RESILIENCE & BEYOND

SBM

SBM BANK (MAURITIUS) LTD

ANNUAL REPORT 2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Visvanaden Soondram (Acting Chairperson)

Mr Jean Paul Emmanuel Arouff

Mr Coomarah Chengan

Mrs Imalambaal Kichenin

Mr Eric Michel Georges Leal

Mr Roodesh Muttylall

Mr Rajcoomar Rampertab

Mr Muhammad Azeem Salehmohamed

Ms Oumila Sibartie

Mr Ranapartab Tacouri

Mr Jorge Stock (also Bank's Officer-in-Charge)

SECRETARIES TO THE BOARD

Ms Preshnee Ramchurn

Mrs Bharti Bolah-Chowtee

REGISTERED OFFICE

SBM Bank (Mauritius) Ltd
SBM Tower,
1, Queen Elizabeth II Avenue,
Port Louis
Mauritius

AUDITORS

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

The Directors of SBM Bank (Mauritius) Ltd are pleased to present the Annual Report for the year ended 31 December 2020. The Annual Report was approved by the Board of Directors on 15 April 2021.

Mr VISVANADEN SOONDRAM
Acting Chairperson

Mr JORGE STOCK
Officer-in-Charge

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ABOUT SBM

ABOUT SBM

WHO WE ARE

SBM Bank (Mauritius) Ltd (the "Bank") is the flagship bank of SBM Holdings Ltd, one of the leading financial groups in Mauritius with a well-established regional presence in Kenya, India and Madagascar. Since its creation in 1973, the Bank has paved its way to become one of the leading banks in the country with an excellent geographic presence comprising of 40 branches and 4 counters in both Mauritius and Rodrigues and employing over 1,500 staff. Its domestic market share as at 31 December 2020 stood at 27 percent for total advances (excluding GBLs and non-residents) and 21 percent for total segment A deposits.

WHAT WE DO

The Bank services a wide range of customer segments comprising of Retail, Private Banking & Wealth, SME, Corporate, International, Financial, Government and Non-government Institutions through multichannel capabilities including branches, Internet and Mobile Banking solutions, ATMs, POS terminals, e-commerce gateways, and digital products and services such as SBM Pocket, SBM easy-pay, SBM ShopNCash, Private Banking & Wealth Management portal, Custody Client Portal, Online Loan Application, e-Statement and SBM Now amongst others. All these services allow the Bank's customers to enjoy a seamless banking experience anywhere, anytime.

Mission

To achieve strong and sustainable returns for our shareholders, meet the relevant needs of our stakeholders and support the development of the community at large.

Vision

To be one of the leading and trusted financial services providers in our geographies of presence, driven by innovation and technology.

Values

- Customer centricity
- Trustworthiness
- Integrity
- Respect
- Prudence

ABOUT SBM (CONT'D)

SBM BANK AT A GLANCE

~540,000
Number of customers

1,520
Number of employees

44
Number of branches & counters

123
Number of ATMs

~115,000
Number of Internet Banking customers

~70,000
Number of Mobile Banking customers

~95,000
Number of SMS Banking customers

~370,000
Number of Debit Card users

~55,000
Number of Credit Card users

~35,000
Number of Prepaid Card users

~3,450
Number of POS and mPOS

~85,000
Number of eStatement users

* *figures as at 31 December 2020*

ABOUT SBM (CONT'D)

AWARDS

BEST BANK OF THE YEAR – MAURITIUS 2020
The Global Economics Awards 2020

BEST BANK IN MAURITIUS 2020
Global Finance

BEST CUSTOMER CENTRIC BANK – MAURITIUS 2020
The Global Economics Awards 2020

PROCESS INNOVATION AWARD
Infosys Finacle Client Innovation Awards 2020

BEST PRIVATE BANK IN AFRICA FOR EXCELLENCE IN CRISIS: CLIENT SERVICES
Global Finance World's Best Private Bank Awards 2021

ACHIEVEMENT

Ranked **42nd** among the Top 200 African Banks by The Africa Report 2020 edition

ABOUT SBM (CONT'D)

KEY FINANCIAL HIGHLIGHTS

	Year December 2020	Year December 2019 [a]	Year December 2018 [a]
Shareholder's equity (MUR million)	**19,796**	18,065	17,491
Capital adequacy ratio (%)	**15.9**	14.8	15.3
Tier 1 Capital adequacy ratio (%)	**14.3**	13.1	13.7
Profit before income tax (MUR million)	**1,747**	1,001	2,262
Profit from continuing operations (MUR million)	**1,454**	500	1,581
Profit for the year (MUR million)	**1,454**	500	673
Return on average assets (%)[b]	**0.7**	0.3	0.9
Return on average risk-weighted assets (%)[b]	**1.3**	0.5	1.6
Return on average shareholder's equity (%)[b]	**7.7**	2.8	8.6
Return on average Tier 1 capital (%)[b]	**9.8**	3.7	12.5
Credit deposit ratio (%)	**58.3**	61.8	67.7
Cost to income (%)	**35.3**	42.9	34.2
Gross impaired advances to gross advances (%)[c]	**11.1**	7.6	9.4
Net impaired advances to net advances (%)[c]	**2.6**	2.5	5.3
Electronic to gross transactions (%)	**94**	93	88

[a] December 2019 and 2018 figures have been restated.
[b] Averages are calculated using year-end balances.
[c] Advances used in calculation for December 2019 and 2018 are net of cash collaterals.

ABOUT SBM (CONT'D)

BOARD OF DIRECTORS

Acting Chairperson (also Deputy Chairperson)

Mr Visvanaden Soondram

Non-Executive Directors

Mr Coomarah Chengan
Mrs Imalambaal Kichenin
Mr Eric Michel Georges Leal
Mr Rajcoomar Rampertab
Ms Oumila Sibartie
Mr Ranapartab Tacouri
Mr Jean Paul Emmanuel Arouff
Mr Roodesh Muttylall
Mr Muhammad Azeem Salehmohamed

Executive Director

Mr Jorge Stock

Secretaries to the Board

Ms Preshnee Ramchurn
Mrs Bharti Bolah-Chowtee

ABOUT SBM (CONT'D)

BOARD COMMITTEES

Each Board Sub-committee has its own terms of reference approved by the Board which, along with the Board Charter, are reviewed on an annual / regular basis. The Board Sub-committees of SBM Bank (Mauritius) Ltd consists only of directors, as hereunder:

AUDIT COMMITTEE	CORPORATE GOVERNANCE & CONDUCT REVIEW COMMITTEE	REMUNERATION & NOMINATION COMMITTEE
Mrs Imalambaal Kichenin *Chairperson*	Mr Rajcoomar Rampertab *Chairperson*	Mr Rajcoomar Rampertab *Chairperson*
Mr Eric Michel Georges Leal	Mr Coomarah Chengan	Mr Jean Paul Emmanuel Arouff
Mr Ranapartab Tacouri	Mr Visvanaden Soondram	Mrs Imalambaal Kichenin
	Mr Ranapartab Tacouri	Ms Oumila Sibartie
	Mr Jorge Stock	Mr Jorge Stock

RISK MANAGEMENT COMMITTEE	STRATEGY COMMITTEE
Ms Oumila Sibartie *Chairperson*	Mr Muhammad Azeem Salehmohamed *Chairperson*
Mr Eric Michel Georges Leal	Mr Jean Paul Emmanuel Arouff
Mr Roodesh Muttylall	Mr Coomarah Chengan
Mr Muhammad Azeem Salehmohamed	Mrs Imalambaal Kichenin
Mr Visvanaden Soondram	Mr Eric Michel Georges Leal
Mr Jorge Stock	Ms Oumila Sibartie
	Mr Jorge Stock

Composition of Board Committees as at March 2021

ABOUT SBM (CONT'D)

MANAGEMENT TEAM

The Executive Forum is the seniormost Management Forum with authority delegated by the Board and is responsible for the delivery of the strategic objectives and day-to-day business of the Bank.

Members of Executive Forum / Senior Management

Mr Jorge Stock
Executive Director, Bank's Officer-in-Charge and Chief Operating Officer

Mrs Veronique Lim Hoye Yee
Credit Underwriting

Mr Sanjaiye Rawoteea
Consumer Banking

Mr Norman Fon Sing
Corporate Domestic Banking

Mr Teddy Kian Lim Aling
Finance, Procurement and ALM & Capital Management

Other Key Members of Management

Mr Balkrishna Jhurry
Corporate International Banking

Mr Percy Philips
Retail, SME & Microfinance Banking

Ms Deorani Khelawon
Cards & Payments

Mrs Anju Devi Issur
Financial Markets

Mrs Ragini Gowrisunkur
Custody

Mr Bye Samah Ghoora
Microfinance Banking

Mr Nandrajen Mooneesawmy
Legal & Credit Recovery

Mr Ashwin Ramphul
Information Technology

Mr Rajan Mooroogan
Information Technology

Mr Girish Mehta
IT Security

Mrs Rita Devi Gujadhur
Strategy & Data Analytics

Mr Neelesh Sharma Sawoky
Internal Audit & Inspection

Mr Jacques Sylvain Prefumo
Business Continuity Management

Mrs Kamlawtee Davi Naga
Human Resources

Mrs Linita Jyoti Sharma Kim Currun
Service Excellence, Complaints & Contact Centre

Mrs Latasha Jugroo
Compliance

Mr Shailendre Bheeka
Risk Management

Mrs Malinee Devi Ramlagun
Credit Monitoring

Mr Baldeo Bansram
Operations Centre

Mr Prakash Sharma Tany
Facilities Management

ACTING CHAIRPERSON'S LETTER

ACTING CHAIRPERSON'S LETTER

Dear Valued Stakeholders,

The Board is pleased to present to you the Annual Report of SBM Bank (Mauritius) Ltd for the financial year 2020.

As we embark on year 2021, which brings its share of challenges and opportunities with the COVID-19 pandemic still predominating the global scene, we can clearly affirm that year 2020 has been a deeply impactful one as it triggered a large-scale spread of the virus across the globe, taking governments, corporates and people by surprise, and causing sweeping transformation in economies and societies. And while the world is still going through the pandemic and trying to cope with the "new normal" induced by the virus, the latter keeps on mutating, thus catching up with scientific communities worldwide who have managed to create the first-generation of COVID-19 vaccines.

Though Mauritius has not been spared and that we are, once again this year, hit by the pandemic, we all recognise the fact that the government and public authorities are skillfully managing the situation in the country. We hopefully wish that the large-scale vaccination programme launched by the authorities will enable us to resume a normal life soon.

From an economic perspective, consequences of COVID-19 have been unprecedented. On the international front, the global economy contracted by 3.3 percent in 2020 (IMF, World Economic Outlook, April 2021). Assuming a widespread vaccine roll-out throughout the year, the world economy is forecasted to expand by around 6.0 percent in 2021 according to latest IMF projections. The Mauritian economy has been estimated by Statistics Mauritius to shrink by 14.9 percent in 2020, for the first time since 1980. Key economic sectors were impacted by the sanitary curfew, international travel restrictions and uncertainty caused by the pandemic. The full economic shock was attenuated by the various measures (listed below) taken by the authorities in Mauritius. During 2021, the domestic economy will once again be impacted by the pandemic. Economic recovery will depend on (i) the duration of the sanitary lockdown; (ii) roll-out of the national vaccination campaign; (iii) opening of our borders and (iv) recovery in our key markets. Accommodative policy stances with a low interest rate environment are set to prevail throughout 2021.

While the COVID-19 pandemic has had a deep impact on lives and livelihoods, it has also prompted a deep reflection on our priorities and areas of focus. We can only recognise the immense effort of the authorities to support vulnerable industries and households, which include the soft term financial facilities provided by the Bank of Mauritius and channelled through Banks; the Wage Assistance Scheme and the Self-Employed Assistance Scheme meant to help those facing difficult situations resulting from the pandemic. We can mention the application of health and sanitary protocols in public areas and in the workplaces put in place by the Ministry of Health & Wellness which have been crucial in containing the spread of the virus; and the strict quarantine protocol on incoming and outgoing travellers meant to offer maximum protection to our citizens. We have seen the importance of Technology management and information systems which have allowed a lot of businesses to carry on their

ACTING CHAIRPERSON'S LETTER (CONT'D)

activities during the lockdown. All these measures have helped, on a larger scale, to consolidate the country's resilience in the face of a global chaotic situation.

Operating in these unprecedented conditions, SBM Bank (Mauritius) Ltd, as a historically major actor of our economy, has continued its mission and has shown once again that resilience is part of its DNA. The Board, Management and all our staff have demonstrated how, together, we can overcome any difficult situation. We were among the banks which operated and covered most geographic areas in Mauritius during the pandemic; we launched adapted products for our customers in the lockdown situation; we provided a special offer to help our citizens stranded abroad. These are but just a few examples of how SBM Bank (Mauritius) Ltd fared during the lockdown. I seize this opportunity to thank our frontliners who worked hard to ensure business continuity while serving our clients with the same passion and dedication. It is remarkable how we unite together by a shared culture of discipline, flexibility, and cooperation that makes us stand strong in the face of events like the COVID-19 crisis.

Our resilience is also shown in our figures. Despite a particularly difficult year, the Bank has demonstrated strong fundamentals thanks to the bold measures that have been implemented.

Amidst the difficult economic climate which prevailed in 2020, the Bank realised profits of MUR 1.5 billion, almost thrice the profits for 2019 which was MUR 500 million. Notwithstanding an increase in credit loss expense of 7.1 percent, the Bank's profits before tax grew by MUR 746 million, representing a rise of 74.5 percent compared to last year. Moreover, deposits and investments both achieved growth of 9.7 percent and 27.1 percent respectively whilst net loans increased by less than one percent to MUR 99 billion on account of higher provisions maintained at the reporting date.

As a major socioeconomic actor and one of the leading banks in Mauritius, we now gear up for future challenges. In this regard, the Board has approved a three-year strategy which focuses on key areas, namely Customer-centric approach; Review and strengthening of internal processes through digitalisation and Learning & Growth. I am convinced that these key areas will set the necessary foundations for a continuous robust growth while consolidating our resilience in a world ruled for now by uncertainties. Our continued growth is all the more important as it will allow us to fully play our role as a major socioeconomic player which has supported our country and our people for decades now.

Valued customers, staff, management teams, my colleagues of the Board and all stakeholders of SBM Bank (Mauritius) Ltd, I am convinced that together, we will overcome any obstacles and diminish the impact of the pandemic on our organisation, while accomplishing our important part in the economy of Mauritius and in the life of our clients and citizens. Resilience and efficiency will be guiding words for the coming months and years. I would also like to extend my sincere gratitude to Messrs. Nayen Koomar Ballah and Mohit Dhoorundhur, former Chairpersons of SBM Bank (Mauritius) Ltd, for their guidance which has been instrumental in helping us steer the Bank through the COVID-19 pandemic.

Sincerely,

Visvanaden Soondram
Acting Chairperson of the Board

BANK'S OFFICER-IN-CHARGE'S LETTER

BANK'S OFFICER-IN-CHARGE'S LETTER

Dear Valued Partners,

2020 will no doubt be forever remembered as the year during which COVID-19 took the world by storm, shaking the very foundations upon which our socioeconomic progress has been resting for so many decades.

While numerous industries across the world have come to a sudden halt, and society has had to change its behaviour and habits overnight, SBM Bank (Mauritius) Ltd ("the Bank") stood strong, true to its purpose as the "Bank of the people, by the people, for the people".

Despite the challenges brought about by the crisis, the Bank and members of staff have shown that we have the resources to face any adverse situation. Indeed, we were among the banking institutions in Mauritius to maintain operations during the eleven weeks long lockdown, offering the same level of service that has been the trademark of the SBM brand for the past four decades.

Conscious that banking is an essential service and the lifeline of the economy, we have done our best to provide our services through an optimised branch opening across Mauritius to facilitate banking transactions for people in different geographical areas.

We have also shown a quick reactivity level by implementing the numerous support schemes initiated by the Bank of Mauritius for individuals and businesses. We designed a special scheme which has been instrumental in financially supporting many of our fellow citizens stranded in various countries around the world. We have even managed to launch products adapted to the situation of people during the lockdown period such as SBM Easy-Pay, a versatile online payment service, and have continuously – in a national effort to sensitise the population to abide by the sanitary protocol in place – encouraged our customers to use our digital channels for their transactions.

As a banking institution with a well-established digital presence, we were able to constantly communicate essential information to customers using our Website and social media channels, providing regular updates on branch operations and other such information that are of paramount importance to customers.

These achievements have been made possible mainly thanks to the commitment, hard work, resourcefulness, and adaptability of our staff. Together, we were able to show resilience and, in turn, help boost the country's resilience to overcome the crisis with limited adverse effect.

While 2021 will bear numerous challenges due to the ongoing pandemic and related crisis, we are expecting a positive year for the Bank when compared to the previous year.

However, to ensure that we achieve this positive growth, we will need to maintain all efforts to steer the Bank in a new phase. This

BANK'S OFFICER-IN-CHARGE'S LETTER (CONT'D)

will be based on a three-year strategy that will entail a transformation in the way we conduct our business and run our institution.

Among the prominent features of this three-year strategy are the revamping of all our retail branches – which has already seen the creation of state-of-the-art branches in many regions –, technology enhancement and a stronger focus on digitalisation of processes, with the ultimate goal of offering an enhanced customer experience.

We have identified and started implementing strategic initiatives in 2021 that will support this transformation. These include:

1. Strengthening our risk culture across front office and back office;
2. Implementing a strengthened and more secure KYC practice based on AML/CFT rules and regulations, not only from a regulatory perspective, but also from a commercial one; and
3. Capacity-building for our teams in four areas, namely

- Portfolio Management & Quality Service
- Credit Risk
- AML/CFT & KYC
- Young graduate programme for Relationship Managers

PERFORMANCE, CAPITAL STRUCTURE, AND DIVIDEND

2020 was undeniably a challenging year in terms of performance.

Despite the unfavourable repercussions of the COVID-19 pandemic, the Bank was able to achieve a growth of 9.7 percent in its deposits base to MUR 191.1 billion and a considerable increase of 27.1 percent to MUR 93.3 billion in its investment securities. A marginal increase of 3.5 percent or MUR 3.7 billion was noted in the gross loans during the year under review.

With the combined effect of low business activities and higher impairment, the Bank managed to publish a net profit figure of MUR 1.5 billion compared to MUR 500 million for the previous financial year with an increased operating income of MUR 8.7 billion for the year. Whilst net interest income and net fee and commission income shrank by 1 percent and 11 percent respectively, non-interest income reached MUR 2.9 billion in 2020, representing a 29.1 percent growth.

The Bank continues its rigorous cost containment drive resulting in a decrease of MUR 402.8 million in non-interest expense to MUR 3.1 billion for the year under review. This led the Bank to keep its cost to income ratio at 35.3 percent for 2020 from 42.9 percent for 2019.

Throughout 2020, the Bank continued to ensure it is an important economic player supporting the SME, retail, and corporate segments in line with the various COVID related measures announced by the Bank of Mauritius. Management has also proactively reviewed the Bank's portfolios and taken adequate provisions in line with the accounting standards.

Shareholder's equity stood at MUR 19.8 billion, representing a 9.6 percent increase from MUR 18.1 billion in 2019. With a Capital Adequacy Ratio of 15.9 percent and a Common Equity Tier 1 capital ratio of 14.3 percent, the Bank comfortably met the minimum capital regulatory requirements.

BANK'S OFFICER-IN-CHARGE'S LETTER (CONT'D)

OPERATIONAL CAPABILITIES

In 2020, the Bank completed a large part of its strategy of upgrading its infrastructure and has invested significantly in the renewal of its ageing park of POS machines and ATMs, and also to guard against cyberattacks.

These investments have paid off by enabling a number of staff to work from home, thereby enabling the Bank to remain operational during the COVID-19 lockdown period. Looking at the run-the-bank side, the following statistics bear witness to the benefits of investments in systems as well as in people:

- Over 155,000 Domestic Bank Transfers processed monthly
- Over 19,000 International Bank Transfers processed monthly
- Over 1.3 million Financial ATM transactions approved via our ATMs monthly
- Over 2.2 million Non-Financial ATM transactions processed via our ATMs monthly
- Over 1.2 million Financial transactions approved via our POS machines monthly
- Over 190,00 Cheques processed monthly
- Over 3.1 million Active Direct Debits and Standing orders as at December 2020

AWARDS AND ACHIEVEMENTS

In 2020, SBM Bank (Mauritius) won several acclaimed awards, including:

- Best Bank of the Year – Mauritius 2020 and Best Customer Centric Bank – Mauritius 2020 at the Global Economic Awards 2020;
- Process Innovation Award at the Infosys Finacle Client Innovation Awards 2020;
- Best Bank in Mauritius 2020 awarded by Global Finance Magazine;
- Best Private Bank in Africa for Excellence in Crisis: Client Services (Global Finance World's Best Private Bank Awards 2021) awarded by Global Finance Magazine; and
- Best Private Bank – Mauritius 2020 at the Business Tabloid Awards 2020

In addition, SBM took the 42nd place on the Top 200 African Banks list published in the Africa Report 2020 Edition.

ECONOMIC OUTLOOK

The human and economic consequences of the COVID-19 pandemic are unprecedented. At the time of writing, globally, about 140 million individuals have been tested positive for COVID-19 and the death toll is nearing the figure of 3 million. In a bid to curb the spread of the virus, several countries resorted to travel restriction measures and lockdowns. As a result, global consumption, investment, business activities and trade level contracted to record low levels during 2020. As per the IMF, the global economy is estimated to have shrunk by 3.3 percent last year.

Being a small but open economy, Mauritius was not spared by the pandemic, both from a sanitary and an economic perspective. Following confirmed cases of COVID 19, a sanitary curfew was imposed from from 20 March to 30 May 2020, and our borders have remained closed and allowed only very restricted movements. In this context, the Mauritian economy is set to contract by 14.9

BANK'S OFFICER-IN-CHARGE'S LETTER (CONT'D)

percent in 2020 with key sectors, namely accommodation and food service activities, manufacturing and construction experiencing double-digit negative growth rates.

Nevertheless, the government and the Bank of Mauritius took several measures to support economic operators as well as households during these difficult times. These measures, which positively contributed to attenuate the impact of the crisis, included the reduction of 150 bps in the Key Repo Rate, cut of 100 bps in the cash reserve ratio, moratorium on loan repayment, provision of foreign currency lines, wage assistance schemes to corporates and households, and creation of the MIC, amongst others.

The outlook for 2021 is expected to remain challenging. While the global economy is set to recover by about 6.0 percent, recovery in Mauritius will depend (i) on the duration of the sanitary curfew imposed since 10 March 2021, after local cases of COVID-19 were reported; (ii) roll-out of the vaccination campaign against COVID-19 to attain herd immunity; (iii) opening of our borders; and (iv) recovery in our key markets. It should be noted that the authorities have promptly intervened to support economic operators and households after the sanitary curfew was announced in March 2021.

Hence, the operating environment for banks and other financial institutions is expected to remain challenging this year. The low interest rate environment, rising risk of client defaults and new stringent AML/CFT requirements are likely to weigh on banks' activities. Nevertheless, we remain ready to support our clients and the economy at large to face these unprecedented challenges.

INCREASING OUR RESILIENCE

There is no doubt that the Mauritian economy will need our support to recover in 2021. We therefore need to increase our resiliency by adopting a new attitude towards the way we operate as a banking institution. We have a very strong backbone which will support us in our way forward and we should all aim for a solid success, and not only in terms of growing the asset book.

As we have done over the past four decades, we shall play our role as a major economic partner, a Bank that has fully contributed to socioeconomic progress through unflinching support to the public sector, private sector – from corporates to small and medium enterprises –, self-employed and employees representing a wide spectrum of industries.

Lastly, I would like to thank all our stakeholders and congratulate every staff member who has contributed to overcome the challenges of the COVID-19 pandemic and ensuing lockdowns.

I look forward to our continued partnership with all stakeholders in 2021.

Jorge Stock
Officer-in-Charge
SBM Bank (Mauritius) Ltd

PREVIOUS
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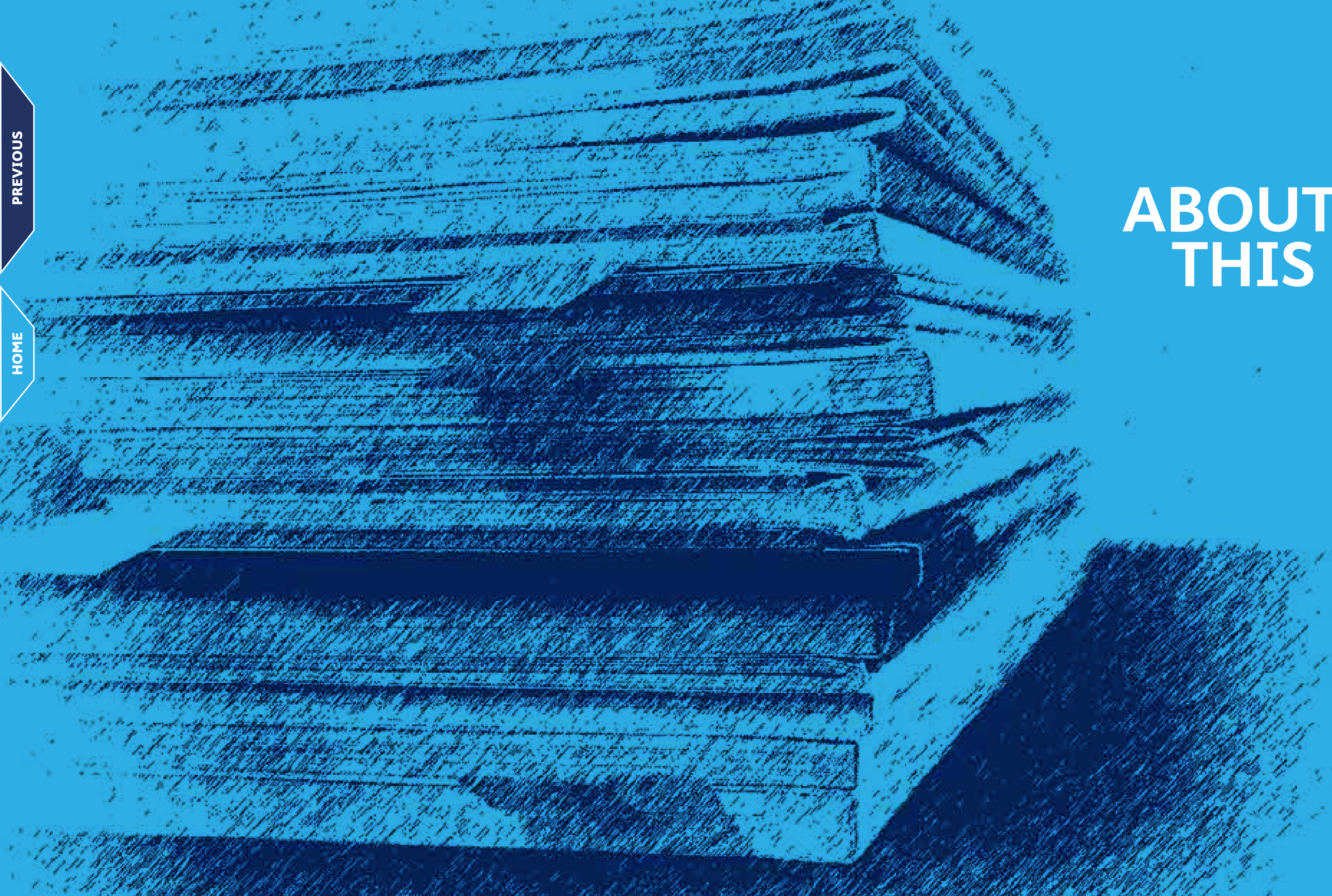

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ABOUT THIS REPORT

Purpose

The primary purpose of this annual report is to provide an overview of the Bank's ability to achieve sustainable business growth and to generate and/or preserve value over the longer term. This report also sets out the Bank's vision and governance philosophy as well as the key strategies and initiatives that the Bank adopts in order to create value for its various stakeholders.

Scope of Reporting

The report covers the period starting from 01 January 2020 till 31 December 2020. Some material events arising after this date until approval of the Annual Report by the Board of Directors of SBM Bank (Mauritius) Ltd have also been included in our reporting.

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BOARD OF DIRECTORS

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BOARD OF DIRECTORS

THE BOARD OF THE BANK COMPRISES ELEVEN DIRECTORS.

1. Mr Visvanaden Soondram
Acting Chairperson of the Board

2. Mr Roodesh Muttylall
Non-Executive Director

3. Mr Jean Paul Emmanuel Arouff
Non-Executive Director

4. Mr Muhammad Azeem Salehmohamed
Non-Executive Director

5. Mr Eric Michel Georges Leal
Independent Director

1. 2. 3. 4. 5.

BOARD OF DIRECTORS (CONT'D)

6. Mr Rajcoomar Rampertab
Independent Director

7. Mr Jorge Stock
Executive Director & Officer-in-Charge

8. Mr Coomarah Chengan
Independent Director

9. Ms Oumila Sibartie
Independent Director

10. Mr Ranapartab Tacouri
Independent Director

11. Mrs Imalambaal Kichenin
Independent Director

6. 7. 8. 9. 10. 11.

BOARD OF DIRECTORS (CONT'D)

BOARD OF DIRECTORS

1. MR VISVANADEN SOONDRAM

Deputy Chairman in the functional role of Board's Chairman

Non-Executive Director

Appointed: July 2020

Masters Degree in Finance
Fellow of The Association of Chartered Certified Accountants (FCCA)

Mr Soondram is currently Deputy Financial Secretary at the Ministry of Finance, Economic Planning and Development. Throughout his rich career, he has held several key positions within that same Ministry.

Directorship in Other Entities

SBM (Bank) Holdings Ltd and SBM Holdings Ltd.

2. MR ROODESH MUTTYLALL

Non-Executive Director

Appointed: July 2020

Masters Degree in Finance
Fellow Member of The Association of Chartered Certified Accountants, UK (FCCA)
Fellow Member of The Chartered Governance Institute, UK (FCIS)
Chartered Financial Analyst (CFA)

Mr Muttylall is the Head of Corporate Finance and also the Company Secretary of a listed entity in Mauritius. He was formerly the Chief Finance Executive of a group operating in the hospitality sector. As an ambitious and dynamic person, he has a rich career path which dates back to 1998. He has held various senior positions such as Financial Controller in a Global Business Company and similar roles in the tourism sector. He also worked for SBM Group from 2000 to 2001.

Directorship in Other Entities

Banque SBM Madagascar SA, SBM (Bank) Holdings Ltd, SBM Holdings Ltd and University of Technology, Mauritius.

BOARD OF DIRECTORS (CONT'D)

3. MR JEAN PAUL AROUFF

Non-Executive Director

Appointed: July 2020

Masters in Journalism

Mr Arouff has over 20 years of experience in journalism, specialised in reviewing economic and financial markets. He was previously the Editor-in-Chief of Business Magazine, a leading economic news publication in the region, and acted as the country correspondent for the international news agency Reuters on economic and financial matters. In January 2020, he was appointed as Senior Advisor and Director of Communications at the Prime Minister's Office.

Directorship in Other Entities

Landscope (Mauritius) Ltd, SBM (Bank) Holdings Ltd, SBM Holdings Ltd and SBM (NFC) Holdings Ltd.

4. MR MUHAMMAD AZEEM SALEHMOHAMED

Non-Executive Director

Appointed: July 2020

BA (Hons) in Economics, Politics, and International Studies
MA (Hons) in Public Policy and Management

Mr Salehmohamed is currently Advisor on Economic Matters to the Ministry of Finance, Economic Planning and Development. Upon his return from the UK, he held the position of Economist at the Mauritius Chamber of Commerce and Industry (MCCI). Mr. Salehmohamed has served as board member for several organisations, including the SADC Business Council, the SADC Private Sector Task Force on Industrialisation, the National Ocean Council, the Mauritius Standards Bureau, the Economic Commission, under the aegis of the National Economic and Social Council, and the High-Level Technical Committee on Doing Business Reforms. His fields of expertise include economic planning, policy analysis and strategy development.

Directorship in Other Entities

Development Bank of Mauritius (DBM).

BOARD OF DIRECTORS (CONT'D)

5. MR ERIC MICHEL GEORGES LEAL

Independent Director

Appointed: March 2020

Bachelor in Arts & Science – Business Administration

Mr Leal is a top-level executive with over 25 years of experience at Leal & Co. Ltd – a pioneer in the local automotive sector operating since 1970 and part of the Leal Group of Companies, one of the leading conglomerates in Mauritius. He is the Chief Executive Officer of Leal & Co. Ltd, the holding Company of the Group. He had previously occupied the positions of Service Director and Deputy Managing Director at Leal & Co. Ltd.

Directorship in Other Entities

Leal & Co Ltd and related entities/subsidiaries of Leal Group of Companies.

6. MR RAJCOOMAR RAMPERTAB, CSK

Independent Director

Appointed: March 2020

Postgraduate Diploma in Legal Practice (LPC Solicitors Final)
Bachelor of Laws (LLB)
BA (Hons) Social Science
Diploma of Higher Education

Mr Rampertab lectured in Law and Sociology in the UK for a number of years. He practiced as an immigration lawyer in the UK for several years and has also worked as a civil servant and a local government officer before being elected as a Conservative Party local councillor for the Borough of Reigate and Banstead, Surrey, UK from 2007 to 2011 where he was a member of the Overview and Scrutiny Committee and also represented the Council on the Reigate and Banstead Sports Council. From 2011 to 2014, Mr. Rampertab held the position of Money Laundering Reporting Officer (MLRO) in a Management Company in Mauritius. Mr. Rampertab was an elected Member of the National Assembly of Mauritius from December 2014 to October 2019 and, during that period, he occupied the post of Parliamentary Private Secretary (PPS). He was also a Member of the Parliamentary Committee of ICAC from June 2015 to October 2019.

Directorship in Other Entities

None

BOARD OF DIRECTORS (CONT'D)

7. MR JORGE STOCK

Officer-in-Charge and Executive Director

Appointed: December 2020

BA Honours Degree in Economics & French
Post Graduate Diploma in Financial Technology and Financial Innovation

Mr Stock is currently Officer-in-Charge, in the functional role of Chief Executive Officer, of SBM Bank (Mauritius) Ltd. He is a dynamic professional who has more than 25 years of experience in the banking sector. He held managerial positions in banks where he led his teams on important projects. He was previously the Chief Executive Officer at First Capital Bank S.A. Mozambique and has occupied senior roles such as Executive Director, Head of Organisation, Head of Global Marketing, Retail and Corporate Banking in various countries like Mozambique, Angola, Portugal and Switzerland.

Directorship in Other Entities

None

8. MR COOMARAH CHENGAN

Independent Director

Appointed: August 2020

MBA
BSc in Police Studies
Bachelor of Laws

Mr Chengan has over 30 years of experience in the public services sector during which he occupied various positions within the Mauritius Police Force (MPF), including those of Police Sergeant, Police Sub-Inspector and Police Inspector. He is a consultant in Business Administration, Management and Marketing for Small and Medium Enterprises. Mr. Chengan is also a Member and President of various NGOs across the country and is very active on the social front. He has initiated and collaborated on several projects advocating for the fight against poverty and supporting needy children, amongst others. Mr. Chengan has also participated in various workshops and training programmes related to his duties in the public services sector.

Directorship in Other Entities

None

BOARD OF DIRECTORS (CONT'D)

9. MS OUMILA SIBARTIE

Independent Director

Appointed: August 2020

Master's Degree in Economics (USA)
ACI Dealing Certificate (France)
International Certificate in Wealth and Investment Management (UK)

Ms Sibartie is a multi-faceted financial professional with over 22 years of experience in global financial markets including the USA, the UK and Mauritius. She is the co-founder and Director of Lineage Investment Services Ltd, a licensed and regulated corporate finance advisory firm. She has gained substantial experience, having worked in international firms such as Bloomberg LP for 11 years in the USA and the UK, and has occupied senior management positions in top financial institutions in Mauritius. During her career, she has been heavily involved in several areas of the financial markets, including multi-asset funds and portfolio management, research, investment advisory, implementation of trading systems and development of structured investment product solutions and training. Ms Sibartie is a Fellow Member of the Mauritius Institute of Directors and an Associate member of the Chartered Institute of Securities & Investment (UK).

Directorship in Other Entities

Lineage Investment Services Ltd,
Lineage Hub Ltd, Warwyck Phoenix PCC and
Island Life Assurance Co. Ltd

10. MR RANAPARTAB TACOURI

Independent Director

Appointed: March 2020

Master's degree in Economics
BA (Hons) in Economics

Mr Tacouri has a long and eminent career spanning over 50 years in both the academic and financial sectors. He has previously been the Managing Director of the Bank of Mauritius, Managing Director of the Development Bank of Mauritius and CEO of First City Bank. He has held directorship positions on several Boards, including Bourse Africa and the Bank of Mauritius.

Directorship in Other Entities

None

BOARD OF DIRECTORS (CONT'D)

11. MRS IMALAMBAAL KICHENIN

Independent Director

Appointed: March 2020

LLB (Hons)
Member of the Institute of Chartered Secretaries and Administrators
Member of the Mauritius Institute of Directors
Member of the Association of Trust and Management Companies
Member of the Internal Fiscal Association

Mrs Kichenin is a top-level executive with over 19 years of experience in the Financial Services sector, spearheading new ventures, product development, legal structuring and the creation of global distribution networks. She is the founder and current Group Chief Executive Officer of JurisTax Holdings Ltd. Mrs Kichenin acts as director on listed companies and Private Equity Funds. She is also the promoter of the African Institute of Training and Development.

Directorship in Other Entities

Tax Holdings Ltd, JurisTax Ltd, JurisTax Services Ltd,
AARROW Corporate Services Ltd (Seychelles),
Aarrow Fund Services Ltd (Seychelles),
JurisTax Mena and other local and regional entities falling under JurisTax.

PREVIOUS
HOME

CORPORATE PROFILE

NEXT
HOME

CORPORATE PROFILE

SHAREHOLDING STRUCTURE

SBM Bank (Mauritius) Ltd is wholly-owned by SBM (Bank) Holdings Ltd and ultimately owned by SBM Holdings Ltd, a public company listed on the Stock Exchange of Mauritius.

SBM Holdings Ltd
Listed on the
Stock Exchange of Mauritius

100%

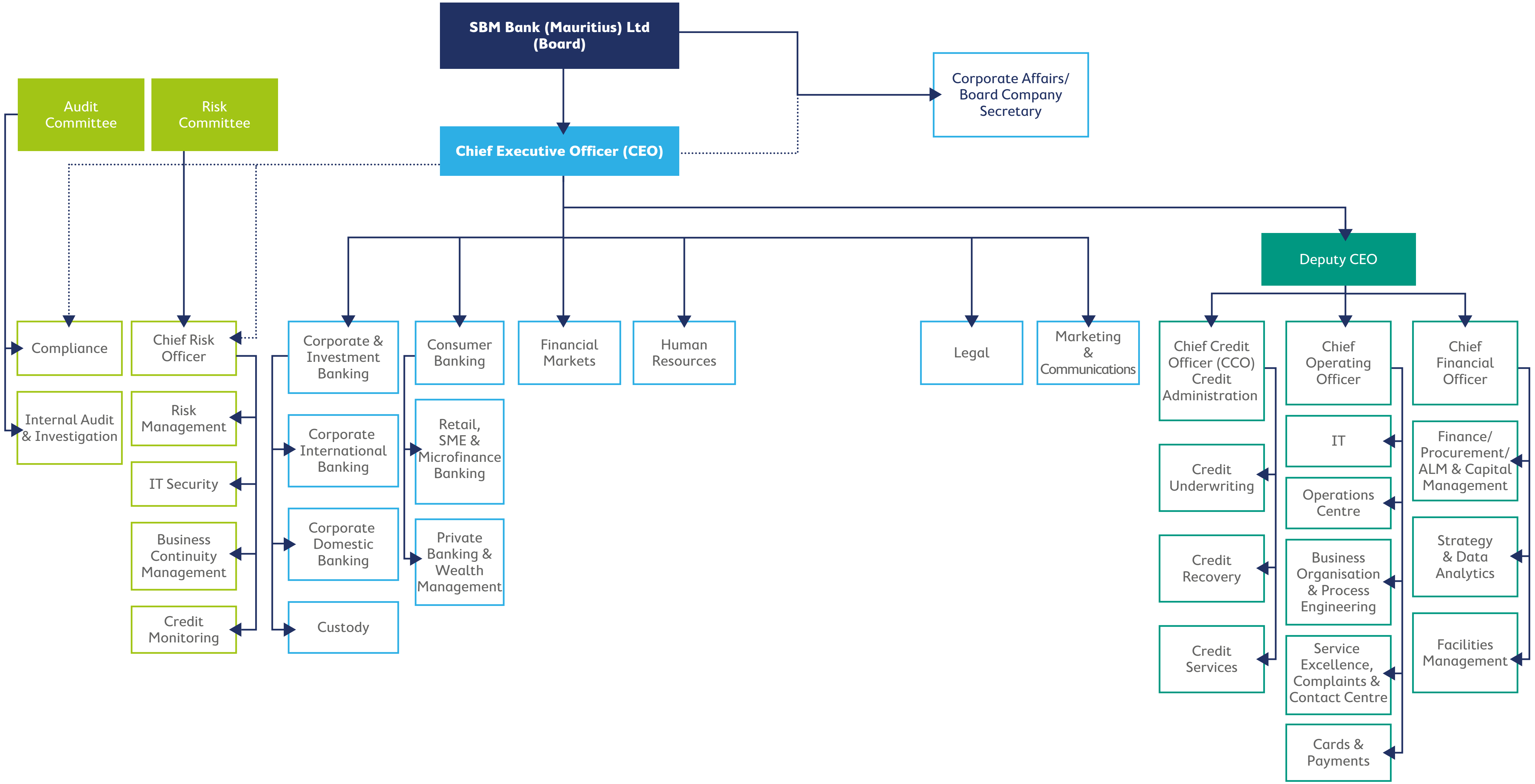
SBM (Bank) Holdings Ltd

100%

SBM Bank (Mauritius) Ltd

ORGANISATIONAL CHART

ORGANISATIONAL CHART



PREVIOUS
HOME

STRATEGY REPORT

NEXT
HOME

STRATEGY REPORT

ACHIEVEMENTS DURING 2020

SBM Bank (Mauritius) Ltd, as one of the leading banks in Mauritius, continued to provide the maximum level of service to households and economic operators, while observing strict sanitary measures during the eleven-week national lockdown which started in March 2020 and which largely restricted economic activities in the country. The challenges during 2020 have further deepened the Bank's commitment to provide robust banking and financial services to customers.

Some of the key achievements of the Bank during 2020 include:

Consolidation

- Maintaining the level of services and open strategic branches across the country operational throughout the sanitary curfew;
- Supporting customers financially impacted by the COVID-19 pandemic through the deployment of the Bank of Mauritius' and other institutional support schemes;
- Providing financial assistance to stranded citizens abroad, both SBM and non-SBM customers;
- Increasing proximity with customers, e.g. through open days for SMEs in October 2020 and new branch opening in L'Escalier in December 2020;
- Enhancing the Bank's product offering with the:
  - o Launch of SBM easy-pay, an online payment solution;
  - o Revamping of SBM Amigos – Through innovative mobile applications and interactive activities such as drawing/painting competitions, the Bank strives to inculcate the importance of savings and financial planning to younger generations.
  - o Launch of contactless cards, available under both the Visa and Mastercard brands. We are proud to be the first bank in Mauritius to offer an RFID Protection sleeve to customers for added security. Contactless cards are among the latest advances in electronic banking which allow for faster and more secure transactions.
  - o Installation of new and modern intelligent ATMs at various strategic locations where customers can not only perform regular transactions such as withdrawals and balance inquiry, but also deposit cash which is instantly credited to the customer's account.
  - o Launch of a personalised online portal for the Private Banking & Wealth Management clients.
  - o Implementation of 3-D Secure protocol to ensure greater security for online purchases using SBM credit and prepaid cards
- Enhanced customer journey
  - o Introduction of the online customer onboarding feature for new account opening on the SBM website which is available for all types of individual accounts, including SBM Amigos.
  - o Access to Internet via WiFi for customers in SBM branches

Rationalisation

- Restructuring of SME products and services to serve our different market segments in the most efficient and flexible ways by capitalising on the Bank's excellent network of branches across Mauritius and Rodrigues.

STRATEGY REPORT (CONT'D)

Cost Optimisation

- Increased usage of digital channels;
  - o Our Private Banking & Wealth Management as well as Custody clients have access to their personalised online portal where they can view and initiate transactions as we believe that sustainable growth can also be achieved through the use of technology.
- Retendering for large operational expenditure items.

Capacity Building

- A first batch of SBM staff members has successfully completed the Moody's Certification in Commercial Credit;
- Ongoing cybersecurity awareness campaign;
- Over 18,000 hours of training to staff.
- Over 190 hours of training to directors in 2020 in the following areas:
  - o Framing Strategy Alignment & Execution
  - o Risk Governance & Management, including SBM Risk Management Framework
  - o Cyber Security Awareness
  - o Anti-Money Laundering and Combating the Financing of Terrorism
  - o Internal Controls – 3 Lines of Defence
  - o Board Procedures
  - o Board Directors' Duties & Liabilities

GOING FORWARD

To align with the Group's strategy, SBM Bank (Mauritius) Ltd has reviewed and redefined its strategy for the next three years, i.e. 2021 to 2023. This exercise, which coincided with a period of unprecedented times of uncertainty caused by the COVID-19 pandemic, aims at preparing the Bank to adapt, strengthen resilience and rise to the challenges which are lying ahead.

Taking into account the operating environment and the strategic themes of the SBM Holdings Ltd, namely (i) Consolidation, (ii) Rationalisation, (iii) Cost optimisation and (iv) Capacity building, the Management of the Bank, together with the Board of Directors, has methodically reviewed and redefined the strategy of the organisation. The strategy of the Bank for the next three years has been shaped into a strategy map within a Balanced Scorecard methodology.

The Implementation of the three-year strategy follows a cascading down process, whereby the objectives of the Bank are translated into specific KPIs for the CEO which are cascaded into those for Heads of Department and their respective teams. As such, each and every staff of the Bank will contribute to the fulfilment of the overall objectives of the Bank.

STRATEGY REPORT (CONT'D)

The Strategic Plan aims at transforming operation and steering the Bank into a new phase. Besides clear financial and business targets, the plan contains key initiatives geared towards enhancing customer value proposition and adding value to the organisation over the next three years. As such, the key pillars of our strategy include proximity with our clients; enhancing our service quality; revamping our branches; digitalising and simplifying processes; strengthening the risk framework and building capacity amongst others.

The uncertain operating environment has also triggered the Bank to leverage on its strength to remain resilient and to better serve its clients. Driven by the Group's vision to become the leading and most trusted financial institution in Mauritius, SBM Bank (Mauritius) Ltd stands ready to accompany clients in all segments during these uncertain times and will do its best to fully support the recovery of the economy.

