SBI (Mauritius) Ltd

Bank to grow with

GROWING IN THE MAURITIAN SKY

# ANNUAL REPORT 2019

## Our Mission

To create a strong and vibrant banking institution with global reach, having world class technology, products and based on the core values of integrity, customer care and sound corporate governance.

## Our Vision

To be the first choice solution provider for all banking services. To be a symbol of trust, efficiency and courteous service. To protect and promote interests of all stakeholders through well trained and upright and dedicated professionals. To strive for constant improvement in products, processes and delivery channels.

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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

**Website**

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

**Auditors**

Deloitte


2.7%
7.0%
0.4%
2008-2009
2009-2010
2010-2011
2011-2012

# DIRECTORS' REPORT

### 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 2019. 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 & 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 Ebene 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

The year 2018-19 has been one of the milestone year for the Bank with net Profit zooming to on all time high of USD 15.70 Mio. The Bank has registered remarkable improvement in all efficiency and profitability parameters. Although the loans and advances level has declined by 13.70% on y-o-y basis but considering the booking of new advances ,the performance is very encouraging and august well for the days ahead. Also, sharp reduction in Non Performing Asset levels by 78.02% on y-o-y basis indicates a healthier asset base. The Return on Average Assets of the Bank has improved from 0.15% in FY 17-18 to 1.67% in FY 18-19.

Similarly, the Return on Avg Equity (ROAE) has improved from 1% in FY 17-18 to 11.10% in FY 18-19 and NIM has improved from 2.18% in FY 17-18 to 2.70% in FY 18-19.

### Business performance

The Net Profit of the Bank stood at USD 15.70 Mio (y-o-y growth by 840.12%) as compared to USD 1.67 Mio in FY 17-18. The operating profit has gone up from USD 20.05 Mio in 2017-18 to USD 20.09 mio in 2018-19.

Gross Loans and Advances stood at USD 539.72 Mio as at 31st March 2019 as compared to USD 662.79 Mio year before. With the closure of the Buyer's Credit business, the Bank has consciously booked new medium to long term assets and has reduced Non Performing assets through write-off, resolution and recovery process. Global business continued to be the key contributor with 75% of the assets.

Bank's investment book grew from USD 231.70 Mio in 2017-18 to USD 258.32 Mio in FY 18-19. The investment book consists of both High Quality Liquid Assets (HQLA) and Non- HQLAs. While the HQLAs are helping in maintaining mandatory LCR, Non-HQLAs are generating higher income. The Bank is also active in management of excess liquidity on day to day basis through money market instruments. As at end of March 2019, the placement stood at USD 86.85 Mio as compared to USD 249.28 Mio year before.

Deposit has declined by 39.69% which was judiciously managed to shed high cost deposits and keep the levels aligned to Advances level without tinkering the bank's liquidity. However, the CASA ratio to deposits remained robust at 58.86%. With the existing composition of customer base the Bank is confident of raising the deposit base at short notice.

Bank's net profit
USD M 15.70

# Bank's investment book

USD M 258.32

### Share capital & stated capital

As on 31st March 2019, 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 adequency

As on 31st March 2019, the Capital Adequacy of the Bank stood at 26.81% against the minimum regulatory requirement of 11.875%, thus having a stronger capital base.

### The Board of Directors

The Directors holding Office during the year ended 31st March 2019 are as follows:

| Director | Position | Date |
|---|---|---|
| Mr. Siddhartha Sengupta | Non-Executive Director & Chairperson | Till 13.12.2018 |
| Mr. Venkat Nageswar Chalasani | Non-Executive Director & Chairperson | Since 07.12.2018<br>Since 14.12.2018 |
| Mr. Sujit Kumar Varma | Non-Executive Director | Till 07.08.2018 |
| Mr. Sanjay Dattatraya Naik | Non-Executive Director | Since 17.07.2018 |
| Mr. Vijay Kumar Tyagi | Non-Executive Director | Till 19.06.2018 |
| Mr. Ramesh Subbaramaiah Rajapur | Non-Executive Director | Since 30.07.2018 |
| Mr. Shyam Swaroop Asthana | Executive Director | Since 14.10.2014 |
| Mr. Geeanduth Gopee | Independent Director | Since June 2012 |
| Mrs. Bibi Khoudijah Maudarbocus-Boodoo | Independent Director | Since 25.05.2018 |

## Challenges and Outlook

The year 2019 is perceived to be one of the challenging years since the great depression of 2008. International agencies like IMF, OECD and World Bank are predicting lower growth outlook with negative risk for the year 2019-2020. The major challenge cited being the trade war between USA and China and between USA and its other major trading partners which will have a ripple effect to other smaller economies.

The Brexit outcome and uncertainties around it; the new auto emission norms affecting the German Economy, in turn impacting the European economy as a whole; the political uncertainties in Middle East; slowing down of emerging economies like China, India and Turkey are some to mention.

However, on domestic front, the Mauritian economy has sustained the growth momentum for last 3 years and is expected to further expand in 2019. The economy is getting support from both public as well as private investments in the form of major infrastructural projects.

We are confident of improving top line as well as bottom line in the next financial year by taking advantage of synergies emerging from our presence across various markets and harnessing our core capabilities and internal resources. While business growth will be on focus, doing so within robust risk framework will be undertaken to book quality assets resulting in higher efficiency for the Bank.

## 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 2018-19. 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.

"Mauritian economy has sustained the growth momentum for last 3 years"

## Auditors

The Shareholders approved the appointment of Bank's Auditors M/s Deloitte Mauritius at last Annual Meeting of Shareholders held on 21st September 2018. A recommendation to the Shareholders for the appointment of statutory Auditors is being moved through a separate resolution.

## Aknowledgement

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

**S. S. Asthana**
Managing Director & CEO

**G. Gopee**
Director

**B.K. Maudarbocus-Boodoo**
Director

# CORPORATE GOVERNANCE REPORT



12th October
1989
SBI (Mauritius) Ltd

## 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.

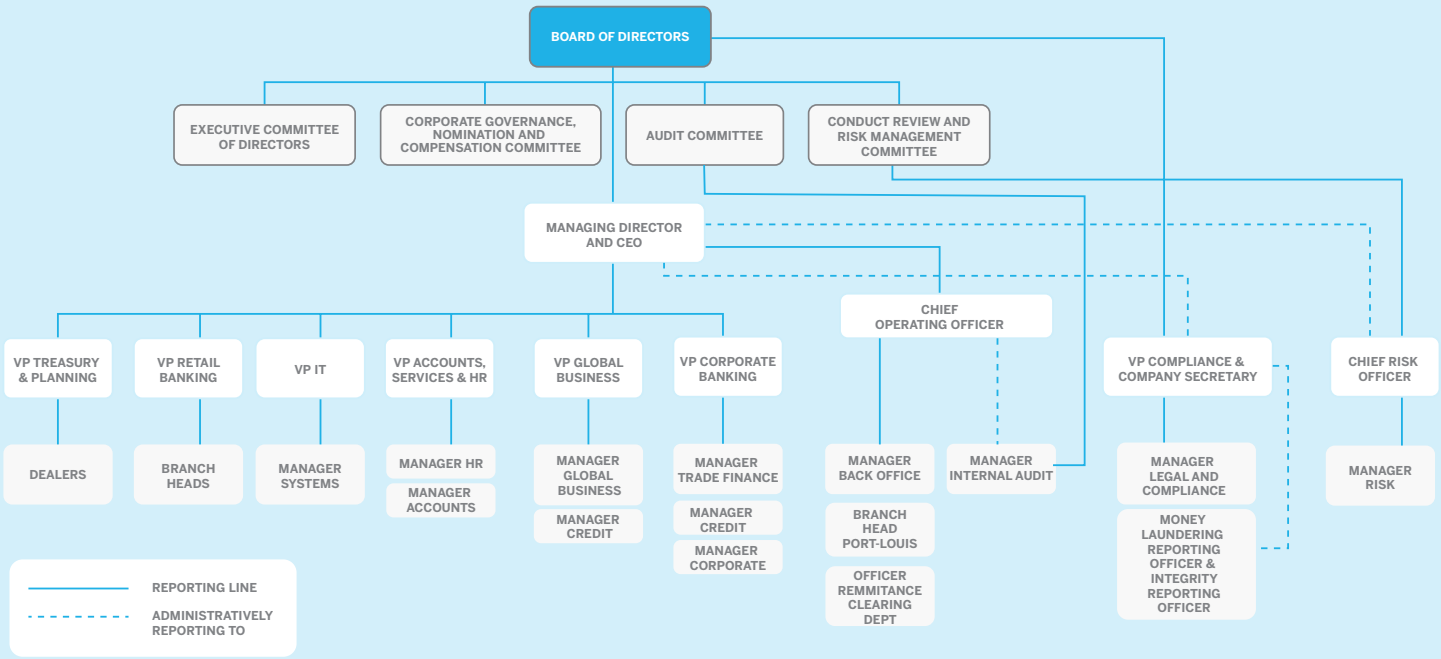
## Principle 1 - Governance structure

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 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. Mr. Shyam Swaroop ASTHANA**

The Profile of Mr. Shyam Swaroop Asthana, Executive Director, is given under profile of directors in principle 3 of the report.

**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 21 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. Mrs. Shashi PRABHA**, the Chief Risk Officer, 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 a BSc, LLB degree and is a Certified Associate of Indian Institute of Bankers as well as a Certified Financial Planner.

She has a rich and varied experience of 23 years in the Banking Sector, from catering to credit and forex needs of large Corporates engaged in exports and imports, handling mid and large size branches in rural as well as urban centres handling agriculture and retail segment. Mrs. Shashi Prabha has also looked after credit requirement of mid-size customers engaged in manufacturing, trading and services activities and has handled credit and NPA portfolio of 250 branches spread over 9 districts in India. Additionally, as a Regional Manager she has been the controller of 50+ branches for more than 4 years handling HR, operations, credits, deposits, compliance with regulatory requirements and liaison with government authorities.

Mrs. Shashi PRABHA is the Chief Risk Officer of the Bank since 6th September 2018 and is responsible for the Risk Management of the Bank in compliance with regulatory provisions applicable to Mauritius.

**4. Mr. Debasish RATHA**, Vice President (Corporate Banking) has joined the Bank in 2001 and has 17 years 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 Banker.

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.

**5. Mr. Patitapaban PARIDA**, Vice President (Treasury & Planning), joined SBI Group in 2004 as a Probationary Officer. He has 14 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.

**6. 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 31 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.

**7. Mr. Tajinder Pal SINGH**, Vice President (Retail Banking), joined SBI in Year 1990. He has 28 years of rich experience in Branch Operations, Branch Management, IT and Trade Finance. He is a Certified Anti-Money Laundering Specialist (CAMS) and Certified Financial Planner CFP. He also holds academic qualifications of MBA (Finance).

Mr. Singh joined SBIML in 2017 as Vice-President (Retail Banking), he is responsible for operational and business efficiencies of all domestic Branches in Mauritius.

**8. Mr. Umesh Chandra SAHU**, Vice president (IT) is an IT Specialist with 25 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.

**9. Mr. Kritanand RAMKHELAWON**, Vice President (Accounts & Services) & HR, joined Indian Ocean International Bank in 1980 and has held various positions with the Bank namely as Assistant Manager, Deputy Manager (in various departments) and subsequently, Manager (Forex Dept), Acting CEO (Oct 2002 to July 2003). In July 2003, he was promoted in the Chief Manager's Cadre and he occupied the post of Chief Finance Officer and Chief Compliance Officer.

Since October 2008, he is holding the post of Vice President (Accounts, Services & HR). He acquired higher qualifications, that is, an MBA in Financial Management from the University of Mauritius after joining the Bank, became an Associate of the Institute of Bankers, London and has also passed the Chartered Certified Accountant Examinations. He has thorough knowledge in the local environment, legal and accounting related issues.

**10. Mr. Aboo Bakar MOSAHEB**, Vice President (Compliance) & Company Secretary, ACIS, MIoD has over 18 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.

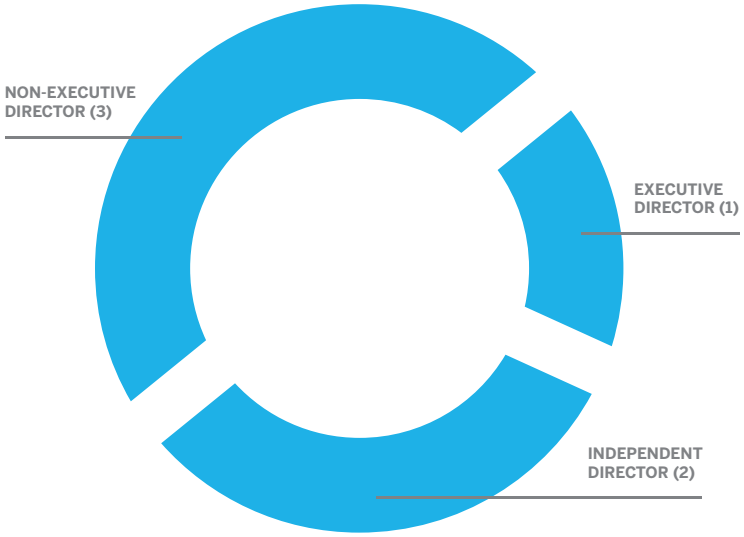
As Vice President Compliance, he oversees the Compliance and Legal Department. As Corporate Secretary, he is responsible for the Corporate Secretarial and Corporate Governance matters. He is a member of the Institute of Chartered Secretaries and Administrators (UK) and also a member of the Mauritius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

### 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 2019, 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.

### Board's Composition




### Company Secretary

The Company Secretary, Mr. Aboo Bakar Mosaheb, ACIS, MIoD is also the Vice President (Compliance). His profile is given on page 13 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 disinvestment.

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 2019, the Board of Directors comprised of the following members:

| Directors | Category | Other Directorship | Name of Company |
|---|---|---|---|
| Mr. Venkat Nageswar Chalasani | Non-Executive Director and Chairperson | Nominee Director | 1. SBI – SG Global Securities Services Pvt Ltd<br>2. Macquarie SBI Infrastructure Management Pvt Ltd. (Registered outside India)<br>3. State Bank of India (UK) Limited<br>4. SBI Canada Bank<br>5. SBI California |
| Mr. Sanjay Dattatraya Naik | Non-Executive Director | Nominee Director | 1. State Bank of India (UK) Limited<br>2. SBI Canada Bank<br>3. CIBL Moscow<br>4. Kukuja Project Development Company |
| Mr. Subbaramaiah Ramesh Rajapur | Non-Executive Director | Nominee Director | 1.Bank SBI Botswana Ltd.<br>2.Nepal SBI Bank Ltd. |
| Mr. Shyam Swaroop Asthana | Executive Director | Director | 1. SBI Fund Management;<br>2. Mauritius Bankers Association |
| Mr. Geeanduth Gopee | Independent Director | Director | Sunshine International Ltd |
| Mrs. Bibi Khoudijah Maudarbocus-Boodoo | Independent Director | None | None |

The two Independent Directors, namely Mr.Geeanduth Gopee and Mrs.Bibi Khoudijah Maudarbocus-Boodoo reside in Mauritius. Mr.Shyam Swaroop Asthana, the Executive Director and also Managing Director and Chief Executive Officer of SBI (Mauritius) Ltd reside in Mauritius during the term of his 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, and 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 Ernst & Young Ltd was entrusted with the task for the Assessment of the Board, Sub-Committees' and Directors' of SBI (Mauritius) Ltd which covered the following process methodology:

(1) Plan and collect preliminary information;

(2) Design and validate assessment questionnaire;

(3) Administer questionnaire; and

(4) Report on results

The report was issued in June 2018 and in line with best practices, several recommendations were discussed and have been implemented.

## 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 | 6 | 4 | 6 |
| Directors | Attendance | Attendance | Attendance | Attendance | Attendance |
| Mr. S. Sengupta (upto 13.12.2018) | 3 | N/A | N/A | N/A | N/A |
| Mr. V.N. Chalasani (as from 07.12.2018) | 1 | N/A | N/A | N/A | N/A |
| Mr. S.K. Varma (upto 07.08.2018) | 1 | 1 | 1 | 1 | 2 |
| Mr. V.K. Tyagi (upto 20.06.2018) | - | - | 2 | - | 1 |
| Mr. S.D. Naik (as from 17.07.2018) | 3 | 3 | 1 | 1 | 2 |
| Mr. S.R. Rajapur (as from 30.07.2018) | 2 | 2 | 2 | 2 | 2 |
| Mr. S.S Asthana (as from 14.10.14) | 4 | 4 | N/A | 4 | 6 |
| Mr. G. Gopee (as from June 2012) | 4 | 3 | 6 | 4 | 5 |
| Mrs. B.K. Maudarbocus-Boodoo (as from 25.05.2018) | 4 | 4 | 4 | 4 | 5 |

**Note:** **N/A** = Not a member **-** = Absent

## 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 three years 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 2019, the ECOD comprised of 5 Directors as follows:

1. Mr. S. D. Naik (Chairperson)
2. Mr. S. R. Rajapur
3. Mr. S. S. Asthana
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. S. D. Naik

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 6 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 personnel.

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 Corporate Governance, Nomination & Compensation Committee met 6 times during the period under review.

The 5 members of CGNCC are as follows:

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

### 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. S. D. Naik
3. Mr. S. R. Rajapur
4. Mr. S. S. Asthana
5. Mrs. B. K. Maudarbocus – Boodoo

The Committee met 4 times during the yearunder review.

## Management Team

Details of the Management team are given below:

| Senior Management | |
|---|---|
| Mr. S. S. Asthana | Managing Director & CEO |
| Mr. M. Arya | Chief Operating Officer |
| Mrs. S. Prabha | Chief Risk Officer |
| Mr. U. 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. A. Kumar | 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. P. Panda | 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 |
| Mr. Z. H. Siddiqui | Manager, Risk |
| Mr. R. Singh | Manager, Systems |
| Mr. R. K. Srinath | 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 Framework
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 (Please visit BoM's Website: www.bom.mu )
9. Code of Ethics for Directors of SBIML
10. The latest Annual Report of SBIML
11. A list of Policies of SBIML (as at date)
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 (Conducted by E&Y Ltd)

## 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 reviewed and has approved to hire the services of a local consultant to provide professional training to the Directors on emerging topics such as data privacy, GDPR, cybersecurity, sustainability, block chain, digitisation, Risk, Liquidity etc. or new/changes in laws, regulations, IASs/IFRSs, AML/ CFT. 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 and Group Executive, is currently heading the International Banking Group of State Bank of India (Bank) since Jan 2019. The International Banking Group comprises international operations of the Bank which are spread across 208 offices in 34 countries with a business portfolio of more than USD685 bn and a staff complement exceeding 3500. As a vertical Head, Mr. Venkat Nageswar is responsible for group strategy, business development and other functional areas of the Group.

Mr. Venkat Nageswar is the Chairperson on the Board of SBI (Mauritius) Ltd. He is also the Chairperson on the other subsidiaries of the Bank including State Bank of India (UK) Ltd, SBI Canada Bank and SBI (California).

A career banker with experience of over 35 years, Mr. Venkat Nageswar 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 Nageswar 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. 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 Nageswar is a Director on the boards of several companies and industry associations.

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

Mr. Venkat Nageswar holds a Bachelor of Science in Botany, PDGJ from Bhavan's Institute and CAIIB.

2. **Mr. Sanjay Dattatraya NAIK**, Chief General Manager is in-charge of SBI's International Operations including its Subsidiaries and Joint Ventures. Shri Naik has assumed charge of Chief General Manager (International Banking), State Bank of India (Bank) in May 2018.

He is responsible for business development, formulation of strategies and overview of Compliance and Risk culture of the International Banking operations. Mr Sanjay Naik is a career banker with experience of over 31 years. Prior to assuming his current responsibilities, he was Executive Director of SBI UK Operations and oversaw Retail business & operations of State Bank of India (UK) Ltd. He was instrumental in formation of the retail subsidiary in SBIUK, which is the largest Overseas Banking subsidiary of SBI. He led a large team in SBIUK managing business worth USD 2 billion.

He is presently a Non-Executive Director on the Board of SBI (Mauritius) Ltd. Mr Sanjay Naik is also the Board member in other subsidiaries of the Bank including Nepal SBI Bank Ltd, State Bank of India (UK) Ltd, CIBL Moscow, SBI Canada Bank. He is a BSc holder in Chemistry and an associate of the Indian Institute of Bankers, Mumbai.

Mr. Sanjay Naik has held various positions across a wide range of domains including International Banking, Retail Banking and Mid Corporate Group. He has extensive and wide experience in Credit domain and has held various important positions as Relationship Manager at the Overseas Branch in Mumbai and as Deputy General Manager at the Leather & International Branch in Chennai. In his role at Overseas Branch Mumbai, Mr. Naik handled large corporate accounts of Shipping and Aviation industry and handled a portfolio of USD 750 mio. In his role at Leather and International Branch, he handled a portfolio of USD 400 Mio. Other responsibilities in his previous assignments were business development and asset quality maintenance, ensuring effective credit process systems, cross-selling and improving operational efficiency of the branches.

3. **Mr. Subbaramaiah Ramesh RAJAPUR**, General Manager is in-charge of SBI's Retail and Subsidiaries Vertical of the International Banking group of the Bank. Shri R.S. Ramesh has assumed charge of General Manager (Retail & Subsidiaries), State Bank of India in May 2018. As a Head of Retail & Subsidiaries department, Mr. Ramesh is responsible for operational efficiency and other functional areas of the retail business of foreign offices and overall business of Overseas Banking Subsidiaries and Joint Ventures.

He is presently a Non-Executive Director on the Board of SBI (Mauritius) Ltd. Mr. Ramesh is also the Board member on the other subsidiaries of the Bank including Nepal SBI Bank Ltd, CIBL Moscow, SBI Botswana Ltd.

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.

Prior to assuming his current responsibilities, He was heading Correspondent Relationship Banking in IBG where he handled relationship with 232 Correspondent Banks spread across 57 countries.

Mr. Rajapur has also held various important positions as Vice President – Business Development in SBI, New York, In charge of Stressed Assets Management Branch in Coimbatore, Head of the Retail Banking in Chennai and Head of the Module in Coimbatore. He is a BSc holder in Mathematics, Physics & Statistics and an associate of the Indian Institute of Bankers, Mumbai.

