank and on the Board, and to ensure progressive refreshing of the Board. The Corporate Governance, Nomination and Compensation Committee also ensures an appropriate framework and plan for Board and Management succession.

3.3 Professional Development of Directors

In addition to the initial orientation program, the Board ensures that all directors maintain or improve their skills and that they continue to deepen their knowledge of the Bank's services and the environment in which it functions.

In that regard, the Board hired the services of consultant to provide professional training to the Directors on emerging topics such as AML/CFT&P, sanctions, managing risk of fraud, bribery and corruption.

3.4 Profile of Directors

Profile of the current Directors is given below:

1. Mr. Venkat Nageswar CHALASANI

Mr Chalasani, Deputy Managing Director, is currently in charge of the International Banking Group of SBI. The International Banking Group comprises international operations of SBI which are spread across 229 offices in 31 countries with a business portfolio of more than USD 56bn and a staff complement exceeding 3000.

He is a Non-executive Director and Chairperson on the Board of SBI (Mauritius) Ltd.

A career banker with experience of over 36 years, Mr. Chalasani has held various positions across a wide range of domains including corporate and retail banking, treasury, trade finance, risk and compliance. Prior to assuming his current responsibilities, Mr. Chalasani held the position of the Deputy Managing Director in charge of the 'Global Markets' vertical of SBI. He was overseeing the overall treasury portfolio of India's largest bank with significant exposure to various market segments such as foreign exchange, money market, equity, venture capital and strategic investments. As a permanent invitee to the SBI's Board Meetings, Mr. Chalasani is involved in various deliberations concerning the SBI's overall operations. He is also a member of SBI's Apex Credit Committee, Audit Committee and other committees responsible for governance of SBI. Mr. Chalasani is a director on the boards of several companies and industry associations. He has been a part of various committees with the Reserve Bank of India ("RBI") and the Securities and Exchange Board of India ("SEBI") amongst others, with the latest being the Sunil Mehta Committee on the resolution of stressed assets.

From 2013 to 2015, Mr. Chalasani held the position of Regional Head, East Asia, Hong Kong, where he supervised the operations of six branches in Hong Kong, China and Japan and three representative offices. Mr. Chalasani was responsible for strategic business areas of the wholesale banking portfolio in excess of USD15bn.

As General Manager of Network-I, Bangalore, from 2011 to 2013, Mr. Chalasani headed retail networks of SBI with a portfolio of USD 6.6bn spread over 204 branches under his control. Key responsibilities included ensuring optimal customer satisfaction, proactive business development and marketing efforts, and promoting technology-based products among clients. From 2007 to 2010, Mr. Chalasani served as Deputy General Manager in the Corporate Centre heading the Treasury Marketing Group. He worked as Relationship Manager, Mid Corporate Group and Chief Dealer at Bahrain. He had extensive experience in credit delivery and client servicing.

Mr. Chalasani holds a Bachelor of Science in Botany and is a Certified Associate of the IIBF.

2. Mr. Rama Sundara Satyanarayana BRAHMANDAM

Mr. Brahmandam joined SBI as a Probationary Officer in 1988 and has held various important assignments in the Bank. He is a Graduate in Science.

Mr. Satyanarayana has assumed charge of Chief General Manager (International Banking-II), State Bank of India in April 2019. He manages SBI network in Asia, Africa and Australia. As the Head of International Banking-II, responsible for driving SBI's business which include institutional sales, loans and advances, liability products, trade finance and payment products in the allocated geographies.

A career banker with experience of over 32 years, Mr. Brahmandam has held various positions across a wide range of domains including international banking, corporate banking, retail banking, treasury and global Markets. Prior to assuming his current responsibilities, he was Head of Financial Institutions Group and managed the correspondent banking relationships with 235 Banks in 57 countries and relationship management applications spread across 119 countries.

He is a Non-Executive Director on the Board of SBI (Mauritius) Ltd since 8 July 2019.

3. PRINCIPLE 3 – DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

3.4 Profile Of Directors (continued)

3. Mr. Uday Laxman Bodas

Mr. Bodas holds a Masters in Commerce and is a Certified Associate of the IIBF. He joined SBI in 1990 and has worked in various verticals during his career. His last assignment was as Deputy General Manager in the Non-Banking Financial Companies ("NBFCs") cluster at the Corporate Centre in Mumbai. Having over 31 years of banking experience in SBI, he has been serving as General Manager (Credit), International Banking Group and is responsible to oversee the credit business of foreign offices.

He is presently a Non-Executive Director on the Board of SBI (Mauritius) Ltd.

4. Mr. Sudhir SHARMA

Mr. Sharma, Managing Director & CEO of SBIML joined the Bank on 27 November 2020. He joined SBI as a Probationary officer in 1988. He was promoted as Assistant General Manager in 2005. He worked as Regional Manager and was responsible for 40 Branches located in semi-urban and rural areas engaged in agriculture, personal lending, auto loans, home loans, SME business. Subsequently, he worked as VP & COO at SBI New York during 2008-2012. He occupied several positions during his tenure in India, with the last assignment being the General Manager (Network), overseeing the business operations of 326 Branches in Assam and Arunachal Pradesh through 2 zonal offices and 8 regional business offices. He holds a degree and a master degree in Commerce from University of Rajasthan. He is also a Certified Associate of the IIBF as well as a Certified Associate of ACAMS.

5. Mr. Dhiren PONNUSAMY

Mr. Ponnusamy is a holder of a BSc (Hons) in Economics from the London School of Economics and Political Science ("LSE") and a Chartered Financial Analyst ("CFA") charterholder. He is currently the Group Chief Operating Officer of the Medine Group in Mauritius. In this role, he holds multiple directorships within the entities of the Medine Group, including Middlesex University Mauritius, Casela Limited, Cascavelle Shopping Mall Limited, amongst others. He also sits on the Listing Committee of the Stock Exchange of Mauritius and on the Board of the Mauritius Sugar Syndicate.

Prior to this, he was a Managing Director ("MD") with Standard Chartered Group in London with a global remit and was responsible for driving the financial performance and strategic agenda of the Bank. His extensive international career with Standard Chartered also included a number of senior CFO roles in South Korea, Singapore, Africa and the Philippines where he spearheaded a number of M&A projects, regulatory advisory and restructuring initiatives. He has extensive exposure to post-crisis banking reforms, global stress testing regulations as well as balance sheet optimisation.

He is presently an Independent Director on the Board of SBI (Mauritius) Ltd.

6. Mrs. Neeveditah MARAYE

Mrs. Maraye holds a Post Graduate Diploma from the University of Edinburgh, an MSc in International Money, Finance & Investment from the Brunel University, UK and a BSc Accounting (Hons) from the University of Mauritius ("UoM"). She is also an Associate Member of the Association of Chartered Certified Accountants ("ACCA") and is currently a full-time lecturer in Accounting and Finance at the Faculty of Law & Management at UoM since 2004. She is also involved in curriculum development with other academics and supervises dissertations at both undergraduate and postgraduate levels. Her main research and teaching interests lie in the areas of Corporate Social Responsibility ("CSR") and sustainable development reporting.

She is presently an Independent Director on the Board of SBI (Mauritius) Ltd.

Below are the profiles of the directors who resigned during the year:

1. Mr. Subbaramaiah Ramesh RAJAPUR

Mr. Rajapur is the General Manager (Operations) in the International Banking Group at SBI with over thirty-four years of working experience. He is responsible for business strategy, operational efficiency and other functional areas of the foreign offices. A career banker, Mr. Ramesh has held various positions across a wide range of domains including international banking, correspondent relationship banking, retail banking and stressed assets management.

Mr. Rajapur has also held various important positions as Vice President – Business Development in SBI, New York, he has been in charge of Stressed Assets Management Branch in Coimbatore, Head of the Retail Banking in Chennai and Head of the Module in Coimbatore. He is a BSc holder in Mathematics, Physics & Statistics and an associate of the IIBF. He was a Non-Executive Director on the Board of SBI (Mauritius) Ltd.

Mr. Rajapur resigned from the Board on 12 October 2020.

3. Mr. Geeanduth GOPEE

Mr. Gopee, MBA, CGMA, FCMA, FCIS, was an independent director on the Board of SBI (Mauritius) Ltd from June 2012 to December 2020. He is a Fellow Member of the Chartered Institute of Management Accountants (CIMA, UK) and of the Institute of Chartered Secretaries and Administrators (ICSA, UK). He has more than 30 years of directorship experience in various private companies and public enterprises covering diverse economic sectors. He has authored books on the subjects of history and self-management as well as a publication on corporate governance.

Before his retirement from the Civil Service in July 2017, he was the Director-General of the Office of Public Sector Governance ("OPSG"), initially under the Prime Minister's Office, before being moved under the aegis of the newly-created Ministry of Financial Services, Good Governance and Institutional Reforms. He joined the Ministry of Finance in 1985 as Accountant, and subsequently rose up the ranks to various higher positions. Between 2003 and 2010, he served as Director of the Management Audit Bureau ("MAB"), a reputed management consultancy department operating under the Ministry of Finance and Economic Development. He is now involved in consultancy and research projects.

2. Mrs. Shashi PRABHA

Mrs. Prabha was the MD&CEO of the Bank from 18 October 2019 to 27 November 2020. She joined State Bank of India as Probationary Officer and occupied several positions during her tenure in India, last being Regional Manager at SBI, Regional Branch Office – II, Kanpur before joining SBIML. She is a Certified Associate of the IIBF as well as a Certified Financial Planner from the Financial Planning Standards Board, India. She further holds multiple certifications, namely:

- In Mutual Funds from the Association of Mutual Funds of India;
- In depository operations from the National Securities Depository Ltd; and
- Anti-Money Laundering and SME Credit from the IIBF

A law graduate, she has a rich and varied experience of 25 years in the banking sector. She was earlier the Chief Risk Officer at SBI (Mauritius) Ltd for a period of one year and looked after the risk management of the Bank in compliance with regulatory provisions applicable to Mauritius. Earlier in India, as a Regional Manager, she was the controller of more than 50 branches for more than 4 years overseeing all aspects of banking including operations, loans and advances, compliance, human resources and liaison with government authorities. As Chief Manager (Credit), she handled the credit and NPA portfolios of 250 branches spread over 9 districts in India. Prior to that, as Relationship Manager for medium enterprises, she looked after the credit requirement of mid-size customers engaged in manufacturing, trading and services. Earlier, as a Credit Officer, she catered to credit and foreign exchange needs of large corporates engaged in export and import. In her earlier stints as Branch Manager, she successfully handled small and mid-size branches in rural as well as urban centres catering to personal, agriculture and small business segments.

4. Mrs. Bibi Khoudijah MAUDARBOCUS-BOODOO

Mrs. Maudarbocus-Boodoo, BSc (Hons), MBA, was an independent director on the Board of SBI (Mauritius) Ltd from May 2018 to September 2020.

She has held various managerial positions in the private sector as well as at the Board of Investment (now known as the Economic Development Board) wherein she held the position of Assistant Director, Planning and Policy. She has worked for the World Bank for almost 4 years before rejoining the Board of Investment as Head of Department - Doing Business. She was also the former Director of the Mauritius Tourism Authority.

4. Principle 4

Director Duties, Senior Executive Remuneration and Performance

4.1 Legal Duties of Directors

All Directors of the bank are fully apprised of their fiduciary duties as provided in the Mauritius Companies Act 2001 and they have confirmed to abide by the terms set out in their contract for services.

4.2 Code of Ethics

The Bank has a policy in place on 'Code of Ethics and Conduct' for its Directors which is promulgated by the Board of Directors of the Bank to promote honest and ethical conduct and compliance with applicable rules and regulations. The Bank has also a Code of Ethics and Conduct for its employees in place. Both these policies are designed to assist in defining appropriate conduct, to provide guidance in the identification and resolution of ethical issues, and to help all personnel to maintain the Bank's longstanding culture of honesty, integrity and accountability. Compliance with same is addressed periodically.

4.3 Directors' and Senior Officers' Interests and Dealings in Shares

The Directors of the Bank do not hold any relationship with the Bank, other than the three non-executive directors and one executive director who are salaried employees of the parent bank, State Bank of India. A formal register of interests which include details of all directorships and other relevant interests declared by Board Members and Senior Officers is maintained by the Company Secretary. The interest register is available to shareholders upon written request to the Company Secretary.

4.4 Conflicts of Interest

In compliance with section 48 of the Mauritius Banking Act 2004 with respect to the disclosure of interest, the Board has implemented policies and procedures to identify situations of conflict of interest and steps to address such situations.

The Board of Directors has established a policy on Related Party Transactions in line with the Bank of Mauritius *Guideline on Related Party Transactions* and has put in place suitable procedures to ensure that any board member with identified conflict of interest is excluded from the approval process of related party transactions. The Board has also put in place a robust system of checks and balances to monitor compliance with the regulatory limits and to prevent any credit activity which overrides established credit approval policies and procedures when granting credit facilities to related parties.

Besides, the Board of Directors has established the CRRMC to review and approve related party transactions. Please refer to section 2.8 (IV) for more details on the CRRMC.

All related-party transactions have been conducted in compliance with relevant policies and the Bank's Code of Ethics.

4.5 Information Governance, Information Security and Information Technology

The Bank has a comprehensive Information Security Policy and Standards as well as an Information Security Procedures and Guidelines. This policy contains a set of global IT and IS standards, procedures, guidelines and prescriptions that are used for mitigating all the IT risks associated with respective domains. The policy is approved by the Board and is reviewed on a yearly basis. The policy was last approved by the Board in June 2020. The Information Governance is a part of the above said policy. The policy, besides addressing all IT & IS related areas, has strict guidelines for physical and logical controls to access the information assets.

With a view to have the Board oversight of Bank's IT initiatives, the Bank has a well-defined Information Technology Steering Committee ("ITSC") in place with the following charter.

- Ensure that IT projects are implemented/ reviewed in a time bound manner and necessary risks are understood and properly managed.
- Ensure the development of an IT strategic plan aligned with the Bank's business strategy.
- Promote optimisation of resources, enhance IT value delivery and enable effective measurement of performance.

The ITSC also focuses on:

- IT Strategic Planning;
- Alignment of all IT initiatives across the Bank;
- Prioritise and approve projects;
- Review existing projects;
- Formulate recommendations on major IT investments; and
- IT Security

The Committee, Chaired by MD & CEO, meets at monthly intervals and reports to the Conduct Review & Risk Management Committee (CRRMC) of the Board, thereby facilitating the Board oversight of the information governance. All the major IT expenditures are monitored, evaluated and approved by the Bank's Executive Committee of Directors. The Board also ensures deployment of IT resources to support business objectives and plays a major role in aligning the IT objectives with the Bank's Vision-Mission-Value Statement.

4.6 Board Evaluation

In line with the requirements of the National Code of Corporate Governance and the Bank of Mauritius *Guideline on Corporate Governance*, the Board evaluates its own activities, those of its sub-committees and of its individual members based on various aspects of their performance and effectiveness.

The last evaluation of the effectiveness of the Board of SBIML, its Committees and its Individual Directors was conducted on 24 December, 2020 by the Chairperson supported by the Company Secretary. The evaluation was conducted by the use of a questionnaire circulated to the Directors for self-assessment followed by review of documents and procedures in place, etc. Several recommendations were given based on the evaluation exercise for implementation in the next couple of years and same is at various stage of implementation.

The Board will assess the need to outsource the director performance evaluation procedures to an external and independent facilitator from time to time. If an external evaluator is not used, the evaluation would be led by the Chairperson supported by the Company Secretary.

4.7 Statement of remuneration philosophy

A: Board of Directors

The Non-Executive independent local directors ("NEID") are paid a fixed base fee as consideration for their Board duties. In addition to a fixed sitting fee, NEID are paid a separate sitting fee which reflects the complexity and responsibility to shoulder for their work on the Executive Committee of Directors as established by the Board of Directors from time to time.

The remuneration of the NEID is determined on the basis of standards in the market and reflects their competencies, skills, scope of work and the number of Board and Committee Meetings.

The Executive Director is on deputation from SBI for a maximum period of four years only after which the incumbent returns to SBI to continue his terms of service and a replacement is provided. The remuneration for the Executive Director is governed by the service conditions of the Parent Bank State Bank of India, as applied to all public sector entities.

The authority to recommend to the Board of Directors the remuneration to be paid to NEID is delegated to the CGNCC which ensures that adequate remuneration is paid to NEID taking into consideration the Bank's financial performance and market condition. The CGNCC ensures that the remuneration paid to NEID is fair and reasonable, especially in a competitive market for skills, knowledge and experience.

The non-executive directors have not received remuneration in the form of share options or bonuses associated with the performance of SBIML.

During the period 01 April 2020 to 31 March 2021, the Non-Executive independent local directors received fees and emoluments amounted to USD 23,307. As indicated below

Non-Executive Independent Local Directors	**USD**
Mr. G. Gopee (up to 24 December 2020)	9,314
Mrs. B. K. Maudarbocus- Boodoo (up to 14 September 2020)	5,827
Mr. D. Ponnusamy (as from 06 November 2020)	4,373
Mrs. N. Maraye (as from 18 November 2020)	3,793

The MD&CEO who is on deputation from SBI was paid the below emoluments, which include salary and allowances:

MD & CEO	**USD**
Mrs. S. Prabha (as from 18 October 2019 to 27 November 2020)	32,484
Mr. S. Sharma (as from 27 November 2020 to 31 March 2021)	17,959

The executive and non-executive directors are not paid any separate sitting fees individually.

However, an aggregate amount of USD 178,341 was paid to SBI as Management Fees for the current financial year. There is no contractual agreement with SBI pertaining to management fees.

SBIML does not have any link between executive remuneration and the Bank's performance nor does the Bank provide long-term incentive plans.

B: Management

In line with the provisions in section 18(5) of the Mauritius Banking Act 2004, remuneration is not linked to the income of the Bank or to the level of activities on customers' accounts.

The CGNCC makes recommendation to the Board for approval of the remuneration policy and determines the remuneration package for each member of Executive Management which must be fair and reasonable. The CGNCC ensures that adequate remuneration is paid to Executive Management taking into consideration:

- Qualifications, skills, knowledge and experience;
- Trend within market including scarcity for position within the labour market;
- Duties and responsibilities of the Executives; and
- Financial performance of the Bank.

The remuneration strategy is designed to attract, retain and motivate competent and experienced executive positions.

The guiding principles that underpin the remuneration strategy include:

- Supporting the achievement of business goals;
- Being competitive within the market in which the Bank operates;
- Being sufficiently flexible to meet the needs of the executives; and
- Recognising the differences in roles.

The remuneration package is reviewed at periodic intervals and approved by the CGNCC. Any change in remuneration is recommended by the CGNCC to the Board for approval.

CORPORATE GOVERNANCE REPORT

5. Principle 5

Risk Governance And Internal Control

5.1 Risk Management

The Board of SBIML is responsible for the overall risk management framework and internal control systems of the Bank. Oversight of the Bank's risk management process and internal control systems is delegated to the Conduct Review and Risk Management Committee ("CRRMC") of the Board and the Audit Committee ("AC") respectively. Risk Management refers to the process of identification, measurement, monitoring and mitigating the various risks the Bank is exposed to.

The Bank has adopted an Internal Capital Adequacy Assessment Process ("ICAAP") policy with a view to address its risk management. Risk and internal control reports are presented to CRRMC and AC on a quarterly basis or earlier if so required and the Board is informed of same on a quarterly basis as well. The Management has set up a Risk Management Committee ("RCOM") which meets on a monthly basis where all risk issues are discussed and appropriate actions are initiated as required and the minutes are placed before the CRRMC for review/ information on a quarterly basis. There is an Operational Risk Management Committee to discuss the operational risks and its minutes are placed before the monthly RCOM.

The Risk Management process is monitored through the Conduct Review and Risk Management Committee of the Board. The minutes of which are placed before the Board for approval/information.

Details of the risk management framework, policies and controls are described in more details in the *Management Discussion and Analysis* part of this Annual Report.

The top emerging risks of the Bank are as follows:

(i) Credit outlook and macro-economic environment:

The Bank continues to closely monitor the impact of COVID 19 on the credit quality of its portfolio and the wider implications on its operations. At the same time, the Bank is closely monitoring its liquidity levels and other key metrics under different stress test scenarios.

(ii) Cybersecurity risk:

As the Bank launches new online customer applications, it continues to strengthen its cyber control framework and implements initiatives to enhance its resilience and cybersecurity capabilities.

The Internal Audit department provides assurance to the Board through the Audit Committee regarding the adequacy and effectiveness of the internal control systems. The Manager - Internal Audit ("MIA") has unhindered access to the Chairperson of the Audit Committee and reports to the AC directly. Internal Audit reports along with significant issues are put up to the AC and Board along with the actions taken to address the observations. The AC meets the MIA without the presence of management on a quarterly basis. The statutory auditors also meet with the members of the AC without the presence of management on a quarterly basis.

5.2 Internal controls

Systems and processes are in place for implementing, maintaining and monitoring the internal controls. The Bank's internal control systems are reviewed on a yearly basis in line with the requirements of the respective Bank of Mauritius guidelines by conducting risk assessment that covers the adequacy and effectiveness of the Bank's compliance function.

The Board derives assurance that the internal control systems are effective through the below measures:

- Synopsis of the Internal Audit reports is presented to the Board without any undue filtering of findings by Management;
- During yearly review of the Bank's internal control systems conducted by the Internal Audit department regarding risk assessment that also covers the adequacy and effectiveness of the Bank's compliance function, it is observed that in general, the internal controls were effectively designed and implemented. Senior Management evaluates the effectiveness of the Bank's internal control systems annually taking into account the requirements of the Bank of Mauritius *Guideline on Maintenance of Accounting and Other Records and Internal Control Systems* and report to the Board of Directors and the regulator accordingly; and
- Review of the Bank's internal control systems by External Auditor.

All significant areas are covered by the internal controls and there is no risk in the Bank's system of internal controls. No deficiency was noted though the system of internal controls may be strengthened further as and when needed. Significant areas covered by the Bank's internal controls are:

- Control environment;
- Risk assessment;
- Control activities;
- Accounting, information and communication; and
- Self-assessment and monitoring

5.3 Whistle blowing

The Bank has a whistleblowing policy which uncovers any malpractice/ misconduct committed by its employees that could potentially affect the smooth running of the Bank. Such a policy aims to reduce significantly the risks associated with non-disclosure of malpractice/ misconduct to go unnoticed by management and the Board.

The policy is applicable throughout the Bank and every employee is required to be guided by its contents and to enforce it without fail. The Board and the Management of SBIML are committed to monitoring the highest standards of honesty, openness, accountability, good governance and recognise that all employees have an important role to play in achieving this goal. The policy is reviewed on an annual basis and the Conduct Review and Risk Management Committee is the authority to review the functioning of the whistleblowing scheme at the Bank.

The policy provides for undesirable conduct to be reported to Vice President (Compliance) ("VPC") and reporting may be made anonymously, using a dedicated telephone number or by e-mail. In case of whistleblowing against the designated official VPC, Chief Operating Officer shall be the official contact.

The report/ information/ emails are required to be forwarded/ communicated to the VPC for appropriate action and investigation. If any person is aggrieved by any action on the ground that he is being victimized due to the fact that he had filed a complaint or disclosure, the MD & CEO shall take appropriate action as may be deemed necessary. The VPC ensures that the identity of the whistleblower is not disclosed. Anonymous complaints are also investigated based on the information disclosed. A written report on the findings is prepared by the VPC and submitted to MD & CEO.

Whistleblowing cases, if any, are reported at the CRRMC at a quarterly interval, regardless of whether the complaints were justified or not.

6. Principle 6

Reporting With Integrity

6.1 Statement of management's responsibility

The Board is responsible for the preparation and fair presentation of the financial statements of the Bank, in accordance with International Financial Reporting Standards ("IFRS") and in compliance with the requirements of the Mauritius Companies Act 2001, the Mauritius Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

6.2 Website

The annual report is fully published on the Bank's website: **https://mu.stateBank.**

6.3 Performance and outlook

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

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 37 of the financial statements.

6.5 Health and Safety Practice

The Bank is fully committed to bring about a health and safety culture. The Bank maintains a very conducive working environment within its premises for higher productivity and the general wellbeing of its employees and customers. The Bank's objectives are to identify, remove, reduce or control material risks relating to fires and accidents or injuries to employees and visitors. The Bank has a Health and Safety Officer to help achieve these objectives. SBIML has a 'Health and Safety Policy' in place through which shows its commitment towards the safety, health and welfare of its employees and visitors; it binds all employees and visitors and also supports all those who endeavour to implement it.

The Bank also values the health and safety of its employees by abiding by the Health and Safety policy, as approved by the Board.

6.5(i)Measures taken in the context of COVID 19

Appropriate social distancing and sanitary measures are being enforced in line with guidelines issued by the authorities.

6.5(ii) Work from Home

The Bank's HR Policy makes provision for staff to work from home. Employees may, with advance notice where necessary, be required to work from home in the following circumstances:

- Pandemic situation
- Bad weather
- Other situations as may be decided by Management from time to time.

During the COVID-19 pandemic, the Bank had encouraged staff to work from home and few staff are working from office on rotation basis as per the business / operational requirements.

6.6 Environmental Practices

SBIML fully subscribes to and actively supports a Clean Environment Policy. To the extent possible, unnecessary printing is avoided and information and instructions are conveyed through secure electronic channels.

6.7 Corporate Social Responsibility ("CSR")

Given that the Bank has no chargeable income against which provision for CSR is made, the Bank has not disbursed any fund towards CSR during the year under audit.

6.8 Initiatives

As part of green initiatives, the instructions for e-statement are already in place and the front-line staff members have also sensitised for on-boarding the customers for e-statement. In addition, the Bank is also promoting INB registration, where the option of e-statement is available. LED lights or low energy consumption bulbs are being used in the Bank's main office and branches as well. The Bank is gradually moving ahead with other green initiatives wherever feasible.

6.9 Other IT-related activities

During the year, the following major IT initiatives were undertaken, which brought about a paradigm change in the banking landscape by providing a cashless banking through a mobile application. It is one of our long-term strategies to be a part of the cashless financial eco-system as envisioned by Bank of Mauritius.

- *Launching of YONO SBI MU ("YONO")*

SBI (Mauritius) Ltd has launched its mobile application for retail customers 'YONO SBI MU' which provides banking facilities on-the-go. It was launched in May 2020, during the countrywide lockdown. The application was very well accepted by the Bank's customers as they were able to avail basic banking services at their convenience from their workplace, home or during transit. YONO enables users to view the details of their accounts and transactions maintained with the Bank, perform funds transfer within Mauritius, INR remittances and utility bills payment amongst others. The customers having accounts in SBI can also view the accounts and the transactions using the same application. The Bank is in the process of enhancing its features to make it amongst the best-in-class banking applications in Mauritius to meet the customer's needs and expectations.

- *Integration with Instant Payment System ("IPS")*

The Bank of Mauritius introduced IPS, a 24x7x365 platform for instant or batched deferred settlement of low value payments with associated services such as registration, instant fund transfer, merchant payments, payment by alias and bill payments. The Bank has integrated its systems with IPS in August 2020 with 3 major features namely:

A. Registration by customer

B. Incoming credit; and

C. Incoming request to pay (i.e., debit).

By onboarding to IPS, the Bank also provided a platform to the customers through My.T Money Wallet to do their utility bill payments through the mobile application. The Bank is working in tandem with the Bank of Mauritius to onboard the new features that are going to be a part of the IPS platform.


you only need
you only need one
yono
Banking on the go.
Bill Payments
YONO Remit INR
Car Loan
yono
SBI Mauritius
SBI (Mauritius) Ltd
Bank to grow with
Digital Branch

7. Principle 7

Audit

7.1 Internal Audit

The Bank has an Internal Audit department reporting to the Audit Committee. The Internal Audit department is an independent and objective assurance function that is guided by a philosophy of promoting a sound and effective internal control environment while adding value to improve the operations of the Bank. It assists the Bank in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and enhance the effectiveness of the Bank's risk management, internal control and governance processes.

The mandate of the Internal Audit Department is established by the Board of Directors in compliance with the section 54 of the Mauritius Banking Act and the *Guideline on Corporate Governance* issued by the Bank of Mauritius. The Internal Audit department is governed by an Internal Audit Charter approved by the Audit Committee which sets out its core role, responsibilities, authority and structure. An Internal Audit policy, which is also approved by the Audit Committee and communicated to all staff through SBIML's Intranet, contains the principles, criteria, guidelines and audit reporting requirements to ensure that Internal Audit's objectives are aligned to the Bank and that the objectives are met.

Independence and objectivity

As per its mandate, the Internal Audit Department is free from interference by any element in the Bank, including for matters of audit selection, scope, procedures, frequency, timing, or report content. The Bank's internal auditors have no direct operational responsibility or authority over any of the activities audited and the Manager- Internal Audit is not responsible for any other function in the Bank. Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the controls, activities and processes being examined. The Bank's internal auditors make a balanced assessment of all the relevant circumstances and are not be unduly influenced by their own interests or by others in forming judgments. If independence or objectivity of the Internal Audit department is impaired in fact or appearance, the details of such impairment must be disclosed to Senior Management and the Audit Committee.

Internal Auditors have full access to all documents, records, files, management information systems, minutes of Board Sub-Committees and management committees, as well as physical properties of the Bank for the effective completion of their work. Details of the Internal Audit function of SBIML is available on the Bank's website: **https://mu.stateBank**

Audit planning and scope

Annually, the Manager- Internal Audit submits to the Audit Committee an internal audit plan for the following financial year for approval. Any significant deviation from the approved internal audit plan is communicated to Senior Management and the Audit Committee.

In accordance with the plan, full audits and cash verification are completed at all branches during the year. Retail Branches are rated using a risk scoring model and can be audited more frequently depending on their score. Regular concurrent audits are also performed at our Main Branch, Global Business Branch, Treasury function and Remittance & Services Department to cover significant transactions and high-risk areas. In addition, monthly and quarterly audits are carried out at centralised processing cells to verify account opening of customers and retail credit respectively. The plan also includes full audits for all Head Office business units and functions (e.g. Corporate Banking, Trade Finance, IT, Procurement, Marketing), and the preparation of a consolidated report on the Internal Controls System for the Bank in accordance with Bank of Mauritius Guidelines. Through the plan, internal audit aims to cover the key risks for the Bank including operational risk, AML/CFT, credit risk, compliance risk, liquidity risk, market risk, fraud risk and information technology risk.

Apart from the audit, inspections and verifications in the internal audit plan, the Internal Audit Department can also conduct reviews, assessments, special audits/assignments and investigations as instructed by the Board or Audit Committee, at the request of Senior Management or depending on any significant risks identified by the Internal Auditor. There was no critical areas not covered by Internal Audit.

The scope of work performed by Internal Audit aims to address the key risks for the Bank including operational risk, credit risk, compliance risk, information technology risk and market risk. The Manager- Internal Audit reports functionally to the Audit Committee and administratively to the COO.

Internal Audit Reports

Full audit reports and synopsis are submitted to Senior Management for completion of audits and inspections. Management responses with timelines for resolution of any residual issues are obtained following action taken for rectification. Audit reports are then put up for closure after irregularities and observations made in the audit reports have been adequately addressed.

A synopsis of the major irregularities identified during audits and inspections along with an Action Taken Report for residual issues is presented on a quarterly basis to the Audit Committee and to the Board. The synopsis also includes a timeframe within which corrective action must be taken for any residual issues and major irregularities.

Qualifications and experience

As of 31 March 2021, Heetesh Choony occupies the role of Manager- Internal Audit. Mr. Choony is a member of the Chartered Accountants Australia & New Zealand ("CAANZ") and is a member of both the ISACA (known as Information Systems Audit and Control Association) and the Institute of Internal Auditors ("IIA"). Prior to joining the Bank, Mr. Choony was a Manager in the Risk Assurance division of PwC Mauritius, with specialisation in IT and internal audits in large financial institutions and conglomerates. He was also a Senior Consultant in PwC Australia for over 4 years and Senior Auditor (Risk, Assurance and Technology) with HLB Mann Judd (Melbourne) for 3 years.

Mr. Choony is supported in his role by a team of experienced staff.

7.2 External audit

The external auditor is appointed by the shareholders at the Annual Meeting of shareholders. The Board nominates an Audit firm for this appointment to the Annual Meeting of shareholders based on an open, transparent and competitive selection process, and may recommend replacement of the external auditor subject to regulatory approval. A tender for selection of audit firm was last conducted in 2021. The Audit Committee advises the Board on such matters.

As of 31 March 2021, the Bank's auditor is Deloitte, who was first appointed for the statutory audit for the year ended 31 March 2017.