FINANCIAL REVIEW

FINANCIAL REVIEW

SBM BANK (MAURITIUS) LTD

Key Financial Highlights

Statement of profit or loss (MUR million)	Year December 2020	Year December 2019[a]	Year December 2018[b]
Interest income	**7,227**	7,980	7,541
Interest expense	**1,497**	2,187	1,911
Net interest income	**5,730**	5,793	5,630
Non interest income	**2,937**	2,275	2,377
Operating income	**8,667**	8,068	8,007
Non interest expense	**3,057**	3,460	2,735
Depreciation and amortisation	**646**	668	695
Net impairment loss on financial assets	**3,863**	3,607	3,010
Profit before income tax and net impairment loss on financial assets	**5,610**	4,608	5,272
Profit before income tax	**1,747**	1,001	2,262
Profit for the year from continuing operations	**1,454**	500	1,581
Statement of financial position (MUR million)			
Total assets	**229,280**	209,923	181,636
Gross loans and advances to non-bank customers	**110,788**	107,070	99,798
Deposits from non-bank customers	**190,004**	173,259	147,531
Shareholder's equity	**19,796**	18,065	17,491
Tier 1 capital	**15,797**	13,916	13,448
Risk-weighted assets	**110,654**	106,544	98,286
Statement of financial position (average[b] MUR million)			
Assets	**219,602**	195,780	175,443
Gross loans and advances to non-bank customers	**108,929**	103,434	98,718
Deposits from non-bank customers	**181,631**	160,395	140,958
Shareholder's equity	**18,931**	17,778	18,380
Tier 1 capital	**14,857**	13,682	12,620

FINANCIAL REVIEW (CONT'D)

Statement of profit or loss (MUR million)	Year December 2020	Year December 2019[a]	Year December 2018[a]
Performance ratios (%)			
Capital adequacy ratio	**15.9**	14.8	15.3
Tier 1 Capital adequacy ratio	**14.3**	13.1	13.7
Profit before income tax / average risk-weighted assets[b]	**1.6**	1.0	2.2
Profit before income tax / average assets[b]	**0.8**	0.5	1.3
Profit before income tax / average shareholder's equity[b]	**9.2**	5.6	12.3
Profit before income tax / average Tier 1 capital[b]	**11.8**	7.3	17.9
Return on average risk-weighted assets[b]	**1.3**	0.5	1.6
Return on average assets[b]	**0.7**	0.3	0.9
Return on average shareholder's equity[b]	**7.7**	2.8	8.6
Return on average Tier 1 capital[b]	**9.8**	3.7	12.5
Efficiency ratios (%)			
Cost to income	**35.3**	42.9	34.2
Asset quality ratios[c] (%)			
Gross impaired advances to gross advances	**11.1**	7.6	9.4
Net impaired advances to net advances	**2.6**	2.5	5.3
Other key data			
Number of employees	**1,520**	1,532	1,491
Number of service units	**44**	43	43

[a] December 2019 and 2018 figures have been restated.
[b] Averages are calculated using year-end balances.
[c] Advances used in calculation for December 2019 and 2018 are net of cash collaterals.

FINANCIAL REVIEW (CONT'D)

RESULTS

2020 was undeniably, a challenging year, where the domestic economy continued to face headwinds due to the COVID-19 pandemic and overall economic activity remained curtailed. The Mauritian economy began to contract as from Q2 2020, following the two-month nationwide lockdown. The Regulator came up with a series of measures to maintain the stability of the financial system and mitigate any adverse effect on economic growth and development which largely impacted banks.

Amongst the measures implemented were the reduction in the Key Repo Rate (KRR); moratorium of loan capital and interest repayments; reduction in the Cash Reserve Ratio (CRR); and issue of savings bonds to reduce excess liquidity in circulation. These measures have helped to alleviate pressure on the Bank's capital and liquidity positions, and ensured continuous flow of credit to the economy at large.

The Bank's fundamentals remained strong viz. growing market share, large Retail & Private Banking Customer base, low cost deposits and liabilities, strong domestic Corporate & SME Banking, Trade & Transaction Banking segments and long-standing loyal employees.

On the other hand, the Bank has faced challenges with the weaker offshore exposures for the last 3 years. A rigorous Remediation Programme for offshore exposures was implemented in Q4 2018 and throughout FY 2019 and 2020 the entire portfolio of high-risk exposures was reviewed. The Bank also revisited its risk appetite and other internal controls to ensure that it is able to weather the impact of COVID-19.

With the outlined challenges, the Bank has been able to post an operating income of MUR 8.7 billion for the year ended 31 December 2020 compared to MUR 8.1 billion for 2019, with a growth in its non-interest income of 29.1 percent over 2019 and a contained net interest income at MUR 5.7 billion. Non-interest expense recorded a decrease of nearly 11.6 percent to reach a total of MUR 3.1 billion.

On an absolute basis, whilst the Bank generated a higher Profit before credit loss expense of MUR 5.6 billion, it managed to record a Profit for the year of MUR 1.5 billion, higher than 2019's results of MUR 500 million. The large credit loss expense is on account of impairment charges and provisions amounting to MUR 3.9 billion.

REVENUE GROWTH

Operating income for 2020 grew by 7.4 percent (MUR 599 million) to reach MUR 8.7 billion (MUR 8.1 billion in 2019) with the main contributors being (i) Net Interest Income (Interest Income less Interest Expense), (ii) Non-Interest Income or fee income comprising mainly fees and commissions, income from card business and exchange income and (iii) trading income representing gain on sale of securities and gain on dealings in financial instruments and foreign currency dealings.

FINANCIAL REVIEW (CONT'D)

NET INTEREST INCOME

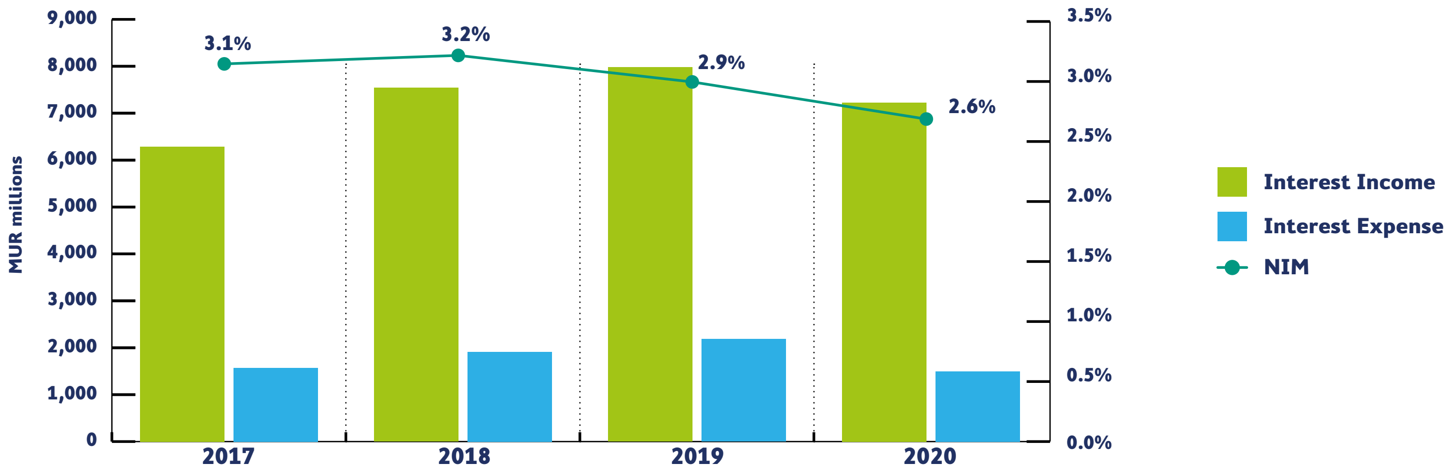
With an environment characterised by falling interest rates in both the domestic and international markets since 2019 and the decision of the Bank of Mauritius to reduce the Key Repo Rate (KRR) to 1.9 percent per annum since the outbreak of COVID-19, the Bank managed to keep at par its net interest income at MUR 5.7 billion for the year under review. However, a drop of 9.4 percent is noted in the total interest income compared to 2019, along with a decrease of 31.6 percent or MUR 690.4 million in the interest expense over the year 2019 with the reduction in both the PLR and the savings rate in 2020.

Interest income from loans and advances to non-bank customers stood at MUR 5 billion and experienced the highest drop under the component of total interest income over 2019. However, it remains the main source of interest income.

The Bank witnessed a decrease in all the other components of interest income like interest from placements and loans to banks and interest from investment securities except interest income from derivatives which contributed positively to the top line of the statement of profit or loss with an increase of MUR 157.2 million over the year 2019, amounting to MUR 236.2 million for the year ended 31 December 2020.

The drivers for the lower than expected decrease in interest expense can be attributed to a number of factors in addition to the decrease in savings rate, including (i) the Bank's canvassing for FCY Term Deposits with interest payment and (ii) Borrowing FCY for medium term from Inter Bank to meet ALM requirements especially after Bank of Mauritius implemented Liquidity Coverage Ratio (LCR).

The combined effect of a falling interest rate environment and lack of significant growth in the advances book resulted in a lower net interest margin of 2.6 percent for the year ended 31 December 2020 from 2.9 percent for the year ended 31 December 2019.



FINANCIAL REVIEW (CONT'D)

NON-INTEREST INCOME

As shown in the table below, the Bank exceptionally grew its non-interest income by 29.1 percent, from MUR 2.3 billion for the year ended 31 December 2019 to MUR 2.9 billion for the year ended 31 December 2020, despite operating in an increasingly competitive environment in all segments and reduced offshore loan business that would have contributed to both FX and Processing fee income.

	Year	Year	Year		
	Dec-20	Dec-19	Dec-18	Variance	
	MUR' million	MUR' million	MUR' million	MUR' million	%
Net fee and commission income	575.4	644.6	554.7	(69.2)	(10.7)
Card income including e-commerce income	359.3	400.1	350.5	(40.8)	(10.2)
Net trading income from:					
Profit arising from dealings in foreign securities	469.5	505.1	803.0	(35.6)	(7.1)
Interest rate instruments	147.0	146.7	488.0	0.3	0.2
Fair value movements on debt securities measured at FVTPL	211.1	445.6	227.5	(234.5)	(52.6)
Gains on financial assets at fair value through profit or loss	(29.2)	(92.3)	(51.4)	63.1	(68.3)
Gain on sale of financial instruments	1,203.0	224.4	4.7	978.6	436.1
Other	0.9	0.9	0.00	0.00	-
	2,937.0	2,275.1	2,377.0	661.9	29.1

The increase in non-interest income is mainly attributable to a significant increase in net gain on sale of securities from MUR 224.4 million for the year ended 31 December 2019 to MUR 1,203 million for the year ended 31 December 2020 as the Bank has been actively looking for opportunities to realise the gains on its portfolio of investment securities. The Bank also made a shift of a portfolio of investments from the category of 'Amortised Cost' to the 'Fair Value through Other Comprehensive Income (FVTOCI)' category of MUR 10.9 billion during the current year where an exceptional gain of MUR 508.4 million was realised upon disposal of a portion of it.

However, a decrease is noted for the other contributors of non-interest income like net trading income and net fee and commission income for the year under review compared to 2019. The Bank realised lower gains from the sale of its short-term securities measured at fair value through profit or loss compared to the previous year on account of increasing competition and lower volume on secondary dealings. In addition, there were some sales of treasury certificates that were sold directly by the Bank of Mauritius to the Parastatal bodies which resulted in an opportunity loss for the Bank.

FINANCIAL REVIEW (CONT'D)

NON-INTEREST INCOME (CONT'D)

Net fee and commission income from retail and corporate customers decreased by MUR 69.2 million following squeezed margins and reduced offshore loan disbursements. Card income also witnessed a decrease of MUR 40.8 million from MUR 400.1 million for 2019 to MUR 359.3 million for 2020 mostly due to lower income from cross border transactions with travel restrictions and low volume of transactions.

The ratio of non-interest income to average assets stood at 1.3 percent for the current year against 1.2 percent for 2019. An increase is also noted in the non-interest income as a percentage of operating income from 28.2 percent for 2019 to 33.9 percent for 2020.

NON-INTEREST EXPENSE

The table below shows the components of operating expenses.
The Bank adopted a strong cost control discipline and some of the discretionary items of expenditure, both capital and operating

	Year	Year	Year		
	Dec-20	Dec-19	Dec-18	Variance	
	MUR' million	MUR' million	MUR' million	MUR' million	%
Personnel costs	1,414.8	1,719.6	1,271.2	(304.8)	(17.7)
Property costs (including depreciation)	298.4	311.2	258.6	(12.8)	(4.1)
System costs (including depreciation and amortisation)	1,000.9	1,019.2	948.1	(18.3)	(1.8)
Other expenses	342.9	409.7	256.8	(66.8)	(16.3)
	3,057.0	3,459.7	2,734.7	(402.7)	(11.6)

expenditures have been deferred where the Bank was able to post reduction in the cost to income ratio of 35.3 percent for 2020 compared to 42.9 percent for 2019.

Non-interest expense amounted to MUR 3.1 billion for the year 2020 compared to MUR 3.5 billion for 2019. This represented a decrease of 11.6 percent with the major component of the decrease being attributed to personnel costs. Personnel costs decreased by MUR 304.8 million from MUR 1,719.6 million for 2019 to MUR 1,414.8 million for 2020 and the decrease is mainly attributable to some exceptional items in the previous years. Nevertheless, the Bank's long-term strategy is to maintain investment in its human capital resource and converting the employment contracts of most of the work force into contracts of indeterminate duration.

FINANCIAL REVIEW (CONT'D)

CREDIT LOSS EXPENSE ON FINANCIAL ASSETS

Total credit loss expense recognised for 2020 amounted to MUR 3.9 billion, which included mostly additional impairment charge for the Segment B impaired book in addition to ECL provisions. In line with the requirements of IFRS 9 and looking ahead, the Bank ensured that the Expected Credit Losses reflects the uncertainty brought by the COVID-19 pandemic. This now sets the Bank on the right foot for the foreseeable future.

STATEMENT OF FINANCIAL POSITION

Loans and advances

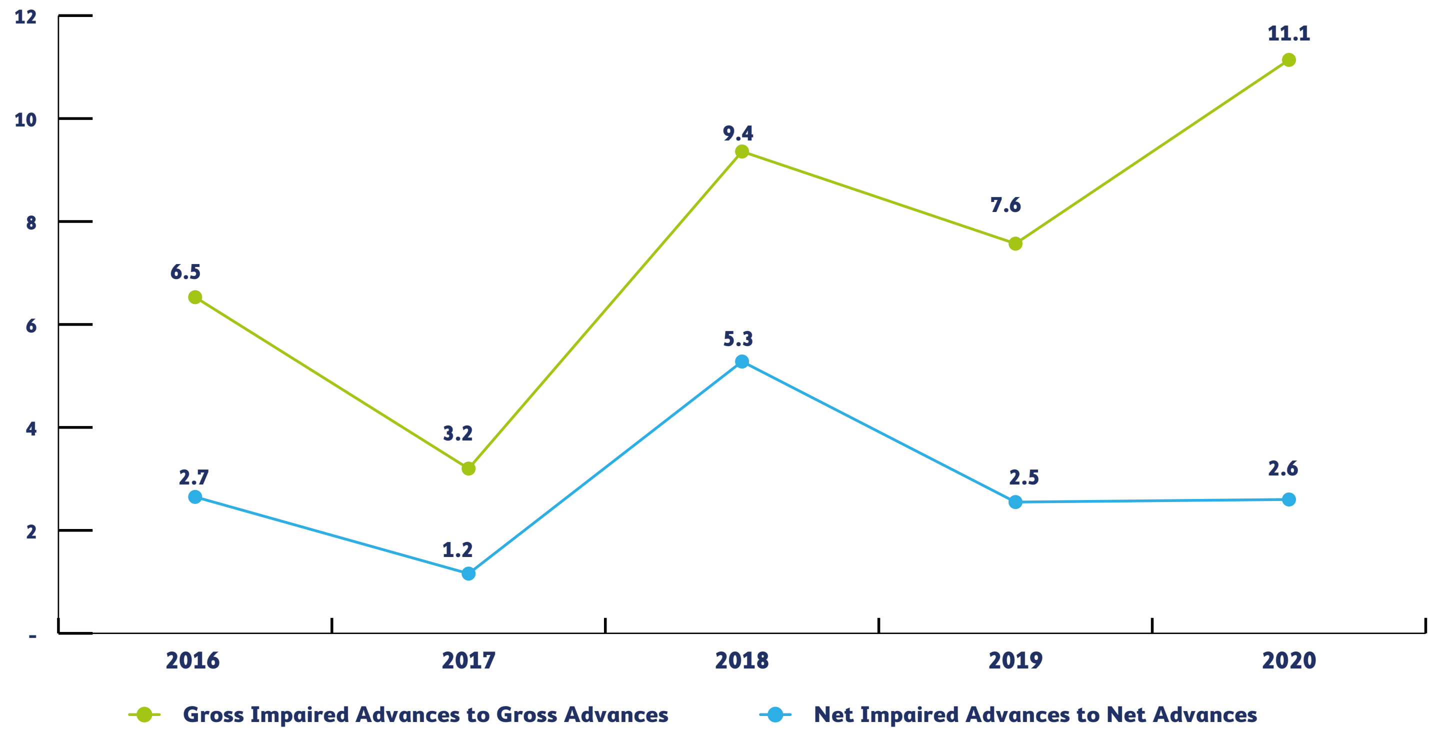
Gross loans and advances for the Bank increased by MUR 3.7 billion or 3.5 percent to reach MUR 110.8 billion as at 31 December 2020. Although in the single digit, the growth demonstrates that the Bank remains a key player in the market. A breakdown of the credit portfolio by economic sectors and level of provisions held has been disclosed in Note 9 of the Financial Statements. On the other hand, net loans and advances witnessed a marginal increase of MUR 48 million to reach MUR 99.4 billion on account of higher provisions and impairment maintained at the reporting date.

Credit quality

Impaired advances stood at MUR 12.3 billion as at 31 December 2020, compared to MUR 10.3 billion as at 31 December 2019. All cash collaterals have been released during the year 2020 against settlement of equivalent amount of loans and impaired advances net of cash collaterals stood at MUR 7.9 billion as at 31 December 2019. Specific allowance for credit impairment almost doubled from MUR 5.5 billion as at 31 December 2019 to MUR 9.8 billion as at 31 December 2020, representing provision coverage ratio net of cash collaterals of 79.1 percent, against 68.8 percent at 31 December 2019. The uncovered portion is adequately covered by collaterals, suitably discounted to reflect prevailing market conditions and expected time of recovery.

The ratio of gross impaired advances net of cash collaterals to gross advances stood at 11.1 percent at 31 December 2020 compared to 7.6 percent as at 31 December 2019. Deterioration of both the gross impaired advances to gross advances ratio and net impairment ratio is seen as at 31 December 2020, from 7.6 percent and 2.5 percent to 11.1 percent and 2.6 percent respectively.

FINANCIAL REVIEW (CONT'D)



INVESTMENT SECURITIES AND PLACEMENTS

The combination of lower than expected credit disbursement in the domestic market and increased deposits from customers resulted in a liquidity surplus which was deployed into fixed income gilt-edged securities, foreign bank bonds, corporate bonds and short-term placements with banks. Investment securities as a result increased by MUR 19.9 billion or 27.1 percent to reach MUR 93.3 billion as at 31 December 2020. The Bank also made a shift of a portfolio of investment amounting to MUR 10.9 million held at amortised cost to the category of FVTOCI during the year.

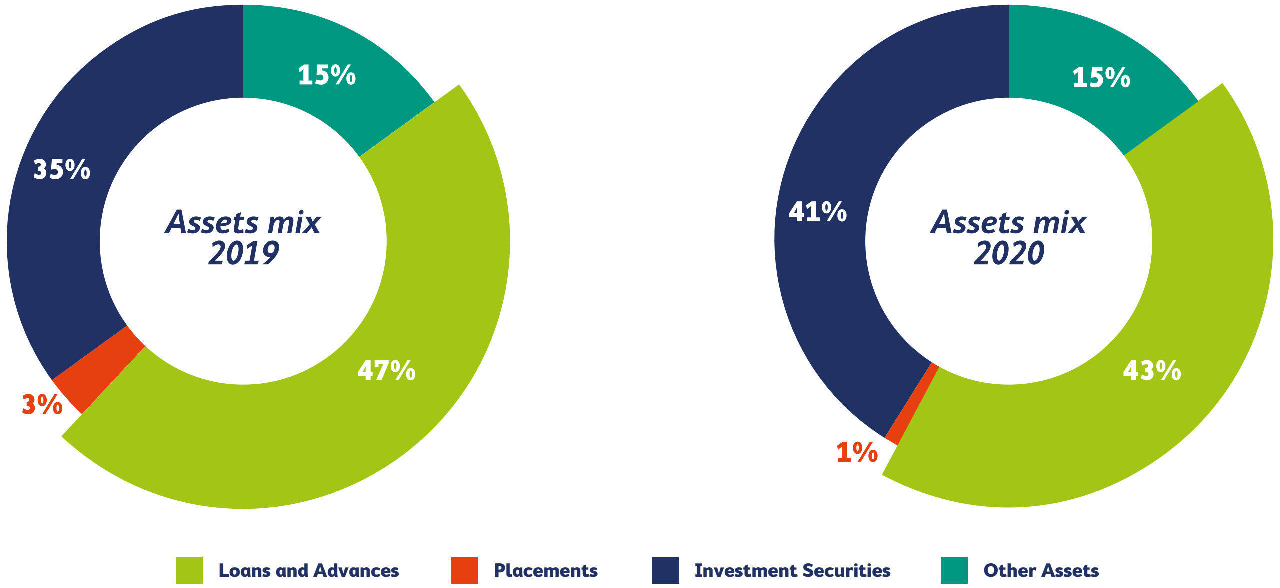
As at 31 December 2020, financial assets classified at amortised cost increased from MUR 19.4 billion as at 31 December 2019 to MUR 33.9 billion, representing an increase of MUR 14.5 billion or 74.8 percent while those classified at fair value through other comprehensive income (FVTOCI) witnessed an increase of MUR 7.9 million to reach to MUR 50.2 billion (2019: MUR 42.3 billion) at 31 December 2020.

Gross loans and placements with banks amounted to MUR 3.2 billion as at 31 December 2020 compared to MUR 5.2 billion as at 31 December 2019.

FINANCIAL REVIEW (CONT'D)

OTHER NON-INTEREST EARNING ASSETS

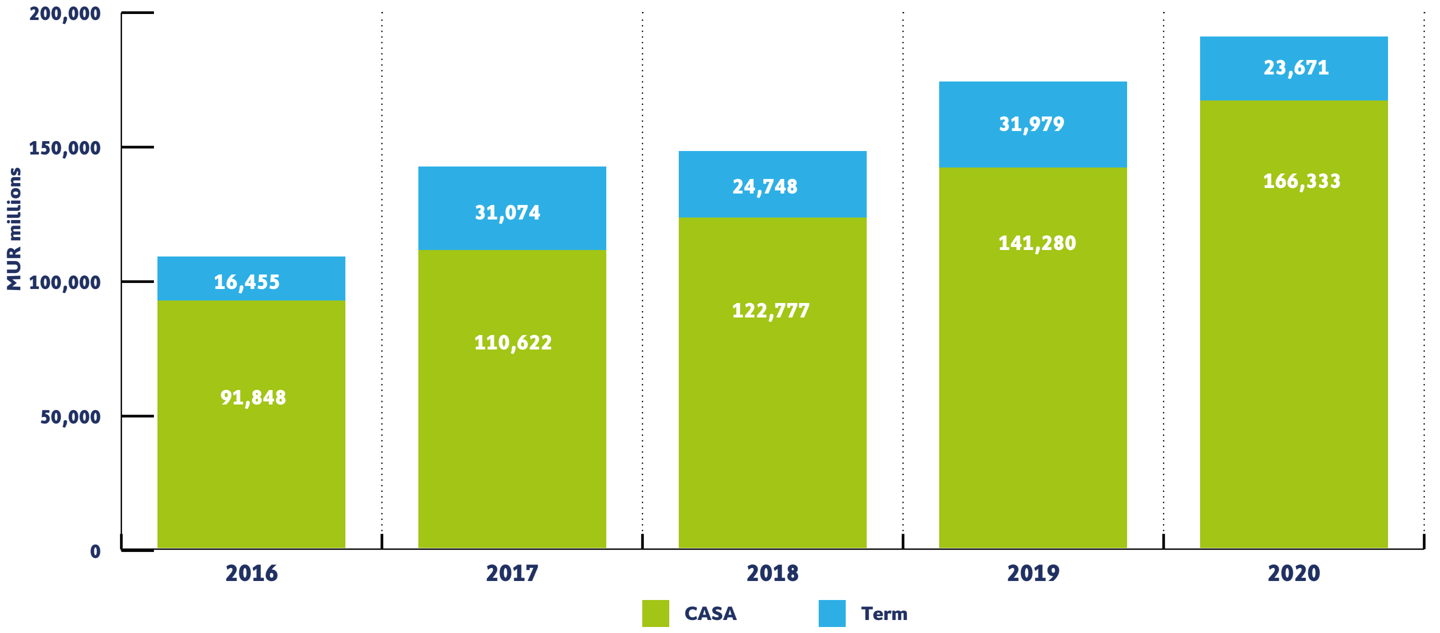
Other non-interest earning assets decreased by MUR 85 million, due to a decrease in the receivable balance as at 31 December 2020.



DEPOSITS AND BORROWINGS

The Bank's strategy in the short to medium term is set on raising cheaper sources of funding by increasing its deposits book. Total deposits from non-bank customers experienced an increase during the year under review by 9.7 percent from MUR 173.3 billion as at 31 December 2019 to reach MUR 190 billion as at 31 December 2020. This growth is attributable to CASA deposits which increased from MUR 141.3 billion as at 31 December 2019 to MUR 166.3 billion as at 31 December 2020. CASA deposits accounted for 87.5 percent of total deposits as at 31 December 2020 (2019: 81.5 percent).

FINANCIAL REVIEW (CONT'D)



OTHER BORROWED FUNDS

Other borrowed funds increased from MUR 10.1 billion as at 31 December 2019 to MUR 11.1 billion as at 31 December 2020. The rise in other borrowed funds is from segment A with an increase of MUR 3.4 billion from MUR 2.6 billion as at 31 December 2019 to MUR 5.9 billion as at 31 December 2020. Foreign currency funds required to finance foreign currency lending remain a challenge and competitive bidding in the market drives up their cost. These borrowings are mainly in EUR and USD from foreign financial institutions / development banks.

SHAREHOLDER'S FUND

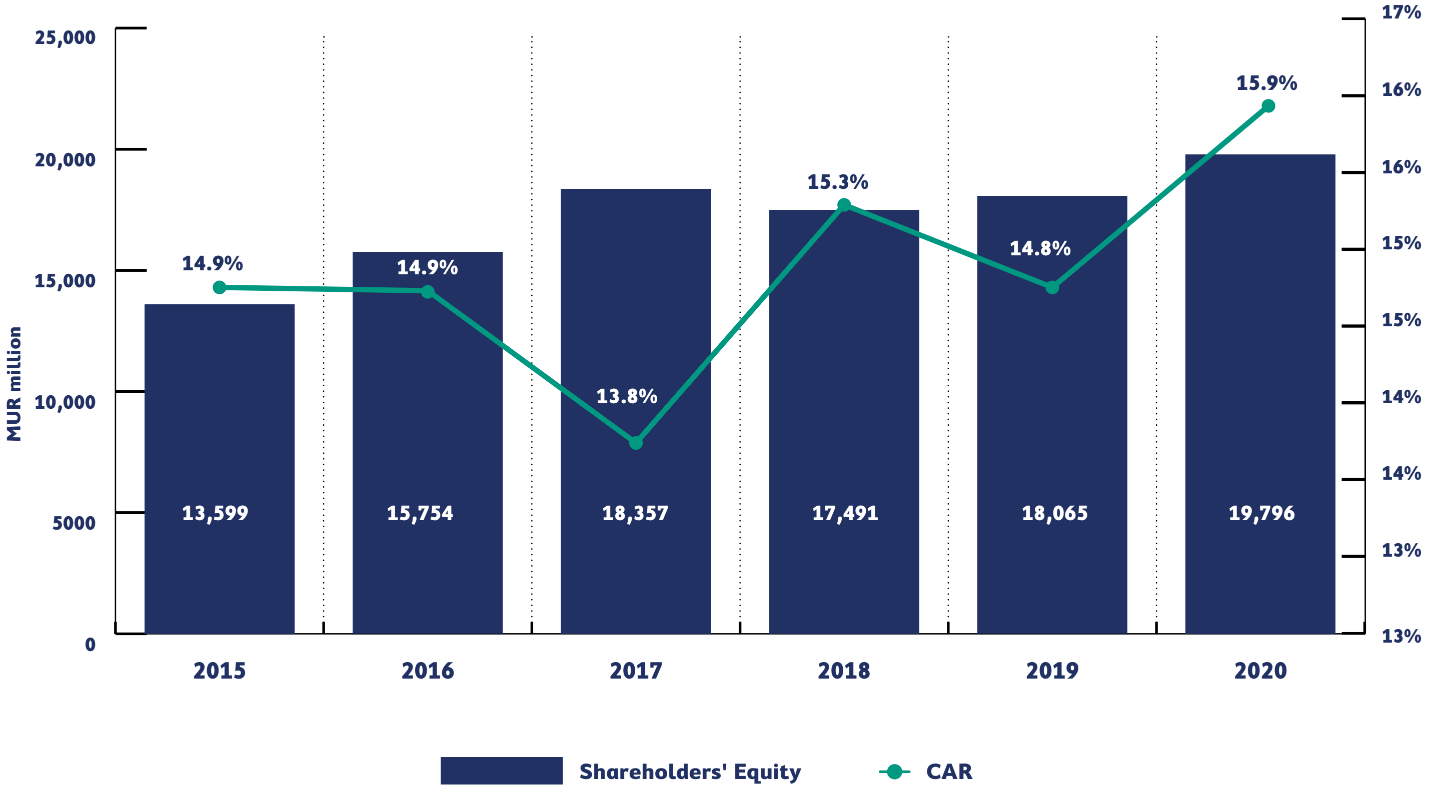
The Bank remains adequately capitalised with shareholder's equity at MUR 19.8 billion as at 31 December 2020 compared to MUR 18.1 billion as at 31 December 2019 and common equity tier 1 capital of MUR 15.8 billion. Likewise, capital adequacy ratio (CAR) and tier 1 capital to risk weighted assets ratio reached 15.9 percent and 14.3 percent respectively, as at 31 December 2020 which are above the minimum regulatory requirement for Domestic-Systemically Important Banks. Return on average shareholder's equity has increased from 2.8 percent in 2019 to 7.7 percent for 2020.

FINANCIAL REVIEW (CONT'D)

Shareholder's Fund (cont'd)

The higher shareholder's equity as at 31 December 2020 is on account of a deferment of dividend payments to the holding company during the financial year 2020 upon the strict measures laid down by the Regulator; a profit of MUR 1.5 billion recorded during this year; and a revaluation gain on financial assets classified at fair value through other comprehensive income amounting to MUR 960 million.

Refer to the Capital Management section for more details.



FINANCIAL REVIEW (CONT'D)

PERFORMANCE AGAINST OBJECTIVES

Indicator	Target for 2020	PERFORMANCE 2020
Return on Average Assets (ROA)	To deliver a ROA of at least 1 percent.	Achieved a ROA of 0.7 percent for the year
Return on Average Equity (ROE)	To achieve a minimum of 11 percent	Actual ROE of 7.7 percent
Operating Income	To grow operating income through increased business volumes with focus on growing fee-based income.	Growth of 7.4 percent (MUR 599 million) in Operating Income over previous year driven primarily by a remarkable uplift of 29.1 percent or MUR 662 million in non interest income, mostly contributed by a signifiant increase in net gain on sale of securities.
Operating Expense	Expecting less than 6 percent increase to cater for rennovation plans and capacity building initiatives but focus will be on cost containment	Operating expenses of MUR 3.1 Billion for 2020, a drop over previous year and maintained below budget with strong cost control discipline and some of the discretionary items of expenditure, both capital and operating expenditures being deferred.
Cost to Income ratio (CI)	The CI ratio to be contained below 40 percent.	Improved CI ratio of 35.3 percent compared to last year and well above expectation with lower operating expenses coupled with higher operating income.
Gross Advances	A single-digit growth in loans book compared to last year with focus mainly on the domestic market	The Bank grew its overall gross advances by 3.5 percent from MUR 107.1 billion as at 31 December 2019 to MUR 110.8 billion as at 31 December 2020 with growth mostly in the Retail segment and domestic Corporate. With low economic activity both locally and foreign, the Bank ended with a lower than expected performance.
Deposits from non-bank customers	Expecting to keep a year on year growth of at least 5 percent with focus on CASA deposits both in local and foreign currency	Total deposits stood at MUR 190 billion, an increase of 9.7 percent over previous year mostly in CASA deposits.
Assets Quality	Improve net impairment ratio	Net Impairment ratio increased from 2.5 percent to 2.6 percent with additional impaired assets. Bank has made a higher provision coverage ratio of 79.1 percent in 2020 as opposed to 68.8 per cent in 2019
Capital Management	The Bank shall continue to maintain its capital adequacy ratio (CAR) for Bank at the optimum level and ensure adherence to regulatory requirements at all times.	The Bank's CAR ratio and Tier 1 ratio stood respectively at 15.9 percent and 14.3 percent respectively, which are above the prescribed minimum requirements.

2021 was expected to be a year of economic recovery after the significant economic contraction rate in the preceding year, with widespread vaccination campaign and phase opening of borders. However the resurgence of local cases of contamination of COVID in the country in the first quarter has overshadowed visibility on the evolution of the operating environment which would most probably delay economic recoveries. As such the Bank will have to fine tune its target for 2021 in the coming months based on the evolution of the situation.

CORPORATE GOVERNANCE REPORT

REPORT FROM CHAIRPERSON OF CGCR COMMITTEE

Dear Shareholder and Valued Partners,

I am pleased to present the Bank's Corporate Governance report for financial year 2020.

Our governance structure operates from the Board and we believe it underpins our ability to deliver our strategy and create long-term value and benefit for our shareholder and stakeholders. During the year under review, the Board of SBM Bank (Mauritius) Ltd assessed the requirements and provisions as specified in the National Code of Corporate Governance for Mauritius (the "Code") and took the necessary steps to ensure adherence thereto. A copy of the current Code is available on www.nccg.mu. As a public interest entity, the Board of Directors has sought to be as transparent in its disclosures and in its reporting.

I wish to thank the members of the Board, the Company Secretaries and the staff for their work and commitment this year towards good governance.

On behalf of the Committee,

Rajcoomar Rampertab
Chairman
Corporate Governance and Conduct Review (CGCR)

CORPORATE GOVERNANCE REPORT

SBM Bank (Mauritius) Ltd (the "Bank" or "Company"), a public interest entity defined under the Financial Reporting Act 2004, is required to adopt and report on Corporate Governance in line with the National Code of Corporate Governance (the "Code").

The responsibility of the Board under the Financial Reporting Act 2004 is to report on 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. For the year 2020, the Board confirms that, to the best of its knowledge, the Company has materially applied all 8 principles of Code.

We explained in the annual report how we have applied the eight principles of the Code.

PRINCIPLE ONE – GOVERNANCE STRUCTURE

"All organisations should be headed by an effective Board. Responsibilities and accountabilities within the organisation should be clearly identified."

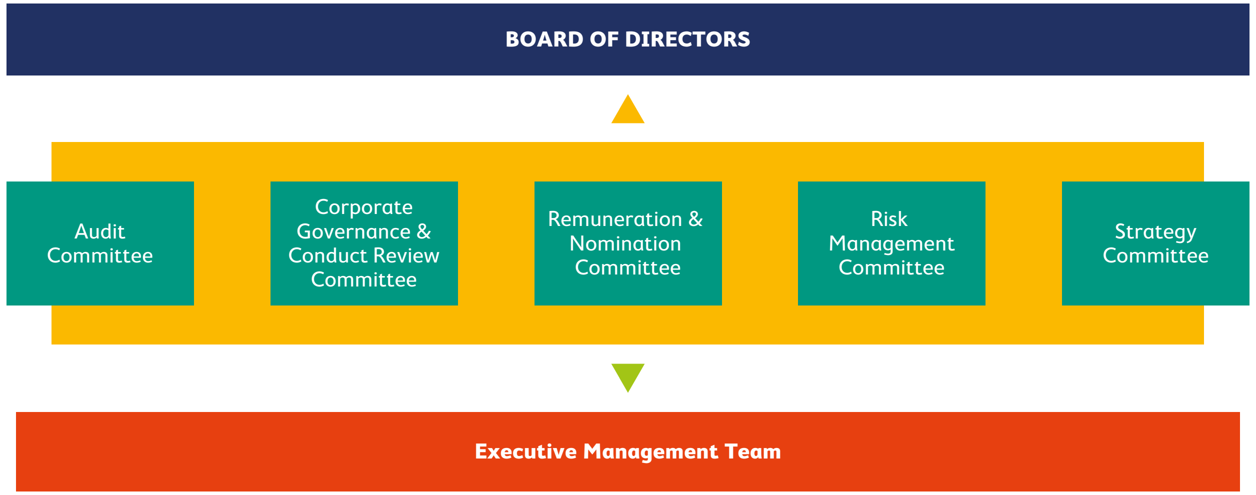
Our governance structure operates from the Board and we believe that it underpins our ability to deliver our strategy and create long-term value and benefit for our shareholders and stakeholders. The Board of the Bank is committed to applying the highest standards of corporate governance and is continuously monitoring good governance practices to ensure smooth business operations and enhance engagement with various stakeholders.

SBM Bank (Mauritius) Ltd operates under the aegis of a unitary Board, collectively geared towards the long-term success of the Bank and ultimately responsible for providing effective leadership and accountability for the affairs of the Bank. The Board is responsible for the long-term success of the Company and has the authority, and is accountable to the shareholders, for ensuring that the Bank is appropriately managed and achieves the strategic objectives it sets.
For the Board to operate effectively and to give full consideration to key matters, Board Committees have been established.

The Board operates within a governance framework, which enables delegation of authority to its Board's Sub-Committees and Executive Management. Through this framework, it sets out the strategic direction and has entrusted the day-to-day running of the organisation to the Bank's Chief Executive / Officer-in-Charge, and through him to the Executive Management team. The Board oversees the governance environment, including through oversight delegated to its Sub-Committees, to ascertain that the management and control of the Bank's administration and operations are satisfactory. Our internal control and risk management arrangements described under principle 5 are an integral part of our governance framework.

CORPORATE GOVERNANCE REPORT (CONT'D)

The interaction between the Board, its Committees and the Executive Management Team of the Company is shown below:



Key Governance Documents

The Board has approved the following key guiding documents, which are available for consultation on the Bank's website:

- Board Charter; and
- Code of ethics.

The following are also published on the website and reviewed by the Board on a regular basis:

- Job Description of Key Senior Governance positions; and
- Organisational Chart.

CORPORATE GOVERNANCE REPORT (CONT'D)

Key Governance Positions

The Board takes note that some positions are critical in achieving a high level of good governance.

The key governance positions, which are set out below, have been approved by the Board:

1. Directors of the Board

The Key responsibilities of the Directors are:

Directors

- Ensure the accuracy of financial information which is being released to the market
- Report to shareholders on business performance and ascertain their views
- Responsible for reporting to other stakeholders
- The board assumes responsibility for meeting all legal and regulatory requirements applicable to the Bank
- Bring effective contribution to the Bank Strategy
- Ensure that the Strategy approved by the Board is being implemented.
- Participate in the Board decision-making process and constructively challenge as required
- Ensure that there is a robust system of internal control in place so as to monitor and understand the risk environment in which the Bank operates
- Oversee governance environment including thorough oversight delegated to Board sub-committees
- To implement the Board's succession planning for its Directors and Senior Management Team
- Be bound by the fiduciary duty and duty of skills and care
- Bring deliberations and experience to the Board decision-- making process
- Monitor,challenge and support the Executive Management team, thereby ensuring that they are meeting the objectives set

CORPORATE GOVERNANCE REPORT (CONT'D)

2. Chairperson of the Board

The role of the Chairperson is distinct and separate from that of the Chief Executive / Bank's Officer-in- Charge and there is a clear division of responsibilities with the Chairperson leading the Board and the Chief Executive (''CEO'') managing the Bank's business on a day-to-day basis.

The Board was led by Mr Nayen Koomar Ballah, G.O.S.K. till 13 March 2020. Following a reconstitution of the Board in March 2020, Mr Mohit Dhoorundhur was appointed as Chairman of the Board of SBM Bank (Mauritius) Ltd and following his departure in November 2020, the functions of the Chairperson are being fulfilled by the Acting Chairperson, Mr Visvanaden Soondram. The Acting Chairperson of the Board will continue to officiate until a new Board Chairperson is appointed.

The Key responsibilities of the Chairperson of the Board are:

Chairperson of the Board

- The Chairperson as leader of the Board must ensure that it functions effectively
- Sets agenda in conjunction with Company Secretary and ensure that ensure that adequate time is allocated for thorough discussion of critical and strategic matters set in the agenda
- Ensures that all Directors receive sufficient information in order to be able to make well informed decision
- Reviews composition of Board Committees and ensuring that each committee functions effectively
- Calls special meetings, where required
- Ensures that there is proper induction of new Directors and their continuing development, as well as Board Evaluations (through the Corporate Governance & Conduct Review Committee) and succession planning (through the Nomination & Remuneration Committee)
- Encourages teamwork and a culture of openness so as to promote constructive challenge among the Members
- Chairs annual and special meetings of shareholders
- Ensures that an annual Board evaluation exercise and evaluation of individual Directors performance is carried out
- Maintains a close working relationship with the Chief Executive Officer / Officer in-charge and any other key senior staff
- Ensures there is effective communication with shareholders.

CORPORATE GOVERNANCE REPORT (CONT'D)

3. Chief Executive ("CE") / Officer-in-Charge ("OIC")

The CE / OIC is responsible for leading the development and execution of the Bank's strategic plans with a view to creating shareholder value. As per the Bank of Mauritius Guideline on Corporate Governance, the CE / OIC leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the Company's strategic plans.

The position of the CE/ OIC is to hold the following key responsibilities :

Chief Executive / Officer-in-Charge

- To manage the day to day operations of the Bank
- To implement strategy as proposed by the Board of Directors
- To promote and conduct the affairs of the Bank with the highest standards of integrity, probity and corporate governance, in accordance with the strategy and within the budgets approved by the Board
- Work in conjunction with the Chairperson on strategic issues
- To provide leadership and guidance to Senior Management Team
- To chair the Executive Committees with a view of ensuring that the Senior Management Team pursues and achieves the objectives of the Bank as approved by the Board
- To act as an intermediary between the Board and Management
- To assess the principal risks of the Bank and ensure that they are being monitored and managed mainly through a sound and robust internal control system
- To communicate effectively with shareholders, employees, Government authorities, other stakeholders and the public.

CORPORATE GOVERNANCE REPORT (CONT'D)

4. Chairperson of the Risk Management Committee

The Chairperson of the Risk Management Committee works in close co-operation with, and provides support and advice to the Chairperson of the Board. He/She has the following additional responsibilities:

Chairperson - Risk Management Committee

- To provide risk expertise to the Risk Management Committee
- To ensure compliance with the terms of the regulatory framework in Mauritius to act for the Risk Management Committee
- To guide and advise the Board in the approval of an appropriate risk management framework
- To ensure that an update report of each Risk Management Committee meeting is presented to the Board
- To ensure that appropriate risk management training for Directors and Senior Management is available and effective

CORPORATE GOVERNANCE REPORT (CONT'D)

5. Chairperson of the Corporate Governance & Conduct Review Committee

The Chairperson of the Corporate Governance & Conduct Review Committee works in close co-operation with, and provides support and advice to the Chairperson of the Board. He/She has the following additional responsibilities:

Chairperson - Corporate Governance & Conduct Review Committee

- To provide expertise in the areas of corporate governance and ethical conduct
- To ensure the Board is up to standard with global and national good governance standards
- To ensure that the policies around conduct and ethical standards are regularly upheld and transparently adhered to by the Board and Senior Management
- To ensure that an update of each Corporate Governance & Conduct Review Committee meeting is presented to the Board
- To ensure that the Board receives regular and ongoing training and development
- To oversee the production of the Bank's annual report each year
- To ensure that an evaluation of the Board is carried out each year and that the recommendations from that evaluation are implemented

CORPORATE GOVERNANCE REPORT (CONT'D)

6. Company Secretary

Reporting to the Board, the main responsibilities of the Company Secretaries are as follows:

Company Secretary

- Provide the Board with guidance as to its duties, responsibilities and powers
- Carry out Statutory filings
- Ensure that minutes of all meetings of shareholders and directors are properly recorded in accordance with paragraph 8 of the Fifth Schedule and paragraph 6 of the Eighth Schedule of the Mauritius Companies Act (the "Act") respectively as well as all statutory registers are properly maintained
- Certify in the annual financial statements of the Bank that the Bank has filed with the Registrar all such returns of the Bank as are required under the Act
- Ensure that a copy of the Bank's annual financial statements and where applicable the annual report is sent in accordance with sections 219 and 220 to every person entitled to such statements or report in terms of the Act
- Play a leading role in the governance of the Bank by supporting the Chairman and helping the Board and its committees to function effectively

CORPORATE GOVERNANCE REPORT (CONT'D)

Executive Management Team

Authority has been delegated from the Board to the Chief Executive Officer / Bank's Officer-in-Charge for the day-to-day running of the organisation. To support the CEO/ OIC in managing the business, various committees/forums involving the Bank's senior officers have been put in place to deliberate on key issues for informed decision-making. The Management team of the Bank has the responsibility to operate within the strategic framework, risk appetites and policies set by the Board while adhering to regulatory requirements. Oversight and monitoring of the various risk areas within the business are exercised through the Executive Forum, the Management Credit Forum and the various Risk Forums.

The members of these Management forums are carefully selected, taking into consideration their age, experience and area of responsibility. The Executive Forum, which comprises all key Members of Senior Management, has the responsibility for the day-to-day management of the Bank. The profiles of the Members of the Executive Forum (excluding that of Mr Jorge Stock, which has already been disclosed in the Directors' Profiles section) are given hereunder:

MRS VERONIQUE LIM HOYE YEE

Divisional Leader and Head of Credit Underwriting

Mrs Lim Hoye Yee is a seasoned banker with over 20 years of experience in the banking sector. She started her banking career at SBM Bank (Mauritius) Ltd as Senior Officer in Credit Underwriting in 2001. Subsequently, she held positions of increasing responsibilities within the Bank including those of Head of Credit Underwriting; Head of Special Assets and Research; Head of Risk Management and Head of Credit Administration. In August 2012, she joined ABC Banking Corporation Ltd as Head of Credit Underwriting and Risk before returning to SBM Bank (Mauritius) Ltd in September 2016 as Head of Credit Underwriting Team.

Mrs Lim Hoye Yee holds a B.Sc. (Hons) in Economics and Accounting from University of Bristol, UK, a M.Sc. in Economics and Finance from University of Bristol, UK, and is a CFA Charter holder from CFA Institute, US.

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Executive Management Team (cont'd)

MR SANJAIYE RAWOTEEA

Divisional Leader and Head of Consumer Banking

In addition to his role as Divisional Leader – Private Banking and Wealth Management Division and Head of Consumer Banking, Mr Rawoteea oversees the Retail Banking, Marketing & Communications and Microfinance divisions of SBM Bank (Mauritius) Ltd.

Mr Rawoteea is a seasoned banker who brings a wealth of experience from a long career spanning over 20 years in the banking industry with 10 years dedicated to Private Banking and Wealth Management in both local and international banks. Mr Rawoteea joined SBM in 2009 where he held senior positions including those of Senior Relationship Manager in Private Banking and Head of Sales & Marketing in SBM Non-Banking Financial Cluster.

In 2017, he set up the Private Wealth Division within SBM Bank with the objective to provide Wealth Management Solutions to Ultra High-Net-Worth clients.

Mr Rawoteea holds an MBA in Investment Finance & Corporate Finance from the Management College of Southern Africa and a B.Com. in Finance & Business Administration from the University of Natal, South Africa.

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MR NORMAN FON SING

Team Leader and Head of Corporate Domestic Banking

Mr Fon Sing is a finance professional with a rich experience of over 15 years in the Banking Sector during which he has held various strategic positions, from Customer Relationship Management to heading Business Development functions in Barclays Bank Mauritius. He is currently responsible for overseeing and growing the overall Corporate Domestic Banking at SBM Bank Mauritius, leading a team of over 70 professionals.

He holds a Bachelor of Science Honours in Actuarial Science from the University of Toronto and is a CFA Charter holder from the CFA Institute.

Over and above, Mr Fon Sing is a key executive member in various forums at SBM Bank Mauritius, setting the strategy and spearheading its growth and brand image. Mr. Fon Sing is also a Director on the Board of SBM Factors Ltd.

