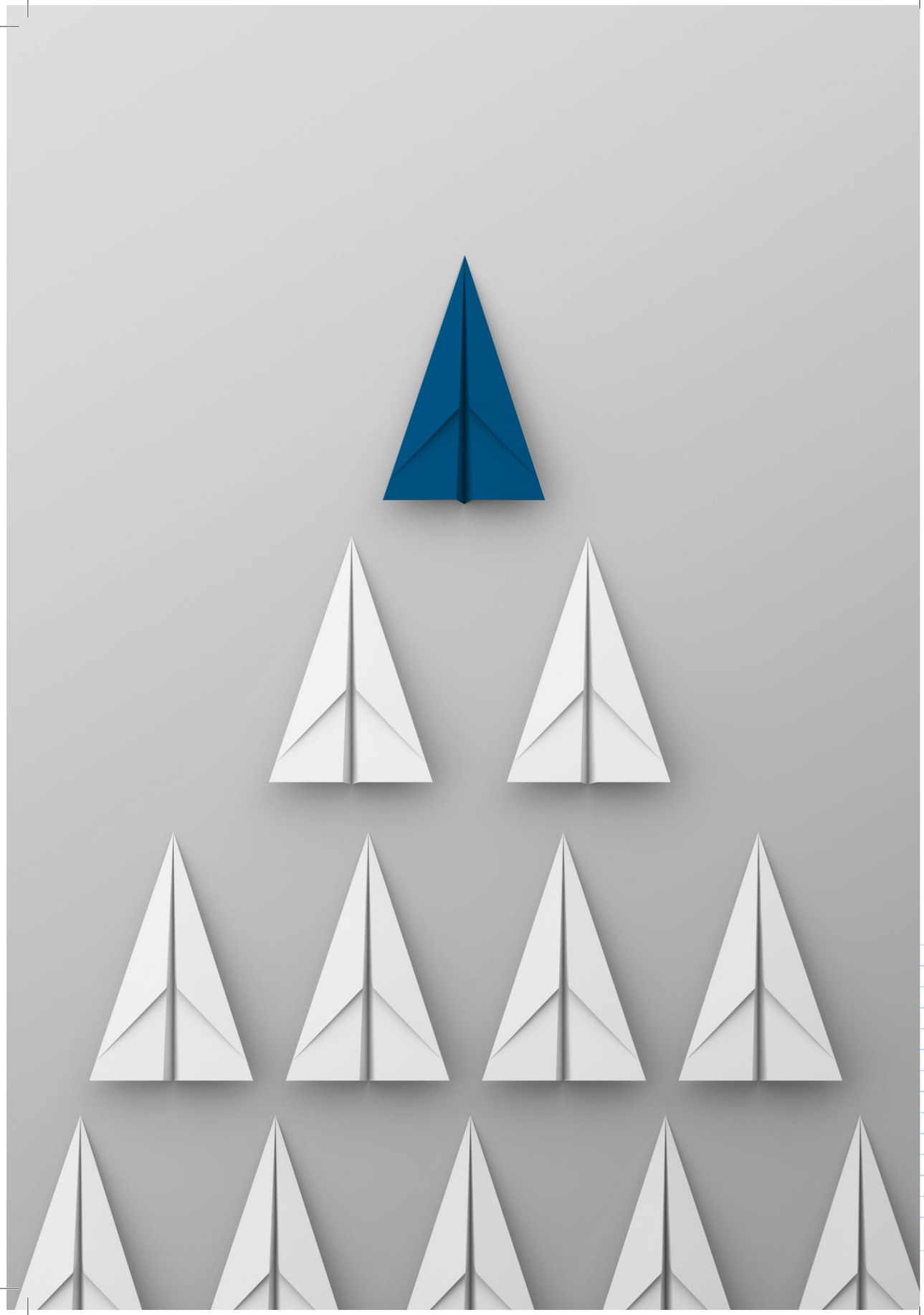
SBI (Mauritius) Ltd
Bank to grow with

Together
United

Annual Report
2020

SBI (Mauritius) Ltd
Bank to grow with

7th Floor, SBI Tower Mindspace
45 Ebene, Cybercity, 72201
Mauritius: (230) 404 4900
info@sbimauritius.com
www.sbimauritius.com

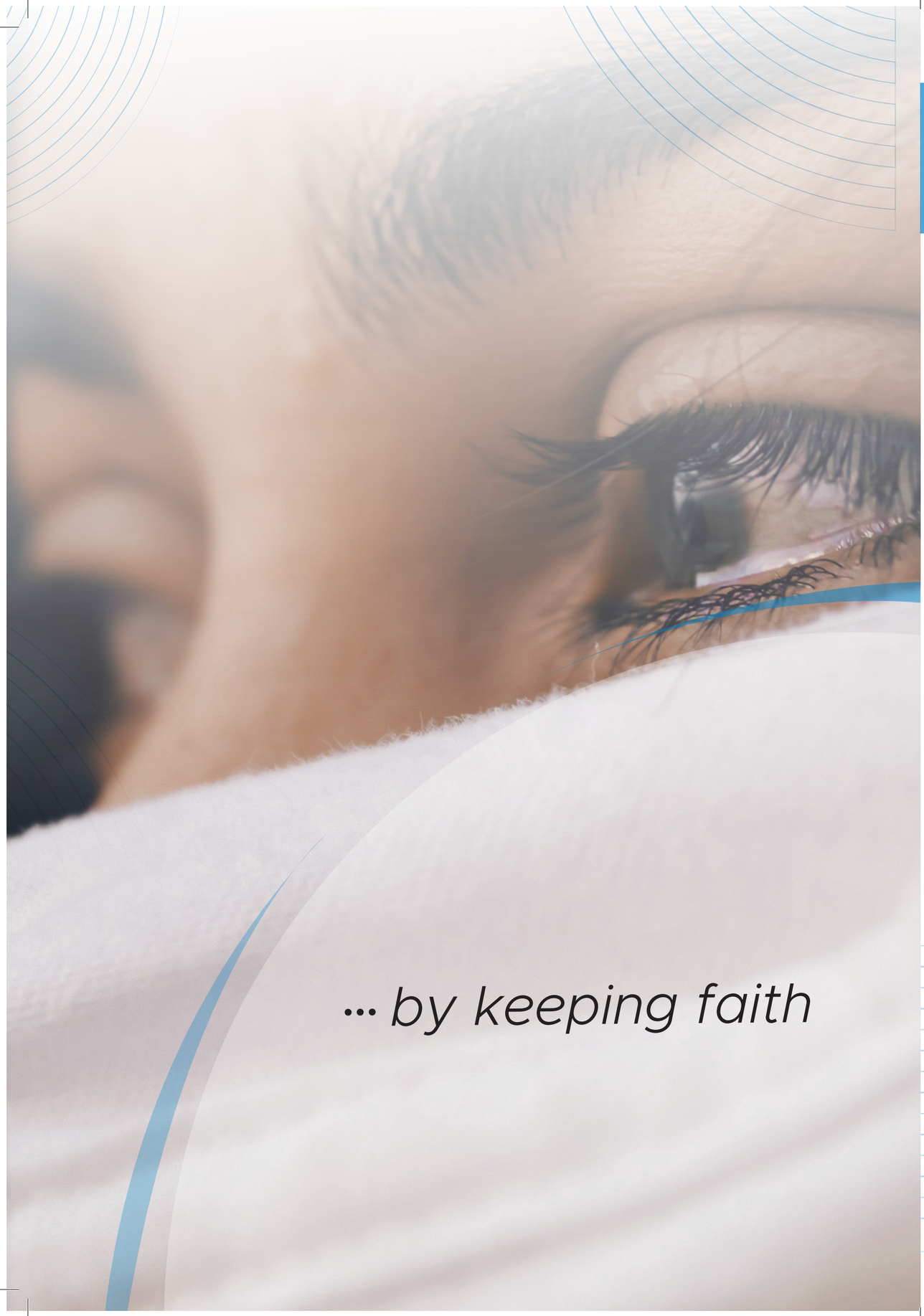


Our Mission

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

Our Vision

Be the Bank of Choice for vibrant Mauritius.



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Corporate Information

Registered office:

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

Tel:

(230) 404 4900

Fax:

(230) 454 6890

Email:

info@sbimauritius.com

Web:

www.sbimauritius.com

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 Ebene, Cybercity - 72201
Mauritius

Tel: (230) 404 4900
Fax: (230) 454 6890
Email: info@sbimauritius.com

Auditors

Deloitte

Directors' Report

... by working harder

Directors' report of SBI (Mauritius) ltd

The Board of Directors of SBI (Mauritius) Ltd ("SBIML" or "the Bank") is pleased to present the Annual Report and the Audited Financial Statements of the Bank for the year ended 31st March 2020. The accounts have been prepared in accordance with Bank of Mauritius Guidelines on Public Disclosure of Information, the International Financial Reporting standards, the Financial Reporting Act 2004, the Mauritius Companies Act 2001 and the Banking Act 2004.

Incorporation and Principal Activity

The Bank was incorporated in Mauritius under the Mauritius Companies Act, 2001. Its registered office is at 7th Floor, SBI Tower Mindspace, 45 Ebène Cybercity. The Principal Activity of the Bank is Commercial Banking, which includes 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 and hence, they continue to adopt the 'going concern' basis for preparing the accounts.

Overview of Operations

After a landmark year in FY 2018-19 for SBI (Mauritius) Ltd, in present circumstances, however, the results for FY 2019-20 showed a slower rate of growth.

Nevertheless, the bank has been able to address the stressed and sticky assets towards forging a healthier asset book. The result of our effort in FY 2019-20 has shown a Net Profit after tax of USD 1.32 Mio as compared to USD 15.70 Mio earned last year.

The year 2019-20, have been challenging on global as well as local front with slow credit uptake and timid global economic growth. This supplemented with COVID-19 outbreak, has had a direct impact on the local front, translating into very challenging conditions faced by SBI (Mauritius) Ltd. Amidst the downward trend the gross loans and advances level has declined by 7.12% on y-o-y basis due to limited lending opportunities. The Bank has experienced a decrease in its customer deposits from USD 471.42 Mio as at end of March'19 to USD 435.81 Mio as at end of March'20 in line with its strategy of doing away with high cost term deposits & MTNs and focusing more on CASA. Both Return on Average Equity (ROAE) and Return on Average Assets (ROAA) have gone down owing to decrease in PAT. The ROAE and the ROAA stood at 0.92 percent and 0.15 percent respectively, as on 31st March 2020 as compared to 11.10 percent and 1.67 percent, as on 31st March 2019.

Business Performance

The Net Profit of the Bank stood at USD 1.32 Mio registering a decrease of 91.59% on Y-o-Y basis as compared to USD 15.70 Mio in FY 18-19. The operating profit has declined from USD 20.09 Mio in 2018-19 to USD13.25 Mio in 2019-20.

Gross Loans and Advances stood at USD 501.27 Mio as at 31st March 2020 as compared to USD 539.72 Mio year before. However, the Bank is making ongoing efforts in sourcing new clients and encouraging existing clients to use more of the bank's products and services which have been tailor made to suit their needs. During the year there were few large value (p)re-payments in Global Banking Business, which constitutes more than 74% of the advance book of the bank, resulting in lower top-line.

Bank's investment book decreased from USD 258.32 Mio in 2018-19 to USD 249.99 Mio in FY 19-20. Investments in securities have decreased by 15.19% during FY 2019-20 (from USD 254.56 mio to USD 215.88 mio). 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 income.

As at end of Mar'20, the placement stood at USD 123.52 Mio as compared to USD 86.85 Mio year before.

Deposit has declined by 7.55%. However, the bank has been successful in managing the liquidity throughout the year. The CASA deposit to total deposit has remained high at 54.61% for the reporting period.

Share Capital & Stated Capital

As on 31st March 2020, the Share Capital of the Bank remained unchanged, at USD 48,627,188 (778,035 ordinary shares at a face value of USD 62.50 each) while the Stated Capital of the Bank remained unchanged at USD 102,705,250.

Capital Adequacy

As on 31st March 2020, the Capital Adequacy of the Bank stood at 28.20% against the minimum regulatory requirement of 12.50%, thus having a stronger capital base.

The Board of Directors

The Directors holding Office during the year ended 31st March 2020 are as follows:

Director	Position	Date
Mr. Venkat Nageswar Chalasani	Non-Executive Director and Chairperson	(07.12.2018) / (as from 14.12.2018)
Mr. Sanjay Dattatraya Naik	Non-Executive Director	(from 17.07.2018 to 23.07.2019)
Mr. Rama Sundara Satyanarayana Brahmandam	Non-Executive Director	(since 08.07.2019)
Mr. Subbaramaiah Ramesh Rajapur	Non-Executive Director	(since 30.07.2018)
Mr. Geeanduth Gopee	Independent Director	(since 25.06.2012)
Mrs. Bibi Khoudijah Maudarbocus - Boodoo	Independent Director	(since 25.05.2018)
Mr. Shyam Swaroop Asthana	Executive Director	(from 14.10.2014 to 18.10.2019)
Mrs. Shashi Prabha	Executive Director	(since 18.10.2019)

Challenges and Outlook

As the world grapples with the novel Corona virus (COVID-19), the economic impact is mounting. The International organizations have sounded a negative global growth for 2020. As per the business projections of IMF, the global economy is heading for a contraction at the rate of 3 percent during FY 2020 with strong downward bias if the confinement measures continue for a longer period. Almost all the advanced economies are projected to post contraction of their GDP. Even the GDP growth of China & India are also projected to be very low and below 1 percent during the year.

On domestic front, the Mauritian economy had already started showing decline with the GDP growth for the FY 2019 being estimated at 3% against projection of 3.8%. This is the lowest growth experienced in last 5 years. On top of that the COVID-19 measures has brought the whole economy to standstill with the key sectors like Tourism & allied services and the Financial sector, being the major victim of the containment measures. IMF has projected the Mauritian economy to contract by 6.8% during the current FY before bouncing back by 5.9% in FY 2021. The local economy will have a longer suffering as the two key pillars Travel & Tourism and Finance are the sever hit sectors.

Notwithstanding a relative pickup in activity lately, the offshoots of the global financial and economic crisis in terms of a deceleration of economic growth and a worsening of the investment outlook should continue to pose major challenges in the coming periods for the Mauritian economy in spite of its well-honed macroeconomic fundamentals.

The Bank is reviewing its business strategy with help of external consultant to focus on key strengths and improve on areas of concern. This will help the bank to put in place step up approach to cover short, medium and large term business plan. Our growth would be based on customer acquisition, diversifying our product mix and expanding our presence across sectors. The target is to be a comprehensive provider of financial services to our customers and strongly reinforce our status. The bank drawing its lineage from a strong parent banking group has always followed high order of compliance standards and will continue doing so to instil the confidence of customers dealing with us.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The 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 period 2019-20.

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 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.

Auditors

The Shareholders approved the appointment of Bank's Auditors M/s Deloitte Mauritius at last Annual Meeting of Shareholders held on 19th September 2019. A recommendation to the Shareholders for the appointment of Statutory Auditors 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 stakeholders. The Bank also extends its sincere thanks to the Regulators.

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

Shashi Prabha
Managing Director & CEO

G. Gopee
Director

B.K. Maudarbocus-Boodoo
Director

SBI (Mauritius) Ltd Bank to grow with ANNUAL REPORT 2020

CORPORATE GOVERNANCE Report

••• by better communications

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

Statement on Corporate Governance

SBI (Mauritius) Ltd, ("SBIML" or "The Bank"), a Public Company incorporated in Mauritius on 12th October 1989, is fully committed to the observance and adoption of the highest standards and the best practices as far as good Corporate Governance is concerned, 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 Guideline on Corporate Governance issued by the Bank of Mauritius and the 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 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.

PRINCIPLE 1

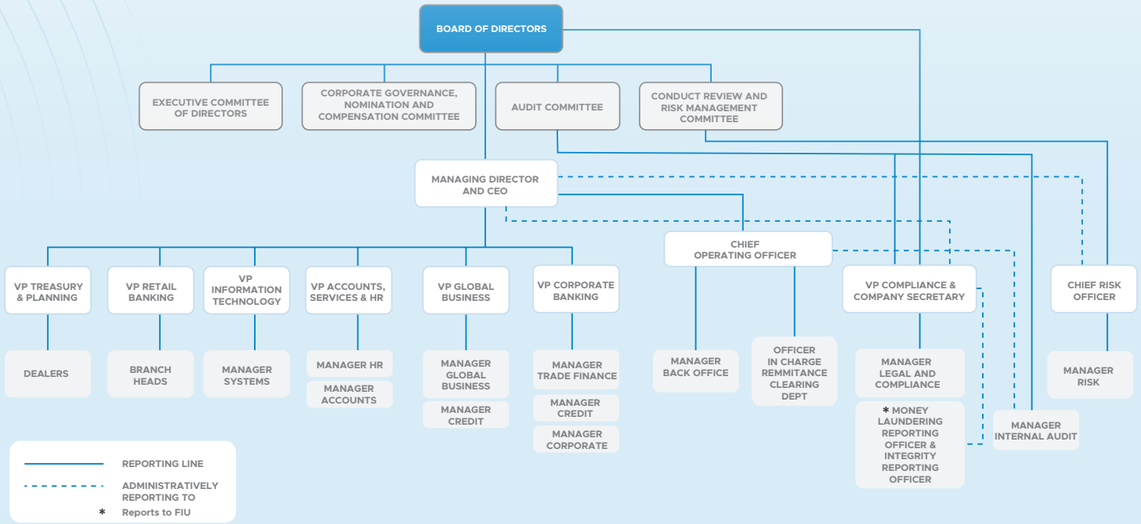
Governance Structure

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 of the Bank 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 Bank's website.

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.

Organisational Chart

The Organisational Chart is depicted below along with profile of Senior Management.



Profile of Senior Management

Profile of Senior Management team is given below:

1. Mrs. Shashi PRABHA

The Profile of Mrs. Shashi Prabha, Executive Director, is given under profile of directors in principle 3.

2. Mr. Mukesh ARYA

The Chief Operating Officer of the Bank since 03rd August 2018 is responsible for the day to day operations of the Bank. He joined SBI as Probationary Officer and occupied several positions during his tenure in India last being Regional Manager at SBI, Haldwani Module before joining SBIML. He holds an MBA (Finance) degree, a BCom (H), a Certified Associate of Indian Institute of Bankers. He has 22 years of experience in the Banking sector, from Business Development, Corporate/ Retail Loan, Marketing and Communication, to operational aspects. He is also in charge of the Treasury (Back Office).

3. Mr. Debasish RATHA

Vice President (Corporate Banking) has joined the Bank in 2001 and has 18years of experience in the Banking Industry. He joined the Bank as a Probationary Officer and has varied experience which inter alia include International Banking, Corporate Credit, SME, Trade finance, Treasury Operation, Retail Credit, Branch administration. Previously he has served the Bank in India and Japan. He holds Bachelor degree in Commerce, Bachelors Degree in Law and Post Graduate Diploma in Computer Application. He is a Certified Associate of Indian Institute of Banking and Finance (IIBF) and an Associate of Association of Certified Anti-Money Laundering Specialists (ACAMS).

He joined SBIML in 2017. He is responsible for framing of Credit Policy and Procedures, Product Developments, business efficiencies for Corporate Credit, SMEs and Trade Finance.

4. Mr. Patitapaban PARIDA

Vice President (Treasury & Planning), joined SBI Group in 2004 as a Probationary Officer. He has 16 years of banking experience in various aspects of banking which includes: Foreign Exchange & Treasury Marketing, International Banking, Trade Finance, Corporate Credit & Branch Management. He has experience of working in various geographies in India as well as in the Canadian Subsidiary of the parent Bank. He holds academic qualifications of Bachelor in Technology (B Tech in Civil Engg.) and is a certificate holder of Association of Certified Anti-Money Laundering Specialists (ACAMS) & a Chartered Associate of Indian Institute of Bankers. Mr. Parida joined SBIML in September 2017 as Vice-President (Treasury & Planning), he is responsible for Treasury Business, Investments, ALM and Planning in the bank.

5. Mr. Surya Rama Krishna SOMAYAJULA

Vice President (Global Banking), holds a Bachelor of Commerce, CAIIB. He joined State Bank of India in 1986 as an Assistant and 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, Guntur, Andhra Pradesh, India. Having more than 33 years of experience, he has exposure in General Banking, Agriculture, Mid Corporate Group and Forex Exchange. He is the Vice President (Global Business) of SBIML.

6. Mr Tajinder Pal SINGH

Vice President (Retail Banking) of the Bank since Sept 2017. He is responsible for operational and business efficiencies of all domestic Branches in Mauritius. He is also responsible for Retail Credit and other CPCs. He joined State Bank of India in Year 1990. He has 30 years of rich and diverse experience in Branch Operations, Branch Management, IT and Trade Finance. He holds academic qualifications of MBA (Finance), He also holds Professional certifications in Certified Anti-Money Laundering Specialist (CAMS), Certified Financial Planner (CFP) and Chartered Associate of Indian Institute of Bankers (CAIIB).

Profile of Senior Management

7. Mr. Umesh Chandra SAHU

Vice president (IT) is an IT Specialist with 26 years of experience in IT Operations, IT Security Systems, Application Security and Code Review, software development, systems integration, MIS, IT Audit and Governance. He has served State Bank of India in various positions before joining SBI (Mauritius) Ltd. Mr. Sahu holds a Bachelor Degree in Physics, Post Graduate Diploma in Systems Management, Bachelor Degree Journalism and Mass Communication, Certified Associate of Indian Institute of Bankers, Certified Information Security Banker and a Certified Big Data Science Analyst.

Mr. Sahu joined SBIML on 30th August 2018. As Vice President (IT), he oversees all technology operations of the Bank and spearhead all IT initiatives. He is also responsible for enforcing best information security practices in the maintenance of IT Assets of SBIML.

8. Mr. Kritanand RAMKHELAWON

Vice President (Accounts & Services) & HR, joined 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.

Since October 2008, he is holding the post of Vice President (Accounts, Services & HR).

9.Mr. Aboo Bakar MOSAHEB

Vice President (Compliance) & Company Secretary, ACIS, MIoD has over 19 years' experience in the Banking sector at Senior Management level mainly in areas of Internal Audit, Compliance, AML/CFT Investigations & reporting including a two – year stint overseeing the Human Resources Department among others. Before joining the Banking sector, he worked for 5 years in an Accountancy firm as well as in a private Company and gained experience in areas of Accountancy, Audit and Corporate Secretarial Practice. Previously, he also worked abroad for 10 years where he gained experience in IT, Accounting, International recruitment, bidding exercise for large and complex projects.

As Vice President Compliance, he oversees the Compliance and Legal Department. As Corporate Secretary, he is responsible for the Corporate Secretarial and Corporate Governance matters. He is a member of the Institute of Chartered Secretaries and Administrators (UK) and also a member of the Mauritius Institute of Directors (MIoD) which is a not for profit organization that promotes the highest standards and best practices of Corporate Governance in Mauritius.

10. Mr. Jaspal SINGH

Chief Risk Officer, is an experienced banker with over 21 years of experience in General Banking, Credit and Treasury. He has served State Bank of India in various positions e.g. Field Officer, Branch Manager, Forex Dealer, Chief Dealer, before joining SBI (Mauritius) Ltd. Mr. Singh holds a Masters Degree in Financial Management, Diploma in Treasury Investment & Risk Management, Certified Associate of Indian Institute of Bankers.

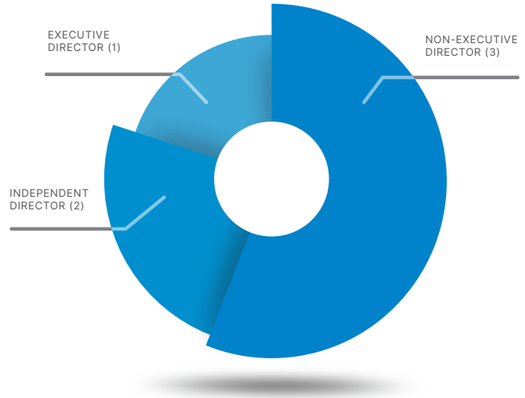
Mr. Singh joined SBIML on 18.12.2019. As Chief Risk Officer, he oversees management, identification, evaluation and, reporting of Bank's Risks externally and internally.

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 Constitution of the Bank, the National Code of Corporate Governance for Mauritius, the Guideline on Corporate Governance issued by the Bank of Mauritius, the Banking Act 2004 and the Companies Act 2001. Keeping in view the Banking Act, the Bank's constitution and the size of the Bank's operation, as on 31st March 2020, the membership of the Board comprised of 6 Directors of whom 3 are Non-Executive Directors, 2 Independent Directors and 1 Executive Director.

The Bank of Mauritius has approved that 40% of the Board be Non-Executive Directors by virtue of Section 18(4) of the Banking Act 2004. In order to promote gender diversity, the Board has inducted a Female Independent Director, namely, Mrs. B.K. Maudarbocus-Boodoo on its Board and also on all its Sub-Committees.



Company Secretary

The Company Secretary, Mr. Aboo Bakar Mosaheb, ACIS, MIoD is also the Vice President (Compliance). His profile is given in principle 1 of the report.

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 Constitution of the Bank. The Chairperson of the Board is a Non-Executive Director.

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

a) Operational report(s), financial results and cash flow projections;
b) Review the reports and recommendations of the Audit Committee;
c) Approve the quarterly announcement and quarterly financial statement to shareholders and the public;
d) Capital expenditure, acquisitions, disposal of the Company assets as per delegated powers;
e) Committee minutes / Board Circular Resolutions for notation;
f) Changes in directorships and disclosure of interests;
g) Disclosure of dealings by directors / 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.
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.

Approval of the Board is specifically required for:

a) Appointment/Renewal of Directors, Company Secretary, Board Committee members, Senior Executives, Director's remuneration, Business Strategy, Budget;

b) Capital expenditure falling within its power, changes in major activities, Interim and Annual Financial Statements, Dividends and Accounting policies, review of effectiveness of Internal Control System.

c) The Director's fee/remuneration in general.

d) Business Strategy/Capital Expenditure/Bad Debts write-off/Investment or Divestment.

e) Changes in the major activities/policies/powers.

f) Annual Directors' Report and Statutory Accounts.

g) Granting of Powers of Attorney/Debt Instruments.

h) Significant Business Decision/matter requiring the convening of a general meeting of shareholders or any matter required by the laws.

i) Considering and, if deem appropriate, declare or recommend the payment of dividends;

j) The reports and recommendations from the Audit Committee;

k) The reports and recommendations from the Conduct Review and Risk Management Committee;

l) Reports and recommendations from the Corporate Governance, Nomination and Compensation Committee.

m) Appointment of the MD & CEO and other senior officers, and assessing periodically their performance in the context of established corporate objectives and plans;

n) The organisation structure of the Bank, and its staff compensation policies; and

o) The capital and operating budgets of the Bank, capital adequacy assessment process, capital and liquidity plans.

