SBI (Mauritius) Ltd

Bank to grow with

ANNUAL REPORT 2022

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Mission Statement

Our Mission

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

Our Vision

Be the Bank of Choice for vibrant Mauritius

Our values

Service/Transparency/Ethics/Politeness/Sustainability

Corporate Information

Registered office

7th Floor, SBI Tower Mindspace
45 Ebène Cybercity - 72201
Mauritius.
Tel : (230) 404 4900
Fax : (230) 454 6890
Email : info@sbimauritius.com
Website: https://mu.stateBank
BRN : C09008318

Group
State Bank of India Group

Company Secretary
Registrar and Transfer Office
Mr. A. B. Mosaheb, ACG, M. MIoD
SBI (Mauritius) Ltd
7th Floor, SBI Tower Mindspace
45 Ebène Cybercity - 72201
Mauritius.
Tel: (230) 404 4900
Fax: (230) 454 6890
Email: info@sbimauritius.com

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

Directors' Report

The Board of Directors of SBI (Mauritius) Ltd ("the Bank") is pleased to present the Annual Report, which contains the audited financial statements of the Bank for the year ended 31 March 2022.

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

Incorporation and Principal Activity

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

Going Concern

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

Overview of Operations

We know that COVID-19 will pass over time, but it will leave behind a permanent impact. Despite the global crisis, we experienced an amazing amount of continuity. People remained in close contact digitally. Thanks to technology, many could continue working from home and we are proud of our contribution to maintain this continuity. Our network proved to be extremely resilient and this allowed us to continue providing our customers with good service expected from us. Our digital platform 'SBI YONO' played a vital role in facilitating customer transaction 24x7 from anywhere.

Thus, in line with this spirit, since the COVID-19 crisis began, SBI (Mauritius) Ltd has gone above and beyond all expectations and this can be reflected in the Bank's performance for the Financial Year 21-22 ending, with an increased profit after tax of USD 12.60 Mio; up from USD 5.70 Mio in the previous financial year. The Bank has registered remarkable improvement in all efficiency and profitability parameters. The Bank can thus look to the future again with more optimism.

The Bank further demonstrated that in this difficult time, it stood relevant to the banking needs of its clients; evidenced by the growth of 17.81% in the net loan portfolio which closed at USD 578.67 Mio and Customer deposits grew by 27.18%. Both the Bank's Return on Equity ("ROE") and Return on Assets ("ROA") have improved to 8.61% and 1.30% respectively.

Net Interest Income

The net interest income of the Bank increased on Y-o-Y basis by 23.84% to stand at USD 17.56 Mio. Interest income has increased by USD 0.10 Mio, whilst interest expenses declined by USD 3.28 Mio.

Deposits

Despite the prevalence of uncertainty, leading to market volatility, the Bank has been able to expand its Deposit base during this period. Customer Deposits have increased by 27.18% to stand at USD 648.85 Mio as on 31st March 2022 compared to USD 510.19 Mio previous year, which indicates that more stability has come to our book in spite of the pandemic scenario.

However, the deposit was judiciously managed by the bank in tandem with the asset base so that the high-cost deposits maintained with optimum level and more focus was given to increase the CASA ratio which stood at 52.47% as at end of March 22.

Investment securities

The Bank's investment book expanded further to USD 265.32 Mio at the close of the financial year 2021-22, representing an increase of 1.98%. These investments were made for two principal reasons

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

As at end of March 2022, placements stood at USD 107.11 Mio as thereby comforting the Bank's liquidity position.

Capital Adequacy

The Bank remains well capitalised with a capital adequacy ratio of 22.79% against a regulatory minimum ratio of 11.875%.

The Board of Directors

The directors holding office during the year ended 31 March 2022, as well as their profiles are disclosed under section 3.4 of the Corporate Governance Report within this annual report. The Board of Directors wishes to express its appreciation to the directors who resigned during the financial year, for their commitment and contribution towards the Bank's success over the past years.

Challenges and Outlook

The environment in which we operate has become increasingly dynamic and less predictable because of macro-economic uncertainties, overall operating conditions and technological changes. Global growth is expected to remain subdued. Escalation of disputes among the world's largest economies poses a significant risk for both short and medium-term global growth prospects.

Despite these challenges, the Bank has undergone paradigm shift in terms of technology, consumer expectations and competition and this trend is likely to continue. In order to align our strategies for business growth, the Bank has positioned itself with a robust balance sheet, strong capital base by ensuring quality credit growth and rationalizing high risk exposure. Moreover we will continue to employ cutting edge digital know-how by adopting best-in-class technology, ensure rapid digitalization and embrace innovation to meet customer expectations across customer segments, sustain its market control and significantly strengthen internal systems and processes. Amidst the backdrop of fast paced changes and very severe challenges, it is rewarding that the performance of the Bank in last financial year has moved in the right direction. The Bank will continue in its journey to drive for business excellence, overcome all challenges to capitalize on growing opportunities thus achieving its true potential.

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

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

The directors confirm that they have complied with all of the above requirements in preparing the financial statements for the year ended 31 March 2022. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Bank and are also required to ensure that the financial statements comply with the Mauritius Companies Act, 2001. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

Auditor

The shareholders approved the appointment of the Bank's auditor, M/S Deloitte, at the last Annual Meeting of Shareholders held on 24 September 2021. A recommendation to the shareholders for the appointment of the statutory auditor is being moved through a separate resolution.

The total fees payable to M/s Deloitte for audit and audit related services for the financial year ended 31 March 2022 have been disclosed under section 7.2 of the Corporate Governance Report.

The services of M/s Deloitte Mauritius were not retained to provide for non-audit services during the reporting period. There were no non-audit services provided by Deloitte to the Bank during the current and prior year.

The Bank has in place policies and procedures in place to ensure that there is no threat to objectivity and independence of the external auditor, resulting from the provision of non-audit services. Any such services need to be pre-approved by the Audit Committee.

Directors' share interests and service contracts

The Directors have no direct or indirect interest in the share capital of the Bank. Furthermore, the Directors do not have service contracts with the Bank.

Directors' emoluments

Directors' emoluments to the executive and independent directors have been disclosed on an individual basis in line with statutory requirements under Section 4.7 of the Corporate Governance Report.

Donations

Please refer to sections 8.5 and 8.6 of the Corporate Governance Report.

Corporate Governance

The Bank adheres to the principles of good governance as outlined in the National Code of Corporate Governance and the Guideline on Corporate Governance issued by the Bank of Mauritius. Please refer to the corporate governance report, within this annual report, for more details.

Acknowledgement

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

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

....	....	....
Sudhir Sharma	**D. Ponnusamy**	**N. Maraye**
Managing Director & CEO	**Director**	**Director**

Date: 20 April 2022

Corporate Governance Report

PRINCIPLE 1	GOVERNANCE STRUCTURE
PRINCIPLE 2	THE STRUCTURE OF THE BOARD AND ITS COMMITTEES
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Statement on Corporate Governance

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

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

As of 31 March 2022, 96.60% of the Bank's shareholding is held by the State Bank of India ("SBI").

1. PRINCIPLE 1 - GOVERNANCE STRUCTURE

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

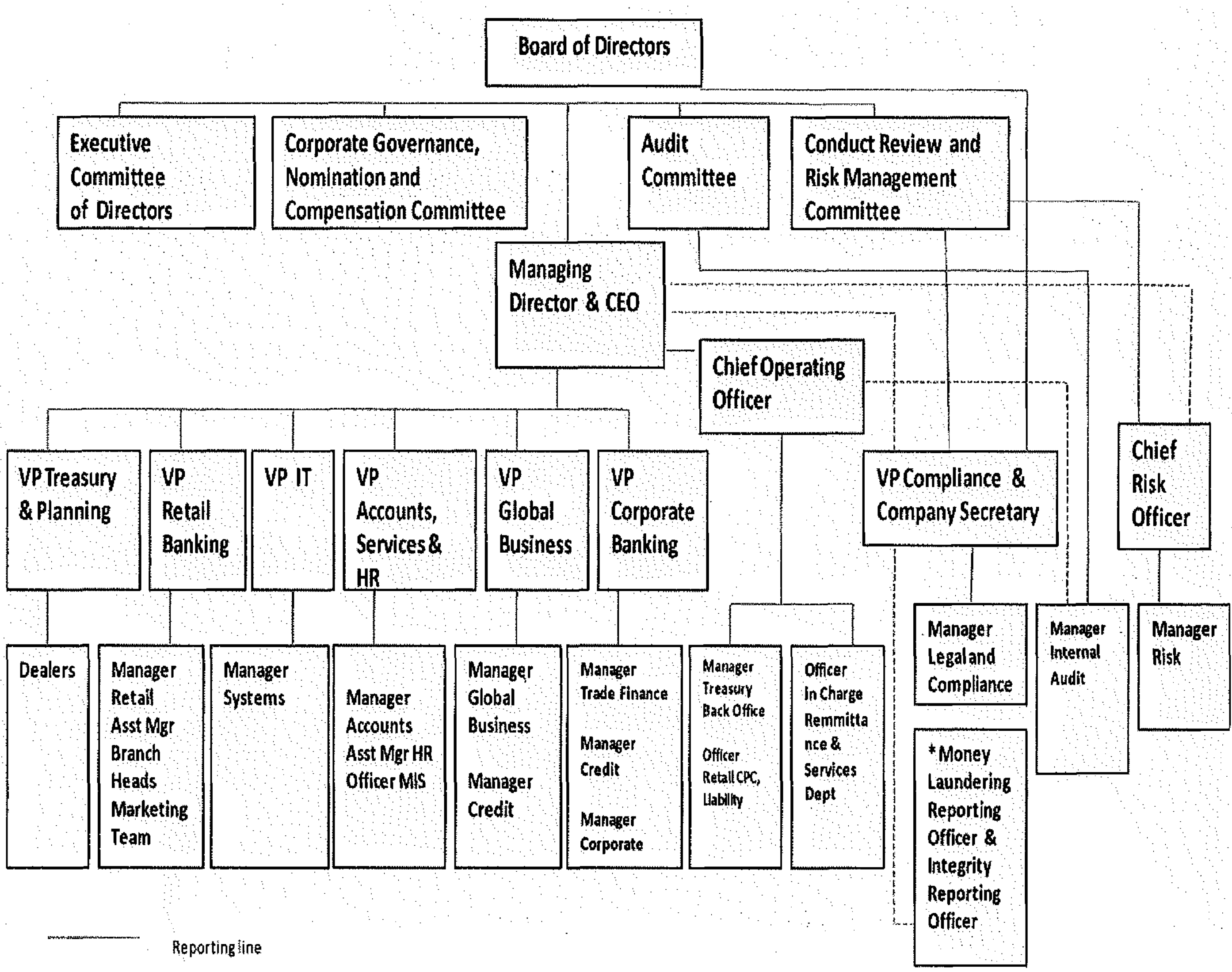
The Board exercises its powers and discharges its responsibilities by leading and controlling the Bank. Further, it ensures that the Bank has implemented effective systems and practices to achieve compliance with legal and regulatory requirements as well as guidelines issued by the Bank of Mauritius.

1.1 Organisational Chart

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

1. PRINCIPLE 1 - GOVERNANCE STRUCTURE (CONTINUED)

1.1 Organisational Chart (continued)



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.... Administratively reporting to

*Reporting to FIU

**VP Compliance reports to Audit Committee & Company Secretary reports to Board

1. PRINCIPLE 1 - GOVERNANCE STRUCTURE (CONTINUED)

1.2 Profile of senior management

1. Mr. Sudhir SHARMA

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

2. Mr. Bibhu Prasad MISHRA

Mr. Mishra, the Chief Operating Officer ("COO") of the Bank since 24th of September 2021, is responsible for the day-to-day operations of the Bank. The Treasury (Back Office), Remittances & Clearing Department, Retail Credit Processing Cell and Liability Credit Processing Cell directly report to him. He is also responsible for coordinating with various Departments for smooth functioning of the Bank. He joined State Bank of India ("SBI") as Probationary Officer and occupied several positions during his tenure in India, last assignment being Regional Manager of a Region under SBI, Kolkata Circle before joining SBIML. He is a Postgraduate in Economics and is a Certified Associate of the Indian Institute of Bankers ("IIBF"). His experience in the banking sector expands over 19 years and covers Branch Management, Retail & Corporate Credit, Human Resources & Industrial Relations, Business Development & Marketing apart from the various operational aspects of banking.

3. Mr. Mukesh ARYA

Mr. Arya Vice President (Corporate Banking) joined SBI as Probationary Officer and occupied several positions during his tenure in India, last being Regional Manager at SBI in Delhi Circle before joining SBIML. He holds an MBA (Finance) degree, a BCom (H) and is a Certified Associate of the "IIBF". His experience in the banking sector expands over 24 years and covers business development, marketing and communication, retail and corporate lending and the operational aspects of banking.

Mr. Arya was the former COO of the Bank since 03 August 2018 up to 23 September 2021. He was designated as the Vice President (Corporate Banking) with effect from 24 September 2021. He is responsible for business development, framing of credit policies and procedures, product development, business efficiencies for corporate credit, financing to Small and Medium Enterprises ("SMEs") and trade finance.

4. Mr. Prakash Sithu VENKATRAMAN

Mr. Prakash, Vice President (Treasury & Planning), joined SBI in 2006 as a Probationary Officer. He has 15 years of banking experience in various aspects of banking which includes foreign exchange and treasury management, international banking, trade finance and branch management. He has experience of working in various geographies in India. He holds bachelor's degree in Physics, PG Diploma in Computer Applications, Diploma in Treasury Investment and Risk Management, Diploma in International Banking & Finance and is a Certified Associate of both the ACAMS and the IIBF.

Mr. Prakash was deputed to SBIML in September 2021 as Vice-President (Treasury & Planning), looking after the treasury business, investments, assets and liabilities management and planning for the Bank.

1. PRINCIPLE 1 - GOVERNANCE STRUCTURE (CONTINUED)

1.2 Profile of senior management (continued)

5. Mr. Nikhil SINGH

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

6. Neelaksh BHARDWAJ

Mr. Bhardwaj is the Vice President (Retail Banking) of the Bank since November 2021. He is responsible for the operational and business efficiencies of all domestic branches of the Bank in Mauritius. He is also responsible for development and growth of the retail business of the Bank. He joined SBI in 2011 and has an overall banking experience of more than 16 years. During his career with SBI, he has worked in the areas of SME Credit, Retail Operations and Branch Management. He is a commerce graduate and an MBA (Finance & Marketing). He is also a Certified Associate of the IIBF.

7. Mr. Umesh Chandra SAHU

Mr. Sahu, Vice President (IT) is an IT specialist with 28 years of experience in IT operations, IT security systems, application security and code review, software development, systems integration, Management Information Systems ("MIS"), IT audit and governance. He has served SBI in various positions before joining the Bank. Mr Sahu holds a Bachelor Degree in Physics, a Post Graduate Diploma in Systems Management, a Bachelor Degree in Journalism and Mass Communication. He is a Certified Associate of the IIBF, a Certified Information Security Banker, a Certified Big Data Science Analyst and a Certified Anti Money Laundering Specialist.

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

8. Mr. Kritanand RAMKHELAWON

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

9. Mr. Aboo Bakar MOSAHEB

Mr. Mosaheb, Vice President (Compliance) & Company Secretary, is an Associate Member of the Chartered Governance Institute of UK & Ireland ("ACG") and a member of the Mauritius Institute of Directors ("MIoD"), which is a not-for-profit organisation that promotes the highest standards and best practices of corporate governance in Mauritius. He is also a Certified AML/CFT Compliance Professional. He has over 21 years of experience in the banking sector at senior management level; mainly in areas of internal audit, compliance, Anti Money Laundering & Combating Financing of Terrorism and Proliferation ("AML/CFT & P"), risk management including a two-year stint overseeing the human resource department among others. Before joining the banking sector, he worked for 5 years in an accountancy firm as well as in a private company, where he gained experience in areas of accountancy, audit and corporate secretarial practice. Mr. Mosaheb also has over 10 years of overseas experience in areas of IT, accounting, international recruitment, and bidding exercises for large complex projects.

1. PRINCIPLE ONE - GOVERNANCE STRUCTURE (CONTINUED)

1.2 Profile of senior management (continued)

9. Mr. Aboo Bakar MOSAHEB (continued)

As Vice President Compliance, he oversees the Compliance and Legal Department providing direction and oversight including on-going assessment and reporting of the Compliance and AML/CFT & P functions through the relevant governance Sub-Committees and the Board. As Corporate Secretary, he is responsible for the overall corporate secretarial and corporate governance matters.

10. Mr. Jaspal SINGH

Mr. Singh, Chief Risk Officer, is an experienced banker with over 23 years of experience in general banking, credit and treasury management. He has served SBI in various positions as Field Officer, Branch Manager, Foreign Exchange Dealer and Chief Dealer, before being deputed to SBI (Mauritius) Ltd. Mr. Singh holds a Master's degree in Financial Management, a Diploma in Treasury Investment and Risk Management and is a Certified Associate of the IIBF.

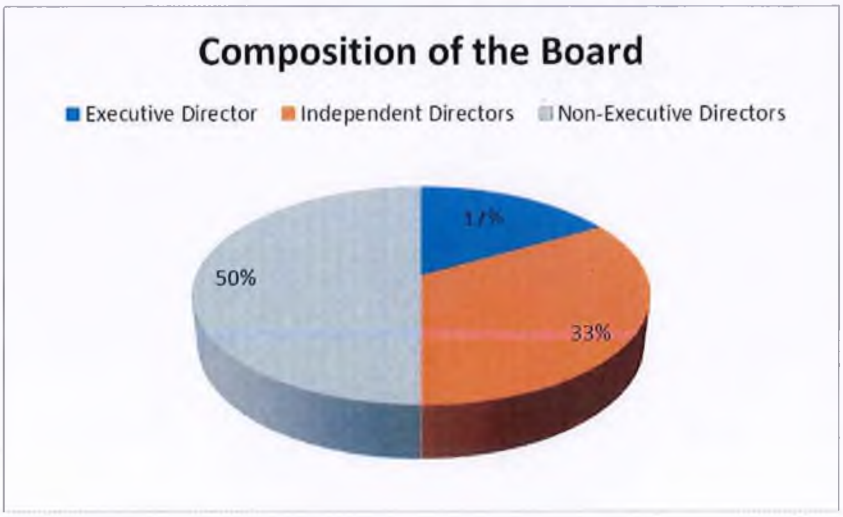
Mr.Singh was deputed to SBIML on 18 December 2019. As Chief Risk Officer, he oversees management, identification, evaluation and reporting of Bank's risks externally and internally.

2. PRINCIPLE 2 – THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

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

Keeping in view the Mauritius Banking Act 2004, the Bank's constitution and the size of the Bank's operations as of 31 March 2022, the membership of the Board comprised 6 Directors; 3 of whom are non-executive, 2 are independent and 1 is executive.

By virtue of Section 18(4) of the Mauritius Banking Act 2004, the Bank of Mauritius has approved the composition of the Board, being made up of at least 40% of non-executive directors. As part of gender diversity, a female Independent Director was inducted on the Board of SBIML during the financial year ended 31 March 2021.



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

2.1 Company Secretary

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

2.2 Board of Directors

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

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

2.3 Board Charter

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

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

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

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

2.4 Responsibilities of the Board of Directors

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

a) Determine the overall policies regulating the various businesses/activities of the Bank;
b) Supervise the management of the business and conduct of affairs by the Management;.
c) Monitor the performance of the Management to ensure satisfactory implementation of the policies it has laid down; and
d) Enunciate and oversee the Bank's strategic direction and to ensure that its organisational structure and capabilities are appropriate for implementing the chosen strategies.

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

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

The Board discharges the above responsibilities either directly or through its Sub-Committees for more in-depth analysis and review of various issues. The minutes of the Sub-Committees are placed before the Board for approval or information, as the case may be.
In line with the Banking Act 2004 and with the best practices of Corporate Governance, the Board of SBIML has set up four Sub-Committees of the Board of Directors namely:

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

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

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

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

2.4 Responsibilities of the Board of Directors (continued)

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

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

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

2.5 Board Composition

As of 31 March 2022, the Board of Directors comprised the following members:

SN	Name of directors	Category	Resident / Non – Resident	Other directorships in listed companies	Date of appointment
1	Mr. Sanjay Dattatraya Naik	Non- Executive Director and Chairperson	Non-Resident	None	17 August 2021
2	Mr. Rajeev Arora	Non-Executive Director	Non-Resident	None	17 August 2021
3	Mr. Vinod Kumar	Non-Executive Director	Non-Resident	None	03 December 2021
4	Mr. Sudhir Sharma	Executive Director	Resident	None	27 November 2020
5	Mr. Dhiren Ponnusamy	Independent Director	Resident	Medine Ltd	06 November 2020
6	Mrs. Neeveditah Maraye	Independent Director	Resident	None	18 November 2020

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

2.5 Board Composition (continued)

The below directors resigned during the year ended 31 March 2022:

SN	Name of directors	Category	Resident / Non – Resident	Other directorships in listed companies	Date of resignation
1	Mr. Venkat Nageswar Chalasani	Non-Executive Director and Chairperson	Non-resident	None	30 April 2021
2	Mr. Rama Sundara Satyanarayana Brahmandam	Non-Executive Director	Non-resident	None	18 August 2021
3	Mr. Uday Laxman Bodas	Non-Executive Director	Non-resident	None	07 December 2021

The Non-Executive Directors are based in India.

2.6 Board Evaluation

The performance evaluation of the Board and its Sub-Committees and the Independent Directors is conducted every year. The evaluation exercise for the current financial year ended 31 March 2022 was conducted internally at the board meeting held on 24 November 2021 facilitated by the Company Secretary and the following process methodology was covered:

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

The methodology in more details is provided below:

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

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

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

2.7 Shareholding Interest of Directors

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

2.8 Sub committees of the Board

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

	Board of Directors	Executive Committee Of Directors	Audit Committee	Conduct Review & Risk Management Committee	Corporate Governance Nomination & Compensation Committee
Directors Current directors as of 31 March 2022	**Meeting Attended /Held**	**Meeting Attended/ Held**	**Meeting Attended / Held**	**Meeting Attended /Held**	**Meeting Attended/ Held**
Mr. Sanjay Dattatraya Naik (appointed on 17.08.2021) (Chairperson of Board)	3/3	▲	▲	▲	▲
Mr. Rajeev Arora (appointed on 17.08.2021)	2/3	4/4	▲	▲	▲
Mr. Vinod Kumar (appointed on 03.12.2021)	2/2	2/2	1/1	1/1	1/1
Mr. Sudhir Sharma (appointed on 27.11.2020)	6/6	5/5	▲	4/4	4/4
Mr. Dhiren Ponnusamy (appointed on 06.11.2020)	6/6	4/5	4/4	4/4	3/4
Mrs. Neeveditah Maraye (appointed on 18.11.2020)	5/6	5/5	4/4	4/4	4/4
Directors who resigned during the year					
Mr. Venkat Nageswar Chalasani (resigned with effect from 30.04.2021)	1/1	▲	▲	▲	▲
Mr. Rama Sundara Satyanarayana Brahmandam (resigned with effect from 18.08.2021)	3/3	1/1	2/2	0/1	0/1
Mr Uday Laxman Bodas (resigned with effect from 07.12.2021)	4/4	3/3	3/3	3/3	3/3

NOTE: ▲ Not a member

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

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

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

2.8 Sub-Committees of the Board (continued)

I. Executive Committee of Directors

The Executive Committee of Directors' ("ECOD") Charter provides that the Committee comprises a number of executive and non-executive directors as may be decided by the Board from time to time. As of 31 March 2022, the ECOD was made of the below five Directors:

- Mr. Rajeev Arora (Chairperson)
- Mr. Vinod Kumar
- Mr. Sudhir Sharma
- Mr.Dhiren Ponnusamy
- Mrs.Neeveditah Maraye

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

The mandate of the ECOD includes:

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

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

II. Audit Committee

The Audit Committee's Charter provides that the Committee consist of 3 directors with at least 1 independent director or such other composition as may be determined by the regulator and the Board. The Committee consists of 2 independent directors and 1 non-executive director, namely:

- Mrs. Neeveditah Maraye (Chairperson)
- Mr. Vinod Kumar
- Mr. Dhiren Ponnusamy

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

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

2.8 Sub-Committees of the Board (continued)

The mandate of the Audit Committee includes, *inter alia:*

a) Examine the audited financial statements before they are approved by the Board;
b) Require the Management of the Bank to implement and maintain appropriate accounting, internal control and financial disclosure procedures and review, evaluate and approve such procedures;
c) Review such transactions as could adversely affect the sound financial condition of the Bank as the external auditor or any officers of the Bank may bring to the attention of the committee or as may otherwise come to its attention;
d) Perform such additional duties as may be assigned to it by the Board of Directors;
e) Evaluate the independence and effectiveness of the external auditor and consider any non-audit services rendered by such auditor as to whether this substantively impairs its independence;
f) Evaluate the performance of the external auditor;
g) Discuss and review, with the external auditor before the audit commences, the auditor's engagement letter, the terms, nature and scope of the audit function, procedure and engagement, the audit fees;
h) Provide oversight of the Bank's internal and external auditor and prior endorsement for their appointment and removal;
i) Establish and maintain policies and procedures for employees of the Bank to submit confidentially information with respect to accounting, internal control, compliance, audit and any other related matters of concern;
j) Implement a process for ensuring that employees are aware of the policies covered under (i) above and for dealing with matters raised by employees with it, under these policies;
k) Examine policies and escalate the findings to the Board for consideration and necessary action;
l) Approve audit plans (external and internal) to ensure that these are risk-based and address all activities over a measurable cycle, and that the work of the external and internal auditors is coordinated;
m) Recommend to shareholders the appointment, removal, and remuneration of the external auditor;
n) Approve the remuneration of the Head of Internal Audit;
o) Assess periodically the skills, resources, and independence of the external audit firm and its practices for quality control;
p) Assess whether the accounting practices of the Bank are appropriate and within the bounds of acceptable practice;
q) Ensure that there is appropriate structure in place for identifying, monitoring, and managing compliance risk as well as a reporting system to advise the Committee and the Board of instances of non-compliance on a timely basis;
r) Discuss with senior management and the external auditor the overall results of the audit, the quality of financial statements and any concerns raised by the external auditor. This should include:
   - Key areas of risk for misinformation in the financial statements, including critical accounting policies, accounting estimates and financial statement disclosures;
   - Changes in audit scope and whether the external auditor considers the estimates used as aggressive or conservative within an acceptable range;
   - Significant or unusual transactions and internal control deficiencies identified during the course of the audit.

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

2.8 Sub-Committees of the Board (continued)

II. Audit Committee (continued)

s) Review of any transactions brought to its attention by auditors or any officers of the institution, or that might otherwise come to its attention, which might adversely affect the financial condition of the Bank;
t) Report to the Board on the conduct of its responsibilities in frequency specified by the Board, with particular reference to section 39 of the Banking Act 2004; and
u) Ensure that management is taking appropriate corrective action in response to deficiencies identified by the auditors, including internal control weaknesses and instances of non-compliance with laws.

Reporting Responsibilities for the Audit Committee

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

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

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

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

- Examining, reviewing and challenging the quality and integrity of the quarterly condensed financial information the annual financial statements of the Bank;
- Reviewing of the annual report including the directors' report, corporate governance report, management discussion & analysis and the audited financial statements for the year ended 31.03.2021;
- Reviewing the management letter, external auditor's report on the operating effectiveness of the Bank's controls over financial reporting in line with the Bank of Mauritius *Guideline on Maintenance of Accounting and Other Records and Internal Control Systems* for the year ended 31.03.2021;
- Reviewing the half yearly reports, interim reports and any other formal announcement relating to the Bank's financial performance;
- Overseeing appropriateness of the process, models and the assumptions made for IFRS 9 and assessing their impact on the Bank's financial statements;
- Reviewing the External Auditor's Report on Enterprise-Wide Risk Assessment (EWRA) / Institutional Risk Assessment (IRA) and related internal controls as at 31st March 2021;
- Approving the Annual Audit Plan of External Auditor, M/s Deloitte for the financial year ending 31.03.2022;
- Approving the Internal Audit Plan for the financial year ending 31.03.2023;

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

2.8 Sub-Committees of the Board (continued)

II. Audit Committee (continued)

Reporting Responsibilities for the Audit Committee (continued)

- Approving the Annual Compliance Audit Plan for the financial year ending 31.03.2022; and
- Approving the examination of the Institutional Risk Assessment and related Internal Control Systems in the areas of AML/CFT by Internal Audit.