4. **Mr. Shyam Swaroop ASTHANA**, M.Sc. (Maths), CAIIB. He joined State Bank of India in 1985 as Probationary Officer and has worked in various verticals during his career. His last assignment was as Deputy General Manager in Corporate Debt Restructuring Cell, Mumbai. Having more than 33 years of experience, he has exposure in General Banking, Agriculture Finance, SME, Corporate Finance, Forex and Stressed Assets Management. He is the Managing Director & CEO of SBIML.

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 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.

6. **Mrs. Bibi Khoudijah MAUDARBOCUS-BOODOO**, BSc (Hons), MBA, is an Independent Director on the Board of SBIML since May 2018. She is currently the Director at the Mauritius Tourism Authority. 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.

## 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 consists 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 7th June 2018.

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 tracking the progress of the Bank's IT initiatives, the Bank constituted a Information Technology Steering Committee (ITSC) 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:
  - IT Strategic Planning
  - Alignment of all IT initiatives across the Bank
  - Prioritize and approve a project
  - Review existing projects
  - Formulate recommendations on major IT investments
- 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 with the Bank's Mission.

## 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 during 2017/ 2018 by Ernst & Young Ltd following a tendering exercise. The evaluation was conducted by the use of a questionnaire circulated to the directors for self-assessment followed by interview and review of documents, procedures, etc. Several recommendations were given based on the evaluation exercise and same has been implemented during the course of the financial year.

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 on 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 2018 to 31st March 2019, the Non-Executive Independent Local Directors received fees and emoluments amounted to USD 18,650 as indicated below:

| | |
|---|---|
| Mr G.Gopee: | USD 10,050 |
| Mrs. B. K. Maudarbocus – Boodoo | USD 8,600 |

Mr. S .S. Asthana, Executive Director, is on deputation from SBI group and he was paid USD 37,101 during the financial year ended 31st March 2019 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 306,820.18 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.

SBI Management Fees was paid USD 306,820 for the current financial year

### (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 determine 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 ("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 Head of Internal Audit ("HIA") reports and has direct access to the Chairperson of the Audit Committee. Reports of HIA 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 HIA 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) and reporting may be made anonymously, using a dedicated telephone number or by e-mail. In case of Whistle blowing against the designated official (VP (Compliance)), Manager Internal Audit shall be the second official contact.

The report/information/email are required to be forwarded/ communicated to Vice President Compliance (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 Gayasingh Ashram to contribute in building a better society.

SBIML partnered with these NGOs and indulged in various projects such as providing motorised wheel chair to disabled children (GRF), sponsoring mid-day meal programme for children (Caritas Rodrigues) or sponsoring running cost of foster homes (SOS Children's Village and Gayasingh Ashram).

## Activities 2019

### Gayasingh Ashram Port Louis

SBIML has been supporting the Gayasingh Ashram financially for the past few years. This year, our donation helped in providing individual aluminium cupboards for the residents (senior citizens and children) to keep their belongings. Through this initiative, SBIML continues to mark its philanthropic presence in Mauritius and is a further step in the Bank's approach to corporate social responsibility to enhance positive and sustainable social development.

### SOS Children's Village Bambous

For the past four 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 running costs of the foster homes. A cheque giving ceremony was held in March 2019 in presence of his Excellency Mr. Tanmaya Lal, High Commissioner of India and Mr. Amédée Dabeecharun, Managing Director of SOS Children's Villages Mauritius.

### Global Rainbow Foundation - HOPE Initiative

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. This year also, SBIML supported GRF, through a financial donation for the purchase of equipment, including motorized wheelchairs for the beneficiaries. A ceremony was held at the GRF headquarters in Petit-Raffray, in the presence of SBIML's Managing Director & CEO, Mr Shyam Swaroop Asthana and other Bank executives in March 2019.

### 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.

| Project | NGO | Amount funded (MUR) |
|---|---|---|
| Sponsoring purchase of motorized wheelchairs | Global Rainbow Foundation | 422,050 |
| Sponsoring running cost of Family house and village at SOSCV Bambous | SOS Children's Village Bambous | 483,508 |
| Supply of aluminium cupboards | Gayasingh Ashram Port Louis | 327,950 |
| Meal project for poor children | Caritas Rodrigues | 288,000 |

The amount of money spent under the CSR Fund for the financial year 2018–2019 amounted to USD 44,619 approx to MUR 1,521,508.

## Other Activities

### Maha Shivaratree

SBIML has been involved in serving thousands of pilgrims at Grand Bassin for Maha Shivaratree. Our staff have been participating actively in this grand event annually.

### 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 through which it 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.

CSR Fund 2018-19

USD 44,619

= Rs 1,521,508

# MAIN EVENTS


SBI (Mauritius) Ltd
Bank to grow with


SBI (Mauritius) Ltd
Bank to grow with


SBI


ADDRESS BY
SBI (Mauritius) Ltd
GLOBAL RAINBOW
FOUNDATION


SBI (Mauritius) Ltd
PORT LOUIS
Gayasing Ashram
Rs. 327,950
Three Hundred and Twenty Seven Thousands and
Nine Hundred and Fifty

## 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 Head of Internal Audit (HIA) submits to the Audit Committee a summary of the audit work schedule, for the following calendar year for approval by the Audit Committee. Any significant deviation from the formally approved work schedule is communicated to Senior Management and the Audit Committee through periodic activity reports.

The HIA reports to the Board of Directors and the Audit Committee. Administratively, the HIA reports to the Chief Operating Officer (COO). HIA 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 Statutory Auditors 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 auditors and assesses the external audit firm annually. To facilitate the Committee, MD & CEO, COO and HIA 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 keeping the External Auditor's performance under review. 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 Manager Internal Audit and also on the member's feedback.

The audit firm is rotated at least every 5 years. A review of the External Auditors' effectiveness and performance of the 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 personnels.

The Bank may engage the firm responsible for its 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 Statutory Auditors report 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 HIA 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.

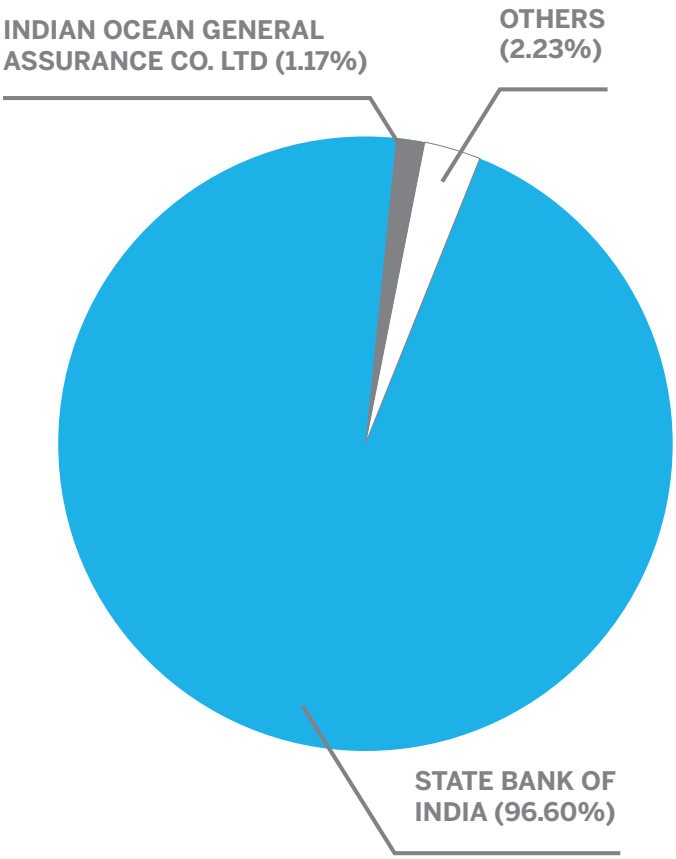
They also evaluate overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The fees payable to M/s Deloitte Mauritius for Statutory Audit for the year ended 31st March 2019 amounted to MUR 1.540 Mio plus VAT entirely for statutory audit services. The services of M/s Deloitte Mauritius were also retained for validation of IFRS 9 Model based on regulatory instruction. The assignment has been completed and the fees payable to M/s Deloitte Mauritius would amount to USD 13,000 + VAT.

**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 2019:




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 31.03.2019

| 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 31.03.2019

| | Number of shareholders | No. of 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 2019

## 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 not less than five (5) or more than eleven (11) Directors. On 31st March 2019, 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 21st September 2018 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 2019 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.

### 2.1 Launching of the Corporate Deposit Card

The bank has launched a Corporate Deposit Card in February 2019 in the presence of Deputy Managing Director (International Banking Group) of State Bank of India, Mr Venkat Nageswar Chalasani and Mr Ramesh Subbaramaiah Rajapur, General Manager (Retail & Subsidiaries).

Using the Deposit Cards, the corporate customers can deposit a maximum amount of MUR 60,000 per transaction.

### 2.2 Recyclers

SBI (Mauritius) Ltd has 5 Recyclers installed in the country. The Recyclers have the function to withdraw as well as deposit cash without queuing at Branch on 24/7 basis.

### 2.3 New Branch at Vacoas

In view of upgrading our branches and delivering quality service and providing our customers a comfortable environment, we have moved our Vacoas Branch from Vavid House to brand new premises in Jhugroo Building.

## 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 least at annual meeting of shareholders. Shareholders are kept informed through the media of dates and agenda of the Annual Meeting of Shareholders and also payment of dividend.

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

The following is the forthcoming calendar of events:

| Important dates | Events |
|---|---|
| July 2019 | Release of first quarter results as on 30th June 2019 |
| August 2019 | Payment of Dividend |
| Latest by September 2019 | Annual Meeting of Shareholders |
| October 2019 | Release of half-yearly results as on 30th Sept 2019 |
| January 2020 | Release of results for the 9 months period as on 31st Dec 2019 |
| May 2020 | Release of full year results as on 31st March 2020 |

**S. S. Asthana**
Managing Director & CEO

**B. K. Maudarbocus-Boodoo**
Director

**A. B. Mosaheb**
Company Secretary

SBI (Mauritius) Ltd
Bank to grow with

## 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, 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 2019.

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

Date: 3rd May 2019

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## STATEMENT OF COMPLIANCE

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

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

Reporting Period: 31st March 2019

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: 3rd May 2019

**S. S. Asthana**
Managing Director & CEO

Date: 3rd May 2019

# MANAGEMENT DISCUSSION & ANALYSIS

## 1. Macroeconomic Outlook[1]

A year before, international agencies like IMF, World Bank, OECD etc were buoyant on the growth prospect of world economy and IMF had also estimated growth of 3.9% for FY 2018 & FY 2019. However, in its latest World Economic Outlook report published in April'19, IMF has sharply reduced the growth prospect of world economy to 3.3% for FY 2019, before bouncing back to 3.6% in FY 2020.

What has conspired over the year?? Well, analysing the causes & reasons the focus is hinged at the trade disputes erupted between USA & China and USA & its other major trading partners affecting the down line countries as well. Adding to that, the uncertainties of Brexit; macroeconomic stresses in Argentina & Turkey; political unrest in Middle East & Latin America; new auto emission norms affecting the auto sector in Germany (the largest economy in EURO area); tightening of credit policy in China; growth moderation in India are a few key factors.

While the advanced economies grew at 2.2% in FY 2018, emerging market & developing economies were expected to have grown by 4.5 % in FY 2018 resulting in moderation of world economic growth to 3.6%. Although, the estimated 3.3% global expansion in FY 2019 is reasonable, the downward outlook assigned to many countries, covering as much as 70% of world economy, is a cause of concern.

Further, geography-wise analysis indicates that the growth of US economy is expected to slow down to 2.3% in FY 2019 and to 1.7% in FY 2020 with unwinding of fiscal stimulus. The Fed Rate hikes are also dampening the growth prospect which is evident from the cognisance of the issue by Fed and now it is taking a stance of rate pause during 2019 with anticipated policy rate level of 2.50-2.75. The Euro area economy is similarly projected to slow down to 1.3% in FY 2019 from the present level of 1.8%. Major countries like Germany, Italy and France are showing stresses in their economy, which is expected to continue during the first half of the current fiscal, before the rebounding to 1.6% in FY 2020. Similarly, the prolonged uncertainty about the Brexit outcome is playing its part in declined economic growth forecast for United Kingdom. The only exception in the advanced economies is Japan, which is expected to grow 1% during the current fiscal.

In near terms, the slower momentum experienced in the 2nd half of FY 2018 is likely to continue during the 1st half of FY 2019 as well. With expected policy formulation by key contributors to the world economy, the prospect looks brighter for the next year.

[1] Views and data mentioned are sourced from IMF Report available in public domain

### 1.1 Mauritian Economy[2]

In spite of the decline in global economy, Mauritian GDP growth rate remained stable for last 3 years at 3.8% and is projected to increase to 3.9% during FY 2019. Economic expansion was led by services sector and buoyant construction activities. The Tertiary sector continued to be the growth driver of the economy.

- Tourist arrivals during FY 2018 increased both in terms of numbers from 1.35 Mio to 1.40 Mio and earnings from MUR 60 bn to MUR 64 bn.

- Domestic demand continued to sustain growth supported by consumption expenditure and sharp growth in investment.

The headline inflation eased in FY 2018 from 3.7% to 3.2% and is projected to ease further down in FY 2019, presently standing at 2.1% in Feb'19. The Central Bank has left the Key Repo Rate unchanged at the level of 3.5% since Sept'17.

As per the MCCI Confidence level report for Q4 2018, on sectoral levels there is an increase in confidence indicators among various constituent sectors. According to the report, the industrial sector is being driven mainly by the high levels of production linked to construction industry with large public infrastructure projects. This is creating a multiplier effect in the economy. In Financial sector, companies are progressively adapting themselves to the new global business reforms, with adjustments in their modest operation to meet the requirements.

The domestic demand is estimated to support growth and public & private investments in large scale projects such as Metro Express, Road Decongestion Program, Smart Cities, etc are expected to create ripple waves in the economy. Overall, we are buoyant on the domestic growth prospect for short to medium horizon.

### 1.2 Indian Economy[3]

IMF, in its World Economy Outlook report published on 9th April'19 has lowered India's GDP growth to 7.3% in 2019-20 and 7.5% in 2020-21, 20 bps lower than its earlier estimates published in Jan'19. The estimates followed similar views expressed by ADB & RBI earlier during the month. The economy is estimated to have grown by 7.20% during FY 2018-19 as per the Central Statistics Office (CSO) of India's projections. The inflation remained within estimates and Reserve Bank of India is shifting focus from inflationary monitoring to sustaining growth momentum and has cut the policy rate twice by 25 bps each in the last 2 consecutive meetings. Inflation is estimated to remain benign at 3.9%; below the RBI's target of 4%. However, as per the IMF report the fiscal deficit, including that of states will continue to be a cause of concern and will further increase to 6.9% in FY 2019-20 as compared to 6.7% in FY 2018-19.

[2] BOM Publication, MCCI Report & Statistic Mauritius
[3] IMF Report, RBI

The other risk factor to the outlook are outcome of the general election in Apr-May 2019, impact of the US-China trade war and rise in commodity prices such as crude price & gold prices.

However, lots of structural reforms are being put in place by the government from policy simplification to taxes; which are expected to strengthen to the growth in coming years.

### 1.3 Outlook

Looking back, 2018 was a year of two halves, as annual global growth clocked in at 4% for the first half, before decelerating in the second. For 2019, global economic growth is expected to continue slowing down, as tighter monetary policy, weaker earnings growth and political challenges confront the world's major economies.

Meanwhile, developed markets and emerging markets are likely to see a reversal of fortunes. As growth subsides in the US and other developed markets, emerging markets should resume their role as the world's economic growth engines. This change in leadership, along with higher core inflation and tighter monetary tensions, marks a significant plot twist in the investing narrative and outlook for the year ahead. Also, the domestic economy is poised for another year of record growth.

Our bank, with business interest over major geographies, is well equipped with the strategy & resources to capture opportunities and has resources to capture opportunities and keep growing through selection of high quality assets with desired yield. Simultaneously keeping focus on further improvement in operational efficiencies.

Mauritian GDP is projected to increase to

**3.9%**

during FY 2019

## 2. Financial review

The last Financial Year 2018-2019 was full of challenges for the Bank. Nevertheless, the Bank has shown resilience in booking business both from the Segment A and Segment B. The bank has been able to curtail Non Performing Assets (NPAs) through recovery, resolution and write-off, reduced expenses and has remarkably improved in efficiency parameters. Over the years, SBI (Mauritius) Ltd has posted a healthy growth to emerge as a steadily growing mid-sized Bank amidst the highly competitive banking environment of Mauritius. In FY 2018-19, we have achieved a Net Profit of USD 15.70 Mio as compared to USD 1.67 Mio earned last year.

### 2.1 Performance against objectives

| Objectives for FY 2018-19 | Performance for FY 2018-19 | Objectives for FY 2019-20 |
|---|---|---|
| Net Profit<br>To achieve Net Profit after tax (PAT) of USD 2.31 Mio | Achieved an appreciable performance of USD 15.70 Mio | To achieve Net Profit (PAT) of USD 17.27 Mio |
| Return on Average Equity (ROAE)<br>To achieve a ROAE of above 1.39% | Achieved a ROAE of 11.10% due to the bank's ability to maximise its profit | To achieve a minimum ROAE of 12% |
| Return on Average Assets (ROAA)<br>Aim to keep a ROAA of above 0.20% | ROAA stood at 1.67% | To achieve ROAA above 1.76% |
| Net Interest Margin<br>To achieve a NIM of 2.72% | Achieved a NIM of 2.70% | To achieve a NIM of 2.90% |
| Expense Ratio<br>The Expense Ratio is forecast to increase but remain below 31.33% | The Expense Ratio improved to 29.81% | To further improve Expense Ratio below 28.50% |
| Gross Loans and Advances growth<br>Expand the loans and advances portfolio by around 3.98% | Loans and advances decreased by 18.57% | Loans and Advances to grow by 35% over the March'19 level |
| Deposits growth<br>Growth of 6.88% over Mar'18 level | The Deposit has gone down by 39.69% from the Mar'18 level | Deposit to grow by 40% from the March'19 level |
| Investment<br>To forecast a growth of 15% | Attained a growth of 11.49% | The investment portfolio to grow by 10% over March'19 level |
| Total assets<br>Asset growth targeted at minimum of 5% over previous year | The total asset decreased by 19.76% | Total Asset to grow by 17% over March'19 level |
| Gross NPA<br>Forecast Gross NPA of 16.52% | GNPA improved to 5.87% | To further reduce the GNPA to below 5% |
| Net NPA<br>Forecast Net NPA of 10.35% | Net NPA improved to 3.11% | To further reduce the Net NPA to below 3% |
| Capital Adequacy Ratio (CAR)<br>CAR above 20.08% | CAR is at 26.81% as at March'19 | CAR around 20% |

## 2.2 Performance highlights (Year on- Year Comparison)

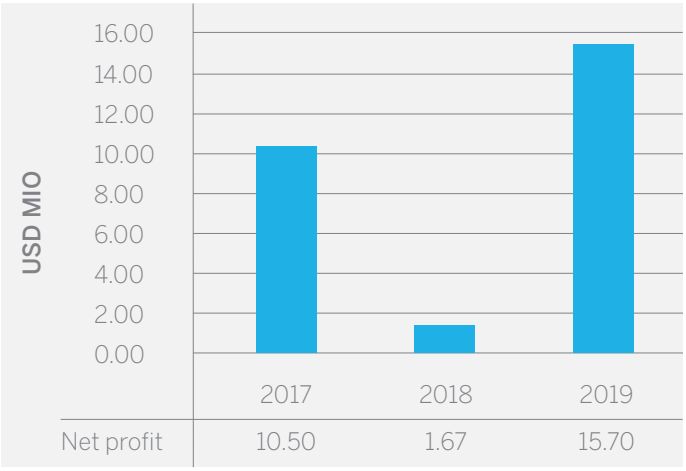
USD MIO

| For the year | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|
| Statement of profit or loss and other comprehensive income | | | |
| Net Interest Income | 23.50 | 23.63 | 24.19 |
| Non-Interest Income | 4.37 | 4.64 | 4.44 |
| Total Operating Income | 27.87 | 28.27 | 28.62 |
| Total Operating Expenses | 6.99 | 8.22 | 8.53 |
| Profit After Tax | 10.50 | 1.67 | 15.70 |
| Statement of financial position | | | |
| Total assets | 1092.42 | 1116.66 | 896.06 |
| Loans and advances to customers (Net) | 839.50 | 600.75 | 518.59 |
| Deposits from customers | 681.28 | 781.64 | 471.42 |
| Total equity | 177.91 | 161.85 | 149.97 |
| Performance ratios (%) | | | |
| Return on average equity | 5.99 | 1.00 | 11.10 |
| Loan to deposit ratio | 129.83 | 84.79 | 114.49 |
| Total operating expenses to total operating income | 25.09 | 29.08 | 29.81 |
| Capital adequacy ratio (%) | 21.16 | 20.86 | 26.81 |

### 2.2.1 Net profit

The Bank's Net Profit After Tax (PAT) stood at USD 15.70 mio as on 31st March 2019 against USD 1.67 mio as on 31st March 2018, registering a remarkable growth of 840.12% on Y-o-Y basis. Both Return on Average Equity (ROAE) and Return on Average Assets (ROAA) have gone up owing to increase in PAT. The ROAE and the ROAA stood at 11.10 percent and 1.67 percent respectively, as on 31st March 2019 as compared to 1.00 percent and 0.94 percent, as on 31st March 2018.

The higher profit was registered through persistent improvement in interest income and reduction in interest expenses as well as control over operating expenses. Also, the bank was able to carry out efficient resolution of sticky assets thus avoiding any further provisioning.



### 2.2.2 Income analysis

Total Income has gone up by 1.24% to USD 28.62 mio from USD 28.27 mio, year before. The increase in total income can be attributed to increase in Net Interest Income..