MR TEDDY KIAN LIM ALING

Team Leader and Head of Finance, Procurement and ALM & Capital Management

Mr Aling is currently Head of Finance at SBM Bank (Mauritius) Ltd. Mr Aling has spent over 25 years in the Banking and Finance sectors, working in London, Tokyo, Singapore, and more recently in Mauritius. He has gained most of his banking experience with Deutsche Bank, Barclays Capital, and Standard Chartered Bank. During his career, he has held senior roles including those of CFO at Standard Chartered Bank (Mauritius) Ltd and CEO of a regulated Financial Services entity.

Mr Aling is a CFA Charter holder from the CFA Institute and a Fellow Chartered Accountant (FCA) of the Institute of Chartered Accountants in England and Wales. He also holds a B.Sc. (Econ) Economics from the London School of Economics and Political Science, University of London.

CORPORATE GOVERNANCE REPORT (CONT'D)

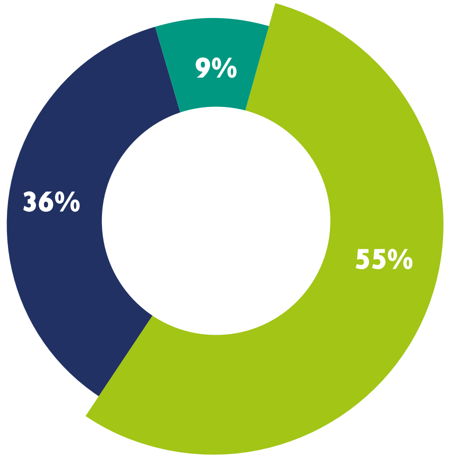
PRINCIPLE TWO - THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

"The Board should contain independently minded directors. It should include an appropriate combination of executive directors, independent directors and non-independent non-executive directors to prevent one individual or a small group of individuals from dominating the Board's decision taking. The Board should be of a size and level of diversity commensurate with the sophistication and scale of the organisation. Appropriate Board committees may be set up to assist the Board in the effective performance of its duties"

The Board comprises 11 members with a broad mix of experience, wholly endorsing the belief in diversity as expressed in the Board Charter. The Board is a unitary board which was led by Mr Nayen Koomar Ballah, G.O.S.K. till 13 March 2020. Following a reconstitution of the Board in March 2020, Mr Mohit Dhoorundhur was appointed as Chairman of the Board of SBM Bank (Mauritius) Ltd and following his departure in November 2020, the Board is being led by Mr Visvanaden Soondram, Deputy Chairperson.

The Bank Board was reconstituted during the course of 2020. A sufficient number that is, greater than 50 percent, of directors do not have any relationship with the organisation and with the majority shareholder. All Directors are categorised taking into consideration the Bank of Mauritius' Guideline and the Code.

INDEPENDENT NON-EXECUTIVE: 55%
NON-INDEPENDENT NON-EXECUTIVE: 36%
EXECUTIVE: 9%



Independent Non-Executive **Non-Independent Non-Executive** **Executive**

CORPORATE GOVERNANCE REPORT (CONT'D)

Only Board members attend each Board meeting for the whole duration, with other officers of the Bank, advisors and other subject matter experts attending on invitation only, for specific board matters.

All directors are Mauritian residents and the use of alternate directors is discouraged. The frequency of Board meetings is set in a way to ensure timely consideration of key issues while also allowing directors to attend and participate in person. This is made possible by the careful drafting of the board calendar that is set out each year by the Chairperson of the Board with the assistance of the Company Secretary. In case physical presence of directors is not possible, they are encouraged to participate in the deliberations via audio or video conferencing. While the meeting schedules of the Bank's Board and its Sub-Committees have also been impacted due to the COVID-19 pandemic, some meetings were however conducted by means of audio and video conferencing during the sanitary curfew with a view to ensure that there was no major disruption to the business and affairs of the Bank.

Board Changes for Period January 2020 to March 2021

Appointment		Departure	
Name	Date	Name	Date
EXECUTIVE DIRECTOR			
Mr Jorge Stock	01 December 2020	Mr Venkateswara Rao Parvataneni	13 November 2020
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR			
Mr Visvanaden Soondram*	30 July 2020		
Mr Muhammad Azeem Salehmohamed	30 July 2020	Mr Azim Fakhruddin Currimjee	13 March 2020
Mr Roodesh Muttylall	30 July 2020	Mr Nayen Koomar Ballah	13 March 2020
Mr Jean Paul Emmanuel Arouff	30 July 2020	Mr Balachandran Chelampet Puthukulangara	30 July 2020
INDEPENDENT NON-EXECUTIVE DIRECTOR			
Mr Mohit Dhoorundhur	13 March 2020	Mr Ishwar Anoopum Gaya	27 February 2020
Mr Rajcoomar Rampertab	13 March 2020	Mr Rajakrishna Chellapermal	09 March 2020
Mrs Imalambaal Kichenin	13 March 2020	Mr Michel Moothoosamy	09 March 2020
Mr Ranapartab Tacouri	13 March 2020	Mr Philip Ah-Chuen	27 July 2020
Mr Eric Michel Georges Leal	16 March 2020	Mr Rishikesh Hurdoyal	27 July 2020
Mr Coomarah Chengan	28 August 2020	Mr Abdool Karrim Namdarkhan	27 July 2020
Ms Oumila Sibartie	28 August 2020	Mr Mohit Dhoorundhur	13 November 2020

**Mr Visvanaden Soondram was a Member of the Board from 19 November 2018 to 09 March 2020 and was reappointed as Director on 30 July 2020.*

CORPORATE GOVERNANCE REPORT (CONT'D)

Board Composition

As per the Bank Constitution, the number of Directors shall not be less than 7 and not more than 13. The Board presently comprises 11 members, out of which there are 6 Independent Non-Executive Directors, 4 Non-Independent Non-Executive Directors, and 1 Executive Director, in accordance with Bank of Mauritius Corporate Governance guideline in terms of Board composition.

The role of the Chairperson is distinct and separate from that of the Chief Executive and there is a clear division of responsibilities with the Chairperson leading the Board and the Chief Executive managing the Bank's business on a day-to-day basis. The Board ensures that external obligations of non-executive directors do not hinder the discharge of their duties and responsibilities.

Gender Balance and Executive Management Representation on the Board

With a view to bring greater gender balance, two female directors, namely Mrs Imalambaal Kichenin and Ms Oumila Sibartie have been appointed as Board Members during the course of year 2020.

The executive representation on the Bank Board is achieved through the appointment of Executive Directors. The Chief Executive of the Bank is an ex-officio member of the Board. Mr Venkateswara Rao Parvataneni (PV Rao) was an Executive Director on the Board till 13 November 2020. During the one month preceding the departure of Mr PV Rao, the Chief Operating Officer, Mr Jorge Stock was invited to be in attendance at all Board / Committee meetings of the Bank, with a view to avoid any disruption at Board level and to have executive perspectives. Mr Jorge Stock was subsequently appointed as Executive Director on the Board of the Bank.
As per the Code of Corporate Governance, all boards should have a strong executive management presence. The Board is of the view that the spirit of the Code is met through the attendance and participation of the Executive Director and the members of Senior Management in relevant Committees and Board deliberations as required.

2020 Board Programme

In the performance of its duties, the Board has regard to the interests of other key stakeholders and is cognisant of the potential impact of the decisions it takes. The Board discharges those responsibilities through an annual programme of meetings and during the year, it has focused on a number of specific areas, some of which are outlined below. In addition, during the year, the CE / Bank's OIC met with the Chairman and other Non-Executive Directors to discuss various matters, including the progress on the Banks strategy, succession planning and key remediation plans.

CORPORATE GOVERNANCE REPORT (CONT'D)

Key Focus Areas for FY 2020

During the year under review, Board meetings were held at least on a quarterly basis. A summary of the main undertakings of the Board during the year 2020 are provided below:

Strategy

- Approved a revised strategic plan 2020-2023 and appraised the performance of the company against key performance indicators;
- Consolidated the Bank's domestic positioning across the different segments of customers it serves; and
- Digitalisation of the Bank's operations and channels of service delivery.

Finance

- Set, reviewed and agreed the annual budget and forward looking three-year plan;
- Reviewed the audit reports;
- Approved the financial statements on a quarterly basis;
- Reviewed the reports from Internal Audit and Anti-Fraud divisions;
- Approved the budget for the renovation of all the service units;
- Approved major projects / initiatives with a view to enhance customer experience and improve the Bank's turnaround time;
- Initiated the migration process of the Bank's DC/DR infrastructure; and
- Reviewed and recommended the reappointment of Deloitte as the statutory auditor for the Bank, to the Shareholder

Governance & Risk

- Appointment of a Deputy Chairman of the Bank;
- Initiated the process of establishing a governance structure that contributes to the effective oversight of the affairs of the Bank;
- Discussed the composition of the Board and its Committees, including Board succession;
- Approved the appointment of an Officer-in-Charge of the Bank in a timely manner to avoid any major disruption to business following the departure of the Chief Executive;
- Identified and considered the appointment of qualified candidates for Board membership and for key positions within the Bank;
- Received reports from Chairpersons of Board Sub-Committees;
- Approved the 2019 Annual Report;
- Reviewed AGM preparation and approved the 2020 Notice of AGM
- Reviewed and approved the Directors' Induction programme;
- Reviewed and approved the policies of the Bank;
- Undertook remediation exercises, including the reinforcement of the Bank's Risk Management framework;
- Reviewed its HR Policies, Rules and Procedures for the management of its human resources for the sound conduct of its business; and
- Considered and approved various employee-related initiatives with a view to increase employee engagement and motivation.

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CORPORATE GOVERNANCE REPORT (CONT'D)

Attendance at Committee and Board Meetings

The Chairpersons of the Board and its Sub-Committees are all selected based on several factors, including their relevant knowledge and experience. Despite the national confinement and curfew in Mauritius amid the COVID-19 pandemic, the Board and its Sub-Committees met several times during the year in line with their terms of reference The record of attendance of directors who served on the Board and its Sub-Committee during the financial year 2020 is provided in the following table:

		Board Meetings	Remuneration & Nomination Committee	Corporate Governance & Conduct Review Committee	Audit Committee	Risk Management Committee	Strategy Committee	IT & Procurement Committee	Finance Committee	Board Credit Committee
No. of Meetings held during year ended 31 Dec 2020		26	12	3	7	8	3	1	2	39
	Directors									
Non-Executive	Jean Paul Emmanuel AROUFF	9	4	-	-	-	2	-	-	-
	Nayen Koomar BALLAH	3	3	-	-	-	-	-	-	-
	Balachandran CHELAMPET PUTHUKULANGARA	14	-	-	-	4	1	1	-	23
	Azim Fakhruddin CURRIMJEE	5	-	-	-	-	-	-	-	-
	Roodesh MUTTYLALL	10	-	-	-	-	-	-	-	16
	Muhammad Azeem SALEHMOHAMED	11	-	-	-	3	2	-	-	2
	Visvanaden SOONDRAM	16	-	2	-	3	-	-	-	-
Independent Non-Executive	Philip AH-CHUEN	11	4	1	3	3	1	-	2	-
	Rajakrishna CHELLAPERMAL	4	-	-	-	-	-	-	1	9
	Coomarah CHENGA	10	-	2	-	4	-	-	-	-
	Mohit DHOORUNDHUR	15	6	-	-	-	2	-	-	-
	Ishwar Anoopum GAYA	3	2	-	2	1	-	-	1	-
	Rishikesh HURDOYAL	13	2	1	-	1	-	1	1	15
	Imalambaal KICHENIN	18	8	-	5	-	2	-	1	-
	Eric Michel Georges LEAL	20	-	-	5	7	3	-	1	-
	Michel MOOTHOOSAMY	4	3	-	2	-	-	-	1	-
	Abdool Karrim NAMDARKHAN	13	-	1	-	4	-	1	1	14
	Rajcoomar RAMPERTAB	21	8	2	4	2	1	1	-	8
	Oumila SIBARTIE	9	-	2	-	4	-	-	-	14
	Ranapartab TACOURI	21	-	3	-	-	-	-	1	30
Executive	Venkateswara Rao PARVATANENI (PV)	18	9	3	-	7	2	1	2	-
	Jorge STOCK	4	-	-	-	-	-	-	-	-

CORPORATE GOVERNANCE REPORT (CONT'D)

		Board Meetings	Remuneration & Nomination Committee	Corporate Governance & Conduct Review Committee	Audit Committee	Risk Management Committee	Strategy Committee	IT & Procurement Committee	Finance Committee	Board Credit Committee
No. of Meetings held during year ended 31 Dec 2020		26	12	3	7	8	3	1	2	39
In attendance	Rajakrishna CHELLAPERMAL	-	-	-	-	1	-	-	-	-
	Coomarah CHENGAN	-	1	-	-	-	1	-	-	-
	Azim Fakhruddin CURRIMJEE	-	-	-	-	1	-	-	-	-
	Rishikesh HURDOYAL	-	-	-	-	1	1	-	-	-
	Imalambaal KICHENIN	-	-	-	-	1	-	-	-	-
	Eric Michel Georges LEAL	-	1	-	-	-	-	-	-	-
	Roodesh MUTTYLALL	-	1	-	-	-	-	-	-	-
	Michel MOOTHOOSAMY	-	-	-	-	1	-	-	-	-
	Venkateswara Rao PARVATANENI (PV)	-	-	-	6	-	-	-	-	29
	Rajcoomar RAMPERTAB	-	-	-	-	-	1	-	-	-
	Muhammad Azeem SALEHMOHAMED	-	1	-	-	-	-	-	-	-
	Oumila SIBARTIE	-	1	-	-	-	1	-	-	-
	Visvanaden SOONDRAM	-	1	-	-	-	-	-	-	-
	Jorge STOCK	2	3	1	-	-	-	-	-	5
	Ranapartab TACOURI	-	1	-	-	1	2	-	-	-

Notes:
1. Mr Ishwar Anoopum Gaya ceased to be Member of the Board and its Sub-Committees on 27.02.2020.
2. Messrs Rajakrishna Chellapermal, Michel Moothoosamy and Visvanaden Soondram ceased to be Members of the Board and its Sub-Committees on 09.03.2020.
3. Mr Azim Fakhruddin Currimjee, representative of SBM Holdings Ltd, was a Board Member from 17.09.2019 till 13.03.2020.
4. Mr Nayen Koomar Ballah ceased to be Member of the Board and Committees on 13.03.2020.
5. Messrs Rajcoomar Rampertab, Mohit Dhoorundhur, Ranapartab Tacouri and Mrs Imalambaal Kichenin were appointed as Board Members on 13.03.2020 and Member of Sub-Committees on 16.03.2020.
6. Mr Eric Michel Georges Leal was appointed as Member of the Board and Sub-Committees on 16.03.2020.
7. Messrs Abdool Karrim Namdarkhan, Philip Ah-Chuen and Rishikesh Hurdoyal ceased to be Members of the Board and its Sub-Committees on 27.07.2020.
8. Mr Balachandran Chelampet Puthukulangara ceased to be Member of the Board and its Sub-Committees on 30.07.2020.
9. Messrs Visvanaden Soondram, Muhammad Azeem Salehmohamed, Roodesh Muttylall and Jean Paul Emmanuel Arouff were appointed as Directors on 30.07.2020 and Members of Sub-Committees on 05.08.2020.
10. Mr Coomarah Chengan and Ms Oumila Sibartie were appointed as Directors on 28.08.2020 and Members of Sub-Committees on 02.09.2020.
11. Mr Mohit Dhoorundhur ceased to be Member of Sub-Committees on 11.11.2020 and Member of the Board on 13.11.2020
12. Mr Venkateswara Rao Parvataneni ceased to be Member of the Board and its Sub-Committees on 13.11.2020.
13. Mr Jorge Stock was appointed as Director on 01.12.2020 and Member of Sub-Committees on 02.12.2020.

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CORPORATE GOVERNANCE REPORT (CONT'D)

Company Secretary

Appointed by the Board in accordance with its Constitution, the Company Secretary plays a leading role in the good governance of the Company by supporting the Chairperson and helping the Board and its Committees to function efficiently. All Directors have access to the services of the Company Secretary.
The Company Secretary attends all meetings of the Board and its Sub-Committees. The appointment or removal of the Company Secretary is a matter for the Board as a whole. Ms Preshnee Ramchurn and Mrs Bharti Bolah-Chowtee have been appointed by the Board as Company Secretaries for SBM Bank (Mauritius) Ltd.

COMPANY SECRETARIES

MS PRESHNEE RAMCHURN & MRS BHARTI BOLAH-CHOWTEE

- Secretary to the Board and all Board Committes
- Support the Board and Committee Chairs in Meeting Planning
- Support the Chairman in designing Board Inductions
- Advises the Directors on Board practice and procedure and Corporate Governance matters
- Is a point of Contact for Shareholder on Corporate Governance matters

Profile of Company Secretaries:

Ms Preshnee Ramchurn

Ms Preshnee Ramchurn is an Associate of the Institute of Chartered Secretaries and Administrators (UK) and was appointed as Company Secretary of SBM Bank (Mauritius) Ltd in March 2017. She has extensive experience in corporate governance matters and company secretarial practice and prior experience in risk management and compliance from her time in one of the Big 4 accounting firms.

Besides her role as Secretary to the Board and the various Board Sub-Committees, Ms Ramchurn oversees the Corporate Secretarial functions of the Bank.

Mrs Bharti Bolah-Chowtee

Mrs Bharti Bolah-Chowtee joined the Bank in March 2019 and was appointed as Company Secretary of SBM Bank (Mauritius) Ltd on 17 April 2019. She holds a Bachelor of Science Honours in Management (Minor: Finance) from the University of Mauritius and is an Associate Member of the Institute of Chartered Secretaries and Administrators (UK). She is proficient in company secretarial practice and has prior 7 years of experience in one of the leading management companies in Mauritius.

CORPORATE GOVERNANCE REPORT (CONT'D)

Board Sub-Committees

As part of the process of establishing a governance structure that contributes to the effective oversight of the affairs of the Bank, the Board has established the following committees to assist it in the discharge of its responsibilities:

1. Audit Committee
2. Corporate Governance and Conduct Review Committee
3. Remuneration & Nomination Committee
4. Risk Management Committee
5. Strategy Committee

Note:

- A Board Supervisory Committee has been set up in 2021 to have proper oversight of the affairs of the Bank.
- The Board had also established other sub-committees namely the Board Credit Committee ("BCC"), the Finance Committee and the IT & Procurement Committee, meetings of which were held during the year under review. These 3 sub-committees have been discontinued and following proper assessment, their respective mandates have been delegated appropriately to some of the existing Committees and/or to the Executive Management team.
- A Special Sub-Committee was put in place to oversee the remediation plan for the Corporate International Banking Segment. This Committee has also been discontinued and implementation of the remediation plan is now being overseen by the Bank Board and a sub-committee of SBM Holdings Ltd.

CORPORATE GOVERNANCE REPORT (CONT'D)

Each Board Sub-committee has its own terms of reference approved by the Board which, along with the Board Charter, are reviewed on an annual / regular basis. The Board Sub-Committees of SBM Bank (Mauritius) Ltd consists only of directors, as hereunder:

AUDIT COMMITTEE	CORPORATE GOVERNANCE & CONDUCT REVIEW COMMITTEE	REMUNERATION & NOMINATION COMMITTEE
Mrs Imalambaal Kichenin *Chairperson*	Mr Rajcoomar Rampertab *Chairperson*	Mr Rajcoomar Rampertab *Chairperson*
Mr Eric Michel Georges Leal	Mr Coomarah Chengan	Mrs Imalambaal Kichenin
Mr Ranapartab Tacouri	Mr Visvanaden Soondram	Mr Jean Paul Emmanuel Arouff
	Mr Jorge Stock	Mr Jorge Stock
	Mr Ranapartab Tacouri	Ms Oumila Sibartie

RISK MANAGEMENT COMMITTEE	STRATEGY COMMITTEE
Ms Oumila Sibartie *Chairperson*	Mr Muhammad Azeem Salehmohamed *Chairperson*
Mr Visvanaden Soondram	Mr Jean Paul Emmanuel Arouff
Mr Roodesh Muttylall	Mrs Imalambaal Kichenin
Mr Eric Michel Georges Leal	Mr Eric Michel Georges Leal
Mr Muhammad Azeem Salehmohamed	Mr Jorge Stock
Mr Jorge Stock	Mr Coomarah Chengan
	Ms Oumila Sibartie

Composition of Board Sub-Committees as at 31 March 2021

CORPORATE GOVERNANCE REPORT (CONT'D)

Audit Committee

Roles and Responsibilities

The Audit Committee has delegated authority from the Board as set out in its written terms of reference, available on the Company's website.

The Audit Committee consists of 3 independent non-executive directors. Its main responsibilities include the following:

- Critically review and examine the quality and integrity of quarterly results and audited financial statements of the Bank prior to submission and approval of the Board;
- Get assurance from the external auditors on the appropriateness of the accounting policies applied and whether they are prudent and consistent with prior practice and comply with regulations and legal requirements;
- Review critical accounting issues and ensure capital adequacy and internal control;
- Review adequacy of provisions including provision for credit impairment losses;
- Discuss with the senior management and the external auditors the overall results of the audit, the quality of financial statements and any concerns raised by the external auditors;
- Make recommendations to the Board for the appointment, re-appointment and retention of external auditors;
- Review the objectives of the internal audit function and Anti-Fraud division along with their respective annual plan of action; and
- Review and consider auditors' recommendations regarding the Bank's systems of internal controls to ascertain its adequacy and effectiveness.

Members	Category
Mrs Imalambaal KICHENIN (Chairperson since March 2020)	Independent Non-Executive Director
Mr Eric Michel Georges LEAL (Member since March 2020)	Independent Non-Executive Director
Mr Ranapartab TACOURI (Member since February 2021)	Independent Non-Executive Director

Secretary to the Audit Committee: Ms Preshnee RAMCHURN

Note:
- Mr Ishwar Anoopum Gaya chaired the Audit Committee till February 2020 and Mrs Imalambaal Kichenin took over the Chairpersonship in March 2020.
- Mr Rajcoomar Rampertab was a Member of the Audit Committee from March 2020 to May 2020 and from August 2020 to February 2021.
- Mr Philip Ah-Chuen was a Member of the Audit Committee till March 2020 and from May 2020 to July 2020.
- Mr Michel Arnaud Moothoosamy was a Member of the Audit Committee till March 2020

CORPORATE GOVERNANCE REPORT (CONT'D)

Corporate Governance and Conduct Review ("CGCR") Committee

Role and Responsibilities

The Corporate Governance and Conduct Review ("CGCR") Committee has delegated authority from the Board as set out in its written terms of reference, available on the Company's website.

The Corporate Governance and Conduct Review Committee consists of 5 members, out of which 3 are independent directors. Its main responsibilities include the following:

- Advise the Board on all aspects of corporate governance and recommend the adoption of best practices;
- Determine and develop the Bank's general policy on corporate governance in accordance with the applicable Code of Corporate Governance and international best practice;
- Review the Corporate Governance report to be published in the annual report;
- Monitor developments in the area of corporate governance and recommend initiatives to maintain the highest standards of corporate governance;
- Provide guidance and direction on the application of the Code of Ethics;
- Ensure accurate disclosure of directors' remunerations and ensure that related party transactions are carried out at arm's length; and
- Take cognizance, review and ratify each credit facility granted to related party with a view to ensuring compliance with the Bank of Mauritius Guideline

Members	Category
Mr Rajcoomar RAMPERTAB (Chairperson since September 2020)	Independent Non-Executive Director
Mr Coomarah CHENGAN (Member since September 2020)	Independent Non-Executive Director
Mr Visvanaden SOONDRAM (Reappointed as Member since August 2020)	Non-Executive Director
Mr Jorge STOCK (Member since December 2020)	Executive Director
Mr Ranapartab TACOURI (Member since March 2020)	Independent Non-Executive Director

Secretary to the Corporate Governance and Conduct Review Committee: Ms Preshnee RAMCHURN

Note:

- Mr Philip Ah-Chuen chaired the CGCR Committee till July 2020 thereafter, Mr Ranapartab Tacouri chaired the Committee from August 2020 to September 2020, In September 2020, Mr Rajcoomar Rampertab took over the Chairpersonship.
- Mr Visvanaden Soondram was a member of the CGCR Committee till March 2020 and was reappointed as Member since August 2020
- Mr Ranapartab Tacouri was appointed as Chairman of the CGCR Committee for the period August- September 2020.
- Ms Oumila Sibartie was a Member of the CGCR Committee from September 2020 to February 2021.
- Mr Venkateswara Rao Parvataneni was a Member of the CGCR Committee till November 2020.
- Mr Rishikesh Hurdoyal was a Member of the CGCR Committee till July 2020.
- Mr Abdool Karrim Namdarkhan was a Member of the CGCR Committee from March 2020 till July 2020.
- Mr Nayen Koomar Ballah and Mr Rajakrishna Chellapermal was a Member of the CGCR Committee till March 2020.

CORPORATE GOVERNANCE REPORT (CONT'D)

Remuneration & Nomination Committee ("REMCO")

Role and Responsibilities

The Remuneration & Nomination Committee ("REMCO") has delegated authority from the Board as set out in its written terms of reference, available on the Company's website.

The Remuneration & Nomination Committee consists of 5 members, out of which 3 are independent non-executive directors. Its main responsibilities include the following:

- Review on a periodic basis the HR related policies of the Bank;
- Review and recommend performance-based remuneration for staff members including senior management, against objectives and key performance indicators;
- Identify qualified candidates for Board membership and position of Chairperson of the Board, its committees and their members;
- Recommend recruitment and/or promotion of senior officers and above, and recommend their remuneration, benefits and other terms and conditions of employment;
- Review and recommend salary revisions and service conditions of employees; and
- Determine the total remuneration package of executive directors of the Bank and level of Board fees for directors, for recommendation to Board and shareholders, where applicable.

Members	Category
Mr Rajcoomar RAMPERTAB (Chairperson since November 2020)	Independent Non-Executive Director
Mr Jean Paul Emmanuel AROUFF (Member since September 2020))	Non-Executive Director
Mrs Imalambaal KICHENIN (Member since March 2020)	Independent Non-Executive Director
Ms Oumila SIBARTIE (Member on since February 2021)	Independent Non-Executive Director
Mr Jorge STOCK (Member since December 2020)	Executive Director

Secretary to the Remuneration & Nomination Committee: Ms Preshnee RAMCHURN

Note:

- Mr Nayen Koomar Ballah chaired the REMCO till March 2020.
- Mr Mohit Dhoorundhur chaired the Committee from March 2020 to November 2020.
- Mr Rajcoomar Rampertab was appointed as Member of the Committee since March 2020.
- Mr Visvanaden Soondram was a Member of the REMCO from August 2020 to September 2020.
- Mr Venkateswara Rao Parvataneni was a Member of the Committee till November 2020.
- Mr Rishikesh Hurdoyal was a Member of the REMCO from March 2020 to July 2020.
- Mr Philip Ah-Chuen and Mr Michel Arnaud Moothoosamy were Members of the REMCO till March 2020.
- Mr Ishwar Anoopum Gaya was a Member of the REMCO till February 2020.

CORPORATE GOVERNANCE REPORT (CONT'D)

Risk Management Committee

Role and Responsibilities

The Risk Management Committee has delegated authority from the Board as set out in its written terms of reference, available on the Company's website.

The Risk Management Committee consists of 6 members. With the exception of the Bank's CEO / Officer-in-Charge, the Committee members are non-executive directors. The main responsibilities of the Risk Management Committee include the following:
- Ensure that the Bank has a solid and effective risk management infrastructure in place;
- Adopt the risk appetite for the Bank, as recommended to and approved by the Board;
- Establish and review the adequacy of risk management control techniques and methodologies and monitor their effectiveness;
- Review the Bank's risk profile and potential exposure to risks of various types;
- Review Bank policies for management of risks, particularly, in areas of credit, market, interest rate, liquidity, operational and technological risks; and
- Monitor material litigation involving the Bank.

Members	Category
Ms Oumila SIBARTIE (Chairperson since September 2020)	Independent Non-Executive Director
Mr Eric Michel Georges LEAL (Member since March 2020)	Independent Non-Executive Director
Mr Roodesh MUTTYLALL (Member since February 2021)	Independent Non-Executive Director
Mr Muhammad Azeem SALEHMOHAMED (Member since September 2020)	Non-Executive Director
Mr Visvanaden SOONDRAM (Member since August 2020)	Non-Executive Director
Mr Jorge STOCK (Member since December 2020)	Executive Director

Secretary to the Risk Management Committee: Mrs Bharti BOLAH-CHOWTEE

Note:
- Mr Abdool Karrim Namdarkhan chaired the Risk Management Committee till July 2020.
- Mr Jean Paul Arouff chaired the Committee from August 2020 to September 2020. Ms Oumila Sibartie took over the Chairpersonship thereafter.
- Mr Visvanaden Soondram was a Member of the Committee till March 2020 and was reappointed as Member since August 2020.
- Mr Coomarah Chengan was a Member of the Risk Management Committee from September 2020 till February 2021.
- Mr Venkateswara Rao Parvataneni was a Member of the Risk Management Committee till November 2020.
- Mr Rajcoomar Rampertab was a Member of the Risk Management Committee from March 2020 to May 2020
- Mr Balachandran Chelampet Puthukulangara was a Member of the Risk Management Committee till July 2020.
- Mr Philip Ah-Chuen was a Member of the Risk Management Committee from March 2020 to July 2020.
- Mr Nayen Koomar Ballah and Mr Rishikesh Hurdoyal were Members of the Risk Management Committee till March 2020.
- Mr Ishwar Anoopum Gaya was a Member of the Risk Management Committee till February 2020.

CORPORATE GOVERNANCE REPORT (CONT'D)

Strategy Committee

Role and Responsibilities

The Strategy Committee has delegated authority from the Board as set out in its written terms of reference, available on the Company's website.

The Strategy Committee consists of 7 members with a majority of independent non-executive directors. The main responsibilities of the Committee include the following:
- Review and recommend the strategic plans, business plans, annual or quarterly corporate objectives and budgets;
- Review effectiveness of the Bank's strategies;
- Review the Bank's strategic plans and annual / quarterly corporate objectives and budgets;
- Review performance against set KPIs and targets;
- Review issues of fundamental importance and proposals from management related to Bank's long term objectives and goals; and
- Consider and review the type of organisational structures and functions necessary for implementing the strategic plans.

Members	Category
Mr Muhammad Azeem SALEHMOHAMED (Chairperson since November 2020)	Non-Executive Director
Mr Jean Paul Emmanuel AROUFF (Member since August 2020)	Non-Executive Director
Mr Coomarah CHENGAN (Member since February 2021)	Independent Non-Executive Director
Mrs Imalambaal KICHENIN (Member since March 2020)	Independent Non-Executive Director
Mr Eric Michel Georges LEAL (Member since March 2020)	Independent Non-Executive Director
Ms Oumila SIBARTIE (Member since February 2021)	Independent Non-Executive Director
Mr Jorge STOCK (Member since December 2020)	Executive Director

Secretary to the Strategy Committee: Mrs Bharti BOLAH-CHOWTEE

Note:
- Mr Nayen Koomar Ballah chaired the Strategy Committee till March 2020.
- Mr Mohit Dhoorundhur chaired the Committee from March 2020 to November 2020. Mr Azeem Salehmohamed took over the Chairpersonship thereafter.
- Mr Visvanaden Soondram was a Member of the Strategy Committee till March 2020. The latter was reappointed as Member for period August –September 2020.
- Mr Venkateswara Rao Parvataneni was a Member of the Strategy Committee till November 2020.
- Mr Rajcoomar Rampertab was a Member of the Strategy Committee from March 2020 to August 2020.
- Mr Philip Ah-Chuen was a Member of the Committee till July 2020.
- Mr Balachandran Chelampet Puthukulangara was a Member of the Strategy Committee from March 2020 to July 2020.
- Mr Rajakrishna Chellapermal and Mr Michel Arnaud Moothoosamy were Members of the Strategy Committee till March 2020.

CORPORATE GOVERNANCE REPORT (CONT'D)

PRINCIPLE THREE - DIRECTOR APPOINTMENT PROCEDURES

"There should be a formal, rigorous and transparent process for the appointment, election, induction and re-election of directors. The search for Board candidates should be conducted, and appointments made, on merit, against objective criteria (to include skills, knowledge, experience, and independence and with due regard to the benefits of diversity on the Board, including gender). The Board should ensure that a formal, rigorous and transparent procedure be in place for planning the succession of all key officeholders."

In order for any Board to discharge its duties and responsibilities effectively, it must comprise an appropriate blend of individuals, with a diverse range of knowledge, skills, experience and backgrounds. The Directors are expected to exhibit independence of mind, integrity and the appetite to challenge constructively when appropriate. The Board has established a Remuneration and Nomination Committee which is responsible, amongst others, for reviewing the organization structure, Board size and composition along with identifying eligible candidates for directorship on the Board of the Bank. In so doing, it seeks to promote a diverse Board membership in terms of skills, knowledge and experience.

Appointments to the Board are based on personal merit assessed against objective criteria. In the case of candidates for non-executive directorships, care is taken to ascertain that individuals have sufficient time to fulfil their Board and, where relevant, Committee responsibilities.

The Remuneration and Nomination Committee has put in place a transparent procedure for the appointment and reappointment of directors which cut through some of the listed procedures:

Identifying the needs of the Board → Searching and select any potential candidates. → Recommendating of the selected candidate to the Board for consideration → Board approval → Regulatory approval → Election / Re-election at Annual General Meeting → Swearing of an oath of confidentiality → Issuance of Letter of Appointment → Statutory

CORPORATE GOVERNANCE REPORT (CONT'D)

It should be noted that the executive directors, including the Chief Executive hold their directorship as long as they hold their office as Executives of the Bank. Mr Venkateswara Rao Parvataneni (PV Rao), who had tendered his resignation as the Bank's Chief Executive during the course of the year, was an executive director on the Board till 13 November 2020. Following his resignation, Mr. Jorge Luis Stock was appointed as executive director on the Board in December 2020.

There were several new Directors appointments to the Board during the year under review. Amongst others, a Deputy Chairperson was appointed along with three directors from the boards of the Bank's holding companies.

Upon their appointment, all Directors were provided with a tailored induction programme, and they are encouraged to develop and refresh their knowledge and skills on an on-going basis. The Company supports this by organising site visits and working sessions with the Management team. The Non- Executive Directors have regular opportunities to meet members of the Executive Forum and the broader management team, both at the working sessions and at social occasions.

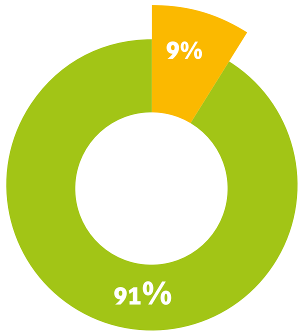
With input from the Remuneration & Nomination Committee, the Board keeps its membership, and that of its Committees, under regular review. The Board and its Sub-Committees were reconstituted accordingly a few times during FY 2020.

The Board strongly supports the benefits of diversity, both at Board level and in the business.

CORPORATE GOVERNANCE REPORT (CONT'D)

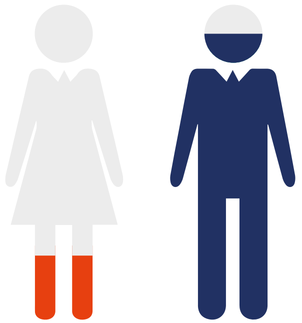
Balance and independence of the Board Members

Composition of the Board



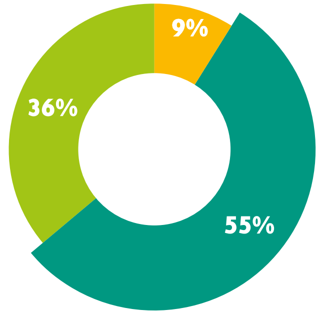
Executive | Non-Executive

Gender Diversity



18% | 82%

Independence



- Executive
- Non-Independent Non Executive
- Independent Non-Executive

CORPORATE GOVERNANCE REPORT (CONT'D)

Succession Planning

The Board is ultimately responsible for succession planning for directorships and key management roles. The composition of the Board with reference to the skills, experience and knowledge of the individual Directors is kept under constant review.

The Remuneration & Nomination Committee has been delegated the task from the Board to oversee and review succession planning from time to time and recommend same to the Board for consideration / approval. Having smooth transitions in leadership roles is crucial to an organization's long-term success and to that effect, the Remuneration & Nomination Committee proactively reviews the succession requirements for the Board and carries out the due diligence process to determine the suitability of every person who is considered for appointment or reappointment as a Director of the Board based on his educational qualification, experience, competence and track record.

Following the Chairman's decision to step down from the Board in November 2020, the Acting Chairperson of the Board is leading the succession process for the Chairman, in collaboration with the Non-Executive Directors.

The Board recognises the importance of rotation of Board members to ensure that there is a good balance between continuity and fresh perspectives on the Board in line with the regulatory requirement, while taking into account the Bank's current and future needs.

The Remuneration & Nomination Committee also ensures proper succession planning at senior management level which is based on inputs from the Chief Executive and Head of Human Resources. The Remuneration & Nomination Committee regularly reviews any vacancies or probable vacancies which may arise due to resignation and Directors retirement and prior to any recommendation to the Board, the suitability of the candidate is being evaluated alike the directors. Due consideration is given to skills, experience, age and gender prior to any recruitment so as to ensure that there is a proper balance within the Senior Management team.

In the event that specific skills and experience are required, the Board may hire the services of a consultant. A search process for the next Chairman is underway. Likewise, the process has also been initiated to fill key vacancies at Management level.

CORPORATE GOVERNANCE REPORT (CONT'D)

PRINCIPLE FOUR – DIRECTORS' DUTIES, REMUNERATION AND PERFORMANCE

"Directors should be aware of their legal duties. Directors should observe and foster high ethical standards and a strong ethical culture in their organisation. Conflicts of interest should be disclosed and managed. The Board is responsible for the governance of the organisation's information, information technology and information security. The Board, committees and individual directors should be supplied with information in a timely manner and in an appropriate form and quality in order to perform to required standards. The Board, committees and individual directors should have their performance evaluated and be held accountable to appropriate stakeholders. The Board should be transparent, fair and consistent in determining the remuneration policy for directors and senior executives."

Legal Duties

Upon appointment to the Board, all new Directors receive a general induction, which includes, inter alia, their duties and responsibilities as a Director of a banking entity and the Bank's corporate governance structure. This seeks to make them aware of their legal duties and help them to develop a quick understanding of the Bank's business operations as well as associated opportunities and challenges. Additionally, Directors are also apprised of their duties through ongoing directors' development trainings provided by the Bank.

Code of Ethics

The Code of Ethics outlines the values and behaviours expected from Directors and staff across the Bank, irrespective of their levels of accountability and responsibility. Good conduct is fundamental to the sustainability of the banking industry and driven by daily behaviours exhibited through individuals collective actions and decisions.

The Board firmly believes that all Directors should observe and foster high ethical standards and a strong ethical culture within the Bank. The Board also encourages Senior Management, the staff members and other relevant stakeholders to follow the Bank's Code of Ethics and Business Conduct in place and to act ethically.

The Code of Ethics and Business Conduct had been drafted in a structured manner under the guidance of the Board and in consultation with key members of management. Both the Directors and employees are made aware of this code, and the consequences for non-compliance. The Board, through the control functions, evaluates compliance with the Code of Ethics.

CORPORATE GOVERNANCE REPORT (CONT'D)

Directors' Induction

The Company Secretary in collaboration with the SBM Academy assists the Chairpersons of the Board and the Corporate Governance & Conduct Review Committee in designing and facilitating induction programmes for new Directors. They are designed with the purpose of orientating and familiarising new Directors with the organisation, governance and the Bank's strategies.

Besides being provided with a Directors' Induction Handbook, all newly appointed Directors attended an extensive formal and tailored induction training during the course of year 2020. In addition, interactive training sessions were organized with the Senior Management team, to enable Directors to get acquainted with the activities of SBM and effectively contribute to strategic decision. Topics covered during the induction are as follows:

Key topics considered during Directors Induction 2020

- Risk Management
- Board Directors Duties & Liabilities
- Board Procedures & Effective Boardroom Practice
- Overview of SBM Business, Strategy & Key Performance Indicators
- Major Ligitations, NPAs & Recovery Process
- Dealing with Conflicts
- Internal Controls – 3 Lines of Defense
- The Code of Corporate Governance
- Capacity Building: Remuneration & Performance Management, Talent Development, Key Stakeholders
- Cyber Security Awareness
- Anti-money Laundering and Countering the Financing of Terrorism
- Overview of SBM Business, Strategy & Key Performance Indicators

CORPORATE GOVERNANCE REPORT (CONT'D)

Continuous Development Programme

Continuous training is essential for Directors to cope with the constant changes in the business environment. To ensure that Directors are kept abreast of legal and regulatory developments in the business of banking, bespoke programmes on a range of topics, including the following, were facilitated by internal and external subject matters:

- Credit Risk Management
- Enterprise Risk Management
- AML/CFT Workshop
- Framing Strategy Alignment & Execution in collaboration with the Senior Executive Team

Directors Training courses and development programmes are closely monitored by the Chairperson of the Corporate Governance and Conduct Review Committee and the Company Secretary.

CORPORATE GOVERNANCE REPORT (CONT'D)

Evaluation of the Board and its Sub-Committees

The Board carries out an evaluation of its performance and the performance of its Sub-Committees on an annual basis, which is facilitated externally every third year. Further to the independent evaluation conducted in 2018 and subsequent evaluation exercise undertaken internally in 2019, the Bank had appointed an external evaluator to carry out a fresh independent evaluation of the Board and its Committees in March 2020. However, due to the COVID-19 pandemic and changes in the Board composition, this exercise had to be cancelled.

An independent evaluator, namely Mr Seamus Gillen from Value Alpha Limited, has now been appointed in March 2021 to carry out the evaluation of the recomposed Board and Sub-Committees. A letter of engagement has been signed by the Bank with Mr Seamus Gillen specifying the scope of work, independence towards the Bank and method of evaluation to be used by the evaluator. The evaluation exercise has now been scheduled for April 2021 due to the current lockdown situation in Mauritius, amid the COVID-19 pandemic.

The Board commits to complete the independent evaluation exercise by end of April 2021, despite the lockdown situation. The findings of the independent board evaluation will be shared with the whole board, which will be useful for the Bank to assess the effectiveness of the Board and its sub-committees.

Conflicts of Interests

Directors have a statutory duty to avoid actual or potential conflicts of interest and to act in the best interests of the Bank. A Conflict of Interest Policy has been put in place by the Board, requiring the Chairman, Directors and Employees to declare any actual conflict or potential conflict of interest in any transactions undertaken by the Bank, to the Head of Compliance or to the Board and/or Company Secretary as applicable, so as to avoid situations where there may be a potential conflict of interest. Directors abstain from discussions at Board or Committee meetings in case of conflict.

The Bank recognises that the Non-Executive Directors have other business interests and directorships outside the Bank. The Directors' other directorships have been disclosed under Principle 2 of this report. Directors have a continuing duty to update the Board on any changes to their external appointments.

The conflicts of interest of Directors are generally recorded and updated in the Interest register maintained by the Company Secretary. The register is made available to shareholders of the Bank merely upon written request to the Company Secretary.

CORPORATE GOVERNANCE REPORT (CONT'D)

Remuneration

The Bank always thrives to ensure that the remuneration for the Directors and Senior Executives are fair and consistent.

The Bank's remuneration philosophy concerning directors is as hereunder:

1. Remuneration of Non-Executive Directors

The Non-Executive Directors of the Board receive a monthly fixed base fee as consideration for their Board duties and a fixed fee in fulfilment of their duties at Board Sub-Committees, as per the fee schedule approved by the sole shareholder. The aim of the Board of Directors is to ensure that the remuneration of each Director is in line with the market practices and that the remuneration reflects the demands, competencies and efforts in light of the scope of their work.

The Non-Executive Directors have not received any remuneration in the form of share options or bonuses associated with organisational performance during the year.

The table below highlights the remuneration and benefits received by the Non-Executive Directors during the financial year 2020 in discharging their duties towards the Bank:

Non – Executive Directors	January 2020 to December 2020 (MUR)
Mr Nayen Koomar Ballah *(ceased to be a director on 13.03.2020)*	420,000
Mr Philip Ah Chuen *(ceased to be a director on 27.07.2020)*	615,000
Mr Rajakrishna Chellapermal *(ceased to be a director on 09.03.2020)*	320,000
Mr Rishikesh Hurdoyal *(ceased to be a director on 27.07.2020)*	655,000
Mr Ishwar Annoopum Gaya *(ceased to be a director on 27.02.2020)*	305,000
Mr Michel Arnaud Moothoosamy *(ceased to be a director on 09.03.2020)*	245,000
Mr Abdool Karrim Namdarkhan *(ceased to be a director on 27.07.2020)*	595,000

CORPORATE GOVERNANCE REPORT (CONT'D)

Non – Executive Directors	January 2020 to December 2020 (MUR)
Mr Visvanaden Soondram *(ceased to be a director on 09.03.2020 and reappointed on 30.07.2021)*	450,000
Mr Balachandran Chelampet Puthukulangara *(ceased to be a director on 30.07.2020)*	570,000
Mr Azim Fakhruddin Currimjee *(ceased to be a director on 13.03.2020)*	60,000
Mr Mohit Dhoorundhur *(appointed on 13.03.2020 and ceased to be a director on 13.11.2020)*	1,080,000
Mrs Imalambaal Kichenin *(appointed on 13.03.2020)*	700,000
Mr Rajcoomar Rampertab *(appointed on 13.03.2020)*	820,000
Mr Ranapartab Tacouri *(appointed on 13.03.2020)*	740,000
Mr Eric Leal *(appointed on 16.03.2020)*	550,000
Mr Jean Paul Emmanuel Arouff *(appointed on 30.07.2020)*	215,000
Mr Roodesh Muttylall *(appointed on 30.07.2020)*	300,000
Mr Muhammad Azeem Salehmohamed *(appointed on 30.07.2020)*	240,000
Ms Oumila Sibartie *(appointed on 28.08.2020)*	340,000
Mr Coomarah Chengan *(appointed on 28.08.2020)*	160,000

CORPORATE GOVERNANCE REPORT (CONT'D)

2. Remuneration of Executive Directors

As per the Bank's remuneration philosophy, no directorship fees are paid to the Executive Director.
The approach to remuneration for Executive Management is based on their performance and effort towards contributing to the development of the Bank's strategy. The remuneration packages are determined based on a number of factors including qualification, skills, market conditions and responsibility shouldered.

During the year under review, there were two members of Executive Management who were appointed as Executive Directors on the Board.

The total remunerations received by these Senior Executives during the financial year 2020 were as follows:

Executive Directors	January 2020 to December 2020 (MUR)
Mr Luis Jorge Stock*	6,390,375.00
Mr Parvataneni Venkateswara Rao**	11,198,066.68

**Mr Luis Jorge Stock was appointed as Executive Director in December 2020*
***Mr Venkateswara Rao Parvataneni was an Executive Director till November 2020.*

The table below sets out a comparative analysis of the total remunerations received by the Non- Executive Directors and Executive Directors respectively during the last 2 years:

Remuneration	2019	2020
Executive Directors	16,985,790	17,588,441
Non – Executive Directors	10,530,000	9,380,000

CORPORATE GOVERNANCE REPORT (CONT'D)

Information Technology and IT Security

The Bank ensures that appropriate resources are allocated for the implementation of the Information Technology and Security framework within the organisation. The Bank has in place an Information Security policy and an IT Risk policy which are regularly reviewed by the Risk Management Committee and the Board. Management of IT risks is detailed in the Risk Management Report.