The Board has delegated the day to day running of the business and affairs of the Bank to the Executive Management but remains ultimately responsible and accountable. The MD & CEO shall establish a Central Management Committee and Conduct Review & Risk Management Committee (CRRMC) comprising of the key Management staff who shall be responsible, within the limits of the authority determined and powers delegated. Issues are debated and decisions in Management Committees are taken unanimously. All the main Committees such as Central Management Committee, Risk Management Committee and Assets and Liabilities Committee are chaired by the MD & CEO. As on 31st March 2020, the Board of Directors comprised of the following members:

Directors	Category	Other Directorship	Name of Company
Mr. Chalasani Venkat Nageswar	Non Executive Director and Chairperson	Nominee Director	1. Clearing Corporation of India Ltd (CCIL); 2. Central Depository Services (India) Ltd; 3. Macquarie SBI Management Pvt Ltd; 4. Oman India Joint Investment & Management Company Pvt Ltd (OIJIF)
Mr. Brahmandam Rama Sundara Satyanarayana (Since 08.07.2019)	Non-Executive Director	None	None
Mr.Rajapur Subbramanian Ramesh	Non-Executive Director	None	None
Mrs. Shashi Prabha (Since 18.10.2019)	Executive Director	Director	SBI India Opportunities Fund
Mr. Geeanduth Gopee	Independent Director	None	None
Mrs. Maudarbocus-Boodoo Bibi Khoudijah	Independent Director	None	None

The two Independent Directors, namely Mr. Geeanduth Gopee and Mrs. Maudarbocus-Boodoo Bibi Khoudijah reside in Mauritius. Mrs. Shashi Prabha, the Executive Director and also Managing Director and Chief Executive Officer of SBI (Mauritius) Ltd resides in Mauritius during the term of contract. The three non-Executive Directors are based in India.

Responsibilities of the Board of Directors

The fundamental statutory responsibilities of the Board of Directors are:

(1) To determine the overall policies regulating the various businesses/activities of the Bank.

(2) Supervise the Management of the business and conduct of affairs by the Management.

(3) To monitor the performance of the Management to ensure satisfactory implementation of the policies it has laid down.

(4) To enunciate and oversee the Bank's strategic direction and to ensure that its organisational structure and capabilities are appropriate for implementing the chosen strategies.

The Board discharges the above responsibilities either directly or through Board's 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. The Executive Management team is invited to the Board and Board's Sub-Committee meeting 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 control systems over businesses and reviews Management performance on a regular basis. To fulfill their responsibilities, Board members of SBIML have unhindered access to accurate, relevant and timely information.

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.

The performance evaluation of the Board and that of its Sub-Committees and the Independent Directors is conducted every year. The evaluation exercise for the current financial year ended 31st March 2020 was conducted internally at the board meeting held on 27th September 2019 facilitated by the Company Secretary and the following process methodology was covered:

(1) Plan and collect preliminary information;

(2) Design and validate assessment questionnaire;

(3) Administer questionnaire; and

(4) Report on results

The Board Evaluation Process

- 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, policies) to understand and assess whether the Bank complies with the Code and BOM Guidelines;
- Interact with key management to understand how the Bank complies with the Code and BOM Guidelines; and
- Assess the extent to which the Bank complies with the Code and BOM Guidelines.

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

Shareholding Interest of Directors

As on date, none of the Directors has any direct or indirect shareholding in the Bank. The MD & CEO is on deputation from State Bank of India (SBI) and the Non – Executive Directors are Senior Executives from SBI.

Meetings of the Board and Sub-Committees

The Board and the Sub-Committees of the Board meet regularly as per the periodicity approved by the Board. The details of attendance by each Director at Board and Sub-Committee meetings are furnished below:

	Board of Directors	Executive Committee Of Directors	Audit Committee	Conduct Review & Risk Management Committee	Corporate Governance Nomination & Compensation Committee
No. of Meetings held	4	4	5	4	4
Directors	Attendance	Attendance	Attendance	Attendance	Attendance
Mr. N.V. Chalasani	3	N/A	N/A	N/A	N/A
Mr. B. R. S Satyanarayana (as from 08.07.2019)	2	3	N/A	2	2
Mr. S.D. Naik (up to 23.07.2019)	1	1	N/A	N/A	N/A
Mr. S.R. Rajapur	2	4	5	3	3
Mr. S.S. Asthana (up to 18.10.2019)	2	2	N/A	2	2
Mrs. Shashi Prabha (Since 18.10.2019)	1	2	N/A	2	2
Mr. G. Gopee	3	4	5	4	4
Mrs. B.K. Maudarbocus-Boodoo	3	4	5	4	4

NOTE:

N/A = Not a member

Sub-Committees of the Board of Directors

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
- Corporate Governance, Nomination & Compensation Committee.

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 of 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. It also reviews the performance of the Bank against the Board approved benchmarks. Minutes of the ECOD are put up to the Board for information.

The mandate of the ECOD includes:

a) Review and approve of Credit Proposals within its power.

b) Review and approve expenditures falling within its power.

c) Review of Control Report for facilities sanctioned by ECC.

d) Review of Procurement Committee decisions.

e) Review minutes of CENMAC meetings.

f) Review Statement of expenditures on a monthly basis.

g) Review of Top 20 NPAs and NPA Position 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 on 31st March 2020, the ECOD comprised of 5 Directors as follows:

1. Mr. B. R. S. Satyanarayana (Chairperson)
2. Mr. S. R. Rajapur
3. Mrs. Shashi Prabha
4. Mr. G. Gopee
5. Mrs. B. K. Maudarbocus – Boodoo

The Executive Committee of Directors met 4 times during the period under review.

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:

1. Mr. G. Gopee (Chairperson)
2. Mr. B. R. S. Satyanarayana
3. Mr. S. R. Rajapur
4. Mrs. B. K. Maudarbocus – Boodoo

In compliance with the Bank of Mauritius Guidelines and the provisions contained in Section 54 of the 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 Auditors especially during periodical review of the Bank's Accounts. The External Auditors are invited to participate in the Audit Committee Meetings at the time of the review and adoption of the Quarterly and Annual Financial Statements of the Bank.

The mandate of the Audit Committee includes, inter alia:

a) Review 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 auditors 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(s) and consider any non-audit services rendered by such auditors as to whether this substantively impairs their independence;

f) Evaluate the performance of the external auditor(s);

g) Discuss and review, with the external auditor(s) 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 auditors and prior endorsement for their appointment and removal.

i) Establish and maintain policies and procedures for employees of the Bank to submit confidentially information respecting accounting, internal control, compliance, audit and any other related matters of concern to the employees. The Audit Committee shall also have a process for ensuring that employees are aware of these policies and for dealing with matters raised by employees with it, under these policies.

j) Review policies and put up to the Board for approval.

k) The Audit Committee should approve the 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 external and internal auditors is coordinated.

l) Audit Committee, not senior management, should recommend to shareholders the appointment, removal, and remuneration of external auditors. It should also approve the engagement letter setting out the scope and terms of external audit.

m) The Audit Committee shall approve the remuneration of the Head of Internal Audit.

n) The Audit Committee should assess periodically the skills, resources, and independence of the external audit firm and its practices for quality control.

o) The Audit Committee should assess whether the accounting practices of the auditee are appropriate and within the bounds of acceptable practice.

p) The Audit Committee should 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.

q) The Audit Committee should discuss with senior management and external auditors the overall results of the audit, the quality of financial statements and any concerns raised by external auditors. This should include:

(i) Key areas of risk for misinformation in the financial statements, including critical accounting policies, accounting estimates and financial statement disclosures;

(ii) Changes in audit scope;

(iii) Whether the external auditor considers the estimates used as aggressive or conservative within an acceptable range;

(iv) Significant or unusual transactions; and

(v) Internal control deficiencies identified during the course of the audit.

Further responsibilities of the Audit Committee include:

a) Assessment of whether the Bank has implemented adequate internal control and financial disclosure procedures;

b) 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;

c) 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

d) 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

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

- 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.

(b) The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

(c) The Audit Committee shall compile a report on its activities to be included in the Company's annual report. The report should include an explanation of how the AC has addressed the effectiveness of the external audit process; the significant issues that the AC considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the External Auditor.

In compiling the report the Committee should exercise judgment in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Bank is a going concern.

There were 5 Audit Committee Meetings during the period under review, of which the External Auditors were invited to attend all of the Meetings convened to review the quarterly and yearly results.

III. Corporate Governance, Nomination and Compensation Committee

The CGNCC shall have at least 5 members. The MD & CEO shall be a member of the CGNCC. The Committee shall consist of a majority of Non-Executive Directors or Independent Directors. It presently consists of 5 members.

The Corporate Governance, Nomination & Compensation Committee (CGNCC) ensures enforcement of good governance practices in line with the Guidelines 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 shall have regard to:

Size, composition, mix of skills, experience, competencies and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate for directorship who can contribute to the existing Board; the appropriate number of Independent Directors.

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

The mandate of CGNCC includes:

a) To consider, evaluate and recommend to the Board any new Board appointments. In making a recommendation to the Board on the candidate for directorship, the Committee shall have regard to:

i. Size, composition, mix of skills, experience, competencies and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate can contribute to the existing Board;

ii. The appropriate number of Independent Directors;

iii. Recommend to the Board candidates for Board positions, including the chair of the Board and chairs of the Board committees;

iv. Recommend criteria for the selection of Board members and criteria for the evaluation of their performance;

b) To evaluate on an annual basis, the effectiveness of the Board as a whole, the Board committees and each Director's ability to contribute to the effectiveness of the Board and the relevant Board Committees;

c) To ensure an appropriate framework and plan for Board and management succession in the Bank;

d) To provide adequate training and orientation to new directors as well as continuous training for all Directors during the year;

e) To review and ensure that the policy on Directors' fees for the company are reflective of the contribution of each individual Director;

f) 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;

g) To review Management's recommendation on appointment or promotion of senior management .

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

i) 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;

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

k) Review policies and recommend to the Board for approval.

l) Recommend nominees for Board committees; and

m) 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.

The 5 members of CGNCC are as follow:

1. Mrs. B. K. Maudarbocus – Boodoo (Chairperson)
2. Mr. B. R. S. Satyanarayana
3. Mr. S. R. Rajapur
4. Mrs. Shashi Prabha
5. Mr. G. Gopee

The Corporate Governance, Nomination & Compensation Committee met 4 times during the period under review.

IV. Conduct Review & Risk Management Committee

The Conduct Review and Risk Management Committee was set up under the Bank of Mauritius guidelines on "Public Disclosure of Information" for, among others reviewing and approving an effective Risk Management Architecture and ensuring that adequate control and information systems are in place. It also monitors and reviews related party transactions and the overall risk Management of the Company. 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) Review the policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the Bank. Review or approve policies as applicable and recommend/put up to the Board for approval or for information.
d) Establishing effectiveness of Risk Management processes – 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 this guideline;
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 of directors 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 organisation;
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 5 Directors out of whom two are Independent Directors, and two are Non-Executive Directors. The members are:

1. Mr. G. Gopee (Chairperson)
2. Mr. B. R. S. Satyanarayana
3. Mr. S. R. Rajapur
4. Mrs. Shashi Prabha
5. Mrs. B. K. Maudarbocus – Boodoo

The Committee met 4 times during the year under review.

Management Team

Details of the Management team are given below:

Senior Management	
Mrs. Shashi Prabha	Managing Director & CEO
Mr. M. 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. S. S. Rama Krishna	Vice President - Global Business
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 Principle 1.

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

PRINCIPLE 3

Director Appointment Procedures

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 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.

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

1. Corporate Governance Policy
2. Companies Act 2001
3. National Code of Corporate Governance for Mauritius (2016)
4. The 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 Organisation Chart of SBIML
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 our key clients, contractors and stakeholders.
18. Panel of Barristers of SBIML
19. Board Assessment Report

Succession Planning

The Board satisfies itself that suitable plans are 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.

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 understanding of the Bank's services and the environment in which it functions. In that regard, the Board hired the services of a local consultant and professional training on emerging topics such as data privacy, GDPR, cyber security, sustainability, block chain, digitisation, Risk, Liquidity etc. or new/changes in laws, regulations, IASs/IFRSs, AML/CFT was provided to the Directors. Independent Directors also attend locally held training programs where relevant and a record is kept on file.

Profile of Directors

Profile of the current Directors is given below:

1. Mr. Venkat Nageswar CHALASANI

Deputy Managing Director, is currently taking over charge of the International Banking Group of State Bank of India ('the Bank'). The International Banking Group comprises international operations of the Bank which are spread across 233 offices in 32 countries with a business portfolio of more than USD 55 bn and a staff complement exceeding 3000.

He is the Chairperson on the Board of SBI (Mauritius) Ltd.

A career banker with experience of over 35 years, Mr. Venkat has held various positions across a wide range of domains including Corporate Banking, Retail Banking, Treasury, Trade Finance, Risk and Compliance. Prior to assuming the current responsibilities, Mr. Venkat held the position of the Deputy Managing Director in-charge of the 'Global Markets' vertical of State Bank of India. 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, strategic investments etc. As a permanent invitee to the Bank's Board Meetings, Mr. Venkat is involved in various deliberations concerning the Bank's overall operations. He is also a member of the Bank's apex Credit Committee, Audit Committee and other Committees responsible for governance of the Bank. Mr. Venkat is a Director on the boards of several companies and industry associations.

He has been a part of various RBI, SEBI and other Committees the latest being Sunil Mehta Committee on resolution of Stressed Assets.

From 2013 to 2015, Mr. Venkat 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. Venkat was responsible for strategic business areas of Wholesale Banking portfolio in excess of USD 15 bn.

As General Manager of Network-I, Bangalore, from 2011 to 2013, Mr. Venkat headed retail networks of the Bank with a portfolio of USD 6.6 bn 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. Venkat served as Deputy General Manager in the Corporate Centre heading 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. Venkat holds a Bachelor of Science in Botany, PDGJ from Bhavan's Institute and CAIIB.

2. Mr. Rama Sundara Satyanarayana BRAHMANDAM

Joined State Bank of India 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 bank's network in Asia, Africa and Australia. The International Banking Group comprises international operations of the Bank which are spread across 233 offices in 32 countries with a business portfolio of more than USD 55 bn and a staff complement exceeding 3000. As the head of International Banking-II, responsible for driving SBI's business which include Institutional Sales, Loans & Advances, Liability Products, Trade Finance and Payment Products in the allocated geographies.

A career banker with experience of over 31 years, Mr. Satyanarayana 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 RMAs spread across 119 countries.

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

3. Mr. Subbaramaiah Ramesh RAJAPUR

He is the General Manager (Operations) in the International Banking group, State Bank of India (SBI) with over thirty three years of Working experience. Mr. Ramesh is responsible for business strategy, operational efficiency and other functional areas of the foreign offices. A career banker with experience of over 33 years, Mr. Ramesh has held various positions across a wide range of domains including International Banking, Correspondent Relationship Banking, Retail Banking, Stressed Asset Management Group.

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 presently a Non-Executive Director on the Board of SBI (Mauritius) Ltd. He is a BSc holder in Mathematics, Physics & Statistics and an associate of the Indian Institute of Bankers, Mumbai.

5. Mr. Geeanduth GOPEE

MBA, CGMA, FCMA, FCIS is an Independent Director on the Board of SBI (Mauritius) Ltd since June 2012. 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 Boards of Directors of various private companies and public enterprises covering various 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 Office of the Public Sector Governance (OPSG), initially under the Prime Minister's Office, then later under 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 Management Audit Bureau (MAB), a reputed management consultancy department operating under the aegis of Ministry of Finance and Economic Development.

He is now involved in consultancy and research projects.

4. Mrs. Shashi PRABHA

Managing Director and CEO since 18th October 2019, joined SBI 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 holds B.Sc., L.L.B. degree and is a Certified Associate of Indian Institute of Bankers as well as a Certified Financial Planner from Financial Planning Standards Board, India. Apart from this, she holds certification in MF from Association of Mutual Funds of India, Depository Operations from National Securities Depository Ltd. and certification in Anti-Money Laundering, SME Credit from Indian Institute of Banking and Finance.

A law graduate, she has a rich and varied experience of 24 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 50+ branches for more than 4 years overseeing all aspects of Banking including Operations, Loans and advances, Compliance, HR and liaison with government authorities. As Chief Manager(Credit), she handled credit and NPA portfolio of 250 branches spread over 9 districts in India. Prior to that, as Relationship Manager for Medium Enterprises, she looked after credit requirement of mid-size customers engaged in manufacturing, trading and services. Earlier, as a Credit Officer, she catered to credit and forex needs of large Corporates engaged in exports and imports. Apart from this, in her 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 segment.

6. Mrs Bibi Khoudijah MAUDARBOCUS-BOODOO

BSc (Hons), MBA, is an Independent Director on the Board of SBIML since May 2018.

She has held various managerial positions in the private sector as well as at the Board of Investment 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.

Principle 4

Director Duties, Senior Executive Remuneration and Performance

Legal Duties of Directors

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

Code of Ethics

SBIML 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. It is also designed to assist in defining appropriate personal and professional conduct, to provide guidance in the identification and resolution of ethical issues, and to help all personnel maintain the Bank's longstanding culture of honesty, integrity and accountability. Compliance with same is addressed periodically.

Directors' and Senior Officers' Interests and Dealings in Shares

The Directors of the Bank did not hold any relationship with the Bank. There are 4 Directors who are 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.

Conflicts of Interest

In compliance with section 48 of the Banking Act 2004 dealing with the disclosure of interest, the board has implemented policies and procedures to identify conflict of interest situations and steps to redress such situations.

The Board of Directors has established 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 Bank 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 and Risk Management Committee to review and approve related party transactions. The Conduct Review and Risk Management Committee consist of two Independent and two non-Executive Directors.

All conflict of interest and related-party transactions have been conducted in compliance with relevant policies and Code of Ethics.

Information Governance

SBI (Mauritius) Ltd has a comprehensive Information Technology and Information Security (IT & IS) policy. The policy document contains a set of standards, procedures, guidelines and prescriptions that are used for mitigating all the risks associated with respective domains. The policy is approved by the Board and is reviewed on a yearly basis. The document was last reviewed on 07th June 2018 and it is in the process of extensive review.

The Information Governance is a part of the IT & IS Policy. The policy, besides addressing all IT & IS related areas, has strict guidelines for physical and logical controls to access the information assets. All the significant IT expenditures are monitored, evaluated and approved by the Bank's Executive Committee of Directors. With a view to have the Board oversight of Bank's IT initiatives, the Bank has 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 optimization of resources, enhance IT value delivery and enable effective measurement of performance.
- To focus on:
  - o IT Strategic Planning
  - o Alignment of all IT initiatives across the Bank
  - o Prioritize and approve a project
  - o Review existing projects
  - o Formulate recommendations on major IT investments
  - o IT Security

The Committee reports to the Conduct Review & Risk Management Committee (CRRMC) of the Board, thereby facilitating the information governance by the Board. 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.

Board Evaluation and Remuneration

In line with the requirements of the National Code of Corporate Governance and BoM 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 27th September 2019 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 are at various stage of implementation.

The Board will assess on 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.

Statement of remuneration philosophy

(i) 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 shall reflect demand to competencies and efforts in light of the scope of their work and the number of board meetings.

The Executive Director is on deputation from State Bank of India (SBI) for a period of five 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 remuneration to be paid to NEID is delegated to the CGNCC which shall ensure that adequate remuneration is paid to NEID taking into consideration the Bank's financial performance and market condition. The CGNCC ensures that adequate remuneration is paid to NEID that is fair and reasonable in a competitive market for skills, knowledge and experience required by the Bank.

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 1st April 2019 to 31st March 2020, the Non-Executive Independent Local Directors received fees and emoluments amounted to USD 25,440 as indicated below:

Mr. G.Gopee:	USD 12,720
Mrs. B. K. Maudarbocus – Boodoo:	USD 12,720

Mr. S. S. Asthana, former Executive Director who was on deputation from SBI group was paid USD 29,825 for the period 01st April 2018 to 18th October 2019 and Mrs. Shashi Prabha, Executive Director, currently on deputation from SBI group was paid USD 20,868 from 18th October 2019 to 31st March 2020 during the financial year ended 31st March 2020 as salary and allowances.

The nominees from State Bank of India (SBI) (Executive/ Non-Executive Directors) are not paid any separate sitting fees individually. However, an aggregate amount of USD 214,029.17 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.

(ii) Management

In line with the provisions contained in Section 18(5) of the Banking Act, 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 on remuneration policy and determines the remuneration packages for each member of Executive Management which shall 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 are:

1. Support the achievement of business goals;
2. Competitive within the market in which the bank operates;
3. Sufficiently flexible to meet the needs of the executives; and
4. Recognizes the differences in roles.

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

Principle 5

Risk Governance And Internal Control

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 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 Conduct Review and Risk Management Committee of the Board 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 information. Details of the risk Management framework, policies and controls are more fully described in the Management Discussion and Analysis part of the Annual Report.

The Internal Audit department provides assurance to the Board through the Audit Committee regarding adequacy and effectiveness of the internal control systems. The Manager Internal Audit ("MIA") reports and has direct access to the Chairperson of the Audit Committee. Internal Audit reports along with significant issues are put up to the AC and Board along with action taken report indicating as to how the observations have been addressed. AC meets the MIA along with the presence of management on a quarterly basis. The statutory auditors also meet members of the AC without the presence of Management on a quarterly basis.

Systems and processes are in place for implementing, maintaining and monitoring the internal controls. Bank's internal control systems are reviewed on a yearly basis in line with the requirements of 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:

- 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 Internal Audit department regarding risk assessment that 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 evaluate the effectiveness of the Bank's Internal Control Systems annually taking into account the requirements of the Guideline on Maintenance of Accounting and other records as well as Internal Control Systems and report to the Board of Directors and the Regulator accordingly.
- 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
- Self-assessment and monitoring

Whistle blowing

SBIML has a Whistle Blowing policy in place which uncovers any malpractice/ misconduct committed by its employees that could potentially affect the smooth running of the Bank and eliminate the risks associated with non-disclosure of malpractice/ misconduct to go unnoticed by the 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 recognize 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 & Risk Management Committee is the authority to review the functioning of the Whistle Blowing scheme at SBIML.

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 Whistle blowing against the designated official VPC, Manager Internal Audit shall be the second official contact.

The report / information / email are required to be forwarded/ communicated to VPC for appropriate action/ 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, MD & CEO shall take appropriate action as may be deemed necessary. VPC ensures that the identity of the Whistle Blower is not disclosed. A written report on the findings should be prepared by VPC and submitted to MD & CEO.

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

Principle 6

Reporting With Integrity

The Board is responsible for the preparation of accounts that fairly present the state of affairs of the Bank. The accounts are adhered to International Financial Reporting Standards (IFRS) and there has been no departure. The annual report is fully published on the Bank's website: www.sbimauritius.com

Corporate Social Responsibility

SBI (Mauritius) Ltd has been involved in various CSR activities for many years. The bank has demonstrated its respect for human values and welfare of the community. SBIML actively participates in funding major projects promoting social welfare and poverty alleviation. Our other priority areas are education, health and environment.

We have partnered with key Non-Governmental Organisations (NGOs) such as Global Rainbow Foundation (GRF), SOS Children's Village, Caritas and Enn Rev 1 Sourir to contribute in building a better society.

SBIML partnered with these NGOs and indulged in various projects such as providing assistive devices to disabled beneficiaries (GRF) or in launching the Smile Pediatric Service for needy children (Enn Rev EnnSourir). We are also sponsoring mid-day meal programme for children (Caritas Rodrigues) and operating cost of foster homes (SOS Children's Village).

Activities 2020

SOS Children's Village Bambous

For the past five years, we have been supporting SOS Children's Village Bambous through financial donations. These funds are used to meet expenses of SOS Family House as well as to cater for the school expenditure of the children. This year also, our donation will be used to cover the operating costs of the foster homes.

Global Rainbow Foundation

We have been supporting the HOPE INITIATIVE project of the Global Rainbow Foundation (GRF) for several years. The aim of the HOPE INITIATIVE project is to provide assistive devices to people with disabilities and help them become more independent.

Caritas Rodrigues

SBIML has been supporting Caritas Rodrigues for several years with their project of providing hot meals to vulnerable students everyday to allow them to attend classes regularly and show their interest in studies. The main objective of this project is to increase the academic performance of these students coming from different pockets of poverty and help them follow their courses regularly.

Enn Rev Enn Sourir

Enn Rev Enn Sourir is a registered NGO with the aim to help children get access to quality pediatric healthcare; local or abroad. SBIML partnered with Enn Rev Enn Sourir to help in launching the "Smile Pediatric Service" for the needy sick children. It is also a way to eliminate charity for sick children's operation and treatment and to give a quality pediatric service to those children with specialized doctors or surgeons.

Project	NGO	AMOUNT TO BE FUNDED (MUR)
Donation of assistive devices to beneficiaries	Global Rainbow Foundation	200,000
Sponsoring operating costs (Basic needs, social and psychological work, education and aftercare support) for children of SOSCV Bambous	SOS Children's Village Bambous	200,000
Launch of the Smile Pediatric Service	Enn Rev 1 Sourir	200,000
Meal project for poor children	Caritas Rodrigues	169,715

The amount of money spent under the CSR Fund for the financial year 2019 – 2020 amounted to MUR 769,715.

Other Activities

Maha Shivaratree 2020

SBIML partnered with the Human Service Trust to serve thousands of pilgrims at Grand Bassin for Maha Shivaratree.

Launching of Contactless Card / Premium Card / Bangladesh Taka Remittance.