**Net Interest Income**

| Interest income (USD MIO) | |
|---|---|
| FY 2016-17 | 37.07 |
| FY 2017-18 | 38.34 |
| FY 2018-19 | 38.66 |

| Interest expense (USD MIO) | |
|---|---|
| FY 2016-17 | 13.57 |
| FY 2017-18 | 14.72 |
| FY 2018-19 | 14.47 |

A) Net Interest Income

The Net Interest Income of the Bank has improved on Y-o-Y basis from USD 23.63 mio in FY 2017-18 to USD 24.19 mio in FY 2018-19. This was attributed to overall improvement in funding cost, as the Bank pursued its strategy of garnering low cost deposits. The CASA deposit to total deposit has remained robust at 58.86% for the reporting period. Also, the Bank's interest expenses remained under check although, the market interest rates have moved upward sharply. The combined effect of above resulted in an increase in the Net Interest Income (NII) by 2.37 percent on y-o-y basis and the Net Interest Margin (NIM) increased to 2.70% as compared to 2.18% for the year before.

| Other operating income (USD MIO) | |
|---|---|
| FY 2016-17 | 0.94 |
| FY 2017-18 | 0.89 |
| FY 2018-19 | 0.53 |

| Net fee and comission (USD MIO) | |
|---|---|
| FY 2016-17 | 1.74 |
| FY 2017-18 | 2.14 |
| FY 2018-19 | 2.44 |

**Non-Interest Income**

| Net trading income (USD MIO) | |
|---|---|
| FY 2016-17 | 1.69 |
| FY 2017-18 | 1.62 |
| FY 2018-19 | 1.47 |

B) Non-Interest Income

Non-Interest Income to Total Income stood at 15.50% in FY 18-19 as compared to 16.41% year before. Non-Interest Income is derived from fee and commission income on loans and advances; gain on foreign exchange; gain on disposal of investment securities and rental income from Bank's properties.

C) Operating Expenses

USD MIO

| Staff expenses | |
|---|---|
| FY 2016-17 | 3.95 |
| FY 2017-18 | 4.22 |
| FY 2018-19 | 4.63 |

USD MIO

| Other expenses | |
|---|---|
| FY 2016-17 | 3.04 |
| FY 2017-18 | 4.00 |
| FY 2018-19 | 3.90 |

Cost Control

Cost to Income ratio computed as non-interest expenses over operating income continued to remain below 30% and stood at 29.81% in FY 2019 compared to 29.08% in FY 2018.

USD MIO

| | 2017-18 Actual | 2018-19 Actual | 2019-20 Projections |
|---|---|---|---|
| Staff Costs | 4.22 | 4.63 | 5.00 |
| Rent, Insurance and Taxes | 0.51 | 0.55 | 0.60 |
| Communications | 0.32 | 0.37 | 0.40 |
| Depreciation | 0.51 | 0.51 | 0.56 |
| Others | 2.66 | 2.47 | 2.79 |
| **Total** | **8.22** | **8.53** | **9.35** |
| **Productivity Ratio** | **29.08 %** | **29.81%** | **28.19%** |

Total Expenses remained within the budgeted levels in spite of payment for employees wage revision. The Total expenses increased by 3.77% to USD 8.53 mio against USD 8.22 mio, year before.

Staff expenses have gone up by 9.72 percent on y-o-y basis from USD 4.22 mio in FY 17-18 to USD 4.63 mio in FY 18-19. The increase is mainly towards salary and allowances on account of increase in staff strength and implementation of employees wage revision.

For FY 2019-20, the growth in operating expenses is estimated below 10% which will help in improving the cost to income ratio to the estimate level of 28.19%.

### 2.2.3 Business analysis

A) Liability mix

| Head Office Funds (USD MIO) | |
|---|---|
| FY 2016-17 | 177.91 |
| FY 2017-18 | 161.85 |
| FY 2018-19 | 149.97 |

| Customer Deposits (USD MIO) | |
|---|---|
| FY 2016-17 | 681.28 |
| FY 2017-18 | 781.64 |
| FY 2018-19 | 471.42 |

**Liability mix**

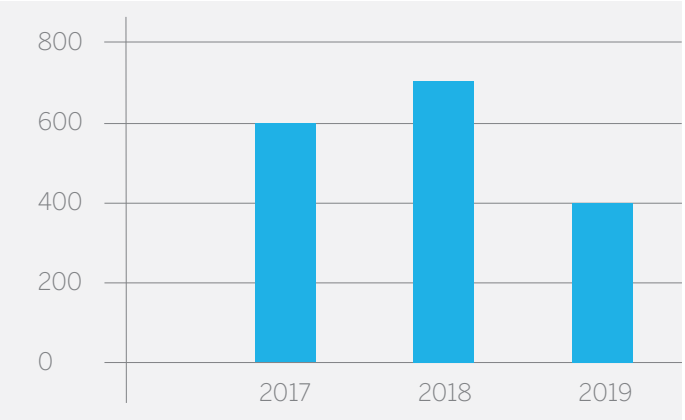
| Borrowings (USD MIO) | |
|---|---|
| FY 2016-17 | 227.59 |
| FY 2017-18 | 165.69 |
| FY 2018-19 | 265.11 |

A.1) Capital resources

Capital & Reserves stood at USD 149.97 Mio at March'19 (which includes profit of USD 15.70 Mio for FY 19) as compared to USD 161.85 Mio as at end of March'18. The reduction is mainly towards provision made for implementation of IFRS-9 and payment of dividend to shareholder for the FY 17-18. However, the Bank's Capital Adequacy Ratio stood at 26.81% compared to last year's 20.86% and is well above the regulatory specification of 11.875%.

A.2) Deposits

Customer deposits have declined in FY 2018-19 as compared to year before. The decline was judiciously managed by the bank in tandem with the asset base so that the high cost deposits are not continued with and more focus was given to increase the CASA. However, the customer base has increased by more than 5 percent over previous year, and the bank is now poised to grow the deposit base consistently.



A.3) 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'19 constitutes of borrowing from parent bank as well as other banks.

B) Asset mix

**Asset mix**

| Net Loans and Advances (USD MIO) | |
|---|---|
| FY 2016-17 | 839.50 |
| FY 2017-18 | 600.75 |
| FY 2018-19 | 518.59 |

| Investments (USD MIO) | |
|---|---|
| FY 2016-17 | 157.22 |
| FY 2017-18 | 231.70 |
| FY 2018-19 | 258.32 |

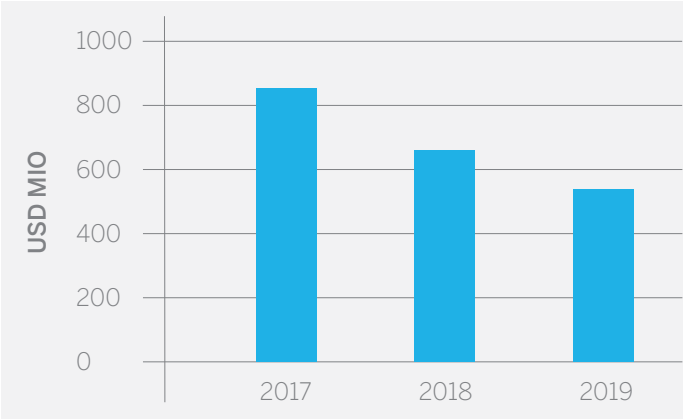
| Placements (USD MIO) | |
|---|---|
| FY 2016-17 | 65.54 |
| FY 2017-18 | 249.28 |
| FY 2018-19 | 86.85 |

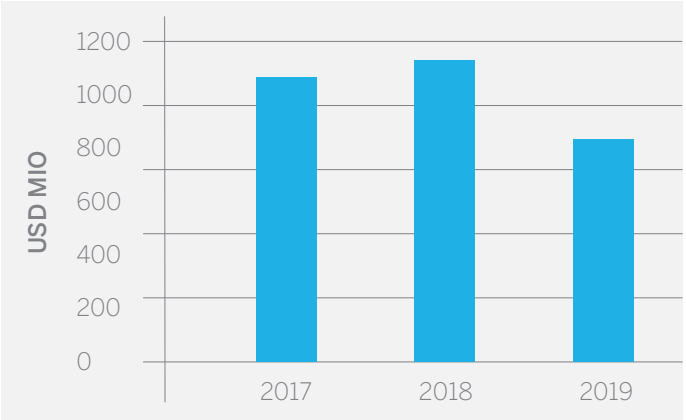
| Cash and cash equivalents (USD MIO) | |
|---|---|
| FY 2016-17 | 68.84 |
| FY 2017-18 | 255.31 |
| FY 2018-19 | 93.30 |

| Other assets (USD MIO) | |
|---|---|
| FY 2016-17 | 17.17 |
| FY 2017-18 | 18.90 |
| FY 2018-19 | 16.45 |

B.1) Gross loans & advances

Gross Advances have declined by 18.57% during FY 2018-19 to USD 539.71 mio against USD 662.79 mio in FY 2017-18. The decline is mainly attributed to resolution of large value Non-Performing Assets through recovery, resolution and write-off. However, the Bank has been able to book fresh advances in medium to long tenor to recoup the asset base and will continue the momentum in FY 2019-20.






B.2) Balance sheet

The Balance Sheet size of the Bank has declined on account of movement in asset base for the reasons discussed above. However, the consolidation of balance sheet has resulted in improvement of efficiency ratios as non performing assets were tackled till conclusion. With the right kind of proposals in pipeline and the visible potential in the market, the Bank is optimistic of expansion of the book by 17% during current fiscal.

## 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 | Standards assets | Impaired loans | Total loans |
|---|---|---|---|
| 31/03/2017 | 779.72 | 105.68 | 885.40 |
| 31/03/2018 | 520.27 | 142.52 | 662.79 |
| 31/03/2019 | 508.01 | 31.70 | 539.71 |

Gross and net NPAs stood at USD 31.70 Mio and USD 16.12 Mio, respectively, as on 31st March 2019 as compared to USD 142.52 Mio and USD 86.80 Mio as on 31st March 2018. The ratio of gross and net NPAs improved to 5.87 percent and 3.11 percent, respectively, as on 31st March 2019 as compared to 21.50 percent and 14.45 percent, respectively, as on 31st March 2018.

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 2018-19 is given below:

| Gross NPA | | USD MIO |
|---|---|---|
| **As on 31st March 2018** | | **142.52** |
| Less: | Recovery | 46.85 |
| | Up gradation | 0.21 |
| | Write-Off | 64.24 |
| Add: Exchange Fluctuation | | 0.22 |
| Add: Slippages (Addition) | | 0.26 |
| Add: Additional provision as per IFRS 9 | | - |
| **As on 31st March 2019** | | **31.70** |

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

| USD MIO | Year Ended 31st March 2019 | | | | | 31.03.2018 | 31.03.2017 |
|---|---|---|---|---|---|---|---|
| | Gross amount of Loans | Non-performing Loans | Specific Provision | Collective Provision | Total Provision | Total Provision | Total Provision |
| Agriculture and fishing | 15.05 | 0.07 | 0.04 | 0.15 | 0.19 | 0.09 | 0.06 |
| Manufacturing | 204.06 | 0.19 | 0.18 | 2.04 | 2.22 | 22.86 | 14.86 |
| Tourism | 24.69 | 0.01 | 0.01 | 0.49 | 0.49 | 9.28 | 9.67 |
| Transport | 36.60 | 29.81 | 14.70 | 0.07 | 14.78 | 9.66 | 0.50 |
| Construction | 48.25 | 0.83 | 0.47 | 0.73 | 1.20 | 0.95 | 1.04 |
| Financial and business services | 57.31 | - | - | 0.57 | 0.57 | 0.36 | 0.10 |
| Traders | 18.50 | 0.27 | 0.17 | 0.17 | 0.35 | 0.13 | 0.26 |
| Personal | 4.88 | 0.04 | 0.01 | 0.04 | 0.04 | 0.11 | 0.11 |
| Professional | 0.20 | - | - | 0.01 | 0.01 | 0.01 | 0.01 |
| Global Business License holders | 77.56 | - | - | 0.77 | 0.77 | 17.92 | 16.73 |
| Others | 7.27 | - | - | 0.07 | 0.07 | 0.01 | 0.66 |
| Interest receivable | 2.62 | 0.48 | - | - | - | - | - |
| **Total Advances*** | **496.99** | **31.70** | **15.58** | **5.11** | **20.69** | **61.38** | **44.00** |

*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%. The minimum Total CAR plus Capital Conservation Buffer required to be maintained for the year 2019 is 11.875%

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 2018-19 stood at 26.81 percent and was well above the minimum capital adequacy ratio of 11.875 percent prescribed by the regulator. The details are given below:

| | USD MIO |
|---|---|
| Total on-balance sheet risk-weighted credit exposures | 501.22 |
| Total non-market–related off-balance sheet risk-weighted credit exposures | 28.52 |
| Total market-related off-balance sheet risk-weighted credit exposures | 1.12 |
| Risk weighted assets for operational risk | 42.38 |
| Aggregate net open foreign exchange position | 0.97 |
| **Total risk weighted assets (A)** | **574.21** |
| **Total Capital Base (B)** | **153.94** |
| **Capital Adequacy Ratio (B/A) (percent)** | **26.81%** |

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

USD MIO

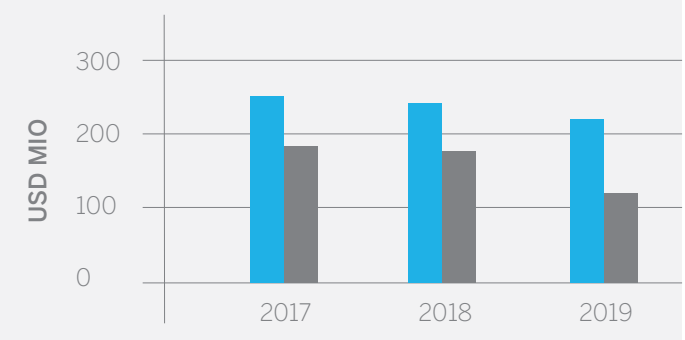
| As on | 31.03.2017 | 31.03.2018 | 31.03.2019 |
|---|---|---|---|
| Tier 1 | | | |
| Share Capital | 48.63 | 48.63 | 48.63 |
| Share Premium | 54.08 | 54.08 | 54.08 |
| Statutory Reserve | 21.42 | 21.67 | 24.03 |
| General Reserve | 0.60 | 0.60 | 0.60 |
| Other Disclosed Free Reserve | 55.35 | 42.18 | 26.55 |
| Less (Deferred tax) | 1.58 | 2.06 | 1.50 |
| Revaluation of Retired Benefits | | | |
| Obligations/AFS | (2.28) | (5.42) | (4.03) |
| **Total** | **176.22** | **159.68** | **148.35** |
| Tier 2 | | | |
| Undisclosed Reserve | 0.05 | 0.05 | 0.05 |
| Portfolio Provisions | 8.86 | 6.31 | 5.54 |
| **Total** | **8.91** | **6.36** | **5.59** |
| **Total Gross Capital (Tier 1 plus Tier 2)** | **185.13** | **166.04** | **153.94** |
| **Capital Adequacy Ratio (%)** | **21.16** | **20.86** | **26.81** |

## 2.5 Reviews by business lines/segments

### 2.5.1 Domestic Business (Segment A)

USD MIO

| As at 31st March | 2017 | 2018 | 2019 |
|---|---|---|---|
| Deposits | 285.39 | 279.90 | 249.43 |
| Advances (Gross) | 197.48 | 169.35 | 143.99 |



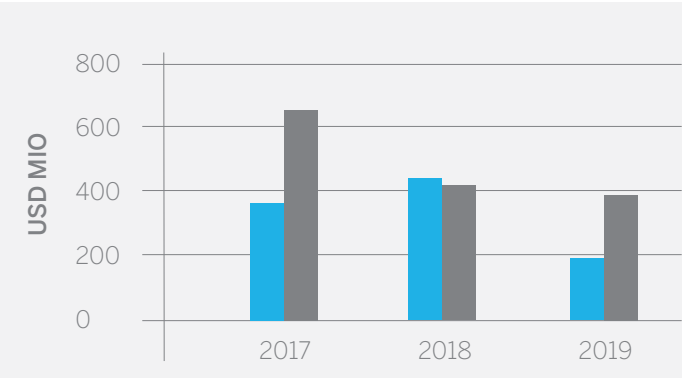

Deposits in Domestic Business Segment have declined by 10.89% to USD 249.43 mio against USD 279.90 mio year before.

The year 2018-19 remained a challenging year as far as Advance growth is concerned. The focus was on resolving high value NPAs and to enforce credit discipline. We were successful in our pursuit to improve asset quality due to resolution of few high value advances in domestic sector. The Gross Advances have declined by 14.97% to USD 143.99 mio against USD 169.35 mio year before. The asset book of corporate department shrank due to closure of high value NPA and unanticipated pay off of certain loans. The payoffs are mainly on the tourism sectors where assets are being refinanced by the Financial Institutions. The SME book registered growth during the same period and the Bank is able to achieve its target under SME finance scheme of BOM. Bank has introduced e-trade facility and corporate deposit card during 2018-19 and remains committed to convenience banking for our corporate customers.
Our focus will remain on tourism, construction, financial and business services. Bank will be having special emphasis on projects having green technology. We also remain committed to our SME customers and have planned new products to support their business.

### 2.5.2 Global Business (Segment B)

USD MIO

| As at 31st March | 2017 | 2018 | 2019 |
|---|---|---|---|
| Deposits | 395.90 | 501.75 | 221.97 |
| Advances (Gross) | 687.92 | 493.44 | 395.72 |



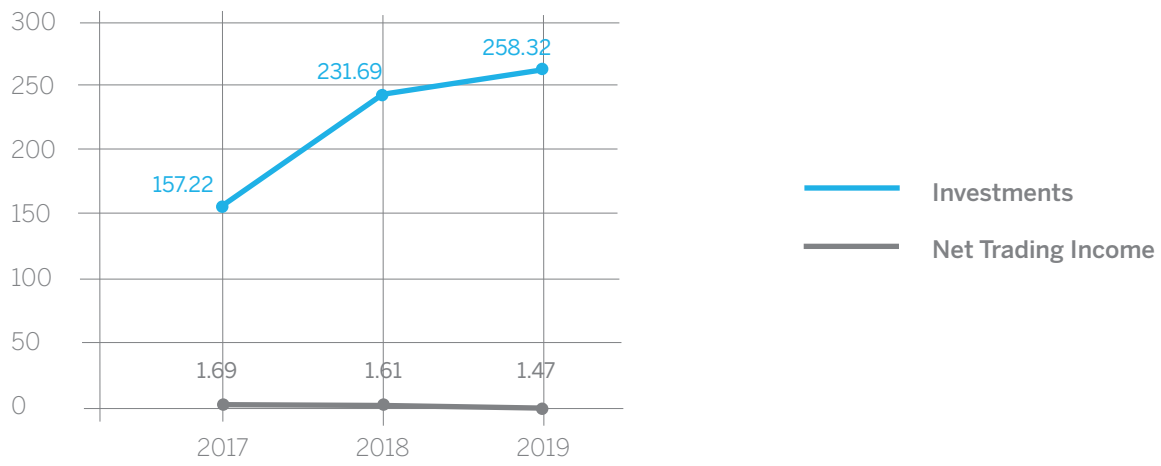

Global Banking Business constitutes more than 47% of Deposits and more than 73% of Advances of the bank. The main source of deposit is GBLH customers and other overseas customers. The advance book largely constitutes of ECBs, Syndicated and Bi-lateral loans. The withdrawal of Buyer's Credit business by Reserve Bank of India has impacted the advance levels in the initial period of FY 2018-19. Even though we have booked quality long term assets, the overall growth remained subdued due to prepayment of few large value Foreign Currency Term Loans and settlement of sticky assets during the reporting period.

Deposits  Advances

### 2.5.3 Treasury & Investments

USD MIO

| As at 31st March | 2017 | 2018 | 2019 |
|---|---|---|---|
| Investments | 157.22 | 231.69 | 258.32 |
| Net Trading Income | 1.69 | 1.61 | 1.47 |




Investments portfolio has increased by 11.49% during FY 2018-19. Investments were made for twin purpose of meeting HQLAs required for LCR purpose and for income in the form of yield. Outstanding as on 31st March 2019 in both the categories, as Held to Collect & Sale (HtCS) and Held to Collect (HtC) have gone up y-o-y basis. During implementation of IFRS w.e.f 01.04.18, the Bank has revised portfolio composition and therefore shifting of investments from HTCS to HTC was done after approval of the Board to aligning with the business model of the bank.

The investments in local Govt. Securities have come down due to utilization of the maturity proceeds of the securities towards deployment in form of advances.

Due to higher trajectory of US rates and credit premium lately, we have been purchasing securities with shorter maturity. We would rebuild the portfolio gradually over a period of time, which will help us to earn higher interest income avoiding MTM losses, if the rates continue to drift higher.

### 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. During this financial year, we signed a new collective agreement on wage revision with the Union for the period 2017-2021.

### 2.5.5 Digital Transformation

SBI (Mauritius) Ltd has successfully managed to integrate the digital banking landscape into its fabric. The digital banking encompasses not only the customer facing interfaces but also automation of backend processes. We have done a number of enhancements to reduce the turn-around-time of various processes. During the year, we have replaced some of our old ATMs with Recyclers, which facilitated the cash deposits and withdrawals by our customers beyond the banking hours, at their own convenience. The installation of the recyclers was our long term strategy to increase the footprints on our alternate channels. We have also extended the recycler functionality to our niche corporate customer by the introduction of customised Corporate Deposit Cards. Besides bringing technology to enhance the customer experience, we have also reinvented to infuse solid and agile technologies to our boardroom, thereby, bringing a paradigm shift in the high level board meetings across different geographies.

Although most of our endeavours are customer centric, we have also digitally empowered our workforce by providing them with an integrated cloud based e-mail platform for a contemporary workplace.

This digital workplace facilitated our employees to collaborate effectively using various platforms such as Desktops, Smart phones, Tabs and Mac books for better communication and networking. We understand that, for a technology initiative to integrate into our character, we need to impart the right skills and knowledge to our employees, who could take forward the technology to the last mile. Therefore, we introduced digital learning initiatives to empower our employees to be more informed, articulate and provide visible value additions to all the technologies initiatives of the Bank.

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 optimise customer satisfaction.

SBI (Mauritius) has adopted global best practices to bring about a change in the customer journeys and helped the customers to slowly on-board to digital channels such as ATM, Internet Banking and Mobile Banking platforms.