IT projects priorities are discussed and approved by Bank's management, Bank's Board and Group Board depending on the nature and extent of the IT initiatives. This process provides direction on the strategic planning, enabling review and approval of IT projects of the Bank as well as SBM Group. The different levels of authority regularly monitor and evaluate the Bank's and Group's significant expenditures on information technology to ensure that IT strategic plans are delivered within agreed budget and timeframe. The Bank has implemented multiple security policies, deployed technological and logical controls to ensure that data hosted on and off premises is safeguarded and access rights are granted to authorized personnel only, with enforced password expiry and backup process for digital information.

Over the past year, the main strategic intent of IT in the Bank has been to stabilise systems, pursue cost optimisation, establish a business value framework, digitally transform the Bank, strengthen Information Security and Innovation, amongst others. Those are ongoing initiatives, but the focus is to bring synergy between the different teams and help address market challenges. The objective will be to address system architecture issues to bring in standardisation and reduced complexity, which will, in turn, result in cost optimisation opportunities due to scale and reusability of components. A digitalisation plan has to be in place to keep abreast of latest technologies and how they can be exploited to capture market share.

Several initiatives were completed in the year 2020 by deploying new technologies and solutions. Some examples are:

- Bank's website revamped including Private Wealth webpages, Link to Book Forex through website and New Amigos mobile application amongst others. These projects were done by the inhouse-IT team.
- Replacement of ATMs and other IT Infrastructures
- Automation of compliance reports
- Upgrade of the Robotic Platform which is currently being used in the Trade Finance Department, to cater for more flexibility in accommodating and automating new processes on the platform.

A major project in the pipeline is the Data Centre relocation activity from India to Mauritius, which has kicked off in the first Quarter 2021.

Any significant upgrades or new changes to existing application and infrastructure landscape go through a rigorous internal process of review and validation with different levels of approvals. At the operational level, approval would be sought from Business Continuity Planning (BCP), Risk Management, and Compliance amongst others. At a more senior level, approval may be sought from IT Management Forum, Bank Executive Forum, IT Committee, and the Board (Bank & Holdings) , if needed.
Cybersecurity is always at the forefront since the Bank constantly reviews, updates and innovates in terms of security tools and processes deployed to secure Bank's data, prevent intrusion and safeguard customers' interest. Security scans and simulations are performed regularly to uncover any breaches and also sensitise employees in the process. Policies and standards are reviewed and updated along ISO- 27001 standards. External consultants are hired to assess and provide assurance on IS Security and additionally, statutory auditors provide this assurance as an extended scope of their annual audits.

CORPORATE GOVERNANCE REPORT (CONT'D)

PRINCIPLE FIVE – RISK GOVERNANCE AND INTERNAL CONTROL

"The Board should be responsible for risk governance and should ensure that the organisation develops and executes a comprehensive and robust system of risk management. The Board should ensure the maintenance of a sound internal control system."

Board

The Board provides sound leadership to the Senior Management and leads the conduct of affairs. The Board through the Risk Management Committee oversees the risk management activities of the Bank with a view to ensure that decision making is aligned with the Board's approved policies.

Board sub-committees and Executive Management

The Risk Management Committee ('RMC') has the responsibility to ensure that there is a proper structure and process in place for identification of various risks faced by the Bank as well as managing such risks. In addition to implementing strategy into operational aspects as directed by the Board, the Executive Management should monitor and report and update the Board / Board Committees on a regular basis.

Along with the support of the Risk Management team, the Risk Management Committee (RMC) reviews the principal risks and has a global view on all risks that the Bank faces such as credit, market, liquidity, financial, strategic, operational, legal, compliance and reputational risks. The RMC oversees that appropriate actions are being taken to mitigate these risks, all in compliance with Bank of Mauritius guidelines and policies approved by the Board. It also makes recommendations to the Board in relation to risk management issues, including limits setting and the Bank's risk appetite framework.
Further details on the management of risk are given in the Risk Management report on pages (Pg 140-177).

Risk Management

Risk management is key to the way we conduct business. It is integrated into the culture of the Bank through commitment by the Board and Senior Management. Risk management aims at protecting and adding value to the Bank and its stakeholders by supporting the Bank's objectives. In line with this philosophy, SBM has a dedicated risk management function. The Risk Management Team provides day- to-day oversight on management of risk and promotes the risk culture across the Bank. It is responsible to create and maintain the risk practices across the Bank as defined by the Bank's risk policy and to ensure that controls are in place for all risk categories.

The Risk Management Team maintains its objectivity by being independent of operations. The Acting Head of Risk Management has direct access to the Chairman of the Risk Management Committee without impediment.

CORPORATE GOVERNANCE REPORT (CONT'D)

The risk management function is subject to internal audits on a regular basis. Internal audit is responsible to assess the adequacy and effectiveness of the Bank's risk management, control and governance processes and provide reasonable assurance on the management of risks.

Internal Control

The Risk Management Committee, which reviews and approves the Bank's policies, ensures that risks are maintained within approved limits and any deviation is reported on a timely basis. The Audit Committee, on the other hand, reviews both internal and external audit reports on systems and controls in place to manage those risks. The Bank has an integrated and robust risk management framework which aligns strategy, policies, people, process, technology and business intelligence to identify, assess, manage and report risks in a reliable and consistent manner.

This risk management framework is premised on the three lines of defence model which ensures that risk is managed in line with the Bank's risk appetite, as defined by the Board.

The 1st line of defence, that is the Business units, is responsible for owning, identifying and managing risks through appropriate internal controls. The 2nd line of defence, that is Risk Management and Compliance, ensure that the controls are working effectively and limits are adhered to through regular checks. The 3rd line of defence, i.e., Internal Audit, provides independent assurance to Management and the Board on the first and second lines of defence and the systems of Internal Controls in place at the Bank.

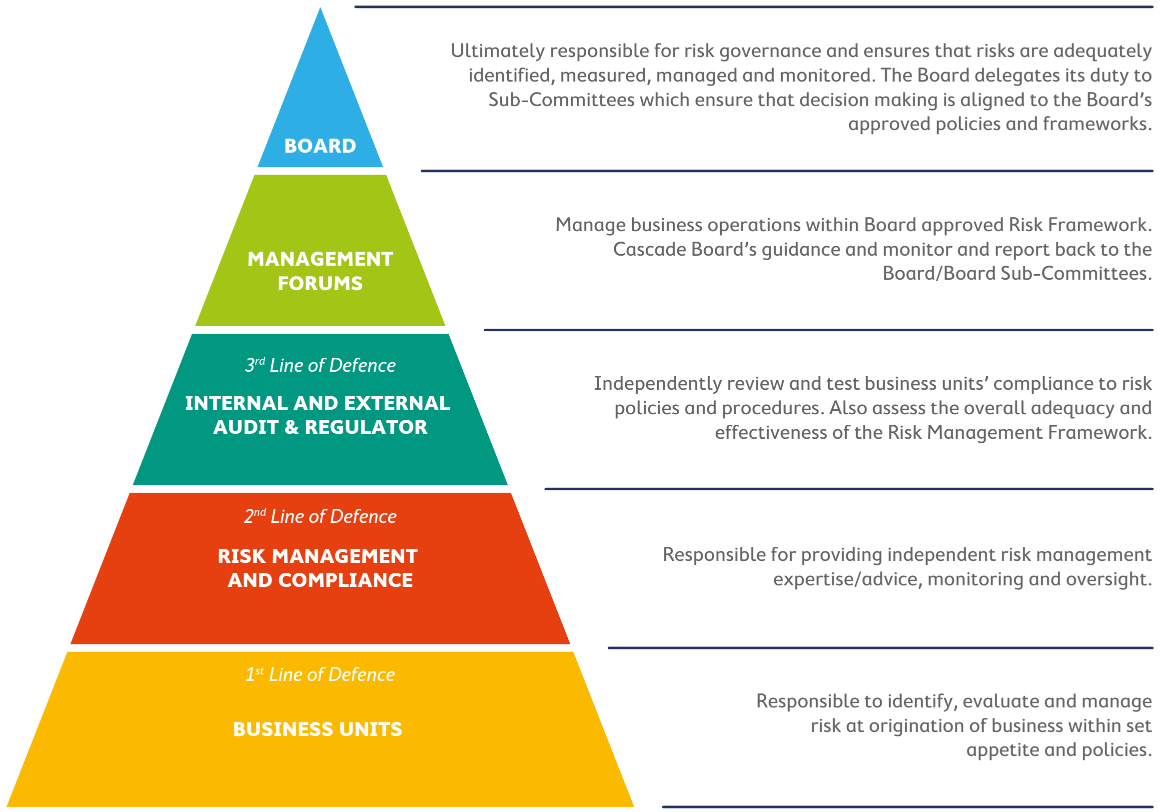
The internal audit plan for the Bank, which is approved by the Audit Committee, covers all key areas of activities, including IT. Through regular audits, the internal control system is evaluated with respect to the risk environment. Deviations in policies and non-performance of internal controls are duly reported and discussed at both Management and Audit Committee levels. Corrective actions are promptly taken and regular follow ups made by Internal Audit until complete resolution. The Audit Committee, in the absence of management, derives assurance from the Head of Internal Audit and the external auditor that remedial measures are being taken for material audit findings.

In accordance with the instructions in the Guideline on Maintenance of Accounting and other Records and Internal Control Systems, the external auditor examined the internal control systems of the Bank, which they concluded were effective.
Overall, through internal and external audit reports, the Board is of opinion that the internal control systems of the Bank are effective and adequate.

CORPORATE GOVERNANCE REPORT (CONT'D)

Internal Control (cont'd)

The diagram below provides an overview of the risk governance structure in place:



Whistle-blowing

The Bank has already put in place a Whistleblowing Policy as well as the associated internal processes and procedures as an integral part of the Bank's fraud prevention and detection mechanism. The Bank recognises the importance of whistleblowing as a key defence against wrongdoings by management including breaches of internal controls. Staff are sensitised about the importance of whistleblowing through on-going Fraud Awareness Campaigns. With a view to further enhancing confidentiality and the protection of whistle-blowers from any retaliation, the Bank is currently reviewing the whistleblowing processes and procedures.

CORPORATE GOVERNANCE REPORT (CONT'D)

PRINCIPLE SIX – REPORTING WITH INTEGRITY

"The Board should present a fair, balanced and understandable assessment of the organization's financial, environmental, social and governance position, performance and outlook in its annual report and on its website."

Financial

The Directors affirm their responsibility for the preparation of the financial statements in accordance with International Financial Reporting Standards, International Accounting Standards and Mauritius Companies Act 2001. An external auditor is appointed by the shareholder to provide an opinion on the financial statements and certain other disclosures prepared by the Directors. The external auditor has the responsibility of reporting on whether the Financial Statements are fairly presented. The Directors must ensure compliance with the provisions of the Companies Act 2001, the Banking Act 2004 and Financial Reporting Act 2004. The Directors must also ensure that the financial statements are free from errors and material misstatements.

The financial review is set out on pages 52-63 of the Annual Report. The Annual Report is published in full on the Bank's website.

Human Resources Report

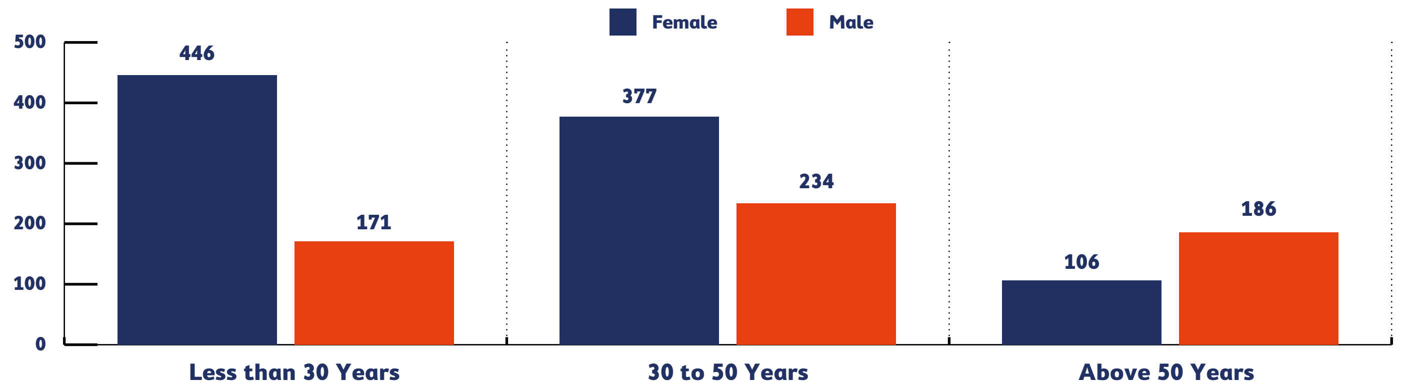
The Bank aims at being an Employer of Choice and to support the creation of an organisational culture which promotes work ethics, equality, commitment, responsibility, personal growth, passion for excellence and high performance. A robust Human Resources (HR) strategy, supported by an equally robust HR function, is therefore critical. A well-structured HR function based on the solid foundation of mutual trust, teamwork, collaboration, professionalism, responsibility for self and others coupled with passion to serve have been the guiding principles. The existing HR model operates on HR Business Partner basis and provides for expertise in different core HR areas while also ensuring that the Bank has sound basics in place when it comes to Employee Relations, HR policies, processes and procedures and HR administration.

Talent Management at SBM Bank

In order to be the "Employer of Choice", the Bank relies both on leveraging the skills and experience already available within the organisation and bringing in the necessary capabilities that will deliver the long-term objectives. Through the roll-out of a succession plan across all departments, the Bank aims to build a strong leadership pipeline identified from employees categorised as "high potential" and sourcing of new talent to fill critical positions. This approach ensures that team members operate in a work environment where a high-performance culture is encouraged and shows our strong commitment to be an "Employer of Choice". The employee remains at the heart of everything that we do.

CORPORATE GOVERNANCE REPORT (CONT'D)

AGE GENDER DISTRIBUTION



Diversity and Inclusion

An analysis of the age distribution of our talent pool demonstrates that we have a balance between young and more experienced employees. The gender distribution proudly shows that the skew has been maintained with more female employees with the male to female ratio standing at 1:1.57.

Enhancing the employee experience

2020 has been an exceptional year for our people due to the pandemic. During the COVID-19 crisis, our heroes have shown determination, resilience and courage by juggling both home and work responsibilities to serve our customers both as frontliners or as back office employees through support and timely response.

Overnight, some employees had to experience a major shift in their working environment by working from home while others had to brave the pandemic and come to work every day. Our employees have shown great resilience and have gone the extra mile in order to serve our customers. The flexibility with which the employees adopted new ways of working is greatly commendable.

In line with statutory requirements, the Bank recognises that, as an employer, it has a moral and legal duty to ensure the safety and health of all its employees and any person legitimately conducting business within its premises. We are fully committed to comply with all the provisions of the Occupational Safety and Health Act 2005 (OSHA), approved Codes of Practice and all other relevant statutory requirements. Guidelines, risk management plans and procedures have been developed proactively for high risk areas and these are closely monitored on a regular basis. The Health and Safety Committee, comprising both management representatives and employee representatives, ensures that all issues raised are addressed in a timely manner. Appropriate communication, consultation and training are conducted to create awareness among all employees.

CORPORATE GOVERNANCE REPORT (CONT'D)

More than ever before, in 2020, the Health and Safety aspect has been essential. Sanitary protocols and measures were applied as per local government guidelines. Necessary protective equipment was provided and regular visits were conducted by HR to ensure that our frontliners felt supported throughout the crisis.

The Future in Focus

The focus for the year 2021 shall be to continue creating a work environment that stimulates team spirit, engagement, trust, high performance and achievement among employees. We shall also put emphasis on capacity building and achieve employee satisfaction through various engagement programmes.

It is to be noted that engagement activities in 2021 will be built out of the strategic agenda and may have to be run through virtual sessions and collaboration tools.

The Health and Safety of our employees shall keep on being essential to the smooth running of our organisation. Our ability to respond quickly and efficiently in cases of emergency/crisis remains key. We have adopted a proactive approach to risk identification, information dissemination and employee safety through provision of the necessary protective equipment, regular site visits, health checks and unplanned health and safety inspections.

Training and Talent Development

Capacity Building: Cultivating our human capital

Our people are our most valuable asset. In collaboration with the Chief Executive and Business Heads, training programmes are designed and facilitated by SBM Academy, our dedicated learning and development cluster. Our training plan focused on four key development areas in 2020, namely: Service Excellence, Compliance, Risk Management and Strategy.

Uplifting Customer Experience

In line with our vision to instill a service driven culture and make service excellence an integral part of our daily activities, this ongoing programme includes skills, standards and accountability to uplift the customer experience and improve our customer loyalty. In addition, a staff charter containing different aspects of service excellence was shared with all staff across SBM to provide a seamless banking experience to our customers.

Compliance

With the implementation of a new guideline on 'Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation' issued by the Bank of Mauritius during the month of January 2020, we had to redesign our AML/CFT Mandatory training. A series of structured training programmes were tailored based on the nature of the responsibilities of employees, senior management and directors. Approximately, 2,983 hours of AML/CFT training were conducted online and face-to-face. To ensure that our employees understand our expectations and comply with new legislation, employees were assessed at the end of the session. The Internal Audit team and the Compliance team undergo training with external service providers to equip them with the necessary knowhow and expertise to carry out the function.

CORPORATE GOVERNANCE REPORT (CONT'D)

Risk Management

To promote risk culture across SBM, the risk management team conducted several awareness sessions to
(1) familiarize new employees with our risk framework
(2) enhance the knowledge of our employees
(3) educate directors and senior management on risk management.

In order to further upgrade the level of competency in credit risk assessment, transaction analysis and structuring, we partnered with an international organization to run a comprehensive 2-year credit risk management programme. The whole programme is being facilitated and monitored by SBM Academy. To address the gap within the different levels and create a sustainable uniform risk culture across all levels of the organization, the programme has been customized for the different target audience, including Directors, Senior Executives, Unit Heads, Decision Makers, Relationship Managers and Credit Analysts.

The first level of the programme was launched in FY2020. Also, at the beginning of the FY2021, Board Directors and Senior Executives attended a credit seminar which provided them with a structured approach to credit analysis comprising of bank's risk appetite, regulatory priorities, capital strategy and group structure risks.

The whole programme will include customized sessions for the different target audience.

Cybersecurity

With security breaches making mainstream headlines, internal errors and a lack of concern for security are no longer acceptable. Cyber Security Awareness programmes were implemented at every tier of the organization, from executive to entry-level employees to mitigate potential threats. During COVID-19, a series of communique were issued to staff on cyber security precautionary measures following implementation of the Work from Home Strategy. Regular bulletins have also been issued to SBM clients on prevailing cyber security threats. Approximately 956 hours were dedicated to increase awareness of both our employees and directors to cyber related risks and improve our cyber resilience holistically.

Strategy

During 2020, our directors and senior executives attended an extensive and interactive seminar led by an international expert on strategic planning, formulation and execution. The programme was designed to equip them with best practices to be implemented in our strategic alignment.

Our strategic focus for 2021 will remain Credit Risk Management, Compliance and Service Quality.

CORPORATE GOVERNANCE REPORT (CONT'D)

Environmental Report

Our local sustainable initiatives

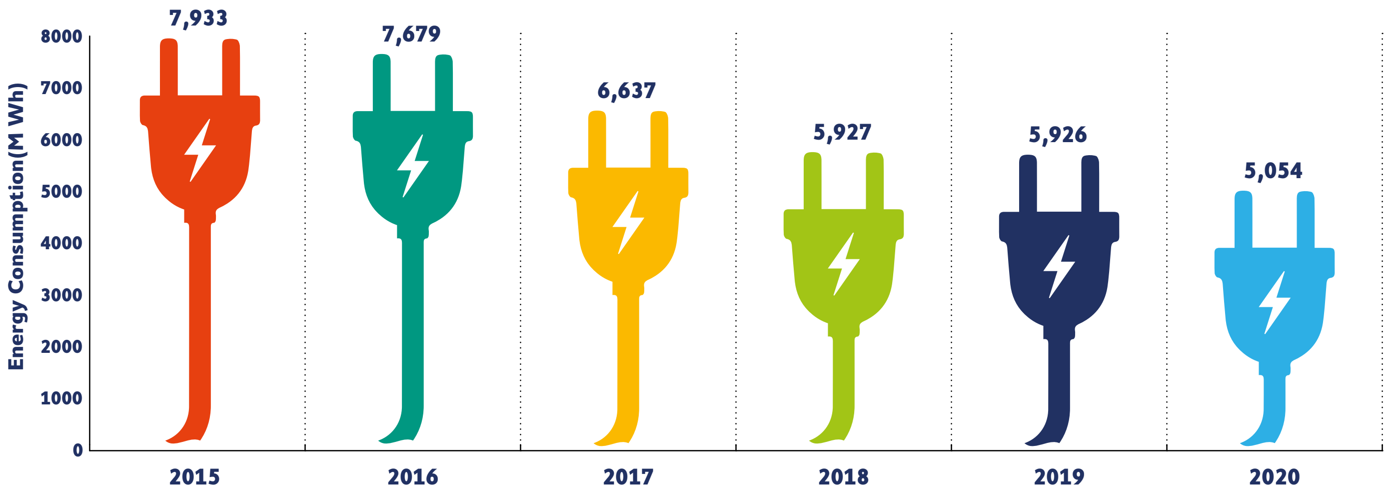
The Bank's strategy to protect the natural environment is through the constant identification and implementation of new sustainable and environmentally friendly initiatives. This is also reflected in terms of optimisation of use of resources, for instance paper usage, energy and water consumption.

The SBM Tower is being renovated using the latest technology and energy efficient materials such as reinforced access control system and LED-dimmable lights, motion sensor, and use of natural lighting in view of reducing electricity consumption. In the same vein, other floors of SBM Tower and service units have been earmarked for similar renovation works with the aim to improve customer experience.

Our employees are encouraged to reduce paper usage by favouring digital ways of communicating and consuming information. Visitors of SBM Park are also helping us to reduce consumption of plastics by using their own reusable water bottles instead of disposable plastic ones. Our staff is regularly sensitised on the reduction of paper usage and there is an attempt to adopt a paperless approach resulting in the reduction of carbon footprint.

Overall Energy Consumption: Mauritius

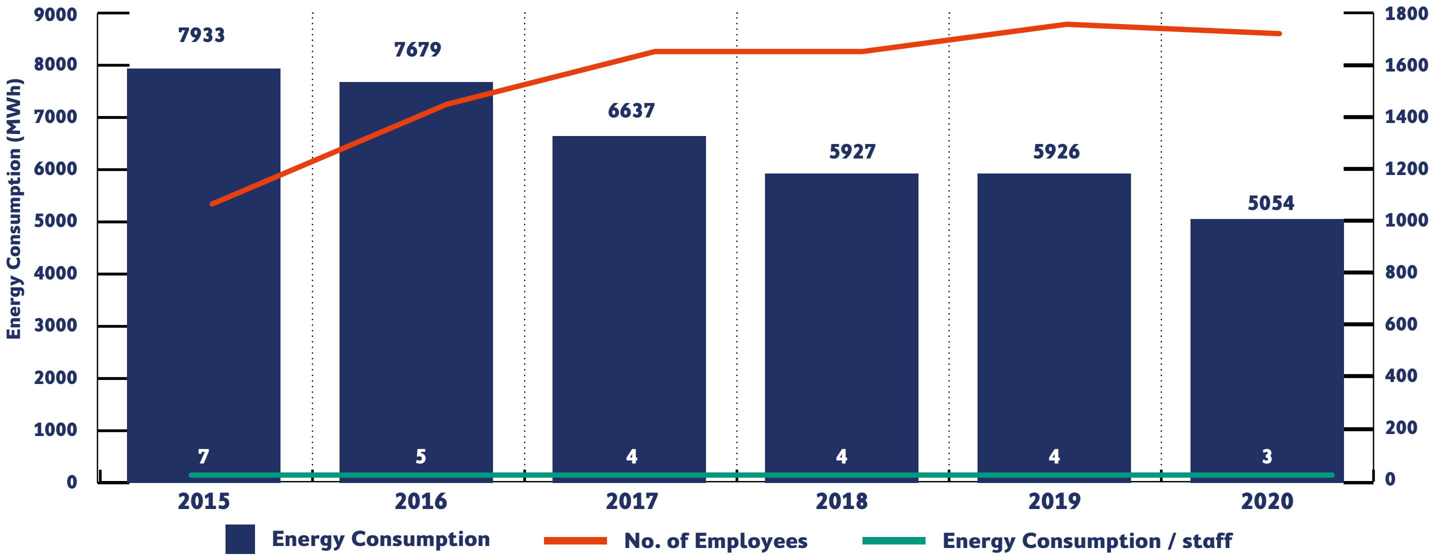
Energy Consumption for Mauritius



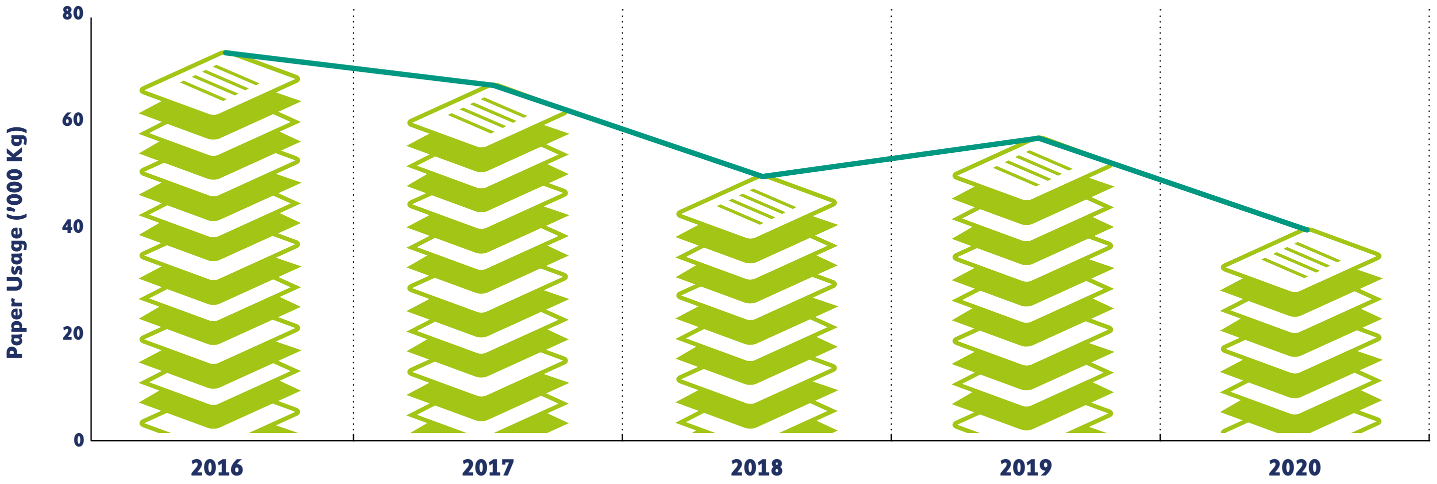
A decrease by 15 % in energy consumption in the year 2020 compared to 2019

CORPORATE GOVERNANCE REPORT (CONT'D)

Energy Consumption for Mauritius



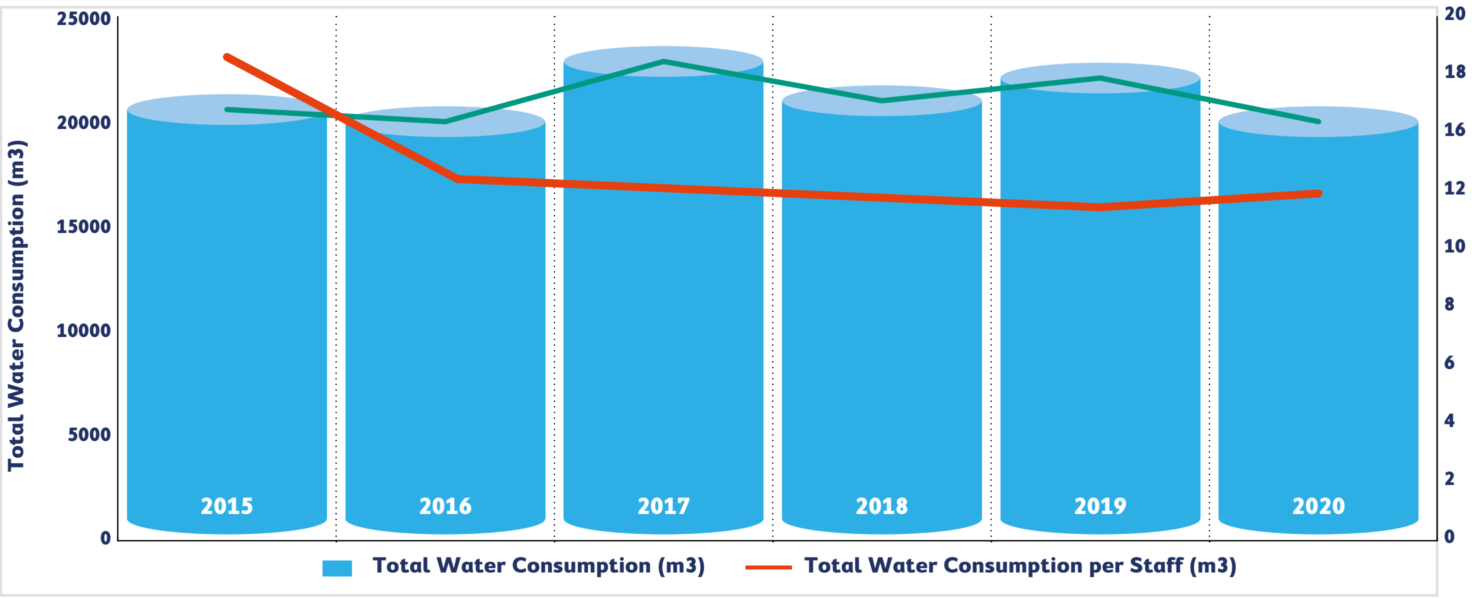
Paper usage for Mauritius



A decrease by 22 % in 2020 compared to 2019

CORPORATE GOVERNANCE REPORT (CONT'D)

Water Consumption for Mauritius



A slight decrease of water consumption for the year 2020 compared to 2019

CORPORATE GOVERNANCE REPORT (CONT'D)

Health & Safety Report

The organisation is committed to the safety and well-being of its entire staff and has in place a well- established policy, as well as protocols and procedures designed to ensure a proactive approach especially after the major setbacks of the COVID-19 epidemic.

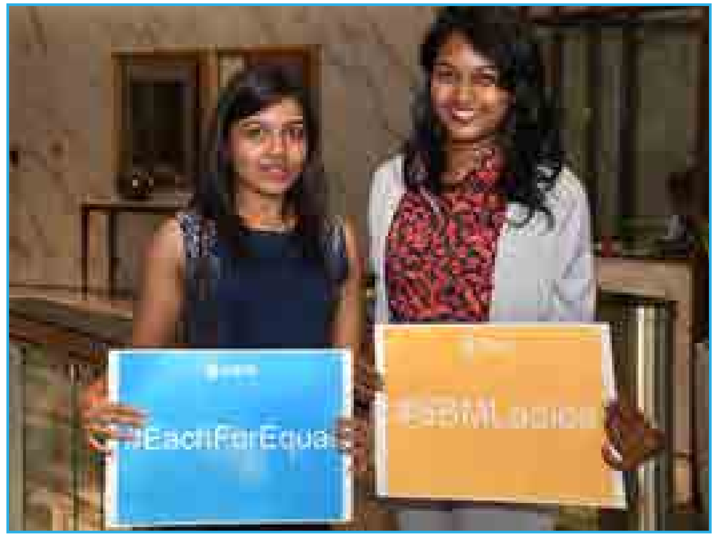
In order to maintain a healthy working environment, as an employer, SBM undertakes the below listed:
1. Risk assessments and identification through regular inspections;
2. Regular site visits in SBM branches;
3. Welfare/Wellness events to sensitize staff towards health and safety;
4. Proactive approaches to emergencies/ workplace injuries;
5. Unplanned inspections to assess the feasibility of recommendations made.

In addition to the above, to promote a safe and healthy environment, the following has been put in place:
1. Drills are carried out to assess the practicability of the procedures as well as the evacuation response time of employees, visitors and customers;
2. Trained first aiders and fire wardens are present on each floor/business units. They are briefed on a regular basis;
3. Health & Safety Committees are held every 2 months whereby all issues related to health & safety are discussed and actioned upon;
4. Health and Safety works in close collaboration with the Facilities Management Team and Business Process Continuity Team to eliminate any potential hazards identified and ensure all emergency procedures are applied and aligned to local legislations;
5. New recruits are made aware of good health & safety practices during induction;
6. The Bank has appointed a Company doctor who is present within the premises at least twice per week.

CORPORATE GOVERNANCE REPORT (CONT'D)

The following activities were organised in 2020:
- June 2020: Seasonal Flu Immunisation Programme
- June 2020: COVID-19 Screening
- August 2020: Blood Donation Event

As part of our annual activities, the Bank also celebrated the following festivals/activities:
- March 2020:Women's day
- November 2020: Diwali
- December 2020: Christmas



CORPORATE GOVERNANCE REPORT (CONT'D)

For 2021, greater emphasis is being put on the well-being of employees. A wellness strategy has been worked out through putting the individual employee at the centre of all our activities. The organisation plans to organise wellness activities on various occasions including a Wellness week where employees shall get the opportunity to benefit from healthy breakfasts, talks from specialists on several health items and engagement in physical activities.

CORPORATE GOVERNANCE REPORT (CONT'D)

Corporate Social Responsibility Report

Our Corporate Social Responsibility Strategy

The Bank's CSR strategy is being executed through the SBM Foundation, which is the philanthropic arm of SBM Group and drives our Corporate Social Responsibility (CSR) agenda.

At SBM, we strongly believe that the right opportunities can unlock doors and strengthen social and economic development and empowerment. Our Corporate Social Responsibility (CSR) approach is to contribute to the sustainable development of the communities where we operate by providing people with opportunities to learn, grow and aspire for a better future.

Emphasis is put on high-impact sustainable projects targeting needy and vulnerable groups as well as the community at large. Our long-term projects are adapted towards promoting an inclusive society by laying emphasis on:

- **Education and empowerment**
- **Providing tools to promote employability**
- **Combatting social ills with the objective of poverty alleviation**

Today, through our various CSR initiatives carried out over the years, some 10,000 persons are now provided with better living conditions. Education being a powerful weapon in empowering our youngsters to become active citizens in the society we live in, a major part of our CSR funding is allocated to the SBM Scholarship Scheme. Through this customized and unique scholarship scheme, we aim to provide financial assistance to bright and needy students to pursue their studies.

The Bank also provides funding to various projects submitted by non-governmental organisations (NGOs)/ social partners, while its employees remain actively engaged in voluntary charity works of their choice.

CORPORATE GOVERNANCE REPORT (CONT'D)

CSR Activities

Supporting Social Partners for a Sustainable Impact

Our attempts to break the vicious cycle of poverty are multifaceted. The Bank has, over the years, provided funding and assistance to various social partners/NGO projects across the following themes:

Learning through Play: Sports, Music and Culture

Women Empowerment and Child Care

Education for Disabled Persons

Education for out-of-school Youth

A. Learning through Play: Sports, Music and Culture

Abaim

- SBM Foundation has provided financial support to their Saturday Care Project and Sunday Care Project which provide children, who had experienced school failure, with the right opportunity to become successful young artists.

Mo'Zar Espace Artistic

- SBM Foundation provides its financial support for music classes.

Centre of Learning

- SBM Foundation has financed the computer literacy courses and adult literacy programmes

CORPORATE GOVERNANCE REPORT (CONT'D)

B. Women Empowerment and Child Care

Terre de Paix

- Provision of financial support to their current 'Early Childhood Services' project, which provides better educational opportunity to infants and children from vulnerable groups.

SOS Poverty

- The SBM Foundation is funding this NGO to provide free quality childcare to vulnerable children, aged 3 months to 3 years old, in a safe and stimulating environment.

Falcon Citizens League

- SBM Foundation is assisting this association to offer kitchen gardening programs to young people and women from underprivileged regions, helping the latter learn how to produce their own food and how to sell part of their harvest to generate income.

C. Education for Disabled Persons

Association des Parents pour la Réhabilitation d'Infirmes Moteurs (APRIM)

- The SBM Foundation is providing support to this initiative by catering for additional rehabilitation services provided by occupational therapists.

Centre pour l'Education et le Progrès des Enfants Handicapés (CEPEH)

- CEPEH, which is being provided with financial support by the SBM Foundation, provides educational facilities to disabled children.

Association of Disability Service Providers (ADSP)

- Assisted financially by the SBM Foundation, ADSP provides the services of occupational therapists as well as speech and language therapists to disabled children attending the special needs school.

Angel Special School and Welfare Association

- This association helps in empowering children and parents with special needs in Mauritius and Rodrigues through therapy services, rehabilitation services, educational and life skills program, all of which are supported by the SBM Foundation.

CORPORATE GOVERNANCE REPORT (CONT'D)

Association de Parents d'Enfants Inadaptés de l'Ile Maurice (APEIM)

- The SBM Foundation provides support to APEIM through the provision of services to conduct early intervention for children with developmental and intellectual disabilities.

Autisme Maurice

- In addition to running a diagnosis centre to identify autism at an early age, this association also provides support and training to parents. SBM Foundation provides its contribution to this laudable initiative by providing funds for the specialised services at the Autism SEN Units.

EDYCS Epilepsy Group

- SBM Foundation is providing financial assistance to help inculcate learning skills and boost the self-confidence of the children and adolescents who have epilepsy.

Joie de Vivre Universelle

- The SBM Foundation is helping in the setting up of a holiday camp program for therapeutic outings.

D. Education for out-of-school Youth

Adolescent Non Formal Education Network (ANFEN)

- The SBM Foundation is supporting this NGO in creating equal access for low academic achievers and unemployed youth by providing technical training to them.

Noyau Social Cité La Cure «Teen Hope »

- This association helps the adolescents to develop their literacy, numeracy and life skills to become active participants and responsible citizens in the society we live in. The SBM Foundation provides its financial support to this NGO for its training activities to adolescents aged between 12 to 16 years old who are not attending school due to poor performance.

E. SBM Scholarship Scheme

This year marks the 11th edition of our flagship CSR initiative - the SBM Scholarship Scheme. This initiative is under the purview of SBM Holdings Ltd.

In line with the Mauritius Revenue Authority's legislation, the Bank contributes 25 percent of its CSR contribution to the SBM Foundation.

CORPORATE GOVERNANCE REPORT (CONT'D)

F. Employee Volunteering CSR Activities funded by SBM Foundation

The Bank encourages its employees to carry out voluntary CSR activities of their choice. These initiatives are financially supported by the SBM Foundation and staff are granted time off to participate in them.

Children Foundation

In February 2020, the SBM Foundation supported our team members from the Vacoas Service Unit who provided lunch to the youngsters of the Children Foundation, situated at Vacoas itself. Interactive activities were also organised for the children, with our team spending quality time with the little ones. The association aims at providing developmental education and specialised care and facilities to the children coming from vulnerable families.

CORPORATE GOVERNANCE REPORT (CONT'D)

Association of Disability Service Providers (ADSP)

Following the successful renovation of the playground of the Association of Disability Service Providers (ADSP) in 2018, the SBM Foundation again provided support to the Strategy and Research Team in the renovation of the association's classrooms in February 2020. Educational materials were also offered for the children and our team spent a full day entertaining them with fun learning activities, which were welcomed with bright smiles.

Human Service Trust

The SBM Foundation also supported the SME Team in January 2020 for a CSR activity at the Human Service Trust situated at Calebasses. Gift packs comprising of daily basic items were offered to the residents who were also entertained with live music, food and beverages. Our team spent priceless moments with the residents of this Home.

CORPORATE GOVERNANCE REPORT (CONT'D)

Hospice Mère Teresa

Our Business Organisation & Process Engineering teams also organised a CSR activity at the Hospice Mère Teresa and the St. Anne Home located respectively at Roche Bois and Vacoas.

Non-perishable items were donated to the Hospice Mère Teresa. Amidst the overflowing joy of togetherness and sharing of refreshments, the staff members also entertained the residents with live music.

St. Anne Home

The St. Anne Home caters for neglected and disabled women who are over 30 years old. Our Business Organisation & Process Engineering team also spent some quality time with the residents showering them with love, affection and care.

CORPORATE GOVERNANCE REPORT (CONT'D)

Supporting the Family Farming Project of Falcon Citizens League

For the official launch of the Family Farming pilot project in December 2020, a one-day event was organised at 16ème Mille Community Centre, Forest Side, with the participation of families from Cité Anoushka. 14 families were shortlisted to pilot this project to help in poverty alleviation and overcome stigmatisation. The Chairman of SBM Foundation and our CSR team distributed tool kits, compost bins and other token gifts to these families.

Recognition

Our commitment and hard work to deliver on our CSR initiatives were recognised at international level in 2020. We are humbled to have won the following award:

The Global Economics Awards 2020 - Best CSR Holding Company - Mauritius

CORPORATE GOVERNANCE REPORT (CONT'D)

PRINCIPLE SEVEN – AUDIT

"Organisations should consider having an effective and independent internal audit function that has the respect, confidence and cooperation of both the Board and the management. The Board should establish formal and transparent arrangements to appoint and maintain an appropriate relationship with the organisation's auditors."

External Audit

Appointment Process for Statutory Auditors for FY 2020

Following an audit tender process for the rotation of the audit firm which was overseen by SBM Holdings Ltd, Deloitte was appointed as the Bank's statutory auditor for financial year 2020. Following the recommendation of the Bank Board and Audit Committee, the reappointment of Deloitte for financial year 2021 was approved at the last Annual Meeting of the Shareholders held in July 2020, to hold office until the next Annual Meeting of Shareholders. Each quarter, the external auditors meet the members of the Audit Committee. They discuss the financial statements of the Bank and the new accounting principles adopted along with the audit-related issues.

Each year, the Audit Committee evaluates the external auditor in fulfilling their duty, to make an informed recommendation to the Board for their re-appointment. The evaluation encompasses an assessment of the qualifications and performance of the auditor; the quality and candour of the auditor's communications with the Audit Committee; and the auditor's independence, objectivity and professional scepticism.

Whenever the external auditor is exceptionally called upon to provide non-audit services, the auditor's objectivity and independence are safeguarded as the non-audit services are carried out by different partners with different teams.

Auditors' fees and fees for other services

	2020	2019	2018
	MUR' 000	MUR' 000	MUR' 000
	Deloitte	Ernst & Young	Ernst & Young
SBM (Bank) Mauritius Ltd			
Statutory Audits and quarterly reviews	11,874	8,712	6,400
Other Services	9,878	1,466	5,750

Other services for FY 2020 include tax review, review of ifrs 9 model development and IT Security Assessment.

The report of Deloitte, external auditors is annexed to the Financial Statements of the Bank.

CORPORATE GOVERNANCE REPORT (CONT'D)

Internal Audit

The purpose of Internal Audit at SBM Bank (Mauritius) Ltd is to provide, to Management and to the Board of Directors through the Board Audit Committee, independent, objective assurance and consulting services designed to add value and improve the Bank's operations.

The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Internal Audit helps the Bank to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Internal Audit is governed by an Internal Audit charter / policy, approved by the Audit Committee. Internal Audit reports directly and functionally to the Audit Committee while it reports administratively to the Chief Executive/Officer-in-Charge of the Bank. The Head of Internal Audit has a direct reporting line to the Chairperson of the Audit Committee and has regular meetings with the Chairperson of the Audit Committee, in the absence of Management representatives, thereby further establishing Internal Audit's independence.

Moreover, in the performance of their duties, Internal Auditors have unrestricted access to all documents, key personnel and Management staff. Furthermore, in order to maintain objectivity, Internal Audit is neither involved in nor responsible for any area of operations.

The Audit Committee reviews and approves Internal Audit's plan and resources and evaluates the effectiveness of the function. All areas of activity of the Bank fall under the scope of Internal Audit. This includes systems, processes, operations, people and decision-making. All auditable areas are included in the audit universe. Using a risk scoring model, the risks associated with each auditable area (high, medium or low) is determined. Audits are conducted following a risk-based audit methodology which is in line with global best practices. The very basic principle is that high risk areas are audited on a more frequent basis. All key processes at the Bank are audited to identify key risks and to assess control adequacy and effectiveness. Audit procedures are designed in response to the risks identified. Audit findings are discussed and finalized with the respective Heads of Departments and Management. Audit findings are, thereafter, tabled at the Audit Committee on a quarterly basis. The findings, as well as the methodologies, are reviewed and discussed with the Chairperson and other members of the Audit Committee.

Departmental Structure

There are four clusters within Internal Audit; (1) Credit Cluster, (2) Operations Cluster, (3) IT Audit Cluster and (4) Cluster Others. Each cluster is under the supervision of an Audit Lead. The Audit Leads who report to the Head of Internal Audit are responsible for supervising, reviewing and directing the audit field work of their respective clusters.

Audit Resources

The Internal Audit team at SBM Bank (Mauritius) Ltd consists of auditors with a mix of banking and auditing experience. Audit resources consist of fully qualified auditors, accountants, and fraud examiners whilst other staff members are pursuing their professional studies. In addition, Internal Audit has certified Information Systems auditors to audit the Information Technology of the Bank. The structure of the Internal Audit function and qualifications of the key members are listed on the Bank's website.

CORPORATE GOVERNANCE REPORT (CONT'D)

Standards of Auditing

Internal Audit at the Bank is conducted in line with global best practices applicable for the banking industry and the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (Standards).

External Quality Assessment and Improvement Program (EQAIP)

In 2020, Internal Audit was subject to an EQAIP, which is a requirement of the IIA. This exercise was conducted by one of the Big 4 audit firms. The outcome largely reflected the improvements brought in over the past 5 years. Currently the team is implementing the recommendations following the exercise.

Challenges and achievements

Despite disruptions to Internal Audit work caused by COVID-19 and the lockdown, efforts were put to minimise the impact on the Audit plan. All key risks areas and all planned branch audits were completed at 100 percent. The following are the main areas covered in 2020: Credit (Segment B, Corporate, Private, SME & Retail lending), Loan collection & Monitoring, Recovery & Work Out, Treasury, AML, Finance, Risk Management, Trade Finance, Operations, Customer on-boarding, Cards & POS, E-Commerce & Facilities Management.

During the lock down, the team adjusted to the situation, with the majority working from home. Virtual meetings were held regularly and necessary tools (laptops & VDIs) were made available to Internal Audit staff. Proactive arrangements were made with key stakeholders for remote walkthroughs and request for scanned audit evidence.

Close follow-ups have been undertaken with Management for timely closure of open audit items.

During 2020, the team was also mandated by Management and Audit Committee to carry out special ad-hoc assignments and investigations.

Achievement of the IT Audit plan was restrained due to resource constraints. However, despite the pandemic, the team was able to ensure coverage of high-risk areas. Areas that could not be covered in- house were outsourced to a Big 4 audit firm.

Outlook

In 2021, the objective is to improve the quality and efficiency of audits through enhancement of audit procedures, documentation and impactful reporting to stakeholders while concurrently adhering to the requirements of IPPF. In the years to come, the objective is to make Internal Audit a more valuable resource to Management and the Board.

There is also a plan to strengthen the IT Audit team with skilled and experienced IT auditors so that audit objectives are met.

CORPORATE GOVERNANCE REPORT (CONT'D)

PRINCIPLE EIGHT – RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

"The Board should be responsible for ensuring that an appropriate dialogue takes place among the organisation, its shareholders and other key stakeholders. The Board should respect the interests of its shareholders and other key stakeholders within the context of its fundamental purpose."

Engaging with our stakeholders is key to our success and delivering our strategy. Our fundamental aim is to create long-term value for our shareholders and all our stakeholders as we move through the economic cycle.

The Bank has various mechanisms that enable the Board and Management to understand and consider stakeholder views as part of their oversight and decision-making. This page sets out our key stakeholder groups, why they are important to us and some of the ways in which we engage with them.