SBI (Mauritius) Ltd has launched different products and services as part of the bank's continuous efforts to provide an array of products to its customers. We have launched the Contactless Card, the Premium Card as well as the Bangladesh Takka Remittance in presence of Her Excellency, Ms Rezina Ahmed, High Commissioner of Bangladesh, Mr Venkat N.Chalasani, DMD (IBG), Mr B.R.S. Satyanarayana, CGM (IBG) and Mrs Shashi Prabha, MD & CEO, SBI (Mauritius) Ltd.

1. Contactless Cards

Contactless Card enable customers to make fast, convenient and secure everyday purchases by simply tapping the card on NFC (Near Field Communication) enabled POS terminals on Master Card Platform at shops and merchant establishments. The contactless feature ensures that the card never leaves the customers while making purchases as the customers tap the card POS terminals and payments are made within the prescribed daily and monthly limits. At present the contactless limit of the card has been set to MUR 1000 per day with an overall cap of MUR 2000 per month. The SBI (Mauritius) Contactless Debit Card contactless feature is identified by on the card.

2. Premium Debit Card

In order to provide the customers with better value proposition of our Debit Card, we have also introduced a new card variant i.e. PREMIUM DEBIT CARD. The card will be for the upwardly mobile customers with premium features added than the normal Debit Card.

3. Bangladesh Taka Remittance

In order to provide a secure and normal banking channels for sending remittance to Bangladesh, the SBI (Mauritius) Ltd have initiated a project, in association with the SBI Dhaka Branch, to provide a fair-cost remittance solution for their Bangladeshi customers. At present the services will be available to customers at all branches of SBI (Mauritius) Ltd. The Bank is also planning to introduce the same functionality through its various other channels such as ATM, Retail Internet banking and Mobile Banking. The project will help the Bangladeshi immigrants to save time and cost for sending the remittances from the comfort of their nearest branch of SBI (Mauritius) Ltd.

Health and Safety Practice

SBIML is fully committed to bring about a health and safety culture within the Bank. The Bank maintains very conducive working environment within its premises for higher productivity and the general well being of the employees and its 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.

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.

Initiatives

As part of green initiatives, the instructions for e-statement are already in place and the front line staffs were also sensitized 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.

Principle 7

Audit

Internal Audit

SBIML has an independent Internal Audit department reporting to the Audit Committee of the Board on a quarterly basis. Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of SBI (Mauritius) Ltd ("the Bank"). It assists the Bank in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control and governance processes.

The role and responsibilities of the Internal Audit Department is established by the Board of Directors in compliance with the section 54 of the Banking Act and also the guideline on Corporate Governance issued by the Bank of Mauritius. The Internal Audit department shall carry out eight types of on/ off-site inspections at Head Office departments/ Business units and branches as provided in the Internal Audit policy approved by the Board.

Independence

All internal audit activities are free of influence by any element in the Bank, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

Scope

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the Bank's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the Bank's stated goals and objectives.

Audit Planning

Annually, the Manager Internal Audit (MIA) submits to the Audit Committee an internal audit plan for the following calendar year for approval by the Audit Committee. Any significant deviation from the formally approved internal audit plan is communicated to Senior Management and the Audit Committee through periodic activity reports.

The MIA reports to the Board of Directors and the Audit Committee. Administratively, the MIA reports to the Chief Operating Officer (COO). MIA arranges for placing a copy of the Major Irregularities Audit Report along with an Action Taken Report (ATR) on a quarterly interval to the Audit Committee and the Synopsis of the Internal Audit Reports to the Board without any undue filtering of findings by management. These reports include a timeframe within which corrective action must be taken.

The Internal Audit staff have full access to any records, files, management information systems, minutes of various committees, including the Audit Committee, 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: www.sbimauritius.com

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 2016. The Audit Committee advises the Board on such matters.

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

Members of the Audit Committee comprises of 2 Independent Directors including a Chartered Management Accountant and 1 non-Executive Director. Members have solid financial experience both in Banking sector and non-banking sector of private and public institutions.

The Audit Committee reviews the effectiveness and efficiency of the External Auditor and assesses the external audit firm annually. To facilitate the Committee, MD & CEO, COO and MIA will put up an Annual Performance feedback on the external audit firm based on the following Ratings (Good, Satisfactory, Unsatisfactory). Such a review provides the Audit Committee with a disciplined approach to assess the External Auditor's performance. It also helps to ensure that the External Auditor remain alert to the Bank's need. The Audit Committee discusses and evaluates the performance of the external audit firm based on the feedback given by MD & CEO, COO and MIA and also on the members' feedback.

The External Audit firm is rotated at least every 5 years. A review of the External Auditor's effectiveness and performance of the external audit team, their output, quality and cost effectiveness is carried out on a yearly basis based on the following, amongst other:

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

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 quarterly financial statements on a quarterly interval and on a yearly basis on the annual audited financials of the Bank. The MIA and the Audit Partner of M/S Deloitte meet with the Audit Committee without the presence of Management team every quarter. Audited financials and quarterly financials are also considered and the following areas are given due consideration, amongst others:

- Implementation of IFRS 9;
- Impact of changes in tax regulations on the Bank's financial results;
- Evaluate the appropriateness of accounting policies of the Bank;
- Consequence of key Non Performing Accounts on the Bank's financial results;

They also evaluate 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.

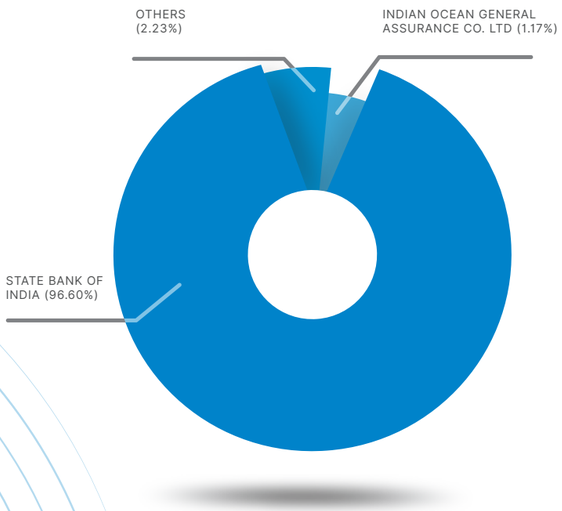
The fees payable to M/s Deloitte Mauritius for External Audit for the year ended 31st March 2020 amounted to MUR 1.670 Mio plus VAT entirely for external audit services. The services of M/S Deloitte Mauritius were not retained to provide for non-audit services during the reporting period.

Principle 8

Relations with Shareholders and Other Key Stakeholders

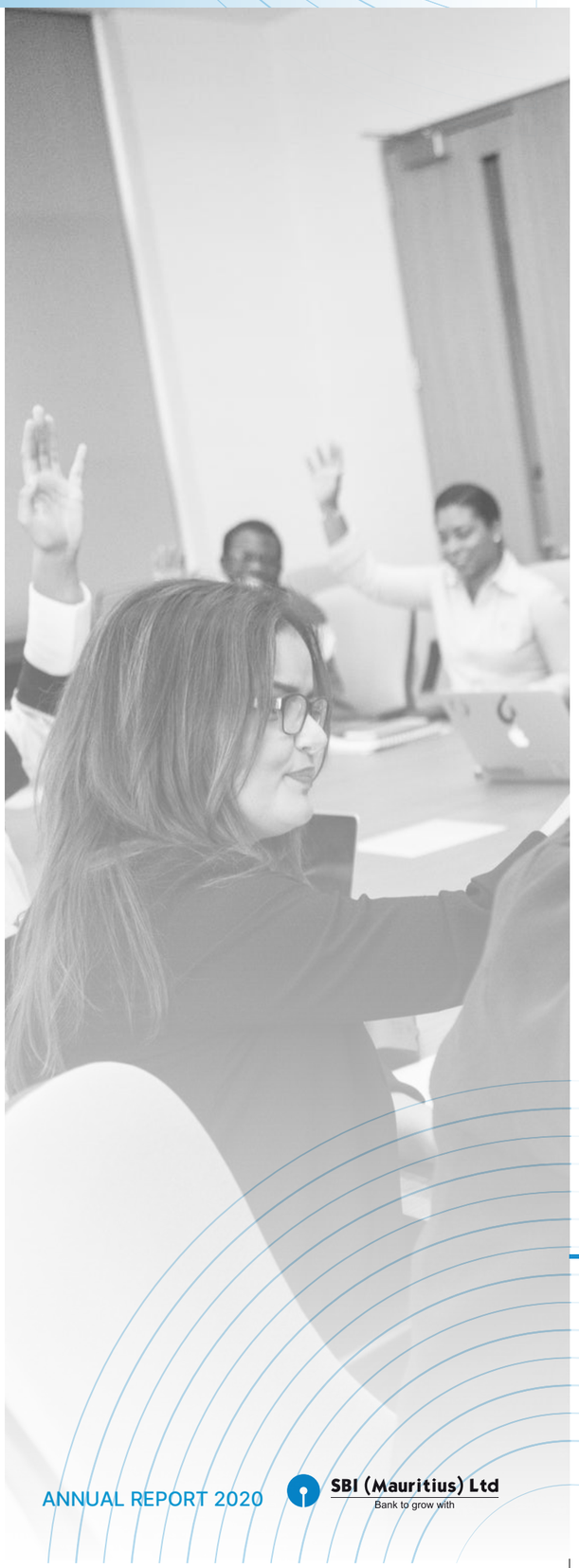
By virtue of Section 3(2) of the Companies Act 2001, SBIML continues as a subsidiary of the State Bank of India. The State Bank of India, incorporated in the Republic of India is the holding Company of SBIML.

The following shareholders hold more than 1% of the equity Share Capital in SBIML as on 31st March 2020:



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

The shares of SBIML are not quoted on the Stock Exchange of Mauritius. By virtue of Section 86 of the 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 Securities Act 2005. The Board is complying with all the requirements of the Securities Act 2005.



Analysis of Shareholding as on 31.03.2020:

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 31.03.2020:

	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, Ebene Cybercity 72201
Mauritius

Telephone: 404 4900 / 404 4951 (Direct Line)
Fax: 454 6890
E-mail: info@sbimauritius.com

Number of Shareholders:

396 as on 31st March 2020

Shareholders' Rights under Bank's Constitution

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

(i) There shall be no restrictions on the transfer of fully paid up Shares.

(ii) 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.

(iii) 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.

(iv) The Board shall consist of no less than five (5) or more than eleven (11) Directors. On 31st March 2020, the Board comprised of 6 Directors.

(v) Notwithstanding Section 55 of the 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.

Shareholders' Meeting

The Annual Meeting of Shareholders of SBIML was held on 19th September 2019 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 2020 at a suitable time and date after issuing appropriate notice to the shareholders as provided by the Companies Act 2001. Shareholders present at the Annual Meeting are given opportunities by the Directors to ask questions. Full annual report is shared with the Shareholders prior to the Annual Meeting of Shareholders.

Shareholders' Agreement

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

Significant Contracts

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

Donations

No donation was made during the period under review.

Political contributions

No political contribution was made during the year under review.

Dividend

Dividend is proposed to the Board to be paid in line with the provisions of the Banking Act, Companies Act, Bank's Constitution, and after regulatory approval is obtained. The Board also takes into account the need to conserve resources for further growth of the Bank.

Our Key Stakeholders

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

1. Regulators

The primary regulator of SBIML is Bank of Mauritius which provides the enabling regulatory framework, and issues Guidelines and instructions from time to time. Senior Management Officers of SBIML 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, external auditors and Bank of Mauritius is held on a yearly basis to discuss the Bank's progress and state of affairs.

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 cooperation is always ensured.

2. 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.

SBIML further undertakes that selection for employment, promotion, transfer and training and access to benefits, facilities and services is fair and equitable and based solely on merit. The Bank also values the health and safety of its employees by abiding by the Health and Safety policy, approved by the Board.

Meetings with staff, Union staff, Statutory Auditors as required, are held at periodic interval to discuss union related matters.

3. Customers

SBIML recognizes 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 our complaint desk and the matter is escalated through the appropriate channel for corrective action.

4. 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 is provided to shareholders in the Annual Report and Accounts, Annual Review and the Interim Report which are available on www.sbimauritius.com.

Enquiries from shareholders are dealt with in an informative and timely manner. The 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 annual basis during the 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.

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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.

The following is the forthcoming calendar of events:

Important dates	Events
July 2020	Release of first quarter results as on 30th June 2020
August 2020	Payment of Dividend
Latest by September 2020	Annual Meeting of Shareholders
October 2020	Release of half-yearly results as on 30th Sept 2020
January 2021	Release of results for the 9-months period as on 31st Dec 2020
May 2021	Release of full year results as on 31st March 2021

Shashi Prabha
Managing Director & CEO

B.K. Maudarbocus-Boodoo
Director

A. B. Mosaheb
Company Secretary

CORPORATE GOVERNANCE REPORT

FILE NO. 8318

CERTIFICATE FROM THE COMPANY SECRETARY

In terms of section 166(d) of the Companies Act 2001, I certify that to the best of my knowledge and belief that the Company has lodged with the Registrar of Companies all such returns as are required of the Company in terms of the Companies Act 2001 during the financial year ended 31st March 2020.

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

Date: 13th May 2020

STATEMENT OF COMPLIANCE

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

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

Reporting Period: 31st March 2020

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: 13th May 2020

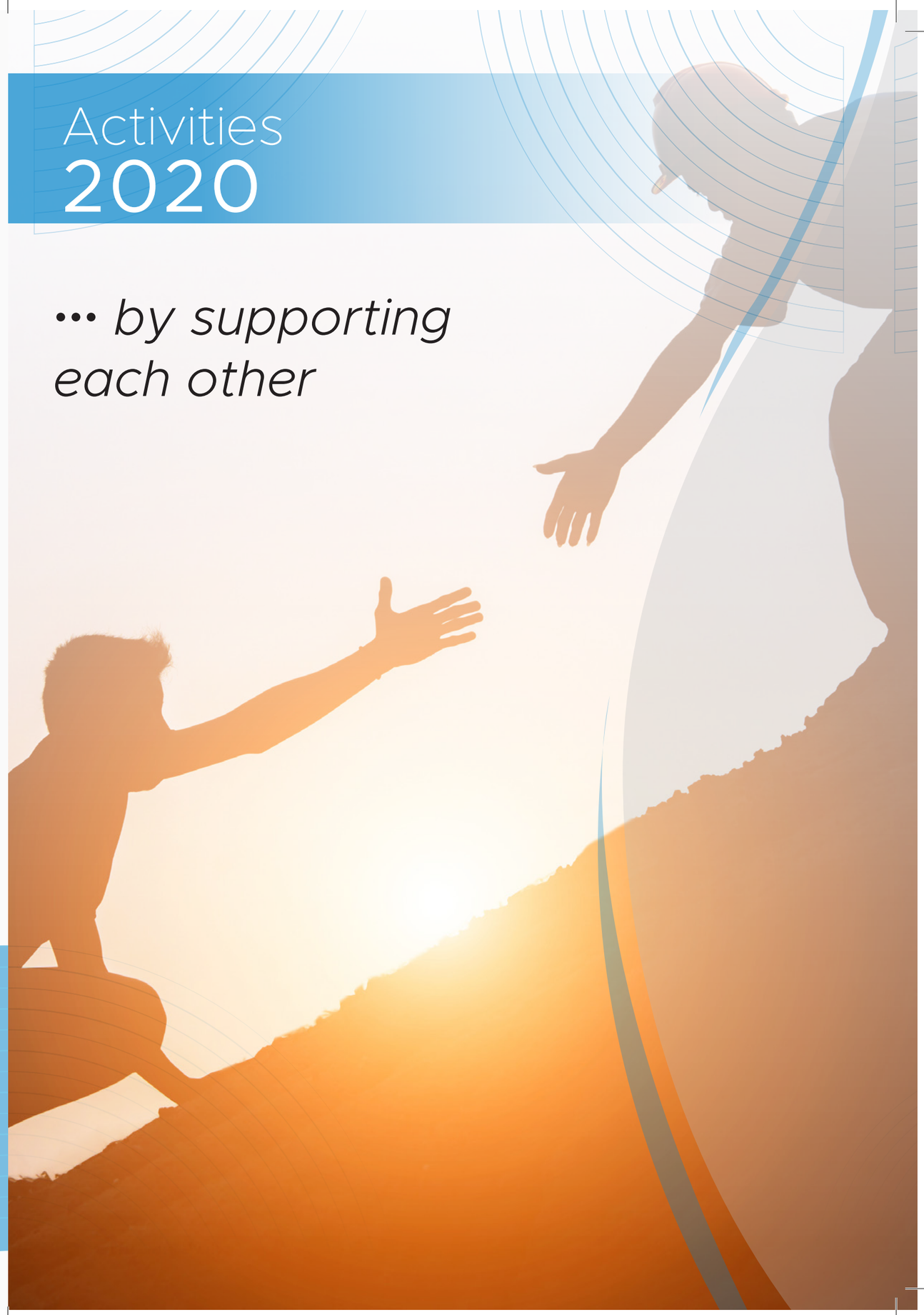
Shashi Prabha
Managing Director & CEO

Date: 13th May 2020

SBI (Mauritius) Ltd
Bank to grow with

Activities 2020

••• by supporting each other



SOS CHILDREN'S VILLAGES

SOS Children's Village Bambous

For the past five years, we have been supporting SOS Children's Village Bambous through financial donations. These funds are used to meet expenses of SOS Family House as well as to cater for the school expenditure of the children. This year also, our donation will be used to cover the operating costs of the foster homes.

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MANAGEMENT DISCUSSION & ANALYSIS

...by our strengths

Macroeconomic Outlook[1]

After a rocky 2018, truly the global economy has witnessed a lot of turbulence in 2019, with intensified trade wars and Brexit delays influencing the growth story tremendously. After a very low pace growth, the global economy was set for a marginal recovery in 2020, especially driven by emerging economies, while emerging markets and developing economies expected to register growth acceleration.

Meantime, trade wars and Brexit were the top developments that dominated in 2019 and have major ramifications in 2020 as well. In many parts of the world, the manufacturing sectors were either in recession or close to recession. In response, many central banks began to loosen monetary policy, rather than tighten as had been expected a year ago with some countries (notably China and the United States) providing additional stimulus as well. The United Kingdom was set to leave the EU on 31 January 2020, after which a transition period will set in. The finalization of a Phase 1 US-China trade deal in December 2019 has helped lift sentiment globally.

However, all these developments were tattered with the outbreak of the global pandemic called "COVID-19". The deadly outbreak of the virus, originating from a province of China soon engulfed the whole world and is being levelled as World War-III without a visible enemy and no end to the apathy. With already human death toll of more than 280,000 and infected cases surpassing 4 million marks so far, the impact is even deeper in economic front. As per the advance estimates of IMF in April'20, the Global economy is estimated to contract by 3 % in FY 2020. This is a downgrade of 6.3 percentage points from January 2020 forecast, a major revision over a very short period of time. This makes the great lockdown the worst recession since the Great Depression, and far worse than the Global Financial Crisis. In monetary terms the total impact has already crossed over USD 9 trillion of the world economy.

Restrictions on movement of people, goods and services, and containment measures such as factory closures have cut manufacturing and demand sharply. The impact on the world through restrictions on business travel and tourism, supply chains, commodities and lower confidence is at the peak now & still growing. The pandemic may not recede in the second half of this year, leading to longer containment periods, worsening financial conditions, and further breakdowns in global supply chains. In such cases global GDP will fall even further by additional 3 percent in FY 2020; and if the health crisis rolls over in FY 2021 it can reduce level of global GDP by an additional 8 percent compared to the baseline.

With all the economies suffering, the projections are showing a unidirectional trend across major economies and that is declining trend. The advance economies are the worst hit. The forecast indicates contractions this year, including the USA (-5.9%), Japan (-5.2%)the UK (-6.5%), Germany (-7%), France (-7.2%), Italy (-9.1%) and Spain (-8%). The emerging & developing economic block is also projected to have a contraction (by 2.2% except China). Exceptionally, the China & Indian economy is expected to show growth (with declined rate) at 1.2% & 1.9%, respectively.

1: Views and data mentioned are sourced from IMF report, OECD report and Research and Market

As advised by IMF, the global economic fallout will be dependent on various key factors such as:

- The pathway of the pandemic
- The intensity, efficacy & tenor of the confinement measures
- The extent of supply chain disruption and volatility in the commodity prices
- Most importantly the change in spending pattern and economic behaviour of the public in general.

The concept of being risk aversion has increased in financial markets, with the US bench mark Treasuries yield falling to a record low and equity prices declining sharply, commodity prices have dropped, and business and consumer confidence have turned down.

The additional headwinds and uncertainty related to coronavirus outbreak make it essential for the monetary policies to remain supportive in all economies to ensure that long-term interest rates remain low. Conditional on the current growth projections, there is limited need for further reductions in policy interest rates in the United States unless the risks of a sharper growth slowdown rise. The euro area and Japan may face a renewed need to implement additional unconventional measures, with sub-par growth projected to persist and inflation well below target but have less scope to ease monetary policy substantially. A number of emerging-market economies with flexible exchange rate frameworks and manageable exposures to foreign currency dominated debt, including Brazil, India and Mexico, have scope to further ease monetary policy provided inflation declines, while opportunity to undertake fiscal and structural measures that enhance investor confidence.

Mauritian Economy[2]

Mauritius has had low but steady growth rates over the last few years (averaging 3.8% during 2015–19) and is among the most dynamic economies in Sub-Saharan Africa. Growth is estimated to have reached 3.7% of GDP in FY 2019 – from 3.8% the previous year – fuelled by tourism, financial services, retail and wholesale trade, and ICT sectors. Earlier, the IMF had forecasted a growth of 3.8% for FY2020 and 3.9% for FY 2021, based on strong household demand and an expected increase in tourism arrivals.

The Mauritian economy had started showing signs of decline in last quarter of FY 2019, where in the growth was estimated to at 3% in FY 2019, lowest among the last 5 years growth. Moreover, with the outbreak of the pandemic and subsequent travel ban and eventual lockdown, the key propellers of the economy viz Tourism, hotel & ancillary sector and the financial sector has come to a standstill. Under a favourable scenario, the financial sector may be able to revive in the 2nd HY of the current FY, but the Tourism sector will have a long battle to come back to normal, for which the recovery period may extend between 12-18 months after the COVID-19 is over. Considering the colossal impact of the pandemic, IMF in its April outlook estimated the Mauritian GDP to contract by 6.8% in FY 2020, which itself speaks about the economic challenges before the country. This kind of economic scenario will be the first such case in last 40 years for the island country to experience.

As a result of it, several key economic parameters of the economy are at high risk such as:

- Increase in the fiscal deficit to GDP ratio for the FY 2020 & 2021 on account of revenue contraction and uncertainties
- Widening of Current Account Deficit due to contraction in export receipts
- Sharp increase in the inflation
- Increase in the unemployment rate from the levels of 6.7% to higher side of 17%

The most aggrieved sector being the Tourism & allied sector which on a gross basis contributes 245 of the GDP, 22% of the employment & 35% of export receipts and the revival of which will dependent on domestic as well as global actions.

The government and the Bank of Mauritius has been on the forefront in supporting the economy and its key operator sectors through slew of measures such as; credit support to industries affected in form of running capital and moratorium on repayment terms; providing credit lines to the tune of MUR 12 bn; allowing moratorium to households for next 6 months and also paying interest for next 3 months on house hold loans to the eligible class to inject liquidity, the BOM has reduced the CRR from 9% to 8% and to make the credit availability easier for the customers BOM has reduced the KRR by 150 bps, and also supporting the FX market and the Banks through injecting FX lines and funds.

However, the duration of the pandemic and its implications in the world economy, the sustenance of global trade or origination of new form of bilateral relationships will be key for the timeline for recovery of the economy. Adding to that the Brexit and Mauritius bilateral trade deals with the UK & Europe will also impact the shape of the economy in medium to long run.

As per the saying of the Governor of BOM "This pandemic should sound a wake-up call and provide food for thought for our long term national and sectoral strategies. Our policies should be based on long term rationale rather than meet short term expediency".

Our policies should be based on long term rationale rather than meet short term expediency".

Subject Descriptor	Units	2018	2019	2020	2021
Gross domestic product, constant prices	Percent change	3.76	3.482	-6.800	5.900
Inflation, average consumer prices	Percent change	3.23	0.454	4.684	6.967
Unemployment rate	Percent of total labor force	6.90	6.70	17.00	9.00
Current account balance	Percent of GDP	-5.78	-5.81	-8.44	-7.91

Shaded cells indicate IMF staff estimates

Indian Economy[3]

The World Economic Outlook update published in January'20 had sharply revised downward India's growth forecast by 130 basis points to 4.8% for 2019-20, which resulted in a subsequent downward revision in its world growth projection, from 2.9 percent in 2019 to 3.3 percent in 2020 and 3.4 percent in 2021.

But, onset of COVID-19 pandemic leading to lockdown of the entire country has resulted in colossal impact on the Indian economy and sharp increase in the unemployment. The IMF, in its revised outlook published in April'20 has revised down the growth forecast to 1.9% with risk of further deepening, if the pandemic last for a long period. In similar notes, Moody's has forecasted a sharp decline in the Indian economy in FY 2020 and has raised concerns of a case of no growth at all. However, RBI believes that presence of a large informal sector will help the country's economy to stay afloat. It is believed that the situation in the country will stabilize over the next few weeks as focus shifts to economic fundamentals like declining inflation, growing industrial production and adequate forex reserves.

Despite the optimism shown by the experts, sectors like tourism, aviation, hospitality, and trade have already taken the brunt of the severe curbs imposed by the governments across the world. Traders in India have estimated $4 billion losses over the past three months, with the loss of production in China which was estimated 85%-90% in February and 40%-60% in March. Since India is dependent on China for import of finished goods, raw material required for production and spare parts for assembling finished goods, therefore, the production loss is inclined in affecting the country. The COVID-19 outbreak could impact India's overall economic growth up to 90 basis points or 0.9% (close to 1%) through trade, hotels and transport channels between 2019-20 and 2020-21 with a loss estimated at three million tourist footfalls in the calendar year 2020 and foreign exchange of about $7 billion in related sectors.

3: IMF Report, RBI

Outlook

Notwithstanding a relative pickup in activity lately, the offshoots of the global financial and economic crisis in terms of a deceleration of economic growth and a worsening of the investment outlook should continue to pose major challenges in the coming periods for the Global as well as Mauritian economy. Nonetheless, on the strength of its strong capital base, expertise, global reach and patronage of the parent bank, SBI (Mauritius) Ltd is confident of judiciously confronting testing times and seizing the right opportunities for growth via prudent exposures in established and new markets.