## 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 2019. The Bank's capital however, has decreased due to dividend distribution for the FY 17-18 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 | 10.0 % | 10.0 % | 10.0 % | 10.0 % | 10.0 % | 10.0 % | 10.0 % |
| Minimum Total CAR plus Capital Conservation Buffer | 10.0 % | 10.0 % | 10.0 % | 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 31.03.2019, the Bank is complying with the regulatory guidelines and our ratios as at 31st March 2019 stands as under as compared to the stipulations.

| Actual information | As per time table | Actual 31.03.2019 |
|---|---|---|
| Minimum CET 1 CAR | 6.5 % | 25.84% |
| Minimum CET 1 CAR plus Capital Conservation Buffer | 8.375% | 25.84% |
| Phase-in of deductions from CET 1 | 100.00% | Not Applicable |
| Minimum Tier 1 CAR | 8.00 % | 25.84% |
| Minimum Total CAR | 10.00 % | 26.81% |
| Minimum Total CAR plus Capital Conservation Buffer | 11.875% | 26.81% |

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 | 10,852,829 | |
| Accumulated other comprehensive income and other disclosed reserves (excluding revaluation surpluses on land and building assets) | 24,632,519 | |
| Current year's interim profits (subject to certification by the bank's external auditors) | 15,699,917 | |
| Common Equity Tier 1 capital before regulatory adjustments | | 153,890,515 |
| Deferred tax assets | 1,503,706 | |
| Other Adjustments to Common Equity Tier 1 capital (please specify) | 4,033,375 | |
| 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 | | 5,537,081 |
| Common Equity Tier 1 capital (CET1) | | 148,353,434 |
| Additional Tier 1 capital (AT1) | | - |
| Tier 1 capital (T1 = CET1 + AT1) | | 148,353,434 |
| 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) | 5,540,927 | |
| 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 | | 5,589,640 |
| Tier 2 capital (T2) | | 5,589,640 |
| Total Capital (capital base) (TC = T1 + T2) | | 153,943,074 |
| **Total risk weighted assets** | | **574,213,101** |
| Capital ratios (as a percentage of risk weighted assets) | | |
| CET1 capital ratio | | 25.84% |
| Tier 1 capital ratio | | 25.84% |
| Total capital ratio | | 26.81% |

USD MIO

| Reconciliation to Financial statements | Balance sheet as per published financial statements As on 31.03.2019 |
|---|---|
| | As at period end |
| **Assets** | |
| Cash and cash equivalent | 93.30 |
| Loans and advances to banks | 42.30 |
| Loans and advances to customers | 476.29 |
| Investment securities | 258.32 |
| Property, plant and equipment | 7.69 |
| Current tax assets | 0.20 |
| Deferred tax assets | 1.50 |
| Other assets | 16.46 |
| **Total assets** | **896.06** |
| **Liabilities** | |
| Deposits from customers | 471.42 |
| Other borrowed funds | 265.11 |
| Current tax liabilities | - |
| Other liabilities | 9.57 |
| **Total liabilities** | **746.10** |
| **Shareholders' Equity** | |
| Share capital and share premium | 48.63 |
| of which amount eligible for CET1 | 54.08 |
| Retained earnings | 26.55 |
| Other reserves | 20.71 |
| Accumulated other comprehensive income | - |
| **Total equity** | **149.97** |
| **Total equity and liabilities** | **896.06** |

## 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 2019 | | |
|---|---|---|---|
| | Amount USD 000 | Weight % | Weighted assets USD 000 |
| Cash items | 1,891 | 0 | 0 |
| Claims on sovereigns | 113,300 | 0 | 0 |
| Claims on Bank of Mauritius | 32,308 | 20-100 | 1,990 |
| Claims on multilateral development banks (MDBs) | 55,221 | 0 | 0 |
| Claims on banks | 171,755 | 20-100 | 73,726 |
| Claims on non-central government public sector entities -Claims on all other PSEs | 10,006 | 50 | 5,003 |
| Claims on all other PSEs | 15,511 | 100 | 15,511 |
| Claims on corporates | 439,017 | 20-150 | 348,019 |
| Claims included in the regulatory retail portfolio | 4,808 | 75 | 3,606 |
| Claims secured by residential property | 24,314 | 35-125 | 18,510 |
| Claims secured by commercial real estate | 2,229 | 100 | 2,229 |
| Past due claims | 31,701 | 50-150 | 21,153 |
| Fixed assets/Other assets | 11,473 | 100 | 11,473 |
| **Total** | **913,534** | | **501,220** |

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

| Risk-weighted off-balance sheet assets | Amount USD in Mio | Risk Weight | Weighted assets USD in Mio |
|---|---|---|---|
| Direct credit substitutes | 29.08 | 20-100 | 15.436 |
| Transaction-related contingent items | 6.32 | 50 | 3.161 |
| Trade-related contingencies | 2.74 | 20-100 | 0.547 |
| Other commitments | 46.920 | 20 | 9.384 |
| **Total** | **85.060** | | **28.528** |

## 3. Risk management policies and controls

### 3.1 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.

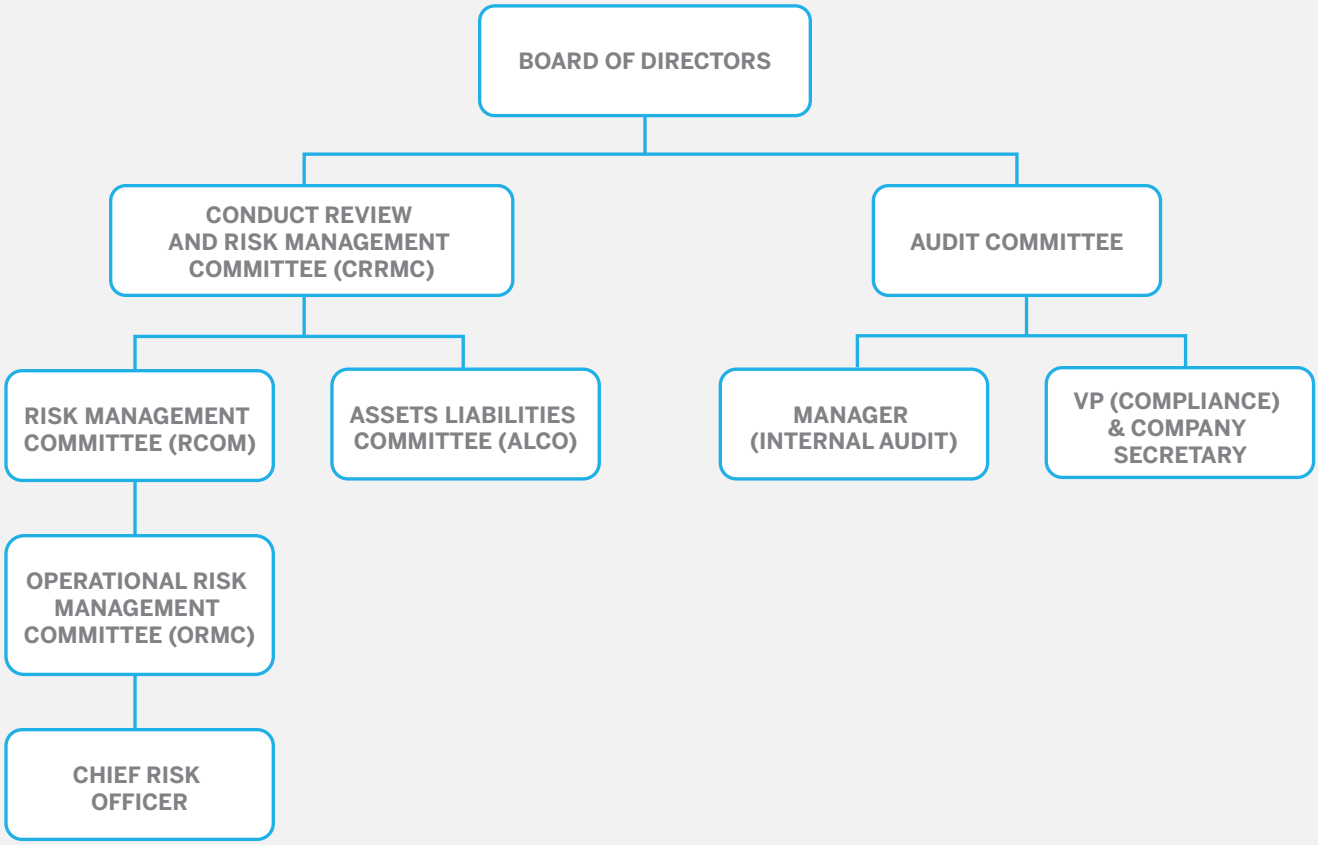
2. Risk & Compliance – Establishing limits and framework for operating functionaries and oversight of various risks.

3. Internal Audit- Independent assessment to provide assurance on the effectiveness of risk governance along with review of the processes and mechanisms.

### 3.2 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:



### 3.2.1 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.

### 3.2.2 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

### 3.2.3 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.

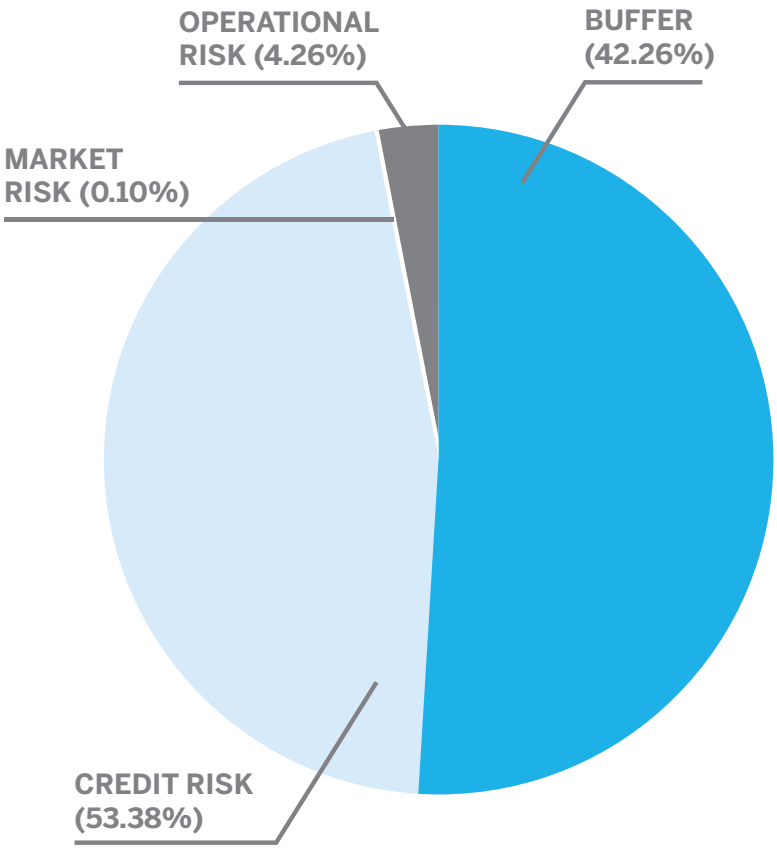
Matters discussed include the following:

- 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

## 3.3 Risk Composition

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

SBIML risk composition of capital – Pillar 1 Risks as on 31st March 2019 is graphically represented below:



## 3.4 Management of Key Risks

### 3.4.1 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.

A) 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 is subject 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 in RCOM on monthly 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.

B) 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.

C) 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

### 3.4.2 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.

A) 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 2019 | Actual Position as on 31st March 2019 |
|---|---|---|
| LCR in MUR | 100% | 420% |
| LCR in material foreign currencies | 80% | 94% |
| Consolidated LCR (in either MUR or USD) | 80% | 143% |

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 | 0.32 |
| -25 | -0.32 |
| +50 | 0.64 |
| -50 | -0.64 |
| +75 | 0.96 |
| -75 | -0.96 |
| +100 | 1.28 |
| -100 | -1.28 |

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.

### 3.4.3 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.

SBIML Celebrated Risk Awareness Week starting from 1st October 2018 to which a quiz was organised for all employees to improve risk culture in the Bank. Another step in this direction is training to staff at all levels through regular workshops.

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.

### 3.4.4 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.

#### A) 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.

B) 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.

C) 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.

### 3.4.5 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.

### 3.5 IFRS 9 Implementation

- In line with the Regulatory guidelines to adopt International Financial Reporting Standards 9, the Bank has embarked on the new project to develop 'Expected Credit Loss (ECL)' Computational Model for various assets portfolio of our Bank. The new Expected Credit Loss Model replaces the existing 'Incurred Loss Model'.

- At present, under IAS 39 accounting norms, Loan-loss provisioning is based on 'Incurred Loss Model' which requires objective evidence of impairment, such as actual loss event occurring, in order for provisions to be booked.

- 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 new model requires the Bank to recognise Expected Credit Losses at all times and up to date it on each reporting date reflecting the changes in the credit risk of financial instruments based on reasonable and supportable information, that includes not only historical loss experience data but also all information available whether current or future, including macroeconomic factors.

- Considering the complexity of the new requirement for developing suitable ECL model, Bank hired the services of Accounting firm Consultant, PwC Mauritius to assist the Bank. The Expected Credit Loss Model for Global Business, Retail, Corporate and Treasury Segment has been developed based on pooling and profiling of available historical data and assumptions, and an impact analysis on provisioning requirements has also been carried out as on 31.03.18.

- With effect from 01.04.2018 bank has migrated to IFRS 9 accounting standards. The ECL Provisioning Policy has been approved by the Board for implementation of IFRS 9 framework on the assets portfolio.

## 4. Inspection and Audit

The Bank's internal audit department conducts the internal audit of the branches and Head Office departments periodically. Concurrent Audit, On-site and Off-site audits are conducted on a regular basis to ensure accuracy, authenticity, compliance with procedure and guidelines. The audit covers Credit risk, Interest rate risk, Foreign exchange risk, Operational risk, Liquidity risk, and the operational areas falling under the respective risk categories, regulatory compliance and general administration. Full Audit to verify Compliance of Know your Customer (KYC) norms is also conducted periodically at branches. Recently, Surprise Audit has been introduced.

The synopsis of the reports submitted by the Internal Audit department is placed before the Audit Committee, the minutes of which are reviewed by the Board. The reports of the internal audit observe that the control environment is strong, well structured and is principally based on review and approval of all major transactions by senior management, and that dual control present in the structure reinforces the control environment.

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

## 5. 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. The Bank is in the process of implementing more sophisticated AML/CFT software to better manage its AML/CFT risks.

### 6. Related Party Transaction Policies and Practices

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

**Category 1**:

This includes credit exposures to:

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

**Category 2**:

This includes credit exposures to:

- Senior officers, which are outside the terms and conditions of employment contracts;
- The spouse, child and parent of senior officers;
- Senior officers of a body corporate that controls the financial institution;
- Any entity that is controlled by a person described in (a) or (b) or (c) above, and;
- A subsidiary of the financial institution with no shareholder (natural person) holding directly or indirectly more than 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;
- Inter bank 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 2019 are furnished hereunder in a tabular format:

USD MIO

| Category | Related Party | O/s Balance 31.03.2019 | Remarks |
|---|---|---|---|
| **Category 1** | | | |
| Exempted | Treasury Placements | 15.29 | Treasury placements on foreign branches of SBI |
| Non Exempted | State Bank of India | 0.84 | Bank Guarantees against Counter Guarantee of SBI Branches |
| **Category 3** | | | |
| Exempted | Sundry Transactions (i) Loans to Senior Officers | 0.07 | Loans extended to Senior Officers as per terms of Contract |
| **Total Exempted exposures** | | 15.38 | **10.37% of Tier 1 Capital** |
| Total Non-exempted exposures | | 0.85 | **0.57% of Tier 1 Capital** |
| **Tier I Capital** | | 148.35 | |

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 stakeholders, 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 2019-20

The circumstances are challenging, risks are elevated but growth is the best prescription. This applies to the global economy as a whole as well as to the bank. 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.

**S. S. Asthana**
Managing Director & CEO

**M. Arya**
Chief Operating Officer

# 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 80 to 153, which comprise the statement of financial position as at 31 March 2019, 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 2019, 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.

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

| Key audit matter | How our audit addressed the key audit matter? |
|---|---|
| **Provision for credit losses** | |
| IFRS 9 was implemented by the Bank on 1 April 2018. This new standard requires to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgement and estimates. 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:<br>• 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.<br>• 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.<br>• 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.<br>The effect of these matters is that, as part of our risk assessment, we determined that the impairment of 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 sections of the financial statements disclose the sensitivities estimated by the Bank. | Our procedures included the following amongst others:<br>• Evaluating the appropriateness of the IFRS 9 impairment methodologies applied by the Bank against the requirements of IFRS 9.<br>• Use of specialist team in performing certain procedures.<br>• 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.<br>• Assessing the appropriateness of the macro-economic forecasts used.<br>• Checked the appropriateness of PD, LGD and EAD used in the ECL calculation.<br>• Assessing the reasonableness of the model predictions by comparing them against actual results.<br>• Sample testing over key data sources and assumptions including economic forecasts, PD, LGD assumptions and qualitative adjustments impacting ECL calculations.<br>• Checked on a sample basis the completeness and accuracy of data used for ECL calculation.<br>• Assessing whether the disclosures are in accordance with the requirements of IFRS 9.<br>We found the assumptions used in determining the expected credit loss and related disclosures to be 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 asappears 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 Corporate Information, the Annual Report, the Statement of Management Responsibility for financial reporting, Corporate Governance Report, Report from the Secretary, 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.

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

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, whethera 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

Agrawal.

**Vishal Agrawal, FCA**
Licensed by FRC

Date: 03 May 2019

## 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.

**S. S. Asthana**
Managing Director & CEO

**B.K. Maudarbocus-Boodoo**
Director

**G. Gopee**
Director

# FINANCIAL STATEMENTS

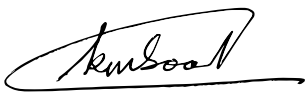
## Statement of Profit or Loss and Other Comprehensive Income

*for the year ended 31 March 2019*

| | Notes | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|---|
| Interest income | | 38,659,543 | 38,344,764 | 37,067,969 |
| Interest expense | | (14,474,354) | (14,717,001) | (13,567,005) |
| **Net interest income** | 7 | 24,185,189 | 23,627,763 | 23,500,964 |
| **Net fee and commission Income** | 8 | 2,440,099 | 2,138,464 | 1,739,740 |
| Net trading income | 9 | 1,468,613 | 1,612,416 | 1,694,721 |
| Other operating income | 10 | 527,869 | 888,620 | 936,345 |
| | | 1,996,482 | 2,501,036 | 2,631,066 |
| **Operating income** | | 28,621,770 | 28,267,263 | 27,871,770 |
| Net impairment loss on financial assets | 11 | (2,090,131) | (17,286,821) | (8,985,314) |
| Personnel expenses | 12 | (4,630,738) | (4,220,177) | (3,954,103) |
| Depreciation | 20 | (504,904) | (509,270) | (382,465) |
| Other expenses | 13 | (3,396,080) | (3,490,487) | (2,656,491) |
| **Profit before income tax** | | 17,999,917 | 2,760,508 | 11,893,397 |
| Income tax expense | 14 b | (2,300,000) | (1,090,000) | (1,391,292) |
| **Profit for the year** | | 15,699,917 | 1,670,508 | 10,502,105 |
| **Other Comprehensive Income** | | | | |
| **Items that will not be reclassified to profit or loss** | | | | |
| Remeasurement of defined benefit obligations, net of deferred tax | | (451,166) | (583,209) | (346,774) |
| Fair value gains on investment securities | | 404,033 | - | - |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Fair value gains/(loss) on investment securities | | 785,175 | (2,556,203) | 118,733 |
| **Other Comprehensive gains/(loss) for the year** | | 738,042 | (3,139,412) | (228,041) |
| **Total comprehensive income /(loss) attributable to equity holders** | | 16,437,959 | (1,468,904) | 10,274,064 |
| **Earnings per share** | 15 | 20.18 | 2.15 | 13.50 |

Approved and authorised for issue by the Board of Directors on 03 May 2019.

**S. S. Asthana**
Managing Director & CEO



**B.K. Maudarbocus-Boodoo**
Director

**G. Gopee**
Director

## *Statement of Financial Position*
*as at 31 March 2019*

| | Notes | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | 16a | 93,304,042 | 255,313,977 | 68,843,826 |
| Loans and advances to banks | 17 | 42,299,888 | 67,005,364 | 187,821,581 |
| Loans and advances to customers | 18 | 476,294,433 | 533,741,606 | 651,678,345 |
| Investment securities | 19 | 258,319,143 | 231,695,181 | 157,216,459 |
| Property, plant and equipment | 20 | 7,685,687 | 7,939,630 | 8,105,819 |
| Current tax assets | 25 | 204,470 | - | - |
| Deferred tax assets | 21 | 1,503,706 | 2,059,900 | 1,579,317 |
| Other assets | 22 | 16,451,970 | 18,902,003 | 17,174,948 |
| **Total assets** | | 896,063,339 | 1,116,657,661 | 1,092,420,294 |
| **LIABILITIES** | | | | |
| Deposits from customers | 23 | 471,418,308 | 781,642,115 | 681,280,732 |
| Other borrowed funds | 24 | 265,106,186 | 165,692,623 | 227,594,953 |
| Current tax liabilities | 25 | - | 528,263 | 1,053,604 |
| Retirement benefit obligation | 34 | 3,373,612 | 2,881,503 | 1,899,955 |
| Other liabilities | 26 | 6,199,843 | 4,064,154 | 2,684,987 |
| **Total liabilities** | | 746,097,949 | 954,808,658 | 914,514,231 |
| **Shareholders' Equity** | | | | |
| Share Capital | 27a | 48,627,188 | 48,627,188 | 48,627,188 |
| Share premium | 27a | 54,078,062 | 54,078,062 | 54,078,062 |
| Retained earnings | | 26,552,746 | 42,179,846 | 55,348,070 |
| Statutory and Other reserves | 35 | 24,038,206 | 19,843,553 | 22,149,180 |
| Actuarial losses reserve | 35 | (3,330,812) | (2,879,646) | (2,296,437) |
| **Total equity** | | 149,965,390 | 161,849,003 | 177,906,063 |
| **Total equity and liabilities** | | 896,063,339 | 1,116,657,661 | 1,092,420,294 |

Approved and authorised for issue by the Board of Directors on 03 May 2019.