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

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

Per its Terms of Reference, the CGNCC must be made of at least 3 members with a majority of non-executive directors or independent directors and the MD&CEO must be part of the Committee. The Committee presently consists of the four below members:

- Mrs. Neeveditah Maraye (Chairperson)
- Mr. Vinod Kumar
- Mr. Sudhir Sharma
- Mr. Dhiren Ponnusamy

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

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

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

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

The mandate of CGNCC includes to:

(a) Consider, evaluate and recommend to the Board any new Board appointments;
(b) Recommend to the Board candidates for Board positions, including the Chairperson of the Board and Chairpersons of the Board's Committees;
(c) Recommend the criteria for the selection of board members and the criteria for the evaluation of their performance;
(d) Evaluate on an annual basis, the effectiveness of the Board as a whole, the Board's Committees and each director's ability to contribute to the effectiveness of the Board and the relevant Board Committees;
(e) Ensure an appropriate framework and plan for Board and management succession in the Bank;
(f) Provide adequate training and orientation to new directors as well as continuous training for all Directors during the year;
(g) Review and ensure that the policy on directors' fees for the company are reflective of the contribution of each individual director;
(h) Prepare for approval of the Board the remuneration and compensation package for directors, senior managers, and other key personnel, taking into account the soundness of risk taking and risk outcomes as well as any relevant information available on industry norms;

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

2.8 Sub-committees of the Board (continued)

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

(i) Review management's recommendation on appointment or promotion of senior management personnel;
(j) Approve overall conditions of other employees of the Bank, taking into consideration proposals of trade union/s;
(k) Recommend to the Board an incentive package, as necessary, to enhance staff performance, while ensuring that incentives embedded within remuneration structures do not incentivise staff to take excessive risk;
(l) Determine the level of fees for directors to be recommended to the shareholders;
(m) Review policies and recommend to the Board for approval; and
(n) Comment on the contribution of individual directors to the achievement of corporate objectives as well as on the regularity of their attendance at the Board and Committee meetings.

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

- Reviewing the Bank's HR related policies and the Corporate Governance Policy in accordance with the recommendations of the National Code of Corporate Governance;
- Reviewing Board appointments, recruitments, manpower budget and training requirements of the Board members, and
- Discussing and recommending the Annual Board assessment report to the Board for approval;
- Reviewing and Recommending the Bank's Organisation Structure and Role & Responsibilities of Senior Management team to the Board for Approval; and
- Reviewing the Code of Ethics for Directors in compliance with the National Code of Corporate Governance 2016.

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

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

a) Approving, reviewing or overseeing the process, framework, principles, operating procedures and systems developed by the management to identify, evaluate and oversee the appropriate management of principal risks;
b) Maintaining an orientation, with continuing education as the risk in the market changes and/or standards for measuring risks are enhanced;
c) Reviewing the policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the Bank;
d) Establishing risk management processes namely by facilitating and reviewing the development and implementation of improvements to simplify and enhance the effectiveness of the existing risk management system;
e) Review minutes of the Risk Management Committee;
f) Review the Bank's Internal Capital Adequacy Assessment Process ("ICAAP") with a view to address the risk management of the Bank; and
g) To provide prior endorsement for the appointment and removal of the Chief Risk Officer;

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

2.8 Sub-committees of the Board (continued)

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

h) Require management of the Bank to establish policies and procedures to comply with the requirements of the relevant guidelines issued by the Bank of Mauritius, namely the *Guideline on Credit Risk Management*, *Guideline on Related Party Transactions*, *Guideline on Maintenance of Accounting and Other Records and Internal Control Systems* and *Guideline on Corporate Governance*, amongst others;
i) Review and approve each credit exposure to related parties;
j) Ensure that market terms and conditions are applied to all related party transactions;
k) Approves or ratify the Related Party Transactions;
l) 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;
m) Report periodically and in any case not less frequently than on a quarterly basis to the Board on matters reviewed by it, including exceptions to policies, processes and limits;
n) Identification of principal risks, including those relating to credit, market, liquidity, operational, compliance, and reputation of the institution, and actions to mitigate the risks;
o) Appointment of a Chief Risk Officer who, among other things, shall provide assurance that the oversight of risk management is independent from operational management and is adequately resourced with proper visibility and status in the Bank;
p) Ensuring independence of the Chief Risk Officer from operational management without any requirement to generate revenues;
q) 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;
r) Receive from senior officers periodic reports on risk exposures and activities to manage risks; and
s) 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 four Directors out of whom two are independent directors and one is a non-executive director. The members are:

- Mr. Dhiren Ponnusamy (Chairperson)
- Mr. Vinod Kumar
- Mr. Sudhir Sharma
- Mrs. Neeveditah Maraye

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

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

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

2.9 Management Team

Details of the management team are given below:

Senior Management

Mr Sudhir Sharma	-	Managing Director & CEO
Mr. Bibhu Prasad Mishra	-	Chief Operating Officer
Mr. J. Singh	-	Chief Risk Officer
Mr. U. C.Sahu	-	Vice President – Information Technology
Mr. M. Arya	-	Vice President - Corporate Banking
Mr. P.S.Venkatraman	-	Vice President - Treasury & Planning
Mr. K. Ramkhelawon	-	Vice President - Accounts & Services and
Mr. N. Singh	-	Vice President - Global Banking
Mr. N. Bhardwaj	-	Vice President - Retail Banking
Mr. A. B. Mosaheb	-	Vice President - Compliance and Company Secretary

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

Managers

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

3. PRINCIPLE 3 – DIRECTOR APPOINTMENT PROCEDURES

3.1 Appointment and induction of new directors

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

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

Immediately after the 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, maximising their potential contribution and the capacity of the Board as a whole. The Board aims to foster a culture that encourages new directors to participate fully and effectively in board activities as soon as possible.

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

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

- Mr. Sanjay Dattatraya Naik (Non-Executive Director)
- Mr. Rajeev Arora (Non-Executive Director)
- Mr. Vinod Kumar (Non-Executive Director)

As part of orientation programme,for new Directors information on the following information are shared with the directors:

- Corporate Governance Policy;
- Mauritius Companies Act 2001 and Data Protection Act 2017;
- National Code of Corporate Governance for Mauritius (2016);
- Mauritius Banking Act 2004;
- Constitution of SBIML;
- Financial Reporting Act 2004;
- The Financial Intelligence & Anti-Money Laundering Act ("FIAMLA");
- Bank of Mauritius ("BoM") Guidelines;
- Code of Ethics for directors of SBIML;
- The latest Annual Report of SBIML;
- A list of policies of SBIML;
- Role of the Company Secretary of SBIML;
- The minutes of the Board and all sub-committees of the Board for the preceding 12 months;
- Details of major litigations;
- The Bank's organisational chart;
- 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;
- Details of key clients, contractors and stakeholders;
- Panel of barristers for the Bank;
- Latest Board Assessment Report;
- Legal duties of Directors; and
- Schedule of dates for upcoming Board and Sub Committee meetings.

3. PRINCIPLE 3 – DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

3.2 Succession planning

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

3.3 Professional Development of Directors

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

In that regard, the Board hired the services of PwC to provide professional training to the Directors on emerging topics such as AML/ CFT& P, sanctions, managing risk of fraud, bribery and corruption and on Corporate Governance Practices during the financial year. Training was also imparted to the Directors on areas such as Credit Risk, Operational Risk and Operational Resilience and on Market Risk during the Financial year.

3.4 Profile of directors

The profile of the current directors is given below:

1. Mr. Sanjay Dattatraya NAIK

Mr. Naik joined State Bank of India as a Probationary Officer in 1987 and has held various important assignments in the Bank. He is a Graduate in Science and holds an MBA.

Mr. Naik has assumed charge of Deputy Managing Director (International Banking), State Bank of India in May 2021. The International Banking Group comprises international operations of the Bank which are spread across 229 offices in 31 countries with a business portfolio of more than USD 60 bn and a staff complement exceeding 3000. As a vertical Head, Mr. Naik is responsible for group strategy, business development, operational efficiency, and other functional areas of the International Banking Group.

A career banker with experience of over 34 years, Mr. Naik has held various positions across a wide range of domains including International Banking, Corporate Banking, Retail Banking, Trade Finance, Risk and Compliance. Prior to assuming his current responsibilities, he was Chief General Manager (International Banking) and in charge of business of foreign offices & operations of overseas banking subsidiaries and Joint ventures in Europe and America.

He has extensive experience in credit delivery and client servicing.

2. Mr. Rajeev ARORA

Mr. Arora joined State Bank of India as a Probationary Officer in 1990 and has held various important assignments in the Bank. He is a Graduate in Science.

Mr. Arora has assumed charge of Chief General Manager (International Banking), State Bank of India in May 2021. The International Banking Group comprises international operations of the Bank which are spread across 229 offices in 31 countries with a business portfolio of more than USD 60 bn and a staff complement exceeding 3000. As a vertical Head, Mr. Arora is responsible for group strategy, business development, operational efficiency, and other functional areas of the International Banking Group.

3. PRINCIPLE 3 – DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

3.4 Profile of directors (continued)

2. Mr. Rajeev ARORA (continued)

Mr. Arora has held various positions across wide range of domains viz. Retail Banking, Corporate Banking, International Banking, etc. Notably he has worked with very large Corporates both on the Rupee and Forex lending and syndications side. He has also handled senior responsibilities in the Retail & Digital Banking verticals of the Bank, heading operations in Meghalaya, Manipur, and major business operations in Punjab. He has also led two overseas assignments in USA & London operations of the Bank. In London he headed the investment business of the branch.

Before taking over as Chief General Manager- International Banking, Mr. Arora was heading the domestic Private Equity portfolio of SBI.

3. Mr Vinod KUMAR

Mr. Kumar joined State Bank of India in 1986 and has held various important assignments in the Bank. He is a Graduate in Science and a Certified Associate of Indian Institute of Bankers.

Mr. Kumar has assumed charge of General Manager (Credit), State Bank of India in July 2021. The International Banking Group comprises international operations of the Bank which are spread across 229 offices in 31 countries with a business portfolio of more than USD 60 bn and a staff complement exceeding 3000. As a Head of Credit department, Mr. Kumar is responsible for business strategy, business development, operational efficiency and other functional areas of the credit business of all the foreign offices of SBI.

A career banker with experience of over 35 years, Mr. Kumar has held various positions across a wide range of domains including International Banking, Corporate Clients Group, Retail Banking. Prior to assuming his current responsibilities, he was heading Corporate Clients Group Business of North India Region

4. Mr Sudhir SHARMA

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

5. Mr. Dhiren PONNUSAMY

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

3. PRINCIPLE 3 – DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

3.4 Profile of directors (continued)

5. Mr. Dhiren PONNUSAMY (continued)

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

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

6. Mrs. Neeveditah MARAYE

Mrs. Maraye holds a Post Graduate Diploma from the University of Edinburgh, an MSc in International Money, Finance & Investment from the Brunel University, UK and a BSc Accounting (Hons) from the University of Mauritius ("UoM"). She is also an Associate Member of the Association of Chartered Certified Accountants ("ACCA") and is currently a full-time Senior lecturer in Accounting and Finance at the Faculty of Law & Management at UoM since 2004. Her main research and teaching interests lie in the areas of Corporate Social Responsibility ("CSR") and Sustainable Development. She is also currently a board member on the United Nations Global Compact Mauritius and the Indian Ocean where she actively pursues her academic interests in promoting the Sustainable Development Goals (SDGs).

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

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

7. Mr. Venkat Nageswar CHALASANI

Mr Chalasani, Deputy Managing Director, was in charge of the International Banking Group of SBI until 30th April 2021 when he retired from SBI. He was a Non-executive Director and Chairperson on the Board of SBI (Mauritius) Ltd and resigned with effect from 30th April 2021.

A career banker with experience of over 36 years, Mr. Chalasani has held various positions across a wide range of domains including corporate and retail banking, treasury, trade finance, risk and compliance. As a permanent invitee to the SBI's Board Meetings, Mr. Chalasani was involved in various deliberations concerning the SBI's overall operations. He was also a member of SBI's Apex Credit Committee, Audit Committee and other committees responsible for governance of SBI. Mr. Chalasani was a director on the boards of several companies and industry associations. He was a part of various committees with the Reserve Bank of India ("RBI") and the Securities and Exchange Board of India ("SEBI") amongst others, with the latest being the Sunil Mehta Committee on the resolution of stressed assets.

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

3. PRINCIPLE 3 – DIRECTOR APPOINTMENT PROCEDURES (CONTINUED)

3.4 Profile of directors (continued)

8. Mr. Rama Sundara Satyanarayana BRAHMANDAM

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

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

A career banker with experience of over 33 years, Mr. Brahmandam has held various positions across a wide range of domains including international banking, corporate banking, retail banking, treasury and global Markets.

He was a Non-Executive Director on the Board of SBI (Mauritius) Ltd and resigned with effect from 18 August 2021. Mr Brahmandam is presently posted as President & COO, SBI Capital Markets Ltd.

9. Mr. Uday Laxman Bodas

Mr. Bodas holds a Masters in Commerce and is a Certified Associate of the IIBF. He joined SBI in 1990 and has worked in various verticals during his career. Having over 32 years of banking experience in SBI, he has served as General Manager (Credit), International Banking Group and was responsible to oversee the credit business of foreign offices.

He was a Non-Executive Director on the Board of SBI (Mauritius) Ltd and has resigned with effect from 7th December 2021. Mr Bodas is presently posted as General Manager (CRT), Corporate Client Group.

4. PRINCIPLE 4 – DIRECTOR DUTIES, SENIOR EXECUTIVE REMUNERATION AND PERFORMANCE

4.1 Legal Duties of Directors

All directors of the Bank are fully apprised of their fiduciary duties as provided in the Mauritius Companies Act 2001 and they have confirmed to abide by the terms set out in their letter of appointment as directors of the Bank.

4.2 Code of Ethics

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

4. PRINCIPLE 4 – DIRECTOR DUTIES, SENIOR EXECUTIVE REMUNERATION AND PERFORMANCE (CONTINUED)

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

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

The Bank has also maintained a register of related parties of Directors and Senior Offices which include name of their spouse, child / children, parent or ascendent or descendent, their immediate / close family members.

4.4 Conflicts of Interest

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

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

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

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

4.5 Information Governance, Information Security and Information Technology

The Bank has a comprehensive Information Security Policy and Standards as well as an Information Security Procedures and Guidelines. This policy contains a set of global IT and IS standards, procedures, guidelines and prescriptions that are used for mitigating all the IT risks associated with respective domains. The policy is approved by the Board and is reviewed on a yearly basis. The policy was last approved by the Board in 2021. The Information Governance is a part of the above said policy. The policy, besides addressing all IT & IS related areas, has strict guidelines for physical and logical controls to access the information assets.

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

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

4. PRINCIPLE 4 – DIRECTOR DUTIES, SENIOR EXECUTIVE REMUNERATION AND PERFORMANCE (CONTINUED)

4.5 *Information Governance, Information Security and Information Technology (continued)*

The ITSC also focuses on:
- ✓ IT Strategic Planning;
- ✓ Alignment of all IT initiatives across the Bank;
- ✓ Prioritize and approve projects;
- ✓ Review existing projects;
- ✓ Formulate recommendations on major IT investments; and
- ✓ IT Security

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

4.6 Board Evaluation

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

The last evaluation of the effectiveness of the Board of SBIML, its Committees and its Individual Directors was conducted on 24 November 2021 by the Chairperson supported by the Company Secretary. The evaluation was conducted by the use of a questionnaire circulated to the Directors for self-assessment followed by review of documents and procedures in place, etc. Several recommendations were given based on the evaluation exercise for implementation in the next couple of years and same is at various stage of implementation.

The Board at its meeting held on 24 November 2021 advised that going forward the Board evaluation, Sub-Committee's evaluation, Directors' self-evaluation and that of Chairperson's evaluation be outsourced to an external facilitator. The Bank will accordingly appoint a consultant to carry out the board evaluation exercise.

4.7 Statement of remuneration philosophy

A: Board of Directors

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

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

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

4. PRINCIPLE 4 – DIRECTOR DUTIES, SENIOR EXECUTIVE REMUNERATION AND PERFORMANCE (CONTINUED)

4.7 Statement of remuneration philosophy (continued)

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

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

During the period 01 April 2021 to 31 March 2022, the NEID received fees and emoluments as indicated below:

Non-Executive Independent Local Directors	**USD**
Mr. D. Ponnusamy	12,720
Mrs. N. Maraye	12,900

Mr Sudhir Sharma, Executive Director, currently on deputation from SBI Group was paid USD 60,014.50 during the financial year ended 31st March 2022 as salary and allowances.

The executive and non-executive directors are not paid any separate sitting fees individually. However, an aggregate amount of USD 253,230.73 was paid to SBI as Management Fees for the current financial year. There is no contractual agreement with SBI pertaining to management fees.

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

B: Management

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

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

4. PRINCIPLE 4 – DIRECTOR DUTIES, SENIOR EXECUTIVE REMUNERATION AND PERFORMANCE (CONTINUED)

4.7 Statement of remuneration philosophy (continued)

B: Management (continued)

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

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

The guiding principles that underpin the remuneration strategy include:

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

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

5. PRINCIPLE 5 – RISK GOVERNANCE AND INTERNAL CONTROL

5.1 Risk Management

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

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

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

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

The top emerging risks of the Bank are as follows:

(i) Credit outlook and macro-economic environment:

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

5. PRINCIPLE 5 – RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

5.1 Risk Management (Continued)

(ii) *Cyber security risk:*

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

(iii) Changing priorities of the regulators:

The Bank has placed emphasis around consumer protection, and on AML-CFT regulatory provisions including identification of beneficial ownership.

5.2 Internal controls

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

Systems and processes are in place for implementing, maintaining and monitoring the Bank's internal controls. The Bank's internal control systems are reviewed in line with the requirements of the respective Bank of Mauritius guidelines and by conducting risk assessment that covers the adequacy and effectiveness of the Bank's internal controls. The Board derives assurance that the internal control systems are effective through the measures below:

- The Audit Committee of the Board approves an annual internal audit plan covering key risks for the Bank. The Internal Audit Department carries out audits, inspections and reviews during the financial year in accordance with the plan.
- Synopsis of the Internal Audit reports is presented to the Board without any undue filtering of findings by Management;
- A consolidated report on the Bank's internal control systems is prepared by the Internal Audit department that also covers the adequacy and effectiveness of the Bank's compliance function and governance processes. It is observed that in general, the internal controls are designed and implemented effectively. Senior Management also provides representation on the effectiveness of the Bank's internal control systems annually taking into account the requirements of the Bank of Mauritius *Guideline on Maintenance of Accounting and Other Records and Internal Control Systems* and report to the Board of Directors and the regulator accordingly; and
- Review of the Bank's internal control systems by External Auditor as part of statutory audits.

The Internal Controls cover all significant areas to mitigate key risks for the Bank. If any deficiency is noted, the system of internal controls is strengthened further as and when needed. The five components of the COSO framework below are applied to significant areas to ensure adequate coverage of the Bank's internal controls:

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

5. PRINCIPLE 5 – RISK GOVERNANCE AND INTERNAL CONTROL

5.3 Whistleblowing

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

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

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

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

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

6. PRINCIPLE 6 – REPORTING WITH INTEGRITY

6.1 Statement of management's responsibility

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

6.2 Website

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

6.3 Performance and outlook

Please refer to the Directors' Report on pages 3 to 5.

6.4 Related Party transactions

Related party transactions of the Bank were conducted in line with relevant internal policies and guidelines. For related party transactions please refer to note 37 of the financial statements.

6.5 (i) Health and Safety Practice

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

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

(i) Measures taken in the context of COVID 19

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

(ii) Work from Home

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

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

During the COVID-19 pandemic, the Bank had encouraged staff to work from home.

6. PRINCIPLE 6 – REPORTING WITH INTEGRITY

6.6 Environmental Practices

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

6.7 Corporate Social Responsibility ("CSR")

Given that the Bank has no chargeable income against which provision for CSR is made, the Bank has not disbursed any fund towards CSR during the year under audit. (2021: Nil)

6.8 Other Activities:

SBIML has been involved in various activities to raise awareness on different causes and to promote social welfare.

(i) **World Cancer Day**

World Cancer Day is an international day marked on 4 February to raise awareness of cancer and to encourage its prevention, detection, and treatment. SBIML has partnered with a private radio namely Radio Plus ("Defi Media Group") to raise awareness on Cancer which is a leading cause of death worldwide. SBIML has been one of the main sponsors of the Défi Media Group virtual event in collaboration with Défi Santé and Téléplus. The main objective of this virtual event was to remind people of how thousands of lives can be saved, namely with proper prevention, early detection, access to proper treatment and care. Videos of those who have been affected and who wanted to share their stories have been posted on social media platform to highlight on misinformation, reduce stigma and to show support.

(ii) **SOS Children's Village Bambous**

For the past years, SBIML has been supporting SOS Children's Village Bambous through financial donations. These funds were used to meet expenses of SOS Family House as well as to cater for the school expenditure of the children. For the Financial year ended 31st March 2022 SBIML donated chairs to accommodate children in their classroom for online classes due to the Covid-19 pandemic.

(iii) **International Women's Day**

International Women's Day is a time to celebrate the achievements of women throughout history and to acknowledge the gender injustices that still exist. The theme for International Women's Day, 2022 is, ***"Gender equality today for a sustainable tomorrow"***, recognizing the contribution of women and girls around the world, who are leading the charge on climate change adaptation, mitigation, and response to build a more sustainable future for all.

Every year, SBIML regroups its staff on the 08th of March as it is an opportunity to reflect on progress made, to call for change and to celebrate acts of courage and determination by women.

(iv) **Blood Donation Activity**

During the Financial year, the Bank had participated in Blood Donation Activity which was organized by the Bank of Mauritius in collaboration with the Blood Bank and it was a successful "life saving" campaign with approximately 110 pints of blood collected.

6. PRINCIPLE 6 – REPORTING WITH INTEGRITY

6.9 Initiatives

As part of green initiatives, the instructions for e-statement are already in place and the front-line staff members have also sensitised for on-boarding the customers for e-statement. In addition, the Bank is also promoting Internet Banking ("INB") registration, where the option of e-statement is available. Also, our initiatives to send the soft copy of the SWIFT message and also Credit Advise through registered e-mail IDs has led to the customer delight. LED lights or low energy consumption bulbs are being used in the Bank's main office and branches as well. The Bank is gradually moving ahead with other green initiatives wherever feasible.

6.10 Other IT-related activities

During the year, the following major IT initiatives were undertaken:

- **Installation of ATM at Metro Project workers campus at Richelieu**

In order to provide the metro workers a door step 24x7 cash facility, we had installed an ATM at their campus at Richelieu on 1st May 2021 i.e., International Labor Day. Besides meeting the cash requirements, the Indian workers are now able to send money to their families in India through the INR Remittance functionality in the ATM. It was one of our commitments to be a part of a project of national importance.

- **Installation of ATM at Phoenix Mall**

For the convenience of our customers, we have installed another ATM at Phoenix Mall, which is one of the busiest Malls in Mauritius.

- **Launching of YONO Retail Internet Banking Portal**

The Bank had implemented YONO SBI Mauritius App in 2020. This was very well appreciated and accepted by our customers. We could able to register more than 35% of our active customers in the YONO App and are making efforts to onboard all the eligible retail customers.

Going by the User Interface/User Experience ("UI/UX") of the YONO App and variety of functionalities provided, we have redesigned our Internet Banking application and launched the YONO Retail Internet Banking website with the same look-and-feel and functionalities to provide a better user experience.

- **MauCAS**

We are well connected to the Bank of Mauritius IPS through My.T Money Application and could able to provide our customers a platform for the utility bill payments and small tickets payments through My.T Money and My.T Bill Pay Apps. Going forward we are working with our regulator to integrate YONO App with the IPS to provide our customers a 24x7x365 platform for instant funds transfer within Mauritius.

In continuation to our endeavour to become a part of the cashless banking ecosystem, we have also become a participant to the POP Mobile Banking Application i.e., the only universal digital payment solution in Mauritius.

- **Back Office Automation**

We have initiated various measures to bring efficiency and productivity to our back office functions. The Document Management Systems for digitization of the documents and also Audit Management System for managing our Audits through IT systems are some of the notable initiatives which are under development.

6. PRINCIPLE 6 – REPORTING WITH INTEGRITY

6.10 Other IT-related activities (Continued)

- **Information Security**

We have made significant efforts to improve the IT Security Posture of the Bank. All our systems are connected to a 24x7 Security Operations Centre which monitors the security risks and provide alerts. Also, we have well controlled systems for Anti-Virus updation, windows patch management, access management. We have partnered with CERT-MU, working under the aegis of the National Computer Board of Government of Mauritius, for enforcing the best practices in Information Security.

- **BDT Remittance through ATMs**

In order to help our Bangladeshi customers to send the Bangladesh Taka ("BDT") remittances, we have launched the 24x7 remittance facility through 7 NCR ATMs. This will help the Bangladeshi workers to send the money at their convenience on working day as well as holidays using the formal banking channel.

- **Opening of the YONO Digital Branch at La City Trianon**

We have launched the YONO Mobile Banking App in the year 2020. The features and the look-and-feel of the App have been very well accepted by our customers. Going forward, the Bank has designed the YONO Digital Branch to promote and drive banking through digital platform. It is poised to be our signature branch in the island. The branch has a unique design with modern hardware and ergonomically designed furniture for a better user experience (UX). The branch targets the eligible retail customers to onboard on the YONO Platform and provides a single stop solution for all the YONO related services and promote financial inclusion.

7. PRINCIPLE 7 – AUDIT

7.1 *Internal audit*

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

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

7. PRINCIPLE 7 – AUDIT

7.1 Internal audit (continued)

Independence and objectivity

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

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

Audit planning and fieldwork

Annually, the Manager Internal Audit submits to the Audit Committee an internal audit plan for the following financial year for approval. Any significant deviation from the approved internal audit plan is communicated to Senior Management and the Audit Committee. A risk-based approach is applied to the work performed by the Internal Audit department which takes into consideration the Bank's policies, operating guidelines, standard operating procedures and risk management framework (e.g. risk profiling, risk appetite, enterprise/operational risk management policies) amongst others. Audit notes are issued to management during the audit to ensure timely communication and rectification of any irregularities identified.

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

Apart from the audits, inspections and verifications in the internal audit plan, the Internal Audit Department can also conduct reviews, assessments, special audits/assignments and investigations as instructed by the Board or Audit Committee, at the request of Senior Management or depending on any significant risk or requirement identified by the Internal Auditor during the course of the financial year.

Internal Audit Reports

Full audit reports and synopsis are submitted to Senior Management after completion of audits and inspections. The branches/departments provide responses and actions which have been taken for rectification and timelines for resolution of any residual issues. The audit reports are then put up for closure after the irregularities and observations made during the audits have been adequately addressed.

7. PRINCIPLE 7 – AUDIT

7.1 Internal audit (continued)

A synopsis of internal audit reports and irregularities identified during audits and inspections is presented to the Audit Committee and to the Board of Directors on a quarterly basis. The synopsis also includes a timeframe within which corrective action must be taken for any residual issue.

Qualifications and experience

As at 31st March 2022, Heetesh Kumar Choony, Manager Internal Audit was in charge of the Internal Audit Department. Mr. Choony is a Chartered Accountant (Australia & New Zealand), member of the Mauritius Institute of Professional Accountants (MIPA) and member of the Institute of Internal Auditors (IIA). He has a BCom (Accounting and Finance) and obtained certifications in risk, controls and auditing from the Information Systems Audit and Control Association (ISACA). Prior to joining the Bank, Mr. Choony was a Manager in the Risk Assurance division of PwC Mauritius, where he specialised in IT/ IS audits, risk management and internal controls for major financial institutions and conglomerates. He previously worked as a Senior Consultant with PwC Australia in the Risk and Controls division for 4 years and as a Senior Auditor (Risk, Assurance and Technology) with HLB Mann Judd (Melbourne) for 3 years. Mr Choony is supported in his role by a team of experienced staff.

7.2 External audit

The external auditor is appointed by the shareholders at the Annual Meeting of shareholders. The Board nominates an Audit firm to the Annual Meeting of shareholders for re-appointment or appointment after rotation which is based on an open, transparent and competitive selection process, and may also recommend replacement of the external auditor subject to regulatory approval. A tender for selection of audit firm was last conducted in 2022. The Audit Committee advises the Board on such matters.

As at 31 March 2022, the Bank's auditor is Deloitte Mauritius, who was first appointed for the statutory and interim audits for the financial year ended 31 March 2017.

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

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

The Audit Committee reviews the effectiveness and efficiency of the external auditor and assesses the external audit firm annually. To facilitate the review, the MD & CEO, COO and Manager Internal Audit put up an annual performance feedback based on the following assessment criteria, amongst others, on which the external auditor is rated as 'Good', 'Satisfactory' or 'Unsatisfactory'.

7. PRINCIPLE 7 – AUDIT

7.2 External audit (continued)

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

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

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

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

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

- IFRS 9 Model;
- Impact of changes in tax regulations on the Bank's financial results;
- Evaluate the appropriateness of accounting policies of the Bank; and
- Implications of key non performing assets on the Bank's financial results.

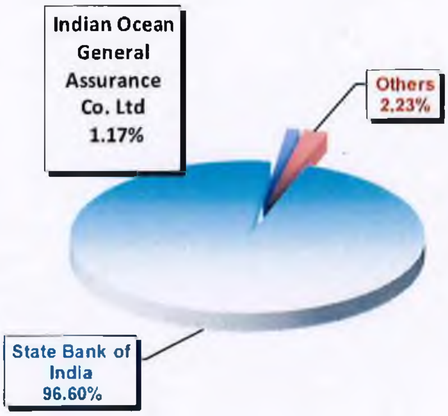
The external auditor also evaluates overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The total fees payable to M/s Deloitte Mauritius for quarterly interim audits and annual audit for the financial year ended 31 March 2022 amounted to MUR 2 Mio exclusive of VAT. Audit related services provided by Deloitte during the financial year ended 31 March 2022 include the dividend review exercise (MUR100k exclusive of VAT) and the report on institutional risk assessment and related internal control systems in the area of AML/ CFT (MUR 650k exclusive of VAT). The services of M/s Deloitte Mauritius were not retained to provide for non-audit services during the reporting period.

8. PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

8.1 Shareholding

By virtue of section 3(2) of the Mauritius Companies Act 2001, the Bank continues as a subsidiary of the State Bank of India ("SBI"). SBI, incorporated in the Republic of India is the holding company of SBIML. The following shareholders hold more than 1% of the equity Share Capital in SBIML as on 31 March 2022:



The shareholding of other 395 minority shareholders stands at 2.23%.

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

Analysis of Shareholding as on 31.03.2022

Defined Brackets	Number of Shareholders	No. of Shares	Percent (%)
1 - 500	390	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	**397**	**778,035**	**100**

8. PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONTINUED)

8.1 Shareholding (continued)

Shareholder Category as on 31.03.2022:

	No. of Shareholders	Shares	Percent (%)
Individual	371	12,844	1.65
Insurance & Assurance Co.	9	9,345	1.20
Investment & Trust Co	1	1,147	0.15
Other Corporate Bodies	16	754,699	97
TOTAL	**397**	**778,035**	**100**

Address for Correspondence: The Company Secretary
SBI (Mauritius) Ltd
6th Floor, SBI Tower Mindspace
45, EbèneCybercity 72201
Mauritius

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

8.2 Shareholders' Rights under Bank's Constitution

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

- There shall be no restrictions on the transfer of fully paid up Shares.
- The quorum for holding a Special Meeting of Shareholders is where shareholders holding at least ten per cent (10%) of the shares of the Company are present or represented.
- A special meeting of shareholders may be called at any time by the Board on the written request of shareholders holding shares carrying together not less than 5% of the voting rights entitled to be exercised on the issue.
- The Board shall consist of no less than five (5) or more than eleven (11) Directors. On 31st March 2022, the Board comprised 6 Directors.
- Notwithstanding Section 55 of the Mauritius Companies Act 2001 and unless the terms of issue of any class of shares specifically provide otherwise, the Board may, if authorised by the shareholders by ordinary resolution, issue shares that rank (as to voting, distribution or otherwise) equally with or in priority to, or in subordination to, the existing shares without any requirement that the shares be first offered to existing shareholders.

The Annual Meeting of Shareholders of SBIML was held on 24 September 2021 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 2022 at a suitable time and date after issuing appropriate notice to the shareholders as provided by the Mauritius Companies Act 2001. Shareholders present at the Annual Meeting are given opportunities by the directors to ask questions. The full annual report is shared with the shareholders prior to the Annual Meeting of Shareholders.

8. PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONTINUED)

8.3 Shareholders' Agreement

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

8.4 Significant Contracts

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

8.5 Donations

No donation was made during the period under review

8.6 Political contributions

No political contribution was made during the year under review.

8.7 Dividend

Dividend is proposed to the Board to be paid in line with the provisions of the Mauritius Banking Act 2004 and the *Guideline on Payment of Dividend* issued in September 2020 which has been revised in 2021, the Mauritius Companies Act 2001, the Bank's constitution, the Bank's Dividend Policy and after regulatory approval is obtained. The Board also takes into account the need to conserve resources for further growth of the Bank. Refer to Note 32(b) for details of dividend.

8.8 Our Key Stakeholders

An overview of the key stakeholders of the Bank is provided below:

A: Regulators

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

The Bank of Mauritius carried out an on-site examination of the operations and financial affairs of SBIML under section 42 of the Banking Act 2004 during the financial year ended 31 March 2022. SBIML provided full assistance and co-operation to the BoM examiners during the on-site inspection. The report was issued on 19th October 2021 and did not reveal any area of concern. The Bank is also accountable to the Financial Services Commission ("FSC") and is strictly required to comply with the rules and regulations, and disclosure obligations. SBIML maintains an open channel of communication with all its regulators to whom co-operation is always ensured.

B: Employees

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

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

8. PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONTINUED)

B: Employees (Continued)

During the Financial year the Bank had also provided sanitary facilities at the workplace like supplying of masks, gloves, hand sanitizers, clearing materials and desk separators for the smooth running of the operations during the COVID 19 pandemic.

C: Customers

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

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

D: Shareholders

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

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

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

8. PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONTINUED)

8.9 Calendar of events

The following is the forthcoming calendar of events:

Important dates	Events
July 2022	Release of first quarter results as of 30 June 2022
August 2022	Payment of Dividend, subject to regulatory approval
Latest by September 2022	Annual Meeting of Shareholders
October 2022	Release of half-yearly results as of 30 September 2022
January 2023	Release of results for the 9-month period as of 31 December 2022
May 2023	Release of full year results as of 31 March 2023

....

Sudhir Sharma

Managing Director & CEO

....

Neeveditah Maraye

Director

....

A. B. Mosaheb

Company Secretary

STATEMENT OF COMPLIANCE

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

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

Reporting Period: 31st March 2022

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.

....
Sanjay Dattatraya Naik
Chairperson

....
Sudhir Sharma
Managing Director & CEO

20 April 2022

SBI (MAURITIUS) LTD
("the Company")

FILE NO. 8318

CERTIFICATE FROM THE COMPANY SECRETARY

In terms of section 166(d) of the Mauritius Companies Act 2001, I certify that to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required of the Company in terms of the Mauritius Companies Act 2001 during the financial year ended 31 March 2022.

....

A. B. Mosaheb, ACG, M. MIoD

Company Secretary

20 April 2022

Statement of Management's Responsibility for Financial Reporting

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

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

The Bank's Board of Directors, acting in part through the Audit Committee and Conduct Review and Risk Management Committee, which comprise Independent Directors, oversees the Management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant and related party transactions.

The Bank's internal auditor, who has full and free access to the Audit Committee, conducts a well designed program of internal audits in coordination with the Bank's external auditor. In addition, the Bank's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

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

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

S. Sharma **Managing Director & CEO**	**N. Maraye** **Director and Chairperson of the Audit Committee**	**D. Ponnusamy** **Director**

Deloitte.

7th-8th floor, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

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 53 to 134, which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2022, 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, the Financial Reporting Act 2004 and the Banking Act 2004.

Basis for opinion

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses	
IFRS 9 requires the Bank 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 judgement and estimates and therefore increased levels of audit focus in the application of IFRS 9 are: • Model estimations – Statistical modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loans portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. • Economic scenarios – the Bank has used a range of future economic conditions in light of the global pandemic of COVID-19. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment. • Qualitative adjustments - Adjustments to the model-driven ECL results are accounted by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts.	Our procedures included the following amongst others: • Evaluating the appropriateness of the impairment methodologies applied by the Bank against the requirements of IFRS 9; • Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology; • Assessing the appropriateness of the macro-economic forecasts used; • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models; • Use of specialist team for assessing the appropriateness of PD, LGD and EAD used in the ECL calculation; • Testing the accuracy and completeness of ECL by reperformance; • Assessed the appropriateness of post model adjustments made by management with respect to COVID-19, and assess the underlying analysis and rationale; and

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Key audit matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses	
For impaired credits, the most significant judgements/matters are whether impairment events have occurred and the valuation of collaterals. Due to the significance of the judgements and estimates applied in the computation of the ECL, this item is considered as key audit matter. The details of the policies and processes followed for the determination of ECL are disclosed in Note 5.3 of the financial statements.	For impaired credits, we have further: • Obtained audit evidence in respect of key controls over the processes for identification of impaired assets and impairment assessment; • Inspected the minutes of the Board and relevant sub-committees to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; and • Performed a risk-based test of loans and advances to customers to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment is made. We have also assessed whether the disclosures are in accordance with the requirements of IFRS 9.

Other information

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

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

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

Corporate Governance Report

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

Responsibilities of directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements (Cont'd)

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

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

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

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

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

Banking Act 2004

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

Use of this report

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

Deloitte.

Deloitte

Chartered Accountants

20 April 2022

Agrawal.

Vishal Agrawal, FCA

Licensed by FRC

SBI (MAURITIUS)LTD

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2022

	Notes	2022 USD	2021 USD	2020 USD
Interest income calculated using the effective interest method		20,633,390	20,528,325	31,443,365
Interest expense		(3,070,360)	(6,348,141)	(14,203,985)
Net interest income	***11A***	17,563,030	14,180,184	17,239,380
Net fee and commission income	***12***	2,372,764	2,565,261	2,704,838
Net trading income	***13***	1,297,279	1,193,158	1,848,774
Other operating income	***14***	1,733,117	1,259,050	826,023
		3,030,396	2,452,208	2,674,797
Operating income		22,966,190	19,197,653	22,619,015
Net impairment reversal/ (loss) on financial assets	***15***	8,364	(5,407,479)	(12,935,982)
Personnel expenses	***16***	(4,109,045)	(4,234,787)	(4,501,027)
Depreciation on property and equipment and right-of-use assets	***24,27***	(764,894)	(709,411)	(855,346)
Other expenses	***17***	(3,228,793)	(2,564,147)	(2,901,646)
Profit before income tax		14,871,822	6,281,829	1,425,014
Income tax expense	***18b***	(2,270,563)	(577,259)	(102,408)
Profit for the year		12,601,259	5,704,570	1,322,606
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligations, net of deferred tax		738,802	(2,510,214)	85,914
Fair value (losses)/ gains on investment in equity securities		(72,362)	331,370	101,582
Items that may be reclassified subsequently to profit or loss				
Fair value (losses)/ gains on investment in debt securities		(5,931,577)	2,364,806	2,910,068
Other comprehensive income for the year		(5,265,137)	185,962	3,097,564
Total comprehensive income for the year		7,336,122	5,890,532	4,420,170
Earnings per share	***19***	16.20	7.33	1.70

Approved and authorised for issue by the Board of Directors on 20 April 2022.

S. Sharma	**N. Maraye**	**D. Ponnusamy**
Managing Director & CEO	**Director and Chairperson of the Audit Committee**	**Director**

The notes from pages 57 to 134 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March 2022

	Notes	2022 USD	2021 USD	2020 USD
ASSETS				
Cash and cash equivalents	20	196,094,355	156,223,156	101,609,876
Loans and advances to banks	21	133,280,040	86,776,343	45,266,408
Loans and advances to customers	22	445,388,478	404,421,795	422,088,019
Investment securities	23	265,322,799	260,165,664	249,991,469
Derivative assets	38	32,742	1,144,186	-
Property and equipment	24	7,635,389	7,624,837	7,583,324
Right-of-use assets	27	963,882	1,151,636	1,444,140
Deferred tax assets	25	661,149	2,135,033	2,108,706
Current tax assets	30	-	-	165,043
Other assets	26	17,914,150	17,310,633	15,634,671
Total assets		1,067,292,984	936,953,283	845,891,656
LIABILITIES				
Deposits from customers	28	648,854,885	510,190,191	435,808,436
Other borrowed funds	29	253,202,890	258,851,755	255,166,637
Derivative liabilities	38	-	-	73,759
Current tax liabilities	30	830,000	378,094	-
Retirement benefit obligations	39	4,809,953	5,986,986	3,070,918
Lease liabilities	34	879,636	1,105,924	1,277,872
Other liabilities	31	5,691,560	9,889,679	5,833,912
Total liabilities		914,268,924	786,402,629	701,231,534
Shareholders' equity				
Share capital	32a	48,627,188	48,627,188	48,627,188
Share premium	32a	54,078,062	54,078,062	54,078,062
Retained earnings		28,648,761	22,800,407	17,951,523
Statutory and other reserves	40	26,686,359	30,800,109	27,248,247
Actuarial loss reserve	40	(5,016,310)	(5,755,112)	(3,244,898)
Total equity		153,024,060	150,550,654	144,660,122
Total equity and liabilities		1,067,292,984	936,953,283	845,891,656

Approved and authorised for issue by the Board of Directors on 20 April 2022.

S. Sharma **Managing Director & CEO**	**N. Maraye** **Director and Chairperson of the Audit Committee**	**D. Ponnusamy** **Director**

The notes from pages 57 to 134 form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 March 2022

	Notes	Share capital USD	Share premium USD	Statutory reserve USD	General banking reserve USD	Other reserves USD	Actuarial loss reserve USD	Retained earnings USD	Total equity USD
Balance at 1 April 2019		48,627,188	54,078,062	24,029,344	603,175	(594,313)	(3,330,812)	26,552,746	149,965,390
Profit for the year		-	-	-	-	-	-	1,322,606	1,322,606
Other comprehensive income for the year		-	-	-	-	3,011,650	85,914	-	3,097,564
Transfer to statutory reserve		-	-	198,391	-	-	-	(198,391)	-
Dividend paid	32b	-	-	-	-	-	-	(9,725,438)	(9,725,438)
Balance at 31 March 2020		48,627,188	54,078,062	24,227,735	603,175	2,417,337	(3,244,898)	17,951,523	144,660,122
Balance at 1 April 2020		48,627,188	54,078,062	24,227,735	603,175	2,417,337	(3,244,898)	17,951,523	144,660,122
Profit for the year		-	-	-	-	-	-	5,704,570	5,704,570
Other comprehensive income for the year		-	-	-	-	2,696,176	(2,510,214)	-	185,962
Transfer to statutory reserve		-	-	855,686	-	-	-	(855,686)	-
Balance at 31 March 2021		48,627,188	54,078,062	25,083,421	603,175	5,113,513	(5,755,112)	22,800,407	150,550,654
Balance at 1 April 2021		**48,627,188**	**54,078,062**	**25,083,421**	**603,175**	**5,113,513**	**(5,755,112)**	**22,800,407**	**150,550,654**
Profit for the year		-	-	-	-	-	-	12,601,259	**12,601,259**
Other comprehensive income for the year		-	-	-	-	(6,003,939)	738,802	-	**(5,265,137)**
Dividend paid	32b	-	-	-	-	-	-	(4,862,716)	**(4,862,716)**
Transfer to statutory reserve		-	-	1,890,189	-	-	-	(1,890,189)	-
Balance at 31 March 2022		**48,627,188**	**54,078,062**	**26,973,610**	**603,175**	**(890,426)**	**(5,016,310)**	**28,648,761**	**153,024,060**

The notes from pages 57 to 134 form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 March 2022

	Notes	2022 USD	2021 USD	2020 USD
Cash flows from operating activities				
Profit before income tax		14,871,822	6,281,829	1,425,014
Adjustments for:				
Depreciation on property and equipment and right-of-use assets	***24,27***	764,894	709,411	855,346
Profit on sale of investments	***14***	(1,399,162)	(1,038,440)	(577,567)
Dividend income on investments	***14***	(51,016)	(6,494)	(29,048)
Exchange rate difference		152,087	3,893,488	(489,262)
Profit on disposal of property and equipment		(17,837)	(4,225)	-
Fair value movement on financial instruments carried at FVTPL		(35,441)	-	-
Increase in provision for retirement benefit obligations		(399,347)	139,908	183,177
Interest on lease liabilities		38,257	53,894	57,855
Net impairment (reversal)/loss on financial assets	***15***	(8,364)	5,407,479	12,935,982
		13,915,893	15,436,850	14,361,497
Changes in operating assets and liabilities				
(Increase)/decrease in loans and advances to banks		(47,179,926)	(42,724,016)	(2,772,230)
(Increase) / decrease in loans and advances to customers		(39,272,171)	11,972,819	40,856,977
(Increase)/ decrease in other assets		(603,517)	(4,038,093)	817,299
Decrease/ (increase) in derivative assets/ liabilities		1,111,444	1,217,945	(703,421)
Increase/(decrease) in deposits from customers		140,289,886	75,972,759	(36,380,834)
(Decrease)/ increase in other liabilities		(4,222,417)	3,982,008	496,489
Net change in interest receivable		(1,224,925)	1,657,045	117,758
Net change in interest payable		(1,735,491)	(1,955,186)	343,064
Income tax (paid)/ refunded	***30***	(383,657)	78,353	(672,504)
Net cash generated from operating activities		60,695,119	61,600,484	16,464,095
Cash flows from investing activities				
Increase in investment securities (net)		(175,550,802)	(165,749,048)	(48,203,309)
Proceeds from sale of investment securities		165,823,653	155,373,846	60,061,850
Purchase of property and equipment	***24***	(499,797)	(503,207)	(402,353)
Proceeds from sale of property and equipment		17,837	7,359	-
Dividend on investments	***14***	51,016	6,494	29,048
Net cash (used in)/ generated from investing activities		(10,158,093)	(10,864,556)	11,485,236
Cash flows from financing activities				
Net movement in other borrowed funds		12,215,708	59,511,650	14,026,000
Repayment of lease liability		(264,545)	(171,948)	(406,409)
Dividend paid	***32b***	(4,862,716)	-	(9,725,438)
Net cash generated from financing activities		7,088,447	59,339,702	3,894,153
Net (decrease)/ increase in cash and cash equivalents		57,625,473	110,075,630	31,843,484
Cash and cash equivalents at beginning of year		121,223,156	11,147,526	(20,695,958)
Cash and cash equivalents at end of year	***20b***	178,848,629	121,223,156	11,147,526

The notes from pages 57 to 134 form an integral part of these financial statements.

1. GENERAL INFORMATION

SBI (Mauritius) Ltd ("the Bank") is incorporated in Mauritius as a public company under the Mauritius Companies Act 2001. Its registered office is at 7th Floor, SBI Tower Mindspace, 45, Ebène Cybercity, 72201, Mauritius. It holds a banking licence issued by the Bank of Mauritius and carries banking operations both locally and internationally.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The financial standards were authorised for issue by the Bank's board of directors on 20 April 2022.

(b) Presentation of financial statements

The financial statements are presented in United States Dollar ("USD"). The Bank presents its statement of financial position broadly in order of liquidity. The recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes to the financial statements, where applicable.

(c) Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

The principal accounting policies adopted are set out below.

(d) Impact of initial application of relevant new and amended IFRS standards that are effective for the year ended 31 March 2022

In the current year, the Bank has applied all of the new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 April 2021.

2. BASIS OF PREPARATION (CONTINUED)

(d) Impact of initial application of relevant new and amended IFRS standards that are effective for the year ended 31 March 2022 (continued)

New and revised standards that are effective but with no material effect on the financial statements

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for current and prior periods (other than the impact of the IBOR transition which has been disclosed below) but may affect the accounting for future transactions or arrangements.

IFRS 7	Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform
IFRS 9	Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform
IFRS 16	Lease - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification
IFRS 16	Lease - Amendments regarding replacement issues in the context of the IBOR reform

Impact of the initial application of the Interest Rate Benchmark Reform

In the current year, the Bank adopted the Phase 2 amendments Interest Rate Benchmark. Adopting these amendments enables the Bank to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates without giving rise to the accounting impacts that would not provide useful information to the users of the financial statements. Refer to note 5.5 for more details.

New and revised Standards and Interpretations in issue but not yet effective

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

IAS 1	Presentation of Financial Statements - Amendment to defer the effective date of the January 2020 amendments (effective 1 January 2023)
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities (effective 1 January 2023)
IAS 1	Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies (effective 1 January 2023)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates (effective date 1 January 2023)
IAS 12	Income Taxes – Amendments regarding deferred tax on leases and decommissioning obligations (effective 1 January 2023)
IAS 16	Property, plant and equipment – Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective 1 January 2022)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective 1 January 2022)
IFRS 9	Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (effective 1 January 2022)

2. BASIS OF PREPARATION (CONTINUED)

(d) Impact of initial application of relevant new and amended IFRS standards that are effective for the year ended 31 March 2022 (continued)

New and revised Standards and Interpretations in issue but not yet effective (continued)

The directors anticipate that these standards and interpretation will be applied on their effective dates in future periods. The directors have not yet assessed the potential impact of the application of these amendments.

(e) Going concern

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

(f) Rounding of amounts

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

(g) Segmental reporting

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

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

Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner. Neither the above guideline nor IFRS mandate the application of IFRS 8 to the financial statements of the Bank.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Net interest income

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

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

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

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

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:
- Interest on financial assets measured at amortised cost;
- Interest on debt instruments measured at FVOCI

Interest expense presented in the statement of profit or loss and other comprehensive income includes:
- financial liabilities at amortised cost;
- interest expense on lease liabilities.

(c) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends, and gains/ losses on dealings in foreign exchange currency

(d) Net fees and commission income

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

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

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. Fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Net fees and commission income (continued)

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

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

(e) Leases

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

The lease liability is presented separately in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

The Bank did not make any such adjustments during the periods presented. The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.
Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

The Bank applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax expense

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

Current tax

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

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

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

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

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

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

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

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

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

Deferred tax

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax expense (continued)

Deferred tax (continued)

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

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

The deferred tax rate of the Bank is 5%.

Current tax and deferred tax for the year

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

(g) Property and equipment

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

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

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

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

Land is not depreciated.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets and liabilities

A: Initial recognition and measurement

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

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

Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 5.3.2.2, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

B: Fair value measurement

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

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets and liabilities (continued)

B: Fair value measurement (continued)

Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

(i) Financial assets

A: Classification and subsequent measurement

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

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

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

<u>Debt instruments</u>

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

Classification and subsequent measurement of debt instruments depend on:

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

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories based on the business model and SPPI test, detailed further below:

Amortised cost	Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 5.3.2.2. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

A: Classification and subsequent measurement (continued)

Debt instruments (continued)

Fair value through other comprehensive income ("FVOCI")	Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. 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 recognised in 'Other operating income '. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
Fair value through profit or loss ("FVTPL")	Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit 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 FVTPL. Factors considered by the Bank in determining the business model for a Bank of assets include:

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

A: Classification and subsequent measurement (continued)

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

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

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

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

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

<u>SPPI:</u>

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

A: Classification and subsequent measurement (continued)

Equity instruments

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

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

The Bank has designated all its equity investments at FVOCI.

B: Impairment

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

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

Note 5.3.2.2 provides more detail of how ECL is measured.

C: Modification of loans

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

C: Modification of loans (continued)

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

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

D: Derecognition other than on a modification

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

- the Bank transfers substantially all the risks and rewards of ownership, or
- the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

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

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

(j) Financial liabilities

A: Classification and subsequent measurement

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

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

B: Derecognition

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial liabilities (continued)

B: Derecognition (continued)

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

(k) Financial guarantee contracts and loan commitments

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

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

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

Loan commitments provided by the Bank are measured as the amount of the loss allowance (calculated as described in note 5.3.2.2). The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

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

(l) Derivative financial instruments

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Investment securities

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

For debt securities measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:
- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

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

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

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

(n) Cash and cash equivalents

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

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

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

(o) Deposits and other borrowed funds

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Provisions

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

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

(q) 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.

(r) Employee benefits

A: Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

B: Defined benefit plans

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

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

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

The Bank determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss. Employee benefits (confirmed) service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (continued)

C: Defined contribution plans

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

D: State pension contribution

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

E: Termination benefits

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

(s) Contingent liabilities

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

(t) Acceptances

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

(u) Stated capital

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

(v) Impairment of non-financial assets

The carrying amounts of assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's net selling price and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised as an expense immediately, unless the asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(w) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Comparatives (continued)

Where necessary, comparative figures are restated or reclassified to conform to the current year's presentation and to the changes in accounting policies.

As required by the *Bank of Mauritius Guideline on Public Disclosure of Information*, disclosures have been made with comparative information for two years.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the Bank's accounting policies

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

(a) Business model assessment:

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

(b) Significant increase of credit risk:

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the Bank's accounting policies (continued)

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

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

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

(d) Models and assumptions:

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

(e) Determining the functional currency

The determination of the functional currency of the Bank is critical since recording of transactions and exchange differences arising therefrom are dependent on the functional currency selected. The directors have considered the criteria set out in IAS 21 *The Effects of Changes in Foreign Exchange Rates* and have determined the functional currency of the Company to be the United States Dollar ("USD").

Key sources of estimation uncertainty

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

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

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

(b) Probability of default ("PD")

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

(c) Loss Given Default ("LGD")

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

(d) Pension benefits

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

The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Bank considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

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

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5 FINANCIAL RISK MANAGEMENT

5.1 Introduction

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

- credit risk
- liquidity risk
- market risks (including interest rate and foreign currency risks)

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risks, and the Bank's management of capital. The measurement of ECL under IFRS 9 uses the information and approaches that the Bank uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed in note 5.3.2.

5.2 Risk Management Framework

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

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

5.3 Credit Risk

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

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

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.1 Credit Risk Measurement

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

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

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

Credit risk grading

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

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

Grouping of instruments for losses measured on a collective basis

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

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

Portfolios	Pool	Internal Rating
Corporate Portfolio	Pool 1	SBIML1 – SBIML6
	Pool 2	SBIML 7- SBIML 15
Retail Portfolio	Pool 1	Mainly secured by House / Land and have similar risk
	Pool 2	Fully secured by deposits
	Pool 3	Secured by vehicle
	Pool 4	For education purposes
	Pool 5	Other loans all classified together as separate volume would have been immaterial

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.1 Credit Risk Measurement (continued)

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

Credit risk grading (continued)

Retail

Each pool is mapped to a historical PD.

Treasury

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

5.3.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 5.3.2.1 for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 5.3.2.1 (G) for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of 12-month expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 5.3.2.2 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. Note 5.3.2.3 includes an explanation of how the Bank has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.2 Expected credit loss measurement (continued)

5.3.2.1 Significant increase in credit risk ("SICR")

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

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

A: Quantitative criteria

Global business:

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

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

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

- One or more downgrade in external rating from inception rating and current rating;
- More than 2 notch internal rating downgrade from inception rating to current rating; and
- Above 30 days but less than 90 days past due from last repayment.

All impaired assets are recognised as Stage 3 when they are more than 90 days overdue.

Corporate and retail business

The Bank determines the respective stage based on the DPD as follows:

Stage 1:	Less than 30 days past due
Stage 2:	More than 30 days past due but less than 90 days
Stage 3:	Above 90 days overdue

Investment portfolio:

The Bank applies the below criteria for determining the respective stage for its investment products:

Stage 1:	No downgrade in external rating
Stage 2:	One notch downgrade from inception rating
Stage 3:	When interest/ instalment (including maturity proceeds) for investments is due and remains unpaid for more than 90 days.

B: Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. The exposure will move from Stage 1 to 2.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.2 Expected credit loss measurement (continued)

5.3.2.1 Significant increase in credit risk ("SICR") (continued)

C: Qualitative criteria

For retail and corporate portfolios, if the borrower meets one or more of the following criteria:

- In short-term forbearance;
- Direct debit or standing order cancellation; and
- Extension to the terms granted.

For Treasury portfolios, if the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the borrower;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default; and
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team and have been adapted accordingly to reflect the COVID-19 circumstances.

The assessment of SICR incorporates forward-looking information (refer to note 5.3.2.3 for further information) and is performed on a quarterly basis at a portfolio level for all retail financial instruments held by the Bank.

In relation to Treasury financial instruments, credit risk assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

D: Low credit risk expedient

IFRS 9 offers a low credit risk expedient for the purpose of allocating exposures into stages based on SICR assessment. On application of this expedient, the Bank may assume that the credit risk of a financial instrument has not increased significantly since initial recognition if it is determined that the financial instrument has low credit risk at the assessment date. According to IFRS 9, the credit risk on a financial instrument is considered low if:

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

The Bank applies the low credit risk expedient on its "*Cash and cash equivalents*" line item in the statement of financial position, and certain categories for investment securities which have an investment grade.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.2 Expected credit loss measurement (continued)

5.3.2.1 Significant increase in credit risk ("SICR") (continued)

E: Rebuttal of 30 days past due ("30+DPD")

Regardless of the indicators used by the Bank to determine SICR, there is a rebuttable presumption that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The Bank shall rebut the 30+ DPD presumptions in the case of any technical delinquencies (i.e. accounts marked as 30+DPD owing to administrative reasons and non-credit related concerns) and cases of delinquencies where payment is linked to government payments with approved invoices which have caused such delinquency. Approval for such instances will be obtained from the MD & CEO.

F: Backwards transition ("Curing")

IFRS 9 staging model is of symmetrical nature as exposures may migrate from lifetime ECL measurement (Stage 2, Stage 3) to 12-month ECL measurement (Stage 1). However, movement across stages are determined by their respective stages as defined in this policy or the any corresponding changes incorporated in the Loan Policy / Investment Policy of the Bank.

The different scenarios for movement are discussed below:

From Stage 2 to Stage 1	Once SICR indicators are no longer triggered, movement back to Stage 1 has to be 'calibrated' and cannot be automatic or immediate. Across all portfolios, the Bank must exhibit the following to move an exposure from Stage 2 to Stage 1: • SICR indicators used to classify into Stage 2 are no longer triggered; • Up-to-date payments with no arrears.
From Stage 3 to Stage 2	Across all portfolios, the Bank must exhibit the following to move an exposure from Stage 3 to Stage 2: • Indicators used to classify as Stage 3 are no longer triggered; • Up-to-date payments with no arrears.

An asset in Stage 3 shall be upgraded only when the irregularity/deficiency in the account which led to the account being classified as Stage 3 is fully rectified on a sustainable basis. A transient rectification of the irregularity/deficiency near the reporting date may not result in the upgrade of the account unless there is satisfactory evidence to support that the rectification of the irregularity/deficiency is sustainable and the inherent credit weakness has mitigated substantially.

However, as regards the upgrade of restructured Stage 3 accounts to Stage 1, the same shall be upgraded only when all the outstanding loans/facilities perform satisfactorily for a period of 6 months from the commencement of the first payment of interest or principal, whichever is later, on the credit facilities with the longest period of moratorium under the terms of restructuring.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.2 Expected credit loss measurement (continued)

5.3.2.1 Significant increase in credit risk ("SICR") (continued)

G: Definition of default and credit-impaired assets

The Bank's definition of default is aligned with the stricter of the Bank of Mauritius guidelines and internal credit risk management practices.