Overall, the Bank is convinced that its focus on a diversification of activities, at the local, regional and international level, grounded in an upgrade of internal capabilities and the provision of the highest level of service quality to customers, should foster the creation of ever-increasing value to shareholders over the medium-term.

2. Financial Review

After a landmark year in FY 2018-19 for SBI (Mauritius) Ltd, in present circumstances, however, the results for FY 2019-20 showed a slower rate of growth.

Nevertheless, the bank has been able to address the stressed and sticky assets towards forging a healthier asset book. The result of our effort in FY 2019-20 has been quite satisfactory with a Net Profit after tax of USD 1.32 Mio as compared to USD 15.70 Mio earned last year.

The timid global economic growth experienced has had a direct impact on the local front, translating into very challenging conditions faced by SBI (Mauritius) Ltd. Amidst the downward trend of demand for loans and the continuously tough competitive environment, the bank has navigated through those choppy waters with a resilient and positive attitude.

2.1 Performance Against Objectives

Objectives for FY 2019-20	Performance for FY 2019-20	Objectives for FY 2020-21
Net Profit To achieve Net Profit after tax (PAT) of USD 17.27 Mio	Achieved a performance of USD 1.32 Mio	To achieve Net Profit (PAT) of USD 3.55 Mio
Return on Average Equity (ROAE) To achieve a ROAE of above 12%	Achieved a ROAE of 0.92%	To achieve a minimum ROAE of 2.43%
Return on Average Assets (ROAA) Aim to keep a ROAA of above 1.76%	ROAA stood at 0.15%	To achieve ROAA above 0.41%
Net Interest Margin To achieve a NIM of 2.90%	Achieved a NIM of 1.99%	To achieve a NIM of 1.75%
Expense Ratio The Expense Ratio is forecast to increase but remain below 28.50%	The Expense Ratio stood at 40.35%	To restrict the Expense Ratio below 47%
Gross Loans and Advances growth Loans and advances portfolio by around 35% over the March'19 level	Loans and advances decreased by 7.12%	Loans and Advances to grow by 10% over the March'20 level
Deposits growth Growth of 40% over Mar'19 level	The Deposit has gone down by 7.55% from the Mar'19 level.	Deposit to grow by 12% from the March'20 level
Investment To forecast a growth of 10% over March'19 level	Decreased by 3.22%	The investment portfolio to grow by 13% over March'20 level
Total Assets Asset growth targeted at minimum of 17% over previous year	The total asset decreased by 5.56%	Total Asset to grow by 5% over March'20 level
Gross NPA Forecast to reduce the Gross NPA to below 5%	GNPA stood at 10.71%	To further reduce the GNPA to below 10%
Net NPA Forecast to reduce the Net NPA to below 3%	Net NPA stood at 6.17%	To further reduce the Net NPA to 4.75%
Capital Adequacy Ratio (CAR) CAR above 20%	CAR is at 28.20% as at March'20	CAR over 20%

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

USD MIO

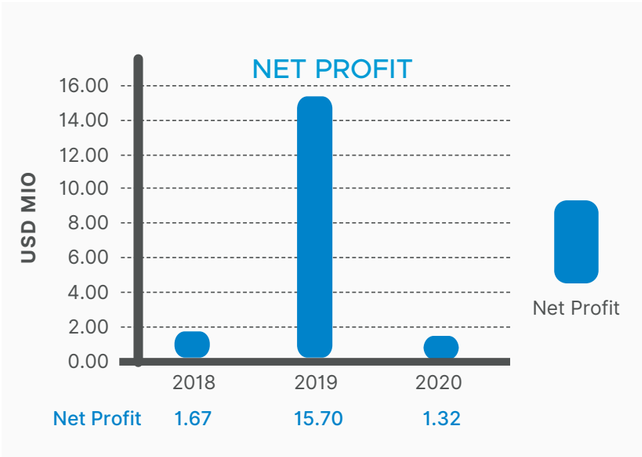
For the Year	2017-18	2018-19	2019-20
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
Net Interest Income	23.63	24.19	17.24
Non-Interest Income	4.64	4.44	5.38
Total Operating Income	28.27	28.62	22.62
Total Operating Expenses	8.22	8.53	9.13
Profit After Tax	1.67	15.70	1.32
STATEMENT OF FINANCIAL POSITION			
Total assets	1116.66	896.06	846.22
Loans and advances to customers (Net)	600.75	518.59	467.35
Deposits from customers	781.64	471.42	435.81
Total equity	161.85	149.97	144.66
PERFORMANCE RATIOS (%)			
Return on average equity	1.00	11.10	0.92
Loan to deposit ratio	84.79	114.49	107.24
Total operating expenses to total operating income	29.08	29.81	40.36
CAPITAL ADEQUACY RATIO (%)	20.86	26.81	28.20

2.2.1 Net Profit

The Bank's Net Profit After Tax (PAT) stood at USD 1.32 mio as on 31st March 2020 against USD 15.70 mio as on 31st March 2019, registering a decrease of 91.59% on Y-o-Y basis. Both Return on Average Equity (ROAE) and Return on Average Assets (ROAA) have gone down owing to decrease in PAT.

The ROAE and the ROAA stood at 0.92 percent and 0.15 percent respectively, as on 31st March 2020 as compared to 11.10 percent and 1.67 percent, as on 31st March 2019.

Results for the calendar year 2020 were low due to fall in the loan book which coupled with provisioning contributed to a drop of 91.59% in net profit to USD 1.32 Mio.



2.2.2 Income Analysis

Total Income for FY 19/20 dropped to USD 22.62 Mio compared to USD 28.62 Mio realised in the previous financial year, thus registering a decrease of 20.96%. The decrease in total income can be attributed to decrease in Net Interest Income.

NET INTEREST INCOME

USD MIO

Interest Income	
FY 2017-18	38.34
FY 2018-19	38.66
FY 2019-20	31.44

USD MIO

Interest Expense	
FY 2017-18	14.72
FY 2018-19	14.47
FY 2019-20	14.20

A) Net Interest Income

Net Interest Income, a key driver of growth for the Bank, historically has been under pressure primarily due to prevailing market conditions. The Net Interest Income of the Bank has decreased on Y-o-Y basis from USD 24.19 mio in FY 2018-19 to USD 17.24 mio in FY 2019-20. Total Interest Income has declined by 18.68% on Y-o-Y basis on account of decrease in interest income on loans and advances due to the fall in Benchmark lending rates such as LIBOR & PLR (Domestic). However the interest income on investment has gone up on y-o-y basis. Whereas the decline in deposit rates were seen with a lagging effect not in sync with the trend of decline in income on advances.

USD MIO

Other Operating Income	
FY 2017-18	0.89
FY 2018-19	0.53
FY 2019-20	0.83

USD MIO

Net Fee and Commission	
FY 2017-18	2.14
FY 2018-19	2.44
FY 2019-20	2.70

NON-INTEREST INCOME

USD MIO

Net Trading Income	
FY 2017-18	1.61
FY 2018-19	1.47
FY 2019-20	1.85

B) Non-Interest Income

Non-Interest Income to Total Income witnessed an increase and stood at 23.78% in FY 19-20 as compared to 15.50% year before. The growth was driven by higher 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 2017-18	4.22
FY 2018-19	4.63
FY 2019-20	4.50

USD MIO

Other Expenses	
FY 2017-18	4.00
FY 2018-19	3.90
FY 2019-20	4.63

Cost Control

Cost to Income ratio computed as non-interest expenses over operating income stood at 40.35% in FY 2020 has gone up on y-o-y basis, due to classification of levy as part of operating expenses as per the VAT laws.

USD MIO

	2018-19 Actual	2019-20 Actual	2020-21 Projections
Staff Costs	4.63	4.50	4.86
Rent, Insurance and Taxes	0.55	0.53	0.56
Communications	0.37	0.33	0.34
Depreciation	0.51	0.86	0.90
Others	2.47	2.91	3.06
Total	8.53	9.13	9.72
Productivity Ratio	29.81%	40.35%	46.79%

Staff expenses have decreased by 0.13 percent on y-o-y basis from USD 4.63 mio in FY 18-19 to USD 4.50 mio in FY 19-20. 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.

2.2.3 Business Analysis

A: Liability Mix

LIABILITY MIX

USD MIO

Head Office Funds	
FY 2017-18	161.85
FY 2018-19	149.97
FY 2019-20	144.66

USD MIO

Customer Deposits	
FY 2017-18	781.64
FY 2018-19	471.42
FY 2019-20	435.81

USD MIO

Borrowings	
FY 2017-18	165.69
FY 2018-19	265.11
FY 2019-20	255.17

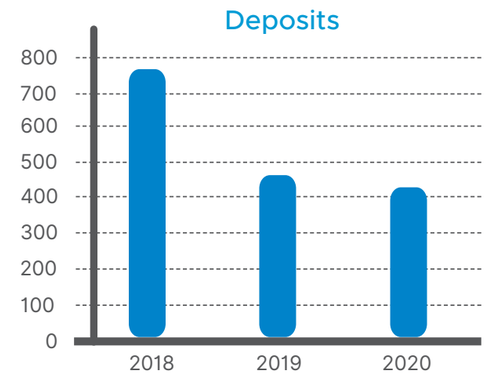
A1: Capital Resources

Capital & Reserves stood at USD 144.66 Mio at March'20 (which includes profit of USD 1.32 Mio for FY 20) as compared to USD 149.97 Mio as at end of March'19. The reduction is mainly towards the dividend paid to shareholders for FY18-19.

However, the Bank's Capital Adequacy Ratio stood at 28.20 % compared to last year's 26.81% and is well above the regulatory specification of 12.50%.

A2: Deposits

The Bank has experienced a decline in its customer deposits from USD 471.42 Mio as at March 2019 to USD 435.81 Mio in line with its strategy of doing away with high cost term deposits & MTNs and focussing more on CASA. However, the Bank has been successful in managing the liquidity throughout the year. The bank is now poised to substitute some high cost term deposits (both for segment A and B) on maturity due to limited redeployment opportunities as well as to improve the cost of funds.



A3: Borrowings

The Bank enjoys credibility in the interbank market and is able to access the call money market as per the business needs. The borrowing outstanding as at end of March'20 constitutes of borrowing from parent bank as well as other banks.

B: Asset Mix

ASSET MIX

USD MIO

Net Loans and Advances	
FY 2017-18	600.75
FY 2018-19	518.59
FY 2019-20	467.35

USD MIO

Investments	
FY 2017-18	231.70
FY 2018-19	258.32
FY 2019-20	249.99

USD MIO

Placements	
FY 2017-18	249.28
FY 2018-19	86.85
FY 2019-20	123.52

USD MIO

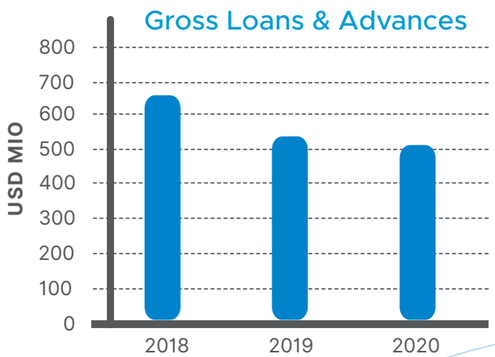
Other Assets	
FY 2017-18	18.90
FY 2018-19	16.45
FY 2019-20	15.63

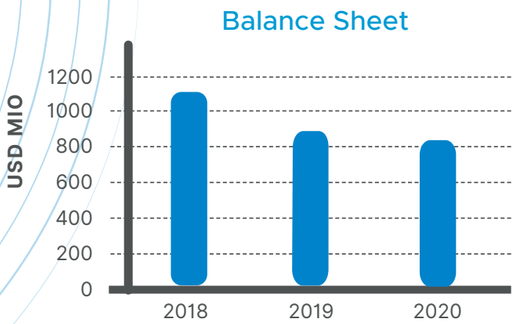
USD MIO

Cash and cash equivalents	
FY 2017-18	255.31
FY 2018-19	93.30
FY 2019-20	101.61

B.1) Gross Loans & Advances

Gross Advances figures went down by 7.12% during FY 2019-20 to USD 501.27 mio against USD 539.71 mio in FY 2018-19 due to limited lending opportunities. However, the Bank is making ongoing efforts in sourcing new clients and encouraging existing clients to use more of the bank's products and services which have been tailor made to suit their needs.





B2: Balance Sheet

The Balance Sheet was managed on a nimble footing manner based on the market trend and both the assets and liabilities were managed accordingly. The liabilities are managed as per the asset level and high cost liabilities were shred off to improve the profitability. However, the Bank has developed an internal strategy for maintaining adequate capital, which reflects desired level of risk coverage, expected balance sheet growth, future sources and application of fund, acquisitions, new products and services, market image, strategic goals.

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
31/03/2018	520.27	142.52	662.79
31/03/2019	508.01	31.70	539.71
31/03/2020	447.59	53.68	501.27

Gross and net NPAs stood at USD 53.68 Mio and USD 28.83 Mio, respectively, as on 31st March 2020 as compared to USD 31.70 Mio and USD 16.12 Mio as on 31st March 2019. The ratio of gross and net NPAs stood at 10.71 percent and 6.17 percent, respectively, as on 31st March 2020 as compared to 5.87 percent and 3.11 percent, respectively, as on 31st March 2019.

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 2019-20 is given below:

Gross NPA	USD MIO
As on 31st March 2019	31.70
Less: Recovery	1.11
Up gradation	0.03
Write-Off	0.17
Exchange Fluctuation	0.34
Add: Slippages (Addition)	23.63
Add: Additional provision as per IFRS 9	-
As on 31st March 2020	53.68

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

USD MIO

	Year Ended 31st March 2020					31.03.2019	31.03.2018
	Gross amount of Loans	Non-performing Loans	Specific Provision	Collective Provision	Total Provision	Total Provision	Total Provision
Agriculture and fishing	10.87	0.00	0.00	0.45	0.45	0.19	0.09
Manufacturing	183.74	0.00	0.00	3.70	3.70	2.22	22.86
Tourism	14.14	0.00	0.00	0.42	0.42	0.49	9.28
Transport	36.87	28.85	14.49	0.16	14.65	14.78	9.66
Construction	41.49	10.69	4.63	0.84	5.47	1.20	0.95
Financial and business services	101.16	13.47	5.53	1.77	7.30	0.57	0.36
Traders	7.90	0.26	0.17	0.16	0.33	0.35	0.13
Personal	3.02	0.04	0.03	0.04	0.07	0.04	0.11
Professional	0.12	0.00	0.00	0.00	0.00	0.01	0.01
Global Business License holders	49.65	0.00	0.00	0.99	0.99	0.77	17.92
Others	4.54	0.00	0.00	0.09	0.09	0.07	0.01
Interest receivable	2.05	0.37	0.00	0.00	0.00	-	-
Total Advances*	455.55	53.68	24.85	8.62	33.47	20.69	61.38

* 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 2019 is 12.50 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 2019-20 stood at 28.20 percent (FY 2018-2019: 26.81%) and was well above the minimum capital adequacy ratio of 12.50 percent prescribed by the regulator. The details are given below:

USD MIO

Total on-balance sheet risk-weighted credit exposures	479.30
Total non-market–related off-balance sheet risk-weighted credit exposures	6.71
Total market-related off-balance sheet risk-weighted credit exposures	0.44
Risk weighted assets for operational risk	39.70
Aggregate net open foreign exchange position	0.64
Total risk weighted assets (A)	526.80
Total Capital Base (B)	148.57
Capital Adequacy Ratio (B/A) (percent)	28.20

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

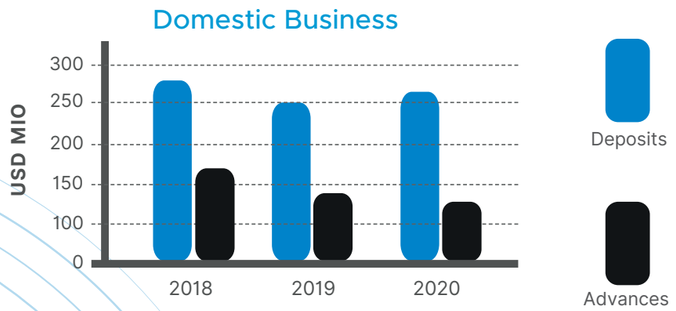
As on	31.03.2018	31.03.2019	31.03.2020
Tier 1			
Share Capital	48.63	48.63	48.63
Share Premium	54.08	54.08	54.08
Statutory Reserve	21.67	24.03	24.23
General Reserve	0.60	0.60	0.60
Other Disclosed Free Reserve	42.18	26.55	17.95
Less (Deferred tax)	2.06	1.50	(2.11)
Revaluation of Retired Benefits	-	-	-
Obligations/AFS	(5.42)	(4.03)	(0.94)
Total	159.68	148.35	142.44
Tier 2			
Undisclosed Reserve	0.05	0.05	0.05
Portfolio Provisions	6.31	5.54	6.08
Total	6.36	5.59	6.13
Total Gross Capital (Tier 1 plus Tier 2)	166.04	153.94	148.57
CAPITAL ADEQUACY RATIO (%)	20.86	26.81	28.20

2.5 Reviews By Business Lines/Segments

2.5.1 Domestic Business (Segment A)

USD MIO

As at 31st March	2018	2019	2020
Deposits	279.90	249.43	261.97
Advances (Gross)	169.35	143.99	132.04



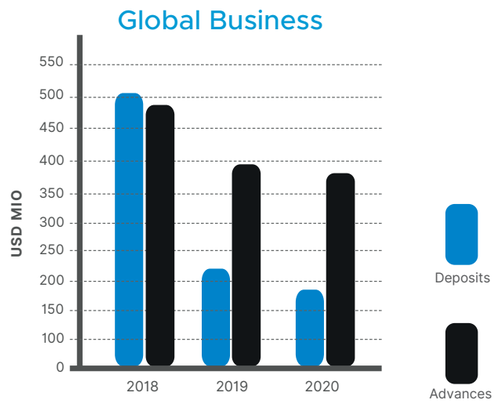
Deposits in Domestic Business Segment have increased by 5.03% to USD 261.97mio against USD 249.43 mio year before.
The focus was on resolving high value NPAs and to enforce credit discipline. The Gross Advances have declined by 8.30% to USD 132.04 mio against USD 143.99 mio year before.

In view of the difficult operating environment, the targets set for total deposits, net loans and advances and investments could not be achieved. The overall growth in net loans and advances was dampened on account of sluggish credit growth linked to continued decline in investment level. The actual level of deposits booked was below the projected level due to our conscious move to reduce high cost term deposits and fund part of Advances growth by raising short term Borrowings in order to bring down reduction in cost of funds of the Bank. The target set for total investments was not attained due to the declining trend in investments on account of excess liquidity prevailing in the market, low interest rate environment and deployment of maturing investments in corporate credit.

2.5.2: Global Business (Segment B)

USD MIO

As at 31st March	2018	2019	2020
Deposits	501.75	221.97	173.84
Advances (Gross)	493.44	395.72	369.23

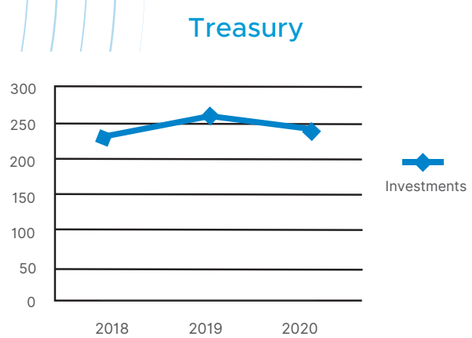


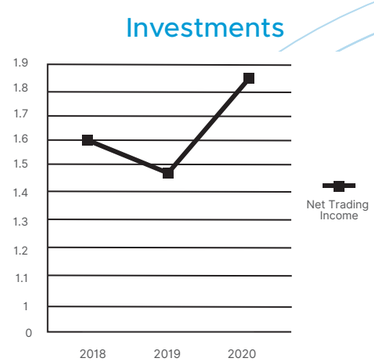
Global Banking Business constitutes more than 40% of Deposits and more than 74% of Advances of the bank. As Reserve Bank of India withdrawn Buyer's Credit scheme, the bank restrategized to selectively build the loan book in medium term to long term tenors.

2.5.3: Treasury & Investments

USD MIO

As at 31st March	2018	2019	2020
Investments	231.69	258.32	249.99
Net Trading Income	1.61	1.47	1.85





SBI (Mauritius) Ltd
Bank to grow with

Investments portfolio has decreased by 3.22% during FY 2019-20. 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 income.

The Treasury have been successful in churning of the investment portfolio by earning profit of USD 0.578 mio (up by 167.59%) in addition to the coupon income of USD 7.63 mio (up by 9.43%). The income from handling of Forex business has also increased during the year by 25.85%, although the completion among the banks has become tougher in a limited size market like Mauritius.

2.5.4: Human Resources

SBI (Mauritius) Ltd is an Equal Opportunity Employer and our Human Resources (HR) 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. We give due recognition to our employees as we have a well-defined promotion policy with defined criteria of eligibility for promotion and we hold promotion exercise every year, which is a strong motivation factor for the staff. We have regular in-house training programs for the development of our staff coupled with training from specialised institutions in speciality areas.

2.5.5: Digital Transformation

Digital transformation is a cultural change that challenge the status quo and help to integrate the entire gamut of business, resulting in improved business processes. It transforms the way the business is delivered to the customers. In SBI (Mauritius), digitisation is always a work-in-progress and constantly we endeavour to ensure that we provide best-in-class solutions to our valued customers.

In order to provide high level of self-service transactions, during FY 2019-20, we have replaced 6 of our end-of-life ATMs with cash recyclers, including one in Rodrigues Island. The cash recyclers provide a number of benefits, including deposit automation and withdrawals. The installation of recyclers has successfully managed to provide improved banking experience to our customers. With this installation, we now have a total of 12 ATM Cash recyclers and 7 ATMs in different parts of the island.

In addition to the improvisation in the ATM channel, we have also introduced a number of enhancements in our Internet Banking and Mobile Banking platforms and have successfully migrated our upwardly mobile and IT savvy customers to these channels, thereby enhancing user experience and diverting our business through these alternate channels.

Also, to augment cashless transactions, we have introduced two new variants of EMV compliant contact less cards. The contactless cards provide the Tap and Pay facility at the POS terminals, and have significantly improved small ticket cashless transactions.

As the pace of technological advancements continues to transform the brick-and-mortar banking, we at SBI (Mauritius) are committed to invest our resources in our digitization efforts and embrace new technologies that could transform the customer value proposition and drive customer satisfaction.

As we implement various technological innovations into our banking landscape, we are also seriously concerned about the information security aspect thereof. In this respect, we have raised to the occasion to enforce various resilience and control measures in our IT systems. We have also shown our solidarity to country's call for security in banking transactions and participated in cyber security drills of the National Computer Board.

Digitization does not always involve fresh investments. It also means maximization in the use of existing technology. In order to achieve our digitization objectives, we have streamlined various manual processes that have improved our manpower productivity and brought about employee empowerment and satisfaction.

We at SBI (Mauritius) is aware of our responsibilities, changing customer behaviour, increasing expectations, omnichannel experience and strive hard for customer acquisition and satisfaction.

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 power delegation. 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 2020. The Bank's capital however, has decreased due to dividend distribution for the FY 18-19 and additional provisioning required as under IFRS-9 guidelines as the same accounting standard were adopted w.e.f 1st April 2018. However, 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						

As of 31.03.2020, the Bank is complying with the regulatory guidelines and our ratios as at 31st March 2020 stands as under as compared to the stipulations.

Actual information:	As per time table	Actual 31.03.2020
Minimum CET 1 CAR	6.5%	27.04%
Minimum CET 1 CAR plus Capital Conservation Buffer	9.0%	27.04%
Phase-in of deductions from CET 1	100%	NA
Minimum Tier 1 CAR	8%	27.04%
Minimum Total CAR	10%	28.20%
Minimum Total CAR plus Capital Conservation Buffer	12.5%	28.20%

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	17,951,523	
Accumulated other comprehensive income and other disclosed reserves (excluding revaluation surpluses on land and building assets)	24,830,910	
Current year's interim profits (subject to certification by the bank's external auditors)	–	
Common Equity Tier 1 capital before regulatory adjustments		145,487,683
Deferred tax assets	2,108,706	
Other Adjustments to Common Equity Tier 1 capital (please specify: Actuarial loss Reserve/FV Reserve)	935,811	
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		142,443,166
Common Equity Tier 1 capital (CET1)		
Additional Tier 1 capital (AT1)		
Tier 1 capital (T1 = CET1 + AT1)		142,443,166
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)	5,124,546	
Surplus arising from revaluation of land and buildings owned by the bank (subject to a discount of 55 per cent)	48,713	
Tier 2 capital before regulatory adjustments		6,129,391
Tier 2 capital (T2)		6,129,391
Total Capital (capital base) (TC = T1 + T2)		148,572,557
Total risk weighted assets		526,799,047
Capital ratios (as a percentage of risk weighted assets)		
CET1 capital ratio		27.04%
Tier 1 capital ratio		27.04%
Total capital ratio		28.20%

USD MIO

Reconciliation to Financial statements	Balance sheet as per published financial statements as on 31.03.2020
	As at period end
Assets	
Cash and cash equivalent	101.61
Loans and advances to banks	45.27
Loans and advances to customers	422.09
Investment securities	249.99
Property, plant and equipment	7.58
Current tax assets	0.49
Deferred tax assets	2.11
Other assets	17.08
Total assets	846.22
Liabilities	
Deposits from customers	435.81
Other borrowed funds	255.17
Current tax liabilities	-
Other liabilities	10.58
Total liabilities	701.56
Shareholders' Equity	
Share capital and share premium	48.63
of which amount eligible for CET1	54.08
Retained earnings	17.95
Other reserves	24.00
Accumulated other comprehensive income	-
Total equity	144.66
Total equity and liabilities	846.22

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 2020			
	Amount before CRM USD 000	Amount After CRM USD 000	Risk Weight Bracket %	Weighted Assets USD 000
Cash items	2,443	2,443	0	0
Claims on sovereigns	80,676	80,676	0-150	0
Claims on Bank of Mauritius	25,233	25,233	0-150	2,854
Claims on multilateral development banks (MDBs)	74,646	74,646	0-150	0
Claims on banks	200,179	200,179	20-150	101,832
Claims on all other PSEs	16,855	16,855	0-150	16,855
Claims on corporates	386,398	385,020	20-150	277,259
Claims included in the regulatory retail portfolio	7,536	6,401	75	4,801
Claims secured by residential property	18,812	18,812	35-125	18,549
Claims secured by commercial real estate	1,028	1,028	100-125	1,028
Past due claims	53,684	53,684	50-150	43,405
Fixed assets/Other assets	12,719	12,719	100-250	12,719
Total	880,210	877,697		479,302

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	4,371	2,296	100	2,296
Transaction-related contingent items	2,047	556	50	278
Trade-related contingencies	11,004	11,004	20-100	2,295
Other commitments	9,227	9,227	0-100	1,845
Total	26,649	23,083		6,714

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 minimize the 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.