Re-appointment of External Auditor is subject to recommendation of the Audit Committee, the Board, approval from Bank of Mauritius and approval of Shareholders, subject to regulatory approval.

A tender for selection of audit firm was last conducted in 2021. The Audit Committee advises the Board on such matters.

As of 31 March 2021, the Bank's external auditor is M/s Deloitte, who was first appointed for the statutory audit for the year ended 31 March 2017.

Members of the Audit Committee have a solid financial experience in both banking and financial services. Please refer to section 3.4 for the profile of the directors sitting in the Audit Committee.

The Audit Committee reviews the effectiveness and efficiency of the external auditor and assesses the external audit firm annually. To facilitate the Committee, the MD & CEO, COO and Manager- Internal Audit put up an annual performance feedback on the external audit firm based on the following Ratings (Good, Satisfactory, Unsatisfactory). The criteria for assessment is based on the following factors, amongst other:

- Credentials of External Audit firm;
- Quality processes;
- Commitment;
- Value delivery for money;
- Identification of opportunities and risks;
- Responsive and communicative in demonstrating integrity and objectivity;
- Quality, timeliness, skills of the team;
- Delivery of quality services;
- Technical competence;
- Meet agreed upon performance criteria as reflected in engagement letter and audit plan;
- Adequate key team member succession plans; and
- Involvement of engagement partner/ other senior personnel.

The review provides the Audit Committee with a structured approach to assess the external auditor's performance in delivering the services agreed as part of the engagement with the external auditor to meet the Bank's assurance needs.

The external audit firm is considered for rotation every 5 years. As per 39(5A) of the Banking Act, the Bank of Mauritius may, upon a request from the Bank and on just and reasonable grounds shown, grant an approval in writing for the extension of the appointment of its firm of auditors for an additional period of not more than 2 years.

The Bank may engage the firm responsible for its external audit to provide non-audit services. This is done with prior approval of the Audit Committee which will ensure that the non-audit work does not entail any conflict with the audit work. Furthermore, the firm's partner responsible for non-audit work bears no responsibility for the audit of the Bank and the remuneration for non-audit work is based on the complexity and duration of work.

The external auditor reports to the Audit Committee on the interim review of condensed interim financial information at quarterly intervals and on a yearly basis on the annual audited financials of the Bank. The Manager Internal Audit and the Audit Partner of Deloitte meet with the Audit Committee without the presence of management every quarter during Audit Committee meetings. Audited financials and quarterly financials are also considered and the following areas are given due consideration, amongst others:

o IFRS 9 Model;

o Impact of changes in tax regulations on the Bank's financial results;

o Evaluate the appropriateness of accounting policies of the Bank;

o Implications of key non performing assets on the Bank's financial results;

The external auditor also evaluates 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.

The total fees payable to M/s Deloitte Mauritius for quarterly interim audits and annual audit for the financial year ended 31 March 2021 amounted to MUR 2 million plus VAT entirely for external audit services. The services of M/s Deloitte Mauritius were not retained to provide for non-audit services during the reporting period.

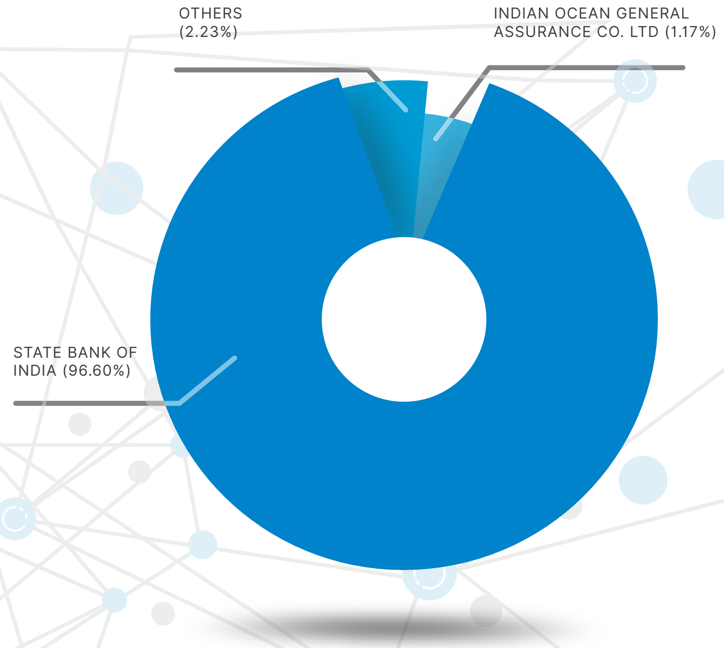
SBI (Mauritius) Ltd Bank to grow with ANNUAL REPORT 2021

8. Principle 8

Relations with Shareholders and Other Key Stakeholders

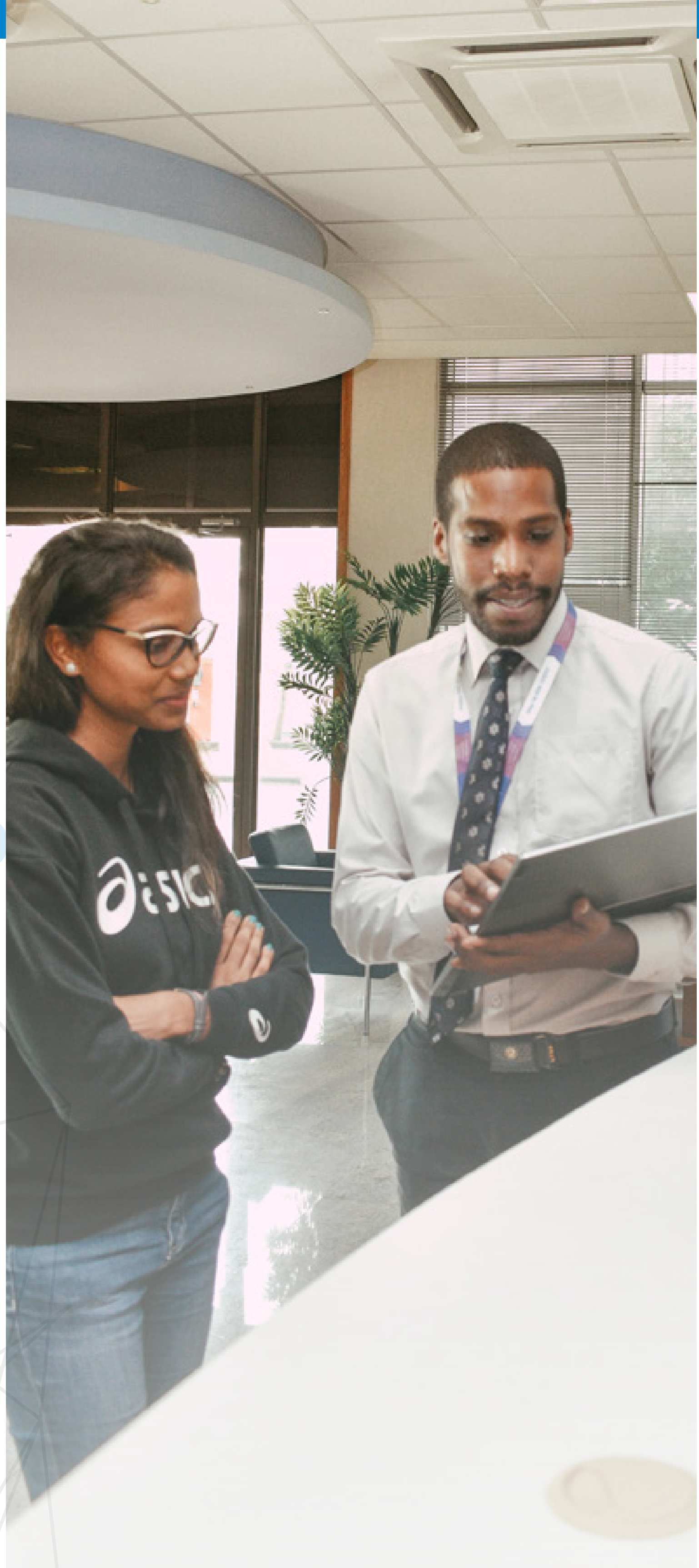
8.1 Shareholding

By virtue of section 3(2) of the Mauritius Companies Act 2001, the Bank continues as a subsidiary of the State Bank of India ("SBI"). SBI, incorporated in the Republic of India is the holding company of SBIML. The following shareholders hold more than 1% of the equity Share Capital in SBIML as on 31 March 2021:



The shareholding of other 394 minority shareholders stands at 2.23%.

The shares of SBIML are not quoted on the Stock Exchange of Mauritius. In line with section 86 of the Mauritius Securities Act 2005, SBIML is considered as a Reporting Issuer and therefore requires stringent compliance with on-going disclosure obligations based on requirements for reporting issuers under the Mauritius Securities Act 2005. The Board is complying with all the requirements of the Mauritius Securities Act 2005.



Analysis of Shareholding as on 31.03.2021:

Defined Brackets	Number of Shareholders	No. of Shares	Percent (%)
1 - 500	389	12,444	1.61
501 - 1,000	2	1,482	0.19
1,001 - 5,000	3	3,363	0.43
5,001 - 10,000	1	9,134	1.17
Over 10,001	1	751,612	96.60
TOTAL	**396**	**778,035**	**100**

Shareholder Category as on 31.03.2021:

	No. of Shareholders	Shares	Percent (%)
Individual	371	12,844	1.65
Insurance & Assurance Co.	8	9,345	1.20
Investment & Trust Co	1	1,147	0.15
Other Corporate Bodies	16	754,699	97
TOTAL	**396**	**778,035**	**100**

Address for Correspondence:

The Company Secretary
SBI (Mauritius) Ltd
6th Floor, SBI Tower Mindspace
45, Ebène Cybercity 72201
Mauritius

Telephone: 404 4900 / 404 4951 (Direct Line)

Fax: 454 6890

E-mail: info@sbimauritius.com
vpc@sbimauritius.com

8.2 Shareholders' Rights under Bank's Constitution

On October 14, 2008, SBIML adopted a new constitution which complies with the provisions of the Mauritius Companies' Act 2001. The constitution provides that:

- There shall be no restrictions on the transfer of fully paid up Shares.
- The quorum for holding a Special Meeting of Shareholders is where shareholders holding at least ten per cent (10%) of the shares of the Company are present or represented.
- A special meeting of shareholders may be called at any time by the Board on the written request of shareholders holding shares carrying together not less than 5% of the voting rights entitled to be exercised on the issue.
- The Board shall consist of no less than five (5) or more than eleven (11) Directors. On 31st March 2021, the Board comprised 6 Directors.
- Notwithstanding Section 55 of the Mauritius Companies Act 2001 and unless the terms of issue of any class of shares specifically provide otherwise, the Board may, if authorised by the shareholders by ordinary resolution, issue shares that rank (as to voting, distribution or otherwise) equally with or in priority to, or in subordination to, the existing shares without any requirement that the shares be first offered to existing shareholders.

The Annual Meeting of Shareholders of SBIML was held on 19 November 2020 at the Registered Office, 7th Floor, SBI Tower Mindspace, 45, Ebène Cybercity, Mauritius.

The Annual Meeting of Shareholders of SBIML will be held latest by September 2021 at a suitable time and date after issuing appropriate notice to the shareholders as provided by the Mauritius Companies Act 2001. Shareholders present at the Annual Meeting are given opportunities by the directors to ask questions. The full annual report is shared with the shareholders prior to the Annual Meeting of Shareholders.

8.3 Shareholders' Agreement

There are no third party agreements with any of its Shareholders affecting the governance of SBIML by the Board.

8.4 Significant Contracts

There is no significant third party Management agreement entered by the Bank as at date.

8.5 Donations

No donation was made during the period under review.

8.6 Political contributions

No political contribution was made during the year under review.

8.7 Dividend

Dividend is proposed to the Board to be paid in line with the provisions of the Mauritius Banking Act 2004 and the *Guideline on Payment of Dividend* issued in September 2020, the Mauritius Companies Act 2001, the Bank's constitution, the Bank's Dividend Policy and after regulatory approval is obtained. The Board also takes into account the need to conserve resources for further growth of the Bank.

No dividend was declared or paid during FY 2020.

8.8 Our Key Stakeholders

An overview of the Key Stakeholders of SBIML is provided as follows:

A: Regulators

The primary regulator of the Bank is the Bank of Mauritius ("BoM") which provides the enabling regulatory framework, and issues guidelines, instructions and other regulatory pronouncement. Senior Management and Officers of the Bank regularly meet with the Regulator at various forums. Bank of Mauritius Officials also come for onsite and carry out offsite supervision at SBIML. The Trilateral meeting between the Bank's, external auditors and Bank of Mauritius is held on a yearly basis to discuss the Bank's progress and state of affairs.

The Bank of Mauritius carried out an on-site examination of the operations and financial affairs of SBIML under section 42 of the Banking Act 2004 during the financial year ended 31 March 2021. SBIML provided full assistance and co-operation to the BoM examiners during the on-site inspection. The report is awaited.

The Bank is also accountable to the Financial Services Commission ("FSC") and is strictly required to comply with the rules and regulations, and disclosure obligations. SBIML maintains an open channel of communication with all its regulators to whom co-operation is always ensured.

B: Employees

As an equal opportunity employer, SBIML adopts and applies an Equal Opportunity Policy whereby the employees make full use of their talents, skills, experience and competence. The employees also feel respected and valued regardless of their status that is, their age, caste, colour, etc. at the workplace. The Bank further undertakes that selection for employment, promotion, transfer, training and access to benefits, facilities and services is fair and equitable and based solely on merit.

Meetings with the Bank's staff and the staff union are held at periodic interval to discuss union and staff related matters.

COVID 19 Additional Remuneration to Employees – Special One Time Payment to staff members working in SBI (Mauritius) Ltd during lockdown period.

The Bank believes that employees are the valuable assets and they make significant contribution to the Bank. In order to reward employees who have been mobilised during the confinement period of 2020, the Bank has paid an additional remuneration of MUR 1,188,680 to 190 eligible employees working at the branches and also at Head office.

They attended critical activities to support branch operations, clearing, treasury, IT, amongst others during the lockdown period. The Bank had reimbursed an amount of MUR 547,180 as transport allowance to those employees. The Bank had also provided sanitary facilities at the workplace like supplying of masks, gloves, hand sanitizers, clearing materials and desk separators for the smooth running of the operations during the COVID 19 pandemic amounting to MUR 578,315.

C: Customers

The Bank recognises the huge importance of its customers since without them, there would be no business. Management and staff always try their level best to achieve customer satisfaction. Periodic meetings are held with key customers at branches to obtain their suggestion and feedback. Customers are free to report any grievances to the Bank's complaint desk and the matter is escalated through the appropriate channel for corrective action.

The Bank has also adopted the Ombudsperson Guidelines for Complaints Handling policy and procedures applicable and came up with a Complaints Policy and Procedure which has been approved by the Board. Same is available on the Bank's website.

D: Shareholders

The Bank believes that good governance enhances shareholder value, protects the interests of shareholders. It promotes transparency, integrity in communication and accountability for performance. Communication with Shareholders is given priority. Information about our activities are provided to Shareholders in the Annual Report and Accounts, Annual Review and the Interim Report which are available at https://mu.stateBank. Enquiries from shareholders are dealt with in an informative and timely manner. The Company Secretary ensures that there is an open line of communication with the Shareholders and their queries and complaints are disposed of within a reasonable period of time.

The Board remains directly accountable to the shareholders for the overall performance of the Bank. Interaction is held with shareholders at least at Annual Meeting of Shareholders. Shareholders are kept informed through the media of dates and agenda of the Annual Meeting of Shareholders and also payment of dividend.

The Board is responsible for ensuring that appropriate communications take place between SBI (Mauritius) Ltd and its key stakeholders and also commitments with the stakeholders are well managed. The interests of its stakeholders within the context of its fundamental purpose are respected. In addition, material information with regard to the views, meetings and discussions of stakeholders in light of Bank's decisions are timely communicated through the media as required. The opinions of the stakeholders are apprised in whatever ways that are most practical and efficient.

8.9 Calendar of events

The following is the forthcoming calendar of events:

Important dates	Events
July 2021	Release of first quarter results as of 30 June 2021
August 2021	Payment of Dividend, subject to regulatory approval
Latest by September 2021	Annual Meeting of Shareholders
October 2021	Release of half-yearly results as of 30 September 2021
January 2022	Release of results for the 9-month period as of 31 December 2021
May 2022	Release of full year results as of 31 March 2022

Sudhir Sharma
Managing Director & CEO

Neeveditah Maraye
Director

A. B. Mosaheb
Company Secretary

SBI (MAURITIUS) LTD
("the Company")

FILE NO. 8318

CERTIFICATE FROM THE COMPANY SECRETARY

In terms of section 166(d) of the Mauritius Companies Act 2001, I certify that to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required of the Company in terms of the Mauritius Companies Act 2001 during the financial year ended 31 March 2021.

A. B. Mosaheb, ACIS, M. MIoD
Company Secretary

Date: 23rd April 2021

STATEMENT OF COMPLIANCE

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

Name of Public Interest Entity (PIE): SBI (Mauritius) Ltd

Reporting Period: 31st March 2021

We, the Directors of SBI (Mauritius) Ltd ("PIE"), confirm that to the best of our knowledge that the PIE has complied with all its obligations and requirements under the Code of Corporate Governance.

Venkat Nageswar Chalasani
Chairperson

Date: 23rd April 2021

Sudhir Sharma
Managing Director & CEO

Date: 23rd April 2021

MANAGEMENT DISCUSSION & ANALYSIS

Macroeconomic Outlook[1]

A once-in-a-century crisis, the great disruption unleashed by the COVID-19 pandemic hit the world economy in 2020. The pandemic reached every corner of the world, causing severe economic disturbances impacting almost all sectors of the economy. The worst impact being felt in the travel and hospitality sector, in which the job losses were severe.

In a strongly connected and integrated world, the impacts of the disease beyond mortality and morbidity have become apparent since the outbreak. The global supply chain has been disrupted badly because of the travel restrictions both intra and inter-national levels. Most importantly, some panic among consumers and firms has distorted usual consumption patterns and created market anomalies. Global financial markets have also been responsive to the changes.

Moreover, a new surge in COVID-19 cases has led to re-imposition of lockdowns in many parts of U.S.A and Europe, halting a robust recovery. Similar trends are now surfacing in many parts of Asia, particularly in the Indian sub continent, while the East Asia has been relatively unscathed, yet activity remains uneven. With momentum fading, a weaker start to 2021 is forecasted, with full year GDP growth at 5.0% (down 30 basis points from previously).

However, hope is on the horizon with the news of several successful vaccines.

A variety of mandatory and voluntary measures collectively referred to here as social distancing to limit in-person interactions that could stop spread the virus have been adopted. Meanwhile fiscal and monetary support remains essential while countries return to normal economic life. Still there is considerable uncertainty around the baseline forecast, given the possibility of a delayed recovery, which may occur if there is a stretched wave of global infections. This would significantly reduce GDP growth in 2021 and effectively push the recovery into 2022.

According to the International Monetary Fund World Economic Outlook Update of January 2021, although recent vaccine approvals have raised hopes of a turnaround in the pandemic later this year, renewed waves and new variants of the virus pose concerns for the outlook. Amid exceptional uncertainty, the global economy is projected to grow 5.5 percent in 2021 and 4.2 percent in 2022.

Nonetheless, the COVID 19 pandemic continues to cast a long shadow over the world's economies, but prospects for a stronger recovery from the pandemic have improved with the global vaccines rollout, although divergences are increasing across and within countries.

1: Views mentioned are based on IMF report and OECD Economic Outlook, interim Report.

Mauritian Economy[2]

Events of 2020, with the Covid-19 pandemic playing a central role, have jolted the country in a manner never witnessed before as clearly acknowledged by the Finance Minister in his maiden budget speech in June 2020. The impact of COVID-19 is changing the economic landscape around the world including Mauritius.

Ban on international travel makes the situation challenging for Mauritius. Relying on foreign-exchange earnings from tourism to purchase food, medicines, and other necessities have likely placed Mauritius in a difficult position. The GDP over the four quarters of FY2020 has remained negative with Q1 at -2.7% further declining to -32.8% in Q2 and then recovering to -12.5% in Q3 and further to -10.9% in Q4. The key economic sectors such as Accommodation and food services activities, Transportation & storage, wholesale and retail trade, manufacturing, etc remained on de-growth path over the year. The consumption expenditures also saw decline quarter to quarter with the Q4 standing at -7.4% (on y-o-y)- both the House hold as well as gross fixed capital expenditures declined during the period.

Moreover, the FATF & followed with EU's decision to keep Mauritius under watch category, has further stretched the severity created by COVID-19. The move could not come at a worse time when the small island is struggling to restore its economy in the aftermath of Covid-19. Challenges to the balance of payment have been dampened by FDI inflows and luckily financial markets have been supported through sustained interventions by the Bank of Mauritius.

However, as a result of the rolling out of the Bank of Mauritius COVID-19 Support Programme and the creation of the Mauritius Investment Corporation Ltd, the banking sector has remained highly resilient.

Additionally, Mauritius had retained its investment grade status in the latest sovereign rating assessment conducted by Moody's which reviewed the rating from Baa1 to Baa2. The main reason behind this assessment is the impact of the COVID-19 pandemic on the economy. Several countries around the world, including both developed and frontier markets, have equally been subject to similar reviews by Moody's.

Nevertheless, combining these factors with the on-going lockdowns around the globe, the government has been proactive in trying to contain widespread economic damage.

Despite going through a challenging period, the way Mauritius comes out of the current crisis will be significant in shaping the future. Considering the country has demonstrated resilience in the past, Mauritius could be on the cusp of another wave of economic success.

2: The discussion is based on IMF Report

Indian Economy[3]

The International Monetary Fund projected an 11.5% growth rate for India's economy in 2021, in its World Economic Outlook report for January 2021, reflecting carryover from a stronger-than-expected recovery in 2020 after lockdowns were eased. It was estimated that India's economy contracted by 8% in 2020. The figure is a positive revision of its estimate in October 2020, when it had predicted that the growth rate will shrink by 10.3%.

Besides, the IMF report suggested India is likely to bounce back with an impressive double-digit growth rate in 2021, thus regaining the position of the fastest growing emerging economy, surpassing China's projected growth rate of 8.2 per cent.

However, shrinking employment in October and lingering targeted containment measures likely continue to weigh on household spending. In November, the government outlined the third instalment of stimulus to combat the fallout from Covid-19, focusing largely on credit growth, job creation and infrastructure. Total spending on Covid-19 relief amounts to roughly 2.0% of GDP now, but will likely have a limited impact on the ongoing recovery and its fiscal position.

The availability of effective vaccines is bringing hope that Indian economy can return to normality. A significant risk to that scenario, however, is that COVID-19 has been mutating. India faces the arduous task in 2021 to vaccinate 30 million frontline workers as well as 270 million vulnerable people. Although the vaccination drive is on full speed, the recent report on spike of COVID cases is worrying the prospect.

Nevertheless, India is witnessing a V-Shaped economic recovery. This is the testimony to resilience and intrinsic strength of India's economy. Given the large vaccination drive and the swift roll out of the same, optimism with caution is obviously in view on both health and economic fronts.

3: IMF Report, RBI

Outlook

Although the real economic outlook is still not positive in many countries, the exceptional policy support, particularly by major central banks, has presented major concern of the world economy and is driving on a strong recovery in financial conditions. Global cooperation is vital to deal with both this truly global crisis and the more structural challenges that will remain with us in the medium to long term.

In the immediate crisis aftermath, Mauritius will continue to face a complex situation, with major tasks and serious challenges ahead. However, it may not necessarily be all "doom and gloom" as there is likely to be signs of recovery in late 2021 and fewer reasons to believe that the pandemic will weigh down on the economy for too long.

Indeed, we are all aware that this path to recovery is tough. But this pandemic, as with other challenging periods in our history, has once again shown our resilience and fortitude as a nation. We will use this resilience to continue working hard in ensuring that our country will sustain a stable recovery from the pandemic.

At SBI (Mauritius) Ltd, we remain optimistic about what lies ahead for our Bank and believe we can all be confident in our future as a leading bank in Mauritius; only by working together can we ensure that the global and domestic economy continues to move toward a greener, smarter, and fairer path of recovery.

2. Financial Review

The past year gave us an experience of how to live in a volatile situation, without a clear visibility on the near term economic factors and to manage the business.

Even after a year of spread of the pandemic, the insecurity still persists on how early and quickly the economic progress will rebound. Given the context of rollout of vaccination, the growth in COVID cases in many of the geographies has caused doubt on the forecasts time and again.

This also means that the market will remain volatile. The recovery in global front so far has been noticeable as compared to the March'20 levels, but not necessarily sustainable. Although Mauritius has remained largely unscathed from the pandemic last year, but the recent developments has posed a reason for worry. There are too many uncertainties on local as well as global front to be dealt with before the economy is put into a sustained growth track. A few of such concerns are-

- The 2nd/ 3rd wave of the virus leading to lockdowns/ stricter measures may impact the whole chain of economy, which is already visible in economies like India, UK, EU, etc.
- Unemployment/ under employment has remained a concern.
- Continued restriction on movement is still impacting the supply chain and the service sectors.
- Additionally, continuation of Mauritius in the Grey list by FATF, Blacklist by EU is also impacting the financial service sector.

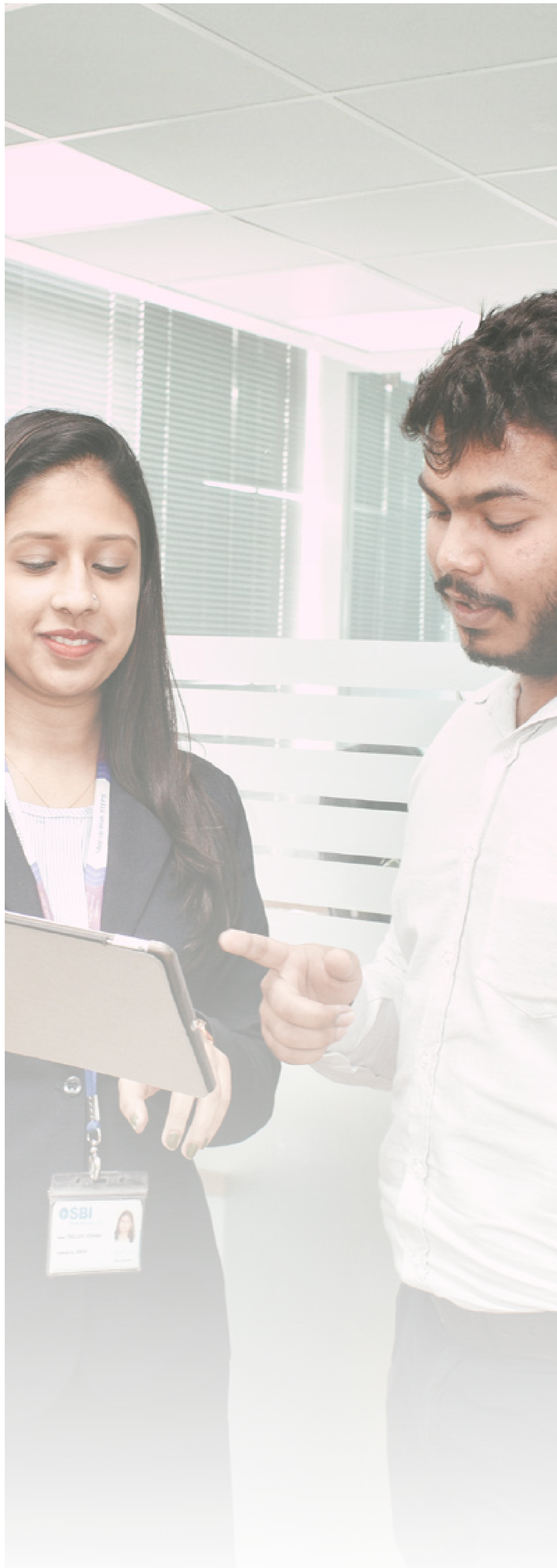
For us, as a bank, our actions during this phase have been guided by two principles; we did all we can to protect our staff and business continuity and we are there for our clients, even more than usual.

Moreover, with the initiative of the Bank of Mauritius to create a strong bridge towards economic recovery by providing funding support to the employment intensive companies/industry, which in turn will help retail borrowers repaying mortgages and loans; it is in our interest to play our role in helping the entire eco-system to get out of the current crisis and return to prosperity.

Turning to business performance, the impact of COVID-19 and continued travel restriction has caused irrecoverable damage to the regular flow of business.

Nevertheless, the Bank has delivered a resilient performance in 2020-21, with improved business numbers and maintaining the profit track with continued focus on our cost efficiency while strengthening our position in the market as illustrated below.

The Management Discussion and Analysis of SBI (Mauritius) Ltd includes forward- looking statements. The forecasts, projections and assumptions contained therein may not materialise. Actual results may vary materially from the plans and assumptions. The Bank has no plans to update any forward-looking statements before the end of the next financial year. The reader should, therefore, stand cautioned not to place any undue reliance on these forecasts.



2. FINANCIAL REVIEW (CONTINUED)

2.1 Performance Against Objectives

OBJECTIVES FOR FY 2020-21	PERFORMANCE FOR FY 2020-21	OBJECTIVES FOR FY 2021-22
Net Profit To achieve Net Profit after tax (PAT) of USD 3.55 Mio	Achieved Net Profit of USD 5.70 Mio	To achieve Net Profit (PAT) of USD 10.06 Mio
Return on Average Equity (ROAE) To achieve a ROAE of above 2.43%	Achieved a ROAE of 3.86%	To achieve a minimum ROAE of 6.70%
Return on Average Assets (ROAA) Aim to keep a ROAA of above 0.41%	ROAA stood at 0.63%	To achieve ROAA above 1.01%
Net Interest Margin To achieve a NIM of 1.75%	Achieved a NIM of 1.65%	To achieve a NIM of 1.67%
Expense Ratio The Expense Ratio is forecast to increase but remain below 47%	The Expense Ratio stood at 39.11%	To further improve Expense Ratio below 39.34%
Gross Loans and Advances growth Loans and advances portfolio by around 10% over the March'20 level	Loans and advances increased by 5.84%	Loans and Advances to grow by 18.95% over the March'21 level
Deposits growth Growth of 12% over Mar'20 level	The Deposit has gone up by 17.07% from the Mar'20 level.	Deposit to grow by 18.06% from the March'21 level
Investment To forecast a growth of 13% over March'20 level	Increased by 4.07%	The investment portfolio to grow by 11.11% over March'21 level
Total Assets Asset growth targeted at minimum of 5% over previous year	The total asset increased by 10.76%	Total Asset to grow by 10.30% over March'21 level
Gross NPA Forecast to reduce the Gross NPA to below 10%	GNPA stood at 8.04%	To further reduce the GNPA to below 3.50%
Net NPA Forecast to reduce the Net NPA to below 4.75%	Net NPA stood at 2.79%	To further reduce the Net NPA to below 0.50%
Capital Adequacy Ratio (CAR) CAR above 20%	CAR is at 26.29 % as at March'21	CAR around 20%

2.2 Performance Highlights – (Year-on-Year Comparison)

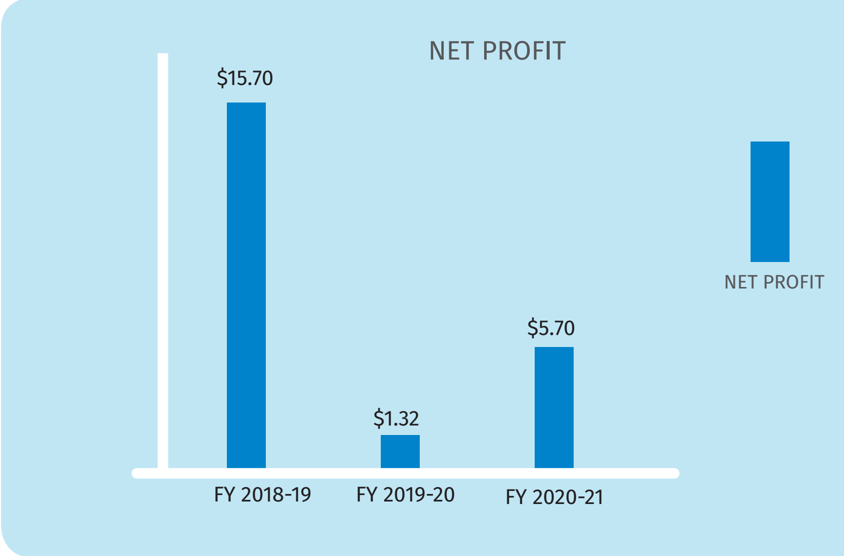
USD MIO

For the Year	2018-19	2019-20	2020-21
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
Net Interest Income	24.19	17.24	14.18
Non-Interest Income	4.44	5.38	5.01
Total Operating Income	28.62	22.62	19.20
Total Operating Expenses	8.53	9.13	7.51
Profit After Tax	15.70	1.32	5.70
STATEMENT OF FINANCIAL POSITION			
Total assets	896.06	846.22	936.95
Loans and advances to customers (Net)	518.59	467.35	491.20
Deposits from customers	471.42	435.81	510.19
Total equity	149.97	144.66	150.55
PERFORMANCE RATIOS (%)			
Return on average equity	11.10	0.92	3.86
Loan to deposit ratio	114.49	107.24	96.28
Total operating expenses to total operating income	29.81	40.36	39.11
CAPITAL ADEQUACY RATIO (%)	26.81	28.20	26.29

2.2.1 Net Profit

Despite the impact of the COVID-19 pandemic, the Bank has been able to achieve a Net Profit After Tax (PAT) of USD 5.70 mio as on 31st March 2021 against USD 1.32 mio as on 31st March 2020, registering an increase of 331.82% on Y-o-Y basis. Both Return on Average Equity (ROAE) and Return on Average Assets (ROAA) have gone up owing to increase in PAT. The ROAE and the ROAA stood at 3.86 percent and 0.63 percent respectively, as on 31st March 2021 as compared to 0.92 percent and 0.15 percent, as on 31st March 2020.