CORPORATE GOVERNANCE REPORT (CONT'D)

1. Shareholders, debt holders and investor community

How do we engage with our stakeholders

- General Meeting is held on an annual basis.
- Sending notice of Annual General Meeting at least 21days before the meeting in accordance with Companies Act 2001.
- Annual General Meeting where shareholders have opportunity to ask questions , express their opinion and request clarifications
- Circulation of all relevant documents prior to the meeting
- Keeping shareholders abreast of material events
- Annual reports
- Publication of interim reports on a quarterly basis
- Communication through website, external newsletter and electronic communication
- Rating agencies review

Their Contribution to value creation

- The key source of financial capital for business operations and growth sustainability are investors , shareholders and debt holders

What our stakeholders expect from us and key issue raised

- Attractive returns on investment in the form of dividend and interest
- Powerful leadership which provide strategic direction for sustainable growth
- Focus on good governance and ethics
- Managing risk, liquidity and capital within the risk appetite framework of the Bank
- Regular communications about major developments

Our response to stakeholders' concern

- The Management has set clear targets in its 3 year strategy plan which has been communicated.
- The top management monitors to ensure that financial and non-financial targets are met and profitability is increased and key operational ratios are improved via enhancement in products offering and customer journey
- The Board together with its sub-committee oversees the responsibility of the Management for risk, corporate governance and adherence to internal policies. The Board also needs to ensure that the strategy proposed by the Bank is being properly implemented by Management.
- No major shareholder influence

CORPORATE GOVERNANCE REPORT (CONT'D)

2. Customers

How do we engage with our stakeholders

Introduction of In Branch Quality Assessment and gathering Customer feedback via surveys	Introduction of Service Quality KPI's	Customer Experience and Merchandising Guidelines	Service Excellence Training	Contact Strategy and Sales Training	Service Excellence Awareness & Staff Charter for the Bank

Their Contribution to value creation

Promoting customer loyalty towards the Bank	Enhancement of customer experience	Implementation of good practices	A consistent and improved quality of service delivered	Building long lasting and cost efficient relationships	Enrich the knowledge of staff on Service Quality & Embracing the simple gestures to improve quality service

What our stakeholders expect from us and key issues raised

Taking their valued feedback into consideration	Efficient and Professional customer service at all times, with an aim of continuous enhancement	Standardized display of all marketing collaterals. Better informed customers	Sensitizing the staff on the importance of a standard Service quality across all our channels	Deepening relationship across the life cycle	Professional and service quality driven attitude

What our stakeholders expect from us and key issues raised

Focus to improve service quality at all levels based on the five dimensions of service	Implementation of Service Quality KPI's in the quadrant of Customer for Retail. A transparent reporting on customers' perception of our service level	Include principles to be adhered to and achieve enhancement in customer experience in all SBM branches network by having a coherent display of the Bank's materials	Training of Privilege and Private Bankers on how best to acquire, retain and manage customers with a focus on building on-going relationship	Sensitize the Bank staff on adopting the good principles related to Service	Improve Customer experience across all channels

CORPORATE GOVERNANCE REPORT (CONT'D)

3. Employees, Management and Directors

How do we engage with our stakeholders

- Induction courses
- Regular training and team building activities
- Conferences, team engagement sessions and performance management discussions
- Staff engagement survey and feedback
- Regular Internal staff meetings and workshops
- Social and cultural events
- Events and staff welfare facilities to enhance welfare
- Internal newsletters and electronic communication
- CEO and other Executive Members roadshows
- Staff retention and opportunity for internal growth
- Trade union and collective bargaining agreement

Their Contribution to value creation

- One of the key drivers for growth, development and achieving the Bank's objectives is the employees who deliver on our promises to our stakeholders and serve customers with dedication.

What our stakeholders expect from us and key issues raised

- A safe, stimulating and rewarding work environment with open communication
- Fair remuneration and benefits
- Opportunities for career and personal development
- High standards of health and safety and mitigating hazards
- Fair treatment and respect towards employees
- Effective performance management and recognition

Our response to stakeholders concern

- We provide a competitive remuneration package
- We provide ongoing training to enhance skills
- There is open communication between employees and management
- Employee wellness programmes are aligned to local and international best practices/trends
- Performance management is integrated into development programmes for skills and personal development of the employee
- We use the findings of our employee surveys to create tailored action plans and to address areas needing improvements
- There is a collective bargaining agreement in place

CORPORATE GOVERNANCE REPORT (CONT'D)

4. Suppliers and Strategic Partners

How do we engage with our stakeholders

- Expression of interest
- Proper procurement process
- Cordial relationship between management and supplier
- Meeting and supplier visit

Their Contribution to value creation

- In order to be able to deliver its non-core activities, the Bank engages with several suppliers.

What our stakeholders expect from us and key issue raised

- Fair and reasonable contract terms
- Payment in a timely manner
- Decision to be communicated in a timely manner
- Spirit of partnership

Our response to stakeholders' concern

- Fair payment process
- Fair selection of suppliers

CORPORATE GOVERNANCE REPORT (CONT'D)

5. Communities

How do we engage with our stakeholders

- Donations to NGOs and charitable institutions
- Blood donations
- Sponsorships
- CSR initiatives
- Staff engagement

Their Contribution to value creation

- As a responsible organisation in the Society, the Bank fully engages in the community through sports, education and alleviation of poverty initiatives

What our stakeholders expect from us and key issue raised

- Helping the economy at large
- Support and empowerment of vulnerable persons

Our response to stakeholders' concern

- Sponsorships
- Provision of tools and opportunities to vulnerable persons
- Investment in CSR projects
- Active participation in national, social and cultural events

CORPORATE GOVERNANCE REPORT (CONT'D)

6. Regulators

How do we engage with our stakeholders

- Regular meetings and workgroups with Bank of Mauritius and Financial Services Commission on regulatory guidelines, new legislations, laws and other matter
- Frequent meeting with the Bank of Mauritius and member banks on Compliance Issues
- Risk Based Supervision (RBS) Reporting to the Bank of Mauritius
- Correspondences to and from Regulators
- Filing of regulatory returns within stipulated timeframe
- Inspection by regulators
- Trilateral meeting between Bank of Mauritius, the Bank and External Auditors

Their Contribution to value creation

- Provides regulatory framework guidelines
- Provides instructions issued by regulators from time to time
- Workshops and forums organised to member banks on evolving banking practice and innovations
- Joint Consultation meetings on new laws and regulations

What our stakeholders expect from us and key issues raised

- Transparent, secure and sustainable banking and financial services
- Scanning of the Legal and Regulatory environment to ensure compliance with all laws, regulations and guidelines.
- Customer satisfaction
- Fully compliant with guidelines and instructions
- Minimal or no customer complaints

Our response to stakeholders concern

- Appropriate Customer Due Diligence and Know Your Customer (KYC)Exercise
- Screening and monitoring
- Risk Management and Internal Control
- Compliance with the code of Corporate Governance
- Follow procedures and abide with Bank's policies
- Duties of confidentiality and data protection
- Proper communication around products and services being provided

CORPORATE GOVERNANCE REPORT (CONT'D)

Directors' Service Contract

Mr Jorge Stock, currently the Officer in Charge in the functional role of the Chief Executive Officer, is on a service contract of 3 years since 04-February 2020.

Directors and Officers Liability

The Bank has subscribed to a Directors & Officers Liability Insurance policy protecting both individuals and insured entities. The cover reimburses the Insured Entity if they have paid a loss for a Director and Officer arising out of claims first made against that Director or Officer. The Insurer will pay the loss of each Director and Officer arising out of a claim first made against that insured person.

The policy does NOT cover the **deliberate** gaining by any insured of profit or advantage to which such insured was not legally entitled; or the committing of any **deliberately** dishonest or **deliberately** fraudulent act by any insured.

STATEMENT OF COMPLIANCE

Name of Public Interest Entity: SBM Bank (Mauritius) Ltd

Reporting Period: 1 January 2020 to 31 December 2020

We, the directors of SBM Bank (Mauritius) Ltd, confirm that to the best of our knowledge, that the Company has materially applied all the 8 principles of the National Code of Corporate Governance (2016).

Visvanaden Soondram
Acting Chairperson of the Board

Rajcoomar Rampertab
Chairman – Corporate Governance and Conduct Review Committee

31 March 2021

RISK MANAGEMENT REPORT

RISK MANAGEMENT REPORT

SBMBM has an embedded Enterprise Risk Management Framework throughout the Bank where inculcating a healthy risk culture remains the core objective. The framework sets the overall guiding principles for all stakeholders of the Bank, ensuring a transparent environment for holistic risk communications at all levels of the organisation.

The Risk Management Committee, under the delegated authority of the Board, is responsible for overseeing the effectiveness of the risk management process, including identification of principal and emerging risks facing the organisation. The risk appetite is set through the Risk Management Committee. Risk assessments results are ultimately aggregated to compile a Bank-wide risk profile of SBMBM which is presented to the Risk Management Committee and Board.

SBMBM adopts a 3-line of defence model to establish risk management capabilities across:

- **Risk Management and Compliance Functions**
- **Business Units**
- **Internal / External Audit and the Regulator**
- **The Board**

For more details on risk governance and internal control, please refer to page 106 at Principle 5 – Risk Governance and Internal Control.

RISK MANAGEMENT REPORT

GOVERNANCE & STRUCTURE

STRATEGIC LAYER

Board of Directors

Responsible for establishing a risk management culture and ensuring that risks are adequately identified, measured, managed and that governance is maintained

Board Sub-Committees

Responsible to advise Board on the effectiveness of the risk profile, risk culture, risk appetite, risk strategy and risk management framework

MANAGEMENT LAYER

Management Forums

Responsible for translating the high-level overall guidance from the Board into operational aspects and then monitoring and reporting them back periodically to the Board/Board Committees

Risk Management Team

Responsible to advise Board on the effectiveness of the risk profile, risk culture, risk appetite, risk strategy and risk management framework

Business Units

Risk Management & Compliance

Internal Audit

THREE LINES OF DEFENCE

The Bank has a well-established **Risk Governance Structure,** underpinned by three **lines of defence,** which facilitates identification and escalation whilst providing assurance to the Board.

The governance structure is supported by an active and engaged Board of Directors and a risk management function that is independent of business operations. The Head of Risk has direct access to the Board Chairman and the Risk Management Committee.

RISK APPETITE FRAMEWORK

- **Risk Appetite**
- **Risk Control Mechanism**
- **Stress Testing**

- **Risk Identification**
- **Risk Strategy**

The Bank maintains a comprehensive risk appetite framework, providing a structured approach to the identification, measurement, and control of risk. It encompasses a suite of policies, processes, controls and systems for assessing the appropriate level of **risk appetite** required to constrain its overall risk profile.

RISK CULTURE

RISK MANAGEMENT REPORT (CONT'D)

COVID-19

The COVID-19 pandemic has hit the world in unprecedented ways, heightening risk with prolonged uncertainty. Risk Management evolution to counter the COVID-19 environment has been key to ensure business continuity with not only managing business as usual risk, but also unfolding risks with people on Work-From-Home (WFH) mode being exposed to increasing cyber-attack threats.

The Bank relied on its core risk management principles coupled with proactive adoption of various measures in consideration of emerging risks to face the impact of COVID-19.

EXECUTIVE SUMMARY - CHANGES TO OUR RISK PROFILE

The table below provides a summary of the key risk implications of the pandemic in terms of severity and how these relate to the core risk that remains in place.

	Inherent Risk	Mitigation Actions	Residual Risk	Capitals Impacted
Macroeconomic conditions	*High* Macroeconomic conditions around the globe have deteriorated during the pandemic with a global growth contraction estimated at 3.5% for year 2020 as per the World Economic Outlook January 2021. The impact was felt across the client base of the Bank where several companies did not meet their projected growth.	• The Bank leveraged on government measures to support sectors in need and reviewed its strategy to align with the current operating environment.	*Moderate* Whilst the Bank has reviewed its target growth, it is still dependent upon more favourable macroeconomic conditions.	
Credit Quality	*High* COVID-19 has negatively impacted on the financial position of the Bank counterparties mainly operating in the Hospitality and Food services sector, hence weakening the credit quality of the client base.	• Help extended to players in this sector directly impacted by the pandemic through moratoriums and additional loans at preferential rates in line with regulatory measures.	*Moderate* The Bank remains alert to the potential impact of the pandemic. Although various measures have been implemented to support players in the economy, recovery of the sector looks sluggish with a lack of visibility on the re-opening of borders in various jurisdictions and the appetite for travelling across the globe.	

RISK MANAGEMENT REPORT (CONT'D)

	Inherent Risk	Mitigation Actions	Residual Risk	Capitals Impacted
Model Risk	*High* The pandemic has failed various models across the globe mainly due to the fact that models were built using assumptions designed in a pre- COVID world. The bank's IFRS9 expected credit loss models were also impacted.	• The Bank has engaged in the re-development of its IFRS9 models for all banking entities. • Enhanced model risk management practices.	*Low* Whilst the models have been re- developed, they are principally drawn on historical data. However, constant validation and recalibrati on are undertaken to minimise the risk and overlays are placed where needed.	
Capital Erosion	*Moderate* Given the rise in the probability of default of the client base impacted by the pandemic, the Bank is exposed to a potential reduction of its capital base should it face large impairments.	• The Bank is closely monitoring its CAR on a monthly basis. • The Bank has also reviewed its BCM plan with set strategies for stressed conditions.	*Moderate* The Bank is currently adequately capitalised within the regulatory ratio in the current context. However, the risk of tourism sector mainly for its Mauritian entity can become a potential concern as there is not much visibility on the recovery of the sector which might further increase the provisioning and thus impacting on profitability and CAR of the Bank.	
Liquidity and Funding	*Moderate* Due to the restructuring of loans of clients from impacted sectors, cash flows arising from these facilities have been deferred to a later stage.	• The Bank has a comfortable level of HQLA bonds to cater for any unforeseen cash outflows. • Moreover, the local regulator has helped the Bank with additional liquidity lines to cater for any eventual shortfall.	*Low* The availability of the liquidity support and existing comfortable buffers contribute to a healthy LCR which is significantly above regulatory requirements.	
Health and Safety	*High* The Health and Safety of staff members was at risk especially if in direct contact with customers and with the progressive lifting of the confinement and the reopening of borders, the probability of this risk increased.	• Work From Home strategy was implemented across the Bank. • Guidelines including social distancing , wearing of masks and gloves, performing barrier gestures, avoiding movement between floors, and limiting the number of people in lifts and common spaces, were given to staff members within the Bank. • Vaccination campaign is being organised for staff members to mitigate the spread of COVID- 19 and ensure safety of staff members.	*Moderate* Moreover, no COVID- 19 case was registered among staff in Mauritius and Rodrigues The precautionary measures adopted by the Bank contributed in limiting the risk of contagion.	

RISK MANAGEMENT REPORT (CONT'D)

	Inherent Risk	Mitigation Actions	Residual Risk	Capitals Impacted
Business/ Operational Continuity	*High* During the confinement period, the Bank was operating with skeleton staffs. Some of the strategic service units were opened to serve customers. Only the essential services were provided to customers.	• Business Continuity procedures were put in place to prevent the spreading of a viral threat within our offices. • Proactive steps have been taken by the Bank for the COVID-19 Pandemic.which include posters being affixed in our premises to educate employees, customers and visitors on best recommended practices. • Business trips were suspended for staff and the use of technology, such as video conferencing or MS Teams for interaction, was encouraged. • Continuous promotion of online channels to customers with training provided for greater adoption. • Digital transformation was adopted to streamline processes to ensure less use of paper.	*Moderate* No staff or customer contracted the virus within our premises.	
System Unavailability	*High* Inability to serve customers.	• Contract Agreement with the IT Strategic Partner has been reviewed with comprehensive and stringent SLAs set and monitored. • Continuous system monitoring is being performed. • Alert mechanism has been implemented to send notification in case of any system anomaly. • Diligent review of key processes.	*Low* System stability has been observed for critical as well as non-critical applications.	

RISK MANAGEMENT REPORT (CONT'D)

	Inherent Risk	Mitigation Actions	Residual Risk	Capitals Impacted
Cybersecurity/ Confidentiality Risk	*High* With Work From Home option: • The risk of leakage of confidential customer data increases since staffs are working on their own with less supervision. • There was an increase in cyber threats since cybercriminals look out for such opportunities to perform some fraudulent acts.	• All staffs are constantly reminded to abide by data confidenti ality clauses as prescribed all the time whilst working from home. • Maintain the generation of daily reports to monitor login on Core Banking System (CBS), Customer Relationship Managem ent (CRM) while working from home. • Two-Factor Authentication (2FA) has been implemented to login on the applications. • Only Corporate hardened devices are granted access to the Network and the link is secured through Verisign SSL certificate. • The Network is being monitored on a continuous basis.	*Moderate* No incident was noted from staffs who were working from home. The Network remained secured with no fraudulent attack.	

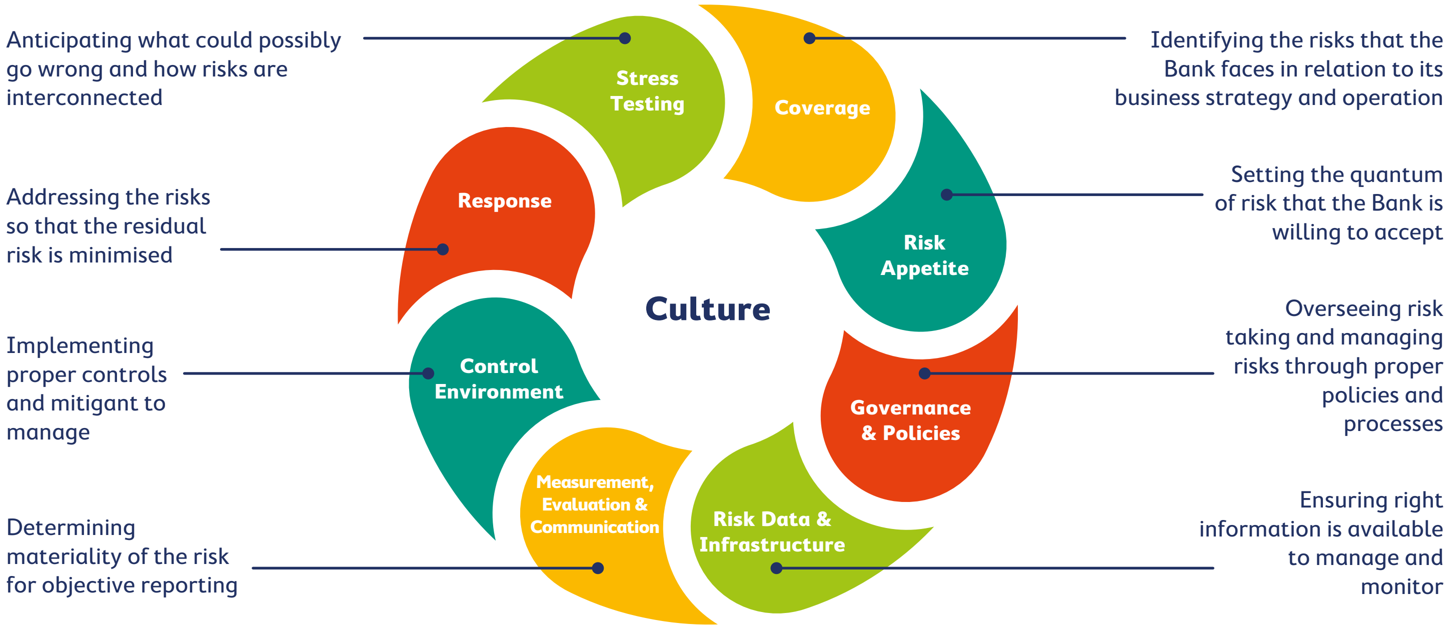
In addition to the above, it should be highlighted that principal risks in the business as usual context remain while certainly amplified with the pandemic – for example, concentration risk, country risk where the Bank maintains continuous monitoring within predefined limits. Also, the characteristics of emerging risks in the COVID-19 environment cannot be determined with certainty given that it is largely dependent on global as well as local recovery, and how it unfolds on the economy as a whole.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Risk management is integral to all aspects of the Bank's activities and is the responsibility of all members across the organisation. SBM Bank embraces risk management as a core competency that allows objective and transparent business through risk optimisation. A comprehensive Enterprise Risk Management Framework is applied throughout the Bank with embedded risk culture and corresponding risk management tools.

RISK MANAGEMENT REPORT (CONT'D)

This model, which is fully applied within the Bank, comprises the following basic elements:



The Bank promotes the development of a risk culture that ensures a consistent application of the Framework in the Bank, and guarantees that the risk function is understood and internalised at all levels of the organisation. The Framework is further supported by sub-frameworks by risk types that cover the different aspects of risk to ensure that proper corrective and mitigation measures are implemented to maintain risks within their tolerance levels.

1. Business Strategy and Risk Coverage

Prior to articulating the risk appetite, evaluating the risks that the Bank is exposed to with respect to its objectives, that is its business strategy, is key to determine the level of acceptable risk. With the COVID- 19 environment, risks have further amplified, and early identification of risk is crucial to implement proper control actions. The Bank is confronted to a spectrum of risks in running the organisation, the main one being:

RISK MANAGEMENT REPORT (CONT'D)

Financial Risks		
Type of Risk	**Description**	**How it is managed**
Credit Risk	Risk of economic loss arising due to counterparties failing to fulfil their financial or other contractual obligations.	The Bank has an established Credit Risk Management Framework which outlines clear and consistent policies, processes, principles and guidance.
Market Risk	Risk of losses arising from variations in the market value of trading and non - trading positions.	The Bank has an established Market Risk Management Framework which outlines clear and consistent policies, trading limits and hedging strategies.
Liquidity and Funding Risk	Risk that the Bank will not be able to meet its obligations as they fall due.	The Bank has an established Liquidity Risk Management Framework which is implemented at each entity's treasury level.
Non-Financial Risks		
Type of Risk	**Description**	**How it is managed**
Operational Risk	Risk of loss due to errors, breaches, or damages caused by people, internal processes, systems or external events.	SBM Bank's Operational Risk Management Framework is integrated into the risk management processes across all levels of the organisation and business line levels.
Reputational Risk	Risk of negative impact on the books due to adverse publicity, public perception or uncontrollable events.	SBM Bank's Reputational Risk and Media Policy provide guidance on how to manage reputational risk.
Business and Strategic Risk	Risk of financial forfeiture arising due to unsuccessful business decisions.	The Bank has put restrictions on cross -border lending and the risk appetite has been reviewed. Furthermore, the Bank has reviewed its Credit Risk policy and procedures. A credit monitoring department within the Risk Management Division has also been set up
Compliance and Regulatory Risk	The threat posed to a company's financial, organisational, or reputational standing if the Bank fails to comply with laws, regulations, guidelines and policies.	We ensure compliance with all relevant provisions in force and promote norms, values and ethics to safeguard the assets of the Bank and protect it from regulatory sanctions, financial and reputational losses.
IT Risk	Potential loss due to faulty or unsuitable technology in the day-to-day running of the organisation.	• Business Continuity Framework has been continuously reviewed to ensure high resiliency in systems. • Contract agreement clauses have been reviewed with comprehensive and stringent SLAs set and monitored.
Cyber Risk	Potential loss or harm related to technical infrastructure or the use of technology within the organisation.	• Monitoring of the Network usage is continuously being performed. • Continuous assessment and remediation of gap to mitigate cyber threats. • Continuous training of the personnel and awareness among customers are being done.
Model Risk	Risk of loss arising from inaccurate predictions, resulting in inaccurate decisions.	The Bank makes use of several models for specific purposes. The models and their variables are reviewed at least yearly and validated by Management.
Environmental and Social Risk	Potential negative consequences to the company that result from its impacts on the environment (air, water and soil) and communities of people (local residents, customers and employees).	The Bank's Environmental and Social Risks (ESR) Policy provides a consistent methodology to understand, assess and consider environmental and social risks in our decision-making.

RISK MANAGEMENT REPORT (CONT'D)

These risks are monitored on a monthly basis by the Risk Management Team and are reported to three main management forums as depicted below. A consolidated view of the risk profile including any breach in prudential/regulatory limits is reported to the SBMBM Risk Management Committee on a quarterly basis.

BOARD OF DIRECTORS

RISK MANAGEMENT COMMITTEE

Continued the board oversight of risks, determines risk tolerance and appetite, approves risk strategy and provides guidance to executives

PORTFOLIO AND CREDIT RISK FORUM

Facilitates portfolio and credit risk management within the Bank. Monitors credit risk exposures within set risk appetite

ALCO AND INVESTMENT FORUM

Facilitates management of market, funding and liquidity risks with a focus on Asset and Liability Management

OPERATIONAL RISK FORUM

Serves as a focal point for operational risk management

RISK MANAGEMENT TEAM

Measures, monitors and reports material risks to management forums and Boards. The team also acts as facilitator to ensure that the policies approved by the Board are implemented across different business units.

2. Risk Appetite Framework

The Bank's risk Framework is embedded across the Bank through policies, processes, controls and systems where the risk appetite is established, communicated and monitored. It includes a risk appetite statement that emphasises measures along with associated limits and triggers in a manner that is easily conveyed to internal stakeholders.

The Risk appetite is set annually by the Board of Directors with the goal of aligning risk-taking with the statutory requirements, strategic business objectives and capital planning. The Board of Directors and the CEO of the Bank have key roles in the implementation of the risk appetite by steering the utilisation of different forms of financing, the entity's geographical operating areas and markets, and funding and liquidity management.

RISK MANAGEMENT REPORT (CONT'D)

2.1 Hierarchy of Risk Appetite Principles

The hierarchy of risk appetite setting starts with a Board-level guided risk bearing capacity and cascades down to detailed specific risk limits.

Risk-Bearing Capacity	Represents the maximum level of risk that the Bank can assume given its current level of resources before breaching constraints determined by regulatory capital, liquidity needs, the operational environment and obligations towards all stakeholders.
Risk Appetite Statement	Risk appetite articulates and allocates the aggregate level and types of risk that the Bank is willing to accept in pursuit of its strategy, duly set and monitored by the Board, and integrated into the Bank's strategic, business, risk and capital plans.
Risk Tolerance	Refers to the readiness to bear the risk after risk treatments to achieve its objectives. Risk tolerance is set in operational terms through limits such as concentration limits and stop-loss limits, amongst others, to ensure that the risk is within the defined risk appetite. Any breach thereof would lead to a control and/or mitigation action.
Risk Target	Risk target is the optimal level of risk that the Bank wants to take in pursuit of a specific goal. Setting the risk target is based on the desired return, on the risks implicit in trying to achieve those returns and on SBM Bank's capability to manage those risks.
Risk Limits	Risk limit determines thresholds to monitor that actual risk exposure does not deviate too much from the desired optimum. Breaching risk limits will typically act as a trigger for corrective action at the process level.

2.2 Risk-Bearing Capacity

Financial Year 2020 has been mainly driven by the COVID-19 pandemic whereby the Bank's strategy, budget and capital planning were reviewed to adapt to the stressed situation. Stress-testing exercise has been key in the risk appetite calibration process to ensure that adequate capital is allocated to the level of risk of segments within the business operation.

RISK MANAGEMENT REPORT (CONT'D)

Various stress-testing exercises have been carried out throughout the year under different COVID-19 recovery assumptions for macroeconomic variables recovery forecast as well as counterparties' cash flow conditions to analyse the capital and liquidity positions. It is a practice within the Bank to develop stress scenarios on key risk factors and the results are reported in the Internal Capital Adequacy Assessment Process (ICAAP) yearly and more frequently to Management Forums and the Risk Management Committee.

The Bank has, as part of its contingency plan, reviewed its processes and strategies for addressing liquidity shortfalls in unexpected situations. Based on the results of the stress testing, the Bank remains comfortable on the liquidity side.

The Bank has prepared a capital plan in a crisis situation of COVID-19 by running a few scenarios based on different ECL simulations to determine the impact on the regulatory ratios. The Bank remains within the regulatory requirements in the Baseline and Moderate Scenario. In the Extreme Scenario whereby no MIC or further support post June-21 coupled with late recovery is considered, the Bank would require Capital injection to meet the regulatory CAR.

Although the Bank has simulated a worst-case scenario, the Bank does not foresee such scenario to materialise given the measures being put in place to assist companies with cash flow difficulties, including MIC support, and moratorium on repayments amongst others.

2.3 Limit Setting

Having set the overall strategy taking into consideration the underlying risks, the Bank cascades the risk appetite through specific risk limit at different levels with the objective of minimising unexpected loss while setting clear boundaries to risk-taking. These limits are monitored and reported to the Management Forums on a monthly basis and to the Risk Management Committee on a quarterly basis.

2.3.1 Credit Risk

Credit risk is the main risk faced by the Bank as a result of its daily business operations. The Bank has set a proper framework underpinned by risk tolerance and risk limits to mitigate the level of credit risk.

The Board of Directors at entity level delegates its credit approval authority to different levels in the organisation depending on the risk categorisation and the credit exposure of the customers.

RISK MANAGEMENT REPORT (CONT'D)

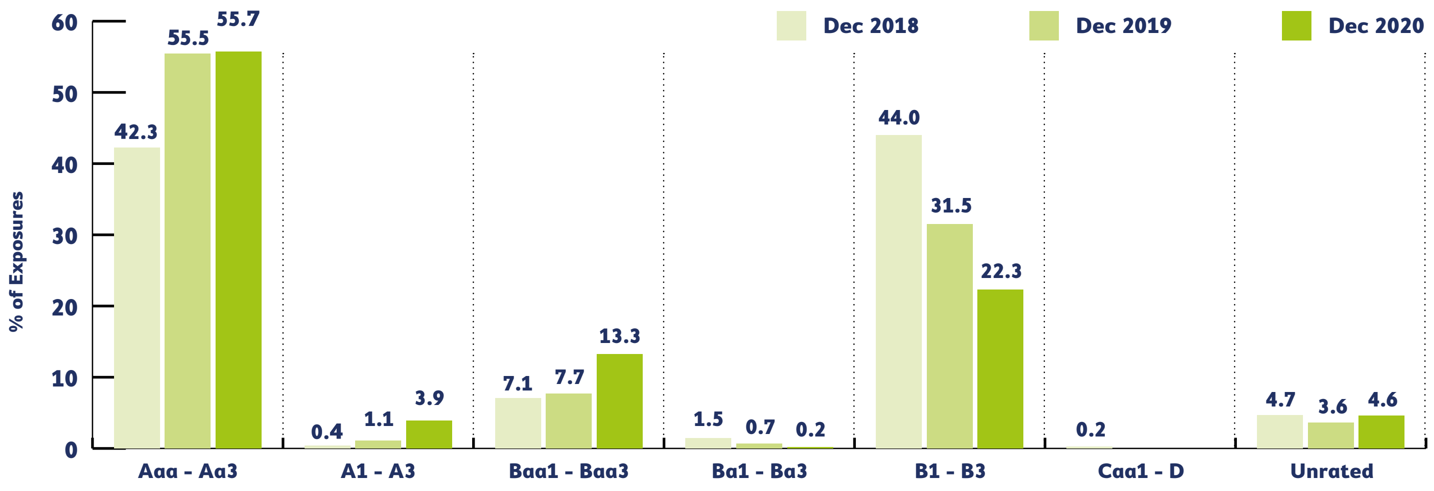
2.3.1.1 Country Risk

Country risk refers to the risks in investing in/granting credit facilities to counterparties in a particular country, arising from the economic, political and social environments that might affect the operations, long-term investment decisions and repayment capacity of cross-border counterparties, including the relevant sovereign. Based on past experience, the Bank has taken a more prudent stance and reviewed its risk appetite on cross-border financing.

SBM Bank (Mauritius) Ltd applies a Board-approved comprehensive Country Risk Framework taking into consideration different aspects of risk in line with the Bank of Mauritius Guideline on Country Risk Management to contain risk within acceptable risk tolerance levels. This framework has been revised in the wake of the COVID-19 pandemic to further reduce exposure to foreign counterparties due to global uncertainty. The Bank continues to focus mainly on countries where it has a physical presence.

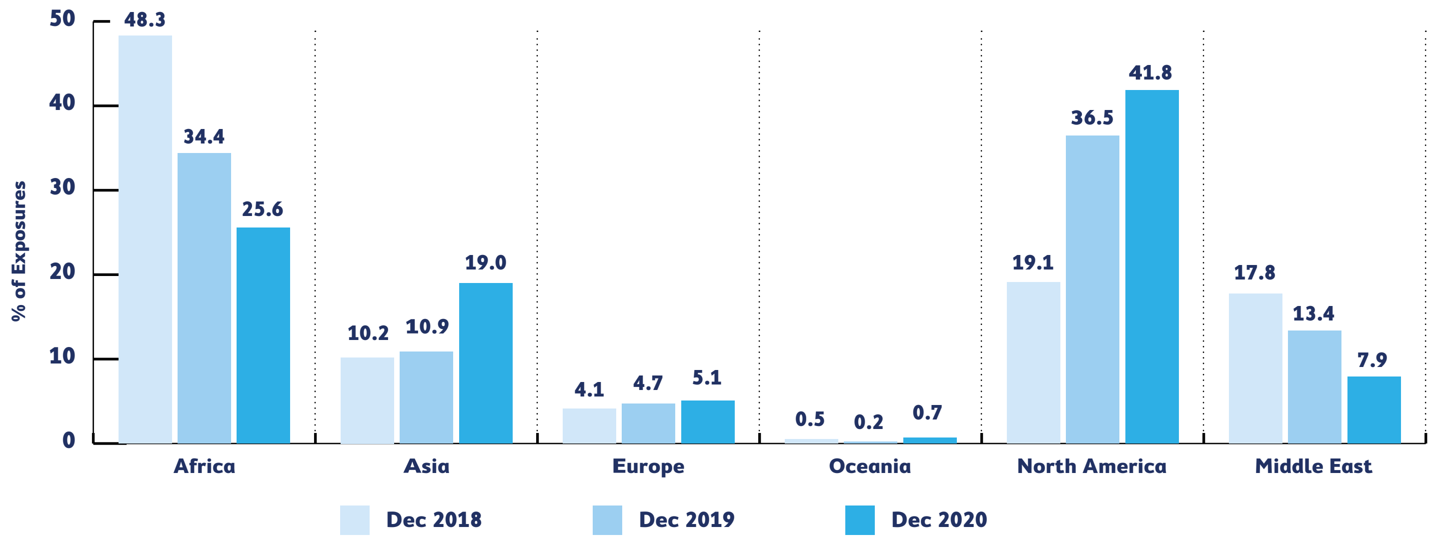
As at 31 December 2020, the total SBM Bank's credit equivalent exposure to cross-border lending accounted to 286.5 percent of Bank Tier 1 Capital. Exposure to Supranationals represented 30.8 percent of total cross-border lending.

Distribution of Country Risk by Rating (%)



RISK MANAGEMENT REPORT (CONT'D)

Distribution of Country Risk by Region (%)



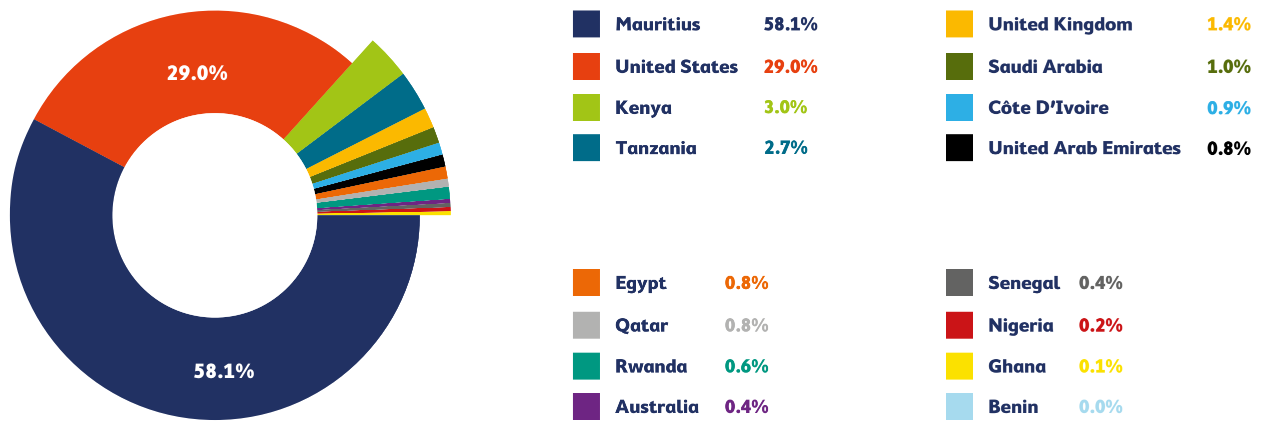
2.3.1.2 Sovereign Risk

Sovereign risk relates to the risk that a particular foreign nation is not able to honour its obligation. The Bank is exposed to sovereign risk through exposure on a government entity and/or its central bank.

As at 31 December 2020, sovereign exposures accounted for 362.1 percent of Bank Tier 1 Capital, of which sovereign exposures in SBM presence countries accounted for 221.1 percent of Bank Tier 1 Capital.

RISK MANAGEMENT REPORT (CONT'D)

Distribution of Sovereign Exposures of the Bank



2.3.1.3 Bank Counterparty Risk

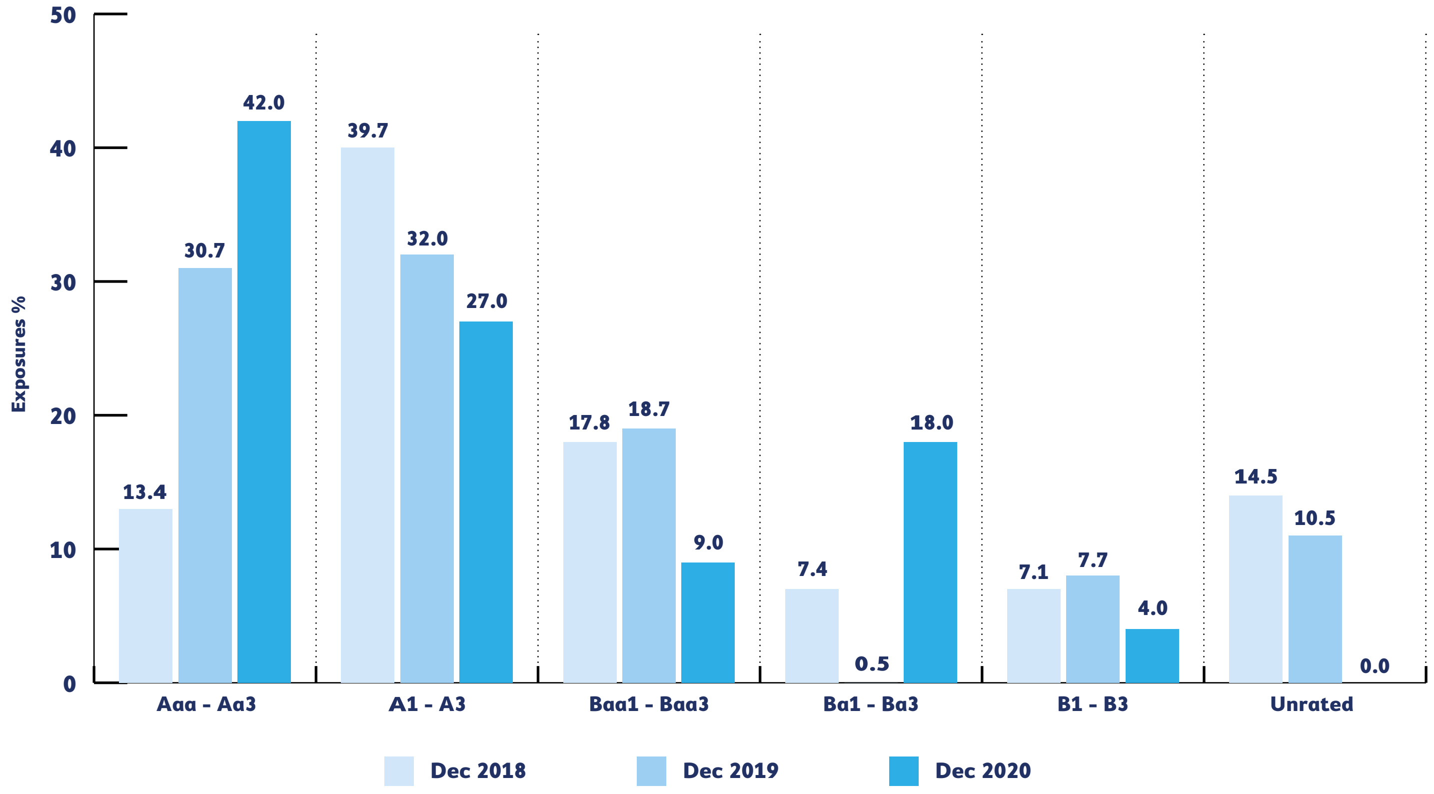
SBM Bank is exposed to bank counterparty risk, or the risk that a bank defaults on its obligations through different types of exposures varying from money market, treasury products, trade finance deals to standby letter of credits. To mitigate the risk, the Bank has set up a bank risk framework where limits to each individual bank are attributed based on the bank's risk profile. The limit is also contained by the respective bank's country limit and the regulatory limit on single counterparty exposure.

As at 31 December 2020, the Bank's counterparty credit equivalent exposure accounted for 159.8 percent of the Bank's Tier 1 Capital.

An increase was noted in the rating band of Ba1-Ba3 and a fall in the rating band of Baa1-Baa3 on account of downgrading of Indian banks.

RISK MANAGEMENT REPORT (CONT'D)

Distribution of Bank Counterparty Risk by Rating (%)



2.3.1.4 Counterparty Credit Concentration Risk

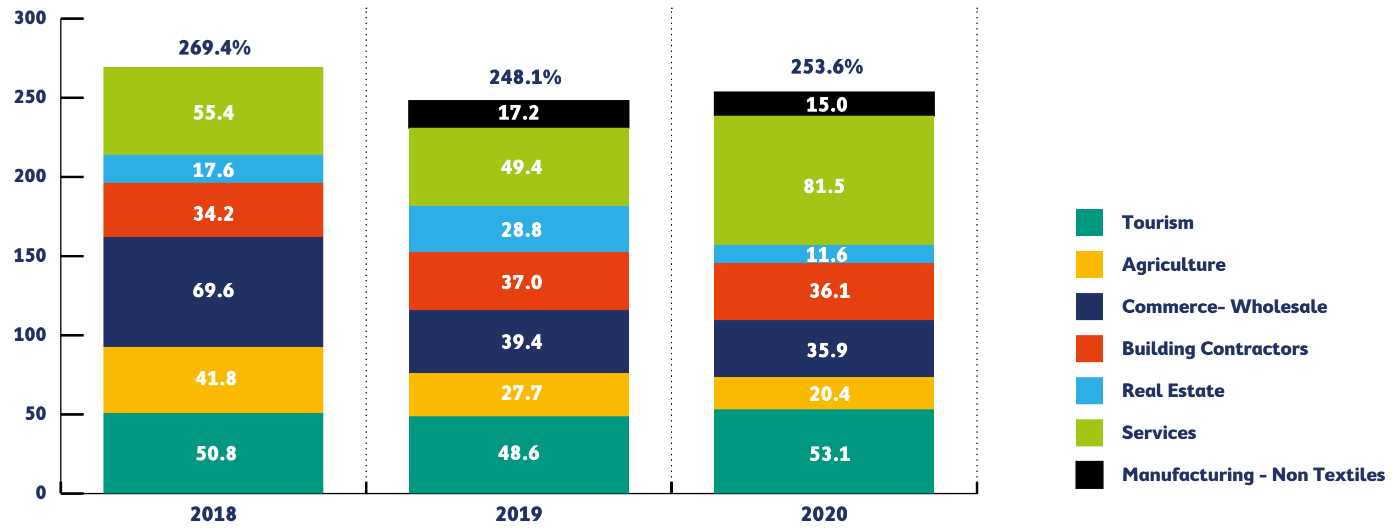
Counterparty credit concentration risk pertains to the risk of loss to the Bank as a result of excessive build-up of exposure on a single/group of related counterparties. SBM Bank has set prudential limits within the regulatory limits designed to restrain concentration to single/group of connected counterparties as well as large exposures.

RISK MANAGEMENT REPORT (CONT'D)

As at 31 December 2020, the credit concentration exposures were well within regulatory limits.

Regulatory Credit Concentration Limit	
Credit exposure to any single customer **shall not exceed** 25% of the Bank's Tier 1 Capital	14.2%
Credit exposure to any Bank of closely related customers **shall not exceed** 40% of the Bank's Tier 1 Capital	21.2%
Aggregate large credit exposures to all customers and Banks of closely related customers above 10% of the Bank's capital base **shall not exceed** 800% of the Bank's Tier 1 Capital	253.6%

Top Bank's closely related customer exposure by sector (%)

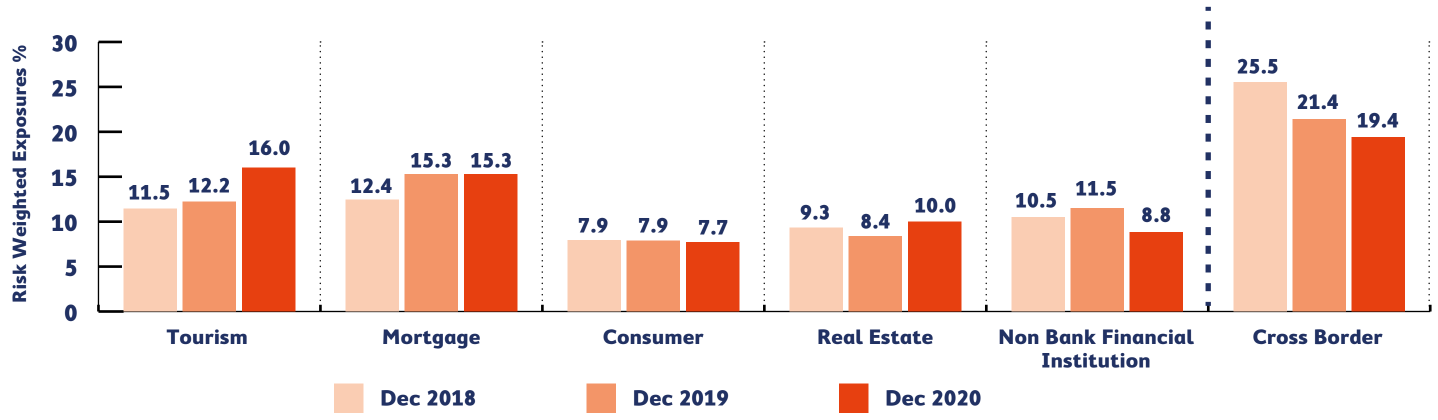


RISK MANAGEMENT REPORT (CONT'D)

2.3.1.5 Portfolio Concentration Risk

The Bank aims at maintaining a diversified credit portfolio that adapts to the economy. The Bank sets out limits by segment, portfolio and sub-portfolio in line with its their strategy and risk appetite, adhering to the overall Bank objectives.