Defaulted assets will fall under the Stage 3 category and a specific provision will be recognised against all such assets. As per the Bank's Loan Policy and Bank of Mauritius *Guideline on Credit Impairment Measurement and Income Recognition*, impaired loans and overdrafts are recognised as follows:

Category	**Definition of "Impaired"**
Loans and advances	A loan can be classified as impaired asset when instalments of principal and/or interest are due and remain unpaid for more than 90 days, or such unpaid amount has been capitalised, refinanced or rolled over. *Past due* loans are loans where payment of principal or interest is contractually due but remains unpaid
Overdraft	An overdraft facility can be classified as impaired asset when one or more conditions as mentioned below are satisfied: • the advance exceeds the customer's approved limit continuously for more than 90 days; • the customer's approved limit has expired for more than 90 days; • interest on the advance is due and remains unpaid for 90 days; or • the account has been dormant for more than 90 days and deposits are insufficient to cover the interest capitalised during the period. For this purpose, dormant accounts include accounts, which have only a few transactions of insignificant amounts.
Bills Purchased and Discounted	The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
Investments	Interest/ instalment (including maturity proceeds) for Investments is due and remains unpaid for more than 90 days.

5.3.2.2 Measuring ECL – Explanations of inputs, assumptions and estimation techniques

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "*Definition of default and credit-impaired*" above), either over the next 12 months ("12M PD"), or over the remaining lifetime ("Lifetime PD") of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months ("12M EAD") or over the remaining lifetime ("Lifetime EAD"). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default ("LGD") represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default ("EAD"). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.2 Expected credit loss measurement (continued)

5.3.2.2 Measuring ECL – Explanations of inputs, assumptions and estimation techniques (continued)

- The ECL is determined by projecting the PD, LGD and EAD for each future year and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.
- The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.
- The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.
- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data.
- The 12-month and lifetime LGDs are determined using a combination of regulatory and historical vintage analysis. These vary by product type.
- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.
- Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 5.3.2.3 for an explanation of forward-looking information and its inclusion in ECL calculations.
- The assumptions underlying the ECL calculation — such as how the maturity profile of the PDs and how collateral values change etc. — are monitored and reviewed on an annual basis.
- There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.2 Expected credit loss measurement (continued)

5.3.2.3 Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are sourced from the Bank of Mauritius, IMF and WEO Forecast Database depending upon the type of portfolio.

The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

ECL is computed as a probability weighted average of three scenarios; baseline, adverse and good. The scenario probability weightings applied in measuring ECL are as follows:

At 31 March 2020	**Baseline**	**Adverse**	**Good**
Scenario probability weighting	50%	20%	30%

PD is computed for each of the scenario by giving a shock to baseline PD curve in upward and downward direction. Final ECL is computed by giving the weightages to each of the scenario to arrive at weighted average ECL.

Periodically, the Bank carries stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by the Risk Team.

Impact of COVID-19 on scenarios

Management has reassessed the methodology for scenarios as of 31 March 2021 and determined that with the uncertainty associated with the ongoing COVID-19 pandemic and the prevailing adverse economic conditions, the adverse scenario ought to have more weightage than the favourable scenario. As such the scenario probability weightings at 31 March 2021and 2022 have been revised to below:

At 31 March 2022 and 2021	**Baseline**	**Adverse**	**Good**
Scenario probability weighting	50%	30%	20%

Based on management's annual review and assessment performed, they have determined the above scenario probability weights to be appropriate for both the current and prior years, taking into account the ongoing uncertainties relating to the ongoing pandemic and increasing inflationary local environment linked with the global geopolitical tensions.

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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.2 Expected credit loss measurement (continued)

5.3.2.3 Forward-looking information incorporated in the ECL models (continued)

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are:

Retail portfolios	Unemployment rate given its impact on secured and unsecured borrowers ability to meet their contractual repayments.
Corporate portfolios	GDP and core inflation given the significant impact on individual and company's performance and collateral valuations.
Global business portfolio	World inflation forecast for significant impact on the company's performance.
Investment portfolio	Real GDP growth rate, current accounts balance and CPI inflation have significant impact on the investment portfolio.

The Bank has performed a sensitivity analysis on how ECL on the main portfolios will change if the ECL loss rate changes by 5% across the different stages:

Increase in ECL as a result of a 5% change in ECL loss rate for each respective stage	Stage 1 USD million	Stage 2 USD million	Stage 3 USD million
2022	0.60	0.17	0.06
2021	0.68	0.45	2.56
2020	0.60	0.02	3.03

5.3.3 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counter parties and companies, and to industries and countries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to a monthly frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrower to meet interest and capital repayment obligation and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

Collaterals

The Bank employs a range of policies and practices to mitigate credit risk. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types for loans and advances are:

- Fixed and Floating Charges over business assets such as premises, inventory and trade receivable;
- Charges over financial instruments such as cash collateral, debt securities and equities;
- Mortgages over residential properties;
- Corporate guarantees and letter of support;
- Personal guarantees; and
- Credit Insurance.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.3 Risk limit control and mitigation policies (continued)

Collaterals (continued)

Longer-term finance and lending to corporate entities are generally secured; revolving individual short-term credit facilities are at times unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. The Bank closely monitors collaterals held for financial assets considered as credit impaired, as it becomes more likely that the Bank will take possession of the collaterals to mitigate potential credit losses. Financial assets that are credit impaired and related collaterals held in order to mitigate potential losses are shown below:

31 March 2022	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired asset	**USD**	**USD**	**USD**	**USD**
Loans to individuals:				
- Overdrafts	6,135	6,135	-	9,407
- Term loans	64,446	64,446	-	153,039
- Mortgages	493,616	493,616	-	764,407
Loans to corporate entities:	-	-		-
- Large corporate customers	-	-	-	
- SMEs	400,123	400,123	-	878,900
Total credit-impaired assets	964,320	964,320	-	1,805,753

31 March 2021	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired asset	**USD**	**USD**	**USD**	**USD**
Loans to individuals:				
- Overdrafts	24,509	18,181	6,328	92,234
- Term loans	51,801	36,921	14,880	198,237
- Mortgages	619,097	354,730	264,367	1,136,858
Loans to corporate entities:	-	-	-	-
- Large corporate customers	41,520,038	28,294,581	13,225,457	15,100,000
- SMEs	447,149	261,006	186,143	881,358
Total credit-impaired assets	42,662,594	28,965,419	13,697,175	17,408,687

31 March 2020	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired asset	USD	USD	USD	USD
Loans to individuals:				
- Overdrafts	29,185	20,616	8,569	127,599
- Term loans	94,640	70,926	23,714	204,935
- Mortgages	791,771	437,806	353,965	1,613,813
Loans to corporate entities:	-	-	-	-
- Large corporate customers	52,444,116	24,127,906	28,316,210	36,170,000
- SMEs	324,759	194,127	130,631	1,191,941
Total credit-impaired assets	53,684,471	24,851,381	28,833,089	39,308,288

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.3 Risk limit control and mitigation policies (continued)

Collaterals (continued)

Residential mortgage lending

The following tables stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value ("LTV") ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. For credit-impaired residential loans, the value of collateral is based on the most recent appraisals.

Mortgage portfolio – LTV distribution	**31 March 2022**	31 March 2021	31 March 2020
	USD	USD	USD
Lower than 50%	121,781	217,130	273,055
50 to 59%	32,780	150,804	168,969
60 to 69%	90,523	42,450	36,480
70 to 79%	79,104	25,793	172,693
80 to 89%	75,439	115,530	115,136
90 to 100%	93,988	67,389	25,438
Total	**493,615**	619,096	791,771

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.

5.3.4 COVID 19 and customer relief programmes

In response to the COVID-19 outbreak, the Bank of Mauritius has introduced moratorium schemes for households, individuals, small and medium enterprises and economic operators. The relief measures comprise payment holidays, refinancing of existing facilities or new lending under government backed schemes.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.4 COVID 19 and customer relief programmes (continued)

The following table presents the number of retail and corporate customers under these schemes as at 31 March 2022 and 31 March 2021:

Accounts granted moratoriums under COVID scheme	2022			2021		
	Count	Gross carrying amount of loans	ECL	Count	Gross carrying amount of loans	ECL
		USD	USD		USD	USD
- Households	53	2,126,047	38,934	84	1,833,210	25,898
- Individuals	21	235,341	988	5	607,103	8,703
- Small and Medium Enterprises	14	120,030	1,324	19	262,618	5,971
- Other economic operators	16	8,935,223	106,616	2	10,286,667	166,219

The initial granting of customer relief does not automatically trigger a migration to stage 2 or 3. However, information provided by payment deferrals is considered in the context of other reasonable and supportable information. This forms part of the overall assessment for whether there has been a significant increase in credit risk and credit impairment to identify loans for which lifetime ECL is appropriate. Likewise, an extension in payment deferral does not automatically result in a migration to stage 2 or stage 3.

The key accounting and credit risk judgement to ascertain whether a significant increase in credit risk has occurred is whether the economic effects of the Covid-19 outbreak on the customer are likely to be temporary over the lifetime of the loan and whether they indicate that a concession is being made in respect of financial difficulty that would be consistent with stage 3. The Bank continues to monitor the recoverability of loans granted under customer relief programmes.

5.3.5 Modification of financial assets other than COVID-related

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL).

The Bank continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets. The following table includes summary information for loans and advances to customers with lifetime ECL whose cash flows were modified during the period as part of the Bank's restructuring activities:

	31 March 2022	31 March 2021	31 March 2020
	USD	USD	USD
Amortised cost before modification	66,178	84,420	85,394

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.6 Write off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

(i) ceasing enforcement activity and
(ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. The below table shows the outstanding contractual amounts of such assets written off:

	31 March 2022	31 March 2021	31 March 2020
	USD	USD	USD
Financial assets written off (Note 22c)	27,937,789	15,474	174,056

The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

5.3.7 Post model adjustments related to COVID circumstances

Post model adjustments are short term adjustments to the ECL balance as part of the year-end reporting process to reflect late updates to market data, known model deficiencies or expert credit judgement.

As at 31 March 2020, with the uncertainty caused by the COVID-19 pandemic, and the model not being updated with latest data and forward economic information, management made a post-model adjustment to cater for any future unexpected losses associated with the worsening credit environment linked to COVID-19.

During the financial year ended 31 March 2021, the model was recalibrated with latest data till 2020 and incorporated forward economic information post-COVID. As such, the post-model adjustment as of 31 March 2021, was reviewed by management.

For the financial year ended 31 March 2022, a similar exercise was performed by management and the overlay was reviewed to cater for the slower than anticipated recovery of some key segments of the economy, and the uncertain economic conditions both locally and globally associated with an increasing inflationary environment.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.8 Maximum exposure to credit risk – Financial instruments subject to impairment

The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amounts of financial assets below also represent the Bank's maximum exposure to credit risk on these assets.

	2022				2021	2020
	Stage 1	Stage 2	Stage 3	Total	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	USD	USD	USD
	Performing	Special mention	Impaired			
Retail						
Gross carrying amount	55,380,744	1,229,850	564,275	57,174,869	27,877,516	25,839,873
Loss allowance	(519,954)	(63,409)	(564,275)	(1,147,638)	(873,211)	(1,067,996)
Net carrying amount	**54,860,790**	**1,166,441**	-	**56,027,231**	**27,004,305**	**24,771,877**
Corporate						
Gross carrying amount	175,628,334	99,445	400,045	176,127,824	110,655,904	80,910,284
Loss allowance	(2,379,440)	(1,213)	(400,045)	(2,780,698)	(6,237,777)	(6,266,279)
Net carrying amount	**173,248,894**	**98,232**	-	**173,347,126**	**104,418,127**	**74,644,005**
Global business						
Gross carrying amount	324,822,150	31,393,016	-	356,215,166	391,987,985	394,524,708
Loss allowance	(5,244,646)	(1,676,359)	-	(6,921,005)	(32,212,279)	(26,586,163)
Net carrying amount	**319,577,504**	**29,716,657**	-	**349,294,161**	**359,775,706**	**367,938,545**
Investment securities at amortised cost						
Gross carrying amount	108,934,845	-	-	108,934,845	51,152,717	93,757,567
Loss allowance	(72,093)	-	-	(72,093)	(121,557)	(72,937)
Net carrying amount	**108,862,752**	-	-	**108,862,752**	**51,031,160**	**93,684,630**

The maximum exposure to credit risk for the below items is as follows:

	2022	2021	2020
	USD	USD	USD
Financial guarantees and other credit-related contingent liabilities (Note 35)	25,091,805	19,931,084	17,421,499
Loan and other credit-related commitments (Note 36)	21,181,743	6,226,055	9,227,035

5.3.9(a) Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment, i.e. those at FVTPL.

	2022	2021	2020
	USD	USD	USD
Investment securities at FVTPL	2,253,896	30,375,147	3,757,414
Derivative assets at FVTPL	32,742	1,144,186	-

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.9(b) Management has further assessed the ECL on cash and cash equivalents and investment securities at fair value through comprehensive income as not being material at 31 March 2022, 31 March 2021 and 31 March 2020.

5.3.10 Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Retail				
Loss allowance as at 1 April 2021	**456,708**	**19,024**	**397,478**	**873,210**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(16,113)	16,113	-	-
Transfer from Stage 1 to Stage 3	(9,416)	-	9,416	-
Transfer from Stage 2 to Stage 1	65,204	(65,204)	-	-
Transfer from Stage 2 to Stage 3	-	(19,446)	19,446	-
Transfer from Stage 3 to Stage 1	93,894	-	(93,894)	-
New financial assets originated or purchased	382,436	13,451	-	395,887
Change in existing	(424,969)	105,194	254,129	(65,646)
Other movements with no P&L impact				
Repayments/ matured loans	(27,790)	(5,723)	(22,300)	(55,813)
Loss allowance as at 31 March 2022	**519,954**	**63,409**	**564,275**	**1,147,638**

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.10 Loss allowance (continued)

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Retail				
Loss allowance as at 1 April 2020	**522,371**	**31,807**	**513,818**	**1,067,996**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(49,585)	49,585	-	-
Transfer from Stage 1 to Stage 3	(26,641)	-	26,641	-
Transfer from Stage 2 to Stage 1	8,616	(8,616)	-	-
Transfer from Stage 3 to Stage 1	93,894	-	(93,894)	-
Transfer from Stage 3 to Stage 2	-	11,995	(11,995)	-
New financial assets originated or purchased	96,649	16,295	-	112,944
Change in existing	(156,453)	(80,538)	(12,671)	(249,662)
Other movements with no P&L impact				
Repayments/ matured loans	(32,142)	(1,504)	(24,421)	(58,067)
Loss allowance as at 31 March 2021	**456,709**	**19,024**	**397,478**	**873,211**

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Corporate				
Loss allowance as at 1 April 2021	**2,012,917**	**33,144**	**4,191,716**	**6,237,777**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 3	(124,012)	124,012	-	-
Transfer from Stage 2 to Stage 1	24,464	(24,464)	-	-
Transfer from Stage 2 to Stage 3	-	(23,332)	23,332	-
Transfer from Stage 3 to Stage 1	10,130	-	(10,130)	-
New financial assets originated or purchased	1,713,050	705	-	1,713,755
Change in existing	(526,329)	(106,673)	188,090	(444,912)
Other movements with no P&L impact				
Repayments/ matured loans	(730,780)	(2,179)	(3,992,963)	(4,725,922)
Loss allowance as at 31 March 2022	**2,379,440**	**1,213**	**400,045**	**2,780,698**

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.10 Loss allowance (continued)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	USD	USD	USD	USD
Corporate				
Loss allowance as at 1 April 2020	**1,938,968**	**6,589**	**4,320,722**	**6,266,279**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(101,385)	101,385	-	-
Transfer from Stage 2 to Stage 1	514	(514)	-	-
Transfer from Stage 2 to Stage 3	-	(46,972)	46,972	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2		11,554	(11,554)	-
New financial assets originated or purchased	853,962	-	-	853,962
Change in existing	(495,537)	(132,410)	(64,990)	(692,937)
Other movements with no P&L impact				
Repayments/ matured loans	(183,605)	(432)	(5,490)	(189,527)
Loss allowance as at 31 March 2021	**2,012,917**	**60,800**	**4,285,660**	**6,237,777**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	USD	USD	USD	USD
Global business				
Loss allowance as at 1 April 2021	**6,425,366**	**1,410,688**	**24,376,225**	**32,212,279**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(608,884)	608,884	-	-
New financial assets originated or purchased	2,592,828	-	-	2,592,828
Change in existing	(43,727)	1,067,474	-	1,023,747
Other movements with no P&L impact				
Repayments/ matured loans	(3,120,937)	(1,410,687)	(4,218,894)	(8,750,518)
Write-offs	-	-	(20,157,331)	(20,157,331)
Loss allowance as at 31 March 2022	**5,244,646**	**1,676,359**	**-**	**6,921,005**

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.10 Loss allowance (continued)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	USD	USD	USD	USD
Global business				
Loss allowance as at 1 April 2020	**6,569,323**	**-**	**20,016,840**	**26,586,163**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(1,362,942)	1,362,942	-	-
Transfer from Stage 3 to Stage 2	-	3,722,700	(3,722,700)	-
New financial assets originated or purchased	1,478,763	-	-	1,478,763
Change in existing	1,276,285	(3,674,954)	8,082,085	5,683,416
Other movements with no P&L impact				
Repayments/ matured loans	(1,520,316)	-	-	(1,520,316)
Write-offs	(15,747)	-	-	(15,747)
Loss allowance as at 31 March 2021	**6,425,366**	**1,410,688**	**24,376,225**	**32,212,279**

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Purchased credit-impaired USD	Total USD
Investment securities					
Loss allowance as at 1 April 2021	**121,557**	**-**	**-**	**-**	**121,557**
Movements with P&L impact					
Transfers:					
Changes in existing	(49,464)	-	-	-	(49,464)
Loss allowance as at 31 March 2022	**72,093**	**-**	**-**	**-**	**72,093**

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.10 Loss allowance (continued)

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Purchased credit-impaired USD	Total USD
Investment securities					
Loss allowance as at 1 April 2020	72,937	-	-	-	72,937
Movements with P&L impact					
Transfers:					
Changes in existing	48,620	-	-	-	48,620
Loss allowance as at 31 March 2021	121,557	-	-	-	121,557

Note:

(a) The unwind of discount on Stage 3 financial assets is reported within 'Interest Income' so that interest income is recognised on the amortised cost (after deducting the ECL allowance).

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Retail				
Gross carrying amount as at 1 April 2021	25,254,031	1,943,868	679,617	27,877,516
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(113,484)	113,484	-	-
Transfer from Stage 1 to Stage 3	(9,416)	-	9,416	-
Transfer from Stage 2 to Stage1	150,678	(150,678)	-	-
Transfer from Stage 2 to Stage 3	-	(4,054)	4,054	-
New financial assets originated or purchased	35,769,498	262,986	-	36,032,484
Change in existing	(3,673,048)	(742,743)	(89,108)	(4,504,899)
FX and other movements	-	-	-	-
Repayments/ matured loans	(1,997,515)	(193,013)	(39,704)	(2,230,232)
Gross carrying amount as at 31 March 2022	55,380,744	1,229,850	564,275	57,174,869

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.10 Loss allowance (continued)

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Retail				
Gross carrying amount as at 1 April 2020	**23,417,748**	**1,528,202**	**893,923**	**25,839,873**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(108,093)	108,093	-	-
Transfer from Stage 1 to Stage 3	(3,405)	-	3,405	-
Transfer from Stage2 to Stage1	50,647	(50,647)	-	-
Transfer from Stage 3 to Stage 1	6,263	-	(6,263)	-
Transfer from Stage 3 to Stage 2	-	1,596	(1,596)	-
New financial assets originated or purchased	6,631,134	294,790	-	6,925,924
Modification of contractual cashflows of financial assets	-	-	-	-
Change in existing	(2,969,483)	154,511	(182,646)	(2,997,618)
FX and other movements	-	-	-	-
Repayments/ matured loans	(1,770,780)	(92,677)	(27,206)	(1,890,663)
Gross carrying amount as at 31 March 2021	**25,254,031**	**1,943,868**	**679,617**	**27,877,516**

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Corporate				
Gross carrying amount as at 1 April 2021	**101,272,359**	**1,156,618**	**8,226,927**	**110,655,904**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 3	(24,425)	-	24,425	-
Transfer from Stage 2 to Stage 1	252,439	(252,439)	-	-
Transfer from Stage 2 to Stage 3	-	(11,511)	11,511	-
Transfer from Stage 3 to Stage 1	3,123	-	(3,123)	-
New financial assets originated or purchased	124,829,296	80,349	-	124,909,645
Change in existing	(11,279,106)	(798,509)	11,531	(12,066,084)
FX and other movements	-	-	-	-
Repayments/ matured loans	(39,425,352)	(75,063)	(7,871,226)	(47,371,641)
Gross carrying amount as at 31 March 2022	**175,628,334**	**99,445**	**400,045**	**176,127,824**

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.10 Loss allowance (continued)

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Corporate				
Gross carrying amount as at 1 April 2020	**71,389,813**	**330,661**	**9,189,810**	**80,910,284**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(171,824)	171,824	-	-
Transfer from Stage 1 to Stage 3	(24,425)	-	24,425	-
Transfer from Stage 2 to Stage 1	8,238	(8,238)	-	-
Transfer from Stage 2 to Stage 3	-	(3,658)	3,658	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	9,863	(9,863)	-
Financial assets derecognised during the period other than write-offs	44,729,232	-	-	44,729,232
Change in existing	(5,421,934)	696,616	(972,092)	(5,697,410)
FX and other movements	-	-	-	-
Repayments/ matured loans	(9,236,741)	(40,450)	(9,011)	(9,286,202)
Gross carrying amount as at 31 March 2021	**101,272,359**	**1,156,618**	**8,226,927**	**110,655,904**

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Global business				
Gross carrying amount as at 1 April 2021	**332,912,975**	**25,318,960**	**33,756,050**	**391,987,985**
Movements with P&L impact				
Transfers:				-
Transfer from Stage 1 to Stage 2	(3,634,882)	3,634,882	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Write-offs	-	-	(27,937,789)	(27,937,789)
New financial assets originated or purchased	171,620,355	-	-	171,620,355
Changes in existing	(28,050,531)	27,758,133	-	(292,398)
FX and other movements				
Closed accounts	(148,025,767)	(25,318,959)	(5,818,261)	(179,162,987)
Gross carrying amount as at 31 March 2022	**324,822,150**	**31,393,016**	**-**	**356,215,166**

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.10 Loss allowance (continued)

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Global business				
Gross carrying amount as at 1 April 2020	**350,923,970**	-	**43,600,738**	**394,524,708**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(6,499,569)	6,499,569	-	-
Transfer from Stage 3 to Stage 2	-	2,039,281	(2,039,281)	-
Financial assets derecognized during the period other than write-offs	-	-	-	-
New financial assets originated or purchased	93,014,312	-	-	93,014,312
Modification of contractual cash flows of financial assets	-	-	-	-
Changes in existing	(27,126,578)	16,780,110	(7,805,407)	(18,151,875)
FX and other movements				
Closed accounts	(77,399,160)	-	-	(77,399,160)
Gross carrying amount as at 31 March 2021	**332,912,975**	**25,318,960**	**33,756,050**	**391,987,985**

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Investment securities at amortised cost				
Gross carrying amount as at 1 April 2021	**51,152,717**	-	-	**51,152,717**
Net movement in investment securities	57,782,128	-	-	57,782,128
Gross carrying amount as at 31 March 2022	**108,934,485**	-	-	**108,934,485**
Gross carrying amount as at 1 April 2020	**93,757,567**	-	-	**93,757,567**
Movements with P&L impact				
Net movement in investment securities	(42,604,850)	-	-	(42,604,850)
FX and other movements	-	-	-	-
Changes in existing				
Gross carrying amount as at 31 March 2021	**51,152,717**	-	-	**51,152,717**

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3.11 Credit quality for loans and advances

Credit concentration of risk by industry sectors

Refer to the Management Discussion and Analysis document for the disclosures on the Bank's approach to managing credit concentration.

5.4 Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Bank's operations and investments.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Bank's Board of Directors sets the Bank's strategy for managing liquidity risk and oversight of the implementation is administered by the relevant Board Committee which approves the Bank's liquidity policies and procedures. The Bank's Treasury team manages the Bank's liquidity position on a da-to-day basis. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. As part of its liquidity strategy, the Bank maintains a well-diversified funding base, carries a portfolio of highly liquid assets to meet its liquidity coverage ratio per regulatory requirements, monitors maturity mismatches and behavioural characteristics of its financial assets and liabilities and performs stress testing on the Bank's liquidity position.

The following tables set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

	Less than 3 months USD	Between 3 and 12 months USD	Over 1 year to 5 years USD	Over 5 years USD	Total USD
As at 31 March 2022					
Cash and cash equivalents	196,094,355	-	-	-	196,094,355
Investment securities	31,925,962	110,263,867	112,671,453	10,461,517	265,322,799
Loans and advances	191,211,064	88,579,158	210,902,009	87,976,287	578,668,518
Derivative assets	32,742	-	-	-	32,742
Other assets	675,170	-	-	-	675,170
	419,939,293	**198,843,025**	**323,573,462**	**98,437,804**	**1,040,793,584**
Loan commitments	(21,181,743)	-	-	-	(21,181,743)
Deposits from customers	470,325,393	122,594,588	55,934,904	-	648,854,885
Other borrowed funds	58,071,974	120,119,836	75,011,080	-	253,202,890
Lease liabilities	53,249	159,748	591,054	75,585	879,636
Other liabilities	5,691,560	-	-	-	5,691,560
	(534,142,176)	(242,874,172)	(131,537,038)	(75,585)	(908,628,971)
Net liquidity gap	**(135,384,626)**	**(44,031,147)**	**192,036,424**	**98,362,219**	**110,982,870**

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Liquidity Risk (continued)

	Less than 3 months USD	Between 3 and 12 months USD	Over 1 year to 5 years USD	Over 5 years USD	Total USD
As at 31 March 2021					
Cash and cash equivalents	156,223,156	-	-	-	156,223,156
Investment securities	40,387,373	72,209,463	129,070,776	18,498,052	260,165,664
Loans and advances	86,686,766	76,284,389	279,286,842	48,940,141	491,198,138
Derivative assets	1,144,186	-	-	-	1,144,186
Other assets	692,709	-	-	-	692,709
	285,134,190	148,493,852	408,357,618	67,438,193	909,423,853
Loan commitments	(6,226,055)	-	-	-	(6,226,055)
Deposits from customers	341,282,533	116,257,944	52,649,714	-	510,190,191
Other borrowed funds	85,637,867	148,213,019	25,000,869	-	258,851,755
Lease liabilities	51,268	24,674	623,046	406,936	1,105,924
Other liabilities	9,889,679	-	-	-	9,889,679
	(436,861,347)	(264,495,637)	(78,273,629)	(406,936)	(780,037,549)
Net liquidity gap	(157,953,212)	(116,001,785)	330,083,989	67,031,257	123,160,249
As at 31 March 2020					
Total Assets	154,357,214	140,657,091	387,240,554	140,730,915	822,985,774
Total Liabilities	478,893,374	153,052,398	58,066,292	963,010	690,975,074
Net Liquidity Gap	(324,536,160)	(12,395,307)	329,174,262	139,767,905	132,010,700

5.5 Market Risk

Market risk is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk.

ALCO is responsible for ensuring the effective management of market risk throughout the Bank. Specific levels of authority and responsibility in relation to market risk management have been assigned to appropriate authority within the Bank.

The core market risk management activities are:

- the identification of all key market risks and their drivers;
- the independent measurement and evaluation key market risks and their drivers;
- the use of results and estimates as the basis for the Bank's risk/return-oriented management; and
- monitoring risks and reporting on them.

Equity price risk is subject to regular monitoring by the Bank's Treasury team but is not currently significant in relation to the Bank's overall results and financial position.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Market Risk (continued)

The Bank's investments are categorised under the following categories as per the Investment Policy:

- Hold to Collect ("HTC") – As per the policy, the investments under the HTC category are acquired by the Bank with the intention to hold them up 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 HTC portfolio. These are classified as amortised cost in the financial statements.
- Hold to Collect and Sell ("HTCS") – Out of the Bank's total investment portfolio of USD 265.7 Mio as on 31 March 2022, which consists of Government of Mauritius Bonds, Equity, T-Bills and Notes in MUR currency as well as Foreign currency investments in the form of FRNs, the portfolio kept in HTCS category amounts to USD 154.4 Mio.

The below table shows the impact of movement in the bond yield under 3 different scenarios:

Market Risk-Stress Testing Analysis For Investments						
Category	**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**
Debt instruments at FVTPL - USD 2.24 mio	0.96%	46 days	USD 423	USD 564	USD 706
Debt instruments at FVOCI/ HTCS – USD 154.00 mio	1.85%	449 days	USD 283,509	USD 377,781	USD 471,936

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 event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which monitored daily by the Treasury department.