**S. S. Asthana**
Managing Director & CEO

**B.K. Maudarbocus-Boodoo**
Director

**G. Gopee**
Director

## *Statement of changes in equity*
*for the year ended 31 March 2019*

| | Note | Share capital | Share premium |
|---|---|---|---|
| | | USD | USD |
| **Balance at 1 April 2016** | | 48,627,188 | 54,078,062 |
| Profit for the year | | - | - |
| Other Comprehensive Income for the year | | - | - |
| Transfer to Statutory reserves | | - | - |
| Dividend paid | 27b | - | - |
| **Balance at 31 March 2017** | | 48,627,188 | 54,078,062 |
| **Balance at 1 April 2017** | | 48,627,188 | 54,078,062 |
| Profit for the year | | - | - |
| Other Comprehensive Income for the year | | - | - |
| Transfer to Statutory reserves | | - | - |
| Dividend paid | 27b | - | - |
| **Balance at 31 March 2018** | | 48,627,188 | 54,078,062 |
| **Balance at 1 April 2018** | | 48,627,188 | 54,078,062 |
| Impact of adopting IFRS 9 | | - | - |
| **Adjusted Opening Balance on initial application of IFRS 9** | | 48,627,188 | 54,078,062 |
| Additional specific provision on loans and advances | | - | - |
| Profit for the year | | - | - |
| Other Comprehensive Income for the year | | - | - |
| Transfer to Statutory reserves | | - | - |
| Dividend paid | 27b | - | - |
| **Balance at 31 March 2019** | | 48,627,188 | 54,078,062 |

| Statutory reserve | General banking reserve | Other reserve | Actuarial losses reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| USD | USD | USD | USD | USD | USD |
| 19,848,464 | 603,175 | 3,492 | (1,949,663) | 67,124,792 | 188,335,510 |
| - | - | - | - | 10,502,105 | 10,502,105 |
| - | - | 118,733 | (346,774) | - | (228,041) |
| 1,575,316 | - | - | - | (1,575,316) | - |
| - | - | - | - | (20,703,511) | (20,703,511) |
| 21,423,780 | 603,175 | 122,225 | (2,296,437) | 55,348,070 | 177,906,063 |
| 21,423,780 | 603,175 | 122,225 | (2,296,437) | 55,348,070 | 177,906,063 |
| - | - | - | - | 1,670,508 | 1,670,508 |
| - | - | (2,556,203) | (583,209) | - | (3,139,412) |
| 250,576 | - | - | - | (250,576) | - |
| - | - | - | - | (14,588,156) | (14,588,156) |
| 21,674,356 | 603,175 | (2,433,978) | (2,879,646) | 42,179,846 | 161,849,003 |
| 21,674,356 | 603,175 | (2,433,978) | (2,879,646) | 42,179,846 | 161,849,003 |
| - | - | 650,457 | - | (9,152,823) | (8,502,366) |
| 21,674,356 | 603,175 | (1,783,521) | (2,879,646) | 33,027,023 | 153,346,637 |
| - | - | - | - | (14,956,487) | (14,956,487) |
| - | - | - | - | 15,699,917 | 15,699,917 |
| - | - | 1,189,208 | (451,166) | - | 738,042 |
| 2,354,988 | - | - | - | (2,354,988) | - |
| - | - | - | - | (4,862,719) | (4,862,719) |
| 24,029,344 | 603,175 | (594,313) | (3,330,812) | 26,552,746 | 149,965,390 |

## *Statement of Cash Flows*
*for the year ended 31 March 2019*

| | Notes | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit for the year | | 15,699,917 | 1,670,508 | 10,502,105 |
| **Adjustments for:** | | | | |
| Depreciation | 20 | 504,904 | 509,270 | 382,465 |
| Profit on disposal of investments | | (215,988) | (505,134) | (682,721) |
| Exchange rate difference | | (479,845) | (1,228,353) | (851,194) |
| Profit on disposal of assets | | (14,389) | (15,367) | (7,199) |
| (Profit)/loss on disposal of non banking asset | | (10,677) | 65,019 | (6,601) |
| Increase/(decrease) in provision for retirement benefit obligation | 11 | 17,193 | 295,420 | 82,476 |
| Impairment on financial assets - loans | 14 b | 2,090,131 | 17,286,821 | 8,985,314 |
| Income tax expense | | 2,300,000 | 1,090,000 | 1,391,292 |
| | | 19,891,246 | 19,168,184 | 19,795,937 |
| **CHANGES IN OPERATING ASSETS AND LIABILITIES** | | | | |
| Decrease/(increase) in loans and advances to banks | | 24,083,843 | 122,574,961 | (41,704,580) |
| Decrease in loans and advances to customers | | 29,771,316 | 100,186,931 | 22,357,274 |
| Decrease/(increase) in other assets | | 2,450,033 | (1,627,289) | (378,453) |
| (Decrease)/increase in deposits from customers | | (309,723,385) | 99,361,009 | (36,614,982) |
| Increase/(decrease) in other liabilities | | 2,135,689 | 1,383,355 | (406,492) |
| Net change in interest receivable | | 1,387,449 | (427,521) | 2,252,209 |
| Net change in interest payable | | (89,761) | 976,685 | (50,976) |
| Income tax paid | 25 | (865,113) | (1,914,707) | (1,160,525) |
| **Net cash (used in)/generated from operating activities** | | (230,958,683) | 339,681,608 | (35,910,588) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| (Increase)/decrease in investment securities (net) | | (44,332,453) | (110,084,148) | 8,264,616 |
| Proceeds from sale of investment securities | | 19,370,000 | 33,554,357 | 23,866,040 |
| Purchase of property, plant and equipment | 20 | (250,958) | (343,081) | (873,930) |
| Proceeds from sale of property, plant and equipment | | 14,389 | 15,367 | 7,199 |
| Proceeds from sale of non banking asset | | 10,489 | 117,033 | 15,384 |
| **Net cash (used in)/generated from investing activities** | | (25,188,533) | (76,740,472) | 31,279,309 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Other borrowed funds | | - | 23,313,750 | 76,686,250 |
| Dividend paid | 27b | (4,862,719) | (14,588,156) | (20,703,511) |
| **Net cash (used in)/generated from financing activities** | | (4,862,719) | 8,725,594 | 55,982,739 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | (261,009,935) | 271,666,730 | 51,351,461 |
| Cash and cash equivalents at beginning of year | | 240,313,977 | (31,352,753) | (82,704,214) |
| **Cash and cash equivalents at end of year** | 16b | (20,695,958) | 240,313,977 | (31,352,753) |

# NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

***Notes to the financial statements***
*for the year ended 31 March 2019*

## 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. Application of new and revised international financial reporting standards (IFRSs)

In the current year, the Bank has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are effective for accounting period beginning on 01 April 2018 and relevant to its operations.

### 2.1 New and revised IFRS applied with no material effect on financial statements

The following relevant revised Standards have been applied in these financial statements. Except for IFRS 7 and 9, their application has not had any significant impact on the amounts reported for the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

IAS 39 Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception.

### Impact of application of IFRS 9 Financial instruments

In the current year, the Bank has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. In accordance with the transition provisions of IFRS 9, the Bank has elected not to restate the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings.

Additionally, the Bank adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosure for 2018.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,

2) Impairment of financial assets, and

3) General hedge accounting

The Bank has not applied hedge accounting to its financial instruments during the year ended 31 March 2018 and 2019.

Details of these new requirements as well as their impact on the Bank's financial statements are described below.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Bank has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 April 2018. Accordingly, the Bank has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 April 2018 have not been restated.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, specifically:

• debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

• debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVOCI);

•all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Bank may make the following irrevocable election/designation at initial recognition of a financial asset:

• the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

• the Bank may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Bank has not designated any debt investments that meet the amortised cost or FVOCI criteria as measured at FVTPL.

When a debt investment measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVOCI are subject to impairment. See (b).

The directors of the Bank reviewed and assessed the Bank's existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Bank's financial assets as regards their classification and measurement:

• the Bank's investment in equity shares (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at cost less impairment at each reporting date under IAS 39 have been designated as at FVOCI. The change in fair value on the equity investment continues to be accumulated in the investment revaluation reserve;

• financial assets classified as "loans and receivables" under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

There were no financial assets or financial liabilities which the Bank had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Bank has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Bank has elected to designate as at FVTPL at the date of initial application of IFRS 9.

In summary, upon adoption of IFRS 9, the Bank had the following required or elected reclassifications as at 1 April 2018:

| Measurement category | Loan loss allowance under IAS 39/Provision under IAS 37 | Reclassification | Remeasurement | Loan loss allowance under IFRS 9 |
|---|---|---|---|---|
| | USD | USD | USD | USD |
| **Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)** | | | | |
| Cash and cash equivalents | - | - | - | - |
| Loans and advances to banks | 666,863 | - | - | **666,863** |
| Loans and advances to customers | 61,375,624 | - | 10,050,099 | **71,425,723** |
| Investment securities | - | - | 118,385 | **118,385** |
| **Total** | **62,042,487** | | **10,168,484** | **72,210,971** |

## (b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Bank to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Bank to recognise a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortised cost or at FVTOCI;

(2) Lease receivables;

(3) Trade receivables and contract assets; and

(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Bank to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Bank is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Bank has 5 types of financial assets that are subject to IFRS 9's new ECL model and the impact of the change in impairment methodology are as follows:

| Items that existed at 01 April 2018 and are subject to impairment provisions of IFRS 9 | Credit risk attributes | Cumulative additional loss allowance recognised on 01 April 2018 |
|---|---|---|
| | | USD |
| Cash and cash equivalents | All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions. | - |
| Loans and advances to banks | The bank has applied the general approach and recognised lifetime ECL for these assets | 666,863 |
| Loans and advances to customers | | 71,425,723 |
| Investment securities - Held-to-maturity | | 118,385 |
| Investment securities - Available for sale financial assets | These investments are assessed to have low credit risk at reporting date. | - |
| | | **72,210,971** |

The reconciliation between the ending provision for impairment in accordance with IAS 39 to the opening loss allowance determined in accordance with IFRS 9 for the above financial instruments on 1 April 2018 is as follows and further details are disclosed in Note 2.1.

| | Loss provision under IAS 39/IAS 37 at 31 March 2018 | Remeasurement due to IFRS 9 | ECLs under IFRS 9 at 01 April 2018 |
|---|---|---|---|
| | USD | USD | USD |
| **Impairment allowance for:** | | | |
| Cash and cash equivalents | - | - | - |
| Loans and advances to banks | 666,863 | - | 666,863 |
| Loans and advances to customers | 61,375,624 | 10,050,099 | 71,425,723 |
| Investment securities - Held-to-maturity | - | 118,385 | 118,385 |
| Investment securities - Available for sale financial assets | - | - | - |
| | **62,042,487** | **10,168,484** | **72,210,971** |

The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

| | USD | |
|---|---|---|
| **Retained earnings** | **Reserves** | **Retained earnings** |
| Closing balance under IAS 39 (31 March 2018) | 2,433,978 | 42,179,846 |
| Effect of reclassification adjustments in relation to adopting IFRS 9 | 650,457 | (10,168,484) |
| Deferred tax | - | 1,015,661 |
| **Opening balance under IFRS 9 (01 April 2018)** | **3,084,435** | **33,027,023** |
| **Total change in equity due to adopting IFRS 9** | **650,457** | **(9,152,823)** |

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Bank's exposure to credit risk in the financial statements (Refer to note 3.1)

## 2.2 New and revised IFRSs 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 January 2020)

IAS 19: Employee Benefits: Amendments regarding plan amendments, curtailments or settlements (effective 1 January 2019)

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors: Amendments regarding the definition of material (effective 1 January 2020)

IFRS 9: Financial Instruments: Amendments regarding prepayment features with negative compensation and modifications of financial liabilities (Effective 1 January 2019)

IFRS 16: Leases: Original issue (Effective 1 January 2019)

The directors anticipate that these amendments will be adopted in the Bank's financial statements at the above effective dates in future periods. The directors have not yet assessed the potential impact of the application of these amendments.

### IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019.

The date of initial application of IFRS 16 for the Bank will be 1 January 2019.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

As at 31 March 2019, the Bank has non-cancellable operating lease commitments of USD 393,891. A preliminary assessment indicates that all these arrangements relate to leases other than short-term leases and leases of low-value assets. Management has not yet assessed the amounts for right of use asset and corresponding liability in respect of these leases to be recognised in the statement of financial position.

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

The Bank's activities as a lessor are not material and hence the Bank does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

## 3. Significant accounting policies

### (a) Financial assets and liabilities

**Measurements 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 andnone 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 2).

(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.

(iii) 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 34.87 (2018: USD/MUR 33.69 and 2017: USD/MUR 35.74).

### (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) Loans and provisions for loan impairment

Loans originated by the Bank by providing money directly to the borrower (at draw-down) are categorised as loans by the Bank and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

At each reporting date, the Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. When an indication of impairment loss exists, the carrying amount of the asset is assessed and written down to its recoverable amount.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the end of the reporting date. These have been estimated upon the historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related provision for impairment; subsequent recoveries are credited to the provision for loan losses in profit or loss.

If the amount of the impairment subsequently decreases due to an event occuring after the write-down, the release of the provision is credited as a reduction of the provision for loan losses.

## (o) 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.

## (p) 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.

## (q) 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.

## (r) 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.

## (s) 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.

## (t) 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.

## (u) 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.

## (v) 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.

## (w) Operating lease

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.

## (x) 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.

## (y) 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".

*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.

#### (b) 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 three pools based on internal SBI ratings as follows:

- Pool 1: SBIML 1- SBIML 6

- Pool 2: SBIML 7- SBIML 15

- Unrated Loans

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).

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 2019.

### 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

Unemployment 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 |
|---|
| Ø Pool 1 : SBIML 1 – SBIML 6 Rated Loans |
| Ø Pool 2 : SBIML 7 – SBIML 15 &Unrated Loans |

| GBB Portfolio |
|---|
| Ø Pool 1 : SB 01 – SB 05 or AAA or AA or A |
| Ø Pool 2 : SB 06 – SB 15 or BBB or B or BB or below or unrated |

| Retail Portfolio | |
|---|---|
| 1. Pool_1 | Mainly secured by House / Land and have similar risk |
| 2. Pool_2 | Fully secured by deposits |
| 3. Pool_3 | Secured by vehicle |
| 4. Pool_4 | For education purposes |
| 5. Pool_5 | Other loans all classified together as separate volume would have been immaterial |

| Investment Portfolio (As per rating grade) | |
|---|---|
| 1 | AAA as PD1 |
| 2 | AA as PD2 |
| 3 | A as PD3 |
| 4 | BBB as PD4 |
| 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 | | | | | |
|---|---|---|---|---|---|
| | 2019 | | | | 2018 |
| USD | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total | Total |
| **Credit grade** | | | | | |
| Performing | 28,388,063 | - | - | 28,388,063 | 30,902,172 |
| Special mention | - | 1,087,625 | - | 1,087,625 | 1,558,923 |
| Impaired | - | - | 914,789 | 914,789 | 1,082,377 |
| **Gross carrying amount** | **28,388,063** | **1,087,625** | **914,789** | **30,390,477** | **33,543,471** |
| Loss allowance | (374,573) | (15,014) | (511,357) | (900,944) | (974,995) |
| **Carrying amount** | **28,013,490** | **1,072,611** | **403,432** | **29,489,533** | **32,568,476** |

| Corporate | | | | | |
|---|---|---|---|---|---|
| | 2019 | | | | 2018 |
| USD | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total | Total |
| **Credit grade** | | | | | |
| Performing | 92,378,894 | - | - | 92,378,894 | 111,494,615 |
| Special mention | - | 809,412 | - | 809,412 | 150,997 |
| Impaired | - | - | 10,237,716 | 10,237,716 | 23,986,880 |
| **Gross carrying amount** | **92,378,894** | **809,412** | **10,237,716** | **103,426,022** | **135,632,492** |
| Loss allowance | (1,310,435) | (8,170) | (4,563,917) | (5,882,522) | (12,024,498) |
| **Carrying amount** | **91,068,459** | **801,242** | **5,673,799** | **97,543,500** | **123,607,994** |

| Global Business | | | | | |
|---|---|---|---|---|---|
| | 2019 | | | | 2018 |
| USD | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total | Total |
| **Credit grade** | | | | | |
| Performing | 383,246,295 | - | - | 383,246,295 | 375,490,738 |
| Special mention | - | 2,103,311 | - | 2,103,311 | - |
| Impaired | - | - | 20,548,474 | 20,548,474 | 118,122,756 |
| **Gross carrying amount** | **383,246,295** | **2,103,311** | **20,548,474** | **405,898,080** | **493,613,494** |
| Loss allowance | (3,811,842) | (20,893) | (10,504,056) | (14,336,791) | (59,093,093) |
| **Carrying amount** | **379,434,453** | **2,082,418** | **10,044,418** | **391,561,289** | **434,520,401** |

| Investment Securities | | | | | |
|---|---|---|---|---|---|
| | 2019 | | | | 2018 |
| USD | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total | Total |
| **Credit grade** | | | | | |
| Investment grade | 239,399,143 | - | - | 239,399,143 | 207,937,282 |
| Below investment grade | 18,971,440 | - | - | 18,971,440 | 23,757,899 |
| Special mention | - | - | - | - | |
| Impaired | - | - | - | - | |
| **Gross carrying amount** | **258,370,583** | **-** | **-** | **258,370,583** | **231,695,181** |
| Loss allowance | (51,440) | - | - | (51,440) | (118,385) |
| **Carrying amount** | **258,319,143** | **-** | **-** | **258,319,143** | **231,576,796** |

### 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 | 93,304,042 |
| Investment securities | 187,742,449 |

### 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 on the next page:

| 2019 | Gross exposure | Impairment allowance | Carrying amount | Fair value of collateral held |
|---|---|---|---|---|
| | USD | USD | USD | USD |
| **Credit-impaired assets** | | | | |
| Loans to individuals: | | | | |
| - Overdrafts | 85,492 | 51,293 | 34,199 | 394,632 |
| - Term loans | 153,722 | 100,129 | 53,593 | 522,968 |
| - Mortgages | 762,784 | 413,687 | 349,097 | 1,449,759 |
| Loans to corporate entities: | | | | |
| - Large corporate customers | 20,374,417 | 10,330,000 | 10,044,417 | 9,777,000 |
| - Small and medium-sized enterprises (SMEs) | 10,324,563 | 4,684,221 | 5,640,342 | 6,831,499 |
| **Total credit-impaired assets** | **31,700,978** | **15,579,330** | **16,121,649** | **18,975,858** |

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

| | 2019 |
|---|---|
| Mortgage portfolio LTV distribution | Credit-impaired (Gross carrying amount) |
| | USD |
| Lower than 50% | 230,211 |
| 50 to 60% | 202,700 |
| 60 to 70% | 120,244 |
| 70 to 80% | 127,123 |
| 90 to 100% | 82,506 |
| **Total** | **762,784** |

### 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 2018** | **414,987** | **19,770** | **540,238** | **974,995** |
| **Movements with P&L impact** | - | - | - | - |
| **Transfers:** | | | | - |
| Transfer from Stage 1 to Stage 2 | (3,057) | 3,057 | - | - |
| Transfer from Stage 1 to Stage 3 | (385) | - | 385 | - |
| Transfer from Stage 2 to Stage 1 | 43,440 | (43,440) | - | - |
| Transfer from Stage 2 to Stage 3 | - | (11,723) | 11,723 | - |
| Transfer from Stage 3 to Stage 1 | 106,341 | - | (106,341) | - |
| Transfer from Stage 3 to Stage 2 | - | 6,643 | (6,643) | - |
| New financial assets originated or purchased | 23,004 | 2 | - | **23,006** |
| Change in existing | (222,014) | 39,153 | 146,020 | **(36,841)** |
| Modification of contractual cash flows of financial assets | - | - | - | - |
| Unwind of discount | - | - | - | - |
| FX and other movements | - | - | - | - |
| **Total net P&L charge during the period** | (52,671) | (6,308) | 45,144 | **(13,835)** |
| **Other movements with no P&L impact** | - | - | - | - |
| Financial assets derecognized during the period | - | - | - | - |
| Closed Accounts | (12,257) | (1,552) | (46,407) | **(60,216)** |
| Write-offs | - | - | - | - |
| **Loss allowance as at 31 March 2019** | **350,059** | **11,910** | **538,975** | **900,944** |

| | 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 2018** | **1,725,833** | **1,750** | **10,296,915** | **12,024,498** |
| **Movements with P&L impact** | - | - | - | - |
| **Transfers:** | | | | |
| Transfer from Stage 2 to Stage | 279 | (279) | - | - |
| Transfer from Stage 1 to Stage 2 | (653) | 653 | - | - |
| Transfer from Stage 1 to Stage 3 | (222) | - | 222 | - |
| New financial assets originated or purchased | 77,999 | 402 | 31,216 | **109,617** |
| Change in existing | (349,820) | 6,276 | 38,850 | **(304,694)** |
| Modification of contractual cash flows of financial assets | - | - | - | - |
| Unwind of discount | - | - | - | - |
| FX and other movements | - | - | - | - |
| **Total net P&L charge during the period** | (272,417) | 7,052 | 70,288 | **(195,077)** |
| **Other movements with no P&L impact** | - | - | 524,008 | **524,008** |
| **Transfers** | | | | |
| Financial assets derecognized during the period | - | - | - | - |
| Write-offs | - | - | (1,302,236) | **(1,302,236)** |
| Closed Accounts | (142,981) | (632) | (5,803,286) | **(5,946,899)** |
| **Loss allowance as at 31 March 2019** | **1,310,435** | **8,170** | **4,563,917** | **5,882,522** |

| | 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 2018** | **3,894,058** | - | **55,199,035** | **59,093,093** |
| **Movements with P&L impact** | - | - | - | - |
| **Transfers:** | | | | |
| Transfer from Stage 1 to Stage 2 | (43,272) | 43,272 | - | - |
| | | | | - |
| New financial assets originated or purchased | 2,724,274 | - | - | **2,724,274** |
| Modification of contractual cash flows of financial assets | - | - | - | - |
| Unwind of discount | - | - | - | - |
| FX and other movements | - | - | - | - |
| **Changes in existing** | (698,884) | (22,379) | 7,279,281 | **6,558,018** |
| **Total net P&L charge during the period** | 1,982,118 | 20,893 | 7,279,281 | **9,282,292** |
| **Other movements with no P&L impact** | - | - | 14,959,678 | **14,959,678** |
| **Transfers** | | | | |
| Financial assets derecognized during the period | - | - | - | - |
| Closed Accounts | (2,064,334) | - | | **(2,064,334)** |
| Write-offs | - | - | (66,933,939) | **(66,933,939)** |
| **Loss allowance as at 31 March 2019** | **3,811,842** | **20,893** | **10,504,055** | **14,336,790** |

| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit-impaired | Total |
|---|---|---|---|---|---|
| **Investment securities** | USD | USD | USD | | USD |
| **Loss allowance as at 1 April 2018** | 118,385 | - | - | - | 118,385 |
| **Movements with P&L impact** | - | - | - | - | - |
| **Transfers:** | | | | | |
| Changes in existing | (66,945) | - | - | - | (66,945) |
| **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 2019** | 51,440 | - | - | - | 51,440 |