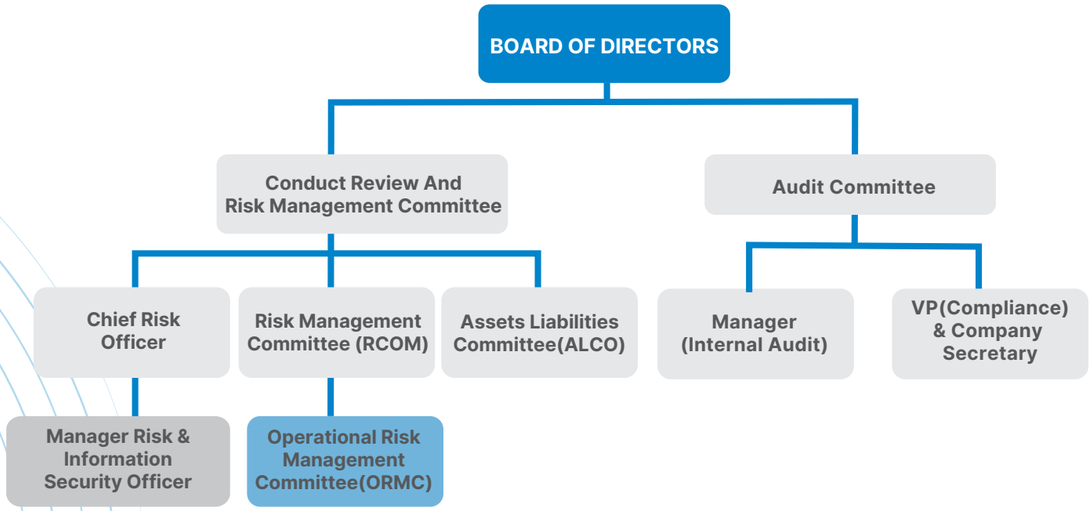
The defence model for Risk at the Bank has three lines:

1. Business vertical – 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. Risk & Compliance – Establishing limits and framework for operating functionaries and oversight of various risks.
3. Internal 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, including monitoring of NPA / SMA accounts.
- 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 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.

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.
- Training Imparted to Staff on KYC/AML.
- Status of KYC Compliance and updation.
- Incidence of Cyber Crimes/Frauds.
- Review Renewal Status.
- Internal Audit Department's Issues/Action Pending.
- 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 Bankof 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

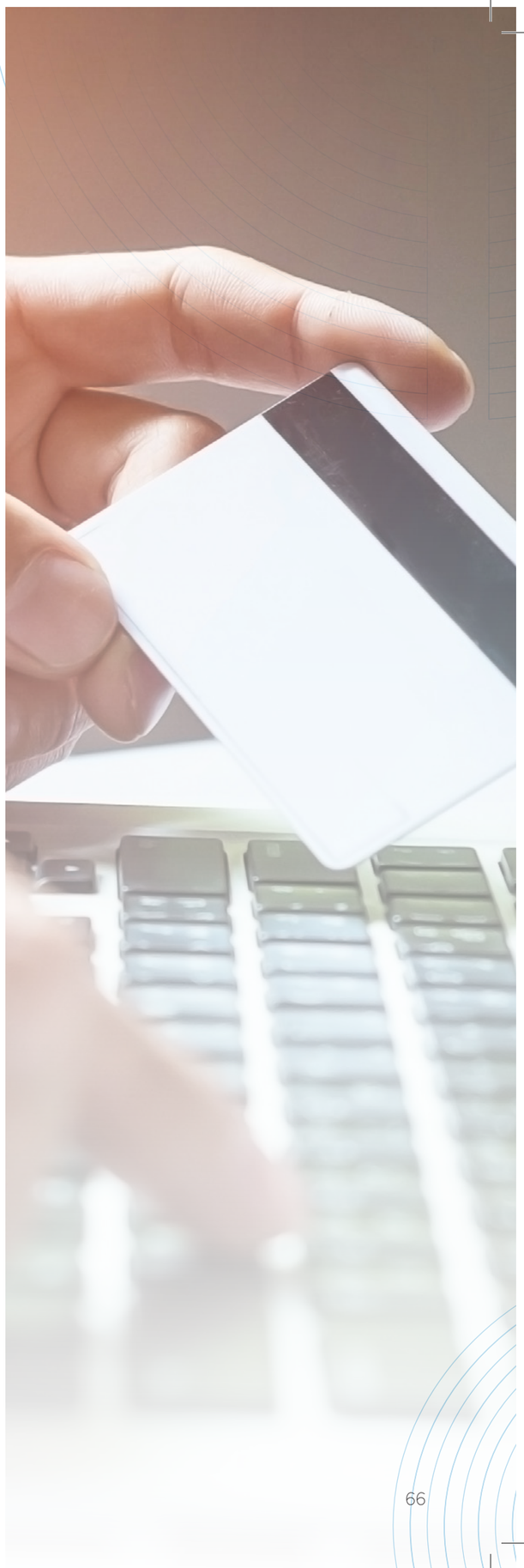
1. Credit Risk

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

- Loan Policy
- Credit Risk Assessment (CRA) System
- Policy on Country Risk Exposure Limit
- Policy on Related Party Transaction

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 exposure industry-wise, NFB vs FB wise, unsecured and sector-wise exposure. The credit appraisal 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: 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 Management Policy in consonance with the Guidelines prescribed by the Bank of Mauritius which is approved by CRRMC of the Board and issubject to biennial review. The Permissible Global exposure limit for each country is calculated as per the Policy and breaches are put up to RCOM at monthly intervals.

Related Party Risk: The BOM has issued guidelines regarding Related Party transactions in respect of Credit, financial leasing, non-fund-based commitments, Placements, Conditional sales agreements, Consulting or professional service contracts, Investment 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.

Concentration Risk: Apart from the above, concentration risk is being monitored in line with the enunciations of BOM regarding the regulatory credit concentration limits and the basic framework of credit concentration risk management to be put in place by financial institutions. It 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.

1.2 Credit Risk Identification, Assessment and Measurement

The process of identifying and assessing the credit risk underlying a proposal

- Industry scenario analyzed by Business departments
- Credit Risk Assessment (CRA) Models used for commercial banking. 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
- For each Global Business credit proposal, a credit rating is assigned using the internal rating system.
- 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 RCOM.

1.3 Credit Risk Monitoring

- Monitoring 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 Policies & 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 (Transition matrix/ Downgrade to upgrade ratio) on annual basis.
- 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.

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 eighteen 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)

	Regulatory Guidelines from 31st January 2020	Actual Position as on 31st March 2020
LCR in MUR	100%	343%
LCR in material foreign currencies	100%	138%
Consolidated LCR (in USD)	100%	145%

The LCR report is submitted to BOM on monthly basis in MUR, USD and consolidated for all currencies in USD. The Bank 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.

USD EaR Analysis

Interest Rate Movement	Impact on Earnings (USD Mio)
+25	0.07
-25	-0.07
+50	0.15
-50	-0.15
+75	0.22
-75	-0.22
+100	0.29
-100	-0.29

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 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.

The coronavirus (COVID-19) outbreak is causing widespread concern and economic hardship for consumers, businesses and communities across the globe and has been the most serious challenge to financial institutions in nearly a century. The Government of Mauritius declared lockdown w.e.f. 20.03.2020 for 2 weeks initially, which was further extended in tranches up to 01.06.2020. As the economic fallout spread, our bank successfully juggled its priorities that required concrete steps to reposition while also recalibrating for the future.

Communiqué related to COVID-19 was posted on Website and Social Media to disseminate information to the public and e-mails were sent to the customers to make them aware of the situation and requested them to use alternate banking channels extensively. ATM Services were up and the cash position was monitored at regular intervals to ensure continued cash dispensation.

The Bank kept 3 branches (Ebene, Global Business Branch and Rodrigues) open along with the Clearing Cell to keep our distribution channels open, while adhering to the social distancing advice and most of the supervisory and compliance functions and the meetings with Senior Management were conducted through Con-call. As situation improved, the Bank gradually opened 7 more branches in a phased manner to cater to the needs of customers in varied geographical areas of the country. The Bank has been taking into cognizance the various instructions and advisories issued by Bank of Mauritius and Government of Mauritius regarding opening of branches.

The organization's people - employees, customers, suppliers – have been given primary importance to ensure their safety. Teams have been working on alternating schedules to diffuse the infection risk and efforts were made to limit office movement by encouraging work-from-home wherever possible.

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.

E: IFRS 9 Implementation

- With effect from 01.04.2018 bank migrated to IFRS 9 accounting standards and the ECL Provisioning Policy was approved by the Board for implementation of IFRS 9 framework on the assets portfolio. The IFRS 9 standard requires the Bank to utilise the best estimates of three components, namely Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), to arrive at an Expected Credit Loss (ECL). These components are estimated using both internal and external models, together with respecting the relevant guidelines. External auditors have validated the internal models and tools for the purpose of IFRS 9.
- 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 Financial Instruments have enhanced the risk assessment of our portfolios: while still delivering a consistent customer experience within set risk parameters. IFRS 9 is much more sensitive to new information compared to IAS 39 in terms of embedding forward-looking information. IFRS 9 reinforces the risk mitigation process through internal controls and credit monitoring.

5. Inspection and Audit

The Bank's internal audit department conducts audits of the branches and head office departments in accordance with the annual audit plan approved by the Audit Committee. Furthermore, concurrent audits are conducted quarterly for selected branches/departments and special audits are conducted as needed to focus on specific areas. Full Audits to verify compliance with Know your Customer (KYC) procedures are also conducted periodically at branches and at the centralised transaction processing units at the head office.

The audits ensure the accuracy, completeness and authenticity of transactions, as well as compliance with procedures and guidelines. The audit covers credit risk, interest rate risk, foreign exchange risk, operational risk, liquidity risk, the operational areas falling under the respective risk categories, regulatory compliance and general administration. The synopsis of the audit's reports is submitted to the Audit Committee, the minutes of which are reviewed by the Board. The audits reports show that internal controls and compliance procedures operate effectively.

On-Site Examination under Section 42 of the Banking Act 2004 was conducted over the period from 16/03/2018 to 27/08/2018 by the Bank of Mauritius and report issued on 08.03.2019. The parent bank, State Bank of India, also periodically conducts Management Audit of the subsidiary. The last inspection was carried out in October 2018.

6. Compliance Department

The Compliance department of the Bank has been set up to ensure that the Bank 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 and appropriate recommendations for enhancement of processes and controls are made as required. It 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 sample verification about the correctness of reporting by the branches and departments is also carried out based on the audit report issued by the Internal Audit Department. The Compliance Department provides training to all staff on compliance and AML/CFT 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. A software known as AMLOCK is used for these purposes and this software is also used for detection of financial crimes, if any.

7. Related Party Transaction Policies And Practices

As per the extant guidelines of Bank of Mauritius on Related Party Transactions, which had became 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;
- A subsidiary of the financial institution with no shareholder (natural person) holding directly or indirectly more than a significant shareholding in the parent financial institution.

Category 3

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

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 2020 are furnished hereunder in a tabular format:

USD MIO

Category	Related Party	O/s Balance 31.03.2020	Remarks
Category 1			
Exempted	Treasury Placements	11.56	Treasury placements on foreign branches of SBI
Non Exempted	State Bank of India	1.08	Bank Guarantees against Counter Guarantee of SBI Branches
Category 3		-	-
Exempted	Sundry Transactions (i) Loans to Senior Officers	0.04	Loans extended to Senior Officers as per terms of Contract
Total Exempted exposures		11.60	7.94% of Tier 1 Capital
Total Non-exempted exposures		1.08	0.74% of Tier 1 Capital
Tier I Capital		146.15	

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

7. 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 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 has complied with all the requirements of the guidelines on Corporate Governance issued by the Bank of Mauritius and the Code of Corporate Governance for Mauritius. 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 Bank 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.

8. Outlook For 2020-21

Technology is challenging the banking landscape in the world and Mauritius is embracing the challenges in a positive way. We, at SBI (Mauritius), are aware of the fintech changes world over and are committed to invest our resources to innovate and embrace the new technology to optimize customer satisfaction. Being part of the State Bank of India group, which has been a pioneer in fintech initiatives in India, we draw the positive risks & right platform to launch new products in the local market. We are in the process of launching the parent bank's flagship digital app known as YONO for all customers, which will be a unique experience for our valued customers.

The Bank is reviewing its business strategy with help of external consultant to focus on key strengths and improve on areas of concern. This will help the bank to put in place step up approach to cover short, medium and large term business plan. Our growth would be based on customer acquisition, diversifying our product mix and expanding our presence across sectors. The target is to be a comprehensive provider of financial services to our customers and strongly reinforce our status. The bank drawing its lineage from a strong parent banking group has always followed high order of compliance standards and will continue doing so to instil the confidence of customers dealing with us.

Recently, the bank has also revised its vision, mission and value statement to give more emphasis on integration with the current market condition and instil the value statement among all staff while serving the customers with its acronym as STEPS: (Service, Transparency, Ethics, Politeness and Sustainability).

FY 2020-21, in many aspects, going forward efforts will also be directed towards achieving more sustainable mix of business in both domestic as well as offshore business arena.

The mission we are undertaking, even its very conception, has been made possible by the guidance, advice and support of all our shareholders, customers and dedicated staffs. We are sanguine in fuelling our enthusiasm and confidence to navigate the next milestones in our journey ahead.

Mukesh Arya
Chief Operating Officer

Shashi Prabha
Managing Director & CEO

AUDITOR'S REPORT

by working together

AUDITOR'S REPORT

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 143, which comprise the statement of financial position as at 31 March 2020, 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 the 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 2020, 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 (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. • Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro- economic forecasts. The macro-economic forecasts are estimates of future economic conditions. • Qualitative adjustments – Adjustments to the model-driven ECL results are raised 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 disclose the sensitivities estimated by the Bank. Also refer note 4.d of the financial statements.	Our procedures included the following amongst others: • Evaluating the appropriateness of the impairment methodologies applied by the Bank against the requirements of IFRS 9; • 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; • Assessing the appropriateness of the macro- economic forecasts used; • Use of specialist team for assessing the appropriateness of PD, LGD and EAD used in the ECL calculation; • Assessing the reasonableness of the model predictions by comparing them against actual results; • Sample testing over key data sources and assumptions including economic forecasts, PD, LGD assumptions and qualitative adjustments impacting ECL calculations; • Testing on a sample basis the completeness and accuracy of data used for ECL calculation; • Assessing whether the disclosures are in accordance with the requirements of IFRS 9. We found the assumptions used in determining the expected credit loss and related disclosures to be reasonable and appropriate.

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.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, Certificate from the Company Secretary, the Statement of Management's Responsibility for financial reporting and the Corporate Governance Report, but does not include the financial statements, and our auditor's report thereon.

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

AUDITOR'S REPORT

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.

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

Date: 13 May 2020

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, authorization 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 Policy Committee, which comprise of 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 auditors. 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 auditors, Deloitte, have 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.

Shashi Prabha
Managing Director & CEO

B.K. Maudarbocus-Boodoo
Director

G. Gopee
Director

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2020

	Notes	2020 USD	2019 USD	2018 USD
Interest income		31,443,365	38,659,543	38,344,764
Interest expense		(14,203,985)	(14,474,354)	(14,717,001)
Net interest income	7	17,239,380	24,185,189	23,627,763
Net fee and commission Income	8	2,704,838	2,440,099	2,138,464
Net trading income	9	1,848,774	1,468,613	1,612,416
Other operating income	10	826,023	527,869	888,620
		2,674,797	1,996,482	2,501,036
Operating income		22,619,015	28,621,770	28,267,263
Net impairment loss on financial assets	11	(12,935,982)	(2,090,131)	(17,286,821)
Personnel expenses	12	(4,501,027)	(4,630,738)	(4,220,177)
Depreciation and amortisation	20,23	(855,346)	(504,904)	(509,270)
Other expenses	13	(3,770,327)	(3,396,080)	(3,490,487)
Profit before income tax		556,333	17,999,917	2,760,508
Income tax income/(expense)	14 b	766,273	(2,300,000)	(1,090,000)
Profit for the year		1,322,606	15,699,917	1,670,508
Other Comprehensive Income				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligations, net of deferred tax		85,914	(451,166)	(583,209)
Fair value gains on investment securities		101,582	404,033	-
Items that may be reclassified subsequently to profit or loss				
Fair value gains/(loss) on investment securities		2,910,068	785,175	(2,556,203)
Other Comprehensive income/(loss) for the year		3,097,564	738,042	(3,139,412)
Total comprehensive income/(loss) attributable to equity holders		4,420,170	16,437,959	(1,468,904)
Earnings per share	15	1.70	20.18	2.15

Approved and authorised for issue by the Board of Directors on 13th May 2020.

Shashi Prabha
Managing Director & CEO

B.K. Maudarbocus-Boodoo
Director

G. Gopee
Director

Statement of Financial Position as at 31 March 2020

	Notes	2020 USD	2019 USD	2018 USD
ASSETS				
Cash and cash equivalents	16a	101,609,876	93,304,042	255,313,977
Loans and advances to banks	17	45,266,408	42,299,888	67,005,364
Loans and advances to customers	18	422,088,019	476,294,433	533,741,606
Investment securities	19	249,991,469	258,319,143	231,695,181
Property, plant and equipment	20	7,583,324	7,685,687	7,939,630
Deferred tax assets	21	2,108,706	1,503,706	2,059,900
Current tax assets	26	490,809	204,470	-
Rights-of-use	23	1,444,140	-	-
Other assets	22	15,634,671	16,451,970	18,902,003
Total assets		846,217,422	896,063,339	1,116,657,661
LIABILITIES				
Deposits from customers	24	435,808,436	471,418,308	781,642,115
Other borrowed funds	25	255,166,637	265,106,186	165,692,623
Current tax liabilities	26	-	-	528,263
Retirement benefit obligation	35	3,070,918	3,373,612	2,881,503
Lease Liabilities	30	1,277,872	-	-
Other liabilities	27	6,233,437	6,199,843	4,064,154
Total liabilities		701,557,300	746,097,949	954,808,658
Shareholders' Equity				
Share Capital	28a	48,627,188	48,627,188	48,627,188
Share premium	28a	54,078,062	54,078,062	54,078,062
Retained earnings		17,951,523	26,552,746	42,179,846
Statutory and Other reserves	36	27,248,247	24,038,206	19,843,553
Actuarial losses reserve	36	(3,244,898)	(3,330,812)	(2,879,646)
Total equity		144,660,122	149,965,390	161,849,003
Total equity and liabilities		846,217,422	896,063,339	1,116,657,661

Approved and authorised for issue by the Board of Directors on 13th May 2020.

Shashi Prabha
Managing Director & CEO

B.K. Maudarbocus-Boodoo
Director

G. Gopee
Director

Statement of changes in equity for the year ended 31 March 2020

	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 2017		48,627,188	54,078,062	21,423,780	603,175	122,225	(2,296,437)	55,348,070	177,906,063
Profit for the year		-	-	-	-	-	-	1,670,508	1,670,508
Other Comprehensive Income for the year		-	-	-	-	(2,556,203)	(583,209)	-	(3,139,412)
Transfer to Statutory reserves		-	-	250,576	-	-	-	(250,576)	-
Dividend paid	28b	-	-	-	-	-	-	(14,588,156)	(14,588,156)
Balance at 31 March 2018		48,627,188	54,078,062	21,674,356	603,175	(2,433,978)	(2,879,646)	42,179,846	161,849,003
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 IFRS 9		-	-	-	-	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	28b	-	-	-	-	-	-	(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	4,029,344	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	28b	-	-	-	-	-	-	(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

Statement of Cash Flows for the year ended 31 March 2020

	Notes	2020 USD	2019 USD	2018 USD
Cash flows from operating activities				
Profit for the year		1,322,606	15,699,917	1,670,508
Adjustments for:				
Depreciation	20,23	855,346	504,904	509,270
Net gain of investments		(577,567)	(215,988)	(505,134)
Dividend on investment		(29,048)	-	(27,395)
Exchange rate difference		(489,262)	(633,158)	(1,071,184)
Profit on disposal of assets		-	(14,389)	(15,367)
(Profit)/loss on disposal of non banking asset		-	(10,677)	65,019
Increase/(decrease) in provision for retirement benefit obligation		183,177	170,507	138,252
Interest on lease liabilities		57,855	-	-
Impairment on financial assets - loans	11	12,935,982	2,090,131	17,286,821
Income tax expense	14 b	(766,273)	2,300,000	1,090,000
		13,492,816	19,891,247	19,140,790
Changes in operating assets and liabilities				
Decrease/(increase) in loans and advances to banks		(2,772,230)	24,083,843	122,574,961
Decrease in loans and advances to customers		40,856,977	29,771,316	100,186,931
Decrease/(increase) in other assets		817,299	2,450,033	(1,627,289)
(Decrease)/increase in deposits from customers		(36,380,834)	(309,723,385)	99,361,009
Increase/(decrease) in other liabilities		33,594	2,135,689	1,383,355
Net change in interest receivable		117,758	1,387,449	(427,521)
Net change in interest payable		343,064	(89,761)	976,685
Income tax paid	26	(44,349)	(865,113)	(1,914,707)
Net cash (used in)/generated from operating activities		16,464,095	(230,958,683)	339,654,214
Cash flows from investing activities				
(Increase)/decrease in investment securities (net)		(48,203,309)	(44,332,453)	(110,084,148)
Proceeds from sale of investment securities		60,061,850	19,370,000	33,554,357
Purchase of property, plant and equipment	20	(402,353)	(250,958)	(343,081)
Proceeds from sale of property, plant and equipment		-	14,389	15,367
Proceeds from sale of non banking asset		-	10,489	117,033
Dividend on investment		29,048	-	27,395
Net cash (used in)/generated from investing activities		11,485,236	(25,188,533)	(76,713,077)
Cash flows from financing activities				
Other borrowed funds		14,026,000	-	23,313,750
Repayment of lease liability		(406,409)	-	-
Dividend paid	28b	(9,725,438)	(4,862,719)	(14,588,156)
Net cash (used in)/generated from financing activities		3,894,153	(4,862,719)	8,725,594
Net (decrease)/increase in cash and cash equivalents		31,843,484	(261,009,935)	271,666,731
Cash and cash equivalents at beginning of year		(20,695,958)	240,313,977	(31,352,753)
Cash and cash equivalents at end of year	16b	11,147,526	(20,695,958)	240,313,977

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, Ebene Cybercity .It holds a banking licence and carries banking operations both locally and internationally.

2.1 New and revised standards that are effective for the current year

In the current year, the Bank has applied all of the 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 1 April 2019.

IAS 12 Income Taxes - Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends)

IAS 19 Employee Benefits - Amendments regarding plan amendments, curtailments or settlements

IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modification of financial liabilities

IFRS 16 Leases - Original issue

IFRIC 23 Uncertainty over Income Tax Treatments issued

Impact of application of IFRS 16 - Leases

In the current year, the Bank has applied IFRS 16 Leases (as issued by the IASB in April 2016) that is effective for an annual period that begins on or after 1 April 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3.The impact of the adoption of IFRS 16 on the Bank's financial statements is as follows:

The date of initial application of IFRS 16 for the Bank is 1 April 2019.

The Bank has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Bank to measure the right-of use asset at amount equal to the lease liability.
- does not permit the restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

Impact of the new definition of a lease

The Bank has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or modified before 1 April 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Bank applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 April 2019 (whether it a lessor or a lessee in the lease contract). The new definition in IFRS 16 has not significantly changed the scope of contracts that meet the definition of a lease for the Bank.

Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Bank accounts for lease previously classified as operating leases under IAS 17, which were off balance-sheet. Applying IFRS 16, for all leases (except as noted below), the Bank:

a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss and other comprehensive income; and

c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

For short term leases (lease term of 12 months or less) and leases of low value assets, the Bank can opt to recognise a lease expense on a straight-line basis in profit or loss as permitted by IFRS 16. The Bank did not have any short term leases or low value assets leases.

The Bank has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Bank has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Bank has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease terminates within 12 months of the date of initial application.
- The Bank has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Bank has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 as from 1 April 2019.

Financial impact on initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 April 2019 is 5.50%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Impact on statement of financial position as at 1 April 2019	USD
Operating lease commitments at 31 March 2019	2,010,300
Effect of discounting the above amounts	(215,530)
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	-
Lease liabilities recognised at 1 April 2019	1,794,770

Right-of-use assets of USD1,794,770 were recognised and presented separately in the statement of financial position.

No additional lease liabilities were recognised.

There has been no impact in opening retained earnings with the adoption of IFRS 16.

2.2 Relevant new and revised standards in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant new and revised Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1 Presentation of Financial Statements - Amendments regarding the definition of material (effective 1 April 2020)

IAS 1 Presentation of Financial Statements - Amendments regarding the classification of liabilities (effective 1 April 2022)

IAS 8 Amendments regarding the definition of material (effective 1 April 2020)

IFRS 7 Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform (effective 01 April 2020)

IFRS 9 Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform (effective 01 April 2020)

The directors anticipate that these Standards and Interpretation will be applied on their effective dates in future periods. Except as detailed below, the directors have not yet had an opportunity to consider the potential impact of the application of these amendments.

2.3 Significant accounting policies

(a) Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

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

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

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

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that are not purchased or credit impaired assets ('POCI') but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity 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 expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 3.1.4, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(1) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(2) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

(i) Classification and subsequent measurement

From 1 April 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- 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 and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

(i) the Bank's business model for managing the asset; and

(ii) the cash flow characteristics of the asset.