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

At 31 March 2022

	Less than 3 months USD	**Between 3 months and 1 year USD**	**Over one year USD**	**Non-Interest Sensitive USD**	**Total USD**
Cash and cash equivalents	70,000,583	-	-	126,093,772	196,094,355
Investment securities	31,173,000	104,643,000	128,650,325	856,474	265,322,799
Loans and advances	524,792,660	36,612,000	23,000	17,240,858	578,668,518
	625,966,243	**141,255,000**	**128,673,325**	**144,191,104**	**1,040,085,672**
Deposits from customers	367,519,000	133,338,000	64,005,000	83,992,885	648,854,885
Other borrowed funds	118,118,570	135,084,320	-	-	253,202,890
Lease liabilities	53,249	159,748	666,639	-	879,636
	485,690,819	**268,582,068**	**64,671,639**	**83,992,885**	**902,937,411**
Interest Sensitivity Gap	**140,275,424**	**(127,327,068)**	**64,001,686**	**60,198,219**	**137,148,261**

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Market Risk (continued)

Interest rate risk (continued)

At 31 March 2021

	Less than 3 months	Between 3 months and 1 year	Over one year	Non-Interest Sensitive	Total
	USD	USD	USD	USD	USD
Cash and cash equivalents	154,472,953	-	-	1,750,203	156,223,156
Investment securities	32,347,000	75,449,885	149,192,117	3,176,663	260,165,665
Loans and advances	419,646,688	41,270,688	29,393,420	887,342	491,198,138
	606,466,641	116,720,573	178,585,537	5,814,208	907,586,959
Deposits from customers	345,562,805	110,076,951	52,565,951	1,984,483	510,190,191
Other borrowed funds	85,537,650	148,000,000	25,000,000	314,105	258,851,755
Lease liabilities	51,268	24,674	1,029,981	-	1,105,924
	431,151,723	258,101,625	78,595,932	2,298,588	745,147,870
Interest Sensitivity Gap	175,314,918	(141,381,052)	99,989,605	3,515,620	137,439,091

At 31 March 2020

	Less than 3 months USD	Between 3 months and 1 year USD	Over one year USD	Non-Interest Sensitive USD	Total USD
Total Assets	475,361,689	153,082,712	138,444,561	56,175,693	823,064,655
Total Liabilities	479,057,350	149,950,000	57,792,831	4,253,774	691,053,955
Interest Sensitivity Gap	(3,695,661)	3,132,712	80,651,730	51,921,919	132,010,700

The management of interest rate risk against interest rate gaps limits is supplemented by monitoring the sensitivity of Bank's financial assets and liabilities to various standard and non-standard interest scenarios. Analysis of the Bank 's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves on the constant reporting date is as follows:

	200 bp Parallel Increase/Decrease		
	2022 USD (million)	2021 USD (million)	2020 USD (million)
Sensitivity of projected Net Interest Income	1.94	0.87	0.58

IBOR Transition

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank is currently in the process of amending or preparing to amend contractual terms in response to IBOR reform and expects to complete all transitional reforms by the end of 2022 whereby some benchmarks including LIBOR will be replaced with alternative risk-free benchmark rates that will meet regulatory and market requirements. For this purpose, the Bank has set up a cross business unit task force, comprising Finance, Compliance, IT, Treasury and Risk to monitor and implement the IBOR reform.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Market risk (continued)

Interest rate risk (continued)

IBOR Transition (continued)

In particular, management has implemented the below processes:

Formation and governance structure	Assigning roles and responsibilities, escalation protocols and task ownership, across different verticals of the Bank.
Assessment of exposure including impact assessment, fallback language and contract remediation.	• The Bank has identified clients with LIBOR exposures and has engaged with them to update them on the change in IBOR. • The Bank has identified SOFR as the alternative benchmark for USD LIBOR and the STR as the alternative benchmark for the EURIBOR. • The Bank does not have any derivative contracts which mature beyond December 2021. • The Bank has 10 USD LIBOR contracts which are maturing beyond June 2023, and 2 contracts in EURIBOR with a notional exposure of USD149m. • For syndicated loans, the Bank is guided by its facility agents and the lead bank for the determination and valuation of the alternative benchmark; including the introduction of suitable fallback clauses in the respective facility agreements to ensure smooth transition. • For the Bilateral Loans, the Bank has been monitoring the spreads between different benchmarks including SOFR structures. All eligible customers have already shifted to SOFR. • All new contracts are being drawn referencing alternative reference rates and include fallback language.
IT & Operational Changes	The core banking system has already been upgraded to cater for the new alternative benchmarks. The Bank is further already adhering to the ISDA Protocol.

Treasury Process Considerations involves issues related to tax and accounting including hedge accounting and valuation changes as a result of the transition from LIBOR to Alternative Reference Rates ("ARRs"). If the benchmark interest rate in a legacy contract is replaced with ARRs, it should be assessed whether this constitutes a substantial modification and therefore "de-recognition" for the purposes of International Financial Reporting Standards. The continuity of hedge relationships should also be examined once benchmark interest rates are replaced with the new ARRs and suitable changes should be done in the hedge contract to reflect the new economic consideration.

The suitability of the existing contract should be evaluated from the tax purpose before making any amendments to the contracts. If amendments are considered material, this may constitute a disposal of the existing contract and entering into a new contract for tax purposes in certain jurisdictions. Further the transition may lead to a profit and loss (P&L) impact arising in respect of the transition which may lead to tax impact. The Bank has also performed an impact assessment for transitioning to the alternative rates and does not expect significant tax or accounting implications on account of the adoption of the alternate benchmark index.

The Bank does not have any lease modifications as a direct consequence of the interest rate benchmark reform; and neither does it have any material hedging instruments.

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Notes to and forming part of the financial statements
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Market risk (continued)

Currency Risk

Foreign exchange rate risk or currency risk is the adverse impact that may occur on profits and market value of assets and liabilities due to fluctuation in exchange rates depending on the spot as well as forward positions created by commercial, inter-bank and proprietary trading transactions in any particular currency. As a means to prudent management of the risk, the Bank has set up foreign exchange position limits, duly approved by the Board, both for daylight and overnight positions. In addition to these, cut loss limits have been set up on per deal and per day basis. Besides, suitable hedging techniques are also used for risk mitigation.

Management monitors the exchange positions and profits arising out of operations on a daily basis, and quarterly reports are submitted to the board. Any exception is promptly reported to the Board for ratification. The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 March 2022.

At 31 March 2022	**United States Dollar USD**	**Great Britain Pound USD**	**EURO USD**	**Others USD**	**Total USD**
Assets					
Cash and cash equivalents	178,787,767	1,094,671	2,004,824	14,207,093	196,094,355
Loans and advances	424,740,461	301,894	15,334,555	138,291,608	578,668,518
Investment securities	216,239,951	-	1,521	49,081,327	265,322,799
Derivative assets	32,742	-	-	-	32,742
Other assets	675,170	-	-	-	675,170
	820,476,091	**1,396,565**	**17,340,900**	**201,580,028**	**1,040,793,584**
Liabilities					
Deposits from customers	426,002,835	3,973,077	13,080,700	205,798,273	648,854,885
Other borrowed funds	250,963,115	-	-	2,239,775	253,202,890
Lease liabilities	-	-	-	879,636	879,636
Other liabilities	1,493	236	-	5,689,831	5,691,560
	676,967,443	**3,973,313**	**13,080,700**	**214,607,515**	**908,628,971**
Net on Statement of Financial Position	**143,508,648**	**(2,576,748)**	**4,260,200**	**(13,027,487)**	**132,164,613**
At 31 March 2021					
Assets					
Cash and cash equivalents	141,105,214	378,147	402,247	14,337,548	156,223,156
Loans and advances	326,163,792	3,408,870	53,552,224	108,073,252	491,198,138
Investment securities	167,746,174	-	1,596	92,417,894	260,165,664
Derivative assets	1,144,186	-	-	-	1,144,186
Other assets	692,709	-	-	-	602,709
	636,852,075	3,787,017	53,956,067	214,828,694	909,423,853
Liabilities					
Deposits from customers	269,635,055	5,050,825	12,262,060	223,242,251	510,190,191
Other borrowed funds	248,302,397	-	10,549,358	-	258,851,755
Lease liabilities	-	-	-	1,105,924	1,105,924
Other liabilities	9,889,679	-	-	-	9,889,679
	527,828,131	5,050,825	22,811,418	224,348,175	780,037,549
Net on Statement of Financial Position	109,024,944	(1,263,808)	31,144,649	(9,519,481)	129,386,304
At 31 March 2020					
Total Assets	595,693,767	3,466,448	63,222,735	160,681,705	823,064,655
Total Liabilities	467,299,066	5,558,677	47,088,059	171,108,153	691,053,955
Net on Statement of Financial Position	128,394,701	(2,092,229)	16,134,676	(10,426,448)	132,010,700

6 FAIR VALUE OF FINANCIAL INSTRUMENTS

A: Valuation methods

The Bank measures fair values in accordance with IFRS 13, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Bank also uses a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value, which gives highest priority to quoted prices.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Assets and liabilities are classified as Level 1 if their value is observable in an active market.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. A Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities; and credit spreads. Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market.
- Level 3 inputs are unobservable inputs. Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data.

Where possible, fair value is determined by reference to a quoted market price for the instrument valued. The Bank holds financial assets and liabilities for which quoted prices are not available, such as over the counter derivatives. For these financial instruments the Bank uses valuation techniques to estimate fair value. The valuation techniques used include discounted cash flow models, comparison with similar instruments for which observable market prices exist, and other valuation models. These valuation techniques use as their basis independently sourced market parameters, such as interest rate yield curves, equities and commodities prices, option volatilities and currency rates.

The Bank uses generally accepted valuation models to determine the fair value of simple and liquid financial instruments, such as currency swaps in G7 currencies, that use only observable market data and involve minimum judgement. The use of observable market prices and model inputs, when available, reduces the need for management judgement and estimation, as well as the uncertainty related with the estimated fair value. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on general conditions and specific events in the financial markets.

The Bank also holds equity securities not quoted in active markets. The fair value of these instruments is determined using the net asset value ("NAV") model and applying a discount rate. The selection of the appropriate valuation model, as well as the determination of key inputs used such as the appropriate discount rate to be used, require management judgement and estimation.

The Bank has an established control framework for the measurement of fair values which include amongst others:

- Verification of observable pricing;
- Review and approval process for any changes in models; and
- Analysis and investigation of any significant movements.

6 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

B: Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
At 31 March 2022				
Debt securities measured at FVTPL	-	2,253,896	-	2,253,896
Derivative assets at FTVPL	-	32,742	-	32,742
Debt securities measured at FVOCI	-	153,277,584	-	153,277,584
Equity securities measured at FVOCI	662,780	-	265,787	928,567
Total	**662,780**	**155,564,222**	**265,787**	**156,492,789**
At 31 March 2021				
Debt securities measured at FVTPL	-	30,375,147	-	30,375,147
Derivative assets at FTVPL	-	1,144,186	-	1,144,186
Debt securities measured at FVOCI	-	178,047,582	-	178,047,582
Equity securities measured at FVOCI	345,483		366,292	711,775
Total	345,483	209,566,915	366,292	210,278,690
At 31 March 2020				
Debt securities measured at FVTPL	-	3,757,414	-	3,757,414
Debt securities measured at FVOCI	-	152,097,491	-	152,097,491
Equity securities measured at FVOCI	204,883		357,504	562,387
Total	204,883	155,854,905	357,504	156,417,292
Derivative liabilities at FVTPL	-	73,759	-	73,759

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

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6 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

C: Financial instruments not measured at fair value

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

At 31 March 2022

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	1,683,559	194,410,796	-	196,094,355	196,094,355
Loans and advances to banks	-	133,280,040	-	133,280,040	133,280,040
Loans and advances to customers	-	445,388,478	-	445,388,478	445,388,478
Investment securities at amortised cost	-	108,862,752	-	108,862,752	108,862,752
Other assets	-	675,170		-	675,170
Liabilities					
Deposits from customers	-	652,010,289	-	652,010,289	648,854,885
Other borrowed funds	-	253,202,890	-	253,202,890	253,202,890
Other liabilities		5,691,560	-	5,691,560	5,691,560

At 31 March 2021

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	1,750,203	154,472,953	-	156,223,156	156,223,156
Loans and advances to banks	-	86,776,343	-	86,776,343	86,776,343
Loans and advances to customers	-	404,421,795	-	404,421,795	404,421,795
Investment securities at amortised cost	-	51,031,160	-	51,031,160	51,031,160
Other assets	-	692,709	-	692,709	692,709
Liabilities					
Deposits from customers	-	514,630,153	-	514,630,153	510,190,191
Other borrowed funds	-	258,851,755	-	258,851,755	258,851,755
Other liabilities	-	9,889,679	-	9,889,679	9,889,679

At 31 March 2020

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	2,442,570	99,167,306	-	101,609,876	101,609,876
Loans and advances to banks	-	45,266,408	-	45,266,408	45,266,408
Loans and advances to customers	-	422,088,019	-	422,088,019	422,088,019
Investment securities at amortised cost	-	93,684,630	-	93,684,630	93,684,630
Other assets		582,070	-	582,070	582,070
Liabilities					
Deposits from customers	-	443,473,160	-	443,473,160	435,408,436
Other borrowed funds	-	255,166,637	-	255,166,637	255,166,637
Other liabilities	-	5,833,912	-	5,833,912	5,833,912

Where they are available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates and primary origination or secondary market spreads. The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

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Notes to and forming part of the financial statements
For the year ended 31 March 2022 (continued)

7 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 March 2022:

	Amortised cost	FVOCI	FVTPL	Total carrying amount
	USD	USD	USD	USD
Assets				
Cash and cash equivalents	196,094,355	-	-	196,094,355
Loans and advances to banks	133,280,040	-	-	133,280,040
Loans and advances to customers	445,388,478	-	-	445,388,478
Investment securities	108,862,752	154,206,151	2,253,896	265,322,799
Derivative assets	-	-	32,742	32,742
Other assets	675,170	-	675,170	675,170
Liabilities				
Deposits from customers	648,854.885	-	-	648,854,885
Other borrowed funds	253,202,890	-	-	253,202,890
Lease liabilities	879,636	-	-	879,636
Other liabilities	5,691,560	-	-	5,691,560
31 March 2021:				
Assets				
Cash and cash equivalents	156,223,156	-	-	156,223,156
Loans and advances to banks	86,776,343	-	-	86,776,343
Loans and advances to customers	404,421,795	-	-	404,421,795
Investment securities	51,031,159	178,759,358	30,375,147	260,165,664
Derivative assets	-	-	1,144,186	1,144,186
Other assets	692,709	-	-	692,709
Liabilities				
Deposits from customers	510,190,191	-	-	510,190,191
Other borrowed funds	258,851,755	-	-	258,851,755
Lease liabilities	1,105,924	-	-	1,105,924
Other liabilities	9,889,679	-	-	9,889,679
31 March 2020:				
Assets				
Cash and cash equivalents	101,609,876	-	-	101,609,876
Loans and advances to banks	45,266,408	-	-	45,266,408
Loans and advances to customers	422,088,019	-	-	422,088,019
Investment securities	93,684,630	152,549,425	3,757,414	249,991,469
Other assets	582,070	-	-	582,070
Liabilities				
Deposits from customers	443,473,160	-	-	443,473,160
Other borrowed funds	255,166,637	-	-	255,166,637
Lease liabilities	1,277,872	-	-	1,277,872
Other liabilities	5,833,912	-	-	5,833,912
Derivative liabilities	-	-	73.759	73,759

8 CAPITAL RISK MANAGEMENT

Capital risk is the risk that the Bank has insufficient capital resources to meet the minimum regulatory requirements, to support its credit rating and to support its growth and strategic options.

The Bank's regulator is the Bank of Mauritius and sets the capital requirements for the Bank. The Bank of Mauritius has adopted Basel III as from June 2014 through the *Guideline on Scope of Application of Basel III and Eligible Capital.*

The Bank's regulatory capital consists of the sum of the following elements:

- Tier 1 capital, which comprises Common Equity Tier 1 ("CET1) and Additional Tier 1 Capital. This comprises ordinary share capital, statutory reserve and retained earnings reserves.
- Tier 2 capital which includes the general banking reserve.

For each of the three categories above, there is a single set of criteria that the instruments are required to meet before they can be included in the relevant category. For the purpose of determining the capital adequacy ratio, the capital base is the sum of Tier 1 and Tier 2 capital net of regulatory adjustments applied.

As of 31 March 2022, the Bank has complied with all externally imposed capital requirements. The Bank's Capital Adequacy Ratio stood at 22.79% and is well above the regulatory specification of 11.875%.

Please refer to the disclosures in section 2.7 of the *Management and Discussion Analysis* part of the annual report for more details on capital risk management disclosures.

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9. Segmental Reporting

Statement of Financial Position

		SEGMENT A			SEGMENT B			TOTAL		
	Notes	**2022 USD**	**2021 USD**	**2020 USD**	**2022 USD**	**2021 USD**	**2020 USD**	**2022 USD**	**2021 USD**	**2020 USD**
ASSETS										
Cash and cash equivalents	*20*	158,984,164	47,399,136	10,081,017	37,110,191	108,824,020	91,528,859	196,094,355	156,223,156	101,609,876
Loans and advances to banks	*21*	16,177,242	24,603,015	25,039,096	117,102,798	62,173,328	20,227,312	133,280,040	86,776,343	45,266,408
Loans and advances to customers	*22*	228,620,732	131,422,435	99,415,883	216,767,746	272,999,360	322,672,136	445,388,478	404,421,795	422,088,019
Investment securities	*23*	52,166,248	93,734,264	76,492,025	213,156,551	166,431,400	173,499,444	265,322,799	260,165,664	249,991,469
Derivative assets	*38*	32,742	1,144,186	-	-	-	-	32,742	1,144,186	-
Property and equipment	*24*	7,635,389	7,624,837	7,583,324	-	-	-	7,635,389	7,624,837	7,583,324
Right-of-use assets	*27*	963,882	1,151,636	1,444,140	-	-	-	963,882	1,151,636	1,444,140
Deferred tax assets	*25*	661,149	2,135,033	2,108,706	-	-	-	661,149	2,135,033	2,108,706
Current tax assets	*30*	-	-	165,043	-	-	-	-	-	165,043
Other assets	*26*	17,684,910	17,248,133	15,469,068	229,240	62,500	165,603	17,914,150	17,310,633	15,634,671
Total assets		482,926,458	326,462,675	237,798,302	584,366,526	610,490,608	608,093,354	1,067,292,984	936,953,283	845,891,656
LIABILITIES										
Deposits from customers	*28*	291,233,719	269,421,358	261,966,602	357,621,166	240,768,833	173,841,834	648,854,885	510,190,191	435,808,436
Other borrowed funds	*29*	17,245,726	15,030,938	-	235,957,164	243,820,817	255,166,637	253,202,890	258,851,755	255,166,637
Derivative liabilities	*38*	-	-	73,759	-	-	-	-	-	73,759
Current tax liabilities	*30*	830,000	378,094	-	-	-	-	830,000	378,094	-
Retirement benefit obligations	*39*	4,809,953	5,986,986	3,070,918	-	-	-	4,809,953	5,986,986	3,070,918
Lease liabilities	*34*	879,636	1,105,924	1,277,872	-	-	-	879,636	1,105,924	1,277,872
Other liabilities	*31*	5,630,912	5,089,945	3,292,873	60,648	4,799,734	2,541,039	5,691,560	9,889,679	5,833,912
Total liabilities		320,629,946	297,013,245	269,608,265	593,638,978	489,389,384	431,623,269	914,268,924	786,402,629	701,231,534
Shareholders' equity										
Stated capital	*32a*							48,627,188	48,627,188	48,627,188
Share premium	*32a*							54,078,062	54,078,062	54,078,062
Retained earnings								28,648,761	22,800,407	17,951,523
Other reserves	*40*							26,686,359	30,800,109	27,248,247
Actuarial loss reserve	*40*							(5,016,310)	(5,755,112)	(3,244,898)
Total equity								153,024,060	150,550,654	144,660,122
Total equity and liabilities								1,067,292,984	936,953,283	845,891,656

9. Segmental Reporting (Contd.)

Statement of Profit or Loss and Comprehensive Income

	Notes	SEGMENT A 2022 USD	SEGMENT A 2021 USD	SEGMENT A 2020 USD	SEGMENT B 2022 USD	SEGMENT B 2021 USD	SEGMENT B 2020 USD	TOTAL 2022 USD	TOTAL 2021 USD	TOTAL 2020 USD
Interest income calculated using the effective interest method		9,964,872	7,013,292	11,617,244	10,668,518	13,515,033	19,826,121	20,633,390	20,528,325	31,443,365
Interest expense		(1,071,220)	(1,971,195)	(7,050,723)	(1,999,140)	(4,376,946)	(7,153,262)	(3,070,360)	(6,348,141)	(14,203,985)
Net interest income	11A	8,893,652	5,042,097	4,566,521	8,669,378	9,138,087	12,672,859	17,563,030	14,180,184	17,239,380
Fee and commission income	12	713,621	411,456	1,155,598	1,659,143	2,153,805	1,549,240	2,372,764	2,565,261	2,704,838
Net trading income	13	(268,213)	2,075,498	872,764	1,565,492	(882,340)	976,010	1,297,279	1,193,158	1,848,774
Other operating income	14	882,533	664,484	79,621	850,584	594,566	746,402	1,733,117	1,259,050	826,023
		614,320	2,739,982	952,385	2,416,076	(287,774)	1,722,412	3,030,396	2,452,208	2,674,797
Operating income		10,221,593	8,193,535	6,674,504	12,744,597	11,004,118	15,944,511	22,966,190	19,197,653	22,619,015
Net impairment reversal /(loss) on financial assets	15	(316,487)	(620,767)	(992,784)	324,851	(4,786,712)	(11,943,198)	8,364	(5,407,479)	(12,935,982)
Personnel expenses	16	(2,485,643)	(2,586,162)	(2,445,780)	(1,623,402)	(1,648,625)	(2,055,247)	(4,109,045)	(4,234,787)	(4,501,027)
Depreciation on property and equipment and right-of-use assets	24,27	(764,894)	(709,411)	(855,346)	-	-	-	(764,894)	(709,411)	(855,346)
Other expenses	17	(2,473,195)	(1,953,907)	(2,143,140)	(755,598)	(610,240)	(758,506)	(3,228,793)	(2,564,147)	(2,901,646)
Profit before income tax		4,181,374	2,323,288	237,454	10,690,448	3,958,541	1,187,560	14,871,822	6,281,829	1,425,014
Income tax expense	18b	(2,270,563)	(577,259)	(102,408)	-	-	-	(2,270,563)	(577,259)	(102,408)
Profit for the year		1,910,811	1,746,029	135,046	10,690,448	3,958,541	1,187,560	12,601,259	5,704,570	1,322,606
Other comprehensive income										
Items that will not be reclassified to profit or loss										
Remeasurement of defined benefit obligations, net of deferred tax		738,802	(2,510,214)	85,914	-	-	-	738,802	(2,510,214)	85,914
Fair value (losses)/ gains on investment in equity securities		(72,362)	331,370	101,582	-	-	-	(72,362)	331,370	101,582
Items that may be reclassified subsequently to profit or loss										
Fair value (losses)/ gains on investment in debt securities		(5,931,577)	2,364,806	2,910,068	-	-	-	(5,931,577)	2,364,806	2,910,068
Other comprehensive Income for the year		(5,265,137)	185,962	3,097,564	-	-	-	(5,265,137)	185,962	3,097,564
Total comprehensive income for the year		(3,354,326)	803,201	3,865,600	10,690,448	5,087,331	554,470	7,336,122	5,890,532	4,420,170

10 Exchange rate

	2022	2021	2020
USD to MUR (year end)	**44.65**	40.45	39.05

These exchange rates are average rates on the statement of financial position date as published by Bank of Mauritius.

11A Net interest income

	2022 USD	2021 USD	2020 USD
Interest income			
Recognised on financial assets at amortised cost			
Cash and cash equivalents	188,247	565,438	1,535,139
Loans and advances to banks	135,011	30,177	252,022
Loans and advances to customers	14,747,867	14,054,332	20,943,450
Investment in debt securities	1,728,791	1,791,674	2,999,094
Recognised on financial assets at FVOCI			
Investment in debt securities	3,716,441	3,851,623	4,632,662
Others	117,033	235,081	1,080,998
Interest income calculated using the effective interest method	20,633,390	20,528,325	31,443,365
Interest expense			
Recognised on financial liabilities at amortised cost			
Other borrowed funds	973,055	2,472,711	6,519,353
Deposits from customers	2,059,048	3,821,536	7,626,777
Lease liabilities	38,257	53,894	57,855
Total interest expense	3,070,360	6,348,141	14,203,985
Net interest income	17,563,030	14,180,184	17,239,380

Segment A

	2022 USD	2021 USD	2020 USD
Interest income			
Cash and cash equivalents	29,533	430,358	936,435
Loans and advances to banks	2,093	-	-
Loans and advances to customers	8,010,580	5,252,571	6,194,332
Investment in debt securities	1,922,666	1,330,363	4,486,477
Interest income calculated using the effective interest method	9,964,872	7,013,292	11,617,244
Interest expense			
Other borrowed funds	7,759	313,125	3,259,677
Deposits from customers	1,025,204	1,604,176	3,733,191
Lease liabilities	38,257	53,894	57,855
Total interest expense	1,071,220	1,971,195	7,050,723
Net interest income	8,893,652	5,042,097	4,566,521

Segment B

	2022 USD	2021 USD	2020 USD
Interest income			
Cash and cash equivalents	158,714	135,080	598,704
Loans and advances to banks	132,918	30,177	252,022
Loans and advances to customers	6,737,287	8,801,761	14,749,118
Investment in debt securities	3,522,566	4,312,934	3,145,279
Others	117,033	235,081	1,080,998
Interest income calculated using the effective interest method	10,668,518	13,515,033	19,826,121

11A Net interest income (cont'd)

Segment B

	2022 USD	2021 USD	2020 USD
Interest expense			
Borrowings from banks	965,296	2,159,586	3,259,676
Deposits from customers	1,033,844	2,217,360	3,893,586
Total interest expense	1,999,140	4,376,946	7,153,262
Net interest income	8,669,378	9,138,087	12,672,859

12 Net fee and commission income

Retail banking customer fees	68,389	128,495	-
Corporate banking customer fees	1,659,015	1,905,112	1,995,842
Other	645,360	531,654	708,996
Total fee and commission income	2,372,764	2,565,261	2,704,838

Segment A

Retail banking customer fees	68,389	128,495	-
Corporate banking customer fees	260,488	82,978	777,600
Other	384,744	199,983	377,998
Total fee and commission income	713,621	411,456	1,155,598

Segment B

Corporate banking customer fees	1,398,527	1,822,134	1,218,242
Other	260,616	331,671	330,998
Total fee and commission income	1,659,143	2,153,805	1,549,240

13 Net trading income

Fair value (losses)/ gains on derivatives at FVTPL	(1,111,444)	1,217,955	(555,903)
Foreign exchange	2,348,243	(126,690)	2,404,677
Gains on FX dealings	60,480	101,893	-
	1,297,279	1,193,158	1,848,774

Segment A

Fair value (losses)/ gains on derivatives at FVTPL	(1,111,444)	1,217,955	(555,903)
Foreign exchange	843,231	857,543	1,428,667
	(268,213)	2,075,498	872,764

Segment B

Foreign exchange	1,505,012	(984,233)	976,010
Gains on FX dealings	60,480	101,893	-
	1,565,492	(882,340)	976,010

Foreign exchange also include the fair value gains and losses on investment securities at FVTPL.

14 Other operating income

	2022 USD	2021 USD	2020 USD
Profit on sale of investments	1,399,162	1,038,440	577,567
Dividend income on equity investments	51,016	6,494	29,048
Other income	282,939	214,116	219,408
	1,733,117	1,259,050	826,023
Segment A			
Profit on sale of investments	749,760	597,745	-
Dividend income on equity investments	33,083	6,494	29,048
Other Income	99,690	60,245	50,573
	882,533	664,484	79,621
Segment B			
Profit on sale of investments	649,402	440,695	577,567
Dividend income on equity investments	17,933	-	-
Other income	183,249	153,871	168,835
	850,584	594,566	746,402

15 Net impairment (reversal)/ loss on financial assets

	2022 USD	2021 USD	2020 USD
Loans and advances to customers	(709,056)	4,451,964	12,881,916
Loans and advances to banks	734,222	955,515	27,723
Non-fund based exposures	24,298	9,960	4,846
Debt securities measured at amortised cost	(49,464)	48,620	21,497
Recoveries during the year	(8,364)	(58,580)	-
	(8,364)	5,407,479	12,935,982
Segment A			
Loans and advances to customers and to banks	350,017	620,767	966,441
Non-fund based exposures	24,298	9,960	4,846
Debt securities measured at amortised cost	(49,464)	48,620	21,497
Recoveries during the year	(8,364)	(58,580)	-
	316,487	620,767	992,784
Segment B			
Loans and advances to customers and to banks	(324,851)	4,786,712	11,943,198

16 Personnel expenses

	2022 USD	2021 USD	2020 USD
Wages and salaries	3,210,823	3,298,328	3,609,478
Compulsory social security obligations	144,728	133,580	140,562
Other personnel expenses	225,890	229,473	349,549
Workers' Rights Act - Unfunded obligations	115,632	118,176	-
Pension costs	411,972	455,230	401,438
	4,109,045	4,234,787	4,501,027
Segment A			
Wages and salaries	1,755,416	1,813,177	1,891,253
Compulsory social security obligations	79,125	73,432	75,273
Other personnel expenses	123,498	126,147	77,816
Workers' Rights Act - Unfunded obligations	115,632	118,176	-
Pension costs	411,972	455,230	401,438
	2,485,643	2,586,162	2,445,780

16	**Personnel expenses (continued)**	**2022**	**2021**	**2020**
	Segment B	**USD**	**USD**	**USD**
	Wages and salaries	1,455,407	1,485,151	1,718,225
	Compulsory social security obligations	65,603	60,148	65,289
	Other personnel expenses	102,392	103,326	271,733
		1,623,402	1,648,625	2,055,247

17 Other expenses

	2022	**2021**	**2020**
	USD	**USD**	**USD**
Other expenses	3,228,793	2,564,147	2,901,646
Segment A			
Other expenses	2,473,195	1,953,907	2,143,140
Segment B			
Other expenses	755,598	610,240	758,506

Other expenses comprise general administrative expenses, software licencing and other IT costs, legal and professional charges amongst others.