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 2018** | 30,902,172 | 1,558,923 | 1,082,376 | 33,543,471 |
| **Movements with P&L impact** | - | - | - | - |
| **Transfers:** | | | | |
| Transfer from Stage 2 to Stage 1 | 570,757 | (570,757) | - | - |
| Transfer from Stage 1 to Stage 3 | (65,293) | - | 65,293 | - |
| Transfer from Stage 1 to Stage 2 | (662,671) | 662,671 | | - |
| Transfer from Stage 2 to Stage 3 | - | (154,756) | 154,756 | - |
| Transfer from Stage 3 to Stage 2 | - | 12,954 | (12,954) | - |
| Transfer from Stage 3 to Stage 1 | 210,151 | - | (210,151) | - |
| **Financial assets derecognized during the period other than write-offs** | - | - | - | - |
| **New financial assets originated or purchased** | 4,206,475 | 36,853 | - | 4,243,328 |
| **Modification of contractual cash flows of financial assets** | - | - | - | - |
| **Change in existing** | (3,700,571) | (243,813) | (89,809) | (4,034,193) |
| **FX and other movements** | - | - | - | - |
| **Closed accounts** | (3,072,957) | (214,450) | (74,722) | (3,362,129) |
| **Gross carrying amount as at 31 March 2019** | 28,388,063 | 1,087,625 | 914,789 | 30,390,477 |

| | 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 2018** | **111,494,615** | **150,997** | **23,986,880** | **135,632,492** |
| **Movements with P&L impact** | - | - | - | - |
| **Transfers:** | | | | |
| Transfer from Stage 1 to Stage 2 | (174,787) | 174,787 | - | - |
| Transfer from Stage 2 to Stage 1 | 74,707 | (74,707) | - | - |
| Transfer from Stage 1 to Stage 3 | (59,424) | - | 59,424 | - |
| | | | | - |
| **Financial assets derecognized during the period other than write-offs** | - | - | - | - |
| **New financial assets originated or purchased** | 39,495,258 | 649,839 | 46,594 | **40,191,691** |
| **Modification of contractual cash flows of financial assets** | - | - | - | - |
| **Change in existing** | (10,261,006) | (15,907) | (590,872) | **(10,867,785)** |
| **FX and other movements** | - | - | - | - |
| **Closed accounts** | (48,190,469) | (75,597) | (13,264,310) | **(61,530,376)** |
| **Write offs** | - | - | - | - |
| **Gross carrying amount as at 31 March 2019** | **92,378,894** | **809,412** | **10,237,716** | **103,426,022** |

| | 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 2018** | **375,490,738** | - | **118,122,756** | **493,613,494** |
| **Movements with P&L impact** | - | - | - | - |
| **Transfers:** | | | | |
| Transfer from Stage 1 to Stage 2 | (3,425,850) | 3,425,850 | - | - |
| **Financial assets derecognized during the period other than write-offs** | - | - | - | - |
| **New financial assets originated or purchased** | 215,681,492 | - | - | **215,681,492** |
| **Modification of contractual cash flows of financial assets** | - | - | - | - |
| **Change in existing** | (41,066,222) | (1,322,539) | (1,368) | **(42,390,129)** |
| **FX and other movements** | - | - | - | - |
| **Closed accounts** | (163,433,863) | - | - | **(163,433,863)** |
| **Write offs** | - | - | (97,572,914) | **(97,572,914)** |
| **Gross carrying amount as at 31 March 2019** | **383,246,295** | **2,103,311** | **20,548,474** | **405,898,080** |

| | 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 2018** | **37,679,653** | - | - | **37,679,653** |
| **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** | (120,499) | - | - | **(120,499)** |
| **Gross carrying amount as at 31 March 2019** | **37,559,154** | - | - | **37,559,154** |

### 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 2019 was 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 an estimates made by the Bank in the above areas is set out in note 3.1.2.

**Loans and Advances**
**Exposure to Credit Risk**

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Carrying Amount | 518,594,321 | 600,746,970 | 839,499,926 |
| Individually Impaired | 31,700,978 | 142,523,531 | 105,682,515 |
| Impairment allowance | (15,579,330) | (55,729,481) | (37,040,524) |
| | 16,121,648 | 86,794,050 | 68,641,991 |
| Past due but not impaired | - | - | - |
| Carrying Amount | 1,708,892 | 1,190,803 | 92,296 |
| Neither Past due nor impaired | - | - | - |
| Gross Amount | 506,304,707 | 519,075,123 | 779,623,812 |
| Portfolio Provisions | (5,540,926) | (6,313,006) | (8,858,174) |
| | 500,763,781 | 512,762,117 | 770,765,638 |

The total impairment provision for loans and advances is USD 21,120,256 (2018: USD 62,042,487 and 2017: USD 45,898,698).

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

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Within 1 month | 1,624,240 | 805,675 | 26,561 |
| From 1 to 2 months | 62,545 | 340,213 | 47,748 |
| From 2 to 3 months | 22,107 | 44,915 | 17,987 |
| | 1,708,892 | 1,190,803 | 92,296 |

### 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.

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Standard | 508,013,599 | 520,265,926 | 779,716,108 |
| Impaired | 31,700,978 | 142,523,531 | 105,682,515 |
| Total | 539,714,577 | 662,789,457 | 885,398,623 |

Fair value of collaterals of impaired advances is USD 18,975,858 (USD 90,284,516 for 2018).

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

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Agriculture and fishing | 15,053,929 | 7,122,217 | 6,028,958 |
| Manufacturing | 204,053,441 | 326,928,357 | 342,010,770 |
| Tourism | 24,686,003 | 63,767,151 | 82,254,890 |
| Transport | 36,601,239 | 47,212,847 | 48,980,206 |
| Construction | 48,252,414 | 42,267,370 | 28,395,328 |
| Financial and business services | 57,306,706 | 36,376,397 | 38,662,485 |
| Traders | 18,502,897 | 8,503,424 | 15,437,963 |
| Personal | 4,877,213 | 5,601,767 | 5,549,140 |
| Professional | 199,123 | 200,027 | 232,096 |
| Global Business Licence holders | 77,563,099 | 53,512,077 | 58,631,537 |
| Others | 7,269,115 | 881,036 | 66,376,228 |
| Interest receivable | 2,623,486 | 2,744,560 | 3,124,829 |
| | 496,988,665 | 595,117,230 | 695,684,430 |
| Loans and advances to banks | 42,725,912 | 67,672,227 | 189,714,193 |
| | 539,714,577 | 662,789,457 | 885,398,623 |
| Impairment allowance | (21,120,256) | (62,042,487) | (45,898,698) |
| | 518,594,321 | 600,746,970 | 839,499,925 |

### 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 15% of its capital base are given p.117:

| Name of sector | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Entities outside Mauritius | 339,295,710 | 176,945,865 | 396,533,018 |
| Public Non Financial | 110,000,000 | 95,000,000 | 95,000,000 |
| Total | 449,295,710 | 271,945,865 | 491,533,018 |

*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 2019*

| | Less than three months USD Million | Between three and twelve months USD Million | Over one year to five years USD Million | Over five years USD Million | Other USD Million | Total USD Million |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash resources | 93 | - | - | - | - | 93 |
| Investments | 67 | 80 | 81 | 28 | 2 | 258 |
| Loans and advances | 27 | 56 | 344 | 89 | 3 | 519 |
| | 187 | 136 | 425 | 117 | 5 | 870 |
| **Liabilities** | | | | | | |
| Deposits from customers | 365 | 59 | 44 | - | 3 | 471 |
| Other borrowed funds | 139 | 50 | 75 | - | 1 | 265 |
| | 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 |
| **As at 31 March 2017** | | | | | | |
| Total Assets | 365 | 50 | 477 | 167 | 7 | 1,066 |
| Total Liabilities | 487 | 314 | 105 | - | 3 | 909 |
| Net Liquidity Gap | (122) | (264) | 372 | 167 | 4 | 157 |

*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 of USD 255.53 Mio as on 31st March 2019, 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 187.00 Mio.The Investment of USD 187.00 Million includes investments of the nominal value of USD 35.00 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 (Treasury Bills - USD 35.00 Mio, Investment in AFS - USD 152.001 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 35 Mio | 2.38% | 84 days | USD 12,077 | USD 16,100 | USD 2,123 |
| AFS - USD 152 Mio | 3.56% | 729 days | USD 453,374 | USD 603,898 | USD 754,123 |

The total impact under Scenario 1 is USD 465,451.13 and under Scenario 2 is USD 619,998.81 and Scenario 3 is USD 774,246.63 which is less than our profit as on 31 March 2019 was USD 15.70 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 2019 the net open position of our Bank in USD terms stood at USD 925,420. 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 925,420 | USD 4,627 | USD 13,881 | USD 23,136 |

The total impact under Scenario 1 is USD 4,627.10 and under Scenario 2 is USD 13,881.30 and Scenario 3 is USD 23,135.50 which is very small compared to the Bank's net profit as on 31 March 2019.

*Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the vent that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which monitored daily by the Treasury department.

The table below summarises the Bank's exposure to interest rate risk. The Bank's assets and liabilities at carrying value are categorised by their repricing dates:

| At 31 March 2019 | Less than 3 months USD Million | Between 3 months and 1 year USD Million | Over one year USD Million | Non Interest Sensitive USD Million | Total USD Million |
|---|---|---|---|---|---|
| Cash and cash equivalents | 81 | - | - | 13 | 94 |
| Investment securities | 67 | 81 | 109 | 2 | 259 |
| Loans and advances | 425 | 57 | 34 | 3 | 518 |
| | 573 | 138 | 143 | 18 | 871 |
| Deposits from customers | 308 | 56 | 105 | 3 | 472 |
| Other borrowed funds | 139 | 50 | 75 | 1 | 265 |
| | 447 | 106 | 180 | 4 | 737 |
| Interest Sensitivity Gap | 126 | 32 | (37) | 14 | 134 |

| At 31 March 2018 | Less than 3 months USD Million | Between 3 months and 1 year USD Million | Over one year USD Million | Non Interest Sensitive USD Million | Total 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 |

| At 31 March 2017 | Less than 3 months USD Million | Between 3 months and 1 year USD Million | Over one year USD Million | Non Interest Sensitive USD Million | Total USD Million |
|---|---|---|---|---|---|
| Total Assets | 286 | 41 | 604 | 135 | 1,066 |
| Total Liabilities | 431 | 314 | 105 | 59 | 909 |
| Interest Sensitivity Gap | (145) | (273) | 499 | 76 | 157 |

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 | | |
|---|---|---|---|
| | 2019 USD (million) | 2018 USD (million) | 2017 USD (million) |
| Sensitivity of projected Net Interest Income | 2.56 | 1.30 | 1.38 |

*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 2019 | Loans and Receivables USD Million | Investments Securities at Fair Value through P&L USD Million | Investments Securities at Amortised Cost USD Million | Investment securities at FVOCI USD Million | Other-Amortised Costs USD Million | Carrying Value USD Million |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 93 | - | - | - | - | 93 |
| Loans and advances | 519 | - | - | - | - | 519 |
| Investment securities | - | 35 | 72 | 152 | - | 259 |
| | 612 | 35 | 72 | 152 | - | 871 |
| **Liabilities** | | | | | | |
| Deposits from customers | - | - | - | - | 471 | 471 |
| Other borrowed funds | - | - | - | - | 265 | 265 |
| | - | - | - | - | 736 | 736 |

| At 31 March 2018 | Loans and Receivables USD Million | Investments Securities at Fair Value through P&L USD Million | Investments Securities at Amortised Cost USD Million | Investment securities at FVOCI USD Million | Other-Amortised Costs USD Million | Carrying Value USD Million |
|---|---|---|---|---|---|---|
| Assets | 909 | 10 | 114 | 33 | - | 1,066 |
| Liabilities | - | - | - | - | 909 | 909 |
| Gap | 909 | 10 | 114 | 33 | (909) | 157 |
| At 31 March 2017 | | | | | | |
| Assets | 856 | 11 | 140 | 37 | - | 1,044 |
| Liabilities | - | - | - | - | 877 | 877 |
| Gap | 856 | 11 | 140 | 37 | (877) | 167 |

*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 2019:

| At 31 March 2019 | United States Dollars USD Million | Great Britain Pound USD Million | EURO USD Million | Others USD Million | Total USD Million |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 84 | 1 | 1 | 7 | 93 |
| Loans and advances | 356 | 4 | 64 | 95 | 519 |
| Investment securities | 176 | - | - | 82 | 258 |
| | 616 | 5 | 65 | 184 | 870 |
| **Liabilities** | | | | | |
| Deposits from customers | 252 | 7 | 15 | 198 | 471 |
| Other borrowed funds | 265 | - | - | - | 265 |
| | 517 | 7 | 15 | 198 | 736 |
| Net on Statement of Financial Position | 99 | (2) | 51 | (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 |
| At 31 March 2017 | | | | | |
| Total Assets | 792 | 1 | 85 | 188 | 1,066 |
| Total Liabilities | 644 | 8 | 51 | 205 | 909 |
| Net on Statement of Financial Position | 148 | (7) | 34 | (17) | 157 |

## 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 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 |

| | Valuation Model | 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 | 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 |

| | Valuation Model | 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 |

| At 31 March 2017 | Valuation Model | Carrying Value USD Million | Fair Value USD Million |
|---|---|---|---|
| Cash and cash equivalents | | 69 | 69 |
| Loans and advances to banks | | 188 | 188 |
| Loans and advances to customers | | 652 | 652 |
| Investment securities | Discounted Cash Flow | 157 | 154 |
| **Total Assets** | | 1,066 | 1,063 |

| | Valuation Model | Carrying Value USD Million | Fair Value USD Million |
|---|---|---|---|
| Deposits from customers | Discounted Cash Flow | 681 | 684 |
| Other borrowed funds | | 228 | 228 |
| **Total liabilities** | | 909 | 912 |

*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 2019 | Level 1 USD Million | Level 2 USD Million | Level 3 USD Million | 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** | - | - | - | - |

| At 31 March 2018 | Level 1 USD Million | Level 2 USD Million | Level 3 USD Million | 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** | - | - | - | - |

| At 31 March 2017 | Level 1 USD Million | Level 2 USD Million | Level 3 USD Million | Total USD Million |
|---|---|---|---|---|
| Financial Assets at FVTPL | - | 10 | - | 10 |
| Financial Assets at AFS | - | 33 | - | 33 |
| **Total** | - | 43 | - | 43 |
| 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**

| | 2019 USD Million | 2018 USD Million | 2017 USD Million |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash and cash equivalents | 93 | 255 | 69 |
| Loans and advances to banks | 42 | 67 | 188 |
| Loans and advances to customers | 477 | 534 | 652 |
| Investment securities | 258 | 232 | 157 |
| **Total** | 870 | 1,088 | 1,066 |

| | 2019 USD Million | 2018 USD Million | 2017 USD Million |
|---|---|---|---|
| **Financial Liabilities** | | | |
| Deposits from customers | 471 | 782 | 681 |
| Other borrowed funds | 265 | 166 | 228 |
| **Total** | 736 | 948 | 909 |

## 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 (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) Held-to-maturity investments

The Bank follows the guidance of international Accounting Standard (IAS) 39-'Recognition and Measurement' on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity.

If the Bank fails to keep these instruments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

### (d) Impairment of available-for-sale financial assets

The Bank follows the guidance of IAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cashflow.

### (e) 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 34.

## 5. Segmental Reporting
## Statement of Financial Position

| | | SEGMENT A | | |
|---|---|---|---|---|
| | Notes | 2019 USD | 2018 USD | 2017 USD |
| **Assets** | | | | |
| Cash and cash equivalents | 16 | 40,555,969 | 48,179,159 | 5,143,222 |
| Loans and advances to banks | 17 | - | - | - |
| Loans and advances to customers | 18 | 137,149,382 | 161,952,497 | 192,971,404 |
| Investment securities | 19 | 83,070,811 | 95,477,649 | 90,298,944 |
| Property and equipment | 20 | 7,685,687 | 7,937,205 | 8,099,189 |
| Current tax assets | 33 | 204,470 | - | - |
| Deferred tax assets | 21 | 1,503,706 | 2,059,900 | 1,579,317 |
| Other assets | 22 | 15,450,027 | 18,796,917 | 17,169,628 |
| Total assets | | 285,620,052 | 334,403,327 | 315,261,705 |
| **Liabilities** | | | | |
| Deposits from customers | 23 | 249,431,842 | 279,895,613 | 285,385,256 |
| Other borrowed funds | 24 | - | - | 14,197,008 |
| Current tax liabilities | 25 | - | 528,263 | 1,053,604 |
| Retirement benefit obligation | 33 | 3,373,612 | 2,881,503 | 1,899,955 |
| Other liabilities | 26 | 3,843,488 | 4,061,252 | 2,677,897 |
| Total liabilities | | 256,648,942 | 287,366,631 | 305,213,720 |
| **Shareholders' Equity** | | | | |
| Stated Capital | 27a | | | |
| Share premium | | | | |
| Retained earnings | | | | |
| Other reserves | 35 | | | |
| Actuarial losses reserve | 35 | | | |
| Total equity | | | | |
| Total equity and liabilities | | | | |

| SEGMENT B | | | TOTAL | | |
|---|---|---|---|---|---|
| 2019 USD | 2018 USD | 2017 USD | 2019 USD | 2018 USD | 2017 USD |
| 52,748,073 | 207,134,818 | 63,700,604 | 93,304,042 | 255,313,977 | 68,843,826 |
| 42,299,888 | 67,005,364 | 187,821,581 | 42,299,888 | 67,005,364 | 187,821,581 |
| 339,145,051 | 371,789,109 | 458,706,940 | 476,294,433 | 533,741,606 | 651,678,344 |
| 175,248,332 | 136,217,532 | 66,917,515 | 258,319,143 | 231,695,181 | 157,216,459 |
| - | 2,425 | 6,630 | 7,685,687 | 7,939,630 | 8,105,819 |
| - | - | - | 204,470 | - | - |
| - | - | - | 1,503,706 | 2,059,900 | 1,579,317 |
| 1,001,943 | 105,086 | 5,320 | 16,451,970 | 18,902,003 | 17,174,948 |
| 610,443,287 | 782,254,334 | 777,158,590 | 896,063,339 | 1,116,657,661 | 1,092,420,294 |
| 221,986,466 | 501,746,502 | 395,895,476 | 471,418,308 | 781,642,115 | 681,280,732 |
| 265,106,186 | 165,692,623 | 213,397,945 | 265,106,186 | 165,692,623 | 227,594,953 |
| - | - | - | - | 528,263 | 1,053,604 |
| - | - | - | 3,373,612 | 2,881,503 | 1,899,955 |
| 2,356,355 | 2,902 | 7,090 | 6,199,843 | 4,064,154 | 2,684,987 |
| 489,449,007 | 667,442,027 | 609,300,511 | 746,097,949 | 954,808,658 | 914,514,231 |
| | | | 48,627,188 | 48,627,188 | 48,627,188 |
| | | | 54,078,062 | 54,078,062 | 54,078,062 |
| | | | 26,552,746 | 42,179,846 | 55,348,070 |
| | | | 24,038,206 | 19,843,553 | 22,149,180 |
| | | | (3,330,812) | (2,879,646) | (2,296,437) |
| | | | 149,965,390 | 161,849,003 | 177,906,063 |
| | | | 896,063,339 | 1,116,657,661 | 1,092,420,294 |

## 5. Segmental Reporting
## Statement of Profit or Loss and Comprehensive Income

| | | SEGMENT A | | |
|---|---|---|---|---|
| | Notes | 2019 USD | 2018 USD | 2017 USD |
| Interest income | | 13,087,619 | 13,627,110 | 14,268,720 |
| Interest expense | | (4,816,800) | (5,830,636) | (7,143,731) |
| **Net interest income** | 7 | 8,270,819 | 7,796,474 | 7,124,989 |
| Fee and commission income | 8 | 1,379,273 | 1,229,094 | 972,726 |
| Net trading income | 9 | 1,220,669 | 1,306,503 | 1,340,670 |
| Other operating income | 10 | 109,624 | 247,939 | 84,673 |
| | | 1,330,293 | 1,554,442 | 1,425,343 |
| **Operating income** | | 10,980,385 | 10,580,010 | 9,523,058 |
| Net impairment loss on financial assets | 11 | 5,285,860 | (3,354,939) | 246,856 |
| Personnel expenses | 12 | (2,601,874) | (2,229,745) | (2,042,341) |
| Depreciation | 20 | (502,479) | (505,065) | (377,990) |
| Other expenses | 13 | (2,510,912) | (2,655,730) | (2,296,272) |
| **Profit before income tax** | | 10,650,980 | 1,834,531 | 5,053,311 |
| Income tax expense | 14 | (2,214,760) | (1,048,138) | (963,398) |
| **Profit for the year** | | 8,436,220 | 786,393 | 4,089,913 |
| **Other Comprehensive Income** | | | | |
| **Items that will not be reclassified to profit or loss** | | | | |
| Remeasurement of defined benefit obligations, net of deferred tax | 34 | (451,166) | (583,209) | (346,774) |
| Fair value gains on investment securities | | 404,033 | - | - |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Fair value gains/(loss) on investment securities | | 785,175 | (1,777,744) | - |
| **Other Comprehensive gains/(loss) for the year** | | 738,042 | (2,360,953) | (346,774) |
| **Total comprehensive income /(loss) attributable to equity holders** | | 9,174,262 | (1,574,560) | 3,743,139 |

| SEGMENT B | | | TOTAL | | |
|---|---|---|---|---|---|
| 2019<br>USD | 2018<br>USD | 2017<br>USD | 2019<br>USD | 2018<br>USD | 2017<br>USD |
| 25,571,92<br>(9,657,554) | 24,717,654<br>(8,886,365) | 22,799,249<br>(6,423,274) | 38,659,543<br>(14,474,354) | 38,344,764<br>(14,717,001) | 37,067,969<br>(13,567,005) |
| 15,914,370 | 15,831,289 | 16,375,975 | 24,185,189 | 23,627,763 | 23,500,964 |
| 1,060,826 | 909,370 | 767,014 | 2,440,099 | 2,138,464 | 1,739,740 |
| 247,944<br>418,245 | 305,913<br>640,681 | 354,051<br>851,672 | 1,468,613<br>527,869 | 1,612,416<br>888,620 | 1,694,721<br>936,345 |
| 666,189 | 946,594 | 1,205,723 | 1,996,482 | 2,501,036 | 2,631,066 |
| 17,641,385 | 17,687,253 | 18,348,712 | 28,621,770 | 28,267,263 | 27,871,770 |
| (7,375,991) | (13,931,882) | (9,232,170) | (2,090,131) | (17,286,821) | (8,985,314) |
| (2,028,864)<br>(2,425)<br>(885,168) | (1,990,432)<br>(4,205)<br>(834,757) | (1,911,762)<br>(4,475)<br>(360,219) | (4,630,738)<br>(504,904)<br>(3,396,080) | (4,220,177)<br>(509,270)<br>(3,490,487) | (3,954,103)<br>(382,465)<br>(2,656,491) |
| 7,348,937<br>(85,240) | 925,977<br>(41,862) | 6,840,086<br>(427,894) | 17,999,917<br>(2,300,000) | 2,760,508<br>(1,090,000) | 11,893,397<br>(1,391,292) |
| 7,263,697 | 884,115 | 6,412,192 | 15,699,917 | 1,670,508 | 10,502,105 |
| - | - | - | (451,166) | (583,209) | (346,774) |
| - | - | - | 404,033 | - | - |
| - | (778,459) | 118,733 | 785,175 | (2,556,203) | 118,733 |
| - | (778,459) | 118,733 | 738,042 | (3,139,412) | (228,041) |
| 7,263,697 | 105,656 | 6,530,925 | 16,437,959 | (1,468,904) | 10,274,064 |