Results for the financial year 2020-21 has been resilient and SBI (Mauritius) Ltd will continue to work on improving its profitability while maintaining a solid equity base, quality asset, capital ratio and sufficient liquidity.



2. FINANCIAL REVIEW (CONTINUED)

2.2.2 Income Analysis

Total Income for FY 2020-21 dropped to USD 19.20 Mio compared to USD 22.62 Mio of the previous financial year, thus registering a decline of 15.12%. The decrease in total income can be attributed to decrease in Net Interest Income.

A) Net Interest Income

NET INTEREST INCOME

USD MIO

Interest Income	
FY 2018-19	38.66
FY 2019-20	31.44
FY 2020-21	20.53

USD MIO

Interest Expense	
FY 2018-19	14.47
FY 2019-20	14.20
FY 2020-21	6.35

Following a low interest rate environment and the economic effect of the first and second waves of COVID-19, the Net Interest Income of the Bank has decreased on Y-o-Y basis from USD 17.24 mio in FY 2019-20 to USD 14.18 mio in FY 2020-21. The decline in Net Interest Income is due to low interest income mainly on account of downward revision of the benchmark lending rates like LIBOR and PLR. Interest expenses have declined at a higher rate than the interest income. However, the impact of interest income was greater than the interest expenses in volume terms, thus lowering the NII.

B) NON-INTEREST INCOME:

USD MIO

Other Operating Income	
FY 2018-19	0.53
FY 2019-20	0.83
FY 2020-21	1.26

USD MIO

Net Trading Income	
FY 2018-19	1.47
FY 2019-20	1.85
FY 2020-21	1.19

NON-INTEREST INCOME

USD MIO

Net Fee and Commission	
FY 2018-19	2.44
FY 2019-20	2.70
FY 2020-21	2.57

Non-Interest Income to Total Income witnessed an increase and stood at 26.13% in FY 20-21 as compared to 23.78% year before. The growth was driven by profit on sale of investment securities, notably treasury bills/notes and foreign bonds and increase in profit from bank's forex market activities.

C) OPERATING EXPENSES:

OPERATING EXPENSES

USD MIO

Staff Expenses	
FY 2018-19	4.63
FY 2019-20	4.50
FY 2020-21	4.24

USD MIO

Other Expenses	
FY 2018-19	3.90
FY 2019-20	4.63
FY 2020-21	3.27

D) COST CONTROL:

Cost to Income ratio computed as non-interest expenses over operating income stood at 39.11% in FY 2021 on account of control over the other expenses & staff expenses. In absolute terms the expenses has declined from USD 9.13 mio in FY 2019-20 to USD 7.51 mio in FY 2020-21.

USD MIO

	2019-20 Actual	2020-21 Actual	2021-22 Projections
Staff Costs	4.50	4.24	4.53
Rent, Insurance and Taxes	0.53	0.15	0.20
Communications	0.33	0.31	0.33
Depreciation	0.86	0.71	0.80
Others	2.91	2.10	0.06
Total	**9.13**	**7.51**	**8.92**
Productivity Ratio	**40.35%**	**39.11%**	**39.34%**

While the staff expenses have declined by 5.78 percent on y-o-y basis from USD 4.50 mio in FY 19-20 to USD 4.24 mio in FY 20-21, other expenses have declined by 19.65 percent. The decrease was mainly due to strict control over the expenses even though payment of yearly compensation related to performance and the increase in the staff strength took place.

MANAGEMENT DISCUSSION & ANALYSIS

2. FINANCIAL REVIEW (CONTINUED)

2.2.3 Business Analysis

A: Liability Mix

LIABILITY MIX

USD MIO

Head Office Funds	
FY 2018-19	149.97
FY 2019-20	144.66
FY 2020-21	150.55

USD MIO

Customer Deposits	
FY 2018-19	471.42
FY 2019-20	435.81
FY 2020-21	510.19

USD MIO

Borrowings	
FY 2018-19	265.11
FY 2019-20	255.17
FY 2020-21	258.85

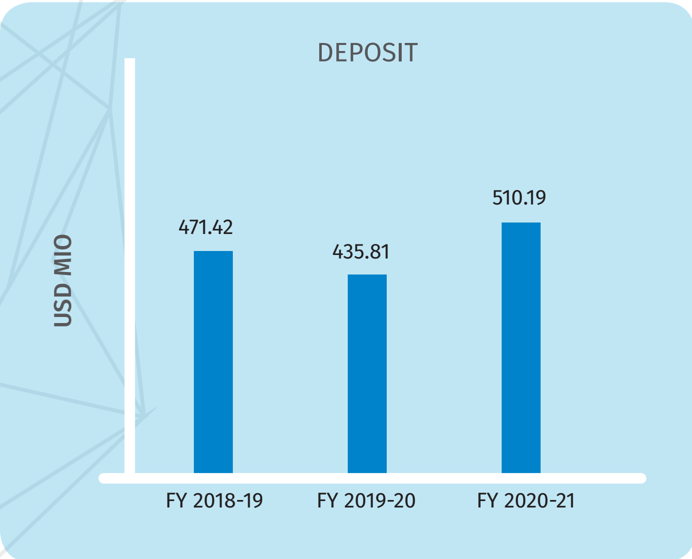
A1: Capital Resources

Capital & Reserves stood at USD 150.55 Mio at March'21 (which includes profit of USD 5.70 Mio for FY 21) as compared to USD 144.66 Mio as at end of March'20.

However, the Bank's Capital Adequacy Ratio stood at 26.29% compared to last year's 28.20% and is well above the regulatory specification of 11.875%.

A2: Deposits

The Bank has experienced an increase in its customer deposits from USD 435.81 Mio as at March'20 to USD 510.19 Mio as at March'21. Moreover, the Bank has been successful in managing the liquidity throughout the year. The bank was successful in substituting a large part of high cost term deposits (both for segment A and B) resulting in improved Cost of Fund.



A3: Borrowings

The Bank enjoys credibility in the interbank market and is able to access the call money market as per the business needs. Despite the impact of COVID-19 & inclusion of Mauritius in the EU & FATF list of high risk countries, the Bank has been successful in raising borrowing from interbank counterparties at much cheaper rates. The borrowing outstanding as at end of March'21 constitutes of borrowing from parent bank as well as other banks.

B: Asset Mix

ASSET MIX

USD MIO

Net Loans and Advances	
FY 2018-19	518.59
FY 2019-20	467.35
FY 2020-21	491.20

USD MIO

Investments	
FY 2018-19	258.32
FY 2019-20	249.99
FY 2020-21	260.17

USD MIO

Placements	
FY 2018-19	86.85
FY 2019-20	123.52
FY 2020-21	144.57

USD MIO

Other Assets	
FY 2018-19	16.45
FY 2019-20	15.63
FY 2020-21	18.45

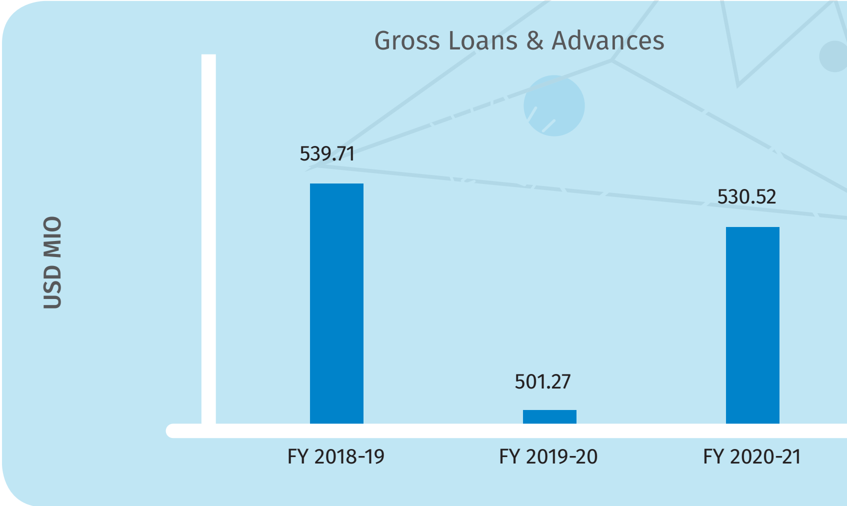
USD MIO

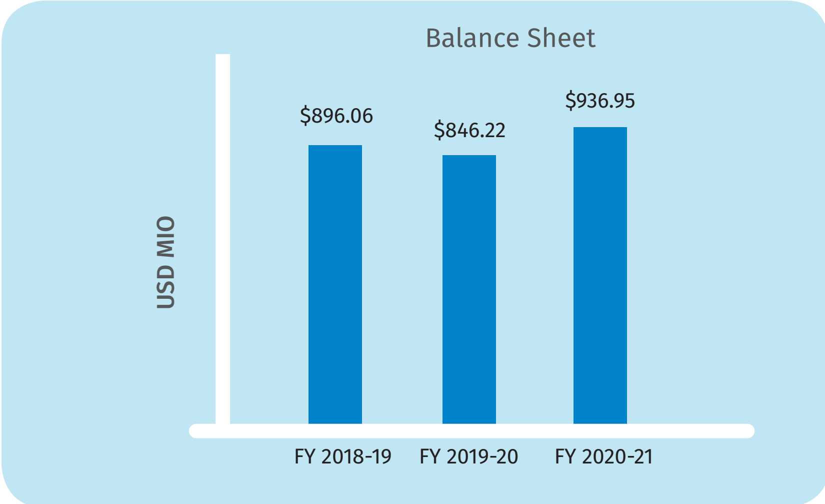
Cash and cash equivalents	
FY 2018-19	93.30
FY 2019-20	101.61
FY 2020-21	156.22

B.1) Gross Loans & Advances

Gross Advances figures went up by 5.84% during FY 2020-21 to USD 530.52 mio against USD 501.27 mio in FY 2019-20. The growth in advances was driven by increase in domestic segment both in retail and Corporate loan book, while Global segment remained in the same range as previous year with diversification of the assets into Africa, as part of our Business Strategy.

However, we are committed towards increasing the loan portfolio by prudently booking quality assets. The bank is focusing on further increasing exposures in local market and from African and other Non-Indian geographies.





B2: Balance Sheet

We made good progress on our business development across market segments while reaping the benefits of past initiatives undertaken to support our growth strategy and we are seeking to continuously strengthen our inherent capabilities in order to foster a consistent expansion in our balance sheet.

2. FINANCIAL REVIEW (CONTINUED)

2.3 Credit Quality

The Bank has been complying with the guidelines issued by Bank of Mauritius for identifying non-performing assets and making appropriate provisions. The credit quality for the last three years has been as follows:

USD MIO

Year Ended	Standard Assets	Impaired loans	Total Loans
31/03/2019	508.01	31.70	539.71
31/03/2020	447.59	53.68	501.27
31/03/2021	487.86	42.66	530.52

Gross and net NPAs stood at USD 42.66 Mio and USD 13.69 Mio, respectively, as on 31st March 2021 as compared to USD 53.68 Mio and USD 28.83 Mio as on 31st March 2020. The ratio of gross and net NPAs improved to 8.04 percent & 2.79 percent, respectively, as on 31st March 2021 as compared to 10.71 percent and 6.17 percent, respectively, as on 31st March 2020.

While closely monitoring the loan portfolio to restrict further slippages, we have stepped up our efforts to recover our dues in sticky accounts and we expect further recoveries/up gradation in some accounts in current financial year. The movement of NPAs including loans written off and recoveries made during the financial year 2020-21 is given below:

Gross NPA	USD MIO
As on 31st March 2020	53.68
Less: Recovery	3.57
Up gradation	8.00
Write-Off	0.02
Exchange Fluctuation	0.03
Add: Slippages (Addition)	0.60
Add: Additional provision as per IFRS 9	-
As on 31st March 2021	42.66

Industry wise breakup of the credit quality in the current year is as under:

USD MIO

	Year Ended 31st March 2021					31.03.20	31.03.19
	Gross amount of Loans	Non-performing Loans	Specific Provision	Collective Provision	Total Provision	Total Provision	Total Provision
Agriculture and fishing	23.33	0.00	0.00	0.50	0.50	0.45	0.19
Manufacturing	143.66	0.00	0.00	3.73	3.73	3.70	2.22
Tourism	13.62	0.00	0.00	0.35	0.35	0.42	0.49
Transport	38.30	27.75	19.72	0.17	19.89	14.65	14.78
Construction	37.98	0.74	0.42	1.09	1.51	5.47	1.20
Financial & business services	112.21	13.47	8.61	2.13	10.74	7.30	0.57
Traders	16.77	0.32	0.20	0.23	0.43	0.32	0.35
Personal	3.06	0.02	0.01	0.04	0.06	0.06	0.04
Professional	0.16	0.00	0.00	0.00	0.00	0.00	0.01
Global Business License holders	50.19	0.00	0.00	0.66	0.66	1.00	0.77
Others	2.26	0.00	0.00	0.04	0.04	0.09	0.07
Interest receivable	0.80	0.36	0.00	0.00	0.00	0.00	0.00
Total Advances*	442.34	42.66	28.96	8.95	37.91	33.47	20.69

** Excluding loans and advances to banks.*

2.4 Capital Adequacy

As per Basel III framework, banks are required to hold capital for the following three risk areas:
a) Credit Risk
b) Market Risk
c) Operational Risk

The Capital Adequacy Ratio is the ratio which determines the capacity of the bank in terms of meeting the time liabilities and other risks such as credit risk, market risk and operational risk.

The Bank of Mauritius requires each bank to:

- Hold a minimum level of the regulatory Capital of MUR 400 Mio.
- Maintain a ratio of total regulatory capital to risk weighted assets (CAR) at or above the internationally agreed minimum of 10 percent. The minimum Total CAR plus Capital Conservation Buffer required to be maintained for the year 2021 is 11.875 percent.

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure with some adjustments to reflect the more contingent nature of potential losses.

The Capital Adequacy Ratio computed as per Basel III for FY 2020-21 stood at 26.29 percent (FY 2020-2021: 28.20%) and were well above the minimum capital adequacy ratio of 11.875 percent prescribed by the regulator. The details are given below:

USD MIO

Total on-balance sheet risk-weighted credit exposures	549.05
Total non-market–related off-balance sheet risk-weighted credit exposures	2.96
Total market-related off-balance sheet risk-weighted credit exposures	0.27
Risk weighted assets for operational risk	35.22
Aggregate net open foreign exchange position	2.98
Total risk weighted assets (A)	590.48
Total Capital Base (B)	155.26
Capital Adequacy Ratio (B/A) (percent)	26.29%

MANAGEMENT DISCUSSION & ANALYSIS

2.4 Capital Adequacy (CON'D)

The table below summarises the composition of regulatory capital and the Capital Adequacy Ratios of the Bank for the past three years.

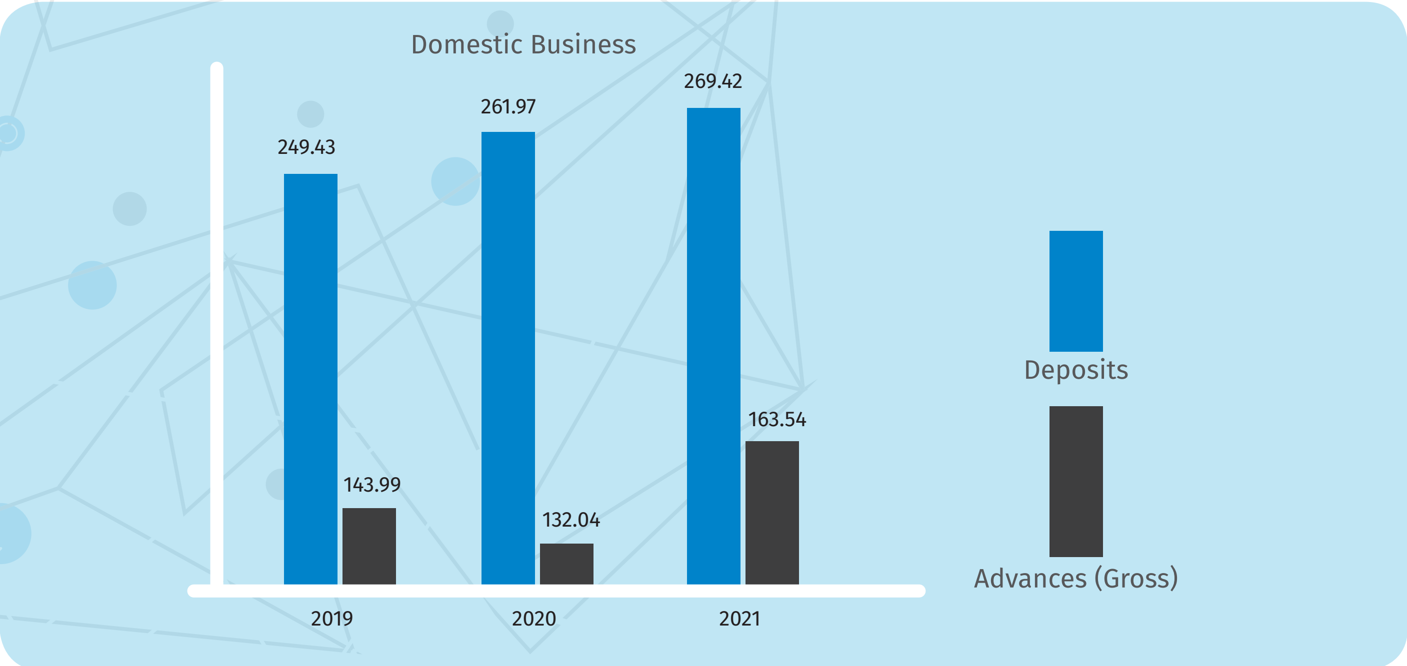
As on	31.03.2019	31.03.2020	31.03.2021
Tier 1			
Share Capital	48.63	48.63	48.63
Share Premium	54.08	54.08	54.08
Statutory Reserve	24.03	24.23	25.08
General Reserve	0.60	0.60	0.60
Other Disclosed Free Reserve	26.55	17.95	22.81
Less (Deferred tax)	(1.50)	(2.11)	(2.14)
Revaluation of Retired Benefits			
Obligations/AFS	(4.03)	(0.94)	(0.75)
Total	148.35	142.44	148.31
Tier 2			
Undisclosed Reserve	0.05	0.05	0.05
Portfolio Provisions	5.54	6.08	6.90
Total	5.59	6.13	6.95
Total Gross Capital (Tier 1 plus Tier 2)	153.94	148.57	155.26
CAPITAL ADEQUACY RATIO (%)	26.81	28.20	26.29

2.5 Reviews By Business Lines/Segments

2.5.1 Domestic Business (Segment A)

USD MIO

As at 31st March	2019	2020	2021
Deposits	249.43	261.97	269.42
Advances (Gross)	143.99	132.04	163.54



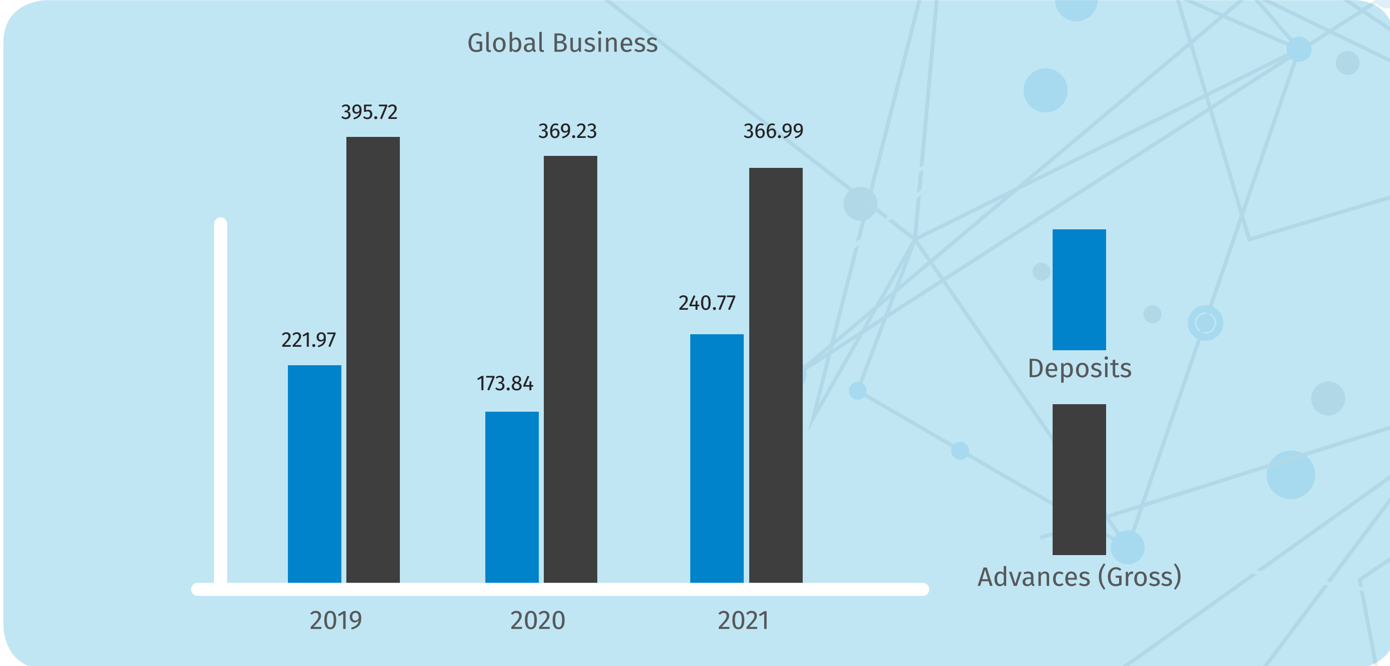
Deposits in Domestic Business Segment have increased by 2.84% to USD 269.42 mio against USD 261.97 mio year before. The Gross Advances have also increased by 23.86% to USD 163.54 mio against USD 132.04 mio year before. The focus was on resolving high value NPAs and to enforce credit discipline.

Though we are operating in a very difficult environment, the targets set for total deposits, net loans and advances and investments have been achieved.

2.5.2: Global Business (Segment B)

USD MIO

As at 31st March	2019	2020	2021
Deposits	221.97	173.84	240.77
Advances (Gross)	395.72	369.23	366.99

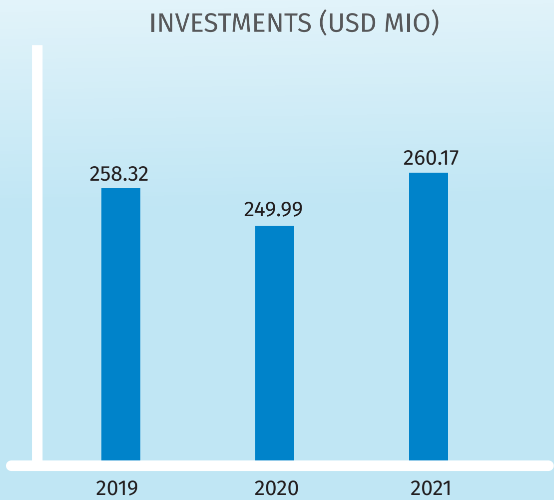


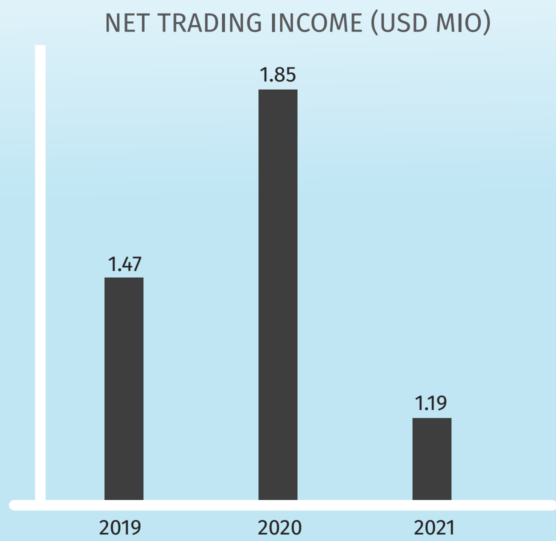
Global Banking Business constitutes more than 47.19% of Deposits and more than 69.18% of Advances of the bank. The bank has restrategized to selectively build the loan book in medium term to long term tenors.

2.5.3: Treasury & Investments

USD MIO

As at 31st March	2019	2020	2021
Investments	258.32	249.99	260.17
Net Trading Income	1.47	1.85	1.19





2.5.3: Treasury & Investments (CONTINUED)

Investments portfolio has increased by 4.07% during FY 2020-21. The investments were done for the purpose of management of mandatory requirement of HQLAs as well as effective utilization of the excess liquidity in the bank for higher incomes with 86.14% of our investments are into IG category.

As a sizeable portion of our investments are held in HQLAs to meet the LCR requirement which keeps on fluctuating as per the LCR need and hence being managed for best possible use of the resources. MTM gain for both USD and MUR investments put together stood positive at USD 4.49 Mio (+ve) as on 31.03.2021.

2.5.4: Human Resources

SBI (Mauritius) Ltd is an Equal Opportunity Employer and our Human Resources department is at the forefront to provide the necessary support in terms of identifying and providing the human resources with the required skills for achievement of our business goals.

For the development of employees, SBIML has set up regular in-house training programs which all employees attend in order to update their knowledge of the changing aspects of the regulations. Coupled with that, we have also external specialised trainings imparted by qualified trainers to employees in specific areas, with main target on their job profile assigned.

We also have different recognition programs for our employees, through the end of year best employee award, special increment incentive upon completion of a certain number of service as well as incentives for qualifying for higher qualifications. We also have a well designed promotion policy offering opportunity for their career growth.

The health and safety of our employees are also of utmost importance. During the Covid 19 confinement, the Bank had put emphasis on this important issue by providing all necessary sanitary measures.

The Bank had made arrangements for sanitary facilities such as mask, gloves, hand sanitizer, cleaning materials and desk separators for the smooth running of the operations during this critical period.

We have also arranged for transport facilities for employees attending office as well as disbursed a special allowance in recognition for employees who attended duty during the confinement period.

The cost for health facilities amounts to Rs. 578,315 and the special allowance to Rs. 1,188,680, along with transport facilities of Rs. 246,700.

2.5.5: Digital Transformation

Digital transformation in banking is disruptive. It challenges the traditional models and bring about a paradigm shift in the way the banking is done today. Open Banking, Smart Banking and omni-channel banking are some of the transformational models that are bringing the fundamental shift in banking and the customer behaviour. The Bank has implemented the following transformative projects, which made a long-term impact in the banking landscape in Mauritius.

During May 2020, when the entire world was going through an unprecedented lockdown due to the COVID-19 pandemic, we had developed and launched our smart banking App **YONO SBI MU.**

The App was our commitment to the customers to empower and provide a banking service at their convenience through smart phones. The App was developed using agile development tools with functionalities such as Account information, funds transfer, INR remittances, fixed deposit account opening etc. Being a global bank, we have also integrated YONO SBI MU App with the SBI Core Banking System, in order to provide an omni channel experience to the customers having SBI India account. The App has been very well appreciated by our customers and has successfully changed the banking behaviour of our customers from branch banking to the smart banking. We are making our efforts to provide many more features in the YONO App to make it the best-in-class banking App in the country.

Globally, banks have adopted open banking solutions to provide seamless banking experience to the customers through API sharing and integration. During the year, the Bank of Mauritius also introduced MAUCAS (Mauritius Central Automated Switch) under which, we were required to integrate to an Instant Payment System (IPS), a 24x7x365 cashless payment channel. During Aug 2020, we have successfully integrated our core banking systems to the IPS, thereby providing the customers a seamless access to the local payment system. As part of IPS, we have opened our API gateways and have shown our solidarity to the regulator's vision of a secure, cashless and open banking system.

Digital transformation is a cultural change and a driver of business innovation. It is dynamic and challenges status quo that ultimately bring value to the customers. The management of SBI (Mauritius) Ltd is well aware of these rapidly changing paradigms and are constantly experimenting with different strategies and innovating to provide the best-in-class customer service and orchestrate customer delight across all the touchpoints.

2.6 Credit Exposure

The Bank has a proactive Loan Policy, which establishes the approach to credit, appraisal and sanction of credit proposals, documentation standards and awareness of institutional concerns and strategies, while leaving enough room for flexibility and innovation. The Policy describes the types of credit that may be undertaken by the Bank and lays down prudential exposure guidelines for avoiding credit concentration for various types of entities, the factors affecting pricing, the post disbursal aspects of monitoring and follow up of credit. The policy also prescribes strategies for management of non-performing assets.

All credit exposures undertaken by the Bank are approved by the Board or various credit committees, in accordance with the Loan Policy/as per laid down financial powers. Credit risk is normally mitigated by lending to highly rated corporates, and / or obtaining suitable collaterals and guarantees.

2.7 Capital Management

The Bank's objectives while managing its capital are:

- To comply with the capital requirements set by the regulators of the banking sector where the bank operates.
- To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns to shareholders.
- To maintain a strong capital base to support the development of its business.

No fresh capital was injected during the financial year ended 31st March 2021. The Bank's capital however, has increased on account of plough back of the profits. The capital adequacy remained higher, well above the regulatory requirements and will support the bank's growth objectives stated for current fiscal.

2.8 ADHERENCE TO BASEL III RULES

Bank of Mauritius came up with its final guidelines in relation to the implementation of Basel III rules in Mauritius with a view to strengthening the regulation, supervision and risk management of the banking sector. Bank of Mauritius issued Guidelines on Scope of Application of Basel III and Eligible Capital in June 2014 which came into effect on 1st July 2014, superseding the existing Guideline on Eligible Capital issued in April 2008 and the Guideline on Scope of Application of Basel II issued in May 2008, for making the banking sector more resilient against shocks arising from financial and economic stresses.

The guidelines set out the rules text and timelines to implement some of the elements related to the strengthening of the capital framework. It also formulates the characteristics that an instrument must have in order to qualify as regulatory capital, and the various adjustments that have to be made in determining the regulatory capital of a bank. Moreover, the document lays down the limits and minima of the different capital components, while stipulating that banks should apply a capital conservation buffer to ensure that operators build up adequate buffers above the minimum during normal times, to be drawn down should losses be incurred during a stressed period.

Phase-in arrangements of capital requirements for banks operating in Mauritius and Guideline on Scope of Application of Basel III and Eligible Capital:

	Basel III timetable						
	2014	2015	2016	2017	2018	2019	2020
	1 July	................(All dates are as of 1 January)..............					
Minimum CET 1 CAR	5.5%	6.0%	6.5%	6.5%	6.5%	6.5%	6.5%
Capital Conservation Buffer				0.625%	1.25%	1.875%	2.5%
Minimum CET 1 CAR plus Capital Conservation Buffer	5.5%	6.0%	6.5%	7.125%	7.75%	8.375%	9.0%
Phase-in of deductions from CET 1		50%	50%	60%	80%	100%	100%
Minimum Tier 1 CAR	6.5%	7.5%	8.0%	8.0%	8.0%	8.0%	8.0%
Minimum Total CAR	10%	10%	10%	10%	10%	10%	10%
Minimum Total CAR plus Capital Conservation Buffer	10%	10%	10%	10.625%	11.25%	11.875%	12.5%
Capital instruments that no longer qualify as Tier I capital or Tier 2 capital	Phased out over 10 year horizon beginning 1 July 2014						

Though as per chart above, we need to maintain CAR of 12.50% as from 1st January 2020, BOM via circular issued on 11th January 2021 has advised that banks will be required to maintain a capital conversation buffer of 1.875% till 31st March 2022. Total CAR plus Capital Conservation Buffer required to be maintained for the year 2021 is 11.875 percent.