18 Taxation

Refer to note 3 (f) for the Bank's tax regime. Further to a pronouncement from the regulatory authorities in 2021, special levy expense has been reclassified from "other expenses" to "income tax expense" with the corresponding liability being reclassified from "other liabilities" to "income tax liability". This reclassification has also been reflected in the 2020 financial statements.

18a	**Current tax expense**	**2022**	**2021**	**2020**
	Income tax reconciliation	**USD**	**USD**	**USD**
	Accounting Profit	14,871,822	6,281,829	1,425,014
	Tax on Accounting profit at 5%	743,591	314,091	71,251
	Add/ (less) : Net effect of non taxable income, non allowable expenses and other items	906,409	(201,616)	(680,773)
	Under /(Over) provision in previous years (Note 30)	5,563	14,784	(201,100)
	Special Levy on Banks (Note 30)	615,000	450,000	868,681
	Corporate Social Responsibility contribution	-	-	44,349
	Tax expense for the year	2,270,563	577,259	102,408
18b	**Income tax expense - Segment A**			
	Current tax expense for the year	215,000	-	-
	Under /(Over) provision in previous years	5,563	14,784	(201,100)
	Effect of change in exchange rate and tax rate	-	6,685	-
	Movement in deferred tax (Note 25)	1,435,000	105,790	(609,522)
		1,655,563	127,259	(810,622)
	Corporate Social Responsibility contribution	-	-	44,349
	Special Levy on Banks (Note 30)	615,000	450,000	868,681
		2,270,563	577,259	102,408

18c As at 31 March 2022 the Bank has no accumulated tax losses (2021 accumulated tax losses of USD 0.9 million have been fully utilised during the financial year ended 31 March 2022.)

19 Earnings per share

	2022 USD	2021 USD	2020 USD
Profit for the year	12,601,259	5,704,570	1,322,606
Number of ordinary shares	778,035	778,035	778,035
Earnings per share	16.20	7.33	1.70

20a Cash and cash equivalents

	2022 USD	2021 USD	2020 USD
Current			
Cash in hand	1,377,944	1,610,729	2,341,508
Foreign currency notes and coins	305,615	139,474	101,062
Unrestricted balances with central bank	87,300,022	11,648,886	7,632,100
Money market placements	70,000,000	128,070,854	50,000,000
Balances with banks abroad	37,110,191	14,752,179	41,528,517
Interest receivable	583	1,034	6,689
	196,094,355	156,223,156	101,609,876
Segment A			
Cash in hand	1,377,944	1,610,729	2,341,508
Foreign currency notes and coins	305,615	139,474	101,062
Unrestricted balances with central bank	87,300,022	11,648,886	7,632,100
Money market placements	70,000,000	34,000,000	-
Interest receivable	583	47	6,347
	158,984,164	47,399,136	10,081,017
Segment B			
Money market placements	-	94,070,854	50,000,000
Balances with banks abroad	37,110,191	14,752,179	41,528,517
Interest receivable	-	987	342
	37,110,191	108,824,020	91,528,859

20b Analysis of net cash and cash equivalents as shown in the statement of cash flows

	2022 USD	2021 USD	2020 USD
Cash and cash equivalents	196,094,355	156,223,156	101,609,876
Other borrowed funds (less than 3 months)	(17,245,726)	(35,000,000)	(90,462,350)
Net cash and cash equivalents	178,848,629	121,223,156	11,147,526

21 Loans and advances to banks

	2022 USD	2021 USD	2020 USD
Loans and advances to banks	135,278,606	88,098,680	45,374,664
Interest receivable	144,918	86,925	345,491
Less allowance for credit impairment	(2,143,484)	(1,409,262)	(453,747)
	133,280,040	86,776,343	45,266,408

a **Segment A**

	2022 USD	2021 USD	2020 USD
Loans and advances to banks	16,500,000	25,000,000	25,000,000
Interest receivable	2,093	2,925	289,096
Less allowance for credit impairment	(324,851)	(399,910)	(250,000)
	16,177,242	24,603,015	25,039,096
Segment B			
Loans and advances to banks- outside Mauritius	118,778,606	63,098,680	20,374,664
Interest receivable	142,825	84,000	56,395
Less allowance for credit impairment	(1,818,633)	(1,009,352)	(203,747)
	117,102,798	62,173,328	20,227,312

b **Remaining term to maturity**

	2022 USD	2021 USD	2020 USD
Current			
Up to 3 months	59,351,607	8,706,845	288,948
Over 3 months and up to 6 months	11,110,989	641,002	85,716
Over 6 months and up to 12 months	23,316,010	45,000,000	25,000,000
Non current			
Over 1 year and up to 5 years	41,500,000	33,750,833	20,000,000
Interest receivable	144,918	86,925	345,491
	135,423,524	88,185,605	45,720,155

c **Allowance for credit impairment**

	2022 USD	2021 USD	2020 USD
Balance at beginning of year	1,409,262	453,747	426,024
Impairment charge for the year - Stage 1 ECL	734,222	955,515	27,723
Balance at end of year	2,143,484	1,409,262	453,747

22 Loans and advances to customers

	2022 USD	2021 USD	2020 USD
Retail customers	58,683,594	29,811,729	28,020,217
Mortgages	30,887,755	16,409,677	16,884,079
Other retail loans	27,795,839	13,402,052	11,136,138
Corporate customers	233,110,633	158,581,968	128,056,214
Governments	33,485,072	-	-
Entities outside Mauritius	127,037,527	253,141,686	297,431,771
Interest receivable	1,777,509	800,417	2,046,509
	454,094,335	442,335,800	455,554,711
Less allowance for credit impairment	(8,705,857)	(37,914,005)	(33,466,692)
	445,388,478	404,421,795	422,088,019

a Remaining term to maturity

	2022 USD	2021 USD	2020 USD
Current			
Up to 3 months	134,434,507	100,343,849	38,650,057
Over 3 months and up to 6 months	44,095,322	4,680,822	3,632,698
Over 6 months and up to 12 months	13,258,271	48,192,244	16,404,537
Non-current			
Over 1 year and up to 5 years	171,067,519	251,666,799	301,926,175
Over 5 years	89,461,207	36,651,669	92,894,735
Interest receivable	1,777,509	800,417	2,046,509
	454,094,335	442,335,800	455,554,711

b Credit concentration of risk by industry sectors

	2022 USD	2021 USD	2020 USD
Agriculture and fishing	35,821,079	23,333,271	10,871,272
Manufacturing	64,757,206	143,659,229	183,743,735
Tourism	14,011,033	13,618,857	14,139,550
Transport	18,193,601	38,300,949	36,865,851
Construction	61,888,344	37,975,566	41,490,117
Financial and business services	84,102,642	112,213,659	101,160,446
Traders	54,264,831	16,771,162	7,896,137
Personal	2,506,749	3,057,842	3,024,330
Professional	9,052,151	157,851	122,501
Global Business Licence holders	92,175,756	50,189,142	49,649,776
Others	15,543,434	2,257,856	4,544,487
Interest receivable	1,777,509	800,416	2,046,509
	454,094,335	442,335,800	455,554,711
Segment A			
Agriculture and Fishing	35,821,079	23,333,271	10,871,272
Manufacturing	12,716,043	17,253,657	17,812,669
Tourism	14,011,033	13,618,857	14,139,550
Transport	18,193,601	18,194,997	16,759,899
Construction	61,888,344	30,175,571	31,652,802
Financial and business services	9,102,642	14,747,129	3,693,916
Traders	54,264,831	16,771,162	7,896,137
Personal	2,506,749	3,057,842	3,024,330
Professional	9,052,151	157,851	122,501
Others	15,543,434	894,220	453,580
Interest receivable	199,150	328,864	323,503
	233,299,057	138,533,421	106,750,159
Segment B			
Manufacturing	52,041,163	126,405,572	165,931,066
Transport	-	20,105,952	20,105,952
Construction	-	7,799,995	9,837,315
Financial and business services	75,000,000	97,466,530	97,466,530
Global Business Licence holders	92,175,756	50,189,142	49,649,776
Others	-	1,363,636	4,090,907
Interest receivable	1,578,359	471,552	1,723,006
	220,795,278	303,802,379	348,804,552

SBI (MAURITIUS) LTD

Notes to and forming part of the financial statements

For the year ended 31 March 2022

22 Loans and advances to customers (continued)

c Allowance for credit impairment

	ECL allowances Stage 3 USD	ECL allowances Stage 1 &2 USD	Total allowances for impairment USD
Balance at 01 April 2019	**15,579,330**	**5,114,902**	**20,694,232**
Exchange difference	(48,313)	(5,649)	(53,962)
Provision for credit impairment allowances for the year	8,126,609	4,804,528	12,931,137
Loans written off out of credit impairment allowances	(174,056)	-	(174,056)
Reclassification of provision for credit impairment allowances to loans to banks	-	(27,723)	(27,723)
Movement from Stage 1&2 ECL to Stage 3 ECL	1,270,747	(1,270,747)	-
Movement from Stage 1&2 ECL on non-fund based exposures to Stage 3 ECL	97,064	-	97,064
Balance at 31 March 2020	**24,851,381**	**8,615,311**	**33,466,692**
Exchange difference	(8,348)	77,751	69,403
Provision for credit impairment allowances for the year	3,181,096	1,270,868	4,451,964
Loans written off out of credit impairment allowances	(15,474)	-	(15,474)
Movement from Stage 1&2 ECL to Stage 3 ECL	956,764	(956,764)	-
Repayments during the year	-	(58,580)	(58,580)
Balance at 31 March 2021	**28,965,419**	**8,948,586**	**37,914,005**
Exchange difference	(54,946)	34,545	(20,401)
Loans written off out of credit impairment allowances	(27,937,789)	-	(27,937,789)
Repayments during the year	(8,364)	-	(8,364)
Net remeasurement of loss allowance	-	(532,538)	(532,538)
Reversal of provision for credit impairment allowances during the year	-	(709,056)	(709,056)
Balance at 31 March 2022	**964,320**	**7,741,537**	**8,705,857**

d Allowance for credit impairment by industry sectors

	2022 USD					2021 USD	2020 USD
	Gross amount of loans	Credit-impaired loans	ECL allowances Stage 3	ECL allowances Stage 1 &2	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
Agriculture and Fishing	35,821,079	66,663	66,663	513,599	580,262	498,798	447,877
Manufacturing	64,757,206		-	1,957,559	1,957,559	3,735,389	3,704,536
Tourism	14,011,033	195	195	305,395	305,590	351,146	424,511
Transport	18,193,601	54,370	54,370	231,625	285,995	19,889,253	14,649,585
Construction	61,888,344	572,286	572,286	1,229,748	1,802,034	1,509,508	5,469,710
Financial and business services	84,102,642	-	-	979,808	979,808	10,740,975	7,296,648
Traders	54,264,831	232,693	232,693	621,130	853,823	429,317	324,130
Personal	2,506,749	-	-	56,645	56,645	56,669	59,591
Professional	9,052,151	-	-	129,460	129,460	2,829	2,357
Global business licence holders	92,175,756	-	-	940,835	940,835	664,484	996,677
Others	15,543,434	37,213	37,213	775,733	812,946	35,637	91,070
Interest receivable	1,777,509	900	900	-	900	-	-
	454,094,335	964,320	964,320	7,741,537	8,705,857	37,914,005	33,466,692

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Notes to and forming part of the financial statements

For the year ended 31 March 2022

22 Loans and advances to customers (continued)

d Allowance for credit impairment by industry sectors (continued)

Segment A	2022 USD					2021 USD	2020 USD
	Gross amount of loans	Credit-impaired loans	ECL allowances Stage 3	ECL allowances Stage 1 &2	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
Agriculture and fishing	35,821,079	66,663	66,663	513,599	580,262	498,798	447,877
Manufacturing	12,716,043	-	-	111,450	111,450	280,841	360,792
Tourism	14,011,033	195	195	305,395	305,590	351,146	424,511
Transport	18,193,601	54,370	54,370	231,625	285,995	4,121,438	4,319,585
Construction	61,888,344	572,286	572,286	1,229,748	1,802,034	1,074,860	1,312,363
Financial and business services	9,102,642	-	-	179,903	179,903	281,266	74,438
Traders	54,264,831	232,693	232,693	621,130	853,823	429,317	324,130
Personal	2,506,749	-	-	56,645	56,645	56,669	59,591
Professional	9,052,151	-	-	129,460	129,460	2,829	2,357
Others	15,543,434	37,213	37,213	335,050	372,263	13,822	8,632
Interest receivable	199,150	900	900	-	900	-	-
	233,299,057	964,320	964,320	3,714,005	4,678,325	7,110,986	7,334,276

Segment B							
Manufacturing	52,041,163	-	-	1,846,109	1,846,109	3,454,548	3,343,744
Transport	-	-	-	-	-	15,767,815	10,330,000
Construction	-	-	-	-	-	434,648	4,157,347
Financial and business services	75,000,000	-	-	799,905	799,905	10,459,709	7,222,210
Global business licence holders	92,175,756	-	-	940,835	940,835	664,484	996,677
Others	-	-	-	440,683	440,683	21,815	82,438
Interest receivable	1,578,359	-	-	-	-	-	-
	220,795,278	-	-	4,027,532	4,027,532	30,803,019	26,132,416

d Allowance for credit impairment by industry sectors

Bank - Total	2021 USD					2020 USD	2019 USD
	Gross amount of loans	Impaired loans	ECL allowances Stage 3	ECL allowances Stage 1 &2	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
Agriculture and Fishing	23,333,271	1,895	1,257	497,541	498,798	447,877	193,774
Manufacturing	143,659,229	2,965	2,123	3,733,266	3,735,389	3,704,536	2,222,904
Tourism	13,618,857	487	487	350,659	351,146	424,511	493,213
Transport	38,300,949	27,746,152	19,718,102	171,151	19,889,253	14,649,585	14,773,650
Construction	37,975,566	739,997	419,121	1,090,387	1,509,508	5,469,710	1,201,458
Financial and Business Services	112,213,659	13,466,530	8,608,410	2,132,565	10,740,975	7,296,648	573,067
Traders	16,771,162	323,612	199,991	229,326	429,317	324,130	346,115
Personal	3,057,842	22,830	15,928	40,741	56,669	59,591	40,866
Professional	157,851	-	-	2,829	2,829	2,357	1,856
Global Business Licence holders	50,189,142	-	-	664,484	664,484	996,677	774,835
Others	2,257,856	-	-	35,637	35,637	91,070	72,494
Interest receivable	800,416	358,126	-	-	-	-	-
	442,335,800	42,662,594	28,965,419	8,948,586	37,914,005	33,466,692	20,694,232

23 Investment securities

	2022 USD	2021 USD	2020 USD
Investment securities measured at fair value through profit and loss	2,253,896	30,375,147	3,757,414
Debt securities measured at amortised cost	108,934,845	51,152,717	93,757,567
Debt securities measured at FVOCI	153,277,584	178,047,582	152,097,491
Equity securities designated at FVOCI	928,567	711,775	451,935
	265,394,892	260,287,221	250,064,406
Less allowance for credit impairment - Stage 1	(72,093)	(121,557)	(72,937)
	265,322,799	260,165,664	249,991,469

a Investment securities at fair value through profit and loss - Segment A

	2022 USD	2021 USD	2020 USD
Treasury/BoM Bills held for trading purposes	2,253,896	30,375,147	3,757,414

b Investment securities at amortised cost

	2022 USD	2021 USD	2020 USD
Government bonds	7,387,261	8,669,412	14,567,346
Corporate bonds and notes	100,439,583	41,565,144	77,763,933
Interest receivable	1,108,001	918,161	1,426,287
Less allowance for credit impairment - Stage 1	(72,093)	(121,557)	(72,937)
	108,862,752	51,031,160	93,684,629
Segment A			
Government bonds	7,387,261	8,669,412	14,567,346
Corporate bonds and notes	15,096,045	3,039,401	3,464,697
Interest receivable	325,299	594,263	880,156
	22,808,605	12,303,076	18,912,199
Segment B			
Corporate bonds and notes	85,343,537	38,525,743	74,299,236
Interest receivable	782,703	323,898	546,131
Less allowance for credit impairment - Stage 1	(72,093)	(121,557)	(72,937)
	86,054,147	38,728,084	74,772,430

c Allowance for impairment

	2022 USD	2021 USD	2020 USD
Opening balance	121,557	72,937	51,440
Write off of investment	(532,538)	-	-
Net remeasurement of ECL	532,538	-	-
(Reversal)/ impairment charge for the year	(49,464)	48,620	21,497
Balance at end of year	72,093	121,557	72,937

d Investment securities at FVOCI

	2022 USD	2021 USD	2020 USD
Investment in equity instruments	928,567	711,775	451,935
Corporate and government bonds and notes	152,105,320	176,937,623	151,343,271
Interest receivable	1,172,264	1,109,959	754,220
	153,277,584	178,047,582	152,097,491
Segment A			
Investment in equity instruments	662,780	366,292	351,724
Investment in debt instruments - government bonds and notes	26,440,967	50,689,749	53,470,688
Segment B			
Investment in equity instruments	265,787	345,483	100,211
Investment in debt instruments - foreign corporate bonds and notes	125,664,353	126,247,874	97,872,583
Interest receivable	1,172,264	1,109,959	754,220
	126,836,617	127,357,833	98,626,803

24 Property and equipment - Segment A

	Building on lease land	Land and buildings	Furniture, fittings and office equipment	Motor Vehicles	TOTAL
	USD	USD	USD	USD	USD
Cost					
Balance at 1 April 2020	318,680	9,003,907	7,080,912	194,091	16,597,590
Acquisitions	-	-	345,328	57,025	402,353
Disposals	-	-	(1,230)	-	(1,230)
Balance at 31 March 2020	318,680	9,003,907	7,425,010	251,116	16,998,713
Acquisitions	-	-	483,413	19,794	503,207
Disposals	-	-	(3,019,539)	(51,945)	(3,071,484)
Balance at 31 March 2021	318,680	9,003,907	4,888,884	218,965	14,430,436
Acquisitions	-	-	403,368	96,429	499,797
Disposals	-	-	(56,072)	(111,796)	(167,868)
Balance at 31 March 2022	318,680	9,003,907	5,236,180	203,598	14,762,365
Accumulated depreciation					
Balance at 1 April 2020	187,911	2,072,712	6,478,783	172,497	8,911,903
Depreciation for the year	16,346	164,332	311,237	12,801	504,716
Disposal adjustment	-	-	(1,230)	-	(1,230)
Balance at 31 March 2020	204,257	2,237,044	6,788,790	185,298	9,415,389
Depreciation for the year	16,346	164,332	258,500	19,382	458,560
Disposal adjustment	-	-	(3,019,539)	(48,811)	(3,068,350)
Balance at 31 March 2021	220,603	2,401,376	4,027,751	155,869	6,805,599
Depreciation for the year	16,346	164,332	270,620	37,947	489,245
Disposal adjustment	-	-	(56,072)	(111,796)	(167,868)
Balance at 31 March 2022	236,949	2,565,708	4,242,299	82,020	7,126,976
Net book value					
At 31 March 2022	**81,731**	**6,438,199**	**993,881**	**121,578**	**7,635,389**
At 31 March 2021	98,077	6,602,531	861,133	63,096	7,624,837
At 31 March 2020	114,423	6,766,863	636,220	65,818	7,583,324

25 Deferred tax assets - Segment A

	2022 USD	2021 USD	2020 USD
At 1 April	2,135,033	2,108,706	1,503,706
Movement during the year accounted in profit or loss (Note 18b)	(1,435,000)	(105,790)	609,522
Movement during the year accounted in other comprehensive income	(38,884)	132,117	(4,522)
At 31 March	661,149	2,135,033	2,108,706
Analysed as follows			
Accelerated capital allowances	51,470	31,523	21,694
Allowances for credit losses	546,736	1,970,553	1,482,300
Loss available for offset	-	11,163	628,721
Employee benefit obligations	240,498	299,349	153,546
Revaluation of Building	(177,555)	(177,555)	(177,555)
	661,149	2,135,033	2,108,706

Deferred income tax is calculated on all temporary differences under the liability method using an effective tax rate of 5% (2021 and 2020 - 5%) for segment A and an effective tax rate of 5% (2021 and 2020 - 5%) for Segment B.

26 Other assets

	2022 USD	2021 USD	2020 USD
Mandatory balance with central bank	17,238,980	16,617,924	15,052,601
Other	675,170	692,709	582,070
	17,914,150	17,310,633	15,634,671
Segment A			
Mandatory balance with central bank	17,238,980	16,617,924	15,052,601
Other	445,930	630,209	416,467
	17,684,910	17,248,133	15,469,068
Segment B			
Other	229,240	62,500	165,603
	229,240	62,500	165,603

27 Right-of-use assets

	USD
Buildings	
Cost	
At 1 April 2019	-
Recognition on initial application of IFRS 16	1,794,770
At 31 March 2020	1,794,770
Additions	192,816
Discontinued leases	(234,469)
At 31 March 2021	1,753,117
Additions	183,546
Discontinued leases	(95,651)
At 31 March 2022	**1,841,012**
Depreciation	
At 1 April 2019	-
Charge for the year	(350,630)
At 31 March 2020	(350,630)
Charge for the year	(250,851)
At 31 March 2021	(601,481)
Charge for the year	(275,649)
At 31 March 2022	**(877,130)**
Carrying amount	
At 31 March 2020	1,444,140
At 31 March 2021	1,151,636
At 31 March 2022	**963,882**

Amounts recognised in profit or loss

Depreciation expense on right-of-use assets	275,649	250,851	350,630
Interest expense on lease liabilities	38,257	53,894	57,855
Total cash outflows for leases	264,545	171,948	406,409

The Bank does not have any short term lease, low value lease or lease with variable components.

The Bank has multiple leases to operate its branches as well as accomodating expatriate staff members in Mauritius. The average lease term for branches is of 5 years and rental for residence of expatriates staff members varies between 3 years and 4 years.The Bank does not have an option to purchase the leased assets at the end of the lease term. The Bank's obligations are secured by the lessor's title to the leased assets for such leases.

SBI (MAURITIUS) LTD

Notes to and forming part of the financial statements

For the year ended 31 March 2022

28 Deposits from customers

	2022 USD	2021 USD	2020 USD
Savings Deposit	134,154,519	138,686,558	122,732,182
Demand Deposit	206,095,887	126,153,407	113,291,679
Time Deposit			
Within three months	129,933,691	76,218,053	78,406,964
Over 3 and up to 6 months	53,059,123	60,262,477	43,176,227
Over 6 months and up to 12 months	71,259,079	54,320,548	41,524,881
Over 1 year and up to 5 years	53,993,295	52,564,665	33,101,016
Interest payable	359,291	1,984,483	3,575,487
	648,854,885	510,190,191	435,808,436
Segment A			
Savings Deposit	133,607,518	138,686,558	122,732,147
Demand Deposit	58,575,785	34,754,823	36,314,156
Time Deposit			
Within three months	40,396,746	14,469,924	35,789,993
Over 3 and up to 6 months	5,058,773	15,528,917	21,130,333
Over 6 months and up to 12 months	43,196,127	41,549,833	20,234,834
Over 1 year and up to 5 years	10,202,940	23,295,489	23,584,423
Interest payable	195,830	1,135,814	2,180,716
	291,233,719	269,421,358	261,966,602
Segment B			
Savings Deposit	547,001	-	35
Demand Deposit	147,520,102	91,398,584	76,977,523
Time Deposit			
Within three months	89,536,945	61,748,129	42,616,971
Over 3 and up to 6 months	48,000,350	44,733,560	22,045,894
Over 6 months and up to 12 months	28,062,952	12,770,715	21,290,047
Over 1 year and up to 5 years	43,790,355	29,269,176	9,516,593
Interest payable	163,461	848,669	1,394,771
	357,621,166	240,768,833	173,841,834
Current	594,502,299	455,641,043	399,131,933
Non Current	54,352,586	54,549,148	36,676,503

28 Deposits from customers (continued)

	2022 USD	2021 USD	2020 USD
Retail Customers			
Savings Deposit	125,581,315	131,713,271	113,715,021
Demand Deposit	4,643,618	5,189,607	5,963,764
Time Deposit			
Within three months	3,515,034	3,956,581	5,394,205
Over 3 and up to 6 months	3,567,274	3,010,730	4,217,487
Over 6 months and up to 12 months	8,028,566	11,259,535	9,749,851
Over 1 year and up to 5 years	8,561,026	12,307,040	11,375,350
	153,896,833	167,436,764	150,415,678
Corporate Customers			
Savings Deposit	8,504,319	6,338,813	8,353,273
Demand Deposit	200,022,211	120,447,673	107,309,898
Time Deposit			
Within three months	121,867,736	72,102,093	72,830,245
Over 3 and up to 6 months	49,491,849	57,251,747	38,958,740
Over 6 months and up to 12 months	61,998,682	43,061,013	31,296,622
Over 1 year and up to 5 years	45,432,269	40,257,625	21,645,791
	487,317,066	339,458,964	280,394,569
Government			
Savings Deposit	68,885	634,474	663,888
Demand Deposit	1,430,058	516,127	18,017
Time Deposit			
Within three months	4,550,921	159,379	182,514
Over 3 and up to 6 months	-	-	-
Over 6 months and up to 12 months	1,231,831	-	478,408
Over 1 year and up to 5 years	-	-	79,875
	7,281,695	1,309,980	1,422,702
Interest payable	359,291	1,984,483	3,575,487
TOTAL	648,854,885	510,190,191	435,808,436

29 Other borrowed funds

	2022 USD	2021 USD	2020 USD
Borrowings from banks			
in Mauritius	17,239,692	15,000,000	-
abroad	235,759,392	243,537,650	254,488,350
Interest payable	203,806	314,105	678,287
	253,202,890	258,851,755	255,166,637
Remaining term to maturity			
Current			
Within three months	57,999,084	85,537,650	162,488,350
Over 3 and up to 6 months	120,000,000	63,000,000	-
Over 6 months and up to 12 months	-	85,000,000	67,000,000
Non-current			
Over 1 year and up to 5 years	75,000,000	25,000,000	25,000,000
Interest payable	203,806	314,105	678,287
	253,202,890	258,851,755	255,166,637
Segment A			
Borrowings from banks	17,239,692	15,000,000	-
Interest payable	6,034	30,938	-
	17,245,726	15,030,938	-
Segment B			
Borrowings from banks	235,759,392	243,537,650	254,488,350
Interest payable	197,772	283,167	678,287
	235,957,164	243,820,817	255,166,637

Borrowings are at fixed rates and unsecured. The rate of interest is 0.27% to 2.74%.

30 Current tax (assets) / liabilities

Segment A

	2022 USD	2021 USD	2020 USD
At 1 April	378,094	(165,043)	(204,470)
Current tax expense (Note 18b)	215,000	-	-
Special levy (Note 18b)	615,000	450,000	868,681
Under/(over) provision in previous years	5,563	14,784	(156,750)
Special levy paid	(383,657)	(397,672)	(628,155)
Tax refund	-	490,809	-
Tax paid	-	(14,784)	(44,349)
At 31 March	830,000	378,094	(165,043)

31 Other liabilities

	2022 USD	2021 USD	2020 USD
Bills payable	1,160,193	650,833	413,189
Allowance for credit impairment on non-fund based exposures	26,638	2,340	12,300
Others	4,504,729	9,236,506	5,408,423
	5,691,560	9,889,679	5,833,912
Segment A			
Bills payable	1,160,193	650,833	413,189
Others	4,444,081	4,436,772	2,867,384
Allowance for credit impairment on non-fund based exposures	26,638	2,340	12,300
	5,630,912	5,089,945	3,292,873
Segment B			
Others	60,648	4,799,734	2,541,039
	60,648	4,799,734	2,541,039

Others also include expected credit losses of $26,390 on non-fund based exposures (2021: $2,340).

32a Stated Capital

	2022 USD	2021 USD	2020 USD
Issued and fully paid capital (778,035 Ordinary Shares of USD 62.50 each)	48,627,188	48,627,188	48,627,188
Share premium	54,078,062	54,078,062	54,078,062

Fully paid ordinary shares, which have a par value of USD 62.50, carry one vote per share and carry a right to dividends.

32b Dividend proposed and paid

	2022	2021	2020
Dividend proposed and paid	4,862,716	-	9,725,438
Dividend per share	6.25	-	12.50

The Board of Directors proposed a dividend of $6.25 per share on 26 June 2021, approval for which was obtained from the Bank of Mauritius on 27 July 2021 and paid on 01 September 2021.