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.1.4. Interest income from these financial assets is included in 'Interest and similar 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 FVPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or 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 recognisedin 'Net trading income '. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or 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 or 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 FVPL. Factors considered by the Bank in determining the business model for a Bank of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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 OCI 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 FVPL are included in the 'Net trading income' line in profit or loss.

(ii) Impairment

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at 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 3.1.4 provides more detail of how the expected credit loss allowance is measured.

(iii) 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 expected credit loss calculation is discussed in note 3.1.4.

(iv) 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 (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) 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:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a subordinated residual interest.

Financial liabilities

(i) Classification and subsequent measurement

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

- Financial guarantee contracts and loan commitments (see note 31).

(ii) 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.

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 3.1.5); 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 3.1.5). 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.

(b) Impairment

Financial assets measured at amortised cost will be subject to impairment provisions of IFRS 9. The Bank expects to apply the expected credit losses approach as required by IFRS 9.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

(c) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Trading transactions denominated in foreign currencies are accounted for at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are reported at the rate of exchange ruling at the end of the reporting date. Differences arising from reporting monetary items are dealt with through profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(d) Functional and presentation currency

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

The exchange rate used for the preparation of financial statements is mid rate based on rates quoted by Reuters and is USD/MUR 39.50 (2019: USD/MUR 34.87 and 2018: USD/MUR 33.69).

(e) 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.

(f) Interest income and expense

Interest income and expense are recognised through profit or loss for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter suspended and recognised only upon receipt.

(g) Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

(h) Net trading income

Net trading income comprises net gains on forex trading and translation differences.

(i) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the Statement of Financial Position as Government securities and Treasury bills and the counterparty liability is included in amount due to other banks or deposits, as appropriate.

Securities purchased under agreements to resell ("reverse repos") are recorded as amount due from other banks or loans and advances, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repos agreements using the effective yield method.

(j) Investment securities

The Bank classifies its investment securities as fair value through profit or loss, held-to-maturity or available-for-sale assets. Management determines the appropriate classification of its investments at the time of the purchase. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale.

Available for sale investment securities are initially recognised at cost (which includes transaction costs). Available-for-sale listed financial assets are subsequently remeasured at fair value based on quoted bid prices. Fair values for unlisted equity securities are estimated using maintainable earnings or net assets bases refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instruments original current market rate of interest. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned while holding investment securities is reported as interest income.

All regular way purchases and sales of investment securities are recognised at trade date which is the date that the Bank commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement.

(k) Financial asset-Designation at fair value through profit or loss

The Bank has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

The recoverable amount of an instrument measured at fair value is the present value of the expected future cash flows discounted at the current market rate of interest for a similar financial asset. Changes in the fair value of instruments designated at fair value through profit or loss are recognised in profit or loss.

Interest earned while holding investment securities is reported as interest income.

(l) 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.

(m) Other Financial Assets

Other financial assets, including placements and other receivables, that have fixed or determinable payments and that are not quoted in an active market are classified as loan and receivables. They are measured at amortised cost, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Interest accrued on placements is accounted for in the Statement of profit or loss as Interest income.

(n) 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.

Revaluation surpluses arising in prior years are credited to reserves. Any subsequent decrease is first charged to reserves. Thereafter, decreases are charged to profit or loss to the extent that the decrease exceeds any amount formerly held in reserves in respect of the same asset.

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit or loss. On disposal of revalued assets, the amounts included in the revaluation surplus are transferred to retained earnings.

(o) Cash and cash equivalents

For the purposes of the Statement of cash flows, cash and cash equivalents comprise cash and balances with Central Bank and amounts due to and from other banks. Cash and cash equivalents do not include the mandatory balances with Central Bank.

(p) 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.

(q) Employee benefits

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.

(r) Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax

The current income tax charge is based on taxable income for the year calculated on the basis of tax laws enacted or substantially enacted by the end of the reporting period.

Deferred tax

Deferred tax is provided for, using the liability method, on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

The rates enacted or subsequently enacted at the reporting date are used to determine deferred tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(s) Borrowings

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective yield method.

(t) 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 the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

(u) Segmental reporting

In accordance with the Bank of Mauritius Guidelines, 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.

(v) Operating lease

The Bank has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 April 2019

The Bank as lessee

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 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.

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

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

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.

Policies applicable prior to 1 January 2019

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to profit or loss on a straight-line basis over the period of the leases.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(w) Share Capital

Ordinary shares are classified as equity.

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction.

(x) Comparative figures

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

3 Financial risk management

Introduction and Overviews

The Bank has exposure to the following risks from its use of financial instruments:

1 Capital Risk
2 Credit Risk
3 Market Risk
4 Operational Risk

This note presents information about the Bank's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risk.

Capital Risk

The Bank manages its capital to ensure that the entity will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Bank's overall strategy remains unchanged from previous years. The capital structure of the Bank consists of debt, which includes the borrowings, and equity attributable to equity holders comprising of issued capital, reserves and retained earnings.

Credit Risk

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components

(i) the "probability of default" by the client or counterparty on its contractual obligations;

(ii) current exposures to the counterparty and its likely future development, from which the Bank derive the "exposure at default".

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. These tools have been developed internally and combine statistical analysis with credit officer judgement and are validated, where appropriate, by comparison with externally available data.

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 half-yearly or more 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.

Credit - related commitments

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.

Impairment and provisioning policies

The internal and external rating systems focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The impairment provision shown in the statement of financial position at year-end is derived from each of the four rating grades. However, the majority of the impairment provision comes from the bottom two grading. The table shows the percentage of the Bank's on-and off-balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level

3.1 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.Committee approach is adopted for sanction of all the loans. All the credit related risk parameters are discussed threadbare in the committee before sanction/ rejection of the loans.

3.1.1 Credit risk measurement

(a) Loans and advances (incl. 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). This is similar to the approach used for the purposes of measuring ECL under IFRS 9. Refer to note 3.1.2 for more details.

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.

Retail

The borrowers are classified into seven pools based on product types as below:

Pool Name	Pool ID
HOUSING	Pool 1
CONSTRUCTION	Pool 1
REALITY (PURCHASE OF LAND PROPERTY)	Pool 1
MULTIPURPOSE	Pool 1
PLANTATION	Pool 1
SECURED BY DEPOSITS	Pool 2
CAR	Pool 3
CONVEYANCE (PURCHASE OF MOTOR VEHICLES)	Pool 3
OTHER VEHICLE	Pool 3
CAR OLD LOAN	Pool 3
EDUCATION	Pool 4
GOVERNMENT GUARANT EDUCATIONAL LOAN	Pool 4
PERSONAL	Pool 5
SBI PENSION LOAN	Pool 5
OTHER PERSONAL LOANS	Pool 5
SMART CREDIT	Pool 5
REVOLVING CREDIT (OVERDRAFT)	Pool 5
BUSINESS PURPOSE	Pool 5
DOMESTIC PURPOSE	Pool 5
SBI EXPRESS	Pool 5
WORKING CAPITAL (OR LONGER TERM FUNDS PROPRIETORS)	Pool 5

Each pool is then mapped to a historical PD.

Treasury

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

a) AAA
b) AA
c) A
d) BBB
e) BB
f) B
g) CCC /C
h) Default

Global Business

All long term loans are classified into two pools based on internal SBI rating and external rating as follows:

- LT Pool 1: SB 01 – SB 05 or AAA or AA or A
- LT Pool 2: SB06 – SB 15 or BBB or BB or B or below or Unrated

Short term loans are classified into two based on Internal SBI rating and external ratings as below:

Note: If a loan falls in Pool 1 category according to internal rating and Pool 2 according to external rating Bank will consider it as in Pool 2.

Note: If a loan falls in Pool 2 category according to internal rating and Pool 1 according to external rating Bank will consider it as in Pool 2.

Each pool is then mapped to a historical PD.

Corporate

The corporate portfolio is divided into two pools based on internal SBI ratings as follows:

- Pool 1: SBIML 1 – SBIML 6
- Pool 2: SBIML 7 – SBIML 16 or Unrated

Each pool is then mapped to a historical PD.

3.1.2 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 financialinstrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 3.1.2.1 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 3.1.2.2 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 lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 3.1.2.3 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 3.1.2.4 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).

  Further explanation is also provided of how the Bank determines appropriate groupings when ECL is measured on a collective basis (refer to note 3.1.2.5).

3.1.2 Expected credit loss measurement

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

3.1.2.1 Significant increase in credit risk (SICR)

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.

SICR criteria

The Bank will evaluate certain indicators when assessing for SICR by considering all reasonable and supportable information available at the time of assessment.

Low credit risk expedient

IFRS 9 offers a low credit risk (LCR) expedient for the purpose of allocating exposures into stages based on SICR assessment. On application of this expedient, theBank 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:

(a) The financial instrument has a low risk of default;
(b) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
(c) Adverse changes in economic and business conditions in the longer term may, but will not necessarily; reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Bank applies the LCR expedient on its Cash and Cash equivalent line item in the Balance Sheet.

30+DPD rebuttal

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 MD & CEO.

Backwards transition

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.

- 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.

- 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.

Qualitative criteria:

For Retail portfolios, if the borrower meets one or more of the following criteria:

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last [12] months

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 3.1.2.4 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, where a Watchlist is used to monitor credit risk, this 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.

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 Bank has not used the low credit risk exemption for any financial instruments in the year ended 31 March 2020.

3.1.2.2 Definition of default and credit-impaired assets

The Bank definition of default will be aligned with 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 recognized against all such assets. As per the bank's Loan Policy and Bank of Mauritius Guideline on Credit Impairment measurement and income recognition April 2016, for Loans and Overdrafts impaired assets are classified as:

Impaired Asset

Loans

A loan can be classified as impaired asset when installments of principal and/or interest are due and remain unpaid for 90 days or more, or such unpaid amount has been capitalized, 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 capitalized 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/ installment (including maturity proceeds) for Investments is due and remains unpaid for more than 90 days.

3.1.2.3 Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- 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, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's 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 3.1.2.4 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.

3.1.2.4 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 judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are sourced from 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. For computation of the same, 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.

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

Retail

Umemployment rate given its impact on secured and unsecured borrowers ability to meet their contractual repayments.

Corporate

GDP and core imflation given the significant impact on individual and company's performance and collateral valuations.

Global Business

World inflation forecast for significant impact on the company's performance.

Investments

Real GDP growth rate, current accounts balance and CPI inflation have significant impact on investment portfolio.

3.1.2.5 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.

Corporate Portfolio	GBB Portfolio
Ø Pool 1 : SBIML 1 – SBIML 6 Rated Loans	Ø Pool 1 : SB 01 – SB 05 or AAA or AA or A
Ø Pool 2 : SBIML 7 – SBIML 15 & Unrated Loans	Ø Pool 2 : SB 06 – SB 15 or BBB or B or BB or below or unrated

Retail Portfolio		Investment Portfolio (As per rating grade)	
1. Pool_1	Mainly secured by House / Land and have similar risk	1	AAA as PD1
2. Pool_2	Fully secured by deposits	2	AA as PD2
3. Pool_3	Secured by vehicle	3	A as PD3
4. Pool_4	For education purposes	4	BBB as PD4
5. Pool_5	Other loans all classified together as separate volume would have been immaterial	5	BB as PD5
		6	B as PD6
		7	CCC/C as PD7
		8	Default as PD8

3.1.3 Exposure to Credit Risk

3.1.3.1 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 asses below also represent the Bank's maximum exposure to credit risk on these assets.

Retail

	2020				2019
	USD	USD	USD	USD	USD
Credit grade	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Performing	23,417,748	-	-	23,417,748	28,388,063
Special mention	-	1,528,202	-	1,528,202	1,087,625
Impaired	-	-	893,923	893,923	914,789
Gross carrying amount	23,417,748	1,528,202	893,923	25,839,873	30,390,477
Loss allowance	(522,371)	(31,807)	(513,818)	(1,067,996)	(900,944)
Carrying amount	23,114,203	1,509,313	380,105	24,771,877	29,489,533

Corporate

	2020				2019
	USD	USD	USD	USD	USD
Credit grade	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Performing	71,389,813	-	-	71,389,813	92,378,894
Special mention	-	330,661	-	330,661	809,412
Impaired	-	-	9,189,810	9,189,810	10,237,716
Gross carrying amount	71,389,813	330,661	9,189,810	80,910,284	103,426,022
Loss allowance	(1,938,968)	(6,589)	(4,320,723)	(6,266,279)	(5,882,522)
Carrying amount	70,311,533	327,234	4,869,086	75,507,853	97,543,500

Global Business

	2020				2019
	USD	USD	USD	USD	USD
Credit grade	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Performing	350,923,970	-	-	350,923,970	383,246,295
Special mention	-	-	-	-	2103311
Impaired	-	-	43,600,738	43,600,738	20,548,474
Gross carrying amount	350,923,970	-	43,600,738	394,524,708	405,898,080
Loss allowance	(6,569,323)	-	(20,016,840)	(26,586,163)	(14,336,791)
Carrying amount	347,289,054	-	23,583,898	367,938,545	391,561,289

Investment Securities

	2020				2019
	USD	USD	USD	USD	USD
Credit grade	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Investment grade	207,849,840	-	-	207,849,840	239,399,143
Below investment grade	42,214,566	-	-	42,214,566	18,971,440
Special mention	-	-	-	-	-
Impaired	-	-	-	-	-
Gross carrying amount	250,064,406	-	-	250,064,406	258,370,583
Loss allowance	(72,937)	-	-	(72,937)	(51,440)
Carrying amount	249,991,469	-	-	249,991,469	258,319,143

3.1.3.2 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. FVPL):

	Maximum exposure to credit risk
	USD
Financial assets designated at fair value	101,609,876
Investment securities	157,733,126

3.1.3.3 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 Banks of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to a half-yearly or more 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:

3.1.3.3.1 Collaterals and other credit enhancements

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 Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- 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's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

2020	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	USD	USD	USD	USD
Credit-impaired assets				
Loans to individuals:				
- Overdrafts	29,185	20,616	8,570	127,599
- Term loans	94,640	70,926	23,714	204,935
- Mortgages	791,771	437,806	353,966	1,613,813
Loans to corporate entities:				
- Large corporate customers	52,444,116	24,127,906	28,316,210	36,170,000
- Small and medium-sized enterprises (SMEs)	-	-	-	-
- Other	324,759	194,128	130,630	1,191,941
Total credit-impaired assets	53,684,471	24,851,382	28,833,090	39,308,288

The following table shows the distribution of LTV ratios for the Bank's mortgage credit-impaired portfolio:

	2020
Mortgage portfolio – LTV distribution	Credit-impaired (Gross carrying amount)
	USD
Lower than 50%	273,055
50 to 60%	168,969
60 to 70%	36,480
70 to 80%	172,693
90 to 100%	140,574
Total	791,771

3.1.4 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 releasesfor 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 2019	350,059	11,910	538,975	900,944
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(6,908)	6,908	-	-
Transfer from Stage 1 to Stage 3	(53,461)	-	53,461	-
Transfer from Stage 2 to Stage 1	1,618	(1,618)	-	-
Transfer from Stage 2 to Stage 3	-	(28,681)	28,681	-
Transfer from Stage 3 to Stage 1	(14,392)	-	14,392	-
Transfer from Stage 3 to Stage 2	-	(6,452)	6,452	-
New financial assets originated or purchased	70,871	500	-	71,371
Change in existing	177,236	32,049	(73,341)	135,944
Modification of contractual cash flows of financial assets				
Unwind of discount				
FX and other movements				
Total net P&L charge during the period				
Other movements with no P&L impact				
Financial assets derecognized during the period				
Closed Accounts	(29,482)	(1,907)	(8,874)	(40,263)
Write-offs	-	-	-	-
Loss allowance as at 31 March 2020	495,541	12,709	559,746	1,067,996

	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 2019	1,310,435	8,170	4,563,917	5,882,522
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(2,576)	2,576	-	-
Transfer from Stage 1 to Stage 3	(71,749)	-	71,749	-
Transfer from Stage 2 to Stage 1	1,111	(1,111)	-	-
New financial assets originated or purchased	239,791	641	-	240,432
Change in existing	671,945	1,116	(236,277)	436,784
Modification of contractual cash flows of financial assets				
Unwind of discount				
FX and other movements				
Total net P&L charge during the period				
Other movements with no P&L impact				
Transfers				
Financial assets derecognized during the period				
Write-offs	-	-	-	-
Closed Accounts	(205,670)	(6,552)	(81,237)	(293,459)
Loss allowance as at 31 March 2020	1,943,287	4,840	4,318,152	6,266,279

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Global business	USD	USD	USD	USD
Loss allowance as at 1 April 2019	3,811,842	20,893	10,504,055	14,336,790
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 3	9,453,685	-	(9,453,685)	-
Transfer from Stage 2 to Stage 1	245	(245)	-	-
New financial assets originated or purchased	2,981,295	-	-	2,981,295
Modification of contractual cash flows of financial assets				
Unwind of discount				
FX and other movements				
Changes in existing	11,047,737	(245)	-	11,047,492
Total net P&L charge during the period				
Other movements with no P&L impact				
Transfers				
Transfer from Stage 1 to Stage 2				
Financial assets derecognized during the period				
Closed Accounts	(1,605,357)	-	-	(1,605,357)
Write-offs	-	-	(174,057)	(174,057)
Loss allowance as at 31 March 2020	25,689,447	20,403	876,313	26,586,163

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Investment securities	USD	USD	USD	USD	USD
Loss allowance as at 1 April 2019	51,440	-	-	-	51,440
Movements with P&L impact					
Transfers:					
Changes in existing	21,497	-	-	-	21,497
Total net P&L charge during the period					
Other movements with no P&L impact					
Transfers					
Transfer from Stage 1 to Stage 2					
Financial assets derecognized during the period					
Write-offs	-	-	-	-	-
Loss allowance as at 31 March 2020	72,937	-	-	-	72,937

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:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Retail	USD	USD	USD	USD
Gross carrying amount as at 1 April 2019	28,388,063	1,087,625	914,789	30,390,477
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(255,462)	255,462	-	-
Transfer from Stage 1 to Stage 3	(20,097)	-	20,097	-
Transfer from Stage 2 to Stage 1	113,517	(113,517)	-	-
Transfer from Stage 2 to Stage 3	-	(20,971)	20,971	-
Transfer from Stage 3 to Stage 1	9,607	-	(9,607)	-
Transfer from Stage 3 to Stage 2	-	2,259	(2,259)	-
Financial assets derecognized during the period other than write-offs				
New financial assets originated or purchased	3,876,706	90,531	-	3,967,237
Modification of contractual cash flows of financial assets	-	-	-	-
Change in existing	(5,276,073)	(192,795)	(148,018)	(5,616,886)
FX and other movements	-	-	-	-
Closed accounts	(2,685,868)	(199,338)	(15,749)	(2,900,955)
Gross carrying amount as at 31 March 2020	24,150,393	909,256	780,224	25,839,873

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Corporate	USD	USD	USD	USD
Gross carrying amount as at 1 April 2019	92,378,894	809,412	10,237,716	103,426,022
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(22,185)	22,185	-	-
Transfer from stage 1 to stage 3	(60,906)	-	60,906	-
Transfer from stage 2 to stage 1	18,012	(18,012)	-	-
Financial assets derecognized during the period other than write-offs	-	-	-	-
New financial assets originated or purchased	11,914,281	31,905	-	11,946,186
Modification of contractual cash flows of financial assets				
Changes in existing	(18,768,715)	(20,661)	(1,050,225)	(19,839,601)
FX and other movements				
Closed accounts	(13,830,771)	(655,837)	(135,715)	(14,622,323)
Write offs	-	-	-	-
Gross carrying amount as at 31 March 2020	71,628,610	168,992	9,112,682	80,910,284

	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 2019	383,246,295	2,103,311	20,548,474	405,898,080
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 3	100,539	-	(100,539)	-
Transfer from Stage 2 to Stage 1	1,071,819	(1,071,819)	-	-
Financial assets derecognized during the period other than write-offs				
New financial assets originated or purchased	161,325,096	-	-	161,325,096
Modification of contractual cash flows of financial assets				
Changes in existing	(9,955,456)	(1,071,819)	(217,086)	(11,244,361)
FX and other movements				
Closed accounts	(161,280,049)	-	-	(161,280,049)
Write offs	-	-	(174,057)	(174,057)
Gross carrying amount as at 31 March 2020	374,508,244	(40,327)	20,056,792	394,524,709

	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 2019	37,559,154	-	-	37,559,154
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2				
Financial assets derecognized during the period other than write-offs				
New financial assets originated or purchased				
Modification of contractual cash flows of financial assets				
FX and other movements				
Changes in existing	4,953,846	-	-	4,953,846
Gross carrying amount as at 31 March 2020	42,513,000	-	-	42,513,000

3.1.5 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 outstanding contractual amounts of such assets written off during the year ended 31 March 2020 was USD 174,057 (2019: USD 68,236,176). 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.

3.1.6 Modification of financial assets

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

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 (refer to note 2.1 above). 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 financial assets with lifetime ECL whose cash flows were modified during the period as part of the Bank's restructuring activities and their respective effect on the Bank's financial performance:

	Loans and advance to customers
	USD
Amortised cost before modification	85,394
Net modification (loss)	84,213

3.1.7 Use of estimates and judgements

Management discussed the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

Measurement of the ECL allowance

The measurement of the ECL allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.1.2.3, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.
- Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 3.1.2.

Loans and Advances

Exposure to Credit Risk

	2020 USD	2019 USD	2018 USD
Carrying Amount	442,315,331	518,594,321	600,746,970
Individually Impaired	53,684,470	31,700,978	142,523,531
Impairment allowance	(24,851,381)	(15,579,330)	(55,729,481)
	28,833,089	16,121,648	86,794,050
Past due but not impaired			
Carrying Amount	1,955,792	1,708,892	1,190,803
Neither Past due nor impaired			
Gross Amount	420,595,508	506,304,707	519,075,123
Portfolio Provisions	(9,069,058)	(5,540,926)	(6,313,006)
	411,526,450	500,763,781	512,762,117

The total impairment provision for loans and advances is USD 29,890,439 (2019: USD 21,120,256 and 2018: USD 62,042,487).

Ageing of past due but not impaired advances is as follows:

	USD 2020	USD 2019	USD 2018
Within 1 month	1,896,005	1,624,240	805,675
From 1 to 2 months	18,160	62,545	340,213
From 2 to 3 months	41,627	22,107	44,915
	1,955,792	1,708,892	1,190,803

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.

	2020 USD	2019 USD	2018 USD
Standard	422,301,300	508,013,599	520,265,926
Impaired	53,684,470	31,700,978	142,523,531
Total	475,985,770	539,714,577	662,789,457

Fair value of collaterals of impaired advances is USD 39,308,289 (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

	2020 USD	2019 USD	2018 USD
Agriculture and fishing	10,871,272	15,053,929	7,122,217
Manufacturing	183,743,735	204,053,441	326,928,357
Tourism	14,139,550	24,686,003	63,767,151
Transport	36,865,851	36,601,239	47,212,847
Construction	41,490,117	48,252,414	42,267,370
Financial and business services	101,160,446	57,306,706	36,376,397
Traders	7,896,137	18,502,897	8,503,424
Personal	3,024,330	4,877,213	5,601,767
Professional	122,501	199,123	200,027
Global Business Licence holders	49,649,776	77,563,099	53,512,077
Others	4,544,487	7,269,115	881,036
Interest receivable	2,046,509	2,623,486	2,744,560
	455,554,711	496,988,665	595,117,230
Loans and advances to banks	20,431,059	42,725,912	67,672,227
	475,985,770	539,714,577	662,789,457
Impairment allowance	(33,670,439)	(21,120,256)	(62,042,487)
	442,315,331	518,594,321	600,746,970

Credit Concentration by Large exposures

Total credit facilities including guarantees, acceptances and other similar commitments extended by the Bank to any one customer or group of closely-related customers for amounts aggregating more than 10% (for 2019 and 2018 15%) of its capital base are given below:

Name of Sector	2020 USD	2019 USD	2018 USD
Entities outside Mauritius	256,049,675	339,295,710	176,945,865
Public Non Financial	-	110,000,000	95,000,000
	256,049,675	449,295,710	271,945,865

Liquidity Risk

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 inter bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The table below analyses assets and liabilities of the Bank into relevant maturity grouping based on the remaining period at reporting date to the contractual maturity date.

Maturity of financial assets and liabilities at 31 March 2020

	Less than three months	Between three and twelve months	Over one year to five years	Over five years	Other	Total
	USD Million	USD Million	USD Million	USD Million	USD Million	USD Million
Assets						
Cash resources	102	-	-	-	-	102
Investments	34	96	99	20	1	250
Loans and advances	18	45	288	120	-	471
	154	141	387	140	1	823
Liabilities						
Deposits from customers	316	86	33	1	-	436
Other borrowed funds	163	67	25	-	-	255
Lease liability	-	-	-	1	-	1
	479	153	58	2	-	692
Net Liquidity Gap	(325)	(12)	329	138	1	131
As at 31 March 2019						
Total Assets	187	136	425	117	5	870
Total Liabilities	504	109	119	-	4	736
Net Liquidity Gap	(317)	27	306	117	1	134
As at 31 March 2018						
Total Assets	417	51	395	219	6	1,088
Total Liabilities	629	125	190	-	4	948
Net Liquidity Gap	(212)	(74)	205	219	2	140

Market Risk

As per ICAAP Market Risk arises on the following Asset Classes:

(a) Investments

(b) Open Forex Position

A. Investments

Our investments are categorized under the following categories as per our Investment Policy:

Held To Maturity (HTM) – As per the Policy, the investments under the HTM category are held to maturity and hence, they need not be Marked to Market. The Bank has the intent and the ability to hold them till maturity. Therefore there is no stress testing required on the HTM portfolio.