## 6. Exchange Rate

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| USD to MUR (year end) | 34.91 | 33.49 | 35.53 |

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

## 7. Net Interest Income

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| **Interest income** | | | |
| Cash and cash equivalents | 3,834,101 | 1,115,141 | 585,537 |
| Loans and advances to banks | 143,759 | 4,156,643 | 2,326,284 |
| Loans and advances to customers | 26,305,637 | 25,796,465 | 26,883,854 |
| Investment securities | 6,970,278 | 6,598,412 | 6,865,471 |
| Other | 1,405,768 | 678,103 | 406,823 |
| Total interest income | 38,659,543 | 38,344,764 | 37,067,969 |
| **Interest expense** | | | |
| Borrowings from banks | 6,155,420 | 4,291,794 | 2,580,825 |
| Deposits from customers | 8,318,934 | 10,425,207 | 10,986,180 |
| Total interest expense | 14,474,354 | 14,717,001 | 13,567,005 |
| **Net interest income** | 24,185,189 | 23,627,763 | 23,500,964 |
| **Segment A** | | | |
| **Interest income** | | | |
| Cash and cash equivalents | 285,401 | 12,638 | 4,799 |
| Loans and advances to customers | 9,244,007 | 10,194,488 | 10,201,749 |
| Investment securities | 3,558,211 | 3,419,984 | 4,061,909 |
| Other | - | - | 263 |
| Total interest income | 13,087,619 | 13,627,110 | 14,268,720 |
| **Interest expense** | | | |
| Borrowings from banks | 760,000 | 1,525,299 | 2,013,666 |
| Deposits from customers | 4,056,800 | 4,305,337 | 5,130,065 |
| Total interest expense | 4,816,800 | 5,830,636 | 7,143,731 |
| **Net interest income** | 8,270,819 | 7,796,474 | 7,124,989 |

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| **Segment B** | | | |
| **Interest income** | | | |
| Cash and cash equivalents | 3,548,700 | 1,102,504 | 580,738 |
| Loans and advances to banks | 143,759 | 4,156,643 | 2,326,284 |
| Loans and advances to customers | 17,061,630 | 15,601,977 | 16,682,105 |
| Investment securities | 3,412,067 | 3,178,427 | 2,803,562 |
| Other | 1,405,768 | 678,103 | 406,560 |
| Total interest income | 25,571,924 | 24,717,654 | 22,799,249 |
| **Interest expense** | | | |
| Borrowings from banks | 5,395,420 | 2,766,495 | 567,159 |
| Deposits from customers | 4,262,134 | 6,119,870 | 5,856,116 |
| Total interest expense | 9,657,554 | 8,886,365 | 6,423,275 |
| **Net interest income** | 15,914,370 | 15,831,289 | 16,375,974 |

## 8. Net Fee and Commission Income

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Retail banking customer fees | 893,889 | 442,389 | 314,364 |
| Corporate banking customer fees | 859,023 | 1,032,240 | 733,516 |
| Other | 687,187 | 663,835 | 691,860 |
| Total fee and commission income | 2,440,099 | 2,138,464 | 1,739,740 |
| **Segment A** | | | |
| **Fee and Commission Income** | | | |
| Retail banking customer fees | 893,889 | 442,389 | 314,364 |
| Corporate banking customer fees | - | 309,672 | 220,055 |
| Other | 485,383 | 477,033 | 438,307 |
| Total fee and commission income | 1,379,273 | 1,229,094 | 972,726 |
| **Segment B** | | | |
| **Fee and Commission Income** | | | |
| Corporate banking customer fees | 859,023 | 722,568 | 513,461 |
| Other | 201,804 | 186,802 | 253,553 |
| Total fee and commission income | 1,060,826 | 909,370 | 767,014 |

## 9. Net Trading Income

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Foreign exchange | 981,085 | 2,188,365 | 1,972,520 |
| Net profit / (loss) | 487,528 | (575,949) | (277,799) |
| Total fee and commission income | 1,468,613 | 1,612,416 | 1,694,721 |
| **Segment A** | | | |
| Foreign exchange | 1,220,669 | 1,306,503 | 1,340,670 |
| Total fee and commission income | 1,220,669 | 1,306,503 | 1,340,670 |
| **Segment B** | | | |
| Foreign exchange | (239,584) | 881,862 | 631,850 |
| Net profit / (loss) | 487,528 | (575,949) | (277,799) |
| Total fee and commission income | 247,944 | 305,913 | 354,051 |

## 10. Other operating income

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Unrealised gains/(losses) on investments | 215,988 | 27,395 | (1,551) |
| Other income | 311,881 | 861,225 | 937,896 |
| | 527,869 | 888,620 | 936,345 |
| **Segment A** | | | |
| Unrealised gains/(losses) on investments | - | 27,395 | (1,551) |
| Other Income | 109,624 | 220,544 | 86,224 |
| | 109,624 | 247,939 | 84,673 |
| **Segment B** | | | |
| Unrealised gains/(losses) on investments | 215,988 | - | - |
| Other Income | 202,257 | 640,681 | 851,672 |
| | 418,245 | 640,681 | 851,672 |

## 11. Net impairment loss on financial assets

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Loans and advances to customers and to banks | 2,090,131 | 17,286,821 | 8,985,314 |
| **Segment A** | | | |
| Loans and advances to customers and to banks | (5,285,860) | 3,354,939 | (246,856) |
| **Segment B** | | | |
| Loans and advances to customers and to banks | 7,375,991 | 13,931,882 | 9,232,170 |

## 12. Personnel expenses

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Wages and salaries | 3,773,463 | 3,187,388 | 3,120,961 |
| Compulsory social security obligations | 135,559 | 129,793 | 122,374 |
| Contributions to pension schemes | 202,018 | 404,474 | 225,327 |
| Other personnel expenses | 519,698 | 498,522 | 485,441 |
| | 4,630,738 | 4,220,177 | 3,954,103 |
| **Segment A** | | | |
| Wages and salaries | 2,122,450 | 1,481,076 | 1,576,641 |
| Compulsory social security obligations | 91,755 | 83,913 | 82,016 |
| Contributions to pension schemes | 122,260 | 302,434 | 125,733 |
| Other personnel expenses | 265,101 | 362,322 | 257,951 |
| | 2,601,566 | 2,229,745 | 2,042,341 |
| **Segment B** | | | |
| Wages and salaries | 1,651,013 | 1,706,312 | 1,544,320 |
| Compulsory social security obligations | 43,804 | 45,880 | 40,358 |
| Contributions to pension schemes | 79,758 | 102,040 | 99,594 |
| Other personnel expenses | 254,289 | 136,200 | 227,490 |
| | 2,028,864 | 1,990,432 | 1,911,762 |

## 13. Other expenses

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Other Expenses | 3,396,079 | 3,490,487 | 2,656,491 |
| **Segment A** | | | |
| Other Expenses | 2,510,912 | 2,655,730 | 2,296,272 |
| **Segment B** | | | |
| Other Expenses | 885,167 | 834,757 | 360,219 |

## 14. Taxation

The Bank is assessable to income tax in Mauritius at the rate of 15% (2018 and 2017-15% ), 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

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Accounting Profit | 17,999,917 | 2,760,508 | 11,893,397 |
| Tax on Accounting profit at 15% | 2,699,988 | 414,076 | 1,784,010 |
| Less : Foreign tax credit on segment B | (881,593) | (141,204) | (1,827,479) |
| Less : Net effect of non taxable income, non allowable expense and other items | 594,942 | 135,061 | 952,165 |
| Underprovision/(Overprovision) of previous years | (198,577) | 22,735 | (91,697) |
| Special Levy on Banks | 85,240 | 572,062 | 492,131 |
| Corporate Social Responsibility contribution | - | 87,270 | 82,162 |
| Current tax expense for the year | 2,300,000 | 1,090,000 | 1,391,292 |

## 14b. Income Tax Expense

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Current Tax expense for the year | 290,337 | 740,026 | 1,073,086 |
| Over provision in previous years | (198,577) | 22,735 | (91,697) |
| Effect of exchange difference and tax rate | 1,590,552 | - | (6,533) |
| Movement in Deferred Tax | 532,448 | (332,093) | (157,857) |
| | 2,214,760 | 430,668 | 816,999 |
| Corporate Social Responsibility contribution | - | 87,270 | 82,162 |
| Levy | 85,240 | 572,062 | 492,131 |
| | 2,300,000 | 1,090,000 | 1,391,292 |
| **Segment A** | | | |
| Tax Expense | | | |
| Current Tax provision for the year | 290,337 | 827,296 | 808,674 |
| Under /(Over) Provision in previous years | (198,577) | 22,735 | (91,697) |
| Effect of exchange difference and tax rate | 1,590,552 | - | (6,533) |
| Movement in Deferred Tax | 532,448 | (332,093) | (157,857) |
| | 2,214,760 | 517,938 | 552,587 |
| Levy | - | 530,200 | 410,811 |
| | 2,214,760 | 1,048,138 | 963,398 |
| **Segment B** | | | |
| Current Tax provision for the year | - | - | 346,574 |
| Levy | 85,240 | 41,862 | 81,320 |
| | 85,240 | 41,862 | 427,894 |

## 15. Earnings per share

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Profit for the year | 15,699,917 | 1,670,508 | 10,502,105 |
| Number of ordinary shares | 778,035 | 778,035 | 778,035 |
| Earnings per share | 20.18 | 2.15 | 13.50 |

## 16.a. Cash and cash equivalents

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Cash in hand | 1,800,938 | 1,613,690 | 1,485,871 |
| Foreign currency notes and coins | 90,363 | 83,751 | 91,982 |
| Unrestricted balances with central banks | 6,658,321 | 5,975,514 | 3,565,369 |
| Money market placements | 80,500,000 | 40,500,000 | - |
| Balances with banks abroad | 4,179,740 | 206,929,649 | 63,700,604 |
| Interest receivable | 74,680 | 211,373 | - |
| | 93,304,042 | 255,313,977 | 68,843,826 |

### Segment A

| | | | |
|---|---|---|---|
| Cash in hand | 1,800,938 | 1,613,690 | 1,485,871 |
| Foreign currency notes and coins | 90,363 | 83,751 | 91,982 |
| Unrestricted balances with central banks | 6,658,321 | 5,975,514 | 3,565,369 |
| Money market placements | 32,000,000 | 40,500,000 | - |
| Interest receivable | 6,347 | 6,204 | - |
| | 40,555,969 | 48,179,159 | 5,143,222 |

### Segment B

| | | | |
|---|---|---|---|
| Money market placements | 48,500,000 | - | - |
| Balances with banks abroad | 4,179,740 | 206,929,649 | 63,700,604 |
| Interest receivable | 68,333 | 205,169 | - |
| | 52,748,073 | 207,134,818 | 63,700,604 |

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

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Cash and cash equivalent | 93,304,042 | 255,313,977 | 68,843,826 |
| Other borrowed funds (Note 24) | (114,000,000) | (15,000,000) | (100,196,579) |
| Net cash and cash equivalent | (20,695,958) | 240,313,977 | (31,352,753) |

## 17. Loans and advances to banks

### 17a. Segment B

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Loans and advances to banks- outside Mauritius | 42,602,434 | 66,686,277 | 189,261,238 |
| Interest receivable | 123,478 | 985,950 | 452,955 |
| Less allowance for credit impairment | (426,024) | (666,863) | (1,892,612) |
| | 42,299,888 | 67,005,364 | 187,821,581 |

### 17b. Remaining term to maturity

| | | | |
|---|---|---|---|
| Up to 3 months | - | 46,686,277 | 118,954,624 |
| Over 3 months and up to 6 months | 15,762,724 | - | 5,428,813 |
| Over 6 months and up to 12 months | 6,839,710 | - | 64,877,801 |
| Over 1 year and up to 5 years | 20,000,000 | 20,000,000 | - |
| Over 5 years | - | - | - |
| Interest receivable | 123,478 | 985,950 | 452,955 |
| | 42,725,912 | 67,672,227 | 189,714,193 |

### 17c. Allowance for credit impairment

| | | | |
|---|---|---|---|
| Balance at beginning of year | 666,863 | 1,892,612 | 1,475,567 |
| Collective allowance for impairment | (240,839) | (1,225,749) | 417,045 |
| **Balance at end of year** | 426,024 | 666,863 | 1,892,612 |

## 18. Loans and advances to customers

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Retail customers | 32,896,183 | 35,725,953 | 35,472,005 |
| Mortgages | 20,968,553 | 23,591,511 | 22,932,878 |
| Other retail loans | 11,927,630 | 12,134,442 | 12,539,127 |
| Corporate customers | 178,175,552 | 185,920,750 | 196,280,306 |
| Governments | 10,000,000 | 234,228 | 23,458,240 |
| Entities outside Mauritius | 273,293,444 | 370,491,739 | 437,349,050 |
| Interest receivable | 2,623,486 | 2,744,560 | 3,124,829 |
| | 496,988,665 | 595,117,230 | 695,684,430 |
| Less allowance for credit impairment | (20,694,232) | (61,375,624) | (44,006,086) |
| | 476,294,433 | 533,741,606 | 651,678,344 |

## 18a. Remaining term to maturity

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Up to 3 months | 47,726,396 | 105,329,565 | 109,134,077 |
| Over 3 months and up to 6 months | 10,681,549 | 714,250 | 1,085,029 |
| Over 6 months and up to 12 months | 23,761,250 | 79,972,399 | 17,113,362 |
| Over 1 year and up to 5 years | 337,202,192 | 306,397,747 | 414,584,182 |
| Over 5 years | 74,993,792 | 99,958,709 | 150,642,951 |
| Interest receivable | 2,623,486 | 2,744,560 | 3,124,829 |
| | 496,988,665 | 595,117,230 | 695,684,430 |

## 18b. Credit concentration of risk by industry sectors

| | | | |
|---|---|---|---|
| Agriculture and fishing | 15,053,929 | 7,122,217 | 6,028,958 |
| Manufacturing | 204,053,441 | 326,928,357 | 342,010,770 |
| Tourism | 24,686,003 | 63,767,151 | 82,254,890 |
| Transport | 36,601,239 | 47,212,847 | 48,980,206 |
| Construction | 48,252,414 | 42,267,370 | 28,395,328 |
| Financial and business services | 57,306,706 | 36,376,397 | 38,662,485 |
| Traders | 18,502,897 | 8,503,424 | 15,437,963 |
| Personal | 4,877,213 | 5,601,767 | 5,549,140 |
| Professional | 199,123 | 200,027 | 232,096 |
| Global Business Licence holders | 77,563,099 | 53,512,077 | 58,631,537 |
| Others | 7,269,115 | 881,036 | 66,376,228 |
| Interest receivable | 2,623,486 | 2,744,560 | 3,124,829 |
| | 496,988,665 | 595,117,230 | 695,684,430 |

### Segment A

| | | | |
|---|---|---|---|
| Agriculture and fishing | 15,053,929 | 7,122,217 | 6,028,958 |
| Manufacturing | 19,999,583 | 22,428,878 | 27,715,762 |
| Tourism | 24,686,003 | 46,880,841 | 50,381,054 |
| Transport | 16,495,287 | 27,106,895 | 28,980,206 |
| Construction | 38,270,295 | 42,267,370 | 28,395,328 |
| Financial and business services | 4,973,373 | 7,376,397 | 9,652,132 |
| Traders | 18,502,897 | 8,503,424 | 15,437,963 |
| Personal | 4,877,213 | 5,601,767 | 5,549,140 |
| Professional | 199,123 | 200,027 | 232,096 |
| Others | 450,933 | 881,036 | 24,206,376 |
| Interest receivable | 487,084 | 981,167 | 897,333 |
| | 143,995,720 | 169,350,019 | 197,476,348 |

### Segment B

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Manufacturing | 184,053,858 | 304,499,479 | 314,295,008 |
| Tourism | - | 16,886,310 | 31,873,836 |
| Transport | 20,105,952 | 20,105,952 | 20,000,000 |
| Construction | 9,982,119 | | |
| Financial and business services | 52,333,333 | 29,000,000 | 29,010,353 |
| Traders | - | - | - |
| Global Business Licence holders | 77,563,099 | 53,512,077 | 58,631,537 |
| Others | 6,818,182 | - | 42,169,852 |
| Interest receivable | 2,136,402 | 1,763,393 | 2,227,496 |
| | 352,992,945 | 425,767,211 | 498,208,082 |

## 18c. Allowance for credit impairment

| | Specific allowances for impairment USD | Collective allowances for impairment USD | Total allowances for impairment USD |
|---|---|---|---|
| **Balance at 1 April 2016** | **27,891,960** | **8,229,972** | **36,121,932** |
| Exchange Difference | (161,505) | (997) | (162,502) |
| Provision for credit impairment for the year | 9,831,682 | (846,368) | 8,985,314 |
| Loans written off out of allowance | (521,613) | - | (521,613) |
| Reclassification of provision to banks | - | (417,045) | (417,045) |
| **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) | - |
| Adjustment during the year | - | 66,945 | - |
| General Provisions on Non fund based Exposures | - | (126,266) | (126,266) |
| **Balance at 31 March 2019** | **15,579,330** | **5,114,902** | **20,745,672** |

## 18d. Allowance for credit impairment by industry sectors

| Bank - Total | 2019 USD Gross amount of loans | Impaired loans | Specific allowances for impairment | Collective allowances for credit impairment | Total allowances for credit impairment | 2018 USD Total allowances for credit impairment | 2017 USD Total allowances for credit impairment |
|---|---|---|---|---|---|---|---|
| Agriculture and Fishing | 15,053,929 | 73,486 | 44,051 | 149,723 | 193,774 | 86,634 | 60,146 |
| Manufacturing | 204,053,441 | 192,427 | 185,050 | 2,037,854 | 2,222,904 | 22,856,359 | 14,863,550 |
| Tourism | 24,686,003 | 2,237 | 1,253 | 491,960 | 493,213 | 9,277,616 | 9,669,806 |
| Transport | 36,601,239 | 29,809,621 | 14,707,489 | 66,161 | 14,773,650 | 9,658,754 | 503,849 |
| Construction | 48,252,414 | 828,586 | 466,733 | 734,725 | 1,201,458 | 949,996 | 750,154 |
| Financial and Business Services | 57,306,706 | - | - | 573,067 | 573,067 | 363,764 | 386,625 |
| Traders | 18,502,897 | 268,224 | 172,087 | 174,028 | 346,115 | 137,797 | 262,712 |
| Personal | 4,877,213 | 48,320 | 2,667 | 38,199 | 40,866 | 111,893 | 113,060 |
| Professional | 199,123 | - | - | 1,856 | 1,856 | 2,000 | 2,321 |
| Global Business Licence holders | 77,563,099 | - | - | 774,835 | 774,835 | 17,922,000 | 16,730,223 |
| Others | 7,269,115 | - | - | 72,494 | 72,494 | 8,811 | 663,640 |
| Interest receivable | 2,623,486 | 478,077 | - | - | - | - | - |
| | **496,988,665** | **31,700,978** | **15,579,330** | **5,114,902** | **20,694,232** | **61,375,624** | **44,006,086** |

### Segment A

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Agriculture and Fishing | 15,053,929 | 73,486 | 44,051 | 149,723 | 193,774 | 86,634 | 60,146 |
| Manufacturing | 19,999,583 | 192,427 | 185,050 | 197,315 | 382,365 | 1,770,257 | 1,666,616 |
| Tourism | 24,686,003 | 2,237 | 1,253 | 491,960 | 493,213 | 937,616 | 1,007,621 |
| Transport | 16,495,287 | 9,703,669 | 4,377,489 | 66,161 | 4,443,650 | 3,318,754 | 303,849 |
| Construction | 38,270,295 | 828,586 | 466,733 | 634,904 | 1,101,637 | 949,996 | 750,154 |
| Financial and Business Services | 4,973,373 | - | - | 49,734 | 49,734 | 73,764 | 96,521 |
| Traders | 18,502,897 | 268,224 | 172,087 | 174,028 | 346,115 | 137,797 | 262,712 |
| Personal | 4,877,213 | 48,320 | 2,667 | 38,199 | 40,866 | 111,893 | 113,060 |
| Professional | 199,123 | - | - | 1,856 | 1,856 | 2,000 | 2,321 |
| Others | 450,933 | - | - | 4,312 | 4,312 | 8,811 | 241,942 |
| Interest receivable | 487,084 | 209,613 | - | - | - | - | - |
| | **143,995,720** | **11,326,562** | **5,249,330** | **1,808,192** | **7,057,522** | **7,397,522** | **4,504,944** |

### Segment B

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Agriculture and Fishing | - | - | - | - | - | - | - |
| Manufacturing | 184,053,858 | - | - | 1,840,539 | 1,840,539 | 21,086,102 | 13,196,933 |
| Tourism | - | - | - | - | - | 8,340,000 | 8,662,185 |
| Transport | 20,105,952 | 20,105,952 | 10,330,000 | - | 10,330,000 | 6,340,000 | 200,000 |
| Construction | 9,982,119 | - | - | 99,821 | 99,821 | - | - |
| Financial and Business Services | 52,333,333 | - | - | 523,333 | 523,333 | 290,000 | 290,104 |
| Traders | - | - | - | - | - | - | - |
| Personal | - | - | - | - | - | - | - |
| Professional | - | - | - | - | - | - | - |
| Global Business Licence holders | 77,563,099 | - | - | 774,835 | 774,835 | 17,922,000 | 16,730,223 |
| Others | 6,818,182 | - | - | 68,182 | 68,182 | - | 421,698 |
| Interest receivable | 2,136,402 | 268,465 | - | - | - | - | - |
| | **352,992,945** | **20,374,417** | **10,330,000** | **3,306,710** | **13,636,710** | **53,978,102** | **39,501,143** |