SMBM's Top Portfolio by Risk-weighted Exposure (%)



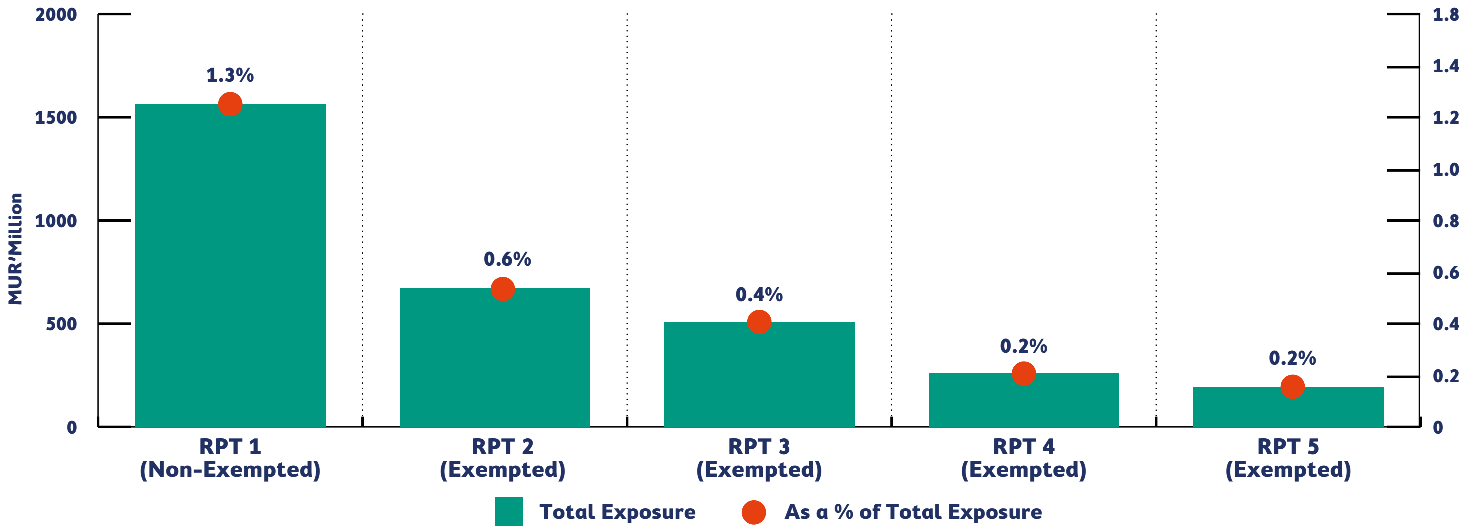
2.3.1.6 Related Party Risk

Related party exposures are defined as per the Bank of Mauritius Guideline on Related Party Transactions. All exposures are reported to the Corporate Governance and Conduct Review Committee.

As at 31 December 2020, the aggregate non-exempted exposures to related parties represented 9.9 percent of the Bank's Tier 1 Capital, which is well within the regulatory limit of 60 percent for category 1 and within the regulatory limit of 150 percent for categories 1 and 2.

RISK MANAGEMENT REPORT (CONT'D)

Top 5 Related Party Exposures



2.3.1.7 Credit Quality

In line with its Credit Risk Management Framework, the Bank uses risk mitigation techniques to minimise loss in the event of default.

The Bank engages in different types of collateral agreements depending on the type of counterparty and the structure and term of credit obligations:

- Financial and other collaterals, which enable the Bank to recover all or part of the outstanding exposure by liquidating the collateral asset provided, in cases where the borrower is unable or unwilling to fulfil their primary obligations.
- Guarantees, letters of credit and similar instruments from third parties, which enable the Bank to claim settlement from them in the event of default on the part of the counterparty. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties.
- Netting agreements are utilised in accordance with relevant regulatory and internal policies and require a formal agreement with the customer to net the balances.
- Credit insurance to transfer the credit risk to the insurance counterpart.

The Bank has an acceptable list of collaterals which undergo a periodic valuation to ensure their continuous legal enforceability and realisation value.

RISK MANAGEMENT REPORT (CONT'D)

2.3.1.7.1 Expected Credit Loss

In the wake of the pandemic, provisioning under IFRS9 came into the limelight with the increased risk of model failures. The Bank has been updating its models' data set and macroeconomic forecasts incorporated in the models while applying management overlays prudentially during the quarter ends of FY2020. In parallel, the Bank embarked on a full model redevelopment exercise where updated data set and macroeconomic variables were considered under stressed scenarios with more granular segmentation.

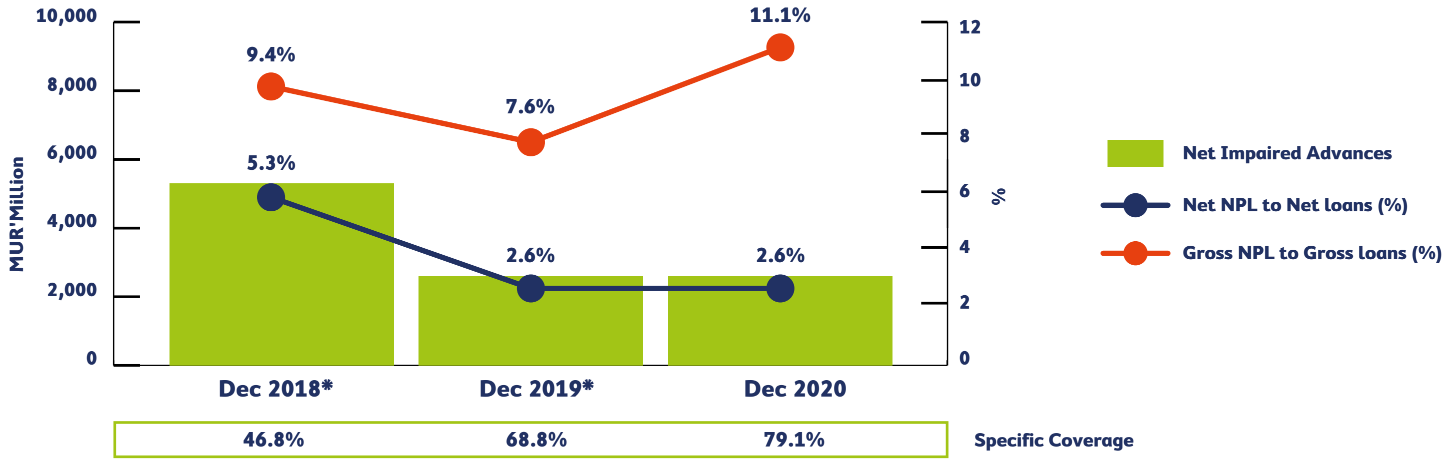
SBM Bank (Mauritius) Ltd has also done an impairment assessment under the worst-case scenario on its client base to ensure that the Bank is adequately provisioned and that necessary contingency plans are set up to meet any crisis situation. A watch list review forum is held on a quarterly basis with Senior Management representatives to review customer-wise exposures, satisfying a detailed list of 'watch list' criteria enabling better control over these exposures. These exposures are further classified under 'Stage 2' where a lifetime Expected Credit Loss (ECL) is allocated.

2.3.1.7.2 Impairment

Following the IFRS9 principles as from January 2018, the Bank ensures proper classification of assets under Stage 3 (Non-Performing assets) through IFRS9 criteria and maintains adequate provisions (lifetime Stage3 ECL) under Stage 3.

In the COVID-19 context, the Bank also takes into consideration the regulatory guidance on the measures to be adopted for asset classification under Stage 3. Counterparties having availed of moratorium due to the pandemic have not automatically been classified as Stage 3. The Bank has engaged in an individual client assessment before classifying any client/exposure under Stage 3.

Impairment Trend



*figures are net of cash collateral

RISK MANAGEMENT REPORT (CONT'D)

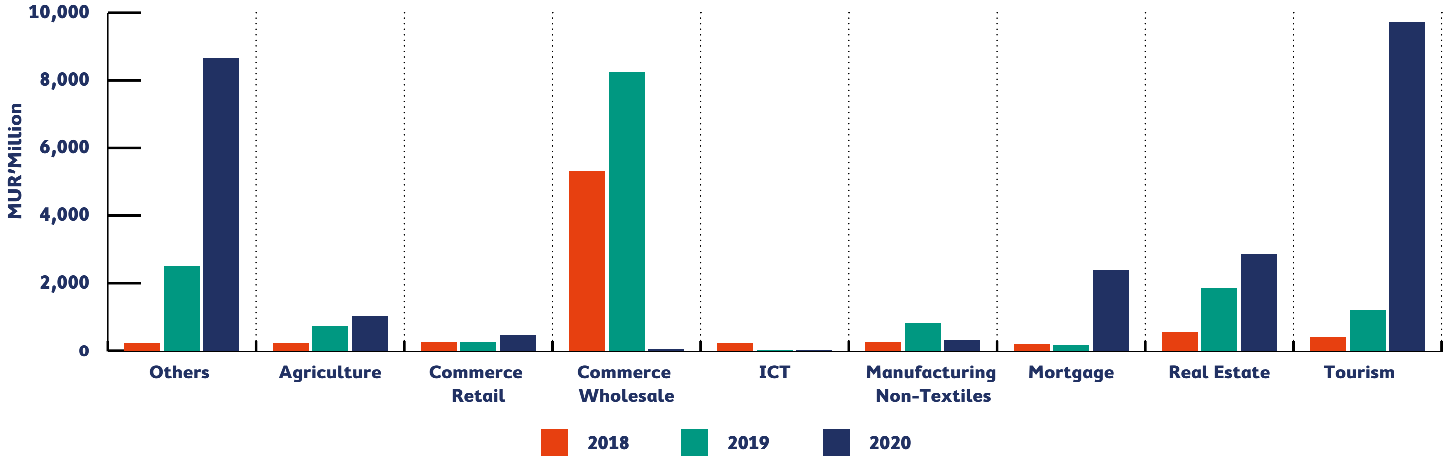
2.3.1.7.3 Rescheduled Advances

Rescheduled Advances consist of facilities whose original terms and conditions were amended as formally agreed by both the Bank and the client. Rescheduling is carried out to assist clients who are experiencing a temporary cash flow problem and require some concessions in view of a change in their operating circumstances.

The Bank experienced a peak in rescheduled advances for the FY2020 mainly due to the COVID-19 situation whereby lockdown was imposed in Mauritius which impacted different sectors.

Most of the rescheduled advances are in the form of moratoriums as part of Bank of Mauritius and SBM relief packages, mainly companies in the Tourism sector and holding companies.

As at 31 December 2020, total rescheduled loans stood at 27.3 percent of the total credit portfolio depicted below:



The portfolio "others" include services, financial institutions, consumer credit, manufacturing textiles, infrastructure and building contractors.

2.3.2 Market Risk

The Bank has a sound Market Risk Management Framework enhanced by the 3 lines of defence in line with good governance practices.

Market risk includes interest rate risk, foreign exchange risk, price risk and liquidity risk. The following sections provide an overview of each risk sub-category.

RISK MANAGEMENT REPORT (CONT'D)

2.3.2.1 Interest Rate Risk

Interest rate risk is the exposure of the Bank's financial condition to the variability of interest rates due to re-pricing and/or agreed maturity mismatches, changes in underlying rates and other characteristics of assets and liabilities in the normal course of business. Interest rate risks mainly include repricing risk, yield curve risk, reinvestment risk and option risk.

The Bank interest rate risk management is aimed at maximising the risk-adjusted net interest income within the tolerable level of interest rate risk and risk appetite.

The impact on Net Interest Income (NII) of a parallel change in interest rates is as follows:

Impact of 200 bps Parallel Rate Change on NII	2020	2019	2018
SBM Bank (Mauritius) Ltd	9.13%	5.57%	7.10%

The interest rate risk in the banking book is managed by controlling interest rate sensitivities, which measure the immediate effects of interest rate changes on the assets, liabilities and off-balance sheet items. With the composition of the balance sheet as at 31 December 2020, the NII is expected to rise in an increasing rate scenario and fall in a decreasing rate scenario. An increase of 200 bps in interest rate would result in an improvement of 9.13 percent in NII whereas a decrease of 200 bps in rate would result in a contraction by the same percentage in NII. However, some liabilities would not be fully impacted by the downward shock of 2 percent given that interest rates thereon are not expected to fall below zero percent.

The major foreseen risk in this area is the uncertainty on the new risk-free rates and spreads which will replace key LIBOR rates on 31 December 2021 and 30 June 2023. The Bank has already started to work on an entity level impact assessment and on the way forward. The LIBOR exposure is significant and the impact will potentially be material in terms of fair value changes on financial instruments and potential loss or gain in interest income.

2.3.2.2 Foreign Exchange Rate Risk

Foreign exchange rate risk is the likelihood that movements in exchange rates might adversely affect the foreign currency holdings in the reporting currency of the Bank.

In order to manage transactional foreign currency exposures, the Bank operates within regulatory parameters and also within more conservative prudential limits approved by the Board, including the intraday/overnight open position limits (both aggregate and currency-wise), deal size limit and stop-loss limits. Moreover, the Bank manages the counterparty exposure arising from market risk related transactions on our spot and Over-The-Counter (OTC) derivative contracts by using collateral and netting agreements with the major counterparties.

RISK MANAGEMENT REPORT (CONT'D)

2.3.2.2.1 Value at Risk

Value at Risk (VaR) is a statistical measure that the Bank uses to quantify the foreign exchange risk based upon a common confidence interval and time horizon. The methodology used to calculate VaR is the parametric method which assumes that historical returns in the foreign exchange market are representative of future movements. VaR is computed by using a 1-day holding period and based on a 99 percent one-tailed confidence interval. This implies that only once in every 100 days, one would expect to incur losses greater than the VaR estimates, or about two to three times a year. The VaR for the Bank is summarised as follows:

MUR	Min	Max	Year end
SBM Bank (Mauritius) Ltd	486,839	7,608,438	1,495,316

One of the impacts of the pandemic was an increase in currency volatility coupled with lower traded volumes. This has caused the VaR to increase. The Bank reacted by reducing overall open currency exposure to better control the risk.

2.3.2.3 Price Risk

Price risk is the risk that arises from fluctuations in the market value of trading and non-trading positions resulting in adverse movements on the value of portfolios.

Instruments in the trading book are re-valued periodically using market prices. Price risk is controlled by stop-loss limits, open position limit per type of products, posting of collateral and daily netting with major counterparties.

The Bank is exposed to risks in respect of both local and international quoted securities. The portfolio is managed by the Financial Markets Division under the strategic direction of the Asset and Liability Committee (ALCO) and the Investment Forum. Besides the local gilt-edged securities and other High- Quality Liquid Assets (HQLA) Bonds denominated in USD, the Bank maintains a well-diversified portfolio consisting primarily of investment grade securities. The Bank does not have direct exposure to commodity price risk. All commodities deals are done back-to-back (locked on both legs of the deal), where the commodity price risk is perfectly hedged.

The Bank also has exposure to Derivatives contracted through the normal course of business to meet client requirements, to hedge the exposures to market price variations and for trading purposes. Derivatives are contracts whose values are derived from underlying instruments (foreign currencies, interest rates, credit and commodities). These include forwards, swaps, options and structured products. The risk is managed by controls such as open position product limits, stop-loss limits and exposure limits, which are in line with the risk appetite of the Bank. Daily market-to-market and netting agreements with major counterparties mitigate the resulting credit risk.

RISK MANAGEMENT REPORT (CONT'D)

2.3.3 Liquidity Risk

SBM Bank has maintained a strong liquidity position historically. Given its stable funding base, significant investments in liquid assets and structured Liquidity Risk Framework, the Bank's liquidity risk is well managed. The primary tools that it uses to monitor and manage the risk are: the Basel III Liquidity Ratios, namely Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR) and the Traditional Gap Analysis. Liquidity risk is managed at source by the Treasury Operations Department of the Bank. The latter adopts a prudential approach in liquidity risk management with the set-up of internal liquidity gap limits based on the level of HQLA and more conservative LCR target. These are determined by ALCO and approved by the Board.

Based on the stress-testing results using both general portfolio assumptions and specific client-based scenarios, the Bank's liquidity position is comfortable. The stable source of deposit and decent stock of HQLA is one of the strengths the Bank possesses.

2.3.3.1 Liquidity Coverage Ratio (LCR)

In line with the BOM Guideline on Liquidity Management, the LCR is maintained in significant currencies (i.e. MUR and USD) and on a consolidated basis. Since the introduction of the ratio in November 2017, SBM Bank (Mauritius) Ltd has maintained its LCR ratio above the regulatory requirement.

The LCR is shown in the table below:

LCR	2020	2019	2018
SBM Bank (Mauritius) Ltd	153.9%	149.1%	140.2%

The average LCR for SBMBM was at 140.9 percent which is significantly above the Basel III requirement of 100 percent. The average stock of HQLA amounts to MUR 64.0 billion for SBMBM. The Bank's portfolio of HQLA is mostly comprised of A-rated sovereign and Multilateral Development Banks (MDBs) bonds.

2.3.3.2 Funding

The Bank maintains deposit concentration limits to ensure that it does not place undue reliance on a single entity as a funding source. The Loan to Deposit ratio is conservative for the Bank. Moreover, the Bank has a high level of core deposits which are adequate to mitigate the related liquidity and funding risk given a high degree of stickiness.

RISK MANAGEMENT REPORT (CONT'D)

The NSFR is shown in the table below:

NSFR	2020	2019	2018
SBM Bank (Mauritius) Ltd	122.40%	116.41%	118.59%

2.3.4 Operational Risk

The need for effective operational risk management is more acute than ever. To keep pace with emerging risks, the Bank ensures that its policies, procedures and processes managing operational risks meet the needs of its stakeholders.

The Bank has a robust Operational Risk Management Framework enhanced by the 3 lines of defence to manage risk exposure to an acceptable level.

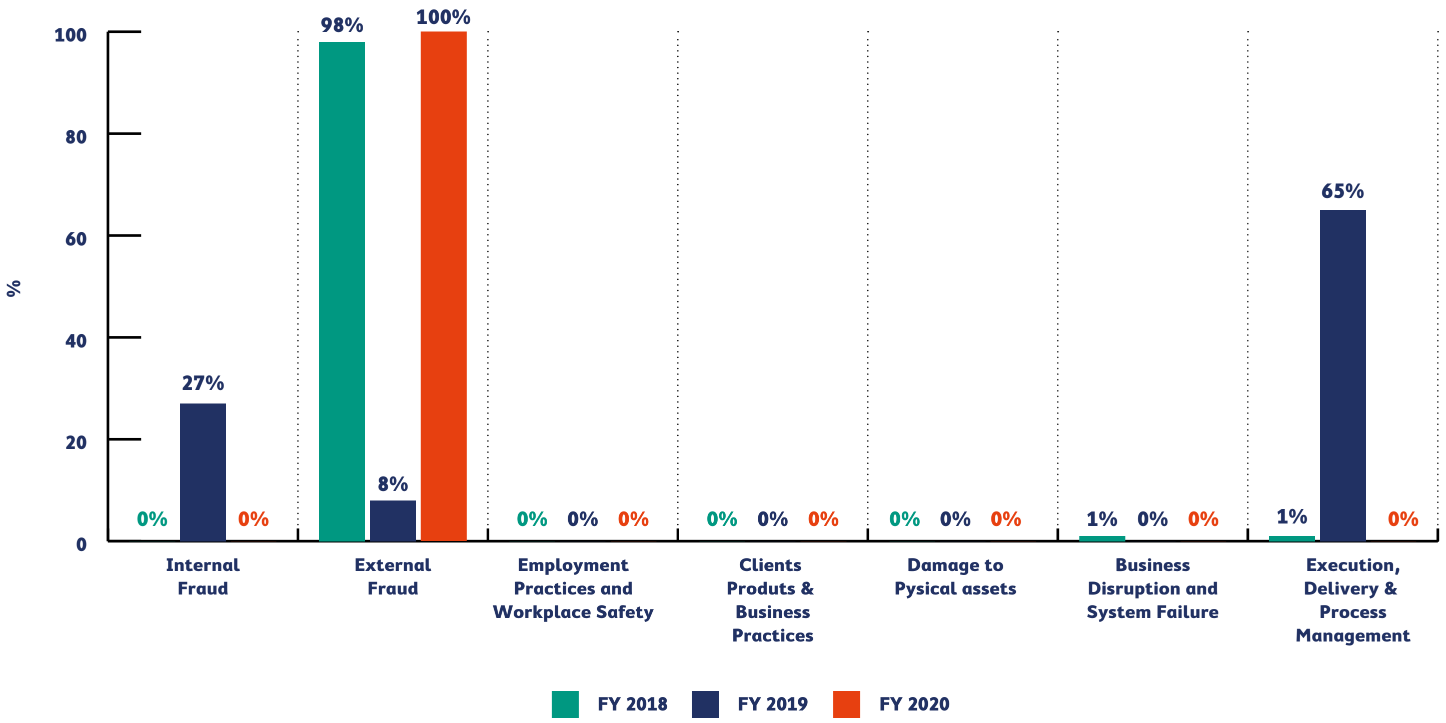
2.3.4.1 Operational Loss

In 2020, improvements in controls led to a significant decrease in operational loss in the year 2020 except for 1 case of external fraud faced by the Bank. The fraud consisted mainly of forged financial statements submitted by SBMBM's client. Regular review is being conducted on existing clients to proactively mitigate credit risk. Applicable Policies and Procedures have been strengthened and appropriate training is being provided to staff to enhance competence and skills.

Overall, the Bank has a proper operational risk management framework in place to identify, assess, analyse, mitigate and monitor any operational risk which may arise.

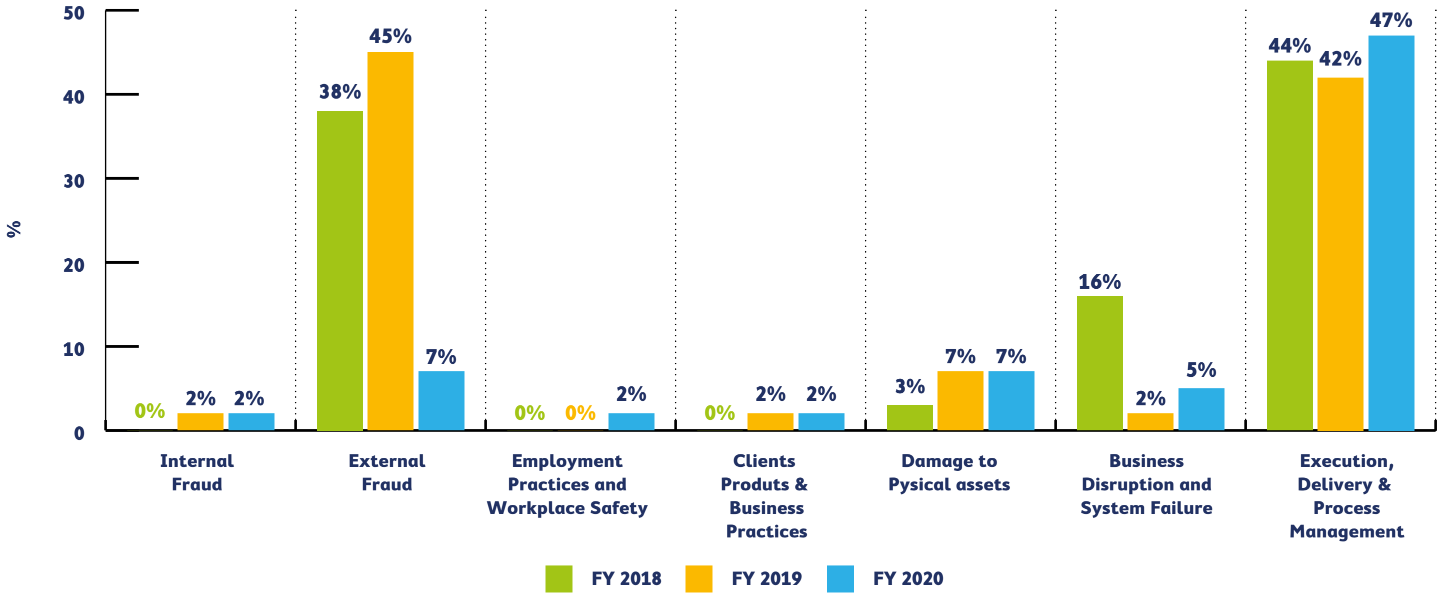
RISK MANAGEMENT REPORT (CONT'D)

% of Total Loss



RISK MANAGEMENT REPORT (CONT'D)

% of Total Count



2.3.5 IT Risk

The Bank's operations are technology intensive. A significant number of technology platforms are currently hosted and managed by our offshore IT strategic partner. The Bank acknowledges the risks associated with this kind of outsourcing arrangements with regards to data protection, system performance, service delivery and time to market new products, and has taken mitigating actions in terms of reinforcing controls and governance measures. SBMBM has also planned to migrate its facilities from India to Mauritius over the next couple of years as part of an overall strategic plan. The migration activity has already kicked off in the first quarter of 2021.

During the COVID-19 pandemic, even though our IT team and our service providers were working from home, they demonstrated their proficiency in providing round the clock support to both Back Office and Front Office staffs to ensure smooth running of operations and customer service.

RISK MANAGEMENT REPORT (CONT'D)

During the confinement period, where only essential services were provided to walk-in customers, customers were encouraged to leverage on the Bank's online services. No major system/application outage occurred, hence enabling the Bank to serve customers on a 24/7 basis.

With the COVID-19 pandemic, many staffs have been working remotely, which increases the risks for cybercriminals to perform fraudulent acts. The Network architecture was reviewed, security measures were bolstered and monitoring of the Network usage was performed to protect the Bank and mitigate the risks of Cyber-attacks.

SBMBM's Information System Security framework has been reviewed and strengthened. All our payments' systems, including SWIFT, have been further fortified and calibrated to meet the new and growing cyber security threat environment.

Business continuity procedures are continuously being reviewed to ensure business continuity in case there is any cyber-attack at the Bank.

The existing Information Technology Risk Management Framework is supported by IT policies and standards, control processes and the following risk mitigation strategies:

- Security awareness for staffs and customers;
- Security tools to detect and prevent cyber-attacks from outside;
- Strong access control;
- Vulnerability and penetration testing;
- Backup systems to ensure business continuity; and
- Red teaming exercises.

2.3.6 Reputational Risk

Reputational risk is the risk that the Bank's reputation is damaged by one or more reputation events, as reflected, among others, in negative publicity about business practices, conducts or financial conditions of its various entities. Such negative publicity, whether true or not, may impair public and investor confidence in the Bank, resulting in costly litigation, or lead to a decline in its customer base, business, revenue or market value. The implications of poorly managed operational risk in one entity may have a contagious effect on the reputation of the Bank as a whole. The Bank closely and continuously assesses and monitors reputational risk and reports to the Risk Management Committee on a quarterly basis.

Recipient of complaints at SBM Bank are encouraged to log and escalate customers' grievances to our dedicated complaints cell. All complaints are treated with promptness, confidentiality and fairness so as to satisfy all impacted stakeholders.

The agility to provide immediate solutions and reassurance is crucial to mitigate negativity and dissatisfaction. Corrective measures are proposed to appropriate departments for further discussion and execution after proper root cause analysis. Complaint reports are submitted on regular basis to the relevant forums such as the Operational Risk Forum, Corporate Governance and Conduct Review Committee as well as Risk Management Committee. SBM continues to enhance customer experience whilst acting upon customers' feedback through surveys/complaints management with a focus on continuous improvement.

RISK MANAGEMENT REPORT (CONT'D)

2.3.7 Compliance Risk

The Compliance function is responsible for the overall management and oversight of compliance and regulatory risk management practices as the second line of defence. The role of the second line is to establish the parameters and framework under which first line activities shall be performed, consistent with the risk appetite of the Bank, and to monitor the performance of the first line against these parameters and framework. Compliance, thus, participates actively in the prevention, detection and management of breaches of applicable laws, rules, regulations and relevant procedures, and has a key role in helping the Bank achieve the right outcomes.

The compliance strategy and annual plan seek to ensure consistency between the conduct of business operations and the observance of relevant laws, rules and standards, through identification of compliance-related risks, and ongoing monitoring of risks as well as design of adequacy controls. We have adopted policies and designed processes to ensure adherence to local legal and regulatory requirements, including counterparties' requirements. The Compliance team is split as follows:

Financial Crime Compliance: The compliance function is endowed by law with Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) responsibilities. This team ensures that the specific regulatory requirements regarding same are strictly adhered to.

Regulatory & Advisory Compliance: This team ensures compliance with legal and regulatory requirements and integrity in the conduct of business which are essential elements to maintain the good repute of an institution. The evolving nature of financial markets in terms of product innovation, risk transfers and international reach increases the potential for breaches of the legal and regulatory requirements.

Monitoring & Testing: The compliance function also monitors and tests compliance by performing sufficient and representative compliance testing and reviews. The results of the periodic compliance testing are reported to the Risk Management Committee and Audit Committee at regular intervals. This team will thus determine whether the Bank's controls are effective having regard to the institution's risks through ongoing monitoring and testing.

RISK MANAGEMENT REPORT (CONT'D)

2.3.8 Fraud Risk

All employees and Directors within the Bank are expected to act with integrity at all times to safeguard the Bank's reputation and protect customers and company resources.

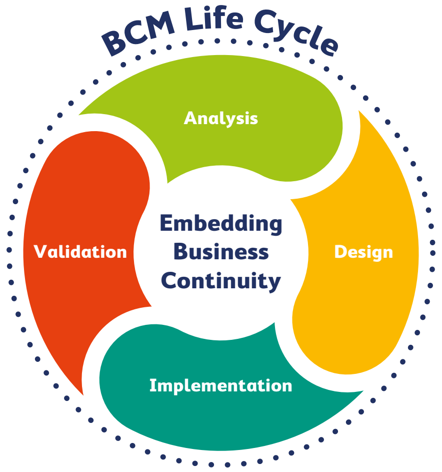
The Bank has a Fraud Management Policy approved by the Board which is built around four major pillars, namely Deterrence, Detection, Mitigation and Response to fraud.

The Bank operates within the following key guiding principles:

- Zero tolerance to internal fraud;
- Stringent control procedures;
- Sound investigation procedures;
- Timely disclosure of fraudulent activities;
- Training and awareness programme;
- Risk-based approach to external fraud;
- Whistleblowing; and
- Human resource policy, including code of ethics and business conduct, and conflict of interest.

In addition, SBMBM has a Proactive Risk Management (PRM) Team involved in the card issuing and acquiring business, which monitors card transactions on a 24/7 basis.

2.3.9 Business Continuity Management



RISK MANAGEMENT REPORT (CONT'D)

The COVID-19 pandemic outbreak, cyber-attacks, severe weather events, IT disruptions and other major incidents have shown the importance of a Business Continuity Management Framework for organisations to build and improve resilience, and provide the capability for an effective response to these threatening events.

SBM Bank has adopted an agile Business Continuity Management (BCM) Framework in line with best practices to adapt to changing operational events and to new risks which may have damaging effects on the Bank's ability to ensure continuity of activities.

These events also include changes to the markets in which the Bank operates as well as the legislation, technology and any other incident that may impact the safety and health of stakeholders or even disrupt the Bank's ability to deliver its products and services. The BCM Framework helps to build and improve resiliency and provides the capability for an effective response to these unexpected/expected events impacting the Bank.

A three-level BCM structure model is in place and is in line with the International Standard ISO 22301 to ensure clear governance arrangements, both in terms of processes and procedures that govern the development, management and maintenance of the Business Continuity Plan.

The three levels are as follows:
1. **Strategic** decisions are made and policy is determined;
2. **Tactical** operations are coordinated and managed; and
3. **Operational** activities are undertaken.

Furthermore, Business Impact Analysis (BIA) and BCM Risk Assessments are carried out on a yearly basis to set out appropriate BCM strategies that would address any new threat and risk. In line with this, the BCM Framework is also reviewed on an on-going basis by all relevant stakeholders to ensure that the appropriate emergency response, resumption and recovery are in place to minimise the impact of the crisis/emergency/disruption on the Bank's business. Regular training, business continuity testing and disaster recovery drills are also performed on a yearly basis to promote an effective BCM culture and ascertain that a robust BCM programme is in place within the Bank.

CAPITAL MANAGEMENT

SBM Bank actively manages its capital to cover for risk inherent in the business and ensuring that it meets regulatory capital requirements at all times and also having enough capital to sustain its current and future business needs while at the same time providing an appropriate return to stakeholders. The adequacy of the Bank's capital is closely being monitored using, among other measures, the ratios as prescribed by the BOM and which are largely consistent with international standards set by the Basel Committee on Banking Supervision (BCBS).

The Capital Adequacy Ratio (CAR), for instance, is a key metric to assess the robustness of a bank and one of the main purposes of Basel III was to ensure that banks are robust enough to sustain adverse changes in the economic cycle. It is therefore very important in this current climate to have the right capital planning in place.

RISK MANAGEMENT REPORT (CONT'D)

1. REGULATORY REQUIREMENT

Banks in Mauritius have to adhere to the capital adequacy rules as prescribed by BOM and which are largely aligned to international standards as set by the Basel Committee on Banking Supervision (BCBS). As such, SBM Bank has adopted the standardised approach for credit and market risk based on the Guidelines on Standardised Approach to Credit Risk and Guideline on Measurement of Market Risk while for operational risk, the Bank follows the Alternative Standardised Approach as per the Guideline issued by BOM.

As regards to computation of its capital base, SBM Bank complies with the Guideline on Scope of Application of Basel III and Eligible capital, which came into effect in July 2014 and as per which Bank has to maintain at all time a minimum ratio of total regulatory capital to risk weighted assets (CAR) at or above the internationally agreed minimum of 10 percent. Moreover, SBM Bank has to maintain additional capital requirement in the form of capital conservation buffer (CCB), which is designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. The implementation of the CCB of 2.5 percent started as from 1 January 2017 in a phased manner and increased on a yearly basis by 0.625 percent. It was initially set to be fully effective as from 01 January 2020. However, in apprehension of the challenges posed by COVID-19 pandemic, BOM, in a first instance, in May 2020, deferred the implementation of the last tranche of the CCB to 01 January 2021, such that banks were authorized to maintain a CCB of 1.875 percent until 31 December 2020. Taking into account the persisting uncertain economic environment, BOM has in January 2021, further deferred the implementation of the CCB of 2.5 percent to 1st April 2022, though it reserves the right to review its decision going forward, depending on the evolution of the economic conditions in Mauritius. This measure has somehow helped banks to release more capital whilst also allowing greater flexibility in terms of funding capacity and support which can be provided to customers.

SBM Bank also has to comply with the Guideline for Dealing with Domestic-Systemically Important Banks (DSIB), which came into effect in June 2014, whereby the systemic importance of banks is assessed yearly, taking into account their size, exposure to large groups, interconnectedness, complexity and the significant disruption they might cause to the wider financial system in case of failure. SBM Bank is one of the five banks falling under this category which have to maintain additional capital ranging from 1 percent to 2.5 percent. As of 1 January 2020, buffer of 2.0 percent for SBM Bank has been fully phased-in.

RISK MANAGEMENT REPORT (CONT'D)

Table below illustrates Minimum Regulatory Capital Ratios applicable to SBM:

Minimum Capital Requirement (%)	FY 2020 - Pre Covid	FY 2020 - Post Covid	FY 2021 - Post Covid
Common Equity Tier 1 (CET)	6.500	**6.500**	**6.500**
Tier 1	8.000	8.000	**8.000**
Capital Adequacy Ratio (CAR)	10.000	10.000	10.000
Capital Conservation Buffer (CCB)	2.500	1.875	1.875
D-SIB Buffer	2.000	2.000	2.000
CET 1 plus CCB + D-SIB	11.000	10.375	10.375
Tier 1 plus CCB + D-SIB	12.500	11.875	11.875
CAR (Tier 1+Tier 2) + CCB + D-SIB	14.500	13.875	13.875

2. CAPITAL STRUCTURE

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.

(a) Tier 1 capital which can absorb losses without a bank being required to cease trading and which comprises of:

- Common Equity Tier 1 Capital
- Additional Tier 1 Capital

(b) Tier 2 capital which can absorb losses in the event of a winding-up and so provides a lesser degree of protection to depositors

Capital measures are stated as a percentage of risk-weighted assets, which are measured based on their perceived credit and operational risks and include certain off-balance sheet exposures, such as unfunded loan commitments, letters of credit, and derivative contracts.

RISK MANAGEMENT REPORT (CONT'D)

3. CAPITAL POSITION

The Bank's capital position as at December 2020 stood comfortably above the minimum regulatory requirement and with an improvement over December 2019 ratios. Tier 1 ratio increased from 13.06 percent to 14.28 percent while total CAR improved from 14.76 percent to 15.94 percent. This improvement in the Bank's capital position is contributed mainly by an uplift of 13.5 percent or MUR 1,881 million in Common Equity Tier 1 (CET1) while growth in risk-weighted assets (RWA) was contained at only 3.9 percent.

Capital Structure and Adequacy of the Bank as at 31 December 2018, 2019 and 2020:

Figures in MUR' Million	DEC 2020	DEC 2019	DEC 2018
Capital Base			
Share Capital	12,254	12,254	11,354
Retained Earnings	4,596	3,777	4,841
Accumulated other comprehensive income and other disclosed reserves	1,590	630	215
Common Equity Tier 1 Capital (CET 1) before regulatory adjustments	18,440	16,661	16,411
Regulatory Adjustments			
Goodwill and Intangible assets	(2,145)	(2,526)	(2,963)
Deferred Tax Assets	(497)	(219)	-
Common Equity Tier 1 Capital (CET 1)	15,797	13,916	13,448
Additional Tier 1 (AT 1)	-	-	-
Tier 1 capital (T1 = CET1 + AT1)	15,797	13,916	13,448
Other Reserves (45% of surplus arising from Rev of land & Buildings)	586	608	486
Portfolio Provision or ECL (restricted to 1.25% of credit RWA)	1,251	1,202	1,113
Tier 2 Capital	1,838	1,810	1,599
TOTAL CAPITAL BASE	17,635	15,726	15,047
RISK WEIGHTED ASSETS (RWAs)			
Credit risk	100,118	96,197	89,031
On-balance sheet assets	93,843	90,020	81,488
Off-balance sheet exposures	6,275	6,176	7,543
Market risk	646	1,100	777
Aggregate net open foreign exchange position	375	595	370
Capital charge for trading book position exceeding 5% or more of its total assets	270	505	407
Operational risk	9,890	9,247	8,479
TOTAL RWAs	110,654	106,544	98,286
CAPITAL ADEQUACY RATIO (%)	15.94	14.76	15.31
of which Tier 1 Ratio	14.28	13.06	13.68

RISK MANAGEMENT REPORT (CONT'D)

4. COMPUTATION OF RISK-WEIGHTED ASSETS

4a Credit Risk

The amount of credit risk capital for the bank is derived by applying the prescribed risk weights as per BOM Guideline on Standardised Approach to Credit Risk and the Guideline on Scope of Application for Basel III for both its on-balance sheet and off-balance sheet exposures. Risk weight is determined by the category of claims and also any eligible mitigating factor, like facilities secured by deposits with the bank or investment in Securities with BOM/GOM, which permits application of a lower risk weight. Based on the recommendations of BOM Guideline on the recognition and use of External Credit Assessment (ECAI), SBM Bank uses ratings as per eligible ECAIs like Standard & Poor's, Moody's Investors Service and Fitch agencies to derive risk weight for claims on banks and sovereign and the credit ratings assigned by CARE Ratings (Africa) Private Ltd have been used for risk-weighting of some Corporates.

Following the outbreak of the COVID-19 pandemic, BOM allowed for some specific forbearance, like reviewing the thresholds and risk weight applicable for certain categories of exposures, to encourage lending commensurate with a lower capital requirement thus easing the financial system stress.

The following tables provide figures for the RWAs after credit mitigation for both on-balance sheet and off-balance sheet assets:

Risk-Weighted on-balance sheet assets	31 Dec 2020			31 Dec 2019	31 Dec 2018
Figures in MUR million	Amount	Weight %	Weighted Assets	Weighted Assets	Weighted Assets
Cash Items	2,546	0-20	0.9	0.8	0.6
Claims on Sovereigns	42,080	0-100	4,965	3,130	2,520
Claims on Central banks	53,475	0-50	-	596	482
Claims on Banks	22,853	0-100	6,697	6,727	6,606
Claims on Non-Central Government Public Sector Entities	82	50-100	41	47	86
Claims on Corporates	46,338	0-100	43,285	44,429	39,822
Claims included in the Regulatory Retail Portfolio	12,554	0-75	9,415	8,923	5,976
Claims secured by Residential Property	23,929	35-125	9,098	9,006	8,688
Claims secured by Commercial Real Estate	9,263	100-125	9,306	6,817	4,641
Past due claims	2,591	50-150	1,940	1,506	5,747
Other Assets	9,094	100	9,094	8,837	6,920
Total On Balance Sheet RWAs	224,806		93,843	90,020	81,488

RISK MANAGEMENT REPORT (CONT'D)

Risk Weighted Non Market related Off-Balance Sheet Assets	31 Dec 2020					31 Dec 2019	31 Dec 2018
MUR million	Nominal Amount	Credit Conversion Factor	Credit equivalent Amount	Weight (%)	Weighted Assets	Weighted Assets	Weighted Assets
Direct Credit Substitutes	1,590	100	1,590	0-100	1,475	1,848	4,448
Transaction-Related Contingent items	6,594	50	3,297	0-100	3,018	2,276	1,442
Trade-Related Contingencies	457	20-100	222	0-100	227	122	190
Other Commitments	10,494	0-50	892	35-100	812	927	504
Total Off Balance Sheet RWAs	19,315		6,001		5,533	5,173	6,584

4b Market Related Risk-Weighted Assets

SBM Bank adheres to the Standardised Approach as outlined by BOM in its Guideline on Measurement and Management of Market Risk for computation of capital on market risk. As per this methodology, which is closely aligned with Basel II Standardised Measurement Method, a banking institution is required to hold additional capital whenever its overall position in trading book activities exceeds 5 percent or more of its total assets. A banking institution is encouraged to hold a capital buffer that adequately covers the interest rate risk exposures arising from non-trading activities.

Market related Off-balance Sheet RWAs	31 Dec 2020						31 Dec 2019	31 Dec 2018
	Nominal Principal Amount	Credit Conversion Factor %	Potential Future Exposure	Current Exposure	Credit Equivalent Amount	Weighted Assets	Weighted Assets	Weighted Assets
	MUR Mn	%	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn
Interest rate contracts	21,615	0-1.5	67	36	102	68	104	56
Foreign exchange contracts	26,535	1-7.5	417	111	528	358	401	445
Equity contracts	921	6-8.0	71	-	71	40	10	2
Other commodity contracts	2,177	10-12	228	101	329	199	160	311
Credit derivative contracts	395	20	79	-	79	40	293	144
Other market-related contracts	637	12	76	-	76	38	35	
Total market RWAs	47,280		938	248	1,186	743	1,003	959

The total market-related off-balance sheet RWA decreased to MUR 743 million from MUR 1,003 million compared to last year.

RISK MANAGEMENT REPORT (CONT'D)

4c Aggregate Net Open Foreign Exchange Position

Foreign currency risk is the risk of loss due to changes in spot and forward rates, and the volatility of currency exchange rates. Non-trading foreign currency risk, also referred to as structural foreign exchange risk, arises primarily from the Bank's net investments in foreign operations.

The following table provides the comparative figures for the aggregate net open foreign exchange position for the Bank:

MUR million	Dec-20	Dec-19	Dec-18
Aggregate net open foreign exchange position	375	595	370

4d Operational Risk Capital

Operational risk is the risk of incurring a loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. SBM Bank has adopted the Alternative Standardised Approach for calculating operational risk capital as per the BOM Guideline on Operational Risk. In line with growth in business volumes, capital charge for Operational Risk is increasing year on year.

The table below sets out, at the date indicated, the operational risk capital charge for the Bank:

MUR million	Dec-20	Dec-19	Dec-18
Capital charge for Operational Risk	989	925	848

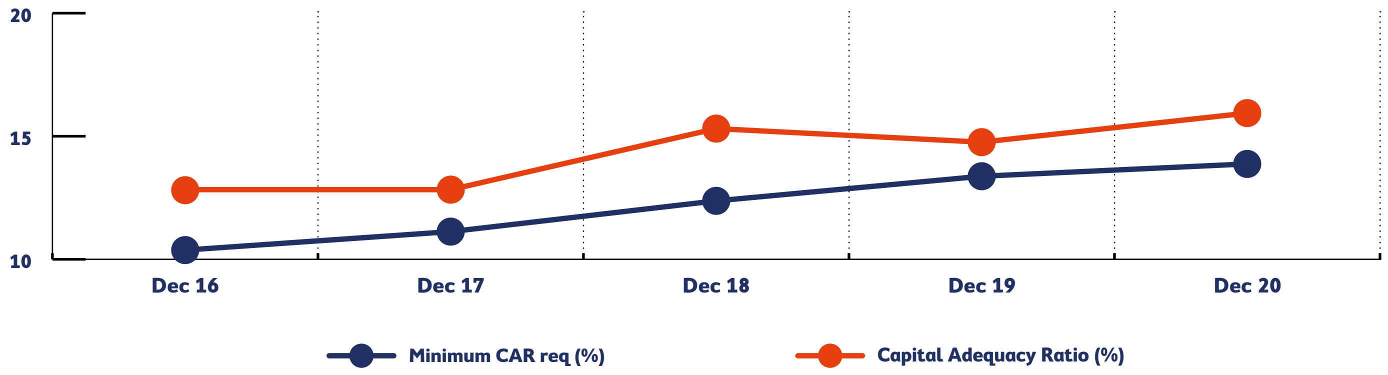
RISK MANAGEMENT REPORT (CONT'D)

The percentage risk by type for 2020 remained more or less at par with previous year, with Credit risk accounting for around 90.5 percent of total risk of the Bank.

Like all prior years, SBM Bank has duly complied with all externally imposed capital requirements throughout the year.

Below chart depicts the trend over the last 5 years:

Trend over last 5 years



RISK MANAGEMENT REPORT (CONT'D)

5. LEVERAGE RATIO

The Basel III reforms introduced a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. The leverage ratio is intended to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy.

The Bank's leverage ratio, defined as Tier 1 Capital as a percentage of total exposure, was 6.8 percent at 31 December 2020 compared with BCBS minimum requirement of 3 percent.

> **Important:** All things considered, a bank with a high capital adequacy ratio (CAR) is perceived as healthy and in good shape to meet its financial obligations.

STATEMENT OF DIRECTORS' RESPONSIBILITY

STATEMENT OF DIRECTORS' RESPONSIBILITY

FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors of SBM Bank (Mauritius) Ltd is appointed to act on behalf of its sole shareholder, SBM (Bank) Holdings Ltd. A professional management team is appointed to run the business of SBM Bank (Mauritius) Ltd (the 'Bank') under the oversight of the Board of Directors. The Board is directly accountable to the shareholder and each year the Bank holds an Annual Meeting at which the directors report to the shareholder on the performance of the Bank and its future plans and strategies. They also submit themselves for re-election as directors at the Annual Meeting, as laid out in the Constitution and the National Code of Corporate Governance for Mauritius.

The Board of Directors' key purpose is to ensure the Bank's prosperity by collectively directing its affairs via delegated authority, whilst meeting the appropriate interests of its stakeholders. In addition to business and financial issues, the Board of Directors is also called upon to deal with the challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics. The Board must ensure that appropriate internal controls and risk management processes are set in place for the proper running of the business.

The Risk Management Committee has the responsibility to set the risk strategy, advise the Board on risk issues and monitor the risk management processes. Amongst others, it sets and reviews policies for the management of risks particularly in the areas of credit, market, interest, liquidity, operational and technological risks including legal, reputational and strategic risks, ensuring that adequate procedures and limits as well as appropriate methodologies and systems are in place.

The Audit Committee critically reviews the financial and interim reports, prospectus and other financial circulars / documents and is responsible, amongst others, for reviewing the systems of internal controls to ascertain their adequacy and effectiveness. It reviews and discusses any material weaknesses identified in controls and deficiencies in system, and if necessary, recommends additional procedures to enhance the system of internal controls.

An internal audit function, whose Head also reports directly to the Audit Committee, is in place to ensure that the Bank's operations are conducted according to the established practices by providing an independent and objective assurance, and by advising on best practices. The Audit Committee reviews reports from internal and external auditors and monitors relevant actions taken by management.

The Risk Management section contained in the Annual Report provides further details on the processes for risk management and internal controls.

STATEMENT OF DIRECTORS' RESPONSIBILITY

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors confirm, to the best of their knowledge and belief, that:

(i) an effective system of internal controls and robust risk management practices, including compliance, has been put in place to safeguard the assets and for the prevention and detection of fraud and other irregularities;

(ii) the Bank has neither the intention nor the need to liquidate or curtail materially the scale of its operations in the foreseeable future;

(iii) the Financial Statements give a true and fair view of the state of affairs of the Bank for the year ended 31 December 2020 and have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Banking Act 2004, Mauritius Companies Act 2001 and the Financial Reporting Act 2004 and applicable Bank of Mauritius (BOM) guidelines and appropriate accounting policies. These were supported by reasonable and prudent judgements, and estimates have been used consistently;

(iv) they continuously review the implications of corporate governance best practices and are of the opinion that the Bank complies with the requirement of the National Code of Corporate Governance for Mauritius in all material aspects or has explained non-compliance; and

(v) proper accounting records have been kept, in accordance with the requirements of the Mauritius Companies Act 2001 and are free from misstatements.

The external auditors Deloitte have independently given their opinion in their audit report as set out on pages 186 to 191.

Jorge Stock	**Imalambaal Kichenin**	**Visvanaden Soondram**
Officer-in-Charge	Chairperson, Audit Committee	Acting Chairperson of the Board

31 March 2021

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER 2020

The financial statements of the Bank 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 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, Corporate Governance and Conduct Review Committee and Risk Management Committee, which comprised mostly independent directors, oversees 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 addition, the Bank's compliance function maintains policies, procedures and programs directed at ensuring compliance with regulatory requirements.

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

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

Jorge Stock
Officer-in-Charge

31 March 2021

REPORT FROM THE COMPANY SECRETARY

FOR THE YEAR ENDED 31 DECEMBER 2020

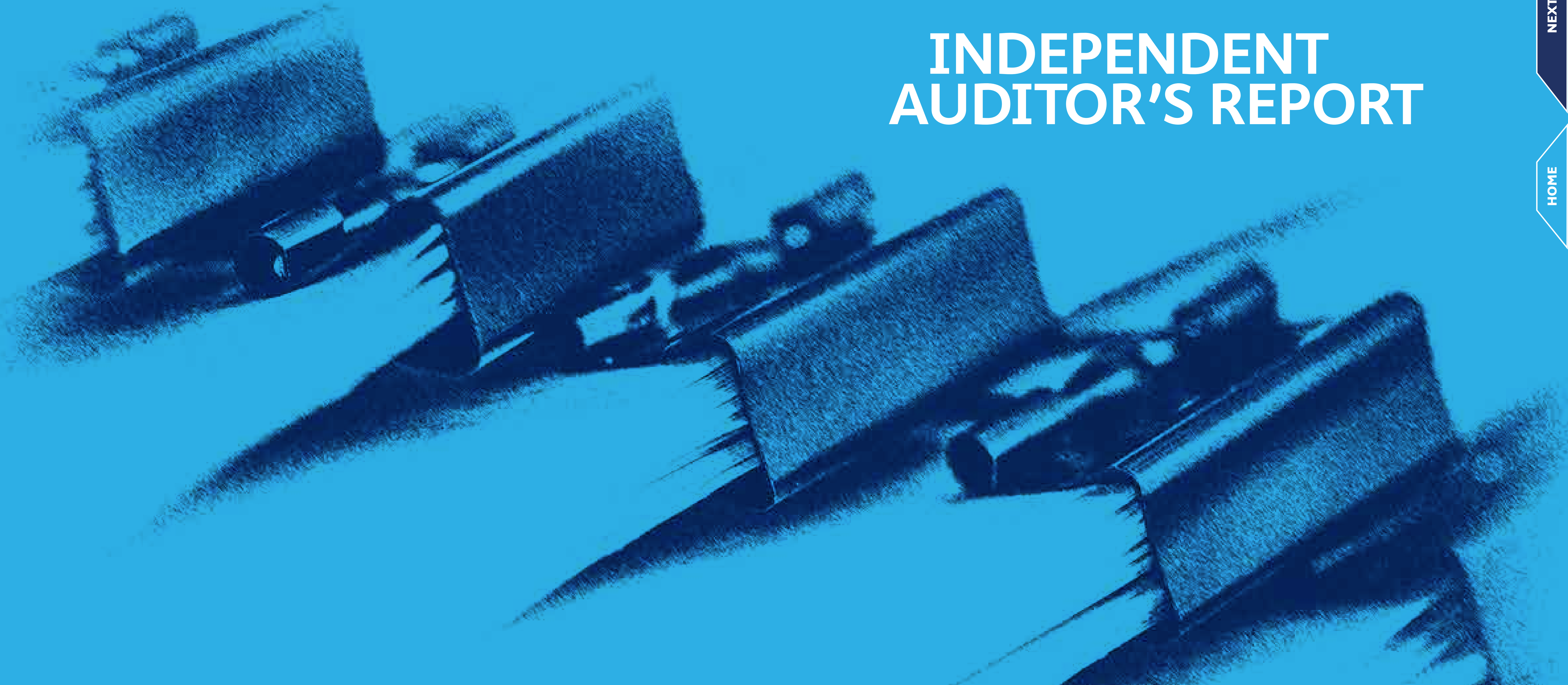
We certify to the best of our knowledge and belief that the Bank has filed with the Registrar of Companies all such returns as are required of the Bank under the Mauritius Companies Act 2001 in terms of Section 166 (d).

Preshnee Ramchurn
Company Secretary

Mrs Bharti Bolah-Chowtee
Company Secretary

31 March 2021

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF SBM BANK (MAURITIUS) LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **SBM Bank (Mauritius) Ltd** (the "Bank" and the "Public Interest Entity") set out on pages 194 to 345, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020, and of its financial performance and its 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 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.

Other matter

The financial statements of SBM Bank (Mauritius) Ltd for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 April 2020.

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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF SBM BANK (MAURITIUS) LTD (CONT'D)

Key audit matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are not credit impaired	
IFRS 9 requires the Bank to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgements and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are: • Model estimations – the Bank has used a statistical model to estimate ECLs depending on type of portfolio which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loan 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. • Determining the criteria for significant increase in credit risk ('SICR') and identifying SICR– These criteria are highly judgemental and can impact the ECL materially where facilities have maturity of greater than 12 months. • Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro- economic forecasts. The macroeconomic forecasts are estimates of future economic conditions. • 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 audit procedures included amongst others: • Testing of the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions used in the models; • Evaluating controls over model monitoring and validation; • Use of specialist team in performing certain procedures; • Verifying the historical data used in determination of PD in the models; • 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; • Assessing the reasonableness of the qualitative adjustments (overlays) applied by management for events not captured by the ECL models; • Independently assess probability of default, loss given default and exposure at default assumptions; • Testing the accuracy and completeness of ECL by reperformance; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9. We found the assumptions used in determining the expected credit losses in the financial statements and related disclosures to be appropriate.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF SBM BANK (MAURITIUS) LTD (CONT'D)

Key audit matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses – Credit impaired assets	
Provision for expected credit losses on credit- impaired loans and advances to non-bank customers and memorandum items at 31 December 2020 amount to MUR 9,909 million and the charge to profit or loss for the year amount to MUR 4,462 million. The use of assumptions for the measurement of provision for expected credit losses is subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment. The details of allowance for credit impairment on loans and advances to non-bank customers and memorandum items are disclosed in Notes 9(c), 22 and 32 to the financial statements. The most significant judgements are: - whether impairment events have occurred - valuation of collateral and future cash flows - management judgements and assumptions used Due to the significance of the judgements applied in the identification of credit-impaired facilities and determination of the provision for expected credit losses, this item is considered as a key audit matter.	Our audit procedures included amongst others: • Obtaining audit evidence in respect of key controls over the processes for identification of impaired assets and impairment assessment; • Inspecting the minutes of Impaired Advances Review Forum, Board Credit Committee, Board Risk Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; • Challenging the methodologies applied by using our industry knowledge and experience; • Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; and • Performing 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; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9. We found the assumptions used in determining the allowance for credit impairment and disclosures in the financial statements to be appropriate.

Other information

The directors are responsible for the other information. The other information, obtained at the date of this auditor's report, comprises the Statement of Directors' responsibility, Statement of management's responsibility for financial reporting, Report from the Company Secretary, Management Discussion and Analysis, Supplementary information as required by Bank of Mauritius, Risk Management Report and the Corporate Governance Report, but, does not include the financial statements and our auditor's report thereon.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF SBM BANK (MAURITIUS) LTD (CONT'D)

Other information (cont'd)

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 on the other information obtained prior to the date of this auditor's report, 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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF SBM BANK (MAURITIUS) LTD (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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF SBM BANK (MAURITIUS) LTD (CONT'D)

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 capacities as auditor and tax advisor;
- 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

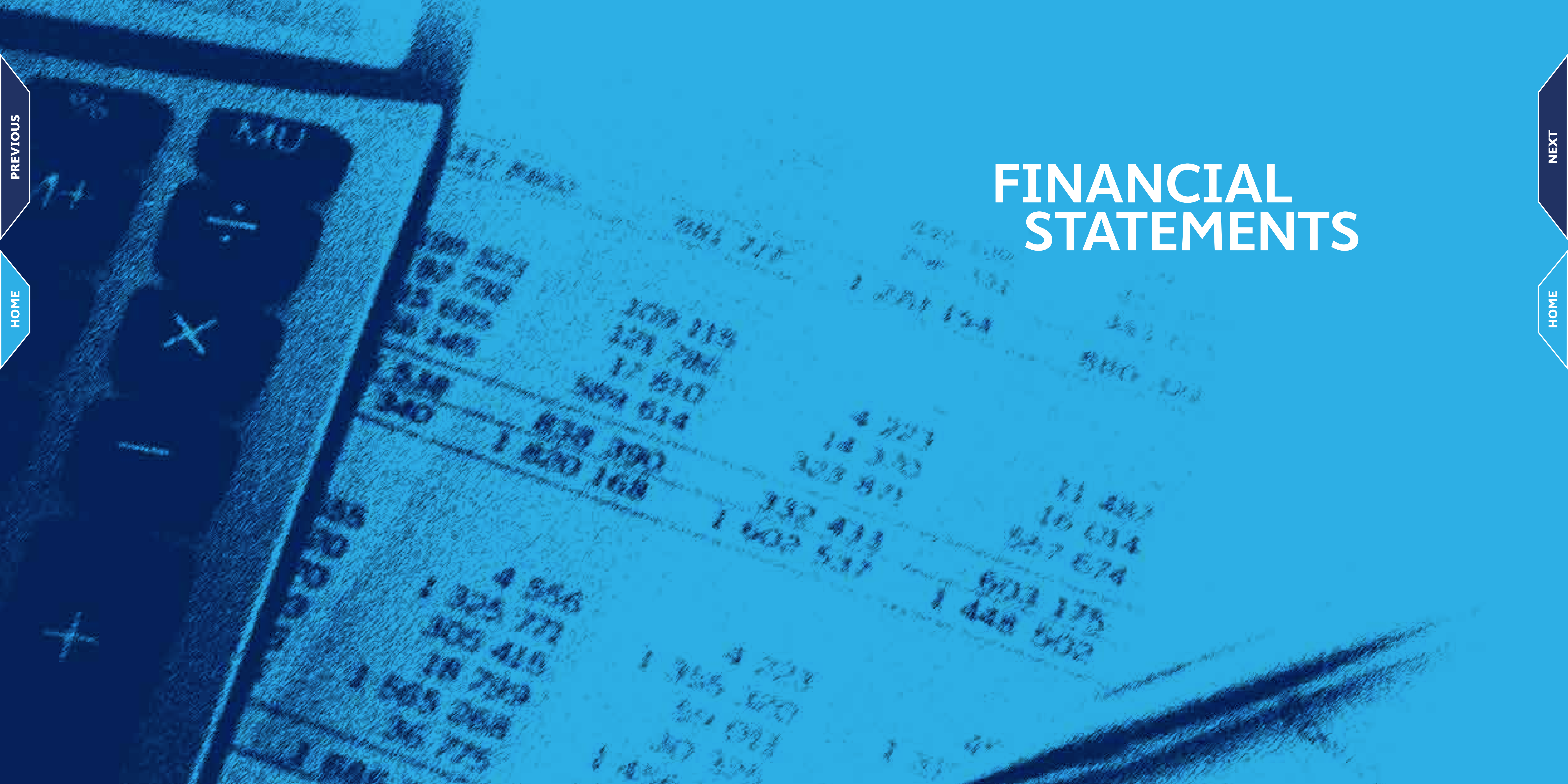
- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius; and
- the explanations or 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 shareholder, 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 shareholder those matters we are required to state to the shareholder 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
Chartered Accountants
31 March 2021

Jacques de C du Mée, ACA
Licensed by FRC



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	31 December 2020	Restated 31 December 2019	Restated 31 December 2018
		MUR' 000	MUR' 000	MUR' 000
ASSETS				
Cash and cash equivalents	6	16,749,335	15,386,899	11,211,712
Mandatory balances with central banks		9,749,384	9,326,006	8,767,767
Loans to and placements with banks	7	3,130,387	5,174,088	9,256,411
Derivative financial instruments	8	774,785	889,301	897,514
Loans and advances to non-bank customers	9	99,350,937	99,302,829	94,296,051
Investment securities	10	93,338,046	73,460,130	50,937,720
Property and equipment	11a	2,582,331	2,599,568	2,458,814
Right-of-use assets	11b	255,603	247,168	-
Intangible assets	12	2,145,280	2,526,156	2,962,920
Deferred tax assets	18d	497,123	219,302	-
Other assets	13	706,889	791,859	847,236
Total assets		229,280,100	209,923,306	181,636,145
LIABILITIES				
Deposits from banks	15	1,119,661	929,357	796,117
Deposits from non-bank customers	16	190,004,270	173,258,702	147,530,840
Other borrowed funds	17	11,085,951	10,140,215	9,216,441
Derivative financial instruments	8	1,165,271	1,000,972	960,873
Lease liabilities	11b	233,590	240,180	-
Current tax liabilities	18a	246,774	487,139	480,633
Pension liability	14	724,082	334,005	173,055
Other liabilities	19	4,904,070	5,467,501	4,823,171
Deferred tax liabilities	18d	-	-	163,996
Total liabilities		209,483,669	191,858,071	164,145,126

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	31 December 2020	Restated 31 December 2019	Restated 31 December 2018
		MUR' 000	MUR' 000	MUR' 000
SHAREHOLDER'S EQUITY				
Stated capital	20	400,000	400,000	310,000
Capital contribution	20	11,854,011	11,854,011	11,044,011
Retained earnings		4,595,878	3,777,262	4,841,342
Other reserves	39	2,946,542	2,033,962	1,295,666
Total equity		19,796,431	18,065,235	17,491,019
Total liabilities and equity		229,280,100	209,923,306	181,636,145

Approved by the Board of Directors and authorised for issue on 31 March 2021.

Jorge Stock Officer-in-Charge	**Imalambaal Kichenin** Chairperson, Audit Committee	**Visvanaden Soondram** Deputy Chairman

The notes on pages 204 to 365 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020	*Restated* 31 December 2019	*Restated* 31 December 2018
		MUR' 000	MUR' 000	MUR' 000
Continuing Operations				
Interest income using the effective interest method		6,935,665	7,834,260	7,257,774
Other interest income		291,549	145,744	282,998
Interest expense using the effective interest method		(1,062,203)	(2,023,529)	(1,643,374)
Other interest expense		(434,831)	(163,906)	(267,674)
Net interest income	26	5,730,180	5,792,569	5,629,724
Fee and commission income		971,350	1,076,461	928,204
Fee and commission expense		(36,700)	(31,716)	(23,015)
Net fee and commission income	27	934,650	1,044,745	905,189
Other income				
Net trading income	28	827,551	1,097,350	1,518,467
Net losses from financial assets at fair value through profit or loss	29a	(29,218)	(92,289)	(51,427)
Net gains on derecognition of financial assets measured at amortised cost		-	-	4,728
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	29b	1,203,006	224,380	-
Other operating income		878	884	-
		2,002,217	1,230,325	1,471,768
Non-interest income		2,936,867	2,275,070	2,376,957
Operating income		8,667,047	8,067,639	8,006,681
Personnel expenses	30	(1,414,756)	(1,719,592)	(1,271,165)
Depreciation of property and equipment	11a	(150,225)	(143,121)	(145,188)
Depreciation of right-of-use assets	11b	(37,439)	(49,941)	-

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020	*Restated* 31 December 2019	*Restated* 31 December 2018
		MUR' 000	MUR' 000	MUR' 000
Amortisation of intangible assets	12	(457,997)	(474,547)	(549,948)
Other expenses	31	(996,556)	(1,072,553)	(768,432)
Non-interest expense		(3,056,973)	(3,459,754)	(2,734,733)
Profit before credit loss expense		5,610,074	4,607,885	5,271,948
Credit loss expense on financial assets and memorandum items	32	(3,863,072)	(3,606,666)	(3,010,356)
Profit before income tax		1,747,002	1,001,219	2,261,592
Tax expense	18b	(293,088)	(501,452)	(680,960)
Profit for the year from continuing operations		1,453,914	499,767	1,580,632
Discontinued Operations				
Loss after tax for the period/year from discontinued operations	38	-	-	(221,374)
Loss on distribution of dividend in specie	38	-	-	(685,838)
		-	-	(907,212)
Profit for the year		1,453,914	499,767	673,420

The notes on pages 204 to 367 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31 December 2020	Restated 31 December 2019	Restated 31 December 2018
		MUR' 000	MUR' 000	MUR' 000
Profit for the year		1,453,914	499,767	673,420
Other comprehensive income :				
Items that will not be reclassified to profit or loss:				
Increase in revaluation of property		754	204,398	-
Deferred tax on revaluation of property	18d	-	(9,950)	-
Change in deferred tax rate on revaluation of property		-	118,392	-
Change in deferred tax rate on defined benefit pension plan		-	(7,923)	-
Remeasurement of defined benefit pension plan	14	(734,415)	(203,865)	(33,496)
Deferred tax on remeasurement of defined benefit pension plan	18d	51,409	14,271	5,694
Revaluation gains on equity instruments measured at FVTOCI		997	-	-
		(681,255)	115,323	(27,802)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		-	-	564,044
Investment securities measured at FVTOCI (Debt instruments)				
Movement in fair value during the year		2,161,068	608,876	(138,912)
Reclassification of (losses)/gains included in profit or loss on derecognition		(1,203,006)	(224,380)	1,491
Loss allowance relating to debt instruments held at FVTOCI		475	(6,370)	26,415
		958,537	378,126	453,038
Total other comprehensive income		277,282	493,449	425,236
Total comprehensive income for the year		1,731,196	993,216	1,098,656

The notes on pages 204 to 367 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Stated capital	Capital contribution	Retained earnings	Statutory reserve	Fair value on financial instruments recognised in OCI	Property revaluation reserve	Foreign currency translation reserve	Total equity
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2018									
- As previously reported		310,000	9,063,106	7,605,450	530,390	16,281	1,180,889	(564,044)	18,142,072
- Prior year adjustments	5	-	-	(95,443)	-	-	-	-	(95,443)
- As restated		310,000	9,063,106	7,510,007	530,390	16,281	1,180,889	(564,044)	18,046,629
Profit for the year		-	-	673,420	-	-	-	-	673,420
Other comprehensive (loss)/income for the year		-	-	(27,802)	-	(111,006)	-	564,044	425,236
Total comprehensive income for the year		-	-	645,618	-	(111,006)	-	564,044	1,098,656
Capital contribution received during the year	20	-	1,980,905	-	-	-	-	-	1,980,905
Revaluation surplus realised on depreciation		-	-	37,690	-	-	(37,690)	-	-
Cash dividend	21	-	-	(1,100,500)	-	-	-	-	(1,100,500)
Distribution in specie leading to derecognition of foreign operations	21			(2,251,473)	(220,390)	-	(62,808)	-	(2,534,671)
At 31 December 2018 (restated)		310,000	11,044,011	4,841,342	310,000	(94,725)	1,080,391	-	17,491,019
At 01 January 2019 (restated)		310,000	11,044,011	4,841,342	310,000	(94,725)	1,080,391	-	17,491,019
Profit for the year		-	-	499,767	-	-	-	-	499,767
Other comprehensive (loss)/income for the year		-	-	(197,517)	-	378,126	312,840	-	493,449
Total comprehensive income for the year		-	-	302,250	-	378,126	312,840	-	993,216
Capital contribution received during the year	20	-	900,000	-	-	-	-	-	900,000
Conversion of capital contribution	20	90,000	(90,000)						-
Revaluation surplus realised on depreciation		-	-	42,670	-	-	(42,670)	-	-
Transfer to statutory reserve	39	-	-	(90,000)	90,000	-	-	-	-
Cash dividend	21	-	-	(1,319,000)	-	-	-	-	(1,319,000)
At 31 December 2019 (restated)		400,000	11,854,011	3,777,262	400,000	283,401	1,350,561	-	18,065,235

The notes on pages 204 to 367 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Stated capital	Capital contribution	Retained earnings	Statutory reserve	Fair value on financial instruments recognised in OCI	Property revaluation reserve	Foreign currency translation reserve	Total equity
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2020 (restated)	400,000	11,854,011	3,777,262	400,000	283,401	1,350,561	-	18,065,235
Profit for the year	-	-	1,453,914	-	-	-	-	1,453,914
Other comprehensive (loss) / income for the year	-	-	(683,006)	-	959,534	754	-	277,282
Total comprehensive income for the year	-	-	770,908	-	959,534	754	-	1,731,196
Revaluation surplus realised on depreciation	-	-	47,708	-	-	(47,708)	-	-
At 31 December 2020	400,000	11,854,011	4,595,878	400,000	1,242,935	1,303,607	-	19,796,431

The notes on pages 204 to 367 form an integral part of these financial statements.

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
			Restated	*Restated*
		MUR' 000	MUR' 000	MUR' 000
Net cash generated from / (used in) operating activities	33	695,238	3,844,995	(4,050,955)
Investing activities				
Acquisition of property and equipment	11a	(132,829)	(91,145)	(139,653)
Acquisition of intangible assets	12	(83,489)	(52,095)	(228,308)
Disposal of property and equipment		1,328	2,589	-
Acquisition of equity investments		-	-	(3,041)
Net cash used in investing activities		(214,990)	(140,651)	(371,002)
Financing activities				
Repayment of principal portion of lease liabilities		(66,226)	(71,993)	-
Increase in other borrowed funds		945,736	923,777	885,677
Capital contribution received during the year	20	-	900,000	1,980,905
Dividend paid on ordinary shares	21	-	(1,319,000)	(1,100,500)
Net cash generated from financing activities		879,510	432,784	1,766,082
Net change in cash and cash equivalents		1,359,758	4,137,128	(2,655,875)
Expected credit loss on cash and cash equivalents		2,678	38,059	45,910
Net foreign exchange difference		-	-	(71,792)
Cash transfer upon distribution in specie of the Indian Operations		-	-	(1,727,309)
Cash and cash equivalents at start of year	6	15,386,899	11,211,712	15,620,778
Cash and cash equivalents at end of year	6	16,749,335	15,386,899	11,211,712

The notes on pages 204 to 367 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1A GENERAL INFORMATION

SBM Bank (Mauritius) Ltd (formerly known as State Bank of Mauritius Ltd) ("the Bank") is a public company incorporated and domiciled in Mauritius. The address of its registered office is SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius. The Bank operates in the financial services sector, principally commercial banking.

1B IMPACT OF COVID-19 OUTBREAK

Mauritius witnessed its first outbreak of COVID-19 in March 2020, affecting its economic, trading and travel conditions. The Government imposed strict controls and restrictions such as travel bans, quarantines and other emergency public safety measures in an attempt to contain the contagion. Mauritius mirrored the same global disruptions faced by several countries who were experiencing several waves of the COVID-19 outbreak during the year.

The country has been subject to a second national lockdown in March 2021, after new local cases have been detected. The continued spread of the coronavirus presents immense challenges in credit and financial market locally and internationally. All industries and sectors of the economy worldwide is being impacted by the COVID-19 outbreak. Some industries like tourism, including SMEs linked to the hospitality sector, airlines, construction and real estate are heavily impacted as these sectors will not only depend on the success of the local outbreak containment but on the global situation and recovery.

Government support measures

In view of the challenges that the country is facing on its economic and trading activities, Mauritius being heavily dependent on the tourism sector including SMEs linked to the hospitality sector and the export industry; the Government of Mauritius has taken a series of accompanying measures including reviewing of monetary policies by the Bank of Mauritius to enhance the economic resilience of the country.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

Government support measures (cont'd)

The main initiatives promulgated by the Bank of Mauritius included:

- Reduction of the Key Repo Rate (KRR) in March 2020 by 50 basis points to 2.85 percent per annum and further reduction to 1.85 percent in April 2020 – aim is to bolster domestic economic activity; currently the repo rate is stable at 1.85 percent.
- Reduction in Cash Reserve Ratio from 9 percent to 8 percent - the excess funds transferred to a special account held with BOM, aim of which is to grant loans to businesses impacted by COVID-19.
- Revised Guideline on Credit Impairment Measurement and Income Recognition effective from 1 January 2020 has been put on hold.
- Special Relief Assistance of MUR 5 Billion with interest rate capped at 1.5 percent with a capital and interest moratorium for 9 months and loan repayment of 39 months given through commercial banks.
- 6 Months capital moratorium for existing loans for economic operators impacted – moratorium period extended to 30 June 2021.
- Household Support – as part of its financial assistance programme, BOM has reiterated its commitment to again bear the interest payable on the outstanding household loans with commercial banks, for the period 1 January 2021 to 31 March 2021.
- Special Foreign Currency (USD) Line of Credit – USD 300 million. Target is operators having foreign currency earnings.
- Swap Arrangement (USD/MUR) – USD 100 million to support import-orientated businesses.

All these measures have been extended up to 30 June 2021 as the Bank of Mauritius commits towards maintaining financial stability, consistent with its statutory responsibilities.

Furthermore, the Bank of Mauritius has introduced transitional arrangements for regulatory capital treatment of IFRS 9 provisions for expected credit losses. Under these transitional arrangements, a financial institution shall add back a proportion of Stage 1 and Stage 2 provisions under IFRS 9 to its Tier 1 Capital if it opts to do so.

The implementation of the finalization of Basel III has also been deferred by one year, aiming to provide more operational capacity for banks and regulators to respond to the impact of COVID-19 on the banking systems worldwide, and to boost the capacity of banks to manoeuver through the worst part of the economic stress while supporting their clients.

Following the budget brief 2020-2021, the Bank of Mauritius has set up a subsidiary company, the Mauritius Investment Corporation (MIC) in June 2020 to enhance the economic stability in light of COVID-19. The purpose of the MIC is to financially assist COVID-distressed entities and industries (namely the tourism sector) through loans which these entities will use to repay their financial and debt obligations. As at date, the MIC has committed to disburse approximately MUR 17 billion to identified impacted sectors with initial disbursement of a first tranche of MUR 2 billion in March 2021, the majority of which pertains to the tourism/hospitality and food service sectors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

Measures by the Bank

In respect of oversight of the impact of COVID-19 on the internal control environment and financial results of the Bank, the directors and management have considered the below aspects:

- Reviewed global and local regulatory and industry guidance on the accounting treatment of the financial impact of COVID-19.
- Reviewed and adopted the regulatory guidance notes and directives issued by Bank of Mauritius, in response to the impact on the Mauritian banking industry.
- Considered the impact on the accounting treatment of COVID-19 relief measures offered to the Bank's customers, notably in relation to the moratorium extension support scheme.
- Reviewed the measures taken to ensure the internal financial control environment remained resilient despite the impact of COVID-19 on the operating environment.
- Reviewed the results of assessments conducted in relation to the impact of COVID-19, with particular focus on credit portfolio reviews.
- Reviewed the potential impact of COVID-19 on the Bank's accounting for expected credit losses (ECL) in accordance with IFRS 9.
- Reviewed the approach adopted to determine the forward-looking impact from an IFRS 9 Financial Instruments perspective on the Bank's credit provisions.

Key impact on financial performance of the Bank:

COVID-19 outbreak is expected to significantly disrupt the operating environment of financial institutions. Following are some of the key accounting and financial reporting considerations:

Loans and advances to banks and customers:

Credit risk

The COVID-19 pandemic has hit the world in unprecedented ways, heightening risk with prolonged uncertainty. Macroeconomic conditions around the globe have deteriorated with a global growth contraction estimated at 3.5 percent for FY 2020 as per the World Economic Outlook. Mauritius faced a downgrade of long-term issuer rating by Moody's from Baa1 to Baa2 on 04 March 2021 with negative outlook on account of the erosion of Mauritius' fiscal and economic strength as a result of the economic shock brought on by the coronavirus pandemic.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

Loans and advances to banks and customers (cont'd)

Credit Risk (cont'd)

With a prolonged shock on the economy mainly on the tourism sector, the credit quality of the Bank's client base has deteriorated owing to the impact on their financial position. Although various measures have been taken to support different segments of the economy and a vaccination program is ongoing, the recovery pattern of the economy is still uncertain. As per Moody's report, per capita income will only return to 2019 levels at end of 2022 assuming international tourist flows to resume in second half of 2021.

Given the uncertainty of the pandemic, the Bank simulated three stress scenarios based on the future economic recovery in both the local and domestic market. In order to assess the extent of probable deterioration in the quality of Bank's book, an impairment assessment has been conducted considering a scenario of no further government support after June 2021 and no improvement in the macroeconomic conditions before 2023.

In its baseline scenario, the Bank has considered that recovery would start in 2021 and GDP is expected to reach its pre-COVID level as from 2023 onwards. The Bank has thus impacted its book assuming lower growth in advances, reduction in interest rate on both advances and deposits in 2021. No major impairment has been considered under this scenario. This scenario, resulted in a slight increase in the expected credit loss amount.

In its mild case scenario, the Bank has factored a U-shaped recovery with recession prolonged in 2021, recovery starting from 2022 and GDP reaching pre-COVID level from 2021. The Bank has thus, impacted its book assuming lower growth in advances, reduction in interest rate on both advances and deposits in 2021, worsening credit ratings of corporate and SME clients by 2 notches, considering all tourism and rescheduled exposures as Stage 2 and taking a Loss Given Default premium. The Bank ended with an increase in ECL within the Bank's appetite for the coming year ending 31 December 2021 after taking into consideration the retail clients that are probable to be classified as stage 3 for which specific provision would be anticipated.

In its worst-case scenario, the Bank has considered a nike-shaped recovery with underlying assumption that recession will aggravate in 2021 and recovery will start afterwards with GDP gradually reaching its pre-COVID level as from 2025 onwards. The Bank thus considered a minimal growth in advances, further reduction on interest rates on both advances and deposits, a fall in exchange income and impairment of different client segments considering no further support after June 2021 including no MIC support. Under this scenario, the Bank anticipated higher specific provisioning for clients likely to move to stage 3. The Bank however is of the opinion that the worst case scenario is unlikely given all the measures undertaken.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

Key impact on financial performance of the Bank: (cont'd)

Loans and advances to banks and customers (cont'd)

Impact on Expected Credit Losses (ECL)

The Bank has considered the impact of COVID-19 in its financial statements within different segments (corporates and SMEs, retail, bank and sovereigns) by revisiting its ECL framework to cater for higher level of uncertainty in markets both locally and internationally while remaining in line with the statements released by local and international bodies with regards to IFRS 9 in a COVID-19 environment (principally the Bank of Mauritius and IASB respectively).

The Bank has considered the impact on the key inputs including the Probability of Default (PD), the Loss Given Default (LGD), forward-looking Macroeconomic Variables (MEVs), staging and bucketing parameters, relief programmes, scenario-weights allocations and other qualitative indicators to assess the significant increase in credit risk (SICR) of its loan book. The Bank is closely monitoring forbearance measures by assessing potential loss in principal or interest which may result into a classification into stage 3.

The Bank has adopted a probabilistic approach in determining its MEVs due to the uncertainties prevailing across markets. A scenario weight approach (baseline, upside and downside) has been applied to reflect the likelihood of such event occurring based on assessments of economic and market conditions relating to COVID-19. The scenarios assumed were very bearish to properly reflect the current and projected local and global economic environment.

The Bank enhanced its SICR assessment framework using more objective and subjective factors to adapt to this unprecedent condition. In-depth analysis was performed on exposures in COVID impacted sectors at various levels including Business team, Credit Underwriting team and Management Credit Forum/Board Credit Committee. As a result of this exercise some exposures depicted the attributes of SICR and were moved to stage 2.

A post modelling adjustment was also applied by the Bank on its PD, LGD and other qualitative considerations to restructured exposures due to COVID-19 as well as to cater for the downgrade in the sovereign rating of Mauritius by Moody's on the 04 March 2021. Following this downgrade in the rating of Mauritius, financial institutions in Mauritius were downgraded to reflect the inherent increase in credit risk in the country. Stage 3 exposures have been assessed considering COVID-19 impact and adequate provisioning has been made by the Bank as at 31 December 2020.

The Bank continues to consider the potential impact of COVID-19 through discussions with relevant regulatory bodies domestically and with the concerned counterparties given the on-going developments and the high degree of uncertainty prevailing with the country facing its second wave of the pandemic.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

Key impact on financial performance of the Bank: (cont'd)

Cash and Cash equivalents, Mandatory balances with central banks and Loans to and placements with Banks

The Bank did not observe significant impact on the carrying value of the above items as they carry low credit risks and are less susceptible to changes in value in the event of an economic downturn. The related ECL incorporated similar measures as discussed under the heading "impact on ECL".

Investment Securities

With respect to the investment securities carried at fair value, the main impact of COVID-19 was the changes in market rates including interest rates and foreign currency exchange rates as well as the changes in the credit quality of the instruments. The Bank focused on its treasury management operations during this pandemic situation.

Property, Equipment, Right-of-Use Assets and Intangible Assets

These assets are carried at cost less accumulated depreciation and impairment. Though not directly impacted by COVID-19, the Bank carried its annual assessment of impairment of the above-mentioned assets. The Bank remains focused to execute its revamped strategy around technology, innovation and customer service in the coming years.

Deposits from bank and non-bank customers and other borrowed funds

These liabilities are accounted for at amortised cost and therefore their carrying values are not materially affected by COVID-19, except for the impact on the exchange rate of the rupee vis-à-vis major currencies which results in an increase in the carrying value of foreign currency denominated deposits. The Bank has experienced renewal of its deposit base and its strategy in the short to medium term remains to raise cheaper sources of funding by increasing its deposits book.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

Key impact on financial performance of the Bank: (cont'd)

Pension liabilities

The current significant economic uncertainty affects the measurement of retirement benefit obligation and plan assets, particularly when quoted prices in active markets for identical assets do not exist. The methodology used is to derive a yield curve based on government bonds from secondary market. The reference point for setting the discount rate is the yields on bonds from the secondary market with terms ranging from 0.25 to 20 years. The discount rate commensurate with the duration of liabilities is then determined. The discount rate decreased from 5.3 percent in 2019 to 2.9 percent in 2020 resulting in a significant increase in the retirement benefit liability.

Taxes

The pandemic could affect future profits as a result of direct and indirect (effect on customers, suppliers, service providers) factors. Deferred tax assets are recognised for deductible temporary differences existing at reporting date. Based on the budget for the next 12 months, despite the outbreak's adverse forecasted impact on the Bank's operations, it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised.

Liquidity risk

The Bank's internal and regulatory liquidity ratios demonstrate a healthy liquidity position as at 31 December 2020. The Bank's Liquidity Coverage Ratio (LCR) at year end stood at 154 percent which is above the current regulatory minimum LCR requirement of 100 percent, demonstrating a robust liquidity position. The LCR is a stressed liquidity measure as at applied stressed outflow rates on depositors' balances and haircuts on cash inflows. Stressed tests based on several scenarios are performed on a regular basis to monitor the LCR, which remains above the regulatory limit.

Interest rate risk

As an emergency COVID-19 response, both the Bank of Mauritius and United States Federal Reserve revised their respective policy rates downwards. The Bank's balance sheet being predominantly USD and MUR based was adversely impacted in term of the Net Interest Income by the decline in the Bank's Net Interest Margin for the year under review.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1B IMPACT OF COVID-19 OUTBREAK (CONT'D)

Key impact on financial performance of the Bank: (cont'd)

Capital adequacy ratio (CAR)

The Bank achieved a CAR of 15.94 percent as at 31 December 2020 which is above the minimum requirement of 13.875 percent.

In apprehension of the challenges posed by the COVID-19 pandemic, as per the correspondence from BOM on 11 Jan 2021, titled "Regulatory Forbearance", BOM has deferred the implementation of the last tranche of the capital conservation buffer ("CCB") amounting to 0.625 percent to 01 April 2022. Thus, for financial year 2020, banks are required to maintain a CCB of 1.875 percent. This measure has helped release more capital whilst also allowing greater flexibility in terms of funding capacity and support which can be provided to customers.

The Bank has prepared a capital plan in a crisis situation of COVID-19 by running a few scenarios to demonstrate how the regulatory ratios fluctuate based on different ECL simulations. The Bank remains within the regulatory requirements in the Baseline and Moderate Scenario. In the extreme scenario whereby no MIC or further support post June 2021 coupled with late recovery is considered (outlined under Credit risk section), the Bank would require Capital injection to meet the regulatory CAR. Although the Bank has simulated a worst case scenario, the Bank does not foresee such scenario to materialise given the measures being undertaken to sustain companies with cash flow difficulties including MIC support, moratorium on repayments amongst others.

The Bank continues to monitor the impact of COVID-19 by performing several stressed testing scenarios to demonstrate how the regulatory ratios fluctuate based on different ECL simulations.

The COVID-19 pandemic has hit the world in unprecedented ways, heightening risk with prolonged uncertainty. Macroeconomic conditions around the globe have deteriorated with a global growth contraction estimated at 3.5 percent for FY 2020 as per the World Economic Outlook. Mauritius faced a downgrade of long-term issuer rating by Moody's from Baa1 to Baa2 on 04 March 2021 with negative outlook on account of the erosion of Mauritius' fiscal and economic strength as a result of the economic shock brought on by the coronavirus pandemic.

With a prolonged shock on the economy mainly on the tourism sector, the credit quality of the Bank's client base has deteriorated owing to the impact on their financial position. Although various measures have been taken to support different segments of the economy and a vaccination program is ongoing, the recovery pattern of the economy is still uncertain. As per Moody's report, per capita income will only return to 2019 levels at end of 2022 assuming international tourist flows to resume in second half of 2021.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATION (IFRS)

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

(a) New and revised IFRSs and IFRICs

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 the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

IAS 1 Presentation of Financial Statements - Amendments regarding the definition of material

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material

Amendments to References to the Conceptual Framework in IFRS Standards

Amendment to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (IBOR)

The amendments, which are applicable for financial reporting periods beginning on or after 01 January 2020, focus on hedge accounting issues related to uncertainties arising in the period leading up to the replacement of IBORs with alternative nearly risk-free rates, and provide reliefs to allow hedge accounting to continue during the period of uncertainty before an IBOR is replaced. The amendments are mandatory for all hedge relationships directly affected by interest rate benchmark reform, and are required to be applied on a retrospective basis.

The Bank applies the IBOR reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (RFR). A hedging relationship is affected if IBOR reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of the IBOR reform.

IBOR reform phase 1 requires that for hedging relationships affected by IBOR reform, the Bank must assume that for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. Also, the Bank is not required to discontinue the hedging relationship if the results of the assessment of retrospective hedge effectiveness fall outside the range of 80% to 125%, although any hedge ineffectiveness must be recognised in profit or loss, as normal.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATION (IFRS) (CONT'D)

Amendment to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (IBOR) (cont'd)

(a) New And revised IFRSs and IFRICs (cont'd)

The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued.

The adoption of the amendments had no impact on the financial performance and financial position of the Bank.

(b) New and revised IFRSs and IFRICs in issue but not yet effective

IAS 1 Presentation of Financial Statements - Amendments regarding classification of liabilities (effective 01 January 2023)

IAS 1 Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies (effective 01 January 2023)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates (effective 01 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 01 January 2022)

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective 01 January 2022)

IAS 39 Financial Instruments: Recognition and Measurement Amendments regarding replacement issues in the context of the IBOR reform (effective 01 January 2021)

IFRS 7 Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform (effective 01 January 2021)

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 01 January 2022)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATION (IFRS) (CONT'D)

(b) New and revised IFRSs and IFRICs in issue but not yet effective (cont'd)

IFRS 9 Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform (effective 01 January 2021)

IFRS 16 Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification (effective 01 June 2020)

IFRS 16 Leases - Amendments regarding replacement issues in the context of the IBOR reform (effective 01 January 2021)

The directors anticipate that these amendments will be adopted in the financial statements for the annual periods beginning on the respective dates as indicated above. The directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are summarised below with respect to judgements/estimates involved.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Estimates

3.1 Expected credit losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining credit losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a long term ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL are assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

3.2 Fair values of financial assets and liabilities

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where observable data is not available, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.3 Other estimates

The estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

(i) Assessment of useful lives - *Note 12*

(ii) Pension benefits - *Note 14*

(iii) Fair value of other financial assets and liabilities - *Note 37 (a)*

(iv) Internal borrowing rate used to determine the value of right-of-use assets - *Note 11(b)*.

Judgements

3.4 Going concern

Directors have made an assessment of the Bank's ability to continue as a going concern and are satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, directors are not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Hence, the financial statements continue to be prepared on the going concern basis.

3.5 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. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain property and equipment and financial instruments that are measured at revalued amounts or fair value as explained in the accounting policies. The financial statements are presented in Mauritian Rupee, which is the Bank's functional and presentation currency. All values are rounded to the nearest thousand (MUR'000), except where otherwise indicated.

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 valuation technique. In estimating the fair value of an asset or liability the Bank takes into account the characteristics of the asset or liability if market participants would take into account those characteristics 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 share-based payment transactions that are within the scope of IFRS 2, 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 net realisable value in IAS 2 or value in use in IAS 36.

(b) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and in compliance with the Mauritius Companies Act 2001, the Banking Act 2004, the Guidelines and Guidance Notes issued by the Bank of Mauritius and the Financial Reporting Act 2004.

(c) Presentation of financial statements

The financial statements are presented in Mauritian Rupees ('MUR') and all values are rounded to the nearest thousand except when otherwise indicated. 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 under each respective note.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments - initial recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, that is, the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 8, 9 and 10. Financial instruments are initially measured at their fair value (as defined in Note 8, 9 and 10), except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortised cost, as explained in Note 9 and 10;
- FVTOCI, as explained in Note 10; and
- FVTPL, as explained in Note 8 and 10.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments - initial recognition (cont'd)

Measurement categories of financial assets and liabilities (cont'd)

The Bank classifies and measures its derivative and trading portfolio at FVTPL as explained in Notes 8 and 10. The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 10.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Note 8.

Financial liabilities include deposits from banks, deposits from non-bank customers, due to banks and other liabilities and are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments - initial recognition (cont'd)

Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the financial assets.

The solely payments of principal and interest (SPPI) test

As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(e) Foreign currency translation

Assets, liabilities, income and expense items denominated in other currencies are translated into Mauritian Rupees, the currency of the primary economic environment in which the entity operates ('functional currency') in accordance with IAS 21.

(i) Transactions denominated in foreign currency are converted at the rate prevailing at the date of the transactions.

(ii) Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into Mauritian Rupees at the rates of exchange ruling at that date.

(iii) Non-monetary assets and liabilities denominated in foreign currency are reported using the exchange rates at the date of the transactions, if carried at cost, or the exchange rates that existed when the fair values were determined, if carried at fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Foreign currency translation (cont'd)

(iv) Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the statement of profit or loss and statement of comprehensive income for the period. When a gain or loss on a non-monetary item is recognised in equity, any exchange component of that gain or loss shall be recognised in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the statement of profit or loss and statement of comprehensive income, any exchange component of that gain or loss shall be recognised in the statement of profit or loss and statement of comprehensive income.

(v) Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate. Exchange differences arising are recognised in statement of comprehensive income.

(vi) The assets and liabilities of the overseas branches denominated in foreign currencies are translated into Mauritian Rupees at the rates of exchange ruling at the reporting date, as follows:

	30 November 2018
USD/MUR	34.275
INR/MUR	0.492

The average rates for the following years are:

	30 November 2018
USD/MUR	33.954
INR/MUR	0.498

The statement of profit or loss is translated into Mauritian Rupees at weighted average rates. Any differences arising on retranslation of the foreign operation are recognised in statement of comprehensive income and accumulated in equity. On disposal/derecognition of a foreign entity, such translation differences are recognised in the statement of profit or loss in the period in which the foreign entity is disposed of/derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Foreign currency translation (cont'd)

(iv) The assets and liabilities of the Bank denominated in foreign currencies are translated into Mauritian Rupees at the rates of exchange ruling at the reporting date, as follows:.

	31 December 2020	31 December 2019	31 Decdmber 2018
USD/MUR	39.541	36.607	34.2664
GBP/MUR	54.064	48.344	43.683
EUR/MUR	48.552	41.125	39.228

The average rates for the following years are:

	31 December 2020	31 December 2019	31 December 2018
USD/MUR	39.395	35.503	33.977
GBP/MUR	50.575	45.307	45.309
EUR/MUR	45.023	39.738	40.079

(f) Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

(g) Comparative figures

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

(h) 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 offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The accounting policies of each relevant line item are included in the respective notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5 PRIOR YEARS ADJUSTMENTS (PYA)

The Bank has restated its financial statements in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, to correct certain errors identified during the year ended 31 December 2020. These are summarised below together with the impact on the financial statements.

Impact as at 01 January 2018

	As previously reported	Adjustments	As restated
Shareholder's equity	MUR' 000	MUR' 000	MUR' 000
Retained earnings	7,605,450	(95,443)	7,510,007

Impact as at 31 December

	31 December 2019			31 December 2018		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Assets:	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans to and placements with banks	7,471,474	(2,297,386)	5,174,088	11,764,358	(2,507,947)	9,256,411
Derivative financial instruments	783,603	105,698	889,301	762,855	134,659	897,514
Property and equipment	2,846,736	(247,168)	2,599,568	2,458,814	-	2,458,814
Rights-of-use assets	-	247,168	247,168	-	-	-
Other assets	714,259	77,600	791,859	823,653	23,583	847,236
Liabilities:						
Other borrowed funds	12,438,151	(2,297,936)	10,140,215	11,773,938	(2,557,497)	9,216,441
Derivative financial instruments	794,275	206,697	1,000,972	758,642	202,231	960,873
Lease liability	-	240,180	240,180	-	-	-
Current tax liabilities	311,351	175,788	487,139	474,487	6,146	480,633
Pension liability	-	334,005	334,005	-	173,055	173,055
Other liabilities	6,236,562	(769,061)	5,467,501	5,020,635	(197,464)	4,823,171
Shareholder's equity						
Retained earnings	3,804,163	(26,901)	3,777,262	4,817,518	23,824	4,841,342
Other reserves (Fair value reserve recognised in OCI)	2,010,822	23,140	2,033,962	1,295,666	-	1,295,666

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5 PRIOR YEARS ADJUSTMENTS (PYA) (CONT'D)

Impact as at 31 December (cont'd)	31 December 2019			31 December 2018		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Statement of Profit or Loss						
Continuing Operations						
Interest income	7,688,851	(7,688,851)	-	7,156,372	(7,156,372)	-
Interest income using the effective interest rate method	-	7,834,260	7,834,260	-	7,257,774	7,257,774
Other interest income	-	145,744	145,744	-	282,998	282,998
Interest expense	(2,023,529)	2,023,529	-	(1,665,006)	1,665,006	-
Interest expense using using the effective interest rate method	-	(2,023,529)	(2,023,529)	-	(1,643,374)	(1,643,374)
Other interest expense	-	(163,906)	(163,906)	-	(267,674)	(267,674)
Net interest income	5,665,322	127,247	5,792,569	5,491,366	138,358	5,629,724
Net fee and commission income						
Fees and commission income	1,206,321	(129,860)	1,076,461	1,061,666	(133,462)	928,204
Other income						
Profit arising from dealing in foreign currencies	534,430	(534,430)	-	679,738	(679,738)	-
Net gain from financial instruments	118,175	(118,175)	-	500,133	(500,133)	-
Net gain on sale of securities	626,674	(626,674)	-	173,554	(173,554)	-
Net trading income	-	1,097,350	1,097,350	-	1,518,467	1,518,467
Net losses from financial assets at FVTPL	-	(92,289)	(92,289)	-	(51,427)	(51,427)
Net gains on derecognition of financial assets measured at amortised cost	-	-	-	-	4,728	4,728
Net gains on derecognition of financial assets measured at FVTOCI	-	224,380	224,380	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5 PRIOR YEARS ADJUSTMENTS (PYA) (CONT'D)

Impact as at 31 December (cont'd)	31 December 2019			31 December 2018		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Non-interest expense	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Depreciation of property and equipment	(193,062)	49,941	(143,121)	(145,188)	-	(145,188)
Depreciation of right-of-use assets	-	(49,941)	(49,941)	-	-	-
Bank levy	(171,368)	171,368	-	-	-	-
Profit before income tax	882,302	118,917	1,001,219	2,138,353	123,239	2,261,592
Tax expense	(331,810)	(169,642)	(501,452)	(676,988)	(3,972)	(680,960)
Profit for the year	550,492	(50,725)	499,767	554,153	119,267	673,420
Total other comprehensive income	470,309	23,140	493,449	425,236	-	425,236
Total comprehensive income for the year	1,020,801	(27,585)	993,216	979,389	119,267	1,098,656

a. Accounting for interest on derivatives and presentation of cross currency swaps

(i) In prior years, the Bank was accounting for cross currency swaps (CCS) on the statement of financial position on the basis that there was an exchange of principal at inception of those contracts. However, the Bank has reassessed the nature of those derivatives and considers that they should be classified as off balance sheet items.

- The notional amount of the cross currency swaps of MUR 2,292 million for 2019 and MUR 2,504 million for 2018 was adjusted from loans to and placements with Banks to off balance sheet assets and MUR 2,293 million for 2019 and MUR 2,534 million for 2018 was adjusted from other borrowed funds to off balance sheet liabilities.
- The corresponding interest receivable on the CCS of MUR 5.38 million for 2019 and MUR 3.64 million was reclassified to derivative financial asset and interest payable on the CCS of MUR 5.27 million for 2019 and MUR 23.22 million was reclassified to derivative financial liabilities.
- The retranslation of the CCS as asset and liability were reversed in the statement of profit or loss net of tax impact amounting to MUR 27.58 million for 2019 and MUR (119.27) million for 2018. An amount of MUR 95.44 million was adjusted against opening reserves at 01 January 2018 for 2017 impact.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5 PRIOR YEARS ADJUSTMENTS (PYA) (CONT'D)

a. Accounting for interest on derivatives and presentation of cross currency swaps (cont'd)

(ii) Interest receivable/payable on derivatives were previously shown under other assets and other liabilities respectively, now they are shown under derivative assets and derivative liabilities. The Financial Statements have been restated accordingly.

- Interest receivable on derivatives of MUR 66.47 million for 2019 and MUR 76.05 million has been reclassified from other assets to derivative financial assets.
- Interest payable on derivatives of MUR 23.51 million for 2019 and MUR 24.41 million has been reclassified from other liabilities to derivative financial liabilities.
- Interest payable on derivatives of MUR 144.07 million for 2019 and MUR 99.64 million has been reclassified from other assets to derivative financial liabilities.

(iii) The netting off interest receivable, payable and mark-to-market (MTM) on some of its derivatives was not being accounted properly. The Bank has reassessed the impact and a net of MUR (8.92) million in 2019 and MUR 15 million in 2018 was reclassified from derivative financial assets to derivative financial liabilities.

(iv) The Bank omitted to record MTM on its back to back collar option deals. The Bank restated an MTM of MUR 42.77 million in 2019 and MUR 39.97 million in 2018 in derivative financial assets and liabilities respectively.

b. Change in the classification of investment in mutual fund

The Bank was classifying an investment in a mutual fund under the Fair Value Through Other Comprehensive Income (FVTOCI) category. The Bank has reassessed the classification and measurement of this investment and has determined that this investment does not meet the definition of an equity instrument as it does not meet the SPPI test. Hence, the investment in mutual fund of MUR 159.90 million for 2019 and MUR 171.33 million for 2018 is now classified under the Fair Value Through Profit or Loss (FVTPL) category and the fair value movement of MUR 23.14 million for 2019 has been reclassified from reserves to the Statement of Profit or Loss. The financial statements have been restated accordingly.

c. Bank levy as per the VAT Act enacted under the Finance Act 2018

Bank levy is a special levy as per the VAT Act enacted under the Finance Act 2018. The Bank was presenting this levy under its "other expenses" following assessment made under IAS 12 Income Taxes and IFRIC 21 Levies. In January 2021, the Regulator advised all banks to treat this levy as a tax expense as it is a non allowable deduction as per the Income Tax Act. Bank levy amounting to MUR 171.37 million for 2019 has been restated under tax expense from other expenses and the bank levy payable which was previously under other liabilities has been shown as part of the current tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

5 PRIOR YEARS ADJUSTMENTS (PYA) (CONT'D)

d. Other reclassifications

The Bank has also made certain reclassifications to comply with the requirements of IAS 1.82 and IFRS 7 as follows:

(i) Presentation of interest income measured at effective interest rate in a separate line item on the face of the statement of profit or loss.

(ii) Reclassification of loan processing fees from fee and commission to interest income under the effective interest method.

(iii) Reclassification between interest income and interest expense arising on derivatives used for risk management purpose following analysis made by deals.

(iv) Reclassifications of gains/losses on disposal of financial assets held for trading to net trading income.

(v) Presentation of gains/losses on disposal of financial assets measured at amortised cost in a separate line item on the face of the statement of profit or loss.

(vi) Reclassification of financial assets measured at fair value through profit or loss (not held for trading) from net trading income.

(vii) Presentation of right-of-use assets from property and equipment and the arising lease liabilities from other liabilities as separate line items in the statement of financial position

(viii) Presentation of pension liability from other liabilities as separate line item in the statement of financial position.

6 CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months maturity from the date of acquisition.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash, balances with banks and central bank excluding mandatory balances. Cash and cash equivalents are measured at amortised cost. Accounting policy for calculating allowance for credit losses is outlined under Note 9(c).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

6 CASH AND CASH EQUIVALENTS (CONT'D)

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Cash in hand	2,016,619	2,078,284	2,398,191
Foreign currency notes and coins	524,835	337,946	277,740
Unrestricted balances with central bank [1]	10,536,120	4,167,009	1,527,560
Loans and placements with banks[2]	-	1,035,373	1,162,364
Balances with banks	3,672,781	7,771,985	5,887,615
	16,750,355	15,390,597	11,253,470
Less: allowance for credit losses	(1,020)	(3,698)	(41,758)
	16,749,335	15,386,899	11,211,712

[1] Unrestricted balances with central bank represent amounts above the minimum cash reserve requirement.
[2] The balance above relates to loans and placements with banks having an original maturity of up to three months. The balances were classified under stage 1 and 12-month ECL was calculated thereon.

An analysis of changes in the corresponding ECL allowances is as follows:

	31 December 2020	31 December 2019	31 December 2018
	Stage 1	Stage 1	Stage 1
	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January	3,698	41,758	-
Movement for the year	1,020	3,698	41,758
Assets repaid	(3,698)	(41,758)	-
ECL allowance as at 31 December	1,020	3,698	41,758

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

7 LOANS TO AND PLACEMENTS WITH BANKS

Accounting policy

The Bank only measures loans to and placements with banks at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Accounting policy for calculating allowance for credit losses is outlined under Note 9 (c).

	31 December 2020	*Restated* 31 December 2019	*Restated* 31 December 2018
Loans to and placements with banks:	MUR' 000	MUR' 000	MUR' 000
- in Mauritius	353,508	2,482,044	5,039,036
- outside Mauritius	2,797,237	2,717,013	4,251,656
	3,150,745	5,199,057	9,290,692
Less: allowance for credit losses	(20,358)	(24,969)	(34,281)
	3,130,387	5,174,088	9,256,411
Remaining term to maturity			
Up to 3 months	47,293	522,761	3,655,310
Over 3 months and up to 6 months	1,257,394	2,504,267	2,404,664
Over 6 months and up to 12 months	1,008,868	1,119,602	425,528
Over 1 year and up to 2 years	-	1,052,427	1,926,723
Over 2 years and up to 5 years	837,190	-	878,467
	3,150,745	5,199,057	9,290,692

Credit loss allowance for loans to and placements with banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of credit loss allowances. Details of the Bank's internal grading system are explained in Note 37(b)(i) and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 9.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

7 LOANS TO AND PLACEMENTS WITH BANKS (CONT'D)

Credit loss allowance for loans to and placements with banks (cont'd)

	31 December 2020	Restated 31 December 2019	Restated 31 December 2018
	Stage 1	Stage 1	Stage 1
Internal rating grade	MUR' 000	MUR' 000	MUR' 000
Performing			
High grade	-	367,371	342,903
Standard grade	2,807,724	3,719,888	5,798,209
Sub-standard grade	343,021	1,111,798	3,149,580
Total	3,150,745	5,199,057	9,290,692

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	31 December 2020	Restated 31 December 2019	Restated 31 December 2018
	Stage 1	Stage 1	Stage 1
	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January	5,199,057	9,290,692	5,745,457
Financial assets originated or purchased	2,698,297	2,766,559	5,350,478
Financial assets repaid (excluding write offs)	(4,768,978)	(7,014,033)	(1,805,243)
Foreign exchange adjustments	22,369	155,839	-
Gross carrying amount as at 31 December	3,150,745	5,199,057	9,290,692

	Stage 1	Stage 1	Stage 1
	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January	24,969	34,281	16,057
Movement for the year	18,004	5,299	21,132
Assets repaid (excluding write offs)	(22,615)	(14,611)	(2,908)
ECL allowance as at 31 December	20,358	24,969	34,281

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

8 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

A derivative is a financial instrument or other contract with all three of the following characteristics:

• Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.

• It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.

• It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed below.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Bank uses interest rate swaps, to hedge its interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

• Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.

At the inception of a hedge relationship, the Bank formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Bank will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Accounting policy (cont'd)

Fair value hedges

In accordance with its wider risk management, as set out in Note 37(d)(i), it is the Bank's strategy to apply fair value hedge accounting to keep interest rate sensitivities within its established limits. Applying fair value hedge accounting enables the Bank to reduce fair value fluctuations of fixed rate financial assets and liabilities as if they were floating rate instruments linked to the attributable benchmark rates. From a hedge accounting point of view, the bank designates the hedged risk as the exposure to changes in the fair value of a recognised financial asset or liability or an unrecognised firm commitment, or an identified portion of such financial assets, liabilities or firm commitments that is attributable to a particular risk and could affect profit or loss. The Bank only hedges changes due to interest rates such as benchmark rates (e.g. LIBOR), which are typically the most significant component of the overall fair value change. The Bank assesses hedge effectiveness by comparing fair value movements of the hedging instruments and the hedged items attributable to changes in these benchmark rates using the hypothetical derivative method as set out above.

In accordance with its hedging strategy, the Bank matches the principal of the hedging instruments to the principal of the hedged items, including prepayment expectations. The Bank uses pay fixed/receive floating interest rate swaps to hedge its fixed rate debt instruments and pay floating/receive fixed interest rate swaps to hedge its fixed rate liabilities. The bank applies only a micro fair value hedging strategy as set out under the relevant subheadings below.

Hedge ineffectiveness can arise from:

• Differences in timing of cash flows of hedged items and hedging instruments.

• Different interest rate curves applied to discount the hedged items and hedging instruments.

• Derivatives used as hedging instruments having a non-nil fair value at the time of designation.

• The effect of changes in counterparties' credit risk on the fair values of hedging instruments or hedged item.

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the Statement of Profit or Loss in Net Trading Income. In addition, the cumulative change in the fair value of the hedged item attributable to the hedged risk is recognised in the Statement of Profit or Loss in Net Trading Income, and also recorded as part of the carrying value of the hedged item in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Accounting policy (cont'd)

Micro fair value hedges

A fair value hedge relationship is a 'Micro fair value hedge' when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a fair value hedge relationship include fixed rate corporate and small business loans. These hedge relationships are assessed for prospective hedge effectiveness on a monthly basis.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Bank decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Bank discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit or loss.

For fair value hedge relationships where the hedged item is not measured at amortised cost, such as debt instruments at FVTOCI, changes in fair value that were recorded in the statement of profit or loss whilst hedge accounting was in place are amortised in a similar way to amortised cost instruments using the EIR method. However, as these instruments are measured at their fair values in the statement of financial position, the fair value hedge adjustments are transferred from the statement of profit or loss to OCI. There were no such instances in either the current year or in the comparative year.

	31 December 2020	*Restated* 31 December 2019	*Restated* 31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Assets			
Derivative assets	774,785	889,301	897,514
Liabilities			
Derivative liabilities	1,165,271	1,000,972	960,873

8 DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

	Notional Principal Amount	Fair Values	
		Assets	Liabilities
	MUR' 000	MUR' 000	MUR' 000
31 December 2020			
Derivatives held for trading			
Foreign exchange contracts*	12,755,594	153,479	(127,784)
Cross currency swaps	3,622,605	116,425	(163,384)
Other derivative contracts	7,178,309	377,258	(296,493)
Derivatives held for risk management purposes			
Foreign exchange contracts	4,844,566	145	-
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	19,241,246	127,478	(577,610)
	47,642,320	774,785	(1,165,271)
31 December 2019 (Restated)			
Derivatives held for trading			
Foreign exchange contracts*	31,978,555	540,656	(281,879)
Cross currency swaps	2,285,473	47,633	(56,421)
Other derivative contracts	19,865,225	222,397	(220,731)
Derivatives held for risk management purposes			
Foreign exchange contracts	3,298,074	498	(23,508)
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	18,786,898	78,117	(418,433)
	76,214,225	889,301	(1,000,972)
31 December 2018 (Restated)			
Foreign exchange contracts*	25,636,819	256,977	(126,974)
Cross currency swaps	2,496,030	402,820	(419,291)
Other derivative contracts	25,055,809	219,625	(137,632)
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	14,395,001	18,092	(276,976)
	67,583,659	897,514	(960,873)

* Foreign exchange contracts include forward and spot contracts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS

Accounting policy

The Bank measures loans and advances to non-bank customers at amortised cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined in Note 4(d).

In cases where, as part of the Bank's asset and liability management activity, fair value hedge accounting is applied to loans and advances measured at amortised cost – refer to Note 8 (Derivative financial instruments) for further details on hedge accounting. Allowance for credit impairment consists of specific and portfolio allowances.

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Governments	7,705	8,515	9,315
Retail customers	41,555,983	39,586,964	32,121,253
- Credit cards	510,114	584,532	606,447
- Mortgages	27,601,971	25,507,821	22,478,894
- Other retail loans	13,443,898	13,494,611	9,035,912
Corporate customers	48,935,572	47,563,734	44,758,253
Entities outside Mauritius	20,288,731	19,910,288	22,909,421
	110,787,991	107,069,501	99,798,242
Less credit loss allowance	(11,437,054)	(7,766,672)	(5,502,191)
	99,350,937	99,302,829	94,296,051

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

Accounting policy (cont'd)

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
a Remaining term to maturity			
Up to 3 months	8,672,397	9,600,185	11,726,983
Over 3 months and up to 6 months	3,507,901	2,939,477	3,256,357
Over 6 months and up to 12 months	5,475,886	6,086,884	8,875,377
Over 1 year and up to 2 years	9,904,771	6,894,834	8,529,760
Over 2 years and up to 5 years	18,588,499	19,432,992	17,565,447
Over 5 years	64,638,537	62,115,129	49,844,318
	110,787,991	107,069,501	99,798,242

Out of the MUR 99.35 billion, there is an amount of MUR 6.21 billion (2019: MUR 8.18 billion and 2018: MUR 4.67 billion) relating to loans where fair value hedge accounting has been applied. Refer to Note 37(d)(ii) for more details.

b Net investment in finance leases

Accounting policy

Amounts due from lessees under finance leases are recorded as loans and advances at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

The Bank acts as lessor of several items like car and equipment. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Bank during the year is MUR 69.26 million (2019: MUR 87.32 million and 2018: MUR 79.62 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

The amount of net investment in finance leases included in loans and advances to non-bank customers and the associated allowance for credit losses are as follows:-

	Up to 1 year	After 1 year and up to 5 years	After 5 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020				
Gross investment in finance leases	500,376	1,119,442	109,089	1,728,907
Less: Unearned finance income	(66,463)	(104,089)	(4,195)	(174,747)
Present value of minimum lease payments	433,913	1,015,353	104,894	1,554,160
Credit loss allowance				(94,545)
Net investment in finance lease				1,459,615
31 December 2019				
Gross investment in finance leases	435,140	1,081,017	97,472	1,613,629
Less: Unearned finance income	(78,465)	(124,708)	(4,386)	(207,559)
Present value of minimum lease payments	356,675	956,309	93,086	1,406,070
Credit loss allowance				(45,769)
Net investment in finance lease				1,360,301
31 December 2018				
Gross investment in finance leases	432,719	948,760	100,295	1,481,774
Less: Unearned finance income	(72,313)	(114,792)	(4,769)	(191,874)
Present value of minimum lease payments	360,406	833,968	95,526	1,289,900
Credit loss allowance				(45,055)
Net investment in finance lease				1,244,845

Finance lease contracts give the lessees the option to purchase the assets for a residual value at the termination of the lease arrangements. The term of lease contracts generally ranges from five to seven years. Finance leases are secured mainly by charges on the leased assets and/or corporate/personal guarantees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c Credit loss allowance on loans and advances to non-bank customers

Accounting policy

The Bank recognises allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 37. The 12mECL is a compounded element of the LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Bank calculates ECLs based on three scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

• PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 37.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

The calculation of ECLs (cont'd)

• EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 37.

• LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 37.

When estimating the macro-economic variables used in ECL calculation, the Bank considers three scenarios (a base case, an upside and a downside). These economic scenarios are subject to different assumptions with the base scenario being the best estimate. These estimates are taken from reputable external providers based on econometrics methods.

PD Estimates: Retail, Corporate and SME PD models all use the logistic regression framework to model monthly default rates. For the different segments, different features including macro-economic variables have been chosen for inclusion in the logit models based on their statistical significance in explaining defaults as well as intuitiveness of the coefficients.

For banks, external default data from Standard & Poor's (S&P) is used. The PD models convert the through-the-cycle transition matrices (and TTC Default rates) from Standard & Poor's into point-in-time estimates that reflect economic conditions observed at reporting date. The forward looking factor is quantified by a scalar factor arrived by a difference if two economic regressions (with Macroeconomic variables and without Macroeconomic variables).

For sovereigns, historical default rates from Moody's are used together with correlated Global MEVs. The average 12-month rating transition matrix is converted into point-in-time (PIT) transition matric using the Vasicek Transformation.

LGD estimates: Retail, Corporate and SME LGD model use the work-out LGD framework. In this methodology, LGD estimates are based on the historical data after discounting the cash flows (of the contracts in default) that are recorded through the recovery & workout stage at the reference time. Two possible outcomes are considered: Cure (Facility defaults, but goes back to active without loss, LGD close to zero) and No cure (Facility defaults, does not cure, LGD between 0% and 100%). A logit model is fitted to the work-out LGD and the different features for inclusion in the model are chosen based on their statistical significance as well as the intuitiveness of the coefficients.

For banks and sovereign exposures, in the absence of internal data, Basel F-IRB unsecured recovery rates for senior claims are used for the LGD parameter.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

The calculation of ECLs (cont'd)

EAD estimates: Revolving products use segment specific (Retail, SME, Corporate) credit conversion factors (CCF) to project EAD values. Amortising products use an amortising schedule, where the expected cash flows from the Bank's IT system are used to project EAD values at each point-in-time.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out below, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Credit loss allowances and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. Provisions for ECLs for undrawn loan commitments are explained under this note and disclosed in Note 22. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained in Note 22.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Loan commitments and letters of credit:

When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cashflows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within other liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

The calculation of ECLs (cont'd)

Financial guarantee contracts:

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within other liabilities.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities. In the case of credit cards, the most significant judgement is to reflect the operational practice of card reissuance and the associated credit assessment as enabling a formal re-origination trigger. As a consequence, a capped lifetime approach of 12 months is used on credit card and overdraft balances.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- Consumer Price Index [CPI];
- Nominal Bilateral Exchange Rate;
- Debt to GDP ratio;
- Unemployment rate;
- Interest Rate;
- Official Reserves;
- Current Account balance;
- Share Price Index; and
- Real imports of goods and services

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Those adjustments are described below.

Governance and post model adjustments

The IFRS 9 PD, EAD and LGD models are subject to SBM's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. Post model adjustments (PMAs) are applied where necessary to incorporate the most recent data available and are made on a temporary basis ahead of the underlying model parameter changes being implemented.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

Collateral valuation (cont'd)

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

Derecognition decisions and classification between stage 2 and stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired stage 3 forborne asset until it is collected or written off.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

Forborne and modified loans (cont'd)

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk.The Bank also considers whether the assets should be classified as stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 6-9 months probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing;
- The probation period of two years has passed from the date the forborne contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period; and
- The customer does not have any contract that is more than 30 days past due.

If modifications are substantial, the loan is derecognised, and a new loan is recognised.

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Statutory portfolio allowance

A portfolio allowance for credit losses is maintained in accordance with the guidelines of the Bank of Mauritius. These guidelines require that the Bank maintains a provision for credit impairment on all unimpaired loans and advances of not less than 1%. In addition, the Bank of Mauritius also imposes additional macro-prudential provisioning of up to 1% on exposures to certain sectors of the economy.

Allowance for credit loss

Allowance for credit losses in respect of on-balance sheet items is deducted from the applicable asset whereas the allowance for credit losses in respect of off-balance sheet items is included in Other liabilities in the statement of financial position. Changes in the carrying amount of the allowance accounts are recognised in the statement of profit or loss. When an advance is uncollectible, it is written off against the specific allowance. Subsequent recoveries of amounts previously written off are credited to "Credit loss expense" in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Significant accounting estimates and judgements

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

In relation to credit impaired facilities, the Bank determines expected credit losses by estimating the shortfall between the present value of expected cash flows and the present value of contractual cash flows. The estimation of expected cash flows is inherently judgemental and involves an estimation of proceeds from liquidation of the borrowers, proceeds from realisation of collaterals and the timing and extent of repayments on forborne facilities.

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9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c *Credit loss allowance on loans and advances to non-bank customers (cont'd)*

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are set out in Note 37(b)(i) and policies on whether ECL allowances are calculated on an individual or collective basis are set out in this same note above.

31 December 2020:	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	33,348,021	1,417,911	-	34,765,932
Standard grade	35,343,811	8,536,949	-	43,880,760
Sub-standard grade	10,986,648	7,254,788	-	18,241,436
Past due but not impaired	-	1,555,705	-	1,555,705
Non-performing				
Individually impaired	-	-	12,344,158	12,344,158
Total	79,678,480	18,765,353	12,344,158	110,787,991

At 31 December 2019:	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	34,889,162	853,796	-	35,742,958
Standard grade	30,766,617	5,712,527	-	36,479,144
Sub-standard grade	8,844,074	8,860,536	-	17,704,610
Past due but not impaired	-	6,823,654	-	6,823,654
Non-performing				
Individually impaired	-	-	10,319,135	10,319,135
Total	74,499,853	22,250,513	10,319,135	107,069,501

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9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c *Credit loss allowance on loans and advances to non-bank customers (cont'd)*

At 31 December 2018:	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	25,697,144	6,131,756	-	31,828,900
Standard grade	17,541,278	9,799,659	-	27,340,937
Sub-standard grade	12,666,759	12,825,774	-	25,492,533
Past due but not impaired	-	2,693,127	-	2,693,127
Non-performing				
Individually impaired	-	-	12,442,745	12,442,745
Total	55,905,181	31,450,316	12,442,745	99,798,242

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

At 31 December 2020:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January 2020	74,499,853	22,250,513	10,319,135	107,069,501
Financial assets originated or purchased	23,175,467	4,292,858	-	27,468,325
Assets derecognised or repaid (excluding write offs)	(19,777,326)	(5,215,024)	(2,987,362)	(27,979,712)
Transfers to Stage 1	5,597,478	(5,579,274)	(18,204)	-
Transfers to Stage 2	(5,929,236)	5,948,984	(19,748)	-
Transfers to Stage 3	(231,652)	(3,883,534)	4,115,186	-
Amounts written off	-	-	(8,904)	(8,904)
Foreign exchange adjustments	2,343,896	950,830	944,055	4,238,781
Gross carrying amount as at 31 December 2020	79,678,480	18,765,353	12,344,158	110,787,991

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9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

At 31 December 2019:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January 2019	55,905,181	31,450,316	12,442,745	99,798,242
Financial assets originated or purchased	28,578,600	7,286,260	-	35,864,860
Assets derecognised or repaid (excluding write offs)	(15,994,695)	(11,044,707)	(1,432,214)	(28,471,616)
Transfers to Stage 1	10,902,030	(10,896,971)	(5,059)	-
Transfers to Stage 2	(5,575,685)	5,613,161	(37,476)	-
Transfers to Stage 3	(41,831)	(620,100)	661,931	-
Amounts written off	-	-	(1,423,620)	(1,423,620)
Foreign exchange adjustments	726,253	462,554	112,828	1,301,635
Gross carrying amount as at 31 December 2019	74,499,853	22,250,513	10,319,135	107,069,501

At 31 December 2018:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January 2018	74,987,399	25,941,203	3,331,478	104,260,080
Financial assets originated or purchased	7,795,757	24,866,568	-	32,662,325
Assets impaired during the year	-	-	2,548,243	2,548,243
Assets derecognised or repaid (excluding write offs)	(18,136,288)	(13,040,332)	(938,151)	(32,114,771)
Transfers to Stage 1	14,406,970	(14,406,970)	-	-
Transfers to Stage 2	(8,089,847)	8,089,847	-	-
Transfers to Stage 3	(8,436,495)	-	8,436,495	-
Amounts written off	-	-	(7,855)	(7,855)
Derecognition of Indian Operations following distribution in specie	(6,622,315)	-	(927,465)	(7,549,780)
Gross carrying amount as at 31 December 2018	55,905,181	31,450,316	12,442,745	99,798,242

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

An analysis of changes in the ECL allowances is as follows:

At 31 December 2020:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January 2020	651,591	1,662,596	5,452,485	7,766,672
Allowance on new financial assets	96,919	57,310	-	154,229
Remeasurement of loss allowance	293,527	667,451	3,728,485	4,689,463
Assets derecognised or repaid (excluding write offs)	(469,303)	(175,226)	(519,877)	(1,164,406)
Transfers to Stage 1	198,833	(198,491)	(342)	-
Transfers to Stage 2	(58,297)	59,333	(1,036)	-
Transfers to Stage 3	(1,520)	(1,111,550)	1,113,070	-
Amounts written off	-	-	(8,904)	(8,904)
ECL allowance as at 31 December 2020	711,750	961,423	9,763,881	11,437,054

At 31 December 2019:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January 2019	422,448	857,619	4,222,124	5,502,191
Allowance on new financial assets	214,480	1,157,894	2,801,096	4,173,470
Remeasurement of loss allowance	154,530	223,771	-	378,301
Assets derecognised or repaid (excluding write offs)	(356,516)	(274,078)	(233,076)	(863,670)
Transfers to Stage 1	266,815	(266,815)	-	-
Transfers to Stage 2	(49,642)	49,642	-	-
Transfers to Stage 3	(524)	(85,437)	85,961	-
Amounts written off	-	-	(1,423,620)	(1,423,620)
ECL allowance as at 31 December 2019	651,591	1,662,596	5,452,485	7,766,672

9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

An analysis of changes in the ECL allowances is as follows:

At 31 December 2018:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January 2018	794,154	487,384	2,157,900	3,439,438
Allowance on new financial assets	(9,920)	463,680	2,779,664	3,233,424
Assets derecognised or repaid (excluding write offs)	(19,516)	(132,020)	-	(151,536)
Transfers to Stage 1	11,317	(11,317)	-	-
Transfers to Stage 2	(54,029)	54,029	-	-
Transfers to Stage 3	(117,878)	-	117,878	-
Derecognition of Indian Operations following distribution in specie	(175,706)	(4,137)	(825,562)	(1,005,405)
Amounts written off	-	-	(7,756)	(7,756)
Foreign exchange adjustments	(5,974)	-	-	(5,974)
ECL allowance as at 31 December 2018	422,448	857,619	4,222,124	5,502,191

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

9 LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

d Credit loss allowances on loans and advances by industry sectors

	31 December 2020					31 December 2019	31 December 2018
	Gross amount of loans	Impaired loans	Stage 3 allowance for credit impairment	Stage 1 & stage 2 Credit loss allowance	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	4,686,449	827,431	331,126	35,281	366,407	115,934	147,908
Manufacturing	4,464,355	185,398	158,151	82,473	240,624	194,985	514,963
of which EPZ	*1,778,560*	*26,531*	*3,942*	*22,840*	*26,782*	*35,333*	*17,118*
Tourism	15,292,602	9,916	870	354,544	355,414	137,478	184,419
Transport	2,192,316	15,895	14,561	24,221	38,782	150,836	143,857
Construction	10,805,438	629,538	477,190	381,405	858,595	304,016	364,658
Financial and business services	8,104,681	665,792	621,575	80,789	702,364	516,733	185,209
Traders	11,155,768	5,809,368	4,531,386	90,627	4,622,013	3,721,754	2,715,514
Personal	39,418,408	1,052,999	736,094	466,667	1,202,761	1,098,644	891,573
of which credit cards	*510,114*	*47,026*	*48,136*	*4,326*	*52,462*	*48,255*	*93,483*
Professional	160,294	82,718	82,718	4,629	87,347	75,593	103,259
Global Business Licence holders	6,485,910	1,248,424	1,096,615	14,089	1,110,704	646,597	105,568
Others	8,021,770	1,816,679	1,713,595	138,448	1,852,043	804,102	145,263
	110,787,991	12,344,158	9,763,881	1,673,173	11,437,054	7,766,672	5,502,191

Total impaired loans for 2019 for the Bank were MUR 10,319 million (2018: MUR 12,443 million).

10 INVESTMENT SECURITIES

Accounting policy

Financial assets are recognised when an entity becomes a party to the contractual provisions of the instruments.

The investment securities included in the statement of financial position include:

- Debt investments measured at amortised cost: these instruments are initially measured at their fair value plus incremental transaction cost, and subsequently at their amortised cost using the effective interest method;
- Debt instruments mandatorily measured at FVTPL or designated at FVTPL; these are measured at fair value with changes recognised immediately in statement of profit or loss;
- Debt instruments measured at FVTOCI; and
- Equity investments designated as FVTOCI.

Debt instruments at FVTPL

The Bank classifies financial assets at FVTPL when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. The Bank also classifies debt securities at FVTPL when they do not meet the SPPI. FVTPL assets are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net gains on financial instruments. Interest and expense is recorded in net interest income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

Debt instruments at FVTOCI

For debt instruments measured at FVTOCI, gains and losses are recognised in OCI except for the following which are recognised in statement of 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 a debt security measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of profit or loss.

Equity investments designated at FVTOCI

Equity investments are classified as equity instruments at FVTOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVTOCI are not subject to an impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10 INVESTMENT SECURITIES (CONT'D)

	Remaining term to maturity	31 December 2020									Restated 31 December 2019	Restated 31 December 2018
		Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	Total	Total
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a)	**Investment securities measured at amortised cost**											
	Government bonds and treasury notes	-	434,386	611,381	74,196	6,613,363	7,690,662	4,381,621	-	19,805,609	17,245,042	11,738,705
	Treasury bills	698,172	1,498,256	-	-	-	-	-	-	2,196,428	-	148,100
	Bank of Mauritius bills / notes	1,315	50,168	989,847	-	152,052	5,183,483	4,976,466	-	11,353,331	1,364,246	1,232,730
	Bank bonds	-	-	-	-	105,675	386,265	-	-	491,940	753,104	695,990
		699,487	1,982,810	1,601,228	74,196	6,871,090	13,260,410	9,358,087	-	33,847,308	19,362,392	13,815,525
(b)	**Investment securities mandatorily measured at FVTPL**											
	Trading investments:											
	Government bonds and treasury notes	-	-	-	-	-	-	706	-	706	2,350,694	765,117
	Treasury bills	799,645	876,539	1,976,073	-	-	-	-	-	3,652,257	4,019,870	5,142,257
	Bank of Mauritius bills / bonds	1,537,842	1,498,127	541,717	-	-	762,825	-	-	4,340,511	4,252,324	3,107,186
	Bank bonds	-	-	-	-	-	-	-	-	-	493,666	697,223
	Other investments:											
	Investment in mutual funds	-	-	-	-	-	-	-	1,356,130	1,356,130	709,202	171,333
		2,337,487	2,374,666	2,517,790	-	-	762,825	706	1,356,130	9,349,604	11,825,756	9,883,116

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10 INVESTMENT SECURITIES (CONT'D)

	Remaining term to maturity (cont'd)	31 December 2020									*Restated* 31 December 2019	*Restated* 31 December 2018
		Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	Total	Total
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(c)	**Investment securities measured at FVTOCI (both equity and debt instruments)**											
	Government bonds	995,332	313,326	-	1,852,056	1,501,280	3,228,323	5,536,169	-	13,426,486	11,406,019	7,308,976
	Treasury bills/notes	9,152,843	-	-	1,625,570	-	-	-	-	10,778,413	9,657,749	9,277,241
	Bank of Mauritius bills / bonds	100	-	-	896,766	1,018,377	2,453,980	-	-	4,369,223	5,671,581	2,141,448
	Equity shares of companies:											
	- Equity investments	-	-	-	-	-	-	-	4,408	4,408	3,411	3,411
	Bank bonds	786,223	416,735	1,114,654	587,681	5,201,863	6,499,153	312,759	-	14,919,068	10,958,425	5,775,598
	Corporate paper and preference shares	-	-	-	-	-	-	-	-	-	-	2,741,443
	Corporate bonds	43,250	174,219	39,943	203,803	738,559	3,609,441	1,872,841	-	6,682,056	4,597,934	-
		10,977,748	904,280	1,154,597	5,165,876	8,460,079	15,790,897	7,721,769	4,408	50,179,654	42,295,119	27,248,117
	Total investment securities	14,014,722	5,261,756	5,273,615	5,240,072	15,331,169	29,814,132	17,080,562	1,360,538	93,376,566	73,483,267	50,946,758
	Less: allowance for credit losses									(38,520)	(23,137)	(9,038)
										93,338,046	73,460,130	50,937,720

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10 INVESTMENT SECURITIES (CONT'D)

	31 December 2020	31 December 2019	31 December 2018
	Stage 1	Stage 1	Stage 1
Debt investment securities at amortised cost	MUR' 000	MUR' 000	MUR' 000
High grade	256,365	753,104	695,990
Standard grade	32,517,383	18,609,288	13,119,535
Sub standard grade	1,073,560	-	-
Total gross carrying amount	33,847,308	19,362,392	13,815,525
Credit loss allowance	(38,520)	(23,137)	(9,038)
Carrying amount	33,808,788	19,339,255	13,806,487

	31 December 2020	31 December 2019	31 December 2018
	Stage 1	Stage 1	Stage 1
	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January	23,137	9,038	16,347
Movement for the year	38,387	15,605	4,631
Assets derecognised or repaid (excluding write offs)	(23,004)	(1,506)	(11,940)
ECL allowance as at 31 December	38,520	23,137	9,038

The table below shows the fair value of the Bank's debt instruments measured at FVTOCI by credit risk, based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of allowance for ECL.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10 INVESTMENT SECURITIES (CONT'D)

	31 December 2020			*Restated* 31 December 2019	*Restated* 31 December 2018
	Stage 1	Stage 2	Total	Stage 1	Stage 1
Debt investment securities at FVTOCI	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
High grade	29,755,220	-	29,755,220	19,186,436	11,653,049
Standard grade	18,994,724	154,550	19,149,274	22,587,811	14,152,530
Sub standard grade	1,010,898	259,854	1,270,752	517,461	1,439,127
Carrying amount	49,760,842	414,404	50,175,246	42,291,708	27,244,706

	31 December 2020			31 December 2019	31 December 2018
	Stage 1	Stage 2	Total	Stage 1	Stage 1
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January	53,308	-	53,308	59,678	34,993
Movement for the year	23,082	21,938	45,020	44,533	42,604
Assets derecognised or repaid (excluding write offs)	(44,546)	-	(44,546)	(50,903)	(17,919)
Transfers to stage 2	(2,727)	2,727	-	-	-
ECL allowance as at 31 December	29,117	24,665	53,782	53,308	59,678

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

10 INVESTMENT SECURITIES (CONT'D)

No loss allowance is recognised in the statement of financial position for debt instruments measured at FVTPL as the carrying amount is at fair value.

Equity instruments at FVTOCI	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Carrying amount as at 01 January	3,411	3,411	4,016
Additions	-	-	1,313
Fair value movement	997	-	1,729
Derecognition of Indian Operations following distribution in specie	-	-	(3,647)
Carrying amount as at 31 December	4,408	3,411	3,411

11A PROPERTY AND EQUIPMENT

Accounting policy

Property and equipment are stated at cost (except for freehold land and buildings and buildings on leasehold land) less accumulated depreciation and any cumulative impairment loss. Land is stated at revalued amounts and buildings are stated at revalued amounts less accumulated depreciation and any impairment loss.

It is the Bank's policy to revalue its freehold land and buildings and leasehold buildings at least every five years by independent valuers. Any revaluation surplus is credited to the Property revaluation reserve. Any revaluation decrease is first charged directly against any property revaluation reserve held in respect of the respective asset, and then to the statement of profit or loss.

Progress payments on tangible fixed assets are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other tangible fixed assets, commences when the assets are ready for their intended use.

Depreciation on owned assets is calculated to write off the cost or revalued amounts of tangible fixed assets over their estimated useful lives on a straight-line basis. Depreciation is calculated from the month the asset is capitalised. No depreciation is provided on freehold land.

The estimated useful lives of property and equipment are as follows:

Buildings	50 years
Plant, machinery, furniture, fittings and computer equipment	3 to 10 years
Motor vehicles	5 years

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset. These are included within other operating income in the statement of profit or loss.

Each year, the difference, net of the impact of deferred tax, between the depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of profit or loss) and the depreciation based on the asset's original cost is transferred from the property revaluation reserve to Retained earnings.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11A PROPERTY AND EQUIPMENT (CONT'D)

	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total property and equipment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cost or Valuation					
At 01 January 2018	950,202	1,572,882	1,699,877	11,960	4,234,921
Translation adjustment	(9,712)	-	(1,973)	(74)	(11,759)
Additions	553	870	138,230	-	139,653
Disposals	-	-	(35,817)	-	(35,817)
Derecognition of Indian Operations following distribution in specie	(155,235)	-	(54,280)	(1,183)	(210,698)
At 31 December 2018	785,808	1,573,752	1,746,037	10,703	4,116,300
Revaluation	28,088	(153,210)	-	-	(125,122)
Impairment	(9,962)	-	-	-	(9,962)
Additions	-	507	62,186	3,222	65,915
Disposals	-	-	-	(8,840)	(8,840)
At 31 December 2019	803,934	1,421,049	1,808,223	5,085	4,038,291
Revaluation	-	-	754	-	754
Additions	18	16,827	149,570	-	166,415
Disposals	-	-	(144,491)	(962)	(145,453)
At 31 December 2020	**803,952**	**1,437,876**	**1,814,056**	**4,123**	**4,060,007**
Accumulated Depreciation					
At 01 January 2018	68,427	173,242	1,388,028	7,205	1,636,902
Translation adjustment	(1,899)	-	(1,634)	(73)	(3,606)
Disposal	-	-	(29,754)	-	(29,754)
Charge for the year	13,792	51,998	86,492	1,455	153,737
Derecognition of Indian Operations following distribution in specie	(33,403)	-	(31,613)	(1,176)	(66,192)
At 31 December 2018	46,917	225,240	1,411,519	7,411	1,691,087
Revaluation	(56,589)	(272,931)	-	-	(329,520)
Disposal	-	-	-	(7,135)	(7,135)
Charge for the year	10,851	52,443	78,602	1,225	143,121

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11A PROPERTY AND EQUIPMENT (CONT'D)

	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total property and equipment
Accumulated Depreciation (cont'd)	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 31 December 2019	1,179	4,752	1,490,121	1,501	1,497,553
Disposal	-	-	(143,899)	(959)	(144,858)
Charge for the year	11,512	57,067	80,821	825	150,225
At 31 December 2020	12,691	61,819	1,427,043	1,367	1,502,920
Net book value					
At 31 December 2020	791,261	1,376,057	387,013	2,756	2,557,087
Progress payments on tangible fixed assets					25,244
					2,582,331
At 31 December 2019	802,755	1,416,297	318,102	3,584	2,540,738
Progress payments on tangible fixed assets					58,830
					2,599,568
At 31 December 2018	738,891	1,348,512	334,518	3,292	2,425,213
Progress payments on tangible fixed assets					33,601
					2,458,814

Other tangible fixed assets, included within Property and equipment, consist of equipments, furniture, fittings and computer equipment. Property and equipment are non-current assets whose maturity is more than one year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11A PROPERTY AND EQUIPMENT (CONT'D)

Details of the Bank's land and buildings and information about the fair value hierarchy are as follows:

	Fair value level	31 December 2020	31 December 2019	31 December 2018
		MUR' 000	MUR' 000	MUR' 000
Freehold land	Level 2	485,001	484,983	432,692
Freehold buildings	Level 3	318,951	318,951	353,116
Buildings on leasehold land	Level 3	1,437,876	1,421,049	1,573,752
		2,241,828	2,224,983	2,359,560

The carrying amounts of land and buildings, that would have been included in the financial statements had the assets been carried at cost, are as follows:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	420,644	443,289	447,343
Buildings on leasehold land	333,426	347,500	360,873
	754,070	790,789	808,216

The freehold land and buildings and buildings on leasehold land are periodically valued by an independent chartered valuation surveyor. Freehold land was revalued in December 2019 based on an open market value basis whereas freehold buildings and buildings on leasehold land were revalued based on the depreciated replacement cost method.

11B RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Accounting policy

Bank as a lessee - as from 01 January 2019

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right- of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term and are subject to impairment in line with the Bank's policy as described below. Type of right-of-use assets are land, plant and equipment and IT equipments. The average lease term is 5 years.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Significant accounting estimates and judgements

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects the rate the Bank 'would be subject to', which requires either estimation when no observable rates are available or adjustments to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs which have been derived from local Government Treasury Bond yield rates for different maturities and the issued SBM Bond yield rates in order to account for entity-specific adjustments namely the risk premium.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11B RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

	Land and buildings	Other tangible fixed assets	Total
Cost	MUR' 000	MUR' 000	MUR' 000
At 01 January 2019	159,926	102,062	261,988
Additions	35,121	-	35,121
At 31 December 2019	195,047	102,062	297,109
Additions	27,594	38,189	65,783
Termination	(23,285)	(8,733)	(32,018)
At 31 December 2020	199,356	131,518	330,874
Accumulated Depreciation			
At 01 January 2019	-	-	-
Charge for the year	28,180	21,761	49,941
At 31 December 2019	28,180	21,761	49,941
Termination	(3,350)	(8,759)	(12,109)
Charge for the year	18,345	19,094	37,439
At 31 December 2020	43,175	32,096	75,271
Net book value			
At 31 December 2020	156,181	99,422	255,603
At 31 December 2019	166,867	80,301	247,168

The following are the amounts recognised in profit or loss:	31 December 2020	31 December 2019
	MUR' 000	MUR' 000
Depreciation expense on right-of-use assets	37,439	49,941
Interest expense on lease liabilities (Note 26)	13,761	15,064
Total amount recognised in profit or loss	51,200	65,005

The Bank had a total cash outflows for leases of MUR 66.23 million (2019: MUR 71.99 million). At 31 December 2020, the Bank does not have any commitment for short-term leases.

11B RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

Maturity analysis of lease liabilities are as follows:	31 December 2020	31 December 2019
	MUR' 000	MUR' 000
Up to 1 year	69,114	54,088
1 to 5 years	163,243	150,248
5 to 25 years	28,414	41,131
	260,770	245,467
Further analysed into:		
Non current	159,053	173,531
Current	74,537	66,649
	233,590	240,180

12 INTANGIBLE ASSETS

Accounting policy

Intangible assets with finite useful lives, that are acquired separately, are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight line basis over their estimated useful lives of 3 to 10 years. Costs directly associated with the production of identifiable and software products controlled, that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Significant accounting estimates and judgements

Assessment of useful lives

Determining the carrying amount of intangible assets requires an estimation of the useful lives of these assets which carry a degree of uncertainty. Management has used historical information relating to the Bank and the industry in which it operates in order to best determine the useful lives of intangible assets.

12 INTANGIBLE ASSETS (CONT'D)

(a) WIP Software

The Bank is developing few softwares. These costs will be transferred under "Software" as soon as they will be in use at the Bank.

(b) Intellectual property rights

The Bank entered into an agreement in respect of Business Process Engineering and Business Transformation Initiatives to align both its strategies and processes with the Technology Transformation Initiative namely Flamingo Project and also high performance banks. The costs incurred in respect of these initiatives were capitalised as intellectual property rights and are being amortised following the project going live in September 2016.

	Software	WIP software (Note a)	Intellectual Property (Note b)	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cost				
At 01 January 2018	4,495,761	82,763	322,777	4,901,301
Translation adjustment	(1,169)	(1,925)	-	(3,094)
Additions	180,595	47,713	-	228,308
Transfers	23,464	(23,464)	-	-
Disposal	(610,148)	-	-	(610,148)
Write off	-	(1,726)	(37,860)	(39,586)
Derecognition of Indian operations following distribution in specie	(114,374)	(33,919)	-	(148,293)
At 31 December 2018	3,974,129	69,442	284,917	4,328,488
Additions	4,934	47,161	-	52,095
Transfers	32,030	(32,030)	-	-
Write off	(4,430)	(9,882)	-	(14,312)
At 31 December 2019	4,006,663	74,691	284,917	4,366,271
Additions	-	83,489	-	83,489
Transfers	79,388	(79,388)	-	-
Disposal	(110,156)	-	-	(110,156)
Write off	(5,601)	(767)	-	(6,368)
At 31 December 2020	3,970,294	78,025	284,917	4,333,236

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

12 INTANGIBLE ASSETS (CONT'D)

	Software	WIP software (Note a)	Intellectual Property (Note b)	Total
Accumulated amortisation	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January 2018	1,330,274	-	113,966	1,444,240
Translation adjustment	(1,081)	-	-	(1,081)
Disposal	(610,148)	-	-	(610,148)
Charge for the year	511,676	-	56,983	568,659
Derecognition of Indian operations following distribution in specie	(36,102)	-	-	(36,102)
At 31 December 2018	1,194,619	-	170,949	1,365,568
Charge for the year	417,564	-	56,983	474,547
At 31 December 2019	1,612,183	-	227,932	1,840,115
Disposal	(110,156)	-	-	(110,156)
Charge for the year	401,012	-	56,985	457,997
At 31 December 2020	1,903,039	-	284,917	2,187,956
Net book value				
At 31 December 2020	2,067,255	78,025	-	2,145,280
At 31 December 2019	2,394,480	74,691	56,985	2,526,156
At 31 December 2018	2,779,510	69,442	113,968	2,962,920

All intangibles are tested for impairment on an annual basis. The intangible assets are non-current assets whose maturity are more than one year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13 OTHER ASSETS

Accounting policy

Other assets and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified at amortised costs less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Accounts receivable[1]	525,888	620,381	708,568
Balances due in clearing	4,422	4,196	2,860
Prepayments	102,962	88,252	52,144
Others[2]	73,617	79,030	83,664
	706,889	791,859	847,236

[1] Credit risk is managed for each category and is subject to the Bank's established policy, procedures and control relating to customers credit risk management. The accounts receivable are mainly transition accounts that will be cleared the following day and therefore is not subject to impairment.

[2] Repossessed assets have been included under 'Others'. The Bank's policy is to dispose of such assets as soon as the market permits.

Prepayments have a maturity of less than one year and are treated as current assets while deposits/advance payments are non-current assets as they have a maturity of more than one year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14 PENSION LIABILITY

Accounting policy

(i) Pension benefits for eligible participating employees

Eligible participating employees are entitled to retirement pensions under the SBM Group Pension Fund, a defined benefit scheme