As of 31.03.2021, the Bank is complying with the regulatory guidelines and our ratios as at 31st March 2021 stands as under as compared to the stipulations.

Actual information:	As per time table	Actual 31.03.2021
Minimum CET 1 CAR	6.5%	25.12%
Minimum CET 1 CAR plus Capital Conservation Buffer	8.375%	25.12%
Phase-in of deductions from CET 1	100%	NA
Minimum Tier 1 CAR	8%	25.12%
Minimum Total CAR	10%	26.29%
Minimum Total CAR plus Capital Conservation Buffer	11.875%	26.29%

2.8 ADHERENCE TO BASEL III RULES (CONTINUED)

The tables below give a full reconciliation of all regulatory capital elements with the balance sheet in the audited financial statements:

Common Equity Tier 1 capital: instruments and reserves	USD	USD
Ordinary shares (paid-up) capital	48,627,188	
Share premium (from issue of ordinary shares included in CET1)	54,078,062	
Retained earnings	22,800,407	
Accumulated other comprehensive income and other disclosed reserves (excluding revaluation surpluses on land and building assets)	25,686,596	
Current year's interim profits (subject to certification by the bank's external auditors)		
Common Equity Tier 1 capital before regulatory adjustments		151,192,253
Deferred tax assets	2,135,033	
Other Adjustments to Common Equity Tier 1 capital (please specify: Actuarial loss Reserve/FV Reserve)	749,850	
Adjustments to Common Equity Tier 1 capital due to insufficient Additional Tier 1 and Tier 2 capital to cover deductions		
Total regulatory adjustments to Common Equity Tier 1 capital		148,307,370
Common Equity Tier 1 capital (CET1)		
Additional Tier 1 capital (AT1)		
Tier 1 capital (T1 = CET1 + AT1)		148,307,370
Tier 2 capital: instruments and provisions		
Provisions or loan-loss reserves (subject to a maximum of 1.25 percentage points of credit risk-weighted risk assets calculated under the standardised approach)	6,903,572	
Surplus arising from revaluation of land and buildings owned by the bank (subject to a discount of 55 per cent)		
Tier 2 capital before regulatory adjustments	48,713	6,952,285
Tier 2 capital (T2)		6,952,285
Total Capital (capital base) (TC = T1 + T2)		155, 259,655
Total risk weighted assets		**590,478,011**
Capital ratios (as a percentage of risk weighted assets)		
CET1 capital ratio		25.12%
Tier 1 capital ratio		25.12%
Total capital ratio		26.29%

USD MIO

Reconciliation to Financial statements	Balance sheet as per published financial statements As on 31.03.2021
	As at period end
Assets	
Cash and cash equivalent	156.22
Loans and advances to banks	86.78
Loans and advances to customers	404.42
Investment securities	260.17
Property, plant and equipment	7.62
Current tax assets	-
Deferred tax assets	2.14
Other assets	19.60
Total assets	936.95
Liabilities	
Deposits from customers	510.19
Other borrowed funds	258.85
Current tax liabilities	0.38
Other liabilities	16.98
Total liabilities	786.40
Shareholders' Equity	
Share capital and share premium	102.71
of which amount eligible for CET1	102.71
Retained earnings	22.80
Other reserves	25.04
Accumulated other comprehensive income	-
Total equity	150.55
Total equity and liabilities	936.95

2.9 Details Of Risk-Weighted Assets

The details of risk weighted assets used for calculating capital adequacy ratio are as below:

Risk-weighted on-balance sheet assets	March 2021			
	Amount before CRM USD 000	Amount After CRM USD 000	Risk Weight Bracket %	Weighted Assets USD 000
Cash items	1,750	1,750	0	0
Claims on sovereigns	84,854	84,854	0-150	0
Claims on Bank of Mauritius	64,365	64,365	0-150	0
Claims on multilateral development banks (MDBs)	23,162	23,162	0-150	0
Claims on banks	267,224	267,224	20-150	128,388
Claims on all other PSEs	65,390	65,390	0-150	65,390
Claims on corporate	382,683	354,251	20-150	292,068
Claims included in the regulatory retail portfolio	9,619	8,636	75	6,477
Claims secured by residential property	17,723	17,723	35-125	18,124
Claims secured by commercial real estate	666	666	100-125	666
Past due claims	42,663	42,663	50-150	21,641
Fixed assets/Other assets	16,299	16,299	100-250	16,299
Total	**976,398**	**946,983**	**-**	**549,053**

The details of risk weighted off balance sheet assets are as below:

Risk-weighted off-balance sheet assets	Amount before CRM USD 000	Amount after CRM USD 000	Risk Weight Bracket %	Weighted Assets USD 000
Direct credit substitutes	3,780	1,524	100	1,524
Transaction-related contingent items	12,488	511	50	255
Trade-related contingencies	3,663	3,663	20-100	1,182
Other commitments	6,226	6,226	0-100	0
Total	26,157	11,924	-	2,961

3. Risk Management Policies And Controls

A. Overview

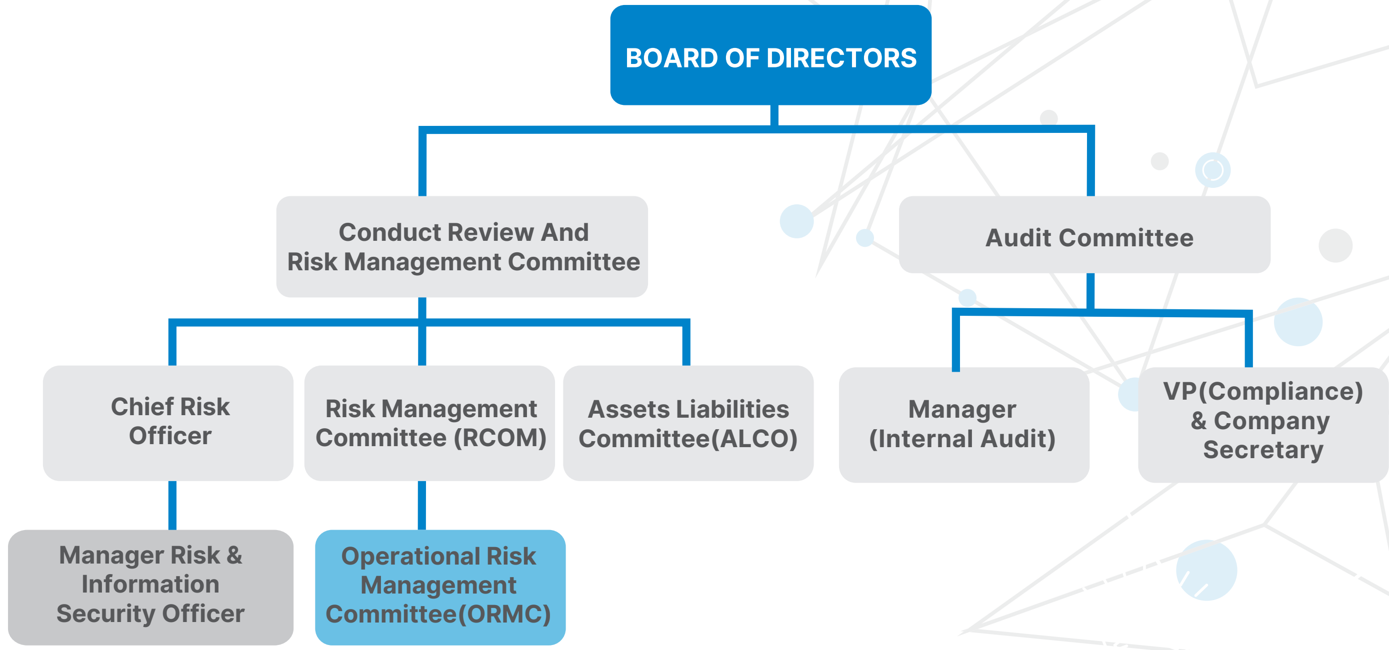
Risk is inherent in banking business and the main objective of risk management at SBI (Mauritius) Ltd is to identify potential threats to the Bank and define strategies to eliminate or minimize their negative impact on profitability and capital by putting suitable risk identification, assessment, measurement and mitigation framework for all the portfolios in place. Major risks faced by banks are credit risk, market risk and operational risk, including IT risk.

The Bank has implemented its risk management arrangements through a three-lines-of-defence (TLOD) model:

1. First Line of Defence: Frontline Operations and Support Functions – End to end ownership of risk. Adequate processes and mechanisms are in place to manage and mitigate risk in the light of day-to-day experience.
2. Second Line of Defence: Risk & Compliance – Establishing limits and framework for operating functionaries and oversight of various risks.
3. Third Line of Defence: Internal & External Audit - Independent assessment to provide assurance on the effectiveness of risk governance along with review of the processes and mechanisms.

B. Risk Governance Structure

The Bank has an independent risk governance structure conferring ultimate responsibility for risk management on the Board, through various sub-committees which are closely supervised to ensure that strategic decisions are in line with Board approved risk appetite and risk tolerance limits. Risk Governance Structure at the Bank is as under:



Risk Management Committee (RCOM)

RCOM is headed by MD&CEO and meets at monthly intervals to monitor the compliance of major policy prescriptions, the Bank's risk profile, review strategies of risk management and provide guidance for Risk functions. The minutes of the proceedings of RCOM are submitted to the CRRMC, a sub-committee of the Board with a view to monitor and mitigate such risks.

Matters discussed include the following:

- All matters relating to Credit Risks, Market Risk including Interest Rate Risk, Forex Risk and Liquidity Risk
- Monitoring of credit concentration, country / sectoral exposures and review / renewal of accounts.
- Overall health of the Credit Portfolio.
- Matters relating to Operational Risk including Anti-Fraud measures, Internal Audit findings, Security, Insurance of asset, Technology etc.
- Overall robustness of the operating guidelines and practices of the Bank.
- Review of non-KYC accounts.
- Review of pending court and fraud cases.

Asset Liabilities Committee (ALCO)

ALCO is headed by MD&CEO and meets at quarterly intervals (or earlier as required) to monitor the liquidity position. The minutes of the proceedings of the ALCO are submitted to the CRRMC with a view to monitor and mitigate such risks.

Matters discussed include the following:

- Assess the impact of Assets Liabilities management on Bank's Financial Performance.
- Review of market position and competition.
- Discuss all matters related to Asset Liabilities Management (Mauritian Rupee & Foreign Currency denominated).
- Review of asset liability issue, interest spread, maturity mismatch.
- Approval of Prime Lending Rate (PLR).
- Approval of interest rates on deposits

3. RISK MANAGEMENT POLICIES AND CONTROLS (CONTINUED)

Operational Risk Management Committee (ORMC)

ORMC is headed by CRO and meets at monthly intervals to monitor the operational risks. The minutes of the proceedings of the ORMC are submitted to the RCOM with a view to monitor and mitigate such risks. Matters discussed include the following:

- KRI Review including credit, market and operational risk
- Status of new / existing Policies, Manuals and Framework.
- Review the Status of BCP plans and Test Results.
- Internal/External Loss Data Analysis and Near Miss Events of Branches
- Status of KYC Compliance and updation
- Incidence of Cyber Crimes/Frauds.
- Status of Irregularity Reports & Control Returns
- Internal Audit Irregularities
- Compliance Audit Irregularities
- Report on Frauds & Penalties

C. Risk Composition

SBIML adheres to the Guideline on Standardized Approach for Credit Risk as well as Market Risk of the Bank of Mauritius for the computation of the capital requirements. Capital requirement for operational Risk is calculated as per Basic Indicator Approach.

D. Management of Key Risks

1. Credit Risk

Credit Risk is the possibility of losses associated with the diminution in the credit quality of borrowers or counterparties from outright default or from reduction in portfolio value. It covers both on and off-balance sheet obligations.

1.1 Credit Risk Policies

The Bank has the following policies in place for managing credit risk:

- Loan Policy
- Credit Risk Assessment (CRA) System
- Policy on Country Risk Exposure Limit
- Policy on Related Party Transactions
- Cross-Border Exposure Policy
- IFRS-9: ECL Provisioning Policy

Loan Policy: Credit Risk Management is covered in the Loan Policy of the Bank, which is approved by CRRMC of the Board on a yearly basis. The policy comprehensively covers guidelines issued to meet the credit appraisal standards & control systems, monitoring of advances and exposure levels, pricing of advances, documentation standards, NPA management and tools for mitigation of credit risks. It prescribes, inter-alia, limits for exposures - industry-wise, NFB vs FB wise, secured/unsecured basis and sector-wise exposure. The credit appraisal system of the Bank is constantly reviewed and upgraded, taking into account the latest regulatory guidelines.

CRA System: The Bank also has a Board approved Credit Risk Assessment system which is implemented through a Risk Validation Committee which independently reviews the scores assigned to all borrowers enjoying credit facilities of MUR 10 mio and above.

Country Risk Exposure Limit Policy: The Bank is exposed to Country Risk given the considerable portion of its offshore business dealings. Any disruption, disturbance or break-down in the economy of a particular region could adversely affect Bank's business, financial condition and results of operations depending on the extent of Bank's exposure in that area. SBIML has formulated its Country Risk Exposure Limit policy in consonance with the Guidelines prescribed by the Bank of Mauritius which is approved by CRRMC of the Board and is subject to annual review. The Permissible Global Limit for each country is calculated as per the Policy and breaches are put up to RCOM at monthly intervals and to the Board of Directors at quarterly intervals.

Policy on Related Party Transactions: BoM has issued guidelines regarding Related Party transactions in respect of credit exposures, financial leasing, non-fund-based commitments, placements, conditional sales agreements, consulting or professional service contracts, investments in equity, deposits, acquisition, sale or lease of assets etc. These are being monitored by CRRMC on quarterly basis, apart from being reported to the regulators at prescribed intervals.

Cross-Border Exposure Policy: The Policy on Cross-Border Exposures supplements the existing Loan Policy, Country Risk Exposure Limit Policy and the Risk Management Framework of the Bank and provides a set of additional minimum standards that need to be followed by operating functionaries in respect of cross-border exposures. These minimum standards provide a risk-based management framework aiming to mitigate the main cross-border banking risks.

IFRS-9 ECL Provisioning Policy: The Bank has put in place this policy to adhere to the provisioning requirements set out in the International Accounting Standards Board (IASB) International Financial Reporting Standard 9 – Financial Instruments ("IFRS 9") and covers certain aspects of the credit life cycle including credit impairment, expected loss computation and governance structure.

- The policy provides brief overview of underlying important concepts under IFRS 9 and the approach adopted to develop the ECL Model for the Bank, which serves as a foundation and guidance for implementation of the Model in our Bank. IFRS 9 reinforces the risk mitigation process through internal controls and credit monitoring.
- IFRS 9 'Expected Loss Model' is forward-looking and more aligned to prudential regulation with regard to Credit Risk Management and eliminates the delays in recognition of credit losses.
- The adoption of IFRS 9 has enabled Bank to enhance its internal control system with a better end-to-end management on an ongoing basis, which is critical to avoid unintended consequences. In addition, IFRS 9 implementation has enhanced the quality of risk assessment of our portfolios while still delivering a consistent customer experience within set risk parameters.

Concentration Risk

Concentration risk is being monitored in line with the BoM Guideline on Credit Concentration Limits and bank's internal Loan Policy and Risk Appetite Statement. The Bank measures the risk concentration to any single customer or group of connected counterparties with the potential of producing losses which are substantial enough to affect the soundness of a financial institution. The credit exposures of the Bank are geographically diversified to mitigate credit concentration risks but a major share is mainly in India and Mauritius. Concentration risk is monitored by RCOM on monthly basis and the bank ensures that its exposures are within the guidelines prescribed by the regulator.

The top six single borrowers of the Bank as on 31.03.2021 are as below:

Borrower	Exposure as on 31.03.2021 (in USD mio)	% of Bank's Tier-I Capital as on 31.03.2021
Borrower 1	45.66	30.79%
Borrower 2	27.16	18.31%
Borrower 3	25.32	17.07%
Borrower 4	25.00	16.86%
Borrower 5	25.00	16.86%
Borrower 6	25.00	16.86%

1.2 Credit Risk Identification, Assessment and Measurement

The process of identifying and assessing the credit risk underlying in a proposal incorporates the following steps:

- Industry scenario analyzed by Business departments
- Credit Risk Assessment (CRA) Models used for commercial units with exposure of and above MUR 10 mio. Credit risk rating is worked out as soon as the audited balance sheet of the company is received. This facilitates an independent and objective risk rating without influence of operations/ budgetary considerations.
- For Retail Banking exposures, Debt to Income ratio and Loan to Value ratio is computed as per Regulatory guidelines
- External Ratings (ECRA) is factored for the Global Business loans to large corporates. SBIML uses the ratings assigned by External Credit Assessment Institutions (ECAIs) recognized by the Bank of Mauritius for evaluation of credits / exposures related to high value advances, placements and investments.
- Committee based approach for sanction of Loans.
- Key Risk Indicators on Credit Risk Management and compliance with Policy prescriptions are measured and put up to ORMC/RCOM.

1.3 Credit Risk Monitoring

- Monitoring of Stressed Assets / Special Mention Accounts / Restructured Assets
- Monitoring of Quick Mortality cases (accounts turning NPA within 2 years after sanction)
- Monitoring of breaches in limits as per our internal Policy Prescriptions & Regulatory Guidelines
- Risk Appetite Monitoring under Credit Risk parameters
- Stress Testing for the Credit Portfolio and impact on capital (Downgrade in risk weights)
- Review of Credit Risk Rating on an annual basis
- Risk Rating Analysis of credit portfolio
- Quarterly review of all Cross-Border exposures by the Board of Directors
- Half Yearly credit review of Segment A and Segment B presented to the Executive Committee of the Directors.
- Delegation of credit approval authority of management personnel and committees, taking into account the type and size of credit, the types of risks to be assessed.

1.4 Restructured/Rescheduled Exposures:

BoM has introduced a series of measures under a Support Programme to assist households and businesses impacted financially by Covid-19 in alleviating cash-flow problems and ensuring business continuity. One of the measures, besides extending line of credits, was allowing commercial banks to grant moratorium up to 30.06.2021 on capital and interest repayments of existing loans to households and economic operators. As directed by BoM, the Bank granted moratoriums to all eligible borrowers who requested for moratorium. The details of the accounts that have been rescheduled by giving moratorium under BoM scheme are as below:

No of Accounts Rescheduled	Outstanding as on 31.03.2021 (in USD mio)
110	13.00

Other than regulatory Reschedulement, only one account having outstanding of USD 0.08 mio has been restructured by the Bank.

As the cumulative outstanding amount of all restructured/rescheduled loans is quite low, no significant impact is expected on credit impairment allowances or on present and future earnings.

2. Market Risk

Market Risk is the possibility of loss that Bank may suffer on account of change in value of its trading portfolio, on account of market variables such as exchange rate, interest rate, key policy rates and equity price, among others. Market risks are often influenced by changes in geopolitical environment and the financial risks associated with it. SBIML has put in place policy guidelines for the identification and monitoring of market risk on a regular basis and has prescribed stringent measures to mitigate those risks, including flagging off any issues immediately to the appropriate authorities for a prompt redressal of the situation. Market risks are controlled through various risk limits, such as Net Overnight Open Position, Modified Duration, Stop Loss, Concentration and Exposure Limits.

2.1 Market Risk Policies

- Liquidity Management Policy
- Investment Policy
- Derivatives Policy
- Interest Rate Risk Management Policy
- Bank Exposure Limit Policy
- Risk Participation Policy

Liquidity Management Policy: The Bank has a well laid out process of liquidity planning which assesses potential future liquidity needs, taking into account changes in economic, political, regulatory or other operating conditions. SBIML has a Board approved Liquidity Management Policy in place which sets out the Bank's liquidity philosophy and management and defines the liquidity tolerance parameters as well as a contingency plan in the event of liquidity crisis. Guidelines issued by the Bank of Mauritius are incorporated in the policy. The Management monitors the liquidity position of the Bank on a daily basis through liquidity planning schedule and on monthly basis through maturity mismatch report which is also put up before the CRRMC of the Board on a quarterly basis. Bank also conducts the analysis of behavioral pattern of deposit / liabilities for previous 36 months in regard to the sources and volatility of the deposits and this study is put to MD & CEO on monthly basis.

Liquidity Coverage Ratio (LCR)

Particulars	Regulatory Prescription	Actual Position as on 31st March 2021
LCR in MUR	100%	1532%
LCR in USD	100%	144%
Consolidated LCR	100%	328%

The LCR report is submitted to BOM on fortnightly basis in MUR, USD and consolidated for all currencies in USD. The Bank also publishes disclosure of LCR on quarterly intervals along with the financial statements.

Investment Policy: All investments made by Bank follow the principle of safety, liquidity and return - in that order. The primary purpose of the policy is to ensure proper deployment of surplus funds while ensuring safety through proper assessment and appraisal of attendant risks while ensuring alongside optimal return commensurate with the stability and liquidity requirement.

Derivatives Policy: It lays down the framework for undertaking derivative activities for trading, hedging or consumer products by specifying various risk limits, such as Net Overnight Open Position, Modified Duration, PV01, Stop Loss and counterparty Exposure Limits.

Interest Rate Risk Management: Interest Rate Risk represents the potential adverse impact on profits and market value of assets and liabilities due to fluctuation on interest rates and its management is in close coordination with and as a part of other ALM processes such as liquidity and exchange risk management. Managing interest rate risk is a fundamental concept of safe and sound management of the Bank. Sound interest rate risk management involves prudent management of interest rate risk positions for optimization of returns, while remaining within the tolerance limits set for various risk parameters. Appropriate hedging techniques such as Interest Rate Swaps, Cross Currency Swaps etc are used as a means of managing and controlling interest rate risk. The risk positions are monitored on a monthly basis by the Management and quarterly by the CRRMC of the Board through Interest Rate Sensitivity Monitor (IRSM) report.

MANAGEMENT DISCUSSION & ANALYSIS

3. RISK MANAGEMENT POLICIES AND CONTROLS (CONTINUED)

2.1 Market Risk Policies (CONT'D)

EaR Analysis

Interest Rate Movement	Impact on Earnings (USD Mio)
+25	0.11
-25	-0.11
+50	0.22
-50	-0.22
+75	0.33
-75	-0.33
+100	0.43
-100	-0.43

Bank Exposure Limit Policy: It is used to effectively monitor the exposure limits on Foreign Banks, Local Banks and Supranational Banks on a daily basis from a risk perspective, report breach of limits to top management and to review the global and financial situation and amend the limits, as required. A robust Bank Exposure Model (BEM) has been prepared with a view to improve the risk assessment of each bank qualitatively and quantitatively and for determining permissible global exposure limits (PGEL) on various banks for different product lines like Forex, Derivatives, Money Market, LC/BG, Investments, Lines of Credit etc. as per the requirements.

Risk Participation Policy: The Purpose of the Risk Participation Policy is to facilitate the process of mutually sharing assets among banks in order to diversify our portfolio of assets and income sources. It provides the framework and step by step process to ensure that transactions are undertaken strictly as per the laid down policy and procedures.

Foreign Exchange Risk: Apart from this, as a means to prudent management of the risk arising out of adverse exchange rate movement, the Bank has set up Foreign Exchange Position limits, duly approved by the Board, both for daylight and overnight positions. In addition to these, cut loss limits have been set up on per deal and per day basis. The Management monitors the exchange position and profits arising out of operations on a daily basis and reported to MD & CEO & monthly basis to CENMAC and quarterly reports are submitted to the Conduct Review and Risk Management Committee of the Bank. The Bank's open position is also reported to Bank of Mauritius on a daily basis.

3. Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and includes financial as well as non-financial risks like loss of reputation. Some of the operational risks that the bank is exposed to in the ordinary course of business are in respect of settlement processing, documentation, accounting, legal/regulatory, technology and human error. In order to mitigate such risks, the Bank has a Board approved Operational Risk Management Policy and comprehensive systems and procedures.

SBIML has an Operational Risk Management Committee (ORMC), headed by the Chief Risk Officer which comprises senior officials of the Bank and meets at monthly intervals to discuss all operational risks of the Bank including Key Risk Indicators (KRIs) in credit, market and operational area, internal and compliance audit recommendations, review of fraud cases, penalties and near miss events etc. The Action Points arising out of the ORMC are further discussed and reviewed in the monthly Risk Management Committee meetings.

The Bank has in place a Business Continuity and Disaster Recovery policy which clearly details the availability of critical business activities at acceptable pre-defined service levels. The Bank also continuously reviews its IT system infrastructure to ensure that systems are resilient, readily available for our customers and secure them from cyber-attacks / phishing attempts.

Key elements of SBIML's Operational Risk Management Policy, among others, include ongoing review of systems and controls, creation of awareness of operational risk throughout the Bank, timely incident reporting, enhancing operational risk awareness through Risk Awareness workshops, improving early warning information through Key Risk Indicators (KRIs), the resolution of risk issues by effectively tracking and follow- up of outcomes of assessment, assigning risk ownership, aligning risk management activities with business strategy. All these components ensure better capital management and improve quality of Bank's services/ products/ processes, besides ensuring compliance with regulatory requirements.

In addition, the Internal Audit department addresses operational risks arising in day-to-day business operations during the course of their audit, and major irregularities are placed to the Audit Committee of the Board on a quarterly basis.

4. Enterprise Risk

Enterprise Risk Management aims to put in place a comprehensive framework to manage various risks and alignment of risk with strategy at the Bank level. It encompasses global best practices such as Risk Appetite, Material Risk Assessment and ICAAP, among others.

4.1 Enterprise Risk Management (ERM) Policy: SBIML has a CRRMC approved Enterprise Risk Management (ERM) Policy in place. The purpose of the ERM Policy is to establish an ERM Framework in the Bank that would result in the systematic and proactive identification, assessment, measurement, mitigation, monitoring, reporting and aggregation of the enterprise-wide risks. It has been framed in line with the Bank of Mauritius guidelines on Credit, Market and Operational Risk Management, Capital Adequacy and AML / CFT.

4.2 Risk Appetite: The Bank defines risk appetite as the aggregate type and level of risk it is willing to assume within its risk capacity to achieve its strategic objectives and business plan. With the objective of maintaining a sound risk profile, the Bank has developed a Risk Appetite Framework incorporating limits for major risk metrics which provides guidance to acquire, retain, avoid and / or remove risks from operations. The Risk Appetite Statement (RAS) sets out risk strategies of SBIML with defined types and levels of risks that SBIML is willing to accept in order to achieve its business objectives. The RAS essentially sets the tone for consistent risk management across the business. It forms an integral part of the Bank's risk policies and risk management framework which codify the overall approach for managing risk within SBIML.

Risk Capacity is the maximum level of risk the Bank can assume before breaching any regulatory constraints and, from a conduct perspective, breaching its obligations to depositors, other customers and shareholders.

Risk Tolerance range consisting of maximum / minimum qualitative and quantitative limits alongside Early Warning Indicators (EWIs) gives the business the ability to optimize its risk positioning and provides management with early warning ahead of any potential issue which may require invocation of recovery action and / or advice to the regulatory authorities.

4.3 Internal Capital Adequacy Assessment Process (ICAAP): The Bank conducts a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) exercise on a yearly basis with respect to adequacy of Capital under normal and stressed conditions. The Pillar 2 risks, such as Liquidity Risk, Interest Rate Risk in Banking Book (IRRBB), Concentration Risk and others along with the Pillar 1 risks such as Credit, Market and Operational risks are covered under ICAAP. The ICAAP document has been developed to review annually all material risks faced by SBIML and assess the capital required in proportion to its risk profile, nature, scale and complexity of business operations and to apprise the Regulator.

The core elements of the ICAAP document are as follows:

- Policies and procedures in place to ensure that all material risks are identified and assessed taking into consideration SBIML's operating environment, its vision and long-term objectives.
- Adequate level of capitalisation relative to the risks identified under normal and stressed scenarios.
- Management and control of those risks to align with our profit maximisation goal.
- Internal controls, reviews and audit in place to ensure the integrity of the overall Risk Management process.

5. Compliance and Legal Risk

- Compliance Risk is defined as the risk of legal or regulatory sanctions, material financial loss or loss of reputation a Bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, best practices guidelines and codes of conduct applicable to its banking activities.
- The compliance function of the Bank operates independently from the business activities of the Bank and monitors the compliance processes in terms of consistency, adequacy and effectiveness through participation, co-ordination and monitoring of the total compliance risk. The compliance function operates as per good corporate governance practices.
- One of the significant risks that banks are facing today is the global phenomenon of money laundering. Banks have become the major targets of money laundering operations as they provide a variety of financial services and instruments.
- The Bank, aware of its duties as a responsible corporate citizen, has an Anti-Money Laundering Policy and "Know Your Customer" guidelines. These policies are duly approved by the Board and are in conformity with the relevant guidelines of the Bank of Mauritius.
- Compliance Risk is being reviewed at the monthly Risk Committee and periodically by the Conduct Review and Risk Management Committee. All the members of the Staff are informed of changes in laws, regulations and guidelines for compliance through the intranet portal.
- The compliance officer conducts on-site inspection of all Branches and departments with the aim of ensuring ongoing adherence to legal and regulatory requirements. Regular training is also imparted to staff on topics pertaining to Anti-Money Laundering and Combating the Financing of Terrorism and compliance issues.

6. COVID-19 Impact

In addition to an immense health and human cost, Covid-19 has brought about a severe economic downturn that has taken a toll on the living standards of people worldwide and the commercial operations of many firms have been disrupted due to uncertainties. The pandemic is significantly affecting our domestic companies and is having a knock-down effect on the economy especially on vulnerable sectors like tourism and hospitality, transportation and construction.

Tourism Sector: Tourism sector, including hotel industry and its ancillary businesses, accounts for approximately 25% of the GDP of the country and this sector has taken the biggest hit with worldwide travel restrictions. The biggest provider of tourists to Mauritius is mainland Europe and since the impact of Covid in Europe has been massive, international travel has almost ground to a halt. The business travel segment demand has also declined sharply as Work from Home and Virtual Business Meetings have become the new norm. As a result, the accommodation and food services industry has contracted by more than 85% y-o-y in Q3. The exposure of SBIML in Tourism sector is only 2.57% of the total fund-based exposure and the same is being closely monitored.

Construction Sector: Construction sector is amongst the most impacted sector by outbreak of Covid-19 pandemic which slowed work on sites, created labour shortage, loss of construction days and delay in project timelines. Overall consumption has gone down across the world due to reduced earnings, uncertainty about the future and fulfilment of only basic needs in place of leisure and luxury spending. Thus, the business of selling high-end properties to foreigners has also taken a downturn. The exposure of SBIML in Construction sector is around 5.71% of the total fund-based exposure and no significant adverse impact is foreseen for the Bank.

Transportation: The transportation and storage sector has also contracted by over 20% y-o-y in Q3. The exposure of SBIML in Transportation sector is 7.20% of the total fund-based exposure.

7. Quantitative Disclosures:

(a) Gross Credit Risk Exposures

Particulars	Amount (in USD mio)
Fund Based Exposures	961.90
Non-Fund Based Exposures	62.72
Total Gross Credit Exposures	1024.62

(b) Geographical Distribution of Exposures

S. No.	Name of Country	Fund Based Exposure (in USD mio)	Exposure as % of Tier-I Capital
1	Mauritius	341.62	230.34%
2	India	288.52	194.54%
3	United States of America	95.50	64.39%
4	United Kingdom	80.92	54.56%
5	South Africa	34.86	23.50%
6	Sweden	25.32	17.07%
7	UAE	20.43	13.78%
8	China	20.00	13.49%
9	Qatar	10.22	6.89%
10	Luxembourg	7.83	5.28%

3. RISK MANAGEMENT POLICIES AND CONTROLS (CONTINUED)

7. Quantitative Disclosures (CONT'D)

(c) Industry wise Distribution of Exposures

S. No.	Industry / Sector	Fund Based Exposure (in USD mio)	Exposure as % of Tier-I Capital
1	Financial and Business Services	200.63	135.28%
2	Manufacturing	143.63	96.84%
3	GBL Licence Holders	50.19	33.84%
4	Transportation	38.13	25.71%
5	Construction	30.23	20.38%
6	Agriculture and Fishing	23.35	15.74%
7	Traders	16.83	11.35%
8	Tourism	13.62	9.18%
9	Infrastructure	9.16	6.18%
10	Personal	3.23	2.18%

8. INSPECTION & AUDIT

The Bank's Internal Audit department conducts audits and inspections of the retail branches, Global Business Branch and Head Office departments/ functions in accordance with the annual Internal Audit Plan approved by the Audit Committee. Concurrent audits are conducted quarterly for selected branches/departments and special audits/assignments are conducted as needed to focus on specific areas. Cash verifications are also carried out at retail branches periodically. Full audits to verify compliance with Know your Customer (KYC) procedures are also at the centralised processing units at the Head Office on a regular basis. Risk-based audits have also been introduced to focus on regulatory requirements and key risks for areas across the Bank.