Available For Sale (AFS) – Out of our total investment portfolio (inclusive of placement more than 3 months) of USD 249.99 Mio as on 31st March 2020, 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 AFS category amounts to USD 155.55 Mio.The Investment of USD 155.55 Million includes investments amounting USD 3.76 Million which are classified as FVTPL in the F/S . 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 AFS Category

Amount (USD 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 3.76 Mio	3.08%	241 days	USD 3,732	USD 4,975	USD 6,216
AFS - USD 151.79 Mio	2.44%	780 days	USD 474,604	USD 632,132	USD 789,326

The total impact under Scenario 1 is USD 478,336 and under Scenario 2 is USD 637,107 and Scenario 3 is USD 795,542 which is less than our profit as on 31 March 2020 which was USD 1.32 Mio. The USD Investment portfolio categorized under AFS, 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 31st March 2020 the net open position of our Bank in USD terms stood at USD 2,951,090. 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 2,951,090	USD 14,755	USD 44,266	USD 73,777

The total impact under Scenario 1 is USD 14,755 and under Scenario 2 is USD 44,266 and Scenario 3 is USD 73,777 which is quite small compared to the Bank's net profit as on 31 March 2020.

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 on next page summarises the Bank's exposure to interest rate risks . The Bank's assets and liabilities at carrying value are categorized by their repricing dates:

At 31 March 2020	Less than 3 months	Between 3 months and 1 year	Over one year	Non Interest Sensitive	Total
	USD Million	USD Million	USD Million	USD Million	USD Million
Cash and cash equivalents	50	-	-	52	102
Investment securities	34	95	119	2	250
Loans and advances	391	58	19	2	470
	475	153	138	56	822
Deposits from customers	317	83	33	4	437
Other borrowed funds	162	67	25	1	255
Lease liability	-	-	1	-	1
	479	150	59	5	693
Interest Sensitivity Gap	(4)	3	79	51	129

At 31 March 2019	Less than 3 months	Between 3 months and 1 year	Over one year	Non Interest Sensitive	Total
	USD Million	USD Million	USD Million	USD Million	USD Million
Total Assets	573	138	143	18	871
Total Liabilities	447	106	180	4	737
Interest Sensitivity Gap	126	32	(37)	14	134

At 31 March 2018	Less than 3 months	Between 3 months and 1 year	Over one year	Non Interest Sensitive	Total
	USD Million	USD Million	USD Million	USD Million	USD Million
Total Assets	407	51	532	98	1,088
Total Liabilities	598	124	190	36	948
Interest Sensitivity Gap	(191)	(73)	342	62	140

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 balance sheet position is as follows:

	200 bp Parallel Increase/Decrease		
	2020	2019	2018
	USD (million)	USD (million)	USD (million)
Sensitivity of projected Net Interest Income	2.56	2.56	1.3

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. The resultant losses can be financial, or non-financial like loss of reputation. Some of the operational risks 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. It is to mitigate such risks that comprehensive systems and procedures have been set up by the Bank to be very meticulously followed with handling the business. The Management ensures that all systems and procedures and policies are strictly adhered to and that they are being reviewed at regular intervals to adapt to any change in the processes and regulations.

A significant risk banks are facing today is the global phenomenon of money laundering. Banks have become 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" principles in place.

The table below sets out the Bank's classification of each class of financial assets and liabilities.

At 31 March 2020	Loans and Receivables	Investments Securities at Fair Value through P&L	Investments Securities at Amortised Cost	Investment securities at FVOCI	Other-Amortised Costs	Carrying Value
	USD Million	USD Million	USD Million	USD Million	USD Million	USD Million
Assets						
Cash and cash equivalents	102	-	-	-	-	102
Loans and advances	471	-	-	-	-	471
Investment securities	-	4	94	152	-	250
	573	4	94	152	-	823
Liabilities						
Deposits from customers	-	-	-	-	436	436
Other borrowed funds	-	-	-	-	255	255
Lease liabilities	-	-	-	-	1	1
	-	-	-	-	692	692

	Loans and Receivables	Investments Securities at Fair Value through P&L	Investments Securities at Amortised Cost	Investment securities at FVOCI	Other-Amortised Costs	Carrying Value
	USD Million	USD Million	USD Million	USD Million	USD Million	USD Million
At 31 March 2019						
Assets	612	35	72	152	-	871
Liabilities	-	-	-	-	736	736
Gap	612	35	72	152	(736)	135
At 31 March 2018						
Assets	909	10	114	33	-	1,066
Liabilities	-	-	-	-	926	926
Gap	909	10	114	33	(926)	140

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.

The 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 2020:

At 31 March 2020	United States Dollar	Great Britain Pound	EURO	Others	Total
	USD Million	USD Million	USD Million	USD Million	USD Million
Assets					
Cash and cash equivalents	92	-	-	9	102
Loans and advances	329	3	63	77	471
Investment securities	175	-	0	75	250
	596	3	63	161	823
Liabilities					
Deposits from customers	245	6	15	171	436
Other borrowed funds	223	-	32	-	255
	468	6	47	171	691
Net on Statement of Financial Position	128	(3)	16	(10)	132
At 31 March 2019					
Total Assets	616	5	65	184	870
Total Liabilities	517	7	15	198	736
Net on Statement of Financial Position	99	(2)	50	(14)	134
At 31 March 2018					
Total Assets	781	1	92	214	1,088
Total Liabilities	697	11	22	218	948
Net on Statement of Financial Position	84	(10)	70	(4)	140

Fair Valuation

Set out below is a comparison of the carrying amounts and fair values of financial instruments held at the statement of financial position date.

At 31 March 2020	Valuation Model	Carrying Value USD Million	Fair Value USD Million
Cash and cash equivalents		102	102
Loans and advances to banks		45	45
Loans and advances to customers		426	426
Investment securities	Discounted Cash Flow	250	250
Total Assets		823	823
		Carrying Value USD Million	Fair Value USD Million
Deposits from customers	Discounted Cash Flow	436	443
Other borrowed funds		255	255
Total liabilities		691	698

At 31 March 2019	Valuation Model	Carrying Value USD Million	Fair Value USD Million
Cash and cash equivalents		93	93
Loans and advances to banks		42	42
Loans and advances to customers		477	477
Investment securities	Discounted Cash Flow	258	259
Total Assets		870	871
		Carrying Value USD Million	Fair Value USD Million
Deposits from customers	Discounted Cash Flow	471	473
Other borrowed funds		265	265
Total liabilities		736	738

At 31 March 2018 Financial Assets	Valuation Model	Carrying Value USD Million	Fair Value USD Million
Cash and cash equivalents		255	255
Loans and advances to banks		67	67
Loans and advances to customers		534	534
Investment securities	Discounted Cash Flow	232	227
Total Assets		1,088	1,083
		Carrying Value USD Million	Fair Value USD Million
Deposits from customers	Discounted Cash Flow	782	785
Other borrowed funds		166	166
Total liabilities		948	951

Valuation techniques and assumptions applied for the purpose of measuring fair value

The Fair value of financial assets and financial liabilities are determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market price.

The fair values of other financial assets and liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quoted similar instruments.

At 31 March 2020	Level 1 USD Million	Level 2 USD Million	Level 3 USD Million	Total USD Million
Financial Assets at FVTPL	-	4	-	4
Financial Assets at FVOCI	-	152	-	152
Total	-	156	-	156
Financial Liabilities at FVTPL	-	-	-	-
Derivative Liability	-	-	-	-
Total	-	-	-	-

At 31 March 2019	Level 1 USD Million	Level 2 USD Million	Level 3 USD Million	Total USD Million
Financial Assets at FVTPL	-	35	-	35
Financial Assets at FVOCI	-	152	-	152
Total	-	187	-	187
Financial Liabilities at FVTPL	-	-	-	-
Derivative Liability	-	-	-	-
Total	-	-	-	-

At 31 March 2018	Level 1 USDMillion	Level 2 USDMillion	Level 3 USDMillion	Total USD Million
Financial Assets at FVTPL	-	70	-	70
Financial Assets at AFS	-	90	-	90
Total	-	160	-	160
Financial Liabilities at FVTPL	-	-	-	-
Derivative Liability	-	-	-	-
Total	-	-	-	-

Significant accounting policies

Details of the significant accounting policies and method adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised are disclosed in note 2 to the financial statements.

Categories of Financial Instruments	2020	2019	2018
	USD Million	USD Million	USD Million
Financial Assets			
Cash and cash equivalents	102	93	255
Loans and advances to banks	45	42	67
Loans and advances to customers	426	477	534
Investment Securities	250	258	232
Total	823	870	1,088

	2020	2019	2018
	USD Million	USD Million	USD Million
Financial Liabilities			
Deposits from customers	436	471	782
Other borrowed funds	255	265	166
Total	691	736	948

4. Use of estimates and judgements

Management discussed the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

(a)Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 2.3 (n).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

(b) 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 occuring market transactions on an arm's length basis. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1.Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

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

(c) 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 35.

(d) COVID

Novel Coronavirus (COVID-19) was declared as a global pandemic by the World Health Organisation in March 2020, which has affected the world economy, including Mauritius, leading to volatility in financial markets. The associated economic impact of the pandemic is highly dependent on variables that are difficult to predict. The Government of Mauritius and the Bank of Mauritius have announced various measures to support the economy and the businesses. Under this backdrop, the Directors have considered the possible effects of COVID-19 for the Bank based on internal and external sources of information. The actual impact of COVID-19 may differ from the estimated amount as at the date of approval of the financial statements.

5. Segmental Reporting

Statement of Financial Position										
		SEGMENT A			SEGMENT B			TOTAL		
	Notes	2020	2019	2018	2020	2019	2018	2020	2019	2018
		USD	USD	USD	USD	USD	USD	USD	USD	USD
ASSETS										
Cash and cash equivalents	16	10,081,017	40,555,969	48,179,159	91,528,859	52,748,073	207,134,818	101,609,876	93,304,042	255,313,977
Loans and advances to banks	17	25,039,096	-	-	20,227,312	42,299,888	67,005,364	45,266,408	42,299,888	67,005,364
Loans and advances to customers	18	99,415,883	137,149,382	161,952,497	322,672,136	339,145,051	371,789,109	422,088,019	476,294,433	533,741,606
Investment securities	19	76,492,025	83,070,811	95,477,649	173,499,444	175,248,332	136,217,532	249,991,469	258,319,143	231,695,181
Property and equipment	20	7,583,324	7,685,687	7,937,205	-	-	2,425	7,583,324	7,685,687	7,939,630
Deferred tax assets	21	2,108,706	1,503,706	2,059,900	-	-	-	2,108,706	1,503,706	2,059,900
Current Tax assets	26	490,809	204,470	-	-	-	-	490,809	204,470	-
Rights of use	23	1,444,140	-	-	-	-	-	1,444,140	-	-
Other assets	22	15,469,068	15,450,027	18,796,917	165,603	1,001,943	105,086	15,634,671	16,451,970	18,902,003
Total assets		238,124,068	285,620,052	334,403,327	608,093,354	610,443,287	782,254,334	846,217,422	896,063,339	1,116,657,661
LIABILITIES										
Deposits from customers	23	261,966,602	249,431,842	279,895,613	173,841,834	221,986,466	501,746,502	435,808,436	471,418,308	781,642,115
Other borrowed funds	24	-	-	-	255,166,637	265,106,186	165,692,623	255,166,637	265,106,186	165,692,623
Current tax liabilities	26	-	-	528,263	-	-	-	-	-	528,263
Retirement benefit obligation	34	3,070,918	3,373,612	2,881,503	-	-	-	3,070,918	3,373,612	2,881,503
Lease Liabilities	30	1,277,872	-	-	-	-	-	1,277,872	-	-
Other liabilities	27	3,618,639	3,843,488	4,061,252	2,614,798	2,356,355	2,902	6,233,437	6,199,843	4,064,154
Total liabilities		269,934,031	256,648,942	287,366,631	431,623,269	489,449,007	667,442,027	701,557,300	746,097,949	954,808,658
Shareholders' Equity										
Stated Capital	28a							48,627,188	48,627,188	48,627,188
Share premium								54,078,062	54,078,062	54,078,062
Retained earnings								17,951,523	26,552,746	42,179,846
Other reserves	36							27,248,247	24,038,206	19,843,553
Actuarial losses reserve	36							(3,244,898)	(3,330,812)	(2,879,646)
Total equity								144,660,122	149,965,390	161,849,003
Total equity and liabilities								846,217,422	896,063,339	1,116,657,661

Statement of Profit or Loss and Comprehensive Income										
		SEGMENT A			SEGMENT B			TOTAL		
	Notes	2020	2019	2018	2020	2019	2018	2020	2019	2018
		USD	USD	USD	USD	USD	USD	USD	USD	USD
Interest income		11,617,244	13,087,619	13,627,110	19,826,121	25,571,924	24,717,654	31,443,365	38,659,543	38,344,764
Interest expense		(7,050,723)	(4,816,800)	(5,830,636)	(7,153,262)	(9,657,554)	(8,886,365)	(14,203,985)	(14,474,354)	(14,717,001)
Net interest income	7	4,566,521	8,270,819	7,796,474	12,672,859	15,914,370	15,831,289	17,239,380	24,185,189	23,627,763
Fee and commission income	8	1,155,598	1,379,273	1,229,094	1,549,240	1,060,826	909,370	2,704,838	2,440,099	2,138,464
Net trading income	9	1,428,667	1,220,669	1,306,503	420,107	247,944	305,913	1,848,774	1,468,613	1,612,416
Other operating income	10	79,621	109,624	247,939	746,402	418,245	640,681	826,023	527,869	888,620
		1,508,288	1,330,293	1,554,442	1,166,509	666,189	946,594	2,674,797	1,996,482	2,501,036
Operating income		7,230,407	10,980,385	10,580,010	15,388,608	17,641,385	17,687,253	22,619,015	28,621,770	28,267,263
Net impairment loss on financial assets	11	(992,784)	5,285,860	(3,354,939)	(11,943,198)	(7,375,991)	(13,931,882)	(12,935,982)	(2,090,131)	(17,286,821)
Personnel expenses	12	(2,368,693)	(2,601,874)	(2,229,745)	(2,132,334)	(2,028,864)	(1,990,432)	(4,501,027)	(4,630,738)	(4,220,177)
Depreciation	20	(855,346)	(502,479)	(505,065)	-	(2,425)	(4,205)	(855,346)	(504,904)	(509,270)
Other expenses	13	(3,011,821)	(2,510,912)	(2,655,730)	(758,505)	(885,168)	(834,757)	(3,770,327)	(3,396,080)	(3,490,487)
Profit before income tax		1,763	10,650,980	1,834,531	554,571	7,348,937	925,977	556,333	17,999,917	2,760,508
Income tax income/(expense)	14	766,273	(2,214,760)	(1,048,138)	-	(85,240)	(41,862)	766,273	(2,300,000)	(1,090,000)
Profit for the year		768,036	8,436,220	786,393	554,571	7,263,697	884,115	1,322,606	15,699,917	1,670,508
Other Comprehensive Income										
Items that will not be reclassified to profit or loss										
Remeasurement of defined benefit obligations, net of deferred tax	34	85,914	(451,166)	(583,209)	-	-	-	85,914	(451,166)	(583,209)
Fair value gains on investment securities		101,582	404,033	-	-	-	-	101,582	404,033	-
Items that may be reclassified subsequently to profit or loss										
Fair value gains/ (loss) on investment securities		2,910,068	785,175	(1,777,744)	-	-	(778,459)	2,910,068	785,175	(2,556,203)
Other comprehensive income/(loss) for the year		3,097,564	738,042	(2,360,953)	-	-	(778,459)	3,097,564	738,042	(3,139,412)
Total comprehensive income/(loss) attributable to equity holders		3,865,600	9,174,262	(1,574,560)	554,571	7,263,697	105,656	4,420,170	16,437,959	(1,468,904)

6. Exchange Rate

	2020	2019	2018
USD to MUR (year end)	39.05	34.91	33.49

These exchange rates are mid rates as published by Bank of Mauritius.

7. Net interest income

	2020	2019	2018
	USD	USD	USD
Interest income			
Cash and cash equivalents	1,535,139	3,834,101	1,115,141
Loans and advances to banks	252,022	143,759	4,156,643
Loans and advances to customers	20,943,450	26,305,637	25,796,465
Investment securities	7,631,756	6,970,278	6,598,412
Other	1,080,998	1,405,768	678,103
Total interest income	31,443,365	38,659,543	38,344,764
Interest expense			
Borrowings from banks	6,519,353	6,155,420	4,291,794
Deposits from customers	7,626,777	8,318,934	10,425,207
Interest expenses on lease liabilities	57,855	-	-
Total interest expense	14,203,985	14,474,354	14,717,001
Net interest income	17,239,380	24,185,189	23,627,763
Segment A			
Interest income			
Cash and cash equivalents	936,435	285,401	12,638
Loans and advances to customers	6,194,332	9,244,007	10,194,488
Investment securities	4,486,477	3,558,211	3,419,984
Total interest income	11,617,244	13,087,619	13,627,110
Interest expense			
Borrowings from banks	3,259,677	760,000	1,525,299
Deposits from customers	3,733,191	4,056,800	4,305,337
Other Interest Expense	57,855	-	-
Total interest expense	7,050,723	4,816,800	5,830,636
Net interest income	4,566,521	8,270,819	7,796,474
Segment B			
Interest income			
Cash and cash equivalents	598,704	3,548,700	1,102,504
Loans and advances to banks	252,022	143,759	4,156,643
Loans and advances to customers	14,749,118	17,061,630	15,601,977
Investment securities	3,145,280	3,412,067	3,178,427
Other	1,080,997	1,405,768	678,103
Total interest income	19,826,121	25,571,924	24,717,654

	2020	2019	2018
	USD	USD	USD
Segment B			
Interest expense			
Borrowings from banks	3,259,677	5,395,420	2,766,495
Deposits from customers	3,893,585	4,262,134	6,119,870
Total interest expense	7,153,262	9,657,554	8,886,365
Net interest income	12,672,859	15,914,370	15,831,289

8. Net Fee and Commission Income

	2020	2019	2018
	USD	USD	USD
Retail banking customer fees	-	893,890	442,389
Corporate banking customer fees	1,995,842	859,023	1,032,240
Other	708,996	687,186	663,835
Total fee and commission income	2,704,838	2,440,099	2,138,464
Segment A			
Fee and Commission Income			
Retail banking customer fees	-	893,890	442,389
Corporate banking customer fees	777,600	-	309,672
Other	377,998	485,383	477,033
Total fee and commission income	1,155,598	1,379,273	1,229,094
Segment B			
Fee and Commission Income			
Corporate banking customer fees	1,218,242	859,023	722,568
Other	330,998	201,803	186,802
Total fee and commission income	1,549,240	1,060,826	909,370

9. Net trading income

	2020	2019	2018
	USD	USD	USD
Foreign exchange	1,848,774	981,085	2,188,365
Net profit / (loss)	-	487,528	(575,949)
	1,848,774	1,468,613	1,612,416
Segment A			
Foreign exchange	1,428,667	1,220,669	1,306,503
	1,428,667	1,220,669	1,306,503
Segment B			
Foreign exchange	420,107	(239,584)	881,862
Net profit / (loss)	-	487,528	(575,949)
	420,107	247,944	305,913

10. Other operating income

	2020	2019	2018
	USD	USD	USD
Profit on sales of investment	577,567	215,988	505,134
Dividend income on investment	29,048	-	27,395
Other income	219,408	311,881	356,091
	826,023	527,869	888,620
Other operating income			
Segment A			
Dividend income on investment	29,048	-	27,395
Other Income	50,573	109,624	220,544
	79,621	109,624	247,939
Segment B			
Profit on sales of investment	577,567	215,988	505,134
Other income	168,835	202,257	135,547
	746,402	418,245	640,681

11. Net impairment loss on financial assets

Net impairment loss on financial assets			
	2020	2019	2018
	USD	USD	USD
Loans and advances to customers and to banks	12,909,639	2,090,131	17,286,821
Non Fund Based Exposures	4,846	-	-
Investment	21,497	-	-
	12,935,982	2,090,131	17,286,821
Segment A			
Loans and advances to customers and to banks	966,441	(5,285,860)	3,354,939
Non Fund Based Exposures	4,846	-	-
Investment	21,497	-	-
	992,784	(5,285,860)	3,354,939
Segment B			
Loans and advances to customers and to banks	11,943,198	7,375,991	13,931,882

12. Personnel expenses

	2020	2019	2018
	USD	USD	USD
Wages and salaries	3,609,478	3,773,463	3,187,388
Compulsory social security obligations	140,562	135,559	129,793
Contributions to pension schemes	165,964	202,018	404,474
Other personnel expenses	585,023	519,698	498,522
	4,501,027	4,630,738	4,220,177
Segment A			
Wages and salaries	1,891,253	2,122,450	1,481,076
Compulsory social security obligations	75,273	91,755	83,913
Contributions to pension schemes	88,877	122,260	302,434
Other personnel expenses	313,290	265,101	362,322
	2,368,693	2,601,566	2,229,745
Segment B			
Wages and salaries	1,718,225	1,651,013	1,706,312
Compulsory social security obligations	65,289	43,804	45,880
Contributions to pension scheme	77,087	79,758	102,040
Other personnel expenses	271,733	254,289	136,200
	2,132,334	2,028,864	1,990,432

13. Other expenses

	2020	2019	2018
	USD	USD	USD
Other Expenses	3,770,327	3,396,079	3,490,487
Segment A			
Other Expenses	3,011,821	2,510,912	2,655,730
Segment B			
Other Expenses	758,505	885,167	834,757

14. Taxation

The Bank is assessable to income tax in Mauritius at the rate of 5% (2019 and 2018-15%), but is entitled to a foreign tax credit of the higher of the foreign taxes paid and 80% of the Mauritius tax chargeable on Segment B income. Expenses have been allocated to Segment A and Segment B on the basis of income generated by the respective segments. An additional charge is applicable in respect of Corporate Social Responsibility (CSR) and Special Levy on Banks. The charge for CSR is at the rate of 2% on chargeable profit of Segment A.

14a Current Taxation

Income tax reconciliation	2020	2019	2018
	USD	USD	USD
Accounting Profit	556,333	17,999,917	2,760,508
Tax on Accounting profit at 5%/ 15%	27,817	2,699,988	414,076
Less : Foreign tax credit on segment B	-	(881,593)	(141,204)
Less : Net effect of non taxable income, non allowable expense and other items	(637,339)	594,942	135,061
Underprovision/(Overprovision) of previous years	(201,100)	(198,577)	22,735
Special Levy on Banks	-	85,240	572,062
Corporate Social Responsibility contribution	44,349	-	87,270
Current tax expense for the year	(766,273)	2,300,000	1,090,000

14b Income Tax (Income)/Expense

Income tax reconciliation	2020	2019	2018
	USD	USD	USD
Current Tax expense for the year	-	290,337	740,026
Over provision in previous years	(201,100)	(198,577)	22,735
Effect of exchange difference and tax rate	-	1,590,552	-
Movement in Deferred Tax	(609,522)	532,448	(332,093)
	(810,622)	2,214,760	430,668
Corporate Social Responsibility contribution	44,349	-	87,270
Levy	-	85,240	572,062
	(766,273)	2,300,000	1,090,000

14c. As at 31 March 2020 the bank has credit losses amounting to USD 10.8 million expiring in year 2024. (2019 Credit losses of USD 26.0 million expiring in year 2023.