33 Reconciliation of liabilities arising from financing activities

The table below details changes in liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank's statement of cash flows from financing activities.

a

	Opening balance	Financing cash flows	Others (i)	Closing balance
Other borrowed funds (Note 29)	USD	USD	USD	USD
Year 2022	**258,851,755**	**12,215,708**	**(17,864,573)**	**253,202,890**
Year 2021	255,166,637	59,511,650	(55,826,532)	258,851,755
Year 2020	265,106,186	14,026,000	(23,965,549)	255,166,637

b

	Opening balance	Repayment of lease liability	Others	Closing balance
Lease liabilities (Note 34)	USD	USD	USD	USD
Year 2022	**1,105,924**	**(226,288)**	**-**	**879,636**
Year 2021	1,277,872	(171,948)	-	1,105,924
Year 2020	1,794,770	(406,409)	(110,489)	1,277,872

(i) Others include movement in short term borrowings classified as cash and cash equivalents.

34 Lease liabilities

Leasing Arrangements

Operating lease relates to the lease of buildings with leased terms between one to five years with an option to extend for a further period of up to five years. All operating lease contracts contain market review clauses in the event that the Bank exercises its option to renew. The Bank does not have an option to purchase the building after expiry of the lease period.

Analysed as follows:	2022 USD	2021 USD	2020 USD
Current	212,997	296,070	273,769
Non-current	666,639	809,854	1,004,103
	879,636	1,105,924	1,277,872

Disclosure required by IFRS 16:

Maturity analysis

	2022 USD	2021 USD	2020 USD
Year 1	212,997	296,070	273,789
Year 2	204,583	252,405	266,600
Year 3	180,524	201,030	234,696
Year 4	126,949	144,195	188,417
Year 5	78,998	108,045	127,187
Onwards	75,585	104,179	187,183
	879,636	1,105,924	1,277,872

The Bank does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Bank's Procurement and Services Department.

35 **Contingent liabilities**

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and are generally extended over the period of the facility. The commitments and contingent liabilities have off balance sheet credit risk.

	2022 USD	2021 USD	2020 USD
Acceptances on account of customers	4,179,654	524,679	2,029,407
Guarantees on account of customers	13,584,163	14,745,455	4,225,396
Letters of credit and other obligations on account of customers	7,327,988	4,660,950	11,166,696
	25,091,805	19,931,084	17,421,499

36 **Commitments**

	2022 USD	2021 USD	2020 USD
Loans and other facilities			
Undrawn credit facilities	21,181,743	6,226,055	9,227,035
	21,181,743	6,226,055	9,227,035

37 **Related parties**

A related party is a person or company where that person or company has control or joint control of the reporting company; has significant influence over the reporting company; or is a member of the key management personnel of the reporting company or of a parent of the reporting company.

The Bank considers related parties as key management personnel, directors and shareholders.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and management fees. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and relating expense and income for the year are as follows:

Transaction with State Bank of India (Ultimate holding company)

	2022 USD	2021 USD	2020 USD
Statement of profit or loss and other comprehensive income			
Management fees paid to parent bank	253,231	178,341	214,029
Statement of financial position			
Loans and advances to banks	70,528,606	8,585,933	374,664
Accrued interest	51,753	15,766	17,145
Related companies - Companies within SBI group			
Statement of financial position			
Assets			
Balance and placements with banks	3,510,639	61,107,698	53,011,425
Liabilities			
Deposits	447,554	287,034	244,621
Other borrowed funds	220,000,000	198,537,650	95,462,350
Accrued interest	188,737	264,130	272,013
Statement of profit or loss and other comprehensive income			
Interest income	198,901	71,723	-
Interest expense	939,540	1,172,460	-
Dividends paid	4,862,716	-	9,725,438
Commision received on bank guarantees issued	28,417	-	-
Off Balance sheet balance			
Bank guarantee	1,898,863	10,602,100	-
Key management personnel			
Loans	241,806	27,505	42,954
Interest income earned	1,908	503	14
Deposits	311,118	194,542	153,381
Interest expense on deposits	87	583	324
Directors			
Deposits	19,986	32,245	92,135
Interest Expense	6	4	94
Compensation to Key Management & Directors			
Short term benefits	832,218	742,028	528,822
Post employment benefits	54,156	66,307	20,291

Compensation of the Bank's key management personnel includes salaries and contributions to post-employment benefit plan. There are no other long term benefits or share option programme.

None of the facilities granted to related parties were non performing for both the current and prior years. These facilities carry a Stage 1 ECL, which is not material.

38 Derivatives

Cross currency swaps	Total Notional Principal USD	Fair Value Assets USD	Fair Value Liabilities USD	Fair Value Net USD
2022	32,436,261	46,543	(13,801)	32,742
2021	35,575,235	1,156,434	(12,248)	1,144,186
2020	23,191,991	88,162	(161,921)	(73,759)

39 *Retirement benefit obligations*

The Bank's retirement benefit obligations as disclosed below include a final salary defined benefit plan to employees which is wholly funded and the residual gratuities as required under the Workers' Rights Act which is unfunded. The most recent actuarial valuation of the pension plan was carried out at 31 March 2022 by The State Insurance Company of Mauritius Ltd, actuaries and consultants.

Non-current	2022 USD	2021 USD	2020 USD
Amounts recognised in statement of financial position			
Present value of funded obligations	7,462,952	8,893,539	6,121,773
Fair value of plan assets	(2,652,999)	(2,906,553)	(3,050,856)
Liabilities recognised in statement of financial position	4,809,953	5,986,986	3,070,918
Movements in liabilities recognised in the statement of financial position			
At the beginning of the year	5,986,986	3,070,918	3,373,612
Exchange difference	(556,114)	65,855	(395,435)
Amount recognised in profit or loss (Note 16)	201,509	257,206	235,474
Amount recognised in other comprehensive income	(777,686)	2,642,331	(90,436)
Employer contribution paid	(44,742)	(49,324)	(52,297)
At the end of the year	4,809,953	5,986,986	3,070,918
The amounts recognised in profit or loss is as follows:			
Current service cost	102,763	127,857	112,575
Employee contributions	(44,742)	(49,324)	(52,297)
Fund expenses	7,280	1,974	1,746
Interest cost (net)	136,208	176,699	173,450
Total included in employee benefit expense (Note 16)	201,509	257,206	235,474

39 *Retirement benefit obligation (continued)*

	2022 USD	2021 USD	2020 USD
Movement in the fair value of plan assets were as follows			
Fair value of plan assets at 1 April	2,906,553	3,050,856	3,436,902
Return of on plan assets	64,930	158,056	163,226
Contributions from the employer	44,741	49,324	52,297
Contributions from plan participants	44,741	49,324	52,297
Exchange difference	(273,205)	(71,690)	(403,009)
Benefits paid	(223,078)	(412,122)	(343,022)
Remeasurement gains	88,317	82,805	92,165
Fair value of plan assets at 31 March	2,652,999	2,906,553	3,050,856
Actual return on plan assets	148,065	291,213	156,588
Reconciliation of the present value of defined benefit obligation			
Present value of obligations at 1 April	8,893,539	6,121,773	6,810,515
Current service cost	102,763	127,857	112,575
Exchange rate difference	(829,320)	(5,833)	(798,447)
Interest cost	201,138	334,755	336,676
Benefits paid	(215,799)	(410,149)	(341,275)
Remeasurement (losses)/ gains	(689,369)	2,725,136	1,729
Present value of obligation at 31 March	7,462,952	8,893,539	6,121,773

The main categories of plan assets at statement of financial position date for each category are as follows:

	2022	2021	2020
Percentage of assets at end of the year			
Government securities and cash	48.6%	56.3%	63.2%
Loans	2.7%	3.0%	3.2%
Local entities	12.1%	10.1%	10.8%
Overseas bonds and equities	36.1%	30.1%	22.2%
Property	0.5%	0.5%	0.6%
Total	100%	100%	100%

The amounts recognised in other comprehensive income are as follows:

	2022 USD	2021 USD	2020 USD
Asset experience gains during the year	88,317	82,805	92,165
Liability experience gains/ (losses) during the year	689,369	(2,725,136)	(1,729)
	777,686	(2,642,331)	90,436

The principal actuarial assumptions used for accounting purposes were

	2022	2021	2020
Discount Rate	4.75%	2.53%	5.60%
Expected salary escalation	3.00%	2.00%	3.50%
Future pension increases	2.00%	1.40%	2.60%
Retirement age		65 years	
Mortality before retirement	Nil	A 6770 Ultimate Tables	
Mortality in retirement	PA(90) rated down by 2 years	PA(90)	

The discount rate is determined by reference to market yields on bonds.

39 *Retirement benefit obligation (continued)*

Sensitivity analysis on defined benefit obligations at end of the reporting date:

	Increase USD	Decrease USD
Discount rate (1% movement)	1,220,632	967,547
Future long-term salary assumptions (1% movement)	479,294	407,624
Life expectancy (one year movement)	206,052	206,052

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.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities and debt instruments. Due to the long-term nature of the plan liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.
Interest rate risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

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 56,083** in contributions to its post-employment benefit plans for the year ending 31 March 2022.

The weighted average duration of the defined benefit obligation is 15 years at the end of the reporting period.

40 Reserves

a *Statutory reserve*

The Bank maintains a statutory reserve and transfers each year to the statutory reserve out of the profit for the year, a sum equal to not less than 15% of the profit for the year until the balance in the statutory reserve is equal to the amount paid as stated capital.

b *General banking reserve*

General banking reserve is made up of profit appropriation from previous years.

c *Other reserves*

Other reserves comprise:

i) Revaluation surplus, which relates to the surplus on revaluation of land and buildings

ii) Fair value reserve, which comprises of the cumulative net change in the fair value of financial assets at fair value through other comprehensive income that has been recognised in other comprehensive income until the investments are derecognised or impaired.

d *Actuarial losses reserve*

The actuarial losses reserve represents the cumulative remeasurement of defined benefit obligations recognised.

41 Holding Company

The holding company is State Bank of India, a public corporation in India, holding 96.60% (2021& 2020: 96.60%) of shareholding of the Bank. The Government of India holds a majority stake in the State Bank of India.

MANAGEMENT DISCUSSION & ANALYSIS

Macroeconomic Outlook[1]

It has been two years since COVID-19 hit our shores. And while it is not fully behind us, we have come a long way, especially on the economic front. The path of recovery has been a difficult one. While there have been significant improvements in the overall economy, setbacks persist in some areas, and new challenges have appeared. The emergencies and rapid spread of the Omicron variant around the world resulted in new peaks of COVID-19 infections.

Furthermore while for most economies, 2021 was a year of fiscal and monetary accommodation to counter the impact of the COVID-19 on the economy, the current year will be characterized broadly by policy normalization. Barring new variants of the COVID-19 that are highly transmissible and deadly, fiscal and monetary policymakers will stop pushing the pedal to metal on stimulus to support economic growth.

According to the IMF World Economic Outlook issued in January 2022, after rebounding to an estimated 5.5% in 2021, global growth is expected to decelerate markedly in 2022 to 4.1%, reflecting continued COVID-19 flare-ups, diminished fiscal support and lingering supply bottlenecks.

The rebound in global activity, together with supply disruptions and higher food and energy prices, has pushed up headline inflation across many countries.

It is impossible to talk about 2022 global economic outlook without addressing the proverbial elephant in the room: inflation. Elevated inflation is another key problem. Supply chains may continue to be disrupted. With the new layers of uncertainty that the Russia-Ukraine war may pose to global recovery, the balance of risks to growth now appears to weigh relatively more on the downside while global inflation risks appear to be more entrenched. Consequently, inflation has gained traction across several economies, reflecting rising energy and food prices and lingering supply disruptions, among others. As a result, most countries have already hiked interest rates. Common to all economies around the world are higher prices which have driven much of the recent inflation.

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

With the Omicron wave now ebbing and COVID vaccines and treatments much more widely available across the globe, we could see a gradual restoration of supply and a resolution of associated bottlenecks and shortages.

Nonetheless, fiscal policy is another factor, which is providing a huge boost to the economy during the past two years but is unlikely to be as significant source of demand this year.

Last-but definitely not the least- is monetary policy, which is providing maximum support to the economy. It aims in bringing demand in balance with supply and thereby bringing down inflationary pressures.

Mauritian Economy[2]

The Mauritian economy made a weak recovery in 2021 due to a still-subdued tourism sector. However, from the outset of the pandemic, the rapid closure of the border, imposition of lockdown, and other public health measures have kept viral transmission to a low level. The island has a high vaccination rate, though the uncertainty over the course of the pandemic remains the top risk for Mauritius' economic outlook.

But, with the aid of the National Budget 2021-2022 strategy: Recovery, Revival and Resilience; the re-opening of our borders; the on-going vaccination campaign, including deployment of booster doses and simultaneously with Bank of Mauritius closely monitoring the economic situation in the country and taking measures deemed appropriate to maintain the stability of the financial system, have improved confidence and strengthened Mauritian economic recovery.

According to Statistics Mauritius, the economy of Mauritius grew 5.5 percent from a year earlier in the third quarter of 2021, easing from a downwardly revised 17.8 percent growth in the previous period. Output rose at a softer pace mainly for: manufacturing (to rebound by 10.9% after a dip of 17.8% in 2020), agriculture (to grow by 9.1% against the 0.2% drop in 2020), construction (to augment by 25.0% after a decline of 25.8% in 2020), wholesale & retail trade (to rebound by 1.8% after a sharp decline of 27.7% in 2020) , information and communication (to grow at a higher rate of 7.1% compared to 5.9% in 2020).

On the demand side, household consumption is expected to contribute positively to output, as economic activity moves towards 'normalisation' mode.

Moreover, the decision by the FATF to remove Mauritius from its grey list has also given a strong boost to the financial services sector, construction and information technology sectors as they are likely to contribute positively to the growth momentum and support in the recovery process.

2: The discussion is based on Statistics Mauritius, IMF Report

Furthermore, inflation has gained traction across several economies, reflecting rising energy and food prices and lingering supply disruptions, among others. In parallel, inflation in Mauritius has gathered momentum on the back of higher fuel prices and food products, including local fresh vegetables. In light of these developments, the Bank of Mauritius has revised its inflation projection to around 6.7 per cent for 2022.

Accordingly, the IMF forecasts Mauritius' growth to stabilize around 5.2% in 2022.

Indian Economy[3]

Whilst the International Monetary Fund (IMF) has cut India's economic growth forecast to 9 per cent for the FY 22, joining a host of agencies which have downgraded their projections on concerns over the impact of a spread of new variant of COVID-19 on business activity and mobility, the overall economic activity remained resilient and this is reflected in robust performance of several high frequency indicators like power consumption, PMI manufacturing, exports and e-way bill generation. Once the uncertainty and anxiety caused by the Covid-19 virus recedes from people's minds, consumption will pick up and the demand revival will then facilitate the private sector stepping in with investments to augment production to meet the rising demand.

However, India's economic recovery from COVID-19 is progressing well, with better than expected growth rates, and the trajectory will continue but persistently high oil prices can play spoilsport.

Growth in 2022-23 will be supported by widespread vaccine coverage, gains from supply-side reforms and easing of regulations, robust export growth, and availability of fiscal space to ramp up capital spending. The year ahead is also well poised for a pick-up in private sector investment with the financial system in a good position to provide support to the revival of the economy.

Outlook

The global economy is entering a pronounced slowdown amid fresh threats from COVID-19 variants and a rise in inflation, debt, and income inequality that could endanger the recovery in emerging and developing economies. Despite a steady, albeit uneven, rise in vaccination rates, global COVID-19 cases have been increasing sharply again, most recently driven by the highly transmissible Omicron variant. The rapid spread of the Omicron variant indicates that the pandemic will likely to continue to disrupt economic activity in the near term.

In view of the above, though in longer term the impact of the pandemic remains unclear, the Bank will maintain its focus on supporting customers and the Mauritian economy throughout difficult times while continuing to transform the business for future success.

3: IMF Report, RBI

2. FINANCIAL REVIEW

The COVID-19 crisis has delivered a significant shock to trade, restricting cross-border travel, disrupting international production and supply networks and depressing demand worldwide. However, the global economy has rebounded from the lows of 2020, but its future direction is hazy, even by the standards of economic forecasting.

Consequently, in Mauritius, the economic fallout from the pandemic has been severe in 2020-2021.

Whilst COVID-19 is causing immense disruption to the world economy, the business during the reporting year has been encouraging for SBI (Mauritius) Ltd and we are pleased with the progress we have made during the year. We believe that the response is also paving the way for brighter future for the Bank on sustainable basis.

The performance of the Bank for the financial year 2021-22 has been guided by the pace of global and local economic recovery along with developments in macro-economics, fiscal and monetary policies and swift manoeuvre adopted by the Bank to respond to the changing market scenario.

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

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2.1 PERFORMANCE AGAINST OBJECTIVES

OBJECTIVES FOR FY 2021-22	PERFORMANCE FOR FY 2021-22	OBJECTIVES FOR FY 2022-23
Net Profit To achieve Net Profit after tax (PAT) of USD 10.06 Mio	Achieved Net Profit of USD 12.60 Mio	To achieve Net Profit (PAT) of USD 11.40 Mio
Return on Average Equity (ROAE) To achieve a ROAE of above 6.70%	Achieved a ROAE of 8.61%	To achieve a minimum ROAE of 7.22%
Return on Average Assets (ROAA) Aim to keep a ROAA of above 1.01%	ROAA stood at 1.30%	To achieve ROAA above 1.01%
Net Interest Margin To achieve a NIM of 1.67%	Achieved a NIM of 1.96%	To achieve a NIM of 1.60%
Expense Ratio The Expense Ratio is forecast to increase but remain below 39.34%	The Expense Ratio stood at 35.28%	To keep Expense Ratio below 36.81%
Gross Loans and Advances growth Loans and advances portfolio by around 18.95% over the March 21 level	Loans and advances increased by 11.12%	Loans and Advances to grow by 10.80% over the March 22 level
Deposits growth Growth of 18.06% over Mar 21 level	The Deposit has gone up by 27.18% from the March 21 level.	Deposit to grow by 9.49% from the March 22 level
Investment To forecast a growth of 11.11% over March'21 level	Increased by 1.98%	The investment portfolio to grow by 4.50% over March 22 level
Total Assets Asset growth targeted at minimum of 10.30% over March 21 level	The total asset increased by 13.91%	Total Asset to grow by 10% over March 22 level
Gross NPA Forecast to reduce the Gross NPA to below 3.50%	GNPA stood at 0.16%	To keep GNPA to below 0.50%
Net NPA Forecast to reduce the Net NPA to below 0.50%	Net NPA stood at 0%	To keep Net NPA at 0%
Capital Adequacy Ratio (CAR) CAR around 20%	CAR is at 22.79% as at March 22	CAR around 20 %

2.2 PERFORMANCE HIGHLIGHTS – (Year –on- Year Comparison)

(USD mio)

For the Year	2019-20	2020-21	2021-22
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
Net Interest Income	17.24	14.18	17.56
Non-Interest Income	5.38	5.01	5.40
Total Operating Income	22.62	19.20	22.97
Total Operating Expenses	8.26	7.51	8.10
Profit After Tax	1.32	5.70	12.60
STATEMENT OF FINANCIAL POSITION			
Total assets	845.89	936.95	1067.29
Loans and advances (Net)	467.35	491.20	578.67
Deposits from customers	435.81	510.19	648.85
Total equity	144.66	150.55	153.02
PERFORMANCE RATIOS (%)			
Return on average equity	0.92	3.86	8.61
Loan to deposit ratio	107.24	96.28	89.18
Total operating expenses to total operating income	40.36	39.11	35.28
CAPITAL ADEQUACY RATIO (%)	28.20	26.29	22.79

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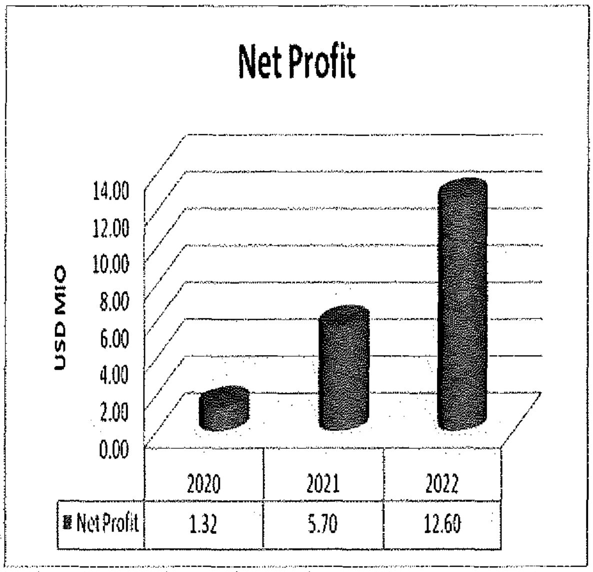
2.2.1 NET PROFIT

Amidst a challenging local and global environment, all our efforts have been on safeguarding of the Bank's transparency and stability, thus, ending the FY 2021-22 with a Net Profit after Tax of USD 12.60 Mio compared to year before results of USD 5.70 Mio, registering an increase of 121.05% 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 8.61 percent and 1.30 percent respectively, as on 31st March 2022 as compared to 3.86 percent and 0.63 percent, as on 31st March 2021.



Results for the financial year 2021-22 has been resilient and SBI (Mauritius) Ltd will continue to work on improving its profitability while maintaining a solid equity base, quality asset, capital ratio and sufficient liquidity.

2.2.2 INCOME ANALYSIS

Total Income for FY 2021-22 increased to USD 22.97 Mio compared to USD 19.20 Mio of the previous financial year, thus registering an increase of 19.64%. The increase in total income can be attributed to increase in Net Interest Income.

A) NET INTEREST INCOME:

NET INTEREST INCOME

Interest Expense	USD Mio
FY 2019-20	14.20
FY 2020-21	6.35
FY 2021-22	3.07

Interest Income	USD Mio
FY 2019-20	31.44
FY 2020-21	20.53
FY 2021-22	20.63

Following the Bank's strategy to develop its loans and advances and investment portfolio further, the Net Interest Income of the Bank has increased on Y-o-Y basis from USD 14.18 mio in FY 2020-21 to USD 17.56 mio in FY 2021-22. While the interest income has increased by USD 0.11 Mio; interest expenses have gone down by USD 3.28 mio due to lower inter-bank borrowing rates as well as lower interest on deposits.

B) NON-INTEREST INCOME:

Other Operating Income	USD Mio
FY 2019-20	0.83
FY 2020-21	1.26
FY 2021-22	1.73

Net Trading Income	USD Mio
FY 2019-20	1.85
FY 2020-21	1.19
FY 2021-22	1.30

NON-INTEREST INCOME

Net Fee and Commission	USD Mio
FY 2019-20	2.70
FY 2020-21	2.57
FY 2021-22	2.37

Non-Interest Income to Total Income stood at 23.53% in FY 21-22 as compared to 26.13% 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.

C) OPERATING EXPENSES

OPERATING EXPENSES

Staff Expenses	USD Mio
FY 2019-20	4.50
FY 2020-21	4.24
FY 2021-22	4.11

Other Expenses	USD Mio
FY 2019-20	3.76
FY 2020-21	3.27
FY 2021-22	3.99

D) COST CONTROL

Cost to Income ratio computed as non-interest expenses over operating income stood at 35.28% in FY 2022 on account of control over the other expenses and staff expenses. In absolute terms the expenses has increased from USD 7.51 mio in FY 2020-21 to USD 8.10 mio in FY 2021-22.

(USD Mio)

	2020-21 Actual	**2021-22 Actual**	**2022-23 Projections**
Staff Costs	4.24	4.11	4.52
Rent, Insurance and Taxes	0.15	0.15	0.18
Communications	0.31	0.32	0.33
Depreciation	0.71	0.77	0.82
Others	2.10	2.75	3.06
Total	**7.51**	**8.10**	**8.91**
Productivity Ratio	**39.11%**	**35.28%**	**36.81%**

While the staff expenses have declined by 3.07% on y-o-y basis from USD 4.24 mio in FY 20-21 to USD 4.11 mio in FY 21-22, other expenses have increased by 7.86%. The decrease was mainly due to strict control over the expenses.

2.2.3 BUSINESS ANALYSIS

A: EQUITY AND LIABILITY MIX

Equity	USD Mio
FY 2019-20	144.66
FY 2020-21	150.55
FY 2021-22	153.02

Customer Deposits	USD Mio
FY 2019-20	435.81
FY 2020-21	510.19
FY 2021-22	648.85

LIABILITY MIX

Borrowings	USD Mio
FY 2019-20	255.17
FY 2020-21	258.85
FY 2021-22	253.20

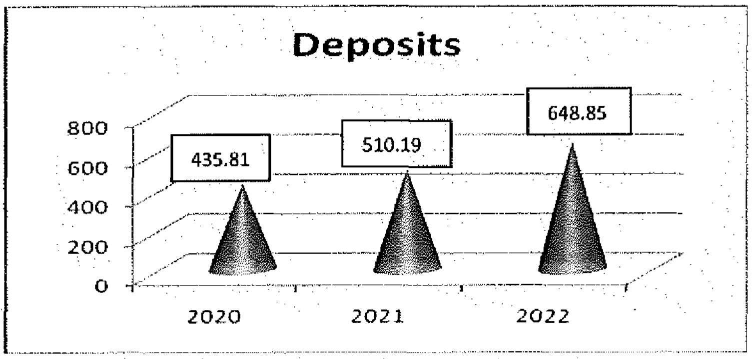
A1: Capital Resources

Capital & Reserves stood at USD 153.02 Mio at March 22 (which includes profit of USD 12.60 Mio for FY 22) as compared to USD 150.55 Mio as at end of March 21.

However, the Bank's Capital Adequacy Ratio stood at 22.79% compared to last year's 26.29% and is well above the regulatory specification of 11.875%.

A2: Deposits

The Bank has experienced an increase in its customer deposits from USD 510.19 Mio as at March'21 to USD 648.85 Mio as at March'22. Moreover, the Bank has been successful in managing the liquidity throughout the year. The Bank was successful in substituting a large part of high cost term deposits (both for segment A and B) resulting in improved Cost of Fund.



A3: Borrowings

The decision by the FATF to remove Mauritius from its grey list has also given a strong boost to the Bank which has been successful in raising borrowing from interbank counterparties at much cheaper rates. The borrowing outstanding as at end of March'22 constitutes of borrowing from parent bank as well as other banks.

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B: Asset Mix

ASSET MIX

USD Mio

Net Loans and Advances	
FY 2019-20	467.35
FY 2020-21	491.20
FY 2021-22	578.67

USD Mio

Investments	
FY 2019-20	249.99
FY 2020-21	260.17
FY 2021-22	265.32

USD Mio

Placements	
FY 2019-20	123.52
FY 2020-21	144.57
FY 2021-22	191.43

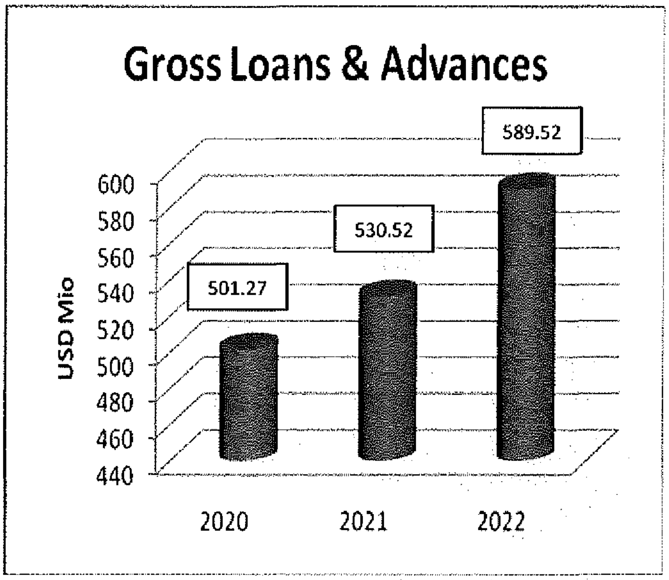
USD Mio

Cash and cash equivalents	
FY 2019-20	101.61
FY 2020-21	156.22
FY 2021-22	196.09

USD Mio

Other Assets (including Derivative Assets)	
FY 2019-20	15.63
FY 2020-21	17.31
FY 2021-22	17.95

B1: Gross Loans & Advances

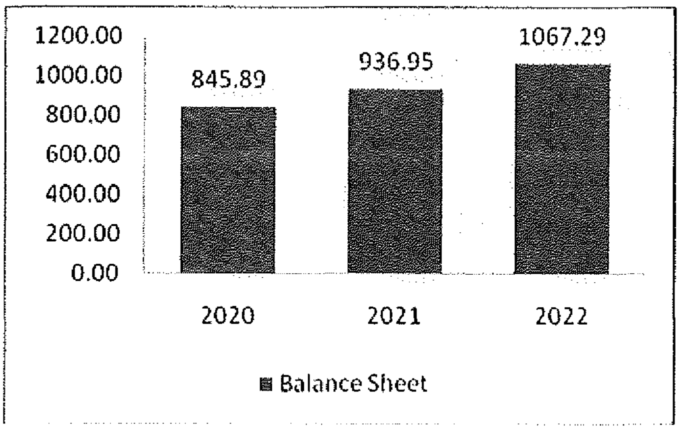


Gross Advances figures went up by 11.12% during FY 2021-22 to USD 589.52 mio against USD 530.52 mio in FY 2020-21. The growth in advances was mainly triggered by domestic segment.