The accuracy, completeness and validity of transactions and documents are examined as part of internal audits and inspection, as well as compliance with policies, procedures, manuals and guidelines. The coverage in terms of key risks includes operational risk, compliance risk, credit risk, reputational risk, interest rate risk, foreign exchange risk, liquidity risk, information technology risks as well as adherence to management controls for internal reporting/delegation of authority/segregation of duties and general administration. The audit reports provide insights into the design and operating effectiveness of the Bank's internal controls, compliance with internal and external requirements and the risk management framework.

The synopsis of the internal audit reports is submitted to the Audit Committee and the Board of Directors on a quarterly basis. The Internal Audit Department also completes a review of Internal Control Systems annually in accordance with BoM Guidelines and the report is submitted to the Audit Committee, Board of Directors and BoM.

On-Site Examination under Section 42 of the Banking Act 2004 was conducted over the period from December 2020 to February 2021 by the Bank of Mauritius and the examination report will be issued to Management in due course. The parent bank, State Bank of India, also periodically conducts Management Audit of the subsidiary. The last inspection was carried out in October 2018.

9. COMPLIANCE DEPARTMENT

The Compliance department of the Bank has been set up to ensure that it adheres to the governing rules, regulations and legislations of the country, any guidelines issued by Bank of Mauritius and any policies issued by the Bank. The purpose of the Compliance function is to assist the Bank in managing its Compliance risks, that is, the risk of legal or regulatory sanctions, which may result to its failure to comply with applicable norms.

The Bank's Compliance department conducts a compliance audit of all branches and Head Office departments once a year as per the approved plan and appropriate recommendations for enhancement of processes and controls are made as required. The Compliance department also provides timely advice in relation to compliance and legal queries emanating from the branches and departments. In addition to the compliance audit, 100 percent verification about the correctness of reporting by the branches and departments is also carried out following closure of audit report issued by the Internal Audit Department. The Compliance Department provides training to all staff on compliance and AML/CFTP issues on a yearly basis and keeps the staff updated on any changes in the law and regulations as and when required.

The Bank has complied with the Regulator's guideline to categorize all its customers as per their risk profile, and also to make use of automated alerts to monitor transactions through software known as AMLOCK and this software is also used for detection of financial crimes and suspicious transactions, if any.

10. RELATED PARTY TRANSACTION POLICIES AND PRACTICES

As per the extant guidelines of Bank of Mauritius on Related Party Transactions, which had become effective from 19th January 2009 (Revised in June 2015), related party exposures are classified into three categories namely,

Category 1:

This includes credit exposures to:

- A person who has significant interest in the financial institution.
- A director of the financial institution;
- A director of a body corporate that controls the financial institution;
- The spouse, child and parent of a natural person covered in (a) or (b) or (c);
- Any entity that is controlled by a person described in (a) or (b) or (c) above;
- Any entity in which the financial institution has significant interest, excluding a subsidiary of the financial institution.

Category 2

This includes credit exposures to:

- Senior officers, which are outside the terms and conditions of employment contracts;
- The spouse, child and parent of senior officers;
- Senior officers of a body corporate that controls the financial institution;
- Any entity that is controlled by a person described in (a) or (b) or (c) above, and;
- Any entity in which the financial institution has significant interest, excluding a subsidiary of the financial institution.

Category 3

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

Category 4:

It includes the proportion of credit exposure to related parties that has become non-performing by year for three years.

Category 5:

It includes the amount of exposure to six related parties with the highest exposures, including the percentages of such exposures to Bank's Tier 1 capital.

As per the BOM guidelines, the regulatory limits are as given below:

- The aggregate of credit exposures to and investments in equity shares of all related parties in Category 1, other than investments in subsidiaries and associates, should not exceed 60 per cent of the financial institution's Tier 1 capital;
- The aggregate of credit exposures to and investments in equity shares of all related parties in Category 1 and Category 2, other than investments in subsidiaries and associates should not exceed 150 per cent of the financial institution's Tier 1 Capital.

The BOM guidelines provide for certain exemptions from the regulatory limit as below:

- A credit exposure to the extent to which it is collateralised by deposits with the financial institution or Government securities or a loan to the extent to which it is guaranteed by Government of Mauritius;
- A credit exposure to the extent which 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 & funded in its national currency and (ii) approved by the Bank under para 4 of the "Guidelines on standardized Approach to Credit Risk for a zero percent risk weight.
- A credit exposure to parastatal bodies and to an entity in which Government has more than 50 per cent shareholding;
- Interbank transactions as part of treasury operations;
- Credit exposures representing less than 2 per cent of the financial institution's Tier 1 capital, and
- Category 3 type of related party exposures.

The financial institutions are expected to report to the Bank of Mauritius on a quarterly basis all information relating to credit exposures to related parties including exemptions from the regulatory limits.

The Board of Directors of a financial institution is expected, inter alia to establish a policy on related party transactions and suitable procedures to ensure that board members with conflict of interest are excluded from the approval process of related party transactions, and to ensure that the financial institution has a robust system of checks and balances to monitor compliance with the regulatory limits, uphold impartially and prevent credit activities of any kind which override established credit approval policies and procedures when granting credit facilities to related parties. Besides, the Board of Directors shall appoint a conduct Review Committee from its membership to review and approve related party transactions. The Conduct Review Committee shall, in the case of a subsidiary of a foreign banking group shall consist of at least three independent or non-executive directors. The Conduct Review Committee shall inter alia, have the mandate to review and approve each credit exposure to related parties, ensure that market terms and conditions are applied to all related party transactions and to report periodically at least, on a quarterly basis, to the Board of Directors on matters reviewed by it, including exceptions to policies, processes and limits.

Our Bank has a policy on Related Party Transactions approved by the Conduct Review and Risk Management Committee. All operations are conducted within the Board approved policy and the quarterly reports are promptly submitted to the Bank of Mauritius as required.

The details of Related Party Transactions for the year ended 31st March 2021 are furnished hereunder in a tabular format:

USD MIO

Category	Related Party	O/s Balance 31.03.2021	Remarks
Category 1			
Exempted	State Bank of India	59.75	Money market exposure
Non Exempted	State Bank of India	11.00	Bank Guarantees (BG) against Counter Guarantee of SBI Branches
	State Bank of India	8.56	Buyer's Credit (BC) against Counter Guarantee of SBI Branches
Category 2		-	-
Category 3			
Exempted	Sundry Transactions (i) Loans to Senior Officers	0.01	Loans extended to Senior Officers as per terms of Contract
Tier I Capital (Provisional)			148.31
Total Exempted exposures		**59.76**	**40.29% of Tier 1 Capital**
Total Non-exempted exposures		19.56	13.19% of Tier 1 Capital

3. RISK MANAGEMENT POLICIES AND CONTROLS (CONTINUED)

10. RELATED PARTY TRANSACTION POLICIES AND PRACTICES (CONT'D)

Category 4		
Credit exposure to related parties that has become non-performing by year for three years.	--	Nil

Category 5

Details of the amount of exposure to top six related parties (highest)

Related Party	Exposure (USD in Mio)	Type of Exposure	% of Tier 1 capital
Parent Bank/Branches	58	Money Market	36.11%
Parent Bank/Branches	10.00	BG	6.74%
Parent Bank/Branches	7.57	BC	5.10%
Parent Bank/Branches	1.75	Money Market	1.18%
Parent Bank/Branches	0.37	BC	0.25%
Parent Bank/Branches	0.22	BG	0.15%

We confirm that the above transactions were done at an arm's length distance basis and the rates quoted were market driven.

We further confirm that:

(a) The aggregate of credit exposures to and investments in equity shares of all related parties in Category 1, other than investments in subsidiaries and associates, does not exceed 60 per cent of the financial institution'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, other than investments in subsidiaries and associates, does not exceed 150 per cent of the financial institution's Tier 1 Capital.

(c) All Related Party Transactions are in compliance with BOM guidelines and Bank's Policy.

11. CORPORATE GOVERNANCE

Corporate Governance is a set of processes, customs, policies, laws and institutions affecting the way a company is directed, administered or controlled. The Bank is committed to the best international practices in corporate governance and has complied with the requirements of the national code on Corporate Governance for Mauritius and Bank of Mauritius *Guideline on Corporate Governance*. The Bank believes that proper corporate governance facilitates effective management and control of business enabling the Bank to optimize the value for all its shareholders, to protect their interests as well as that of other stakeholders.

The Bank ensures that guidelines on all information that is required to be disclosed on the website, in the annual report and to the Shareholders are complied with in a timely manner. The Bank's website also provides additional useful information to the shareholders as well as key stakeholders in particular and to the public at large.

The Company Secretary ensures that there is an open line of communication with the shareholders and their queries and complaints are disposed of within a reasonable period of time.

The Company Secretary acts as a primary point of contact for all shareholders and communicates with them by email, telephone, letters, by personal interaction, annual meeting of shareholders, dividend declaration, press communiqué and website. He ensures that due regard is paid to their interests, concerns and feedback on the Bank's activities. During the Annual Meeting of Shareholders, Chairperson of Board or his representative is available to answer questions of shareholders and receive their feedback on its activities as well as address their concerns, if any.

12. OUTLOOK FOR 2021-22

Behind us lay not only an eventful financial year, but one that will hopefully go down in the history where the whole world was unanimously fighting an invisible enemy which has weakened our economy, our human capital and the confidence of mankind. However, we should take it as a turning point for the better. A year in which we stood by our commitment to serve our customer and the nation how tough the time may be. A year in which we build credibility and trust.

COVID-19 has changed and disrupted life for everyone. While the outlook is challenging and uncertain, we are determined to play our part in helping Mauritius recover from this crisis. We have experienced downturns and several crises and on each occasion, we have worked hard to contribute to the recovery of the economy and be there, by our customer's side. We expect to do exactly the same this time, as well.

Expectedly, the revival of the economy could be gradual, uneven and arduous, with an accelerated vaccine distribution and its effectiveness and higher fiscal stimulus which are expected to lift global activity.

The downside risks, however, include potential virus surge, including infection caused by new COVID-19 variants, and premature withdrawal of policy support before recovery is firmly rooted.

For a rebound to really take shape, government relief will have to continue and become focused on areas of the economy that are expected to take longer time to recover like small businesses, hospitality businesses and transportation companies.

When a rebound comes, so will change at banks.Banking over the digital platform has taken over larger acceptance from the customer community and our bank's flagship Digital Platform 'YONO SBI MAURITIUS' is being well accepted by the customers, which may turn out to be a game changer in offering deposit and loan products directly to the customers.

Although COVID-19 may lead to a crisis in the real economy, the impact on the banking system and on the bank-customer relationship can also be defined as a 'positive discontinuity' for the purpose of digitization of the sector and the ability to offer an excellent customer experience and we are sanguine in fuelling our enthusiasm and confidence to navigate the next milestones in our journey ahead as it is understood that 'the adage that fortune favours the brave may be quite apt in the current context'.

The Bank has undergone business strategy review with external consultant and the recommendations are under implementation, which will re-shape the business for mid-long term horizon.

The initial steps have already witnessed success with the Bank's business improving in various parameters amid the pandemic year and instill the vibe among the team members to keep the momentum ahead.

Mukesh Arya
Chief Operating Officer

Sudhir Sharma
Managing Director & CEO

Senior Management

Auditor's Report

Working Together

Independent auditor's report to the Shareholders of SBI (Mauritius) Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **SBI (Mauritius) Ltd** (the "Bank" and the "Public Interest Entity") set out on pages 79 to 140, which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Basis for opinion

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses	
Management determines the allowances for Expected Credit Losses ('ECL') on financial instruments as required under IFRS 9 and has made significant judgement and estimates, taking into account, among others, the possible effect from the pandemic relating to COVID-19. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are: • Model estimations – Statistical modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loans portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. • Economic scenarios – the Bank has used a range of future economic conditions in light of the global pandemic of COVID-19. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment. • Qualitative adjustments - Adjustments to the model-driven ECL results are accounted by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts. The effect of these matters is that, as part of our risk assessment, we determined that the ECL on loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The credit risk section of the financial statements discloses the sensitivities estimated by the Bank.	Our procedures included the following amongst others: • Evaluating the appropriateness of the impairment methodologies applied by the Bank against the requirements of IFRS 9; • Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology; • Assessing the appropriateness of the macro- economic forecasts used; • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models; • Use of specialist team for assessing the appropriateness of PD, LGD and EAD used in the ECL calculation; • Assessing the reasonableness of the qualitative adjustments (overlays) applied by management for events not captured by the ECL models; • Testing the accuracy and completeness of ECL by reperformance; • Assessed the appropriateness of post model adjustments made by management with respect to COVID-19, and assess the underlying analysis and rationale; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9. For impaired credits, we have further: • Obtained audit evidence in respect of key controls over the processes for identification of impaired assets and impairment assessment; • Inspected the minutes of the Board and relevant sub-committees to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; and • Performed a risk-based test of loans and advances to customers to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment is made. We found the assumptions used in determining the expected credit loss and related disclosures to be reasonable and appropriate.

AUDITOR'S REPORT

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the management discussion and analysis, the certificate from the Company's Secretary, the corporate governance report and the statement of management's responsibility for financial reporting, but, does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Corporate Governance Report

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

Responsibilities of directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004, and the Financial Reporting Act 2004 and they are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

We communicate with those charged with governance 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.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

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

Banking Act 2004

In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius; and

the explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

Use of this report

This report is made solely to the Bank's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte.

Deloitte
Chartered Accountants

Vishal Agrawal, FCA
Licensed by FRC

23 April 2021

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements for the Bank's operations in Mauritius presented in this annual report have been prepared by Management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder, have been applied and the Management has exercised its judgement and made best estimates where deemed necessary.

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

The Bank's Board of Directors, acting in part through the Audit Committee and Conduct Review and Risk Management Committee, which comprise Independent Directors, 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, who has full and free access to the Audit Committee, conducts a well designed program of internal audits in coordination with the Bank's external auditor. In addition, the Bank's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

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

The Bank's external auditor, Deloitte, has full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations and fairness of financial reporting and the adequacy of internal controls.

S. Sharma
Managing Director & CEO

N. Maraye
Director

D. Ponnusamy
Director

FINANCIAL STATEMENTS 2021

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2021

	Notes	2021 USD	2020 USD	2019 USD
Interest income		20,528,325	31,443,365	38,659,543
Interest expense		(6,348,141)	(14,203,985)	(14,474,354)
Net interest income	11	**14,180,184**	**17,239,380**	**24,185,189**
Net fee and commission Income	12	**2,565,261**	**2,704,838**	**2,440,099**
Net trading income	13	1,193,158	1,848,774	1,468,613
Other operating income	14	1,259,050	826,023	527,869
		2,452,208	**2,674,797**	**1,996,482**
Operating income		**19,197,653**	**22,619,015**	**28,621,770**
Net impairment loss on financial assets	15	(5,407,479)	(12,935,982)	(2,090,131)
Personnel expenses	16	(4,234,787)	(4,501,027)	(4,630,738)
Depreciation and amortisation	24,27	(709,411)	(855,346)	(504,904)
Other expenses	17	(2,564,147)	(2,901,646)	(3,396,080)
Profit before income tax		**6,281,829**	**1,425,014**	**17,999,917**
Income tax expense	18 b	(577,259)	(102,408)	(2,300,000)
Profit for the year		**5,704,570**	**1,322,606**	**15,699,917**
Other Comprehensive Income				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligations, net of deferred tax		(2,510,214)	85,914	(451,166)
Fair value gains on investment securities		331,370	101,582	404,033
Items that may be reclassified subsequently to profit or loss				
Fair value gains on investment securities		2,364,806	2,910,068	785,175
Other comprehensive income for the year		**185,962**	**3,097,564**	**738,042**
Total comprehensive income for the year		**5,890,532**	**4,420,170**	**16,437,959**
Earnings per share	19	**7.33**	**1.70**	**20.18**

Approved and authorised for issue by the Board of Directors on 23 April 2021.

S. Sharma Managing Director & CEO	N. Maraye Director	D. Ponnusamy Director

Statement of Financial Position as at 31 March 2021

	Notes	2021 USD	2020 USD	2019 USD
ASSETS				
Cash and cash equivalents	20	156,223,156	101,609,876	93,304,042
Loans and advances to banks	21	86,776,343	45,266,408	42,299,888
Loans and advances to customers	22	404,421,795	422,088,019	476,294,433
Investment securities	23	260,165,664	249,991,469	258,319,143
Property, plant and equipment	24	7,624,837	7,583,324	7,685,687
Rights-of-use	27	1,151,636	1,444,140	-
Deffered tax assets	25	2,135,033	2,108,706	1,503,706
Current tax assets	30	-	165,043	204,470
Other assets	26	18,454,819	15,634,671	16,451,970
Total assets		**936,953,283**	**845,891,656**	**896,063,339**
LIABILITIES				
Deposits from customers	28	510,190,191	435,808,436	471,418,308
Other borrowed funds	29	258,851,755	255,166,637	265,106,186
Current tax liabilities	30	378,094	-	-
Retirement benefit obligation	39	5,986,986	3,070,918	3,373,612
Lease Liabilities	34	1,105,924	1,277,872	-
Other liabilities	31	9,889,679	5,907,671	6,199,843
Total liabilities		**786,402,629**	**701,231,534**	**746,097,949**
Shareholders' Equity				
Share Capital	32a	48,627,188	48,627,188	48,627,188
Share premium	32a	54,078,062	54,078,062	54,078,062
Retained earnings		22,800,407	17,951,523	26,552,746
Statutory and Other reserves	40	30,800,109	27,248,247	24,038,206
Actuarial losses reserve	40	(5,755,112)	(3,224,898)	(3,330,812)
Total equity		**150,550,654**	**144,660,122**	**149,965,390**
Total equity and liabilities		**936,953,283**	**845,891,656**	**896,063,339**

Approved and authorised for issue by the Board of Directors on 23 April 2021.

S. Sharma Managing Director & CEO	N. Maraye Director	D. Ponnusamy Director

Statement of changes in equity for the year ended 31 March 2021

	Notes	Share capital	Share premium	Statutory reserve	General banking reserve	Other reserve	Actuarial losses reserve	Retained earnings	Total
		USD	USD	USD	USD	USD	USD	USD	USD
Balance at 1 April 2018		48,627,188	54,078,062	21,674,356	603,175	(2,433,978)	(2,879,646)	42,179,846	161,849,003
Impact of adopting IFRS9		-	-	-	-	650,457	-	(9,152,823)	(8,502,366)
Adjusted Opening Balance on initial application of IFRS 9		48,627,188	54,078,062	21,674,356	603,175	(1,783,521)	(2,879,646)	33,027,023	153,346,637
Additional specific provision on loans and advances		-	-	-	-	-	-	(14,956,487)	(14,956,487)
Profit for the year		-	-	-	-	-	-	15,699,917	15,699,917
Other comprehensive income for the year		-	-	-	-	1,189,208	(451,166)	-	738,042
Transfer to Statutory reserves		-	-	2,354,988	-	-	-	(2,354,988)	-
Dividend paid	32b	-	-	-	-	-	-	(4,862,719)	(4,862,719)
Balance at 31 March 2019		48,627,188	54,078,062	24,029,344	603,175	(594,313)	(3,330,812)	26,552,746	149,965,390
Balance at 1 April 2019		48,627,188	54,078,062	24,029,344	603,175	(594,313)	(3,330,812)	26,552,746	149,965,390
Profit for the year		-	-	-	-	-	-	1,322,606	1,322,606
Other Comprehensive Income for the year		-	-	-	-	3,011,650	85,914	-	3,097,564
Transfer to Statutory reserves		-	-	198,391	-	-	-	(198,391)	-
Dividend paid	32b	-	-	-	-	-	-	(9,725,438)	(9,725,438)
Balance at 31 March 2020		48,627,188	54,078,062	24,227,735	603,175	2,417,337	(3,244,898)	17,951,523	144,660,122
Balance at 1 April 2020		48,627,188	54,078,062	24,227,735	603,175	2,417,337	(3,244,898)	17,951,523	144,660,122
Profit for the year		-	-	-	-	-	-	5,704,570	5,704,570
Other Comprehensive Income for the year		-	-	-	-	2,696,176	(2,510,214)	-	185,962
Transfer to Statutory reserves		-	-	855,686	-	-	-	(855,686)	-
Balance at 31 March 2021		48,627,188	54,078,062	25,083,421	603,175	5,113,513	(5,775,112)	22,800,407	150,550,654

Statement of Cash Flows for the year ended 31 March 2021

	Notes	2021 USD	2020 USD	2019 USD
Cash flows from operating activities				
Profit for the year		5,704,570	1,322,606	15,699,917
Adjustments for:				
Depreciation	24,27	709.411	855,346	504,904
Profit on sale of investment	14	(1,038,440)	(577,567)	(215,988)
Dividend income on investment	14	(6,494)	(29,048)	-
Exchange rate difference		3,893,488	(489,262)	(633,158)
Profit on disposal of assets		(4,225)	-	(14,389)
Profit on disposal of non banking asset		-	-	(10,677)
Increase in provision for retirement benefit obligations		139,908	183,177	170,507
Interest on lease liabilities		53,894	57,855	-
Impairment on financial assets	15	5,407,479	12,935,982	2,090,131
Income tax expense	18	577,259	102,408	2,300,000
		15,436,850	14,361,497	19,891,247
Changes in operating assets and liabilities				
(Increase)/decrease in loans and advances to banks		(42,724,016)	(2,772,230)	24,083,843
Decrease in loans and advances to customers		11,972,819	40,856,977	29,771,316
(Increase)/decrease in other assets		(2,820,148)	817,299	2,450,033
Increase/(decrease) in deposits from customers		75,972,759	(36,380,834)	(309,723,385)
Increase/(decrease) in other liabilities		3,982,008	(206,932)	2,135,689
Net change in interest receivable		1,657,045	117,758	1,387,449
Net change in interest payable		(1,955,186)	343,064	(89,761)
Income tax refunded/(paid)	30	78,353	(672,504)	(865,113)
Net cash generated from/(used in) operating activities		61,600,484	16,464,095	(230,958,683)
Cash flows from investing activities				
Increase in investment securities (net)		(165,749,048)	(48,203,309)	(44,332,453)
Proceeds from sale of investment securities		155,373,846	60,061,850	19,370,000
Purchase of property, plant and equipment	24	(503,207)	(402,353)	(250,958)
Proceeds from sale of property, plant and equipment		7,359	-	14,389
Proceeds from sale of non banking asset		-	-	10,489
Dividend on investment		5,494	29,048	-
Net cash (used in)/generated from investing activities		(10,864,556)	11,485,236	(25,188,533)
Cash flows from financing activities				
Other borrowed funds	33a	59,511,650	14,026,000	-
Repayment of lease liability	33b	(171,948)	(406,409)	-
Dividend paid	32b	-	(9,725,438)	(4,862,719)
Net cash generated from/(used in) financing activities		59,339,702	3,894,153	(4,862,719)
Net increase/(decrease) in cash and cash equivalents		110,075,630	31,843,484	(261,009,935)
Cash and cash equivalents at beginning of year		11,147,526	(20,695,958)	240,313,977
Cash and cash equivalents at end of year	20b	121,223,156	11,147,526	(20,695,958)

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SBI (Mauritius) Ltd ("the Bank") is incorporated in Mauritius as a public company under the Mauritius Companies Act 2001. Its registered office is at 7th Floor , SBI Tower Mindspace, 45, Ebène Cybercity .It holds a banking licence and carries banking operations both locally and internationally.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with the requirements of the Mauritius Companies Act 2001, the Mauritius Banking Act 2004 and the regulations and guidelines issued by the Bank of Mauritius.

The financial standards were authorised for issue by the Bank's board of directors on 23 April 2021.

(b) 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 ("FVTPL"); and
- Net defined benefit (asset)/ liability measured at the fair value of plan assets less present value of defined benefit obligation.

(c) Impact of initial application of relevant new and amended IFRS standards that are effective for the year ended 31 March 2021

In the current year, the Bank has applied all new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 April 2020. These are outlined below:

Amendments to IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors'	The Bank has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' materials information with immaterials information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to a definition of material in IAS 1. In addition to IASB amended other standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'materials' to ensure consistency.

The adoption of the above amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements

(d) New and revised IFRS standards in issue but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 01 April 2020 and have not been early adopted by the Bank in preparing these financial statements. None of these are expected to have a material effect on the Bank's financial statements.

(e) Going concern

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

(f) Rounding of amounts

All amounts disclosed in these financial statements and notes have been rounded off to the nearest US Dollar ("USD") unless otherwise stated.

(g) Segmental reporting

In accordance with the Bank of Mauritius Guideline on Segmental Reporting under a Single Banking Licence Regime, the Bank's business has been split into Segment A and Segment B:

- Segment B is essentially directed to the provision of international financial services that give rise to foreign source income. Such services may be fund based or non-fund based.
- Segment A relates to banking business other than Segment B business.

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

Neither the above guideline nor IFRS mandate the application of IFRS 8 to the financial statements of the Bank.

3. SIGNIFICANT 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

These financial statements are prepared in USD, which is the Bank's functional and presentation currency.

In preparing the financial statements of the Bank, transactions in currencies other than the Bank's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(b) Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the statement of profit or loss and other comprehensive income using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period within 'Net trading income'.

The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument. The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts.

For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities.

For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses ("ECL"). The interest is suspended and recognised only upon receipt.

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

- Interest on financial assets measured at amortised cost;
- Interest on debt instruments measured at FVOCI

Interest expense presented in the statement of profit or loss and other comprehensive income includes:

- financial liabilities at amortised cost;
- interest expense on lease liabilities.

(c) Net trading income

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

(d) Net fees and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Please refer to 3(b) above.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed.

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

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

Type of services	Nature and timing of satisfaction of performance obligations, including any significant payment terms	Revenue Recognition policies under IFRS 15
Retail, corporate and global banking services	The bank provides banking services to retail, corporate and global banking customers, including account management, provision of overdraft and other credit facilities, foreign currency transactions, trade finance facilities and servicing fees. Fees for ongoing account management are charges to the customers' account on a monthly basis (or any other pre-determined frequency). The banks set the rates separately for retail, corporate and global business customers and review them annually. Transaction-based fees for interchange, foreign - currency transactions, overdrafts and trade finance facilities are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the bank.	Revenue from account services and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at a point in time when the transactions takes place.

The Bank does not offer services will multiple non-distinct/ distinct performance obligations.

(e) Leases

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Bank did not have any short-term leases or low value leases as of 31 March 2020 and 31 March 2021.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. In this case, the Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The weighted average incremental borrowing rate applied is 5.50%.

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

The right-of-use assets are presented as a separate line in the statement of financial position.

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented separately in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Bank applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Bank has applied this practical expedient.

(f) Income tax expense

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Effective from the year of assessment commencing 01 July 2020, banks are taxed as follows:

Chargeable income	Tax rate
Up to 1.5 billion Mauritian rupees (MUR)	5%
Remainder	15%

The Bank is also liable to pay a special levy on its leviable income (Net interest income and other income from banking transactions with residents before deduction of expenses) as per the below criteria:

Leviable income	Tax rate
Up to 1.2 billion Mauritian rupees (MUR)	5.5%
More than 1.2 billion Mauritian rupees (MUR)	4.5%

The special levy is included in the income tax expense and tax liability in the financial statements.

CSR is also payable by the Bank at the rate of 2% of the segment A chargeable income of the preceding year.

The Bank is subject to the Advances Payment System ("APS") whereby it pays income tax on a quarterly basis.

Deferred tax

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

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The principal temporary differences arise from depreciation of property, plant and equipment, provisions for impairment losses on loans and advances and provisions for employee benefits.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The deferred tax rate of the Bank is 5%.

Current tax and deferred tax for the year

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

(g) Property, plant and equipment

Property, plant and equipment are carried at historical cost or deemed cost less accumulated depreciation.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Depreciation is calculated to write down the cost or amount of the valuation of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

Buildings on lease	Over the remaining term of the lease
Buildings	2%
Office equipment, furniture and fittings	10% -33.33%
Motor Vehicles	20%

Land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(h) Financial assets and liabilities

A: Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions.

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 ECL is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 5.3.2.2, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Refer to note 3(h)(B) for the accounting policy on fair value measurement.

B: Fair value measurement

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

When one is 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.

The best evidence of the fair value of a financial instrument on 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 on 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 for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on 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 an 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 the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – 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 financial liability with a demand feature (e.g. 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.

(i) Financial assets

A: Classification and subsequent measurement

The Bank classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ("FVTPL");
- Fair value through other comprehensive income ("FVOCI"); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government or corporate bonds.

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 based on the business model and SPPI test, detailed further below:

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 FVTPL, are measured at amortised costs. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 5.3.2.2. Interest income from these financial assets is included in 'Interest income' using the effective interest method.
Fair value through other comprehensive income ("FVOCI")	Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Movement in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Other operating income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
Fair value through profit or loss ("FVTPL")	Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit and loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented in the profit and loss within 'Net trading Income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Other operating income'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

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 FVTPL. Factors considered by the Bank in determining the business model for a Bank of assets include:

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

The Bank's retail, corporate banking and global banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise mortgages, overdrafts and unsecured personal lending. In the corporate and global banking business, the loans are made up of import loans, term loans, syndicated loans and overdrafts. Sales of loans from these portfolios are very rare.

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

Certain other debt securities are held by the Bank's Treasury in separate portfolios to meet everyday liquidity needs. The Bank's Treasury seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Bank considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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

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 fair value through profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the "Other operating income" line in profit or loss.

B: Impairment

The Bank assesses on a forward-looking basis the 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 each reporting date. 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 5.2.2.2 provides more detail of how ECL is measured.

C: Modification of loans

The Bank sometimes renegotiates or otherwise modifies 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 cash flows 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 the 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.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset.

The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The impact of modifications of financial assets on the ECL computation is discussed in notes 5.3.4 and 5.3.5.

D: Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

- the Bank transfers substantially all the risks and rewards of ownership, 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.

(j) Financial liabilities

A: Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading book) and other financial liabilities designated as such at initial recognition.
- Financial guarantee contracts and loan commitments.

B: Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(k) Financial guarantee contracts and loan commitments

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 others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described in note 5.3.2.2); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are measured as the amount of the loss allowance (calculated as described in note 5.3.2.2). 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.

(l) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts and currency swaps. These are initially recognised in the statement of financial position at cost and subsequently remeasured at their fair value.

Fair values of derivatives between two external currencies are based on interest rate differential between the two currencies. Fair values of forwards involving Mauritian Rupees are based on treasury bills rate or LIBOR. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Transaction costs are charged immediately through profit or loss.

The Bank's derivative transactions, while providing effective economic hedges under the Bank's risk management policies, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported through profit and loss.

(m) Investment securities

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Bank elects to present changes in the fair value of certain investments in equity instruments that are not held for trading in OCI. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

(n) 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 held with the Bank of Mauritius and highly liquid financial assets and liabilities(e.g. other borrowed funds) with original maturities of three months or less from the acquisition date including balances with financial institutions. Cash and cash equivalents do not include the mandatory balances with the Central Bank.

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

(o) 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.

(p) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. All derivatives are measured at fair value in the statement of financial position.

(q) Deposits and other borrowed funds

Deposits and other borrowed funds are the Bank's main sources of debt funding.

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

(r) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. The increase in the provision due to passage of time is recognised as interest expense in the statement of comprehensive income.

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.

(s) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(t) Employee benefits

A: Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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.

B: 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 liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest), and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

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 net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Employee benefits (confirmed) service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

C: Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

D: State pension contribution

State pension plan contributions to the Contribution Sociale Generalisee ("CSG") are recognised in profit or loss in the period in which they fall due.

E: Termination benefits

Termination benefits are recognised when the Bank is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy when it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. A liability is recognised for the termination benefit representing the best estimate of the amount payable and the termination benefits are recognised as an expense

(u) 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.

(v) Acceptances

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.

(w) Stated capital

Ordinary shares are classified as equity. Share issue costs are incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(x) 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 Bank of Mauritius Guideline on Public Disclosure of Information, disclosures have been made with comparative information for two years.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

(a) Business model assessment:

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(b) Significant increase of credit risk:

As explained in note 5.3.2.2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to note 5.3.2.1 for more details.