## 19. Investment securities

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Investment securities at fair value through profit and loss | 34,817,746 | 69,766,369 | 10,249,597 |
| Investment securities at amortised cost | 70,628,134 | 70,862,986 | 111,617,814 |
| Investment securities at FVOCI | 151,284,910 | 89,319,317 | 33,566,197 |
| Interest receivable | 1,639,793 | 1,746,509 | 1,782,851 |
| | 258,370,583 | 231,695,181 | 157,216,459 |
| Less Allowance for credit impairment | (51,440) | - | - |
| | 258,319,143 | 231,695,181 | 157,216,459 |

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

| | | | |
|---|---|---|---|
| Treasury/BOM Bills | 34,817,746 | 69,766,369 | 10,249,597 |
| Interest receivable | - | - | - |
| | 34,817,746 | 69,766,369 | 10,249,597 |

#### Segment A

| | | | |
|---|---|---|---|
| Treasury Bills / Notes issued by Government of Mauritius | - | - | 10,249,597 |
| Interest receivable | - | - | |
| | - | - | 10,249,597 |

#### 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

| | | | |
|---|---|---|---|
| Government bonds & MDLS | 21,068,206 | 24,174,053 | 42,107,244 |
| Bank of Mauritius Treasury Notes | 9,937,887 | 22,741,405 | 36,832,026 |
| Other investment securities (Credit Linked Investments, Syndicated Term Notes, Placements with Banks & Others) | 39,622,041 | 23,947,528 | 32,678,544 |
| Interest receivable | 1,163,931 | 1,365,901 | 1,370,660 |
| | 71,792,065 | 72,228,887 | 112,988,474 |

#### Bank - Segment A

| | | | |
|---|---|---|---|
| Government bonds & MDLS | 21,068,206 | 24,174,053 | 42,107,244 |
| Bank of Mauritius Treasury Notes | 9,937,887 | 22,741,405 | 36,832,026 |
| Other investment securities (Credit Linked Investments, Syndicated Term Notes, Placements with Banks & Others) | 3,009,605 | - | - |
| Interest receivable | 980,867 | 1,150,411 | 969,370 |
| | 34,996,565 | 48,065,869 | 79,908,640 |

#### Bank - Segment B

| | | | |
|---|---|---|---|
| Other investment securities (Credit Linked Investments, Syndicated Term Notes, Placements with Banks & Others) | 36,612,436 | 23,947,528 | 32,678,544 |
| Interest receivable | 183,064 | 215,490 | 401,291 |
| | 36,795,500 | 24,163,018 | 33,079,835 |

## 19c. Investment securities at FVOCI

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Equity Investment | 562,387 | 149,266 | 140,708 |
| Other investment securities | 150,722,522 | 89,170,051 | 33,425,489 |
| Interest receivable | 475,862 | 380,608 | 412,191 |
| | 151,760,771 | 89,699,925 | 33,978,388 |

### Bank - Segment A

| | | | |
|---|---|---|---|
| Equity Investment | 357,504 | 149,266 | 140,708 |
| Other investment securities | 47,716,742 | 47,262,513 | - |
| | 48,074,246 | 47,411,779 | 140,708 |

### Bank - Segment B

| | | | |
|---|---|---|---|
| Equity Investment | 204,883 | - | - |
| Other Foreign investment securities | 103,005,781 | 41,907,538 | 33,425,489 |
| Interest receivable | 475,862 | 380,608 | 412,191 |
| | 103,686,526 | 42,288,146 | 33,837,680 |

## 19d. Allowance for impairment

| | | | |
|---|---|---|---|
| Allowance on Implementation of IFRS 9 at 1st April 2018 | 118,385 | - | - |
| Adjustment during the year | (66,945) | | |
| **Balance at end of year** | 51,440 | - | - |

## 20. Property and equipment

| | Building on lease land USD | Land and buildings USD | Furniture, fittings and office equipment USD | Motor Vehicles USD | TOTAL USD |
|---|---|---|---|---|---|
| **Cost/Deemed cost** | | | | | |
| Balance at 1 April 2016 | 318,680 | 8,576,731 | 6,097,131 | 376,284 | 15,368,826 |
| Acquisitions | - | 422,328 | 421,253 | 30,349 | 873,930 |
| Disposals | - | - | - | (20,291) | (20,291) |
| Balance at 31 March 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 |

| | Building on lease land USD | Land and buildings USD | Furniture, fittings and office equipment USD | Motor Vehicles USD | TOTAL USD |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| Balance at 1 April 2016 | 138,873 | 1,581,924 | 5,697,086 | 336,589 | 7,754,472 |
| Depreciation for the year | 16,346 | 162,124 | 182,333 | 21,662 | 382,465 |
| Disposal adjustment | - | - | - | (20,291) | (20,291) |
| Balance at 31 March 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 |
| **Net book value** | | | | | |
| **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 |
| At 31 March 2017 | 163,461 | 7,255,011 | 638,965 | 48,382 | 8,105,819 |
| **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 |
| **Net book value at end of Year 2017 by segments** | | | | | |
| Segment A | 163,461 | 7,255,011 | 632,335 | 48,382 | 8,099,189 |
| Segment B | - | - | 6,630 | - | 6,630 |
| | 163,461 | 7,255,011 | 638,965 | 48,382 | 8,105,819 |

## 21. Deferred tax assets - Segment A

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| At the Beginning of the year | 2,059,900 | 1,579,317 | 1,353,732 |
| Additional recognised for IFRS 9 and provision | 1,543,060 | - | - |
| Movement during the year accounted in profit or loss (Note 14b) | (532,448) | 332,093 | 157,857 |
| Effect of exchange difference and tax rate | (1,590,552) | 45,571 | 6,533 |
| Movement during the year accounted in other comprehensive income | 23,746 | 102,919 | 61,195 |
| **At end of the year** | 1,503,706 | 2,059,900 | 1,579,317 |
| Analysed as follows | | | |
| Accelerated Capital Allowances | 684 | (38,593) | (14,504) |
| Allowances for Credit losses | 1,064,898 | 2,198,933 | 1,841,493 |
| Loss available for offset | 446,998 | - | - |
| Employee Benefits | 168,681 | 432,225 | 284,993 |
| Revaluation of Building | (177,555) | (532,665) | (532,665) |
| | 1,503,706 | 2,059,900 | 1,579,317 |

Deferred income tax is calculated on all temporary differences under the liability method using an effective tax rate of 5% (2018 and 2017 - 15%) for segment A and an effective tax rate of 5% (2018 and 2017 - 3%) for Segment B.

## 22. Other assets

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Non-banking assets acquired in satisfaction of debts | - | 56,372 | 175,443 |
| Mandatory Balance with Central Bank | 14,993,714 | 16,990,297 | 16,528,274 |
| Derivative Assets | 629,662 | - | - |
| Other | 828,594 | 1,855,334 | 471,231 |
| | 16,451,970 | 18,902,003 | 17,174,948 |
| **Segment A** | | | |
| Mandatory Balance with Central Bank | 14,993,714 | 16,990,297 | 16,528,274 |
| Non-banking assets acquired in satisfaction of debts | - | 56,372 | 175,443 |
| Derivative Assets | - | - | - |
| Other | 456,312 | 1,750,248 | 465,911 |
| | 15,450,026 | 18,796,917 | 17,169,628 |
| **Segment B** | | | |
| Derivative asset | 629,662 | - | - |
| Other | 372,282 | 105,086 | 5,320 |
| | 1,001,944 | 105,086 | 5,320 |

## 23. Deposits from customers

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Savings Deposit | 131,068,237 | 136,073,081 | 131,019,980 |
| Demand Deposit | 144,776,594 | 292,606,772 | 180,166,229 |
| Time Deposit | | | |
| Within three months | 89,521,730 | 185,103,595 | 75,847,891 |
| Over 3 and up to 6 months | 25,786,240 | 34,502,489 | 95,623,998 |
| Over 6 months and up to 12 months | 33,463,635 | 89,911,057 | 166,169,516 |
| Over 1 year and up to 5 years | 43,997,348 | 40,140,175 | 30,148,545 |
| Over 5 years | - | - | - |
| Interest payable | 2,804,524 | 3,304,946 | 2,304,573 |
| | 471,418,308 | 781,642,115 | 681,280,732 |
| **Segment A** | | | |
| Savings Deposit | 131,068,162 | 135,693,351 | 131,019,980 |
| Demand Deposit | 32,019,910 | 38,008,849 | 47,897,645 |
| Time Deposit | | | |
| Within three months | 29,962,017 | 28,382,061 | 30,182,439 |
| Over 3 and up to 6 months | 7,472,934 | 23,347,229 | 10,943,081 |
| Over 6 months and up to 12 months | 15,706,303 | 20,774,057 | 35,416,333 |
| Over 1 year and up to 5 years | 31,681,060 | 32,474,351 | 28,816,526 |
| Over 5 years | - | - | - |
| Interest payable | 1,521,457 | 1,215,714 | 1,109,252 |
| | 249,431,843 | 279,895,612 | 285,385,256 |
| **Segment B** | | | |
| Savings Deposit | 75 | 379,730 | - |
| Demand Deposit | 112,756,684 | 254,597,923 | 132,268,584 |
| Time Deposit | | | |
| Within three months | 59,559,714 | 156,721,534 | 45,665,452 |
| Over 3 and up to 6 months | 18,313,306 | 11,155,260 | 84,680,917 |
| Over 6 months and up to 12 months | 17,757,332 | 69,137,000 | 130,753,183 |
| Over 1 year and up to 5 years | 12,316,287 | 7,665,824 | 1,332,019 |
| Interest payable | 1,283,067 | 2,089,232 | 1,195,321 |
| | 221,986,465 | 501,746,503 | 395,895,476 |

## 23. Deposits from customers continued

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| **Retail Customers** | | | |
| Savings Deposit | 121,362,483 | 122,997,556 | 116,051,178 |
| Demand Deposit | 6,694,913 | 6,701,800 | 4,678,003 |
| Time Deposit | | | |
| Within three months | 6,006,634 | 11,250,737 | 9,937,055 |
| Over 3 and up to 6 months | 7,388,518 | 9,775,643 | 6,710,944 |
| Over 6 months and up to 12 months | 11,369,868 | 14,376,888 | 14,353,929 |
| Over 1 year and up to 5 years | 12,647,961 | 16,218,820 | 15,130,605 |
| | 165,470,377 | 181,321,444 | 166,861,714 |
| **Corporate Customers** | | | |
| Savings Deposit | 8,931,230 | 12,225,971 | 13,652,811 |
| Demand Deposit | 137,214,581 | 273,881,070 | 152,708,264 |
| Time Deposit | | | |
| Within three months | 61,981,265 | 165,809,047 | 57,646,772 |
| Over 3 and up to 6 months | 18,397,722 | 12,186,681 | 85,710,704 |
| Over 6 months and up to 12 months | 20,597,820 | 72,551,771 | 147,315,587 |
| Over 1 year and up to 5 years | 31,261,467 | 23,320,139 | 15,017,940 |
| | 278,384,085 | 559,974,679 | 472,052,078 |
| **Government** | | | |
| Savings Deposit | 774,524 | 849,554 | 1,315,991 |
| Demand Deposit | 867,100 | 12,023,902 | 22,779,962 |
| Time Deposit | | | |
| Within three months | 21,533,831 | 8,043,812 | 8,264,064 |
| Over 3 and up to 6 months | - | 12,540,164 | 3,202,350 |
| Over 6 months and up to 12 months | 1,495,947 | 2,982,397 | 4,500,000 |
| Over 1 year and up to 5 years | 87,920 | 601,217 | - |
| | 24,759,322 | 37,041,046 | 40,062,367 |
| Interest payable | 2,804,524 | 3,304,946 | 2,304,573 |
| **Total** | 471,418,308 | 781,642,115 | 681,280,732 |

## 24. Other borrowed funds

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Borrowings from banks | | | |
| in Mauritius | - | - | 14,196,579 |
| abroad | 264,000,000 | 165,000,000 | 212,686,250 |
| Interest payable | 1,106,186 | 692,623 | 712,124 |
| | 265,106,186 | 165,692,623 | 227,594,953 |
| Borrowings from banks | | | |
| Within three months | 114,000,000 | 15,000,000 | 100,196,579 |
| Over 3 and up to 6 months | - | - | 25,000,000 |
| Over 6 months and up to 12 months | 50,000,000 | - | 26,686,250 |
| Over 1 year and up to 5 years | 100,000,000 | 150,000,000 | 75,000,000 |
| Interest payable | 1,106,186 | 692,623 | 712,124 |
| | 265,106,186 | 165,692,623 | 227,594,953 |
| **Segment A** | | | |
| Borrowings from banks | - | - | 14,196,579 |
| Interest payable | - | - | 429 |
| | - | - | 14,197,008 |
| **Segment B** | | | |
| Borrowings from banks | 264,000,000 | 165,000,000 | 212,686,250 |
| Interest payable | 1,106,186 | 692,623 | 711,695 |
| | 265,106,186 | 165,692,623 | 213,397,945 |

## 25. Current tax (assets) / liabilities

### Segment A

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| At the beginning of the year | 528,263 | 1,053,604 | 658,447 |
| Provision for the year: | | | |
| - current tax | 245,717 | 794,569 | 1,155,248 |
| - levy (Note 14b) | 85,240 | 572,062 | 492,131 |
| (Over)/ Under Provision in previous years | (198,577) | 22,735 | (91,697) |
| Paid in respect of tax of previous year | (329,685) | (1,076,339) | (566,750) |
| Paid in respect of APS | (535,428) | (838,368) | (593,775) |
| **At the end of the year** | (204,470) | 528,263 | 1,053,604 |

## 26. Other liabilities

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Bills Payable | 927,239 | 806,550 | 705,958 |
| Derivative Liability | - | 2,902 | 7,090 |
| Others | 5,272,604 | 3,254,702 | 1,971,939 |
| | 6,199,843 | 4,064,154 | 2,684,987 |
| **Segment A** | | | |
| Bills Payable | 927,239 | 806,550 | 705,958 |
| Others | 2,916,249 | 3,254,702 | 1,971,939 |
| | 3,843,488 | 4,061,252 | 2,677,897 |
| **Segment B** | | | |
| Derivative Liability | - | 2,902 | 7,090 |
| Others | 2,356,355 | - | - |
| | 2,356,355 | 2,902 | 7,090 |

## 27a. Stated Capital

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Issued and Fully Paid Capital | 48,627,188 | 48,627,188 | 48,627,188 |
| (778,035 Ordinary Shares of USD 62.50 each) | | | |
| 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.

## 27b. Dividend Paid

| | | | |
|---|---|---|---|
| Dividend Paid | 4,862,719 | 14,588,156 | 20,703,511 |
| Dividend per share | 6.25 | 18.75 | 26.61 |

## 28. Reconciliation of liabilities arising from financing activities.

The table below details changes in the Bank liabilities arising from financing actoivities, 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.

| | 01.04.2018 USD | Financing cash flows (i) USD | Others (ii) USD | 31.03.2019 USD |
|---|---|---|---|---|
| Borrowings (Note 24) | 165,692,623 | - | 99,413,563 | 265,106,186 |
| | 165,692,623 | - | 99,413,563 | 265,106,186 |

(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 ininterest accrued and short term borrowings classified as cash and cash equivalent.

## 29. Operating Lease

*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

*Payments recognised as an expense*

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Minimum lease payments | 481,123 | 388,053 | 340,740 |
| Non - Cancellable Operating Lease | | | |
| Less than one year | 393,891 | 388,505 | 262,541 |
| Between one year and five years | 500,156 | 643,308 | 405,228 |
| | 894,047 | 1,031,813 | 667,769 |

## 30. 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.

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Acceptances on account of customers | 1,613,911 | 3,232,668 | 3,811,194 |
| Guarantees on account of customers | 10,326,046 | 5,279,709 | 2,846,946 |
| Letters of credit and other obligations on account of customers | 30,030,245 | 128,381,096 | 80,098,284 |
| | 41,970,202 | 136,893,473 | 86,756,424 |

## 31. Commitments

*Loans and other facilities*

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Undrawn credit facilities | 46,921,722 | 33,452,442 | 21,099,867 |
| Other -Capital Expenditure approved but not yet accounted for | - | - | - |
| | 46,921,722 | 33,452,442 | 21,099,867 |

## 32. 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 | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| **Statement of financial position** | | | |
| Assets | | | |
| Balance and Placements with Banks | 17,082,300 | 145,972,616 | 3,950,425 |
| Loans & Advances | - | 18,061,495 | 96,317,386 |
| Accrued Interest | 14,449 | 96,062 | 241,757 |
| Liabilities | | | |
| Deposits | 268,033 | 50,030,785 | 20,134,870 |
| Borrowings from Bank | 200,000,000 | 150,000,000 | 164,000,000 |
| Accrued Interest | 1,063,582 | 1,636,056 | 950,034 |
| Statement of Profit or Loss and Other Comprehensive Income | | | |
| Interest Income | 1,255,932 | 582,645 | 369,930 |
| Interest Paid | 5,474,398 | 5,221,014 | 3,345,288 |
| Management Fees paid to parent bank | 306,820 | 595,913 | 182,423 |
| Off Balance sheet balance | | | |
| Bank Guarantee | 815,000 | 455,978 | 196,000 |
| **Key Management & Personnel** | | | |
| Loans | 68,068 | 46,901 | 48,188 |
| Interest Income earned | 1,632 | 2,835 | 2,560 |
| Deposits | 188,888 | 109,454 | 99,067 |
| Interest expense on deposits | 1,736 | 1,606 | 1,605 |
| **Directors** | | | |
| Deposits | 19,672 | 15,736 | 18,224 |
| Interest Expense | 251 | 243 | 172 |
| **Compensation to Key Management & Directors** | | | |
| Short term benefits | 654,295 | 606,688 | 566,876 |
| Post employment benefits | 27,283 | 28,438 | 27,237 |

## 33. Derivatives

| Cross Currency Swap | Total Notional Principal USD | Fair Value Assets USD | Fair Value Liabilities USD | Net USD |
|---|---|---|---|---|
| 2019 | 56,366,622 | (7,290) | 636,952 | 629,662 |
| 2018 | 96,990,770 | 84,520 | 479,450 | 563,970 |
| 2017 | 52,935,365 | 15,066 | (35,388) | (20,322) |

## 34. 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 2019 from same company.

| Non-current | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Amounts recognised in statement of financial position | | | |
| Present Value of funded obligations | 6,810,514 | 6,576,055 | 5,301,772 |
| Fair Value of Planned Assets | (3,436,902) | (3,694,552) | (3,401,817) |
| **Liabilities recognised in statement of financial position** | 3,373,612 | 2,881,503 | 1,899,955 |
| Movements in liabilities recognised in the statement of financial position | | | |
| At the beginning of the year | 2,881,503 | 1,899,955 | 1,409,510 |
| Exchange Difference | (154,087) | 157,168 | (7,991) |
| Amount recognised in profit or loss | 239,236 | 201,814 | 151,666 |
| Amount recognised in other comprehensive income | 475,689 | 686,128 | 407,969 |
| Employer Contribution paid | (68,729) | (63,562) | (61,199) |
| **At the end of the year** | 3,373,612 | 2,881,503 | 1,899,955 |
| The amounts recognised in profit or loss is as follows: | | | |
| Current service cost | 127,766 | 129,812 | 115,169 |
| Employee contributions | (67,955) | (63,562) | (61,199) |
| Fund Expenses | 2,718 | 2,542 | 2,245 |
| Interest cost (net) | 176,706 | 133,022 | 95,451 |
| **Total included in employee benefit expense** | 239,235 | 201,814 | 151,666 |
| Actual return on plan assets | 177,384 | 227,104 | 197,977 |

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Movement in the Fair Value of Plan Assets were as follows | | | |
| Fair Value of Plan assets at start of the year | 3,694,554 | 3,401,817 | 3,378,485 |
| Expected Return of on Plan Assets | 207,962 | 217,139 | 214,004 |
| Employer Contributions | 67,955 | 63,562 | 61,199 |
| Employee Contributions | 67,955 | 63,562 | 61,199 |
| Exchange difference | (197,562) | 281,404 | (19,155) |
| Benefits Paid | (399,701) | (374,247) | (256,324) |
| Asset loss | (4,261) | 41,317 | (37,591) |
| **Fair Value of Plan Assets at the end of the year** | 3,436,902 | 3,694,554 | 3,401,817 |
| Reconciliation of the present value of defined benefit obligation | | | |
| Present value of obligation at start of period | 6,576,055 | 5,301,772 | 4,787,995 |
| Current service cost | 127,766 | 129,812 | 115,169 |
| Exchange rate difference | (351,643) | 438,572 | (27,146) |
| Interest cost | 384,669 | 350,161 | 309,455 |
| Benefits paid | (396,983) | (371,704) | (254,079) |
| Liability loss/(gain) | 470,651 | 727,442 | 370,378 |
| **Present value of obligation at end of period** | 6,810,515 | 6,576,055 | 5,301,772 |
| The main categories of Plan assets at statement of financial position date for each category are as follows: | | | |
| Percentage of assets at end of the year | | | |
| Government securities and cash | 56.50% | 57.90% | 57.10% |
| Loans | 3.80% | 3.90% | 4.60% |
| Local entities | 13.60% | 15.80% | 15.20% |
| Overseas bonds and equities | 25.50% | 21.80% | 22.40% |
| Property | 0.60% | 0.60% | 0.70% |
| **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:

| | 2019 USD | 2018 USD | 2017 USD |
|---|---|---|---|
| Asset experience (loss) / gains during the year | (4,261) | 41,314 | (37,591) |
| Liability experience (loss)/gain during the year | (470,651) | (727,442) | (370,378) |
| | (474,912) | (686,128) | (407,969) |
| The principal Actuarial Assumptions used for accounting purposes were | | | |
| Discount Rate | 6.18% | 6.10% | 6.50% |
| Expected salary escalation | 3.50% | 3.50% | 3.50% |
| Future pension increases | 3.00% | 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) | 1,066,884 | 854,654 |
| Future long-term salary assumptions (1% movement) | 355,628 | 306,873 |
| Life expectancy (one year movement) | 180,682 | 180,682 |

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 67,955 in contributions to its post-employment benefit plans for the year ending March 31, 2019.

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 83,864 for the current financial year.

## 35. 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.

## 36. Holding Company

The holding company is State Bank of India, a Public Corporation in India, holding 96.60% (2018: 96.60%) of shareholding of the Bank.

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