We have adopted cautious approach for building up loan portfolio and is on the lookout for high quality medium to long term assets with emphasis on expansion of our Domestic book. The response to our retail Housing and Car loan products was very encouraging and continues to remain so.

B2: Balance Sheet

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



2.3 CREDIT QUALITY

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

(USD Mio)

Year Ended	Standard Assets	Impaired loans	Total Loans
31/03/2020	447.59	53.68	501.27
31/03/2021	487.86	42.66	530.52
31/03/2022	588.56	0.96	589.52

Gross and net NPAs stood at USD 0.96 Mio and NIL, respectively, as on 31st March 2022 as compared to USD 42.66 Mio and USD 13.69 Mio as on 31st March 2021. The ratio of gross and net NPAs improved to 0.16 percent & 0.00 percent, respectively, as on 31st March 2022 as compared to 8.04 percent and 2.79 percent, respectively, as on 31st March 2021.

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 2021-22 is given below:

(USD Mio)

Gross NPA	
As on 31st March 2021	**42.66**
Less: Recovery	14.00
Up gradation	0.11
Write-Off	27.89
Exchange Fluctuation	0.04
Add: Slippages (Addition)	0.34
Add: Increase in Existing NPLs during the period	0.00
As on 31st March 2022	**0.96**

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

(USD Mio)

	Year Ended 31st March 2022					31.03.21	31.03.20
	Gross amount of Loans	**Impaired loans**	**ECL allowances Stage 3**	**ECL allowances Stage 1 &2**	**Total allowances for credit impairment**	**Total allowances for credit impairment**	**Total allowances for credit impairment**
Agriculture and fishing	35.82	0.07	0.07	0.51	0.58	0.50	0.45
Manufacturing	64.76	0.00	0.00	1.96	1.96	3.74	3.70
Tourism	14.01	0.00	0.00	0.31	0.31	0.35	0.42
Transport	18.19	0.05	0.05	0.23	0.29	19.89	14.65
Construction	61.89	0.57	0.57	1.23	1.80	1.51	5.47
Financial & business services	84.10	0.00	0.00	0.98	0.98	10.74	7.30
Traders	54.26	0.23	0.23	0.62	0.85	0.43	0.32
Personal	2.51	0.00	0.00	0.06	0.06	0.06	0.06
Professional	9.05	0.00	0.00	0.13	0.13	0.00	0.00
Global Business License holders	92.18	0.00	0.00	0.94	0.94	0.66	1.00
Others	14.54	0.04	0.04	0.77	0.81	0.04	0.09
Interest receivable	1.78	0.00	0.00	0.00	0.00	0.00	0.00
Total Advances*	**453.09**	**0.96**	**0.96**	**7.74**	**8.71**	**37.91**	**33.47**

* Excluding loans and advances to banks.

2.4 CAPITAL ADEQUACY

As per Basel III framework, banks are required to hold capital for the following three risk areas:

a) Credit Risk
b) Market Risk
c) Operational Risk

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

The Bank of Mauritius requires each bank to:

- Hold a minimum level of the regulatory Capital of MUR 400 Mio.
- Maintain a ratio of total regulatory capital to risk weighted assets (CAR) at or above the internationally agreed minimum of 10 percent. The minimum Total CAR plus Capital Conservation Buffer required to be maintained up to 31.03.2022 is 11.875 percent.

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

The Capital Adequacy Ratio computed as per Basel III for FY 2021-22 stood at 22.79 percent (FY 2020-2021: 26.29%) and were well above the minimum capital adequacy ratio of 11.875 percent prescribed by the regulator. The details are given below:

	(USD Mio)
Total on-balance sheet risk-weighted credit exposures	668.49
Total non-market–related off-balance sheet risk-weighted credit exposures	0.00
Total market-related off-balance sheet risk-weighted credit exposures	0.29
Risk weighted assets for operational risk	32.39
Aggregate net open foreign exchange position	3.95
Total risk weighted assets (A)	**705.12**
Total Capital Base (B)	**160.66**
Capital Adequacy Ratio (B/A) (percent)	**22.79%**

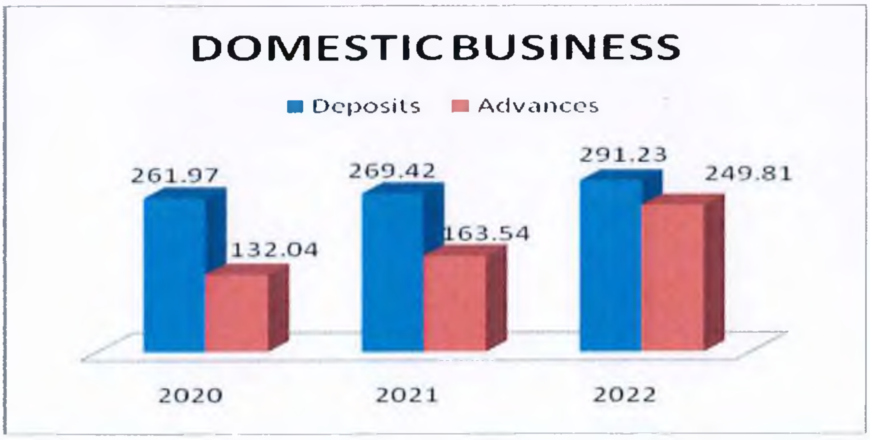
As on	31.03.2020	31.03.2021	31.03.2022
Tier 1			
Share Capital	48.63	48.63	48.63
Share Premium	54.08	54.08	54.08
Statutory Reserve	24.23	25.08	26.97
General Reserve	0.60	0.60	0.60
Retained Earnings	17.95	22.81	28.65
Less (Deferred tax)	(2.11)	(2.14)	(0.66)
Revaluation of Retired Benefits			
Obligations/AFS	(0.94)	(0.75)	(6.02)
Total	**142.44**	**148.31**	**152.25**
Tier 2			
Undisclosed Reserve	0.05	0.05	0.05
Portfolio Provisions	6.08	6.90	8.36
Total	6.13	6.95	8.41
Total Gross Capital (Tier 1 plus Tier 2)	**148.57**	**155.26**	**160.66**
CAPITAL ADEQUACY RATIO (%)	**28.20**	**26.29**	**22.79**

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

2.5 REVIEWS BY BUSINESS LINES/SEGMENTS

2.5.1: Domestic Business (Segment A) (USD mio)

As at 31st March	2020	2021	2022
Deposits	261.97	269.42	291.23
Advances (Gross)	132.04	163.54	249.81

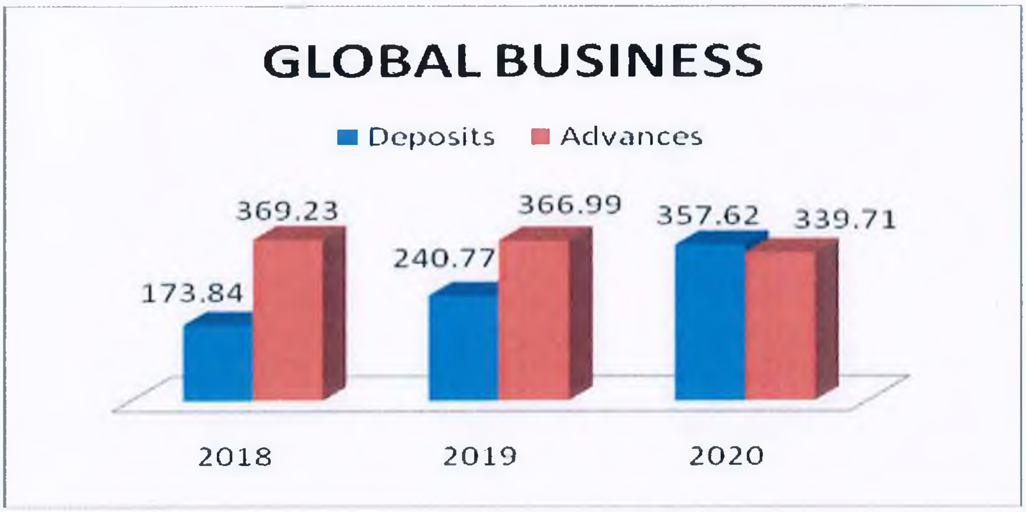


Deposits in Domestic Business Segment have increased by 8.10% to USD 291.23 mio against USD 269.42 mio year before. The Gross Advances have also increased by 52.75% to USD 249.81 mio against USD 163.54 mio year before. The focus was on resolving high value NPAs and to enforce credit discipline.

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

2.5.2: Global Business (Segment B) **(USD mio)**

As at 31st March	2020	2021	2022
Deposits	173.84	240.77	357.62
Advances (Gross)	369.23	366.99	339.71

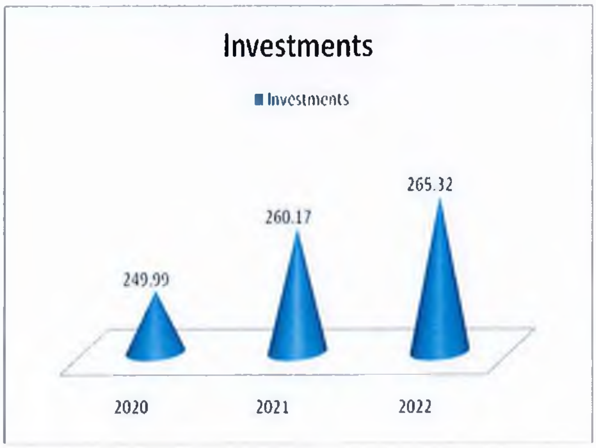


Global Banking Business constitutes more than 55.12% of Deposits and more than 57.62% of Advances of the Bank. The Bank has restrategized to selectively build the loan book in medium term to long term tenors.

2.5.3: Treasury & Investments

(USD mio)

As at 31st March	2020	2021	2022
Investments	249.99	260.17	265.32
Net Trading Income	1.85	1.19	1.30



Investments portfolio has increased by 1.98% during FY 2021-22. The investments were done for the purpose of management of mandatory requirement of HQLAs as well as effective utilization of the excess liquidity in the bank.

As a sizeable portion of our investments are held in HQLAs to meet the LCR requirement which keeps on fluctuating as per the LCR need and hence being managed for best possible use of the resources.

2.5.4: HUMAN RESOURCES

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

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

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

The health and safety of our employees are also of utmost importance. We are continuing to provide the sanitary measures to our employees through sanitizer, cleaning material and desk separators for the smooth running of operations.

2.5.5: DIGITAL TRANSFORMATION

Digital transformation challenges the traditional models and brings about a paradigm shift in the way the banking is done today. Open Banking, Smart Banking and Omni-channel banking are some of the transformational models that are bringing the fundamental shift in banking and the customer behaviour. The Bank has implemented the following transformative projects to make a positive impact on the banking landscape in Mauritius.

In our endeavour to give our customers a uniform digital experience, we launched YONO Portal for our retail customers in the lines of YONO mobile app. YONO Portal was developed using agile development tools with functionalities such as Account Information, Funds Transfer, Green PIN generation for debit cards, INR remittances, Lead Generation for new customers etc. Being a global bank, we have also integrated YONO App with the SBI (India) Core Banking System, to provide an Omni channel experience to the customers having SBI India account. YONO has been very well appreciated by our customers and has successfully changed the banking behaviour of our customers from branch banking to smart banking. We also rebranded our branch at Trianon mall as YONO Digital Branch to promote the digital initiatives of the Bank.

Globally, banks have adopted open banking solutions to provide seamless banking experience to the customers through API sharing and integration. During FY 21-22, we also rolled out consent registration in our Instant Payment System (IPS) system which is integrated with the MauCAS (Mauritius Central Automated Switch) platform of Bank of Mauritius. This gives our customers a seamless 24*7*365 access to the local payment system. As part of IPS, we have also opened our API gateways and integrated with POP App i.e., the only digital universal payment solution app in Mauritius and have shown our solidarity to the regulator's vision of a secure, cashless, open banking system. The integration with POP App enable our customers to have round the clock, instant, peer-to-peer MUR funds transfer within Mauritius and also provide various bill payment options.

> Digital transformation is a cultural change and a driver of business innovation. It is dynamic and challenges status quo that ultimately bring value to the customers.

Besides bringing changes in the customer facing applications of the Bank, we have also initiated projects for our back office automation for increasing productivity at work place. While undertaking such projects, we ensure that the information security aspects are well incorporated and validated at the highest levels. Further, in our endeavour to scale new heights in the digital transformation and inclusion, we have partnered with CERT-MU, working under the aegis of National Computer Board of Mauritius for validating and attesting our information security framework.

The management of SBI (Mauritius) Ltd is aware of these rapidly changing paradigms and are constantly experimenting with different strategies and innovating to provide the best-in-class customer service and orchestrate customer delight across all the touch points.

2.6 CREDIT EXPOSURE

The Bank has a proactive Loan Policy, which has been formulated in response to the various provisions of the guidelines issued by the Bank of Mauritius and also in line with the Bank's objective of managing its Credit Risk.

The loan policy 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 and is also guided by the highest standards of commercial prudence and ethical business practices. While formulating the loan policy, the overall risk appetite of the Bank has been taken into consideration.

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

2.7 Capital Management

The Bank's objectives while managing its capital are:

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

No fresh capital was injected during the financial year ended 31st March 2022. The Bank's capital however, has increased on account of plough back of the profits. The capital adequacy remained higher, well above the regulatory requirements and will support the bank's growth objectives stated for current fiscal.

2.8 ADHERENCE TO BASEL III RULES

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

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

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

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

The Bank of Mauritius via a circular issued on 11th January 2021 advised that the implementation of the capital conservation buffer of 2.5 percent has been deferred to 1 April 2022 and banks will be required to maintain a capital conversation buffer of 1.875% until 31st March 2022. Total CAR plus Capital Conservation Buffer required to be maintained for the year ended 31st March 2022 shall be 11.875 percent.

As of 31.03.2022, the Bank is complying with the regulatory guidelines and our ratios as at 31st March 2022 stands as under as compared to the stipulations.

Actual information:	**As per time table**	**Actual 31.03.2022**
Minimum CET 1 CAR	6.50%	21.59%
Minimum CET 1 CAR plus Capital Conservation Buffer	8.38%	21.59%
Phase-in of deductions from CET 1	100%	NA
Minimum Tier 1 CAR	8.00%	21.59%
Minimum Total CAR	10.00%	22.79%
Minimum Total CAR plus Capital Conservation Buffer	11.875%	22.79%

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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	28,648,761	
Accumulated other comprehensive income and other disclosed reserves (excluding revaluation surpluses on land and building assets)	27,576,785	
Common Equity Tier 1 capital before regulatory adjustments		158,930,796
Deferred tax assets	661,149	
Other Adjustments to Common Equity Tier 1 capital: Actuarial loss Reserve and FV Reserve)	6,014,987	
Total regulatory adjustments to Common Equity Tier 1 capital		6,676,136
Common Equity Tier 1 capital (CET1)		152,254,660
Tier 1 capital (T1 = CET1 + AT1)		152,254,660
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)	8,359,769	
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		8,408,482
Tier 2 capital (T2)		8,408,482
Total Capital (capital base) (TC = T1 + T2)		160,663,142
Total risk weighted assets		**705,119,938**
Capital ratios (as a percentage of risk weighted assets)		
CET1 capital ratio		21.59%
Tier 1 capital ratio		21.59%
Total capital ratio		22.79%

(USD mio)

Reconciliation to Financial statements	Balance sheet as per published financial statements as on 31.03.2022
	As at period end
Assets	
Cash and cash equivalent	196.09
Loans and advances to banks	133.28
Loans and advances to customers	445.39
Investment securities	265.32
Derivative assets	0.03
Property, plant and equipment	7.64
Rights-of-use	0.96
Current tax assets	-
Deferred tax assets	0.66
Other assets	17.91
Total assets	**1067.29**
Liabilities	
Deposits from customers	648.86
Other borrowed funds	253.20
Current tax liabilities	0.83
Lease Liabilities	0.88
Retirement benefit obligations	4.81
Other liabilities	5.69
Total liabilities	**914.27**
Shareholders' Equity	
Share capital and share premium	102.71
of which amount eligible for CET1	102.71
Retained earnings	28.65
Other reserves	21.67
Accumulated other comprehensive income	-
Total equity	**153.02**
Total equity and liabilities	**1067.29**

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 2022**			
	Amount before CRM USD'000	**Amount After CRM USD'000**	**Risk Weight Bracket %**	**Weighted Assets USD'000**
Cash items	1,684	1,684	0	0
Claims on sovereigns	63,162	63,162	0-150	0
Claims on Bank of Mauritius	113,490	113,490	0-150	0
Claims on multilateral development banks (MDBs)	15,424	15,424	0-150	0
Claims on banks	326,502	326,502	20-150	200,400
Claims on non-central government public sector entities (PSEs)	33,485	33,485	20-150	16,743
Claims on all other PSEs	72,225	72,225	20-150	72,225
Claims on corporate	378,508	326,740	20-150	305,854
Claims included in the regulatory retail portfolio	17,778	16,378	75	12,283
Claims secured by residential property	38,390	38,390	35-125	43,618
Claims secured by commercial real estate	3,748	3,748	100-125	3,748
Past due claims	964	964	50-150	729
Fixed assets/Other assets	12,854	12,854	100-250	12,854
Total	**1,078,214**	**1,025,046**	-	**668,494**

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

Risk-weighted off-balance sheet assets	**Amount before CRM USD 000**	**Amount after CRM USD 000**	**Risk Weight Bracket (%)**	**Weighted Assets USD 000**
Direct credit substitutes	9537	0	100	0
Transaction-related contingent items	11874	0	50	0
Trade-related contingencies	3,680	0	20-100	0
Other commitments	21,182	21,182	0-100	0
Total	**46,273**	**21,182**	-	**0**

3. RISK MANAGEMENT POLICIES AND CONTROLS

A. Overview

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

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

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

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B. Risk Governance Structure

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

B.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;

- 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; and
- Review of pending court and fraud cases.

B.2 Asset Liabilities Committee (ALCO)

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

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

B.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;
- Status of KYC Compliance and updation;
- Incidence of Cyber Crimes/Frauds;
- Status of Irregularity Reports & Control Returns;
- Internal Audit Irregularities;
- Compliance Audit Irregularities; and
- Report on Frauds & Penalties.

C: Risk Composition

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

D. Management of Key Risks

D.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.

D.1.1 Credit Risk

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

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

Loan Policy:

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

CRA System:

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

Country Risk Exposure Limit Policy:

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

Policy on Related Party Transactions:

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

Cross-Border Exposure Policy:

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

IFRS-9 ECL Provisioning Policy:

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

- The policy provides brief overview of underlying important concepts under IFRS 9 and the approach adopted to develop the ECL Model for the Bank, which serves as a foundation and guidance for implementation of the Model in our Bank. IFRS 9 reinforces the risk mitigation process through internal controls and credit monitoring.
- IFRS 9 'Expected Loss Model' is forward-looking and more aligned to prudential regulation with regard to Credit Risk Management and eliminates the delays in recognition of credit losses.

- The adoption of IFRS 9 has enabled Bank to enhance its internal control system with a better end-to-end management on an ongoing basis, which is critical to avoid unintended consequences. In addition, IFRS 9 implementation has enhanced the quality of risk assessment of our portfolios while still delivering a consistent customer experience within set risk parameters.

D.1.2 Concentration Risk

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

The top six single borrowers of the Bank as on 31.03.2022 are as below:

Borrower	Exposure as on 31.03.2022 (in USD mio)	% of Bank's Tier-I Capital as on 31.03.2022
Borrower 1	33.49	22.00%
Borrower 2	27.16	17.84%
Borrower 3	25.00	16.42%
Borrower 4	25.00	16.42%
Borrower 5	25.00	16.42%
Borrower 6	24.00	15.76%

D.1.3 Credit Risk Identification, Assessment and Measurement

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

- Industry scenario analyzed by Business departments;
- Credit Risk Assessment (CRA) Models used for commercial units with exposure of and above MUR 10 mio. Credit risk rating is worked out as soon as the audited balance sheet of the company is received. This facilitates an independent and objective risk rating without influence of operations/ budgetary considerations;
- For Retail Banking exposures, Debt to Income ratio and Loan to Value ratio is computed as per Regulatory guidelines;

- External Ratings (ECRA) is factored for the Global Business loans to large corporates. The Bank 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; and
- Key Risk Indicators on Credit Risk Management and compliance with Policy prescriptions are measured and put up to ORMC/RCOM.

D.1.4 Credit Risk Monitoring

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

D.1.5 Restructured/Rescheduled Exposures:

BoM had introduced a series of measures under a Support Programme to assist households and businesses impacted financially by Covid-19 in alleviating cash-flow problems and ensuring business continuity. One of the measures, besides extending line of credits, was allowing commercial banks to grant moratorium up to 30.06.2022 on capital and interest repayments of existing loans to households and economic operators. As directed by BoM, the Bank granted moratoriums to all eligible borrowers who requested for moratorium. The details of the accounts that have been rescheduled by giving moratorium under BoM scheme are as below:

No of Accounts	**Outstanding as on 31.03.2022 (in USD mio)**
104	8.89

As the cumulative outstanding amount of all loans that are under moratorium is quite low, no significant impact is expected on credit impairment allowances or on present and future earnings.

D.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. The Bank 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.

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. The Bank 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 the previous 36 months in regard to the sources and volatility of the deposits and this study is put to MD & CEO on monthly basis.

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Liquidity Coverage Ratio (LCR)

Particulars	Regulatory Prescription	Actual Position as on 31st March 2022
LCR in MUR	100%	318%
LCR in USD	100%	258%
Consolidated LCR	100%	316%

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

Investment Policy:

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

Derivatives Policy:

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

Interest Rate Risk Management:

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

EaR Analysis

Interest Rate Movement	Impact on Earnings (in USD Mio)
+25	0.24
-25	-0.24
+50	0.49
-50	-0.49
+75	0.73
-75	-0.73
+100	0.97
-100	-0.97

Bank Exposure Limit Policy:

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

Risk Participation Policy:

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

Foreign Exchange Risk:

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

D.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.

The Bank 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 the Bank 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 the Bank's services/ products/ processes, besides ensuring compliance with regulatory requirements.

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

D.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.

D.4.1 Enterprise Risk Management (ERM) Policy:

The Bank 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.

D.4.2 Risk Appetite:

The Bank defines risk appetite as the aggregate type and level of risk it is willing to assume within its risk capacity to achieve its strategic objectives and business plan. With the objective of maintaining a sound risk profile, the Bank has developed a Risk Appetite Framework incorporating limits for major risk metrics which provides guidance to acquire, retain, avoid and / or remove risks from operations. The Risk Appetite Statement (RAS) sets out risk strategies with defined types and levels of risks that 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.

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.

D.4.3 Internal Capital Adequacy Assessment Process (ICAAP):

The Bank conducts a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) exercise on a yearly basis with respect to adequacy of Capital under normal and stressed conditions. The Pillar 2 risks, such as Liquidity Risk, Interest Rate Risk in Banking Book (IRRBB), Concentration Risk and others along with the Pillar 1 risks such as Credit, Market and Operational risks are covered under ICAAP. The ICAAP document has been developed to review annually all material risks faced by the Bank 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 the Bank'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.

D.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.

D.6 **Quantitative Disclosures:**

(a) **Gross Credit Risk Exposures**

Particulars	Amount (in USD mio)
Fund Based Exposures	1,066.56
Non-Fund Based Exposures	79.20
Total Gross Credit Exposures	1,145.76

(b) **Geographical Distribution of Exposures (Top 10 countries)**

S. No.	Name of Country	Exposure (in USD mio)	Exposure as % of Tier-I Capital
1	Mauritius	623.56	409.55%
2	India	339.08	222.71%
3	South Africa	48.42	31.80%
4	USA	33.79	22.20%
5	UAE	25.65	16.85%
6	Sweden	16.00	10.51%
7	UK	15.94	10.47%
8	Philippines	10.28	6.75%
9	Qatar	10.28	6.75%
10	Hong Kong	10.01	6.57%

(c) **Industry wise Distribution of Loan Portfolio (Top 10 Sectors)**

S. No.	Industry / Sector	Fund Based Exposure (in USD mio)	Exposure as % of Tier-I Capital
1	Financial and Business Services	219.38	144.09%
2	GBL Licence Holders	92.18	60.55%
3	Manufacturing	64.75	42.53%
4	Construction	61.89	40.65%
5	Traders	54.26	35.64%
6	Agriculture and Fishing	35.82	23.53%
7	Transportation	18.19	11.95%
8	Others	15.30	10.05%
9	Tourism	14.01	9.20%
10	Professional Services	9.05	5.94%

4. INSPECTION & AUDIT

The Bank's Internal Audit Department operates under the Internal Audit Charter and Internal Audit Policy approved by the Audit Committee of the Board of Directors. The Department conducts audits and inspections of the retail branches, Global Business Branch, Corporate Banking, Trade Finance, Treasury and other Head Office departments/functions in accordance with the annual Internal Audit Plan approved by the Audit Committee. Concurrent audits are conducted quarterly for selected branches/departments and special audits/assignments are conducted as needed to focus on specific risk areas. Cash verifications are also carried out on a surprise basis at retail branches periodically. Full audits to verify compliance with Know Your Customer (KYC) principles and AML&CFT requirements are also at the centralised processing units at the Head Office on a regular basis. Risk-based auditing has been introduced to focus on key internal controls, regulatory requirements and key risks areas across the Bank.

The accuracy, completeness and validity of transactions and documents are examined as part of internal audits and inspection, as well as compliance with policies, procedures, manuals and guidelines using a risk-based approach. The coverage in terms of key risks

includes operational risk, compliance risk, credit risk, reputational risk, interest rate risk, foreign exchange risk, liquidity risk, information technology risks as well as adherence to management controls for internal reporting/delegation of authority/segregation of duties and general administration. The audit reports provide insights into the design and operating effectiveness of the Bank's internal controls, compliance with internal and external requirements and the risk management framework.

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

On-Site Examination under Section 42 of the Banking Act 2004 was conducted by the Bank of Mauritius and the final examination report was issued to Management in October 2021. Our parent bank, The State Bank of India, also periodically conducts Management Audit of SBI (Mauritius) Ltd.

5. COMPLIANCE DEPARTMENT

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

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

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

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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;
- Any entity in which the financial institution has significant interest, excluding a subsidiary of the financial institution.

Category 3

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

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 paragraph 4 of the "Guidelines on standardized Approach to Credit Risk for a zero percent risk weight.
- A credit exposure to parastatal bodies and to an entity in which Government has more than 50 per cent shareholding;
- Interbank transactions as part of treasury operations;
- Credit exposures representing less than 2 per cent of the financial institution's Tier 1 capital, and
- Category 3 type of related party exposures.

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

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

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

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

Related Party	**Exposure (USD in Mio)**	**Type of Exposure**	**% of Tier 1 capital**
Parent Bank/Branches	18.91	Bill Discounting against LC issued by State Bank of India CAG Mumbai	12.42%
Parent Bank/Branches	4.73	Buyer's credit against counter guarantee of State bank of India CAG Kolkata	3.11%
Parent Bank/Branches	2.29	Buyer's credit against counter guarantee of SBI Specialised Commercial Br Chandigarh	1.50%
Parent Bank/Branches	2.74	Buyer's credit against counter guarantee of State Bank of India Ahmedabad	1.80%
Parent Bank/Branches	1.42	Buyer's Credit against counter guarantee of State Bank of India Corporate Centre State bank	0.93%
Parent Bank/Branches	1.22	Buyer's Credit against counter guarantee of State Bank of India (corporate accounts group branch Chennai (Madras)	0.80%

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

We further confirm that:

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

(b) The aggregate of credit exposures to and investments in equity shares of all related parties in Category 1 and Category 2, other than investments in subsidiaries and associates, does not exceed 150 per cent of the financial institution's Tier 1 Capital.

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

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 practices in corporate governance and has complied with the requirements of the national code on Corporate Governance for Mauritius and Bank of Mauritius guideline on Corporate Governance. The Bank believes that proper corporate governance facilitates effective management and control of business enabling the Bank to optimize the value for all its shareholders, to protect their interests as well as that of other stakeholders.

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

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

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

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8. OUTLOOK FOR 2022-23

COVID-19 has shown just how delicate 'confidence' is and, the economy and banking sector is built on 'confidence'.

Though we notice the economic outlook brightening gradually, both at global and domestic front, boosted by the global vaccine rollout, gradual re-opening and government stimulus, the banking industry is faced with a challenging environment with tepid growth and lower economic activity.

Still, we at SBI (Mauritius) Ltd, believe that the initial steps have already witnessed success with the Bank's business improving in various parameters amid the pandemic outbreak and instil the vibe among the team members to keep the momentum ahead.

The true measure of an organization can often best be seen when it faces tough challenges, and the team at SBIML has performed magnificently.

Notwithstanding the uncertainty of the external environment, however, we are confident that our business will continue to surpass our earlier benchmarks and achieve new milestones while making headways in newer opportunities. It has been a journey worth being a part of and nothing says that as aloud as faith is in our vision of growth, we will continue to be rewarding for years to come.

With the continued support and trusts placed, SBI Mauritius Ltd is hopeful about its future and look forward to bigger and better things ahead, by saying that belief and persistence are vital currencies at any point in life; more so now at this difficult period.

So, keep believing in SBIML and we will make the difference.

Bibhu Prasad Mishra
Chief Operating Officer

Sudhir Sharma
Managing Director & CEO