(c) Establishing groups of assets with similar credit risk characteristics:

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to note 5.3.1(a) for details of the characteristics considered in this judgement. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

(d) Models and assumptions:

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 5.3.2.2 for more details on ECL.

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Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

(a) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario:

When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to notes 5.3.2.2 and 5.3.2.3 for more details.

(b) Probability of default ("PD")

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to notes 5.3.2.2 and 5.3.2.3 for more details.

(c) Loss Given Default ("LGD")

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Refer to notes 5.3.2.2 and 5.3.2.3 for more details.

(d) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Bank 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 obligation.

Other key assumptions are based on current market conditions. Additional information is disclosed in Note 39.

(e) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period.

A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or investment securities held at fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant input required to fair value on instrument is observable, the instrument is included in Level 2.

If one or more significant inputs is not based on observable market data, the instrument is included in level 3. Specific techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest swaps is calculated as the present value of the estimated future cashflows based on observable yield curves;
- The fair value of foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Refer to note 6 for the measurement of the fair value of financial/ instruments.

5. FINANCIAL RISK MANAGEMENT

5.1 Introduction

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 in note 5.3.2.

5.2 Risk Management Framework

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Conduct Review and Risk Management Committee which is responsible for approving and monitoring the Bank's risk management policies.

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. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. 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 Bank's Audit Committee oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls

5.3 Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees and letters of credit.

The Bank is also exposed to other credit risks arising from other exposures arising from its trading activities ('trading exposures').

Credit risk is the single largest risk for the Bank's business; the Bank therefore carefully manages its exposure to credit risk. Management and Board committee approach is adopted for sanction of all the loans. All the credit related risk parameters are discussed threadbare in the respective committee before sanctioning of the credit exposures.

5.3.1 Credit Risk Measurement

(a) Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

Credit risk grading

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Bank use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

Grouping of instruments for losses measured on a collective basis

ECL is measured on a collective basis having shared risk characteristics. The different segments reflect differences in PDs and in recovery rates in the event of default.

The objective of segmentation is to arrive at homogenous groups of borrowers to determine default rates in a meaningful manner. This is done by conducting homogeneity tests and taking inputs from business. In-cases where certain groups were non-homogenous business inputs were taken to decide if they should be pooled together or not. The characteristics and any supplementary data used to determine groupings are outlined below:

Portfolio	Pool	Internal Rating
Corporate Portfolio	Pool 1	SBIML1 - SBIML6
	Pool 2	SBIML7 - SBIML15
Retail Portfolio	Pool 1	Mainly secured by House/Land and have similar risk
	Pool 2	Fully secured by deposits
	Pool 3	Secured by Vehicle
	Pool 4	For education purposes
	Pool 5	Other loans all classified together as separate volume would have been immaterial

Retail

Each pool is mapped to a historical PD.

Treasury

For debt securities in the Treasury portfolio, external rating agency (S&P) credit grades are used.

5.3.2 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. Please refer to note 5.3.2.1 for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 5.3.2.1 (G) for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of 12-month 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. Please refer to note 5.3.2.2 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. Note 5.3.2.3 includes an explanation of how the Bank has incorporated this in its ECL models.
- 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).

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		
STAGE 1	STAGE 2	STAGE 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below:

To determine whether credit risk has significantly increased since initial recognition, the Bank will compare the risk of default at the assessment date with the risk of default at initial recognition. This assessment is to be carried out at each assessment date.

A: Quantitative criteria

Global business:

All assets are categorised as Stage 1 if all the criteria listed below are satisfied:

- Not more than one downgrade in external rating from inception rating to current rating;
- Within 2 notch internal rating downgrade from inception rating to current rating;
- Current days past due ("DPD") status is within 30 days from last repayment.

All assets are categorised as Stage 2 if any of the below criteria is satisfied:

- One or mote downgrade in external rating from inception rating and current rating;
- More than 2 notch internal rating downgrade from inception rating to current rating;
- Above 30 days but less than 90 days past due from last repayment.

All impaired assets are recognised as Stage 3 when they are 90 days overdue.

Corporate and retail business

The Bank determines the respective stage based on the DPD as follows:

Stage 1: Less than 30 days past due

Stage 2: More than 30 days past due but less than 90 days

Stage 3: Above 90 days overdue

Investment portfolio:

The Bank applies the below criteria for determining the respective stage for its investment products:

Stage 1: No downgrade in external rating

Stage 2: One notch downgrade from inception rating

Stage 3: When interest/ instalment (including maturity proceeds) for investments is due and remains unpaid for more than 90 days.

B: Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. The exposure will move from Stage 1 to 2.

C: Qualitative criteria

For retail and corporate portfolios, if the borrower meets one or more of the following criteria:

- In short-term forbearance
- Direct debit or standing order cancellation
- Extension to the terms granted

For Treasury portfolios, if the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

The assessment of SICR incorporates forward-looking information (refer to note 5.3.2.3 for further information) and is performed on a quarterly basis at a portfolio level for all retail financial instruments held by the Bank.

In relation to Treasury financial instruments, credit risk assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

D: Low credit risk expedient

IFRS 9 offers a low credit risk expedient for the purpose of allocating exposures into stages based on SICR assessment. On application of this expedient, the Bank may assume that the credit risk of a financial instrument has not increased significantly since initial recognition if it is determined that the financial instrument has low credit risk at the assessment date.

According to IFRS 9,the credit risk on a financial instrument is considered low if:

- The financial instrument has a low risk of default;
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily; reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Bank applies the low credit risk expedient on its "Cash and cash equivalents" line item in the statement of financial position.

E: Rebuttal of 30 days past due ("30+DPD")

Regardless of the indicators used by the Bank to determine SICR, there is a rebuttable presumption that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The Bank shall rebut the 30+ DPD presumptions in the case of any technical delinquencies (i.e. accounts marked as 30+DPD owing to administrative reasons and non-credit related concerns) and cases of delinquencies where payment is linked to government payments with approved invoices which have caused such delinquency. Approval for such instances will be obtained from the MD & CEO.

F: Backwards transition ("Curing")

IFRS 9 staging model is of symmetrical nature as exposures may migrate from lifetime ECL measurement (Stage 2, Stage 3) to 12-month ECL measurement (Stage 1). However, movement across stages are determined by their respective stages as defined in this policy or the any corresponding changes incorporated in the Loan Policy / Investment Policy of the Bank.

The different scenarios for movement are discussed below:

From Stage 2 to Stage 1	**Once SICR indicators are no longer triggered, movement back to Stage 1 has to be 'calibrated' and cannot be automatic or immediate. Across all portfolios, the Bank must exhibit the following to move an exposure from Stage 2 to Stage 1:** • **SICR indicators used to classify into Stage 2 are no longer triggered;** • **Up-to-date payments with no arrears.**
From Stage 3 to Stage 2	**Across all portfolios, the Bank must exhibit the following to move an exposure from Stage 3 to Stage 2:** • **Indicators used to classify as Stage 3 are no longer triggered;** • **Up-to-date payments with no arrears.**

An asset in Stage 3 shall be upgraded only when the irregularity/ deficiency in the account which led to the account being classified as Stage 3 is fully rectified on a sustainable basis. A transient rectification of the irregularity/deficiency near the reporting date may not result in the upgrade of the account unless there is satisfactory evidence to support that the rectification of the irregularity/deficiency is sustainable and the inherent credit weakness has mitigated substantially.

However, as regards the upgrade of restructured Stage 3 accounts to Stage 1, the same shall be upgraded only when all the outstanding loans/facilities perform satisfactorily for a period of 6 months from the commencement of the first payment of interest or principal, whichever is later, on the credit facilities with the longest period of moratorium under the terms of restructuring.

G: Definition of default and credit-impaired assets

The Bank's definition of default is aligned with the stricter of the Bank of Mauritius guidelines and internal credit risk management practices.

Defaulted assets will fall under the Stage 3 category and a specific provision will be recognised against all such assets. As per the Bank's Loan Policy and Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition, impaired loans and overdrafts are recognised as follows:

Category	Definition of "impaired"
Loans and advances	A loan can be classified as impaired asset when instalments of principal and/or interest are due and remain unpaid for 90 days or more, or such unpaid amount has been capitalised, refinanced or rolled over. Past due loans are loans where payment of principal or interest is contractually due but remains unpaid
Overdraft	An overdraft facility can be classified as impaired asset when one or more conditions as mentioned below are satisfied: • the advance exceeds the customer's approved limit continuously for 90 days or more; • the customer's approved limit has expired for 90 days or more; • interest on the advance is due and remains unpaid for 90 days or more; or • the account has been dormant for 90 days or more and deposits are insufficient to cover the interest capitalised during the period. For this purpose, dormant accounts include accounts, which have only a few transactions of insignificant amounts.
Bills Purchased and Discounted	The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
Investments	Interest/ instalment (including maturity proceeds) for Investments is due and remains unpaid for more than 90 days.

5.3.2.2 Measuring ECL – Explanations of inputs, assumptions and estimation techniques

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months ("12M PD"), or over the remaining lifetime ("Lifetime PD") of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months ("12M EAD") or over the remaining lifetime ("Lifetime EAD"). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default ("LGD") represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default ("EAD"). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.
- The ECL is determined by projecting the PD, LGD and EAD for each future year and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.
- The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.
- The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.
- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data.
- The 12-month and lifetime LGDs are determined using a combination of regulatory and historical vintage analysis. These vary by product type.
- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.
- Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 5.3.2.3 for an explanation of forward-looking information and its inclusion in ECL calculations.
- The assumptions underlying the ECL calculation — such as how the maturity profile of the PDs and how collateral values change etc. — are monitored and reviewed on an annual basis.
- There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

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5.3.2.3 Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are sourced from the Bank of Mauritius, IMF and WEO Forecast Database depending upon the type of portfolio.

The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

ECL is computed as a probability weighted average of three scenarios; baseline, adverse and good. The scenario probability weightings applied in measuring ECL are as follows:

At 31 March 2020 and 31 March 2019	Baseline	Adverse	Good
Scenario probability weighting	50%	20%	30%

PD is computed for each of the scenario by giving a shock to baseline PD curve in upward and downward direction. Final ECL is computed by giving the weightages to each of the scenario to arrive at weighted average ECL.

Periodically, the Bank carries stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by the Risk Team.

Impact of COVID-19 on scenarios

Management has reassessed the methodology for scenarios as of 31 March 2021 and determined that with the uncertainty associated with the ongoing COVID-19 pandemic and the prevailing adverse economic conditions, the adverse scenario ought to have more weightage than the favourable scenario. As such the scenario probability weightings at 31 March 2021 have been revised to below:

At 31 March 2021	Baseline	Adverse	Good
Scenario probability weighting	50%	30%	20%

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios and economic variable assumptions.

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are:

Retail portfolios	Unemployment rate given its impact on secured and unsecured borrowers ability to meet their contractual repayments.
Corporate portfolios	GDP and core inflation given the significant impact on individual and company's performance and collateral valuations.
Global business portfolio	World inflation forecast for significant impact on the company's performance.
Investment portfolio	Real GDP growth rate, current accounts balance and CPI inflation have significant impact on the investment portfolio.

The Bank has performed a sensitivity analysis on how ECL on the main portfolios will change if the ECL loss rate changes by 5% across the different stages:

Increase in ECL as a result of a 5% change in ECL loss rate for each respective stage	Stage 1	Stage 2	Stage 3
	USD million	USD million	USD million
2021	0.68	0.45	2.56
2020	0.60	0.02	3.03
2019	0.65	0.02	1.77

5.3.3 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counter parties and companies, and to industries and countries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to a monthly frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrower to meet interest and capital repayment obligation and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

Collaterals

The Bank employs a range of policies and practices to mitigate credit risk. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types for loans and advances are:

- Fixed and Floating Charges over business assets such as premises, inventory and trade receivable
- Charges over financial instruments such as cash collateral, debt securities and equities
- Mortgages over residential properties
- Corporate guarantees and letter of support
- Personal guarantees
- Credit Insurance

Longer-term finance and lending to corporate entities are generally secured; revolving individual short-term credit facilities are at times unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Collateral held as security for financial assets other than loans and advances is determined by 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. The Bank closely monitors collaterals held for financial assets considered as credit impaired, as it becomes more likely that the Bank will take possession of the collaterals to mitigate potential credit losses. Financial assets that are credit impaired and related collaterals held in order to mitigate potential losses are shown below:

31 March 2021	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	USD	USD	USD	USD
Credit-impaired asset				
Loans to individuals:				
- overdrafts	24,509	18,181	6,328	92,234
- Term Loans	51,801	36,921	14,880	198,237
- Mortgages	619,097	354,730	264,367	1,136,858
Loans to corporate entities:				
- Large corporate customers	41,520,038	28,294,581	13,225,457	15,100,000
- SMEs	447,149	261,006	186,143	881,358
Total credit-impaired assets	**42,662,594**	**28,965,419**	**13,697,175**	**17,408,687**

31 March 2020	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	USD	USD	USD	USD
Credit-impaired asset				
Loans to individuals:				
- overdrafts	29,185	20,616	8,569	127,599
- Term Loans	94,640	70,926	23,714	204,935
- Mortgages	791,771	437,806	353,965	1,613,813
Loans to corporate entities:				
- Large corporate customers	52,444,116	24,127,906	28,316,210	36,170,000
- SMEs	324,759	194,127	130,631	1,191,941
Total credit-impaired assets	**53,684,471**	**24,851,381**	**28,833,089**	**39,308,288**

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31 March 2019	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	USD	USD	USD	USD
Credit-impaired asset				
Loans to individuals:				
- overdrafts	85,492	51,293	34,199	394,632
- Term Loans	153,722	100,129	53,593	522,968
- Mortgages	762,784	413,687	349,097	1,449,759
Loans to corporate entities:				
- Large corporate customers	20,374,417	10,330,000	10,044,417	9,777,000
- SMEs	10,324,563	4,684,221	5,640,342	6,831,499
Total credit-impaired assets	**31,700,978**	**15,579,330**	**16,121,648**	**18,975,858**

Residential mortgage lending

The following tables stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value ("LTV") ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. For credit-impaired residential loans, the value of collateral is based on the most recent appraisals.

Mortgage portfolio – LTV distribution	31 March 2021	31 March 2020	31 March 2019
	USD	USD	USD
Lower than 50%	217,130	273,055	230,211
50 to 59%	150,804	168,969	202,700
60 to 69%	42,450	36,480	120,244
70 to 79%	25,793	172,693	127,123
80 to 89%	115,530	115,136	-
90 to 100%	67,389	25,438	82,506
Total	619,096	791,771	762,784

<u>**Credit - related commitments**</u>

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties carry the same credit risks as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

The Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans.

5.3.4 COVID 19 and customer relief programmes

In response to the COVID-19 outbreak, the Bank of Mauritius has introduced moratorium schemes for households, individuals, small and medium enterprises and economic operators. The relief measures comprise payment holidays, refinancing of existing facilities or new lending under government backed schemes.

The following table presents the number of retail and corporate customers under these schemes as at 31 March 2021:

Accounts granted moratoriums under COVID scheme	Count	Gross carrying amount of loans as of 31 March 2021	ECL
		USD	USD
- Households	84	1,833,210	25,898
- Individuals	5	607,103	8,703
- Small and Medium Enterprises	19	262,618	5,971
- Other economic operators	2	10,286,667	166,219

The initial granting of customer relief does not automatically trigger a migration to stage 2 or 3. However, information provided by payment deferrals is considered in the context of other reasonable and supportable information. This forms part of the overall assessment for whether there has been a significant increase in credit risk and credit impairment to identify loans for which lifetime ECL is appropriate. Likewise, an extension in payment deferral does not automatically result in a migration to stage 2 or stage 3.

The key accounting and credit risk judgement to ascertain whether a significant increase in credit risk has occurred is whether the economic effects of the Covid-19 outbreak on the customer are likely to be temporary over the lifetime of the loan and whether they indicate that a concession is being made in respect of financial difficulty that would be consistent with stage 3. The Bank continues to monitor the recoverability of loans granted under customer relief programmes.

5.3.5 Modification of financial assets other than COVID-related

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.

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).

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.

The following table includes summary information for loans and advances to customers with lifetime ECL whose cash flows were modified during the period as part of the Bank's restructuring activities:

	31 March 2021	31 March 2020	31 March 2019
	USD	USD	USD
Amortised cost before modification	84,420	85,394	85,394

5.3.6 Write off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

(i) ceasing enforcement activity and

(ii) (where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. The below table shows the outstanding contractual amounts of such assets written off:

	31 March 2021	31 March 2020	31 March 2019
	USD	USD	USD
Financial assets written off (Note 22c)	15,474	174,056	68,236,175

The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

5.3.7 Post model adjustments related to COVID circumstances

Post model adjustments are short term adjustments to the ECL balance as part of the year-end reporting process to reflect late updates to market data, known model deficiencies or expert credit judgement.

As at 31 March 2020, with the uncertainty caused by the COVID-19 pandemic, and the model not being updated with latest data and forward economic information, management made a post-model adjustment of USD 4.0m to cater for any future unexpected losses associated with the worsening credit environment linked to COVID-19.

During the financial year ended 31 March 2021, the model was recalibrated with latest data till 2020 and incorporated forward economic information post-COVID. As such, the post-model adjustment as of 31 March 2021, was reduced to USD 2.1m.

5.3.8 Maximum exposure to credit risk – Financial instruments subject to impairment

The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amounts of financial assets below also represent the Bank's maximum exposure to credit risk on these assets.

	2021				2020	2019
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total	Total
	USD	USD	USD	USD	USD	USD
Retail	**Performing**	**Special mention**	**Impaired**			
Gross carrying amount	25,254,031	1,943,868	679,617	27,877,516	25,839,873	30,390,477
Loss allowance	(362,815)	(112,918)	(397,478)	(873,211)	(1,067,996)	(900,944)
Net carrying amount	**24,891,216**	**1,830,950**	**282,139**	**27,004,305**	**24,771,877**	**29,489,533**
Corporate						
Gross carrying amount	101,272,359	1,156,618	8,226,927	110,655,904	80,910,284	103,426,022
Loss allowance	(2,012,917)	(33,144)	(4,191,716)	(6,237,777)	(6,266,279)	(5,882,522)
Net carrying amount	**99,259,442**	**1,123,474**	**4,035,211**	**104,418,127**	**74,644,005**	**97,543,500**
Global business						
Gross carrying amount	332,912,975	25,318,960	33,756,050	391,987,985	394,524,708	405,898,080
Loss allowance	(6,425,366)	(1,410,688)	(24,376,225)	(32,212,279)	(26,586,163)	(14,336,791)
Net carrying amount	**326,487,609**	**23,908,272**	**9,379,825**	**359,775,706**	367,938,545	391,561,289
Investment securities						
Gross carrying amount	50,234,556	-	-	50,234,556	92,331,279	70,628,134
Loss allowance	(121,557)	-	-	(121,557)	(72,937)	(51,440)
Net carrying amount	**50,112,999**	**-**	**-**	**50,112,999**	**92,258,342**	**70,576,694**

The maximum exposure to credit risk for the below items is as follows:

	2021	2020	2019
	USD	USD	USD
Financial guarantees and other credit-related contingent liabilities (Note 35)	**19,931,084**	17,421,499	41,970,202
Loan and other credit-related commitments (Note 36)	**6,226,055**	9,227,035	46,921,722

5.3.9 Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment, i.e. those at FVTPL, cash and cash equivalents for which the low credit risk exemption has been applied and investment securities at investment grade.

	2021	2020	2019
	USD	USD	USD
Cash and cash equivalents	**156,223,156**	101,609,876	93,304,042
Investment securities	**208,024,545**	155,552,620	186,102,656
Derivative assets	**1,144,186**	-	629,662

5.3.10 Loss allowance

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 period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Retail	USD	USD	USD	USD
Loss allowance as at 1 April 2020	**522,371**	**31,807**	**513,818**	**1,067,996**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(49,585)	49,585	-	-
Transfer from Stage 1 to Stage 3	(26,641)	-	26,641	-
Transfer from Stage 2 to Stage 1	8,616	(8,616)	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	93,894	(93,894)	-
Transfer from Stage 3 to Stage 2	-	11,995	(11,995)	-
New financial assets originated or purchased	96,649	16,295	-	112,944
Change in existing	(156,453)	(80,538)	(12,671)	(249,662)
Other movements with no P&L impact				
Closed Accounts	(32,142)	(1,504)	(24,421)	(58,067)
Loss allowance as at 31 March 2021	**362,815**	**112,918**	**397,478**	**873,211**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Corporate	USD	USD	USD	USD
Loss allowance as at 1 April 2020	**1,938,968**	**6,589**	**4,320,722**	**6,266,279**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(2,943)	2,943	-	-
Transfer from Stage 1 to Stage 3	(98,442)	98,442	-	-
Transfer from Stage 2 to Stage 1	514	(514)	-	-
Transfer from Stage 2 to Stage 3	-	46,972	(46,972)	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	11,554	(11,554)	-
New financial assets originated or purchased	853,962	-	-	853,962
Change in existing	(495,537)	(132,410)	(64,990)	(692,937)
Other movements with no P&L impact				
Closed Accounts	(183,605)	(432)	(5,490)	(189,527)
Loss allowance as at 31 March 2021	**2,012,917**	**33,144**	**4,191,716**	**6,237,777**

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Global business	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	TOTAL USD
Loss allowance as at 1 April 2020	**6,569,323**	**-**	**20,016,840**	**26,586,163**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(1,362,942)	1,362,942	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	3,722,700	(3,722,700)	-
New financial assets originated or purchased	1,478,763	-	-	1,478,763
Change in existing	1,276,285	(3,674,954)	8,082,085	5,683,416
Other movements with no P&L impact				
Closed Accounts	(1,520,316)	-	-	(1,520,316)
Write-offs	(15,747)	-	-	(15,747)
Loss allowance as at 31 March 2021	**6,425,366**	**1,410,688**	**24,376,225**	**32,212,279**

Investment securities	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Purchased credit-impaired USD	TOTAL USD
Loss allowance as at 1 April 2020	**72,937**	-	-	-	**72,937**
Movements with P&L impact					
Transfers:					
Changes in existing	48,620	-	-	-	48,620
Loss allowance as at 31 March 2021	**121,557**	**-**	**-**	**-**	**121,557**

Note:

(a) The unwind of discount on Stage 3 financial assets is reported within 'Interest Income' so that interest income is recognised on the amortised cost (after deducting the ECL allowance).

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

Retail	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	TOTAL USD
Gross carrying amount as at 1 April 2020	**23,417,748**	**1,528,202**	**893,923**	**25,839,873**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(108,093)	108,093	-	-
Transfer from Stage 1 to Stage 3	(3,405)	-	3,405	-
Transfer from Stage2 to Stage1	50,647	(50,647)	-	-
Transfer from Stage 3 to Stage 1	6,263	-	(6,263)	-
Transfer from Stage 3 to Stage 2	-	1,596	(1,596)	-
New financial assets originated or purchased	6,631,134	294,790	-	**6,925,924**
Modification of contractual cashflows of financial assets	-	-	-	-
Change in existing	(2,969,483)	154,511	(182,646)	**(2,997,618)**
FX and other movements	-	-	-	-
Closed accounts	(1,770,780)	(92,677)	(27,206)	**(1,890,663)**
Gross carrying amount as at 31 March 2021	**25,254,031**	**1,943,868**	**679,617**	**27,877,516**

Corporate	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	TOTAL USD
Gross carrying amount as at 1 April 2020	**71,389,813**	**330,661**	**9,189,810**	**80,910,284**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(171,824)	171,824	-	-
Transfer from Stage 1 to Stage 3	(24,425)	-	24,425	-
Transfer from Stage 2 to Stage 1	8,238	(8,238)	-	-
Transfer from Stage 2 to Stage 3	-	(3,658)	3,658	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	9,863	(9,863)	-
Financial assets derecognised during the period other than write-offs	44,729,232	-	-	44,729,232
New financial assets originated or purchased	-	-	-	-
Modification of contractual cashflows of financial assets	-	-	-	-
Change in existing	-	-	-	-
FX and other movements	(5,421,934)	696,616	(972,092)	**(5,697,410)**
Closed accounts	(9,236,741)	(40,450)	(9,011)	**(9,286,202)**
Gross carrying amount as at 31 March 2021	**101,272,359**	**1,156,618**	**8,226,927**	**110,655,904**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Global business	USD	USD	USD	USD
Gross carrying amount as at 1 April 2020	**350,923,970**	**-**	**43,600,738**	**394,524,708**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 3	(6,499,569)	6,499,569	-	-
Transfer from Stage 2 to Stage 1	-	2,039,281	(2,039,281)	-
Financial assets derecognised during the period other than write-offs	-	-	-	-
New financial assets originated or purchased	93,014,312	-	-	**93,014,312**
Modification of contractual cashflows of financial assets	-	-	-	-
Change in existing	(27,126,578)	16,780,110	(7,805,407)	**(18,151,875)**
FX and other movements	-	-	-	-
Closed accounts	(77,399,160)	-	-	**(77,399,160)**
Gross carrying amount as at 31 March 2021	**332,912,975**	**25,318,960**	**33,756,050**	**391,987,985**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Investment securities	USD	USD	USD	USD
Gross carrying amount as at 1 April 2020	**92,331,279**	-	-	**92,331,279**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(42,096,723)	-	-	**(42,096,723)**
FX and other movements				
Changes in existing	-	-	-	-
Gross carrying amount as at 31 March 2021	**50,234,556**	**-**	**-**	**50,234,556**

Loans and Advances

Exposure to Credit Risk

	2021 USD	2020 USD	2019 USD
Carrying Amount	**491,198,138**	**467,354,427**	**518,594,321**
Individually Impaired (Note 22b)	42,662,594	53,684,470	31,700,978
Impairment allowance	(28,965,419)	(24,851,381)	(15,579,330)
	13,697,175	28,833,089	16,121,648
Past due but not impaired			
Carrying Amount	**2,085,355**	**1,955,792**	**1,708,892**
Neither Past due nor impaired			
Gross Amount	485,773,456	445,634,604	506,304,707
Portfolio Provisions	(10,357,848)	(9,069,058)	(5,540,926)
	475,415,608	**436,565,546**	**500,763,781**

The total impairment provision for loans and advances is USD 39,323,267 (2020: USD 33,920,439 and 2019: USD 21,120,256).

Ageing of past due but not impaired advances is as follows:

	2021 USD	2020 USD	2019 USD
Within 1 month	2,010,237	1,896,005	1,624,240
From 1 to 2 months	41,006	18,160	62,545
From 2 to 3 months	34,112	41,627	22,107
	2,085,355	**1,955,792**	**1,708,892**

Credit quality

The Bank has been consistently applying the guidelines issued by Bank of Mauritius for identifying its non-performing assets and making appropriate provisions. In accordance with the guidelines, the credit quality of the loans and advances for the last three years is shown in the table below:

	2021 USD	2020 USD	2019 USD
Standard	487,858,811	447,590,396	508,013,599
Impaired	42,662,594	53,684,470	31,700,978
Total	**530,521,405**	**501,274,866**	**539,714,577**

Fair value of collaterals of impaired advances is USD 17,408,687 (USD 39,308,288 for 2020 and USD 18,975,858 for 2019).

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by the industry sectors of our counterparties.

Credit concentration of risk by industry sectors	2021 USD	2020 USD	2019 USD
Agriculture and fishing	23,333,271	10,871,272	15,053,929
Manufacturing	143,659,229	183,743,735	204,053,441
Tourism	13,618,857	14,139,550	24,686,003
Transport	38,300,949	36,865,851	36,601,239
Construction	37,975,566	41,490,117	48,252,414
Financial and business services	112,213,659	101,160,446	57,306,706
Traders	16,771,162	7,896,137	18,502,897
Personal	3,057,842	3,024,330	4,877,213
Professional	157,851	122,501	199,123
Global Business Licence holders	50,189,142	49,649,776	77,563,099
Others	2,257,856	4,544,487	7,269,115
Interest receivable	800,416	2,046,509	2,623,486
	442,335,800	**455,554,711**	**496,988,665**
Loans and advances to banks	88,185,605	45,720,155	42,725,912
	530,521,405	**501,274,866**	**539,714,577**
Impairment allowance	(39,323,267)	(33,920,439)	(21,120,256)
	491,198,138	**467,354,427**	**518,594,321**

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5.4 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. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Bank's operations and investments.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Bank's Board of Directors sets the Bank's strategy for managing liquidity risk and oversight of the implementation is administered by the relevant Board Committee which approves the Bank's liquidity policies and procedures. The Bank's Treasury team manages the Bank's liquidity position on a da-to-day basis. 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 they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. As part of its liquidity strategy, the Bank maintains a well-diversified funding base, carries a portfolio of highly liquid assets to meet its liquidity coverage ratio per regulatory requirements, monitors maturity mismatches and behavioural characteristics of its financial assets and liabilities and performs stress testing on the Bank's liquidity position.

The following tables set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

	Less than three months	Between three and twelve months	Over one year to five years	Over five years	TOTAL
	USD	USD	USD	USD	USD
As at 31 March 2021					
Cash and cash equivalents	156,223,156	-	-	-	156,223,156
Investment securities	40,387,373	72,209,463	129,070,776	18,498,052	260,165,664
Loans and advances	86,686,766	76,284,389	279,286,842	48,940,141	491,198,138
Other assets	1,144,186	-	-	-	1,144,186
	284,441,481	**148,493,852**	**408,357,618**	**67,438,193**	**908,731,144**
Loan commitments	**6,226,055**	**-**	**-**	**-**	**6,226,055**
Deposits from customers	341,282,533	116,257,944	52,649,714	-	510,190,191
Other borrowed funds	85,637,867	148,213,019	25,000,869	-	258,851,755
Lease liabilities	51,268	24,674	623,046	406,936	1,105,924
Other liabilities	5,450,567	-	-	-	5,450,567
	432,422,235	**264,495,637**	**78,273,629**	**406,936**	**775,598,437**
Net liquidity gap	**(141,754,699)**	**(116,001,785)**	**330,083,989**	**67,031,257**	**139,358,762**

	Less than three months	Between three and twelve months	Over one year to five years	Over five years	TOTAL
	USD	USD	USD	USD	USD
As at 31 March 2020					
Total Assets	154,357,214	140,657,091	387,240,554	140,730,915	822,985,774
Total Liabilities	478,893,374	153,052,398	58,066,292	963,010	690,975,074
Net Liquidity Gap	**(324,536,160)**	**(12,395,307)**	**329,174,262**	**139,767,905**	**132,010,700**
As at 31 March 2019					
Total Assets	187,097,678	136,800,256	424,401,893	121,917,680	870,217,507
Total Liabilities	504,366,560	109,249,874	118,997,349	3,910,711	736,524,494
Net Liquidity Gap	**(317,268,882)**	**27,550,382**	**305,404,544**	**118,006,969**	**133,693,013**

5.5 Market Risk

Market risk is the risk that changes in market prices – e.g. 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 the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk.

ALCO is responsible for ensuring the effective management of market risk throughout the Bank. Specific levels of authority and responsibility in relation to market risk management have been assigned to appropriate authority within the Bank.

The core market risk management activities are:

- the identification of all key market risks and their drivers;
- the independent measurement and evaluation key market risks and their drivers;
- the use of results and estimates as the basis for the Group's risk/return-oriented management; and
- monitoring risks and reporting on them.

The Bank considers market risk to arise principally on the below:

- Investments
- Open Forex Position

Equity price risk is subject to regular monitoring by the Bank's Treasury team but is not currently significant in relation to the Bank's overall results and financial position.

A. Investments

The Bank's investments are categorised under the following categories as per the Investment Policy:

- Hold To Collect ("HTC") – As per Bank's policy, the securities acquired by the Bank with the intention to hold them up to maturity will be classified under 'Hold to Collect (HTC)'. Hence, they need not be Marked to Market as the Bank has the intent and the ability to hold them till maturity. Therefore, there is no stress testing required on the HTC portfolio.
- Hold to Collect and Sell ("HTCS") – Out of our total investment portfolio of USD 248.52 Mio as on 31 March 2021, which consists of Government of Mauritius Bonds, Equity, T-Bills and Notes in MUR currency as well as Foreign currency investments in the form of FRNs, the portfolio kept in HTCS category amounts to USD 201.11 Mio. The Investment of USD 201.11 Million also includes investments of USD 30.40 Million in T-Bills which are classified as FVTPL in the Financial statements. As per the ICAAP, the impact of movement in the Bond yield by 15 bps in Scenario 1 and by 20 bps in Scenario 2 is tabled below-:

Market Risk-Stress Testing Analysis For Investments in HTCS Category

Amount (Treasury Bills - USD 30.395 Mio, Total Investment in HTCS - USD 201.11 Mio)	Average yield	Average Time to Maturity	Scenario 1 Impact Yield rises by 15 bps	Scenario 2 Impact Yield rises by 20 bps	Scenario 3 Impact Yield rises by 25 bps
FVTPL - USD 30.395 Mio	0.68%	142 days	USD 17,726	USD 23,630	USD 29,532
Other HTCS - USD 170.715 Mio	1.75%	496 days	USD 408,906	USD 544,838	USD 680,587

The USD Investment portfolio categorized under HTCS, if any, is marked to market against the Reserves and does not affect the direct profitability of the Bank.

B. Open Forex Position

As on 31 March 2021 the net open position of our Bank in USD terms stood at USD 3,068,960. As per the ICAAP, the impact of adverse movement in the Exchange Rate by 0.5% in Scenario 1 and by 1.5% in Scenario 2 and 2.5% in Scenario 3 is tabled below-:

Open Position	Scenario 1 Impact of Interest Rate moves adversely by 0.5%	Scenario 2 Impact of Interest Rate moves adversely by 1.5%	Scenario 3 Impact of Interest Rate moves adversely by 2.5%
USD 3,068,960	USD 15,345	USD 46,034	USD 76,724

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Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the vent that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which monitored daily by the Treasury department.

The table below summarises the Bank's exposure to interest rate risks. The Bank's assets and liabilities at carrying value are categorised by their repricing dates:

At 31 March 2021	Less than 3 months	Between 3 months and 1 year	Over one year	Non Interest Sensitive	TOTAL
	USD	USD	USD	USD	USD
Cash and cash equivalents	154,472,953	-	-	1,750,203	156,223,156
Investment securities	32,347,000	75,449,885	149,192,117	2,464,889	259,453,891
Loans and advances	419,646,688	41,270,688	29,393,420	887,342	491,198,138
Other assets	1,144,186	-	-	-	1,144,186
	607,610,827	**116,720,573**	**178,585,537**	**5,102,434**	**908,019,371**
Deposits from customers	345,562,805	110,076,951	52,565,951	1,984,483	510,190,191
Other borrowed funds	85,537,650	148,000,000	25,000,000	314,105	233,851,755
Lease liability	51,268	24,674	1,029,981	-	1,105,924
	431,151,723	**258,101,625**	**78,595,932**	**2,298,588**	**770,147,870**
Interest Sensitivity Gap	**176,459,105**	**(141,381,052)**	**99,989,605**	**2,803,846**	**137,871,501**

At 31 March 2020	Less than 3 months	Between 3 months and 1 year	Over one year	Non Interest Sensitive	TOTAL
	USD	USD	USD	USD	USD
Total Assets	475,361,689	153,082,712	138,444,561	56,175,693	823,064,655
Total Liabilities	479,057,350	149,950,000	57,792,831	4,253,774	691,053,955
Interest Sensitivity Gap	**(3,695,661)**	**3,132,712**	**80,651,730**	**51,921,919**	**132,010,700**

At 31 March 2019	Less than 3 months	Between 3 months and 1 year	Over one year	Non Interest Sensitive	TOTAL
	USD	USD	USD	USD	USD
Total Assets	572,882,680	137,395,405	142,610,303	17,329,119	870,217,507
Total Liabilities	446,962,000	105,717,000	179,934,783	3,910,711	736,524,494
Interest Sensitivity Gap	**125,920,680**	**31,678,405**	**(37,324,480)**	**13,418,408**	**133,693,013**

The management of interest rate risk against interest rate gaps limits is supplemented by monitoring the sensitivity of Bank's financial assets and liabilities to various standard and non-standard interest scenarios. Analysis of the Bank 's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves on the constant reporting date is as follows:

	200 bp Parallel Increase/Decrease		
	2021	2020	2019
	USD (million)	USD (million)	USD (million)
Sensitivity of projected Net Interest Income	0.87	0.58	2.56

Currency Risk

Foreign exchange rate risk or currency risk is the adverse impact that may occur on profits and market value of assets and liabilities due to fluctuation in exchange rates depending on the spot as well as forward positions created by commercial, inter-bank and proprietary trading transactions in any particular currency. As a means to prudent management of the risk, the Bank has set up foreign exchange position limits, duly approved by the Board, both for daylight and overnight positions. In addition to these, cut loss limits have been set up on per deal and per day basis. Besides, suitable hedging techniques are also used for risk mitigation.

Management monitors the exchange positions and profits arising out of operations on a daily basis, and quarterly reports are submitted to the board. Any exception is promptly reported to the Board for ratification.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 March 2021:

At 31 March 2021	United States Dollar	Great Britain Pound	EURO	Others	TOTAL
Assets	USD	USD	USD	USD	USD
Cash and cash equivalents	141,105,214	378,147	402,247	14,337,548	156,223,156
Loans and advances	326,163,792	3,408,870	53,552,224	108,073,252	491,198,138
Investment securities	167,746,174	-	1,596	91,706,121	259,453,891
Other assets	1,144,186	-	-	-	1,144,186
	636,159,366	**3,787,017**	**53,956,067**	**214,116,921**	**908,019,371**
Liabilities					
Deposits from customers	269,635,055	5,050,825	12,262,060	223,242,251	510,190,191
Other borrowed funds	248,302,397	-	10,549,358	-	258,851,755
Lease liabilities	-	-	-	1,105,924	1,105,924
Other liabilities	5,450,567	-	-	-	5,450,567
	523,388,019	**5,050,825**	**22,811,418**	**224,348,175**	**775,598,437**
Net on Statement of Financial Position	**112,771,347**	**(1,263,808)**	**31,144,649**	**(10,231,254)**	**132,420,934**
At 31 March 2020					
Total Assets	595,693,767	3,466,448	63,222,735	160,681,705	823,064,655
Total Liabilities	467,299,066	5,558,677	47,088,059	171,108,153	691,053,955
Net on Statement of Financial Position	**128,394,701**	**(2,092,229)**	**16,134,676**	**(10,426,448)**	**132,010,700**
At 31 March 2019					
Total Assets	615,799,040	4,910,891	65,844,670	183,662,906	870,217,507
Total Liabilities	517,554,519	6,626,827	14,686,920	197,656,228	736,524,494
Net on Statement of Financial Position	**98,244,521**	**(1,715,936)**	**51,157,750**	**(13,993,322)**	**133,693,013**

6 FAIR VALUE OF FINANCIAL INSTRUMENTS

A: Valuation methods

The Bank measures fair values in accordance with IFRS 13, which defines fair value as 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. The Bank also uses a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value, which gives highest priority to quoted prices.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Assets and liabilities are classified as Level 1 if their value is observable in an active market.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. A Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities; and credit spreads. Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market.
- Level 3 inputs are unobservable inputs. Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data.

Where possible, fair value is determined by reference to a quoted market price for the instrument valued. The Bank holds financial assets and liabilities for which quoted prices are not available, such as over the counter derivatives. For these financial instruments the Bank uses valuation techniques to estimate fair value. The valuation techniques used include discounted cash flow models, comparison with similar instruments for which observable market prices exist, and other valuation models. These valuation techniques use as their basis independently sourced market parameters, such as interest rate yield curves, equities and commodities prices, option volatilities and currency rates.

The Bank uses generally accepted valuation models to determine the fair value of simple and liquid financial instruments, such as currency swaps in G7 currencies, that use only observable market data and involve minimum judgement. The use of observable market prices and model inputs, when available, reduces the need for management judgement and estimation, as well as the uncertainty related with the estimated fair value. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on general conditions and specific events in the financial markets.

The Bank also holds equity securities not quoted in active markets. The fair value of these instruments is determined using the net asset value ("NAV") model and applying a discount rate. The selection of the appropriate valuation model, as well as the determination of key inputs used such as the appropriate discount rate to be used, require management judgement and estimation.

The Bank has an established control framework for the measurement of fair values which include amongst others:

- Verification of observable pricing;
- Review and approval process for any changes in models; and
- Analysis and investigation of any significant movements.

B: Financial instruments measured at fair value – fair value hierarchy

The following table 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. The amounts are based on the values recognised in the statement of financial position.

At 31 March 2021	Level 1	Level 2	Level 3	TOTAL
	USD	USD	USD	USD
Financial Assets at FVTPL				
- Investment securities	-	30,375,147	-	30,375,147
- Derivative assets	-	1,144,186	-	1,144,186
Financial Assets at FVOCI				
- Investment securities	345,483	176,937,623	366,292	177,649,398
Total	**345,483**	**207,312,770**	**366,292**	**208,024,545**

At 31 March 2020	Level 1	Level 2	Level 3	TOTAL
	USD	USD	USD	USD
Financial Assets at FVTPL				
- Investment securities	-	3,757,414	-	3,757,414
Financial Assets at FVOCI				
- Investment securities	100,211	151,343,271	351,724	151,795,206
Total	**100,211**	**155,100,685**	**351,724**	**155,552,620**
Financial Assets at FVOCI				
- Derivative liability	-	73,759	-	73,759

At 31 March 2019	Level 1	Level 2	Level 3	TOTAL
	USD	USD	USD	USD
Financial Assets at FVTPL				
- Investment securities	-	34,817,746	-	34,817,746
- Derivative assets	-	629,662	-	629,662
Financial Assets at FVOCI				
- Investment securities	204,883	150,722,522	357,504	151,284,910
Total	**204,883**	**186,169,930**	**357,504**	**186,732,318**

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

Given the immateriality of the level 3 investments held by the Bank, management considers that no further disclosure under IFRS 13 is warranted.

C: Financial instruments not measured at fair value

The following tables set out the 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.

At 31 March 2021	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	156,609,876	-	156,609,876	156,223,156
Loans and advances to banks	-	86,776,343	-	86,776,343	86,776,343
Loans and advances to customers	-	404,421,795	-	404,421,795	404,421,795
Investment securities measured at amortised cost	-	53,842,290	-	53,842,290	50,234,556
Liabilities					
Deposits from customers	-	514,630,153	-	514,630,153	510,190,191
Other borrowed funds	-	258,851,755	-	258,851,755	258,851,755
At 31 March 2020					
Assets					
Cash and cash equivalents	-	101,609,876	-	101,609,876	101,609,876
Loans and advances to banks	-	45,266,408	-	45,266,408	45,266,408
Loans and advances to customers	-	422,088,019	-	422,088,019	422,088,019
Investment securities measured at amortised cost	-	92,512,856	-	92,512,856	92,331,279
Liabilities					
Deposits from customers	-	443,473,160	-	443,473,160	435,408,436
Other borrowed funds	-	255,166,637	-	255,166,637	255,166,637
At 31 March 2019					
Assets					
Cash and cash equivalents	-	93,304,042	-	93,304,042	93,304,042
Loans and advances to banks	-	42,299,888	-	42,299,888	42,299,888
Loans and advances to customers	-	476,294,433	-	476,294,433	476,294,433
Investment securities measured at amortised cost	-	71,186,720	-	71,186,720	70,628,134
Liabilities					
Deposits from customers	-	473,483,587	-	473,483,587	471,418,308
Other borrowed funds	-	265,106,186	-	265,106,186	265,106,186

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

Where they are available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates and primary origination or secondary market spreads

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

7 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 March 2021	Amortised cost	FVOCI	FVTPL	Total carrying amount
	USD	USD	USD	USD
Assets				
Cash and cash equivalents	156,223,156	-	-	156,223,156
Loans and advances to banks	86,776,343	-	-	86,776,343
Loans and advances to customers	404,421,795	-	-	404,421,795
Investment securities	51,031,159	178,759,358	30,375,147	260,165,664
Other assets	-	-	1,144,186	1,144,186
Liabilities				
Deposits from customers	473,483,587	-	-	473,483,587
Other borrowed funds	265,106,186	-	-	265,106,186
Lease liabilities	1,105,924	-	-	1,105,924
Other liabilities	9,889,679	-	-	9,889,679
At 31 March 2020				
Assets				
Cash and cash equivalents	101,609,876	-	-	101,609,876
Loans and advances to banks	45,266,408	-	-	45,266,408
Loans and advances to customers	422,088,019	-	-	422,088,019
Investment securities	93,684,629	152,549,426	3,757,414	249,991,469
Liabilities				
Deposits from customers	443,473,160	-	-	443,473,160
Other borrowed funds	255,166,637	-	-	255,166,637
Lease liabilities	1,277,872	-	-	1,277,872
Other liabilities	5,833,912	-	73,759	5,907,671
At 31 March 2019				
Assets				
Cash and cash equivalents	93,304,042	-	-	93,304,042
Loans and advances to banks	42,299,888	-	-	42,299,888
Loans and advances to customers	476,294,433	-	-	476,294,433
Investment securities	71,740,625	151,760,771	34,817,746	258,319,143
Other assets	-	-	629,662	629,662
Liabilities				
Deposits from customers	473,483,587	-	-	473,483,587
Other borrowed funds	265,106,186	-	-	265,106,186
Other liabilities	6,199,843	-	-	6,199,843

8 CAPITAL RISK MANAGEMENT

Capital risk is the risk that the Bank has insufficient capital resources to meet the minimum regulatory requirements, to support its credit rating and to support its growth and strategic options.

The Bank's regulator is the Bank of Mauritius and sets the capital requirements for the Bank. The Bank of Mauritius has adopted Basel III as from June 2014 through the Guideline on Scope of Application of Basel III and Eligible Capital.

The Bank's regulatory capital consists of the sum of the following elements:

- Tier 1 capital, which comprises Common Equity Tier 1 ("CET1) and Additional Tier 1 Capital. This comprises ordinary share capital, statutory reserve and retained earnings reserves.
- Tier 2 capital which includes the general banking reserve.

For each of the three categories above, there is a single set of criteria that the instruments are required to meet before they can be included in the relevant category. For the purpose of determining the capital adequacy ratio, the capital base is the sum of Tier 1 and Tier 2 capital net of regulatory adjustments applied.

As of 31 March 2021, the Bank has complied with all externally imposed capital requirements.

Please refer to the disclosures in section 2.7 of the Management and Discussion Analysis part of the annual report for more details on capital risk management disclosures.

9 Segmental Reporting

Statement of Financial Position

	Notes	SEGMENT A 2021	SEGMENT A 2020	SEGMENT A 2019	SEGMENT B 2021	SEGMENT B 2020	SEGMENT B 2019	TOTAL 2021	TOTAL 2020	TOTAL 2019
		USD	USD	USD	USD	USD	USD	USD	USD	USD
ASSETS										
Cash and cash equivalents	20	47,399,136	10,081,017	40,555,969	108,824,020	91,528,859	52,748,073	156,223,156	101,609,876	93,304,042
Loans and advances to banks	21	24,603,015	25,039,096	-	62,173,328	20,227,312	42,299,888	86,776,343	45,266,408	42,299,888
Loans and advances to customers	22	131,422,435	99,415,883	137,149,382	272,999,360	322,672,136	339,145,051	404,421,795	422,088,019	476,294,433
Investment securities	23	93,734,264	76,492,025	83,070,811	166,431,400	173,499,444	175,248,332	260,165,664	249,991,469	258,319,143
Property and equipment	24	7,624,837	7,583,324	7,685,687	-	-	-	7,624,837	7,583,324	7,685,687
Deferred tax assets	25	2,135,033	2,108,706	1,503,706	-	-	-	2,135,033	2,108,706	1,503,706
Current tax assets	30	-	165,043	204,470	-	-	-	-	165,043	204,470
Right-of-use assets	27	1,151,636	1,444,140	-	-	-	-	1,151,636	1,444,140	-
Other assets	26	17,248,133	15,469,068	15,450,026	1,206,686	165,603	1,001,944	18,454,819	15,634,671	16,451,970
Total assets		325,318,489	237,798,302	285,620,051	611,634,794	608,093,354	610,443,288	936,953,283	845,891,656	896,063,339
LIABILITIES										
Deposits from customers	28	269,421,358	261,966,602	249,431,843	240,768,833	173,841,834	221,986,465	510,190,191	435,808,436	471,418,308
Other borrowed funds	29	15,030,938	-	-	243,820,817	255,166,637	265,106,186	258,851,755	255,166,637	265,106,186
Current tax liabilities	30	378,094	-	-	-	-	-	378,094	-	-
Retirement benefit obligation	39	5,986,986	3,070,918	3,373,612	-	-	-	5,986,986	3,070,918	3,373,612
Lease Liabilities	34	1,105,924	1,277,872	-	-	-	-	1,105,924	1,277,872	-
Other liabilities	31	5,089,945	3,292,873	3,843,488	4,799,734	2,614,798	2,356,355	9,889,679	5,907,671	6,199,843
Total liabilities		297,013,245	269,608,265	256,648,943	489,389,384	431,623,269	489,449,006	786,402,629	701,231,534	746,097,949
Shareholders' Equity										
Stated Capital	32a							48,627,188	48,627,188	48,627,188
Share premium								54,078,062	54,078,062	54,078,062
Retained earnings								22,800,407	17,951,523	26,552,746
Other reserves	40							30,800,109	27,248,247	24,038,206
Actuarial losses reserve	40							(5,755,112)	(3,244,898)	(3,330,812)
Total equity								150,550,654	144,660,122	149,965,390
Total equity and liabilities								936,953,283	845,891,656	896,063,339

Statement of Profit or Loss and Comprehensive Income

	Notes	SEGMENT A 2021	SEGMENT A 2020	SEGMENT A 2019	SEGMENT B 2021	SEGMENT B 2020	SEGMENT B 2019	TOTAL 2021	TOTAL 2020	TOTAL 2019
		USD	USD	USD	USD	USD	USD	USD	USD	USD
Interest income		7,013,292	11,617,244	13,087,619	13,515,033	19,826,121	25,571,924	20,528,325	31,443,365	38,659,543
Interest expense		(1,971,195)	(7,050,723)	(4,816,800)	(4,376,946)	(7,153,262)	(9,657,554)	(6,348,141)	(14,203,985)	(14,474,354)
Net interest income	11	**5,042,097**	**4,566,521**	**8,270,819**	**9,138,087**	**12,672,859**	**15,914,370**	**14,180,184**	**17,239,380**	**24,185,189**
Fee and commission income	12	411,456	1,155,598	1,379,273	2,153,805	1,549,240	1,060,826	2,565,261	2,704,838	2,440,099
Net trading income	13	857,543	1,428,667	1,220,669	335,615	420,107	247,944	1,193,158	1,848,774	1,468,613
Other operating income	14	664,484	79,621	109,624	594,566	746,402	418,245	1,259,050	826,023	527,869
		1,522,027	1,508,288	1,330,293	930,181	1,166,509	666,189	2,452,208	2,674,797	1,996,482
Operating income		**6,975,580**	**7,230,407**	**10,980,385**	**12,222,073**	**15,388,608**	**17,641,385**	**19,197,653**	**22,619,015**	**28,621,770**
Net impairment loss on financial assets	15	(620,767)	(992,784)	5,285,860	(4,786,712)	(11,943,198)	(7,375,991)	(5,407,479)	(12,935,982)	(2,090,131)
Personnel expenses	16	(2,496,997)	(2,368,693)	(2,601,566)	(1,737,790)	(2,132,334)	(2,029,172)	(4,234,787)	(4,501,027)	(4,630,738)
Depreciation	24	(709,411)	(855,346)	(502,479)	-	-	(2,425)	(709,411)	(855,346)	(504,904)
Other expenses	17	(1,953,907)	(2,143,140)	(2,510,913)	(610,240)	(758,606)	(885,167)	(2,564,147)	(2,901,746)	(3,396,080)
Profit before income tax		**1,194,498**	**870,444**	**10,651,287**	**5,087,331**	**554,470**	**7,348,630**	**6,281,829**	**1,424,914**	**17,999,917**
Income tax expense	18	(577,259)	(102,408)	(2,214,760)	-	-	(85,240)	(577,259)	(102,408)	(2,300,000)
Profit for the year		**617,239**	**768,036**	**8,436,527**	**5,087,331**	**554,470**	**7,263,390**	**5,704,570**	**1,322,506**	**15,699,917**
Other Comprehensive Income										
Items that will not be reclassified to profit or loss										
Remeasurement of defined benefit obligations, net of deferred tax		(2,510,214)	85,914	(451,166)				(2,510,214)	85,914	(451,166)
Fair value gains on investment securities		331,370	101,582	404,033	-	-	-	331,370	101,582	404,033
Items that may be reclassified subsequently to profit or loss		-			-	-	-			-
Fair value gains on investment securities		**2,364,806**	**2,910,068**	**785,175**				**2,364,806**	**2,910,068**	**785,175**
Other Comprehensive Income for the year		185,962	3,097,564	738,042	-	-	-	185,962	3,097,564	738,042
Total comprehensive income for the year		**803,201**	**3,865,600**	**9,174,569**	**5,087,331**	**554,470**	**7,263,390**	**5,890,532**	**4,420,070**	**16,437,959**

10 Exchange Rate

	2021	2020	2019
USD to MUR (year end)	**40.45**	39.05	34.91

These exchange rates are mid rates on the statement of financial position date as published by Bank of Mauritius.

11 Net interest income

	2021	2020	2019
	USD	USD	USD
Interest income			
Recognised on financial assets at amortised cost			
Cash and cash equivalents	565,438	1,535,139	3,834,101
Loans and advances to banks	30,177	252,022	143,759
Loans and advances to customers	14,054,332	20,943,450	26,305,637
Investment securities	1,791,674	2,999,094	6,562,144
Recognised on financial assets at FVOCI			
Investment securities	3,851,623	4,632,662	408,134
Other	235,081	1,080,998	1,405,768
Total interest income	20,528,325	31,443,365	38,659,543
Interest expense			
Recognised on financial liabilities at amortised cost			
Other borrowed funds	2,472,711	6,519,353	6,155,420
Deposits from customers	3,821,536	7,626,777	8,318,934
Lease liabilities	53,894	57,855	-
Total interest expense	6,348,141	14,203,985	14,474,354
Net interest income	**14,180,184**	**17,239,380**	**24,185,189**
Segment A			
Interest income			
Cash and cash equivalents	430,358	936,435	285,401
Loans and advances to banks	700,766	-	-
Loans and advances to customers	4,551,805	6,194,332	9,244,007
Investment securities	1,330,363	4,486,477	3,558,211
Total interest income	7,013,292	11,617,244	13,087,619
Interest expense			
Other borrowed funds	313,125	3,259,677	760,000
Deposits from customers	1,604,176	3,733,191	4,056,800
Lease liabilities	53,894	57,855	-
Total interest expense	1,971,195	7,050,723	4,816,800
Net interest income	**5,042,097**	**4,566,521**	**8,270,819**
Segment B			
Interest income			
Cash and cash equivalents	135,080	598,704	3,548,700
Loans and advances to banks	30,177	252,022	143,759
Loans and advances to customers	8,801,761	14,749,118	17,061,630
Investment securities	4,312,934	3,145,279	3,412,067
Other	235,081	1,080,998	1,405,768
Total interest income	13,515,033	19,826,121	25,571,924

Segment B	2021	2020	2019
	USD	USD	USD
Interest expense			
Borrowings from banks	2,159,586	3,259,677	5,395,420
Deposits from customers	2,217,360	3,893,585	4,262,134
Total interest expense	4,376,946	7,153,262	9,657,554
Net interest income	**9,138,087**	**12,672,859**	**15,914,370**

12 Net Fee and Commission Income

	2021	2020	2019
	USD	USD	USD
Retail banking customer fees	128,495	-	893,890
Corporate banking customer fees	1,905,112	1,995,842	859,023
Other	531,654	708,996	687,186
Total fee and commission income	2,565,261	2,704,838	2,440,099
Segment A			
Retail banking customer fees	128,495	-	893,890
Corporate banking customer fees	82,978	777,600	-
Other	199,983	377,998	485,383
Total fee and commission income	411,456	1,155,598	1,379,273
Segment B			
Corporate banking customer fees	1,822,134	1,218,242	859,023
Other	331,671	330,998	201,803
Total fee and commission income	2,153,805	1,549,240	1,060,826

13 Net trading income

	2021	2020	2019
	USD	USD	USD
Foreign exchange	1,091,265	1,848,774	981,085
Gains on FX dealings	101,893	-	487,528
	1,193,158	1,848,774	1,468,613
Segment A			
Foreign exchange	857,543	1,428,667	1,220,669
	857,543	1,428,667	1,220,669
Segment B			
Foreign exchange	233,722	420,107	(239,584)
Gains on FX dealings	101,893	-	487,528
	335,615	420,107	247,944

Foreign exchange includes net gain on debt instruments at FVTPL and net revaluation gain/loss on financial instruments.

14 Other operating income

	2021	2020	2019
	USD	USD	USD
Profit on sales of investment	1,038,440	577,567	215,988
Dividend income on investment	6,494	29,048	-
Other income	214,116	219,408	311,881
	1,259,050	826,023	527,869
Segment A			
Profit on sales of investment	597,745	-	-
Dividend income on investment	6,494	29,048	-
Other Income	60,245	50,573	109,624
	664,484	79,621	109,624
Segment B			
Profit on sales of investment	440,695	577,567	215,988
Other income	153,871	168,835	202,257
	594,566	746,402	418,245

15 Net impairment loss on financial assets

	2021	2020	2019
	USD	USD	USD
Loans and advances to customers	4,451,964	12,881,916	2,090,131
Loans and advances to banks	955,515	27,723	-
Non Fund Based Exposures	9,960	4,846	-
Investment securities	48,620	21,497	(66,945)
Recoveries during the year	(58,580)	-	-
	5,407,479	12,935,982	2,023,186
Segment A			
Loans and advances to customers and to banks	620,767	966,441	(5,218,915)
Non Fund Based Exposures	9,960	4,846	-
Investment securities	48,620	21,497	(66,945)
Recoveries during the year	(58,580)	-	-
	620,767	992,784	(5,285,860)
Segment B			
Loans and advances to customers and to banks	4,786,712	11,943,198	7,375,991

16 Personnel expenses

	2021	2020	2019
	USD	USD	USD
Wages and salaries	3,298,328	3,609,478	3,773,463
Compulsory social security obligations	133,580	140,562	135,559
Contributions to pension schemes	198,024	165,964	202,018
Other personnel expenses	229,473	349,549	280,462
Workers' Rights Act - Unfunded obligations (Note 39)	118,176	-	-
Retirement benefit expense (Note 39)	257,206	235,474	239,236
	4,234,787	4,501,027	4,630,738
Segment A			
Wages and salaries	1,813,177	1,891,253	2,122,450
Compulsory social security obligations	73,432	75,273	91,755
Contributions to pension schemes	108,859	88,877	122,260
Other personnel expenses	126,147	77,816	25,865
Workers' Rights Act - Unfunded obligations	118,176	-	-
Retirement benefit expense	257,206	235,474	239,236
	2,496,997	2,368,693	2,601,566
Segment B			
Wages and salaries	1,485,151	1,718,225	1,651,013
Compulsory social security obligations	60,148	65,289	43,804
Contributions to pension scheme	89,165	77,087	79,758
Other personnel expenses	103,326	271,733	254,289
	1,737,790	2,132,334	2,029,172

17 Other expenses

	2021	2020	2019
	USD	USD	USD
Other Expenses	2,564,147	2,901,646	3,396,080
Segment A			
Other Expenses	1,953,907	2,143,140	2,510,913
Segment B			
Other Expenses	610,240	758,506	885,167

18 Taxation

Refer to note 3 (f) for the Bank's tax regime. Further to a pronouncement from the regulatory authorities in the current year, special levy expense has been reclassified from "other expenses" to "income tax expense" with the corresponding liability being reclassified from "other liabilities" to "income tax liability". This reclassification has also been reflected in the 2020 financial statements.

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

18a Current Taxation

Income tax reconciliation	2021	2020	2019
	USD	USD	USD
Accounting Profit	6,281,829	1,425,014	17,999,917
Tax on Accounting profit at 5%/ 5%/ 15%	314,091	71,251	2,699,988
Less : Foreign tax credit on segment B	-	-	(881,593)
Less : Net effect of non taxable income, non allowable expenses and other items	(201,616)	(680,773)	594,942
Under /(Over) provision in previous years (Note 30)	14,784	(201,100)	(198,577)
Special Levy on Banks (Note 30)	450,000	868,681	85,240
Corporate Social Responsibility contribution	-	44,349	-
Tax expense for the year	577,259	102,408	2,300,000

18b Income Tax Expense

Income tax reconciliation	2021	2020	2019
	USD	USD	USD
Current tax expense for the year	-	-	290,337
Under /(Over) provision in previous years	14,784	(201,100)	(198,577)
Effect of change in exchange rate and tax rate	6,685	-	1,590,552
Movement in deferred tax (Note 25)	105,790	(609,522)	532,448
	127,259	(810,622)	2,214,760
Corporate Social Responsibility contribution	-	44,349	-
Special Levy on Banks (Note 30)	450,000	868,681	85,240
	577,259	102,408	2,300,000
Segment A			
Tax Expense			
Current tax expense for the year	-	-	290,337
Under /(Over) provision in previous years	14,784	(201,100)	(198,577)
Effect of change in exchange rate and tax rate	6,685	-	1,590,552
Movement in deferred tax	105,790	(609,522)	532,448
	127,259	(810,622)	2,214,760
Corporate Social Responsibility contribution		44,349	
Special Levy on Banks (Note 30)	450,000	868,681	-
	577,259	102,408	2,214,760
Segment B			
Current tax expense for the year	-	-	-
Special Levy on Banks (Note 30)	-	-	85,240
	-	-	85,240

18c As at 31 March 2021 the Bank has accumulated losses amounting to USD 0.9 million expiring in year 2025. (2020 accumulated losses of USD 10.8 million expiring in year 2024.)

19 Earnings per share

	2021	2020	2019
	USD	USD	USD
Profit for the year	5,704,570	1,322,606	15,699,917
Number of ordinary shares	778,035	778,035	778,035
Earnings per share	7.33	1.70	20.18

20a Cash and cash equivalents

	2021	2020	2019
	USD	USD	USD
Cash in hand	1,610,729	2,341,508	1,800,938
Foreign currency notes and coins	139,474	101,062	90,363
Unrestricted balances with central bank	11,648,886	7,632,100	6,658,321
Money market placements	128,070,854	50,000,000	80,500,000
Balances with banks abroad	14,752,179	41,528,517	4,179,740
Interest receivable	1,034	6,689	74,680
	156,223,156	101,609,876	93,304,042
Segment A			
Cash in hand	1,610,729	2,341,508	1,800,938
Foreign currency notes and coins	139,474	101,062	90,363
Unrestricted balances with central bank	11,648,886	7,632,100	6,658,321
Money market placements	34,000,000	-	32,000,000
Interest receivable	47	6,347	6,347
	47,399,136	10,081,017	40,555,969
Segment B			
Money market placements	94,070,854	50,000,000	48,500,000
Balances with banks abroad	14,752,179	41,528,517	4,179,740
Interest receivable	987	342	68,333
	108,824,020	91,528,859	52,748,073

20b Analysis of net cash and cash equivalents as shown in the statement of cash flows

	2021	2020	2019
	USD	USD	USD
Cash and cash equivalents	156,223,156	101,609,876	93,304,042
Other borrowed funds (less than 3 months)	(35,000,000)	(90,462,350)	(114,000,000)
Net cash and cash equivalent	121,223,156	11,147,526	(20,695,958)

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

21a Loans and advances to banks

	2021	2020	2019
	USD	USD	USD
Loans and advances to banks	88,098,680	45,374,664	42,602,434
Interest receivable	86,925	345,491	123,478
Less allowance for credit impairment	(1,409,262)	(453,747)	(426,024)
	86,776,343	45,266,408	42,299,888
Segment A			
Loans and advances to banks	25,000,000	25,000,000	-
Interest receivable	2,925	289,096	-
Less allowance for credit impairment	(399,910)	(250,000)	-
	24,603,015	25,039,096	-
Segment B			
Loans and advances to banks- outside Mauritius	63,098,680	20,374,664	42,602,434
Interest receivable	84,000	56,395	123,478
Less allowance for credit impairment	(1,009,352)	(203,747)	(426,024)
	62,173,328	20,227,312	42,299,888

21b Remaining term to maturity

	2021	2020	2019
	USD	USD	USD
Up to 3 months	8,706,845	288,947	-
Over 3 months and up to 6 months	641,002	85,717	15,762,724
Over 6 months and up to 12 months	45,000,000	25,000,000	6,839,710
Over 1 year and up to 5 years	33,750,833	20,000,000	20,000,000
Interest receivable	86,925	345,490	123,478
	88,185,605	**45,720,154**	**42,725,912**

21c Allowance for credit impairment

	2021	2020	2019
	USD	USD	USD
Balance at beginning of year	453,747	426,024	666,863
ECL allowances- Stage 1	955,515	27,723	(240,839)
Balance at end of year	**1,409,262**	**453,747**	**426,024**

22 Loans and advances to customers

	2021	2020	2019
	USD	USD	USD
Retail customers	29,811,729	28,020,217	32,896,183
Mortgages	16,409,677	16,884,079	20,968,553
Other retail loans	13,402,052	11,136,138	11,927,630
Corporate customers	158,581,968	128,056,214	178,175,552
Governments	-	-	10,000,000
Entities outside Mauritius	253,141,686	297,431,771	273,293,444
Interest receivable	800,417	2,046,509	2,623,486
	442,335,800	455,554,711	496,988,665
Less allowance for credit impairment	(37,914,005)	(33,466,692)	(20,694,232)
	404,421,795	422,088,019	476,294,433

22a Remaining term to maturity

	2021	2020	2019
	USD	USD	USD
Up to 3 months	100,343,849	38,650,057	47,726,396
Over 3 months and up to 6 months	4,680,822	3,632,698	10,681,549
Over 6 months and up to 12 months	48,192,244	16,404,537	23,761,250
Over 1 year and up to 5 years	251,666,799	301,926,175	337,202,192
Over 5 years	36,651,669	92,894,735	74,993,792
Interest receivable	800,417	2,046,509	2,623,486
	442,335,800	455,554,711	496,988,665

22b Credit concentration of risk by industry sectors

	2021	2020	2019
	USD	USD	USD
Agriculture and fishing	23,333,271	10,871,272	15,053,929
Manufacturing	143,659,229	183,743,735	204,053,441
Tourism	13,618,857	14,139,550	24,686,003
Transport	38,300,949	36,865,851	36,601,239
Construction	37,975,566	41,490,117	48,252,414
Financial and business services	112,213,659	101,160,446	57,306,706
Traders	16,771,162	7,896,137	18,502,897
Personal	3,057,842	3,024,330	4,877,213
Professional	157,851	122,501	199,123
Global Business Licence holders	50,189,142	49,649,776	77,563,099
Others	2,257,856	4,544,487	7,269,115
Interest receivable	800,416	2,046,509	2,623,486
	442,335,800	455,554,711	496,988,665

	2021	2020	2019
	USD	USD	USD
Segment A			
Agriculture and Fishing	23,333,271	10,871,272	15,053,929
Manufacturing	17,253,657	17,812,669	19,999,583
Tourism	13,618,857	14,139,550	24,686,003
Transport	18,194,997	16,759,899	16,495,287
Construction	30,175,571	31,652,802	38,270,295
Financial and business services	14,747,129	3,693,916	4,973,373
Traders	16,771,162	7,896,137	18,502,897
Personal	3,057,842	3,024,330	4,877,213
Professional	157,851	122,501	199,123
Others	894,220	453,580	450,933
Interest receivable	328,864	323,503	487,084
	138,533,421	106,750,159	143,995,720
Segment B			
Manufacturing	126,405,572	165,931,066	184,053,858
Transport	20,105,952	20,105,952	20,105,952
Construction	7,799,995	9,837,315	9,982,119
Financial and business services	97,466,530	97,466,530	52,333,333
Global Business Licence holders	50,189,142	49,649,776	77,563,099
Others	1,363,636	4,090,907	6,818,182
Interest receivable	471,552	1,723,006	2,136,402
	303,802,379	348,804,552	352,992,945

22c Allowance for credit impairment

	ECL allowances Stage 3	ECL allowances Stage 1 &2	Total allowances for impairment
	USD	USD	USD
Balance at 31 March 2018	**55,729,481**	**5,646,143**	**61,375,624**
Exchange Difference	(35,791)	(1,680)	(37,471)
Provision for credit impairment for the year	2,066,517	23,614	2,090,131
Additional provision on initial application of IFRS 9	10,168,484	-	10,168,484
Additional specific provision on Loan and Advances	15,483,886	-	15,483,886
Reclassification of general provision to specific provision	402,928	(402,928)	-
Loans written off out of allowance	(68,236,175)	-	(68,236,175)
Allocation of General Provision for operational risk		(213,380)	(213,380)
Reclassification of provision to banks	-	240,839	240,839
Reclassification of provision to Investments :			-
Allowance on Implementation of IFRS 9 at 01st April 2018		(118,385)	(118,385)
Adjustment during the year		66,945	66,945
General Provisions on Non fund based Exposures		(126,266)	(126,266)
Balance at 31 March 2019	**15,579,330**	**5,114,902**	**20,694,232**
Exchange Difference	(48,313)	(5,649)	(53,962)
Provision for credit impairment for the year	8,126,609	4,804,528	12,931,137
Loans written off out of allowance	(174,056)	-	(174,056)
Reclassification of provision to banks	-	(27,723)	(27,723)
Movement from general provision on loans to specific provision on Loans	1,270,747	(1,270,747)	-
Movement from general provision on NFB to specific provision on loans	97,064	-	97,064
Balance at 31 March 2020	**24,851,381**	**8,615,311**	**33,466,692**
Exchange Difference	(8,348)	77,751	69,403
Provision for credit impairment for the year	3,181,096	1,270,868	4,451,964
Loans written off out of allowance	(15,474)	-	(15,474)
Movement of general provision on loans to specific provision on Loans	979,804	(979,804)	-
Movement of specific provision on loans to general provision on Loans	(23,040)	23,040	-
Recoveries during the year	-	(58,580)	(58,580)
Balance at 31 March 2021	**28,965,419**	**8,948,586**	**37,914,005**

22d Allowance for credit impairment by industry sectors

	2021 USD					2020 USD	2019 USD
Bank - Total	Gross amount of loans	Impaired loans	ECL allowances Stage 3	ECL allowances Stage 1 &2	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
Agriculture and Fishing	23,333,271	1,895	1,257	497,541	498,798	447,877	193,774
Manufacturing	143,659,229	2,965	2,123	3,733,266	3,735,389	3,704,536	2,222,904
Tourism	13,618,857	487	487	350,659	351,146	424,511	493,213
Transport	38,300,949	27,746,152	19,718,102	171,151	19,889,253	14,649,585	14,773,650
Construction	37,975,566	739,997	419,121	1,090,387	1,509,508	5,469,710	1,201,458
Financial and business services	112,213,659	13,466,530	8,608,410	2,132,565	10,740,975	7,296,648	573,067
Traders	16,771,162	323,612	199,991	229,326	429,317	324,130	346,115
Personal	3,057,842	22,830	15,928	40,741	56,669	59,591	40,866
Professional	157,851	-	-	2,829	2,829	2,357	1,856
Global Business Licence holders	50,189,142	-	-	664,484	664,484	996,677	774,835
Others	2,257,856	-	-	35,637	35,637	91,070	72,494
Interest receivable	800,416	358,126	-	-	-	-	-
	442,335,800	42,662,594	28,965,419	8,948,586	37,914,005	33,466,692	20,694,232

	2021 USD					2020 USD	2019 USD
Segment A	Gross amount of loans	Impaired loans	ECL allowances Stage 3	ECL allowances Stage 1 &2	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
Agriculture and Fishing	23,333,271	1,895	1,257	497,541	498,798	447,877	193,774
Manufacturing	17,253,657	2,965	2,123	278,718	280,841	360,792	382,365
Tourism	13,618,857	487	487	350,659	351,146	424,511	493,213
Transport	18,194,997	7,640,200	3,950,287	171,151	4,121,438	4,319,585	4,443,650
Construction	30,175,571	739,997	419,121	655,739	1,074,860	1,312,363	1,101,637
Financial and business services	14,747,129	-	-	281,266	281,266	74,438	49,734
Traders	16,771,162	323,612	199,991	229,326	429,317	324,130	346,115
Personal	3,057,842	22,830	15,928	40,741	56,669	59,591	40,866
Professional	157,851	-	-	2,829	2,829	2,357	1,856
Others	894,220	-	-	13,822	13,822	8,632	4,312
Interest receivable	328,864	174,558	-	-	-	-	-
	138,533,421	8,906,544	4,589,194	2,521,792	7,110,986	7,334,276	7,057,522
Segment B							
Manufacturing	126,405,572	-	-	3,454,548	3,454,548	3,343,744	1,840,539
Transport	20,105,952	20,105,952	15,767,815	-	15,767,815	10,330,000	10,330,000
Construction	7,799,995	-	-	434,648	434,648	4,157,347	99,821
Financial and business services	97,466,530	13,466,530	8,608,410	1,851,299	10,459,709	7,222,210	523,333
Global Business Licence holders	50,189,142	-	-	664,484	664,484	996,677	774,835
Others	1,363,636	-	-	21,815	21,815	82,438	68,182
Interest receivable	471,552	183,568	-	-	-	-	-
	303,802,379	33,756,050	24,376,225	6,426,794	30,803,019	26,132,416	13,636,710

23 Investment securities

	2021	2020	2019
	USD	USD	USD
Investment securities at fair value through profit and loss	30,375,147	3,757,414	34,817,746
Investment securities at amortised cost	50,234,556	92,331,279	70,628,134
Investment securities at FVOCI	177,649,398	151,795,206	151,284,910
Interest receivable	2,028,120	2,180,507	1,639,793
	260,287,221	250,064,406	258,370,583
Less Allowance for credit impairment	(121,557)	(72,937)	(51,440)
	260,165,664	249,991,469	258,319,143

23a Investment securities at fair value through profit and loss

	2021	2020	2019
	USD	USD	USD
Treasury/BoM Bills	30,375,147	3,757,414	34,817,746
Segment A			
Treasury Bills / Notes issued by Government of Mauritius	30,375,147	3,757,414	-
Segment B			
Treasury Bills / Notes issued by foreign governments	-	-	34,817,746

23b Investment securities at amortised cost

	2021	2020	2019
	USD	USD	USD
Government bonds & MDLS	8,669,412	14,567,346	21,068,206
Bank of Mauritius/Treasury Notes	-	-	9,937,887
Other investment securities (Credit Linked Investments, Syndicated Term Notes, Placements with Banks & Others)	41,565,144	77,763,933	39,622,041
Interest receivable	918,161	1,426,287	1,163,931
Less ECL allowances-Stage 1	(121,557)	(72,937)	(51,440)
	51,031,160	93,684,629	71,740,625
Bank - Segment A			
Government of Mauritius bonds & MDLS	8,669,412	14,567,346	21,068,206
Bank of Mauritius/Treasury Notes	-	-	9,937,887
Other investment securities (Credit Linked Investments, Syndicated Term Notes, Placements with Banks & Others)	3,039,401	3,464,697	3,009,605
Interest receivable	594,263	880,156	980,867
	12,303,076	18,912,199	34,996,565
Segment B			
Other Foreign Investment Securities (Credit Linked Investments, Syndicated Term Notes, Placements with Banks & Others)	38,525,743	74,299,236	36,612,436
Interest receivable	323,898	546,131	183,064
Less ECL allowances-Stage 1	(121,557)	(72,937)	(51,440)
	38,728,084	74,772,430	36,744,060

23c Investment securities at FVOCI

	2021	2020	2019
	USD	USD	USD
Equity Investment	711,775	451,935	562,387
Other investment securities	176,937,623	151,343,271	150,722,522
Interest receivable	1,109,959	754,220	475,862
Less ECL allowances-Stage 1	-	-	-
	178,759,357	152,549,426	151,760,771
Segment A			
Equity Investment	366,292	351,724	357,504
Other Investment securities	50,689,749	53,470,688	47,716,742
	51,056,041	53,822,412	48,074,246
Bank - Segment B			
Equity Investment	345,483	100,211	204,883
Other foreign investment securities	126,247,874	97,872,583	103,005,781
Interest receivable	1,109,959	754,220	475,862
	127,703,316	98,727,014	103,686,526

23d Allowance for impairment

	2021	2020	2019
	USD	USD	USD
Opening balance	72,937	51,440	-
Allowance on Implementation of IFRS 9 at 1st April 2018	-	-	118,385
Adjustment during the year	48,620	21,497	(66,945)
Balance at end of year	121,557	72,937	51,440

24 Property and equipment - Segment A

	Building on lease land	Land and buildings	Furniture, fittings and office equipment	Motor Vehicles	TOTAL
	USD	USD	USD	USD	USD
Cost/Deemed cost					
Balance at 1 April 2018	**318,680**	**9,003,907**	**6,835,836**	**297,875**	**16,456,298**
Acquisitions	-	-	245,076	5,882	250,958
Disposals	-	-	-	(109,666)	(109,666)
Balance at 31 March 2019	**318,680**	**9,003,907**	**7,080,912**	**194,091**	**16,597,590**
Acquisitions	-	-	345,328	57,025	402,353
Disposals	-	-	(1,230)	-	(1,230)
Balance at 31 March 2020	**318,680**	**9,003,907**	**7,425,010**	**251,116**	**16,998,713**
Acquisitions	-	-	483,413	19,794	503,207
Disposals	-	-	(3,019,539)	(51,945)	(3,071,484)
Balance at 31 March 2021	**318,680**	**9,003,907**	**4,888,884**	**218,965**	**14,430,436**

	Building on lease land	Land and buildings	Furniture, fittings and office equipment	Motor Vehicles	TOTAL
	USD	USD	USD	USD	USD
Accumulated depreciation					
Balance at 1 April 2018	**171,565**	**1,908,380**	**6,166,373**	**270,350**	**8,516,668**
Depreciation for the year	16,346	164,332	312,410	11,816	504,904
Disposal adjustment	-	-	-	(109,669)	(109,669)
Balance at 31 March 2019	**187,911**	**2,072,712**	**6,478,783**	**172,497**	**8,911,903**
Depreciation for the year	16,346	164,332	311,237	12,801	504,716
Disposal adjustment	-	-	(1,230)	-	(1,230)
Balance at 31 March 2020	**204,257**	**2,237,044**	**6,788,790**	**185,298**	**9,415,389**
Depreciation for the year	16,346	164,332	258,500	19,382	458,560
Disposal adjustment	-	-	(3,019,539)	(48,811)	(3,068,350)
Balance at 31 March 2021	**220,603**	**2,401,376**	**4,027,751**	**155,869**	**6,805,599**
Net book value					
At 31 March 2021	**98,077**	**6,602,531**	**861,133**	**63,096**	**7,624,837**
At 31 March 2020	114,423	6,766,863	636,220	65,818	7,583,324
At 31 March 2019	130,769	6,931,195	602,129	21,594	7,685,687

25 Deferred tax assets - Segment A

	2021	2020	2019
	USD	USD	USD
At the Beginning of the year	2,108,706	1,503,706	2,059,900
Additional recognised for IFRS 9 and provision	-	-	1,543,060
Movement during the year accounted in profit or loss (Note 18b)	(105,790)	609,522	(532,448)
Effect of exchange difference and tax rate	-	-	(1,590,552)
Movement during the year accounted in other comprehensive income	132,117	(4,522)	23,746
At end of the year	2,135,033	2,108,706	1,503,706
Analysed as follows			
Accelerated Capital Allowances	31,523	21,694	684
Allowances for Credit losses	1,970,553	1,482,300	1,064,898
Loss available for offset	11,163	628,721	446,998
Employee Benefits	299,349	153,546	168,681
Revaluation of Building	(177,555)	(177,555)	(177,555)
	2,135,033	2,108,706	1,503,706

Deferred income tax is calculated on all temporary differences under the liability method using an effective tax rate of 5% (2020 and 2019 - 5% for segment A and an effective tax rate of 5% (2020 and 2019 - 5%) for Segment B.

26 Other assets

	2021	2020	2019
	USD	USD	USD
Mandatory Balance with Central Bank	16,617,924	15,052,601	14,993,714
Derivative assets (Note 38)	1,144,186	-	629,662
Other	692,709	582,070	828,594
	18,454,819	15,634,671	16,451,970
Segment A			
Mandatory Balance with Central Bank	16,617,924	15,052,601	14,993,714
Other	630,209	416,467	456,312
	17,248,133	15,469,068	15,450,026
Segment B			
Derivative assets (Note 38)	1,144,186	-	629,662
Other	62,500	165,603	372,282
	1,206,686	165,603	1,001,944

27 Right-of-use assets

	USD
Buildings	
Cost	
At 01 April 2019	-
Recognition on initial application of IFRS 16	1,794,770
At 31 March 2020	1,794,770
Additions	192,816
Discontinued leases	(234,469)
At 31 March 2021	1,753,117
Amortisation	
At 01 April 2019	-
Charge for the year	(350,630)
At 31 March 2020	(350,630)
Charge for the year	(250,851)
At 31 March 2021	(601,481)
Carrying amount	
At 31 March 2020	1,444,140
At 31 March 2021	1,151,636

The Bank has multiple leases to operate its branches as well as accomodating expatriate staff members in Mauritius. The average lease term for branches is of 5 years and rental for residence of expatriates staff members varies between 3 years and 4 years.

The Bank does not have an option to purchase the leased assets at the end of the lease term. The Bank's obligations are secured by the lessor's title to the leased assets for such leases.

28 Deposits from customers

	2021	2020	2019
	USD	USD	USD
Savings Deposit	138,686,558	122,732,182	131,068,237
Demand Deposit	126,153,407	113,291,679	144,776,594
Time Deposit			
Within three months	76,218,053	78,406,964	89,521,730
Over 3 and up to 6 months	60,262,477	43,176,227	25,786,240
Over 6 months and up to 12 months	54,320,548	41,524,881	33,463,635
Over 1 year and up to 5 years	52,564,665	33,101,016	43,997,348
Interest payable	1,984,483	3,575,487	2,804,524
	510,190,191	435,808,436	471,418,308
Segment A			
Savings Deposit	138,686,558	122,732,147	131,068,162
Demand Deposit	34,754,823	36,314,156	32,019,910
Time Deposit			
Within three months	14,469,924	35,789,993	29,962,017
Over 3 and up to 6 months	15,528,917	21,130,333	7,472,934
Over 6 months and up to 12 months	41,549,833	20,234,834	15,706,303
Over 1 year and up to 5 years	23,295,489	23,584,423	31,681,060
Interest payable	1,135,814	2,180,716	1,521,457
	269,421,358	261,966,602	249,431,843
Segment B			
Savings Deposit	-	35	75
Demand Deposit	91,398,584	76,977,523	112,756,684
Time Deposit			
Within three months	61,748,129	42,616,971	59,559,713
Over 3 and up to 6 months	44,733,560	22,045,894	18,313,306
Over 6 months and up to 12 months	12,770,715	21,290,047	17,757,332
Over 1 year and up to 5 years	29,269,176	9,516,593	12,316,288
Interest payable	848,669	1,394,771	1,283,067
	240,768,833	173,841,834	221,986,465
Retail Customers			
Savings Deposit	131,713,271	113,715,021	121,362,483
Demand Deposit	5,189,607	5,963,764	6,694,913
Time Deposit			
Within three months	3,956,581	5,394,205	6,006,634
Over 3 and up to 6 months	3,010,730	4,217,487	7,388,518
Over 6 months and up to 12 months	11,259,535	9,749,851	11,369,868
Over 1 year and up to 5 years	12,307,040	11,375,350	12,647,961
	167,436,764	150,415,678	165,470,377

	2021	2020	2019
	USD	USD	USD
Corporate Customers			
Savings Deposit	6,338,813	8,353,273	8,931,230
Demand Deposit	120,447,673	107,309,898	137,214,581
Time Deposit			
Within three months	72,102,093	72,830,245	61,981,265
Over 3 and up to 6 months	57,251,747	38,958,740	18,397,722
Over 6 months and up to 12 months	43,061,013	31,296,622	20,597,820
Over 1 year and up to 5 years	40,257,625	21,645,791	31,261,467
	339,458,964	280,394,569	278,384,085
Government			
Savings Deposit	634,474	663,888	774,524
Demand Deposit	516,127	18,017	867,100
Time Deposit			
Within three months	159,379	182,514	21,533,831
Over 3 and up to 6 months	-	-	-
Over 6 months and up to 12 months	-	478,408	1,495,947
Over 1 year and up to 5 years	-	79,875	87,920
	1,309,980	1,422,702	24,759,322
Interest payable	1,984,483	3,575,487	2,804,524
TOTAL	510,190,191	435,808,436	471,418,308

29 Other borrowed funds

	2021	2020	2019
	USD	USD	USD
Borrowings from banks			
in Mauritius	15,000,000	-	-
abroad	243,537,650	254,488,350	264,000,000
Interest payable	314,105	678,287	1,106,186
	258,851,755	255,166,637	265,106,186
Borrowings from banks			
Within three months	85,537,650	162,488,350	114,000,000
Over 3 and up to 6 months	63,000,000	-	-
Over 6 months and up to 12 months	85,000,000	67,000,000	50,000,000
Over 1 year and up to 5 years	25,000,000	25,000,000	100,000,000
Interest payable	314,105	678,287	1,106,186
	258,851,755	255,166,637	265,106,186

	2021	2020	2019
	USD	USD	USD
Segment A			
Borrowings from banks	15,000,000	-	-
Interest payable	30,938	-	-
	15,030,938	-	-
Segment B			
Borrowings from banks	243,537,650	254,488,350	264,000,000
Interest payable	283,167	678,287	1,106,186
	243,820,817	255,166,637	265,106,186

30 Current tax (assets) / liabilities

	2021	2020	2019
	USD	USD	USD
Segment A			
At the beginning of the year	(165,043)	(204,470)	528,263
Current tax expense (Note 18b)	-	-	245,717
Special levy expense (Note 18b)	450,000	868,681	85,240
Under/(over) provision in previous years	14,784	(156,750)	(198,577)
Special levy paid	(397,672)	(628,155)	-
Refund of tax in respect of tax of previous year	490,809	-	(329,685)
Paid in respect of APS	(14,784)	(44,349)	(535,428)
At the end of the year	378,094	(165,043)	(204,470)

31 Other liabilities

	2021	2020	2019
	USD	USD	USD
Bills Payable	650,833	413,189	927,239
Derivative Liability (note 38)	-	73,759	-
Others	9,238,846	5,420,723	5,272,604
	9,889,679	5,907,671	6,199,843
Segment A			
Bills Payable	650,833	413,189	927,239
Others	4,439,112	2,879,684	2,916,249
	5,089,945	3,292,873	3,843,488
Segment B			
Derivative Liability (note 38)	-	73,759	-
Others	4,799,734	2,541,039	2,356,355
	4,799,734	2,614,798	2,356,355

32a Stated Capital

	2021	2020	2019
	USD	USD	USD
Issued and Fully Paid Capital (778,035 Ordinary Shares of USD 62.50 each)	48,627,188	48,627,188	48,627,188
Share Premium	54,078,062	54,078,062	54,078,062

Fully paid ordinary shares, which have a par value of USD 62.50, carry one vote per share and carry a right to dividends.

32b Dividend Paid

	2021	2020	2019
	USD	USD	USD
Dividend Paid	-	9,725,438	4,862,719
Dividend per share	-	12.50	6.25

33 Reconciliation of liabilities arising from financing activities.

The table below details changes in the Bank liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank's statement of cash flows from financing activities.

	Opening balance	Financing cash flows (i)	Others (ii)	Closing balance
a. Other borrowed funds (Note 29)	USD	USD	USD	USD
Year 2021	**255,166,637**	**59,511,650**	**(55,826,532)**	**258,851,755**
Year 2020	265,106,186	14,026,000	(23,965,549)	255,166,637
Year 2019	165,692,623	-	99,413,563	265,106,186
b. Lease liabilities (Note 34)				
Year 2021	**1,277,872**	**(171,948)**	**-**	**1,105,924**
Year 2020	1,794,770	406,409	(923,307)	1,277,872

(i) The cash flows from borrowings and dividend make up the net amount of proceeds from borrowings and repayment of borrowings in the statement of cash flows

(ii) Others include change interest accrued and short term borrowings classified as cash and cash equivalent.

34 Lease Liabilities

Leasing Arrangements

Operating Lease relates to the lease of buildings with leased terms between one to five years with an option to extend for a further period of up to five years. All operating lease contracts contain market review clauses in the event that the Bank exercises its option to renew. The Bank does not have an option to purchase the building after expiry of the lease period.

	2021	2020
	USD	USD
Analysed as follows:		
Current	296,070	273,769
Non current	809,854	1,004,103
	1,105,924	1,277,872
Disclosure required by IFRS 16:		
Maturity analysis		
Year 1	296,070	273,789
Year 2	252,405	266,600
Year 3	201,030	234,696
Year 4	144,195	188,417
Year 5	108,045	127,187
Onwards	104,179	187,183
	1,105,924	1,277,872

The Bank does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Bank's Procurement and Services Department.

35 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 period of the facility. The commitments and contingent liabilities have off balance sheet credit risk.

	2021	2020	2019
	USD	USD	USD
Acceptances on account of customers	524,679	2,029,407	1,613,911
Guarantees on account of customers	14,745,455	4,225,396	10,326,046
Letters of credit and other obligations on account of customers	4,660,950	11,166,696	30,030,245
	19,931,084	17,421,499	41,970,202

36 Commitments

	2021	2020	2019
	USD	USD	USD
Loans and other facilities			
Undrawn credit facilities	6,226,055	9,227,035	46,921,722
	6,226,055	9,227,035	46,921,722

37 Related parties

A related party is a person or company where that person or company has control or joint control of the reporting company; has significant influence over the reporting company; or is a member of the key management personnel of the reporting company or of a parent of the reporting company.

The Bank considers related parties as key management personnel, directors and shareholders.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and management fees. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and relating expense and income for the year are as follows:

Related companies - Companies within SBI group	2021	2020	2019
Statement of financial position	**USD**	**USD**	**USD**
Assets			
Balance and Placements with Banks	61,107,698	53,011,425	17,082,300
Loans & Advances to Banks	8,585,933	374,664	-
Accrued Interest	15,766	17,145	14,449
Liabilities			
Deposits	287,034	244,621	268,033
Other borrowed funds	198,537,650	95,462,350	200,000,000
Accrued Interest	264,130	272,013	1,063,582
Statement of Profit or Loss and Other Comprehensive Income			
Interest Income	71,723	-	1,255,932
Interest Paid	1,172,460	-	5,474,398
Management Fees paid to parent bank	178,341	214,029	306,820
Dividends paid	-	9,725,438	4,862,719
Off Balance sheet balance			
Bank Guarantee	10,602,100	-	815,000
Key Management & Personnel			
Loans	27,505	42,954	68,068
Interest Income earned	503	14	1,632
Deposits	194,542	153,381	188,888
Interest expense on deposits	583	324	1,736
Directors			
Deposits	32,245	92,135	19,672
Interest Expense	4	94	251
Compensation to Key Management & Directors			
Short term benefits	742,028	528,822	654,295
Post employment benefits	66,307	20,291	27,283

None of the facilities granted to related parties were non performing.

38 Derivatives

Cross Currency Swaps	Total Notional Principal	Fair Value		
		Assets	Liabilities	Net
	USD	USD	USD	USD
2021	**35,575,235**	**1,156,434**	**(12,249)**	**1,144,186**
2020	23,191,991	88,162	(161,921)	(73,759)
2019	56,366,622	636,952	(7,290)	629,662

39 Retirement benefit obligation

The pension plan is final salary defined plan to employees and is wholly funded . The assets of the funded plan are held and administered independently by the SICOM Ltd.

The overall expected rate of return is determined by reference to market yields on bonds.The following information is based on the report dated 31st March 2021 from it.

	2021	2020	2019
Non-current	**USD**	**USD**	**USD**
Amounts recognised in statement of financial position			
Present Value of funded obligations	8,893,539	6,121,773	6,810,515
Fair Value of Plan Assets	(2,906,553)	(3,050,856)	(3,436,903)
Liabilities recognised in statement of financial position	**5,986,986**	**3,070,918**	**3,373,612**
Movements in liabilities recognised in the statement of financial position			
At the beginning of the year	3,070,918	3,373,612	2,881,503
Exchange Difference	(52,321)	(395,435)	(153,483)
Amount recognised in profit or loss (Note 16)	257,206	235,474	239,236
Gratuity payable under Workers Rights Acts 2019 (Note 16)	118,176	-	-
Amount recognised in other comprehensive income	2,642,331	(90,436)	474,312
Employer contribution paid	(49,324)	(52,297)	(67,955)
At the end of the year	**5,986,986**	**3,070,918**	**3,373,612**
The amounts recognised in profit or loss is as follows:			
Current service cost	127,857	112,575	127,766
Employee contributions	(49,324)	(52,297)	(67,955)
Fund expenses	1,974	1,746	2,719
Interest cost (net)	176,699	173,450	176,706
Total included in employee benefit expense	**257,206**	**235,474**	**239,236**
Actual return on plan assets	**291,213**	**156,588**	**177,384**

	2021	2020	2019
Movement in the Fair Value of Plan Assets were as follows	USD	USD	USD
Fair Value of Plan assets at start of the year	3,050,856	3,436,902	3,694,554
Expected Return of on Plan Assets	158,056	163,226	207,962
Employer Contributions	49,324	52,297	67,955
Employee Contributions	49,324	52,297	67,955
Exchange difference	(71,690)	(403,009)	(197,562)
Benefits Paid	(412,122)	(343,022)	(399,701)
Asset gains/ (loss)	82,805	92,165	(4,261)
Fair Value of Plan Assets at the end of the year	**2,906,553**	**3,050,856**	**3,436,902**
Reconciliation of the present value of defined benefit obligation			
Present value of obligation at start of period	6,121,773	6,810,515	6,576,055
Current service cost	127,857	112,575	127,766
Exchange rate difference	(5,833)	(798,447)	(351,643)
Interest cost	334,755	336,676	384,669
Benefits paid	(410,149)	(341,275)	(396,983)
Liability loss	2,725,136	1,729	470,651
Present value of obligation at end of period	**8,893,539**	**6,121,773**	**6,810,515**

The main categories of plan assets at statement of financial position date for each category are as follows:

Percentage of assets at end of the year			
Government securities and cash	56.30%	63.20%	56.50%
Loans	3.00%	3.20%	3.80%
Local entities	10.10%	10.80%	13.60%
Overseas bonds and equities	30.10%	22.20%	25.50%
Property	0.50%	0.60%	0.60%
Total	**100%**	**100%**	**100%**

The amounts recognised in other comprehensive income are as follows:

	2021	2020	2019
	USD	USD	USD
Asset experience gains/ (loss) during the year	82,805	92,165	(4,261)
Liability experience (loss)/gain during the year	(2,725,136)	(1,729)	(470,651)
	(2,642,331)	90,436	(474,912)

The principal actuarial assumptions used for accounting purposes were			
Discount Rate	2.53%	5.60%	6.18%
Expected salary escalation	2.00%	3.50%	3.50%
Future pension increases	1.40%	2.60%	3.00%

The discount rate is determined by reference to market yields on bonds.

Sensitivity analysis on defined benefit obligations at end of the reporting date:

	Increase USD	Decrease USD
Discount rate (1% movement)	1,597,029	1,248,452
Future long-term salary assumptions (1% movement)	630,406	531,519
Life expectancy (one year movement)	301,606	301,606

An increase/decrease of 1% in other principal actuarial assumptions would not have a material impact on defined benefit obligations at the end of the reporting period.

The sensitivity above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the projected unit credit method.

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 one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The defined benefit pension plan exposes the Bank to actuarial risks, such as investment risk, interest rate risk, longevity risk and salary risk. The risk relating to death in service benefits is re-insured.

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

The Bank expects to pay USD 50,310 in contributions to its post-employment benefit plans for the year ending 31 March 2021. (31 March 2020: $54,233)

The weighted average duration of the defined benefit obligation is 16 years at the end of the reporting period.

Contributions to Bank scheme amount to USD 49,324 for the current financial year. (31 March 2020: USD52,297).

40 Reserves

a. Statutory reserve

The Bank maintains a statutory reserve and transfers each year to the statutory reserve out of the profit for the year, a sum equal to not less than 15% of the profit for the year until the balance in the statutory reserve is equal to the amount paid as stated capital.

b. General banking reserve

General banking reserve is made up of profit appropriation from previous years.

c. Other reserves

Other reserves comprise:

- Revaluation surplus, which relates to the surplus on revaluation of land and buildings
- Fair value reserve, which comprises of the cumulative net change in the Fair value of financial assets at Fair value through other comprehensive income that has been recognised in other comprehensive income until the investments are derecognised or impaired.

d. Actuarial losses reserve

The actuarial losses reserve represents the cumulative remeasurement of defined benefit obligations recognised.

41 Holding Company

The holding company is State Bank of India, a public corporation in India, holding 96.60% (2020& 2019: 96.60%) of shareholding of the Bank.

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