	2020	2019	2018
	USD	USD	USD
Segment A			
Tax Expense			
Current Tax provision for the year	44,349	290,337	827,296
Under /(Over) Provision in previous years	(201,100)	(198,577)	22,735
Effect of exchange difference and tax rate	-	1,590,552	-
Movement in Deferred Tax	(609,522)	532,448	(332,093)
	(766,273)	2,214,760	517,938
Levy	-	-	530,200
	(766,273)	2,214,760	1,048,138
Segment B			
Current Tax provision for the year	-	-	-
Levy	-	85,240	41,862
	-	85,240	41,862

15. Earnings per share

	2020	2019	2018
	USD	USD	USD
Profit for the year	1,322,606	15,699,917	1,670,508
Number of ordinary shares	778,035	778,035	778,035
Earnings per share	1.70	20.18	2.15

16a. Cash and cash equivalents

	2020	2019	2018
	USD	USD	USD
Cash in hand	2,341,508	1,800,938	1,613,690
Foreign currency notes and coins	101,062	90,363	83,751
Unrestricted balances with central banks	7,632,100	6,658,321	5,975,514
Money market placements	50,000,000	80,500,000	40,500,000
Balances with banks abroad	41,528,517	4,179,740	206,929,649
Interest receivable	6,689	74,680	211,373
	101,609,876	93,304,042	255,313,977
Segment A			
Cash in hand	2,341,508	1,800,938	1,613,690
Foreign currency notes and coins	101,062	90,363	83,751
Unrestricted balances with central banks	7,632,100	6,658,321	5,975,514
Money market placements	-	32,000,000	40,500,000
Interest receivable	6,347	6,347	6,204
	10,081,017	40,555,969	48,179,159
Segment B			
Money market placements	50,000,000	48,500,000	-
Balances with banks abroad	41,528,517	4,179,740	206,929,649
Interest receivable	342	68,333	205,169
	91,528,859	52,748,073	207,134,818

16b. Analysis of net cash and cash equivalent as shown in the statement of cash flows

	2020	2019	2018
	USD	USD	USD
Cash and cash equivalent	101,609,876	93,304,042	255,313,977
Other borrowed funds (Note 29)	(90,462,350)	(114,000,000)	(15,000,000)
Net cash and cash equivalent	11,147,526	(20,695,958)	240,313,977

17a. Loans and advances to banks

	2020	2019	2018
	USD	USD	USD
Loans and advances to banks	45,374,664	42,602,434	66,686,277
Interest receivable	345,491	123,478	985,950
Less allowance for credit impairment	(453,747)	(426,024)	(666,863)
	45,266,408	42,299,888	67,005,364
Segment A			
Loans and advances to banks	25,000,000	-	-
Interest receivable	289,096	-	-
Less allowance for credit impairment	(250,000)	-	-
	25,039,096	-	-
Segment B			
Loans and advances to banks	20,374,664	42,602,434	66,686,277
Interest receivable	56,395	123,478	985,950
Less allowance for credit impairment	(203,747)	(426,024)	(666,863)
	20,227,312	42,299,888	67,005,364

17b. Remaining term to maturity

	2020	2019	2018
	USD	USD	USD
Up to 3 months	288,947	-	46,686,277
Over 3 months and up to 6 months	85,717	15,762,724	-
Over 6 months and up to 12 months	25,000,000	6,839,710	-
Over 1 year and up to 5 years	20,000,000	20,000,000	20,000,000
Over 5 years	-	-	-
Interest receivable	345,490	123,478	985,950
	45,720,154	42,725,912	67,672,227

17c. Allowance for credit impairment

	2020	2019	2018
	USD	USD	USD
Balance at beginning of year	426,024	666,863	1,892,612
Collective allowance for impairment	27,723	(240,839)	(1,225,749)
Balance at end of year	453,747	426,024	666,863

18. Loans and advances to customers

	2020	2019	2018
	USD	USD	USD
Retail customers	28,020,217	32,896,183	35,725,953
Mortgages	16,884,079	20,968,553	23,591,511
Other retail loans	11,136,138	11,927,630	12,134,442
Corporate customers	128,056,214	178,175,552	185,920,750
Governments	-	10,000,000	234,228
Entities outside Mauritius	297,431,771	273,293,444	370,491,739
Interest receivable	2,046,509	2,623,486	2,744,560
	455,554,711	496,988,665	595,117,230
Less allowance for credit impairment	(33,466,692)	(20,694,232)	(61,375,624)
	422,088,019	476,294,433	533,741,606

18a. Remaining term to maturity

	2020	2019	2018
	USD	USD	USD
Up to 3 months	38,650,057	47,726,396	105,329,565
Over 3 months and up to 6 months	3,632,698	10,681,549	714,250
Over 6 months and up to 12 months	16,404,537	23,761,250	79,972,399
Over 1 year and up to 5 years	301,926,175	337,202,192	306,397,747
Over 5 years	92,894,735	74,993,792	99,958,709
Interest receivable	2,046,509	2,623,486	2,744,560
	455,554,711	496,988,665	595,117,230

18b. Credit concentration of risk by industry sectors

	2020	2019	2018
	USD	USD	USD
Agriculture and fishing	10,871,272	15,053,929	7,122,217
Manufacturing	183,743,735	204,053,441	326,928,357
Tourism	14,139,550	24,686,003	63,767,151
Transport	36,865,851	36,601,239	47,212,847
Construction	41,490,117	48,252,414	42,267,370
Financial and business services	101,160,446	57,306,706	36,376,397
Traders	7,896,137	18,502,897	8,503,424
Personal	3,024,330	4,877,213	5,601,767
Professional	122,501	199,123	200,027
Global Business Licence holders	49,649,776	77,563,099	53,512,077
Others	4,544,487	7,269,115	881,036
Interest receivable	2,046,509	2,623,486	2,744,560
	455,554,711	496,988,665	595,117,230
Segment A			
Agriculture and Fishing	10,871,272	15,053,929	7,122,217
Manufacturing	17,812,669	19,999,583	22,428,878
Tourism	14,139,550	24,686,003	46,880,841
Transport	16,759,899	16,495,287	27,106,895
Construction	31,652,802	38,270,295	42,267,370
Financial and business services	3,693,915	4,973,373	7,376,397
Traders	7,896,137	18,502,897	8,503,424
Personal	3,024,330	4,877,213	5,601,767
Professional	122,501	199,123	200,027
Others	453,580	450,933	881,036
Interest receivable	323,503	487,084	981,167
	106,750,158	143,995,720	169,350,019
Segment B			
Manufacturing	165,931,066	184,053,858	304,499,479
Tourism	-	-	16,886,310
Transport	20,105,952	20,105,952	20,105,952
Construction	9,837,315	9,982,119	-
Financial and business services	97,466,530	52,333,333	29,000,000
Traders	-	-	-
Global Business Licence holders	49,649,776	77,563,099	53,512,077
Others	4,090,908	6,818,182	-
Interest receivable	1,723,006	2,136,402	1,763,393
	348,804,553	352,992,945	425,767,211

18c. Allowance for credit impairment

	Specific allowances for impairment	Collective allowances for impairment	Total allowances for impairment
	USD	USD	USD
Balance at 31 March 2017	37,040,524	6,965,562	44,006,086
Exchange Difference	105,935	8,214	114,149
Provision for credit impairment for the year	17,286,821	-	17,286,821
Reclassification of general provision to specific provision	2,553,382	(2,553,382)	-
Loans written off out of allowance	(1,257,181)	-	(1,257,181)
Reclassification of provision to banks	-	1,225,749	1,225,749
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

Bank - Total	2020 USD					2019 USD	2018 USD
	Gross amount of loans	Impaired loans	Specific allowances for impairment	Collective allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
Agriculture and Fishing	10,871,272	2,445	1,477	446,400	447,877	193,774	86,634
Manufacturing	183,743,735	3,971	2,599	3,701,937	3,704,536	2,222,904	22,856,359
Tourism	14,139,550	853	853	423,658	424,511	493,213	9,277,616
Transport	36,865,851	28,849,598	14,492,476	157,109	14,649,585	14,773,650	9,658,754
Construction	41,490,117	10,694,320	4,630,492	839,218	5,469,710	1,201,458	949,996
Financial and Business Services	101,160,446	13,466,530	5,529,492	1,767,156	7,296,648	573,067	363,764
Traders	7,896,137	263,482	165,085	159,045	324,130	346,115	137,797
Personal	3,024,330	37,155	28,907	30,684	59,591	40,866	111,893
Professional	122,501	-	-	2,357	2,357	1,856	2,000
Global Business Licence holders	49,649,776	-	-	996,677	996,677	774,835	17,922,000
Others	4,544,487	-	-	91,070	91,070	72,494	8,811
Interest receivable	2,046,509	366,116	-	-	-	-	-
	455,554,711	53,684,470	24,851,381	8,615,311	33,466,692	20,694,232	61,375,624

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	2020 USD					2019 USD	2018 USD
	Gross amount of loans	Impaired loans	Specific allowances for impairment	Collective allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
Segment A							
Agriculture and Fishing	10,871,272	2,445	1,477	446,400	447,877	193,774	86,634
Manufacturing	17,812,669	3,971	2,599	358,193	360,792	382,365	1,770,257
Tourism	14,139,550	853	853	423,658	424,511	493,213	937,616
Transport	16,759,899	8,743,646	4,162,476	157,109	4,319,585	4,443,650	3,318,754
Construction	31,652,802	857,005	473,145	839,218	1,312,363	1,101,637	949,996
Financial and business services	3,693,915	-	-	74,438	74,438	49,734	73,764
Traders	7,896,137	263,482	165,085	159,045	324,130	346,115	137,797
Personal	3,024,330	37,155	28,907	30,684	59,591	40,866	111,893
Professional	122,501	-	-	2,357	2,357	1,856	2,000
Others	453,581	-	-	8,632	8,632	4,312	8,811
Interest receivable	323,503	175,175	-	-	-	-	-
	106,750,159	10,083,732	4,834,542	2,499,734	7,334,276	7,057,522	7,397,522

	2020 USD				2019 USD	2018 USD
	Gross amount of loans	Impaired loans	Specific allowances for impairment	Collective allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
Segment B							
Agriculture and Fishing	-	-	-	-	-	-	-
Manufacturing	165,931,066	-	-	3,343,744	3,343,744	1,840,539	21,086,102
Tourism	-	-	-	-	-	-	8,340,000
Transport	20,105,952	20,105,952	10,330,000	-	10,330,000	10,330,000	6,340,000
Construction	9,837,315	9,837,315	4,157,347	-	4,157,347	99,821	-
Financial and business services	97,466,530	13,466,530	5,529,492	1,692,718	7,222,210	523,333	290,000
Traders	-	-	-	-	-	-	-
Personal	-	-	-	-	-	-	-
Professional	-	-	-	-	-	-	-
Global Business Licence holders	49,649,776	-	-	996,677	996,677	774,835	17,922,000
Others	4,090,907	-	-	82,438	82,438	68,182	-
Interest receivable	1,723,006	190,941	-	-	-	-	-
	348,804,552	43,600,738	20,016,839	6,115,577	26,132,416	13,636,710	53,978,102

19. Investment securities

	2020	2019	2018
	USD	USD	USD
Investment securities at fair value through profit and loss	3,757,414	34,817,746	69,766,369
Investment securities at amortised cost	92,331,279	70,628,134	70,862,986
Investment securities at FVOCI	151,795,206	151,284,910	89,319,317
Interest receivable	2,180,506	1,639,793	1,746,509
	250,064,405	258,370,583	231,695,181
Less Allowance for credit impairment	(72,937)	(51,440)	-
	249,991,468	258,319,143	231,695,181

19a. Investment securities at fair value through profit and loss

	2020	2019	2018
	USD	USD	USD
Treasury/BoM Bills	3,757,414	34,817,746	69,766,369
Interest receivable	-	-	-
	3,757,414	34,817,746	69,766,369
Segment A			
Treasury Bills / Notes issued by Government of Mauritius	3,757,414	-	-
Interest receivable	-	-	-
	3,757,414	-	-
Segment B			
Treasury Bills / Notes issued by foreign governments	-	34,817,746	69,766,369
	-	34,817,746	69,766,369

19b. Investment securities at amortised cost

	2020	2019	2018
	USD	USD	USD
Government bonds & MDLS	14,567,346	21,068,206	24,174,053
Bank of Mauritius/Treasury Notes	-	9,937,887	22,741,405
Other investment securities (Credit Linked Investments, Syndicated Term Notes, Placements with Banks & Others)	77,763,933	39,622,041	23,947,528
Interest receivable	1,426,287	1,163,931	1,365,901
	93,757,566	71,792,065	72,228,887
Bank - Segment A			
Government of Mauritius bonds & MDLS	14,567,346	21,068,206	24,174,053
Bank of Mauritius/Treasury Notes	-	9,937,887	22,741,405
Other investment securities (Credit Linked Investments, Syndicated Term Notes, Placements with Banks & Others)	3,464,697	3,009,605	-
Interest receivable	880,156	980,867	1,150,411
	18,912,199	34,996,565	48,065,869
Bank - Segment B			
Other Foreign Investment Securities (Credit Linked Investments, Syndicated Term Notes, Placements with Banks & Others)	74,299,236	36,612,436	23,947,528
Interest receivable	546,131	183,064	215,490
	74,845,367	36,795,500	24,163,018

19c. Investment securities at FVOCI

	2020	2019	2018
	USD	USD	USD
Equity Investment	451,935	562,387	149,266
Other investment securities	151,343,271	150,722,522	89,170,051
Interest receivable	754,220	475,862	380,608
	152,549,426	151,760,771	89,699,925
Bank - Segment A			
Equity Investment	351,724	357,504	149,266
Other Investment securities	53,470,688	47,716,742	47,262,513
	53,822,412	48,074,246	47,411,779
Bank - Segment B			
Equity Investment	100,211	204,883	-
Other foreign investment securities	97,872,583	103,005,781	41,907,538
Interest receivable	754,220	475,862	380,608
	98,727,014	103,686,526	42,288,146

19c. Allowance for impairment

	2020	2019	2018
	USD	USD	USD
Opening balance	51,440	-	-
Allowance on Implementation of IFRS 9 at 1st April 2018	-	118,385	-
Adjustment during the year	21,497	(66,945)	-
Balance at end of year	72,937	51,440	-

20. Property and equipment

	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 2017	318,680	8,999,059	6,518,384	386,342	16,222,465
Acquisitions	-	4,848	338,233	-	343,081
Disposals	-	-	(20,781)	(88,467)	(109,248)
Balance at 31 March 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

	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 2017	155,219	1,744,048	5,879,419	337,960	8,116,646
Depreciation for the year	16,346	164,332	307,735	20,857	509,270
Disposal adjustment	-	-	(20,781)	(88,467)	(109,248)
Balance at 31 March 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
Net book Value					
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
At 31 March 2018	147,115	7,095,527	669,463	27,525	7,939,630
Net book value at end of Year 2020 by segments					
Segment A	114,423	6,766,863	636,220	65,818	7,583,324
Segment B	-	-	-	-	-
	114,423	6,766,863	636,220	65,818	7,583,324
Net book value at end of Year 2019 by segments					
Segment A	130,769	6,931,195	602,129	21,594	7,685,687
Segment B	-	-	-	-	-
	130,769	6,931,195	602,129	21,594	7,685,687
Net book value at end of Year 2018 by segments					
Segment A	147,115	7,095,527	667,038	27,525	7,937,205
Segment B	-	-	2,425	-	2,425
	147,115	7,095,527	669,463	27,525	7,939,630

21. Deferred tax assets - Segment A

	2020	2019	2018
	USD	USD	USD
At the Beginning of the year	1,503,706	2,059,900	1,579,317
Additional recognised for IFRS 9 and provision	-	1,543,060	-
Movement during the year accounted in profit or loss (Note 14b)	609,522	(532,448)	332,093
Effect of exchange difference and tax rate	-	(1,590,552)	45,571
Movement during the year accounted in other comprehensive income	(4,522)	23,746	102,919
At end of the year	2,108,706	1,503,706	2,059,900
Analysed as follows			
Accelerated Capital Allowances	21,694	684	(38,593)
Allowances for Credit losses	1,482,300	1,064,898	2,198,933
Loss available for offset	628,721	446,998	-
Employee Benefits	153,546	168,681	432,225
Revaluation of Building	(177,555)	(177,555)	(532,665)
	2,108,706	1,503,706	2,059,900

Deferred income tax is calculated on all temporary differences under the liability method using an effective tax rate of 5% (2019 - 5% and 2018 - 15%) for segment A and an effective tax rate of 5% (2019 - 5% and 2018 - 3%) for Segment B.

22. Other assets

	2020	2019	2018
	USD	USD	USD
Non-banking assets acquired in satisfaction of debts	-	-	56,372
Mandatory Balance with Central Bank	15,052,601	14,993,714	16,990,297
Derivative Assets	-	629,662	-
Other	582,070	828,594	1,855,334
	15,634,671	16,451,970	18,902,003
Segment A			
Mandatory Balance with Central Bank	15,052,601	14,993,714	16,990,297
Non-banking assets acquired in satisfaction of debts	-	-	56,372
Derivative Assets	-	-	-
Other	416,467	456,312	1,750,248
	15,469,068	15,450,026	18,796,917
Segment B			
Derivative asset	-	629,662	-
Other	165,603	372,282	105,086
	165,603	1,001,944	105,086

23. Leases (The Bank as a lessee)

Rights-of-use	Buildings 2020
	USD
Cost as at 1 April 2019	1,794,770
Amortisation	(350,630)
Carrying amount as at 31 March 2020	1,444,140

The bank has multiple leases to operate its branches as well as accomodating expats in Mauritius. The average lease term for branches is of 5 years and rental for residence of expats 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.

24. Deposits from customers

	2020	2019	2018
	USD	USD	USD
Savings Deposit	122,732,182	131,068,237	136,073,081
Demand Deposit	113,291,679	144,776,594	292,606,772
Time Deposit			
Within three months	78,406,964	89,521,730	185,103,595
Over 3 and up to 6 months	43,176,227	25,786,240	34,502,489
Over 6 months and up to 12 months	41,524,881	33,463,635	89,911,057
Over 1 year and up to 5 years	33,101,016	43,997,348	40,140,175
Over 5 years	-	-	-
Interest payable	3,575,487	2,804,524	3,304,946
	435,808,436	471,418,308	781,642,115
Segment A			
Savings Deposit	122,732,147	131,068,162	135,693,351
Demand Deposit	36,314,156	32,019,910	38,008,849
Time Deposit			
Within three months	35,789,993	29,962,017	28,382,061
Over 3 and up to 6 months	21,130,333	7,472,934	23,347,229
Over 6 months and up to 12 months	20,234,834	15,706,303	20,774,057
Over 1 year and up to 5 years	23,584,423	31,681,060	32,474,351
Over 5 years	-	-	-
Interest payable	2,180,716	1,521,457	1,215,714
	261,966,602	249,431,843	279,895,612
Segment B			
Savings Deposit	35	75	379,730
Demand Deposit	76,977,523	112,756,684	254,597,923
Time Deposit			
Within three months	42,616,971	59,559,714	156,721,534
Over 3 and up to 6 months	22,045,894	18,313,306	11,155,260
Over 6 months and up to 12 months	21,290,047	17,757,332	69,137,000
Over 1 year and up to 5 years	9,516,593	12,316,287	7,665,824
Interest payable	1,394,771	1,283,067	2,089,232
	173,841,834	221,986,465	501,746,503

24. Deposits from customers (Continued)

	2020	2019	2018
	USD	USD	USD
Retail Customers			
Savings Deposit	113,715,021	121,362,483	122,997,556
Demand Deposit	5,963,764	6,694,913	6,701,800
Time Deposit			
Within three months	5,394,205	6,006,634	11,250,737
Over 3 and up to 6 months	4,217,487	7,388,518	9,775,643
Over 6 months and up to 12 months	9,749,851	11,369,868	14,376,888
Over 1 year and up to 5 years	11,375,350	12,647,961	16,218,820
	150,415,678	165,470,377	181,321,444
Corporate Customers			
Savings Deposit	8,353,273	8,931,230	12,225,971
Demand Deposit	107,309,898	137,214,581	273,881,070
Time Deposit			
Within three months	72,830,245	61,981,265	165,809,047
Over 3 and up to 6 months	38,958,740	18,397,722	12,186,681
Over 6 months and up to 12 months	31,296,622	20,597,820	72,551,771
Over 1 year and up to 5 years	21,954,459	31,261,467	23,320,139
	280,703,237	278,384,085	559,974,679
Government			
Savings Deposit	663,888	774,524	849,554
Demand Deposit	18,017	867,100	12,023,902
Time Deposit			
Within three months	81,772	21,533,831	8,043,812
Over 3 and up to 6 months	-	-	12,540,164
Over 6 months and up to 12 months	270,482	1,495,947	2,982,397
Over 1 year and up to 5 years	79,875	87,920	601,217
	1,114,034	24,759,322	37,041,046
Interest payable	3,575,487	2,804,524	3,304,946
TOTAL	435,808,436	471,418,308	781,642,115

25. Other borrowed funds

	2020	2019	2018
	USD	USD	USD
Borrowings from banks			
in Mauritius	-	-	-
abroad	254,488,350	264,000,000	165,000,000
Interest payable	678,287	1,106,186	692,623
	255,166,637	265,106,186	165,692,623
Borrowings from banks			
Within three months	162,488,350	114,000,000	15,000,000
Over 3 and up to 6 months	-	-	-
Over 6 months and up to 12 months	67,000,000	50,000,000	-
Over 1 year and up to 5 years	25,000,000	100,000,000	150,000,000
Interest payable	678,287	1,106,186	692,623
	255,166,637	265,106,186	165,692,623
Segment B			
Borrowings from banks	254,488,350	264,000,000	165,000,000
Interest payable	678,287	1,106,186	692,623
	255,166,637	265,106,186	165,692,623

26. Current tax (assets) / liabilities

	2020	2019	2018
	USD	USD	USD
Segment A			
At the beginning of the year	(204,470)	528,263	1,053,604
Provision for the year:			
- current tax	(40,890)	245,717	794,569
- levy (Note 14b)	-	85,240	572,062
(Over)/ Under Provision in previous years	(201,100)	(198,577)	22,735
Paid in respect of tax of previous year	-	(329,685)	(1,076,339)
Paid in respect of APS	(44,349)	(535,428)	(838,368)
At the end of the year	(490,809)	(204,470)	528,263

27. Other liabilities

	2020	2019	2018
	USD	USD	USD
Bills Payable	413,189	927,239	806,550
Derivative Liability	73,759	-	2,902
Others	5,746,489	5,272,604	3,254,702
	6,233,437	6,199,843	4,064,154
Segment A			
Bills Payable	413,189	927,239	806,550
Others	3,205,450	2,916,249	3,254,702
	3,618,639	3,843,488	4,061,252
Segment B			
Derivative Liability	73,759	-	2,902
Others	2,541,039	2,356,355	-
	2,614,798	2,356,355	2,902

28a. Stated Capital

	2020	2019	2018
	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.

28b. Dividend Paid

	2020	2019	2018
	USD	USD	USD
Dividend Paid	9,725,438	4,862,719	14,588,156
Dividend per share	12.50	6.25	18.75

29. 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 tne Bank statement of cash flows from financing activities.

	Opening balance	Financing cash flows (i)	Others (ii)	Closing balance
Borrowings (Note 24)	USD	USD	USD	USD
Year 2020	265,106,186	14,026,000	(23,965,548)	255,166,638
Year 2019	165,692,623	-	99,413,563	265,106,186
Year 2018	227,594,953	(61,882,829)	(19,501)	165,692,623

	Opening balance	Financing cash flows (i)	Others (ii)	Closing balance
Finance leases (Note 30)	USD	USD	USD	USD
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 in interest accrued and short term borrowings classified as cash and cash equivalent.

30. 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.

	2020
	USD
Analysed as follows:	
Current	273,769
Non current	1,004,103
	1,277,872
Disclosure required by IFRS 16:	
Maturity analysis	
Year 1	273,789
Year 2	266,600
Year 3	234,696
Year 4	188,417
Year 5	127,187
Onwards	187,183
	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.

31. 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.

	2020	2019	2018
	USD	USD	USD
Acceptances on account of customers	2,029,407	1,613,911	3,232,668
Guarantees on account of customers	4,225,396	10,326,046	5,279,709
Letters of credit and other obligations on account of customers	11,166,696	30,030,245	128,381,096
	17,421,499	41,970,202	136,893,473

32. Commitments

	2020	2019	2018
	USD	USD	USD
Loans and other facilities			
Undrawn credit facilities	9,227,035	46,921,722	33,452,442
	9,227,035	46,921,722	33,452,442

33. 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	2020	2019	2018
	USD	USD	USD
Statement of financial position			
Assets			
Balance and Placements with Banks	53,011,425	17,082,300	145,972,616
Loans & Advances	374,664	-	18,061,495
Accrued Interest	17,145	14,449	96,062
Liabilities			
Deposits	244,621	268,033	50,030,785
Borrowings from Bank	95,462,350	200,000,000	150,000,000
Accrued Interest	272,013	1,063,582	1,636,056
Statement of Profit or Loss and Other Comprehensive Income			
Interest Income	-	1,255,932	582,645
Interest Paid	-	5,474,398	5,221,014
Management Fees paid to parent bank	214,029	306,820	595,913
Off Balance sheet balance			
Bank Guarantee	-	815,000	455,978
Key Management & Personnel			
Loans	42,954	68,068	46,901
Interest Income earned	14	1,632	2,835
Deposits	153,381	188,888	109,454
Interest expense on deposits	324	1,736	1,606
Directors			
Deposits	92,135	19,672	15,736
Interest Expense	94	251	243
Compensation to Key Management & Directors			
Short term benefits	528,822	654,295	606,688
Post employment benefits	20,291	27,283	28,438

34. Derivatives

Cross Currency Swap	Total Notional Principal	Fair Value		
		Assets	Liabilities	Net
	USD	USD	USD	USD
2020	23,191,991	88,162	(161,921)	(73,759)
2019	56,366,622	636,952	(7,290)	629,662
2018	96,990,770	479,450	(482,352)	(2,902)

35. 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 2020 from it.

	2020	2019	2018
	USD	USD	USD
Non-current			
Amounts recognised in statement of financial position			
Present Value of funded obligations	6,121,774	6,810,514	6,576,055
Fair Value of Planned Assets	(3,050,856)	(3,436,902)	(3,694,552)
Liabilities recognised in statement of financial position	3,070,918	3,373,612	2,881,503
Movements in liabilities recognised in the statement of financial position			
At the beginning of the year	3,373,612	2,881,503	1,899,955
Exchange Difference	(395,435)	(154,087)	157,168
Amount recognised in profit or loss	235,474	239,236	201,814
Amount recognised in other comprehensive income	(90,436)	475,689	686,128
Employer Contribution paid	(52,297)	(68,729)	(63,562)
At the end of the year	3,070,918	3,373,612	2,881,503
The amounts recognised in profit or loss is as follows:			
Current service cost	112,575	127,766	129,812
Employee contributions	(52,297)	(67,955)	(63,562)
Fund Expenses	1,745	2,718	2,542
Interest cost (net)	173,450	176,706	133,022
Total included in employee benefit expense	235,473	239,235	201,814
Actual return on plan assets	156,588	177,384	227,104

	2020	2019	2018
	USD	USD	USD
Movement in the Fair Value of Plan Assets were as follows			
Fair Value of Plan assets at start of the year	3,436,902	3,694,554	3,401,817
Expected Return of on Plan Assets	163,226	207,962	217,139
Employer Contributions	52,297	67,955	63,562
Employee Contributions	52,297	67,955	63,562
Exchange difference	(403,009)	(197,562)	281,404
Benefits Paid	(343,022)	(399,701)	(374,247)
Asset loss	92,165	(4,261)	41,317
Fair Value of Plan Assets at the end of the year	3,050,856	3,436,902	3,694,554
Reconciliation of the present value of defined benefit obligation			
Present value of obligation at start of period	6,810,515	6,576,055	5,301,772
Current service cost	112,575	127,766	129,812
Exchange rate difference	(798,447)	(351,643)	438,572
Interest cost	336,676	384,669	350,161
Benefits paid	(341,275)	(396,983)	(371,704)
Liability loss/(gain)	1,729	470,651	727,442
Present value of obligation at end of period	6,121,773	6,810,515	6,576,055
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	63.20%	56.50%	57.90%
Loans	3.20%	3.80%	3.90%
Local entities	10.80%	13.60%	15.80%
Overseas bonds and equities	22.20%	25.50%	21.80%
Property	0.60%	0.60%	0.60%
Total	100%	100%	100%
Additional disclosure on assets issued or used by the reporting entity The amounts recognised in other comprehensive income are as follows:			
Asset experience (loss) / gains during the year	92,165	(4,261)	41,314
Liability experience (loss)/gain during the year	(1,729)	(470,651)	(727,442)
	90,436	(474,912)	(686,128)
The principal Actuarial Assumptions used for accounting purposes were			
Discount Rate	5.60%	6.18%	6.10%
Expected salary escalation	3.50%	3.50%	3.50%
Future pension increases	2.60%	3.00%	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)	934,210	751,925
Future long-term salary assumptions (1% movement)	336,721	288,618
Life expectancy (one year movement)	174,690	174,690

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 54,223 in contributions to its post-employment benefit plans for the year ending March 31, 2020.

The weighted average duration of the defined benefit obligation is 14 years at the end of the reporting period.

Contributions to Bank scheme amount to USD 52,297 for the current financial year.

36. 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 of:

- 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 available-for-sale financial assets 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.

37. Holding Company

The holding company is State Bank of India, a Public Corporation in India, holding 96.60% (2019: 96.60%) of shareholding of the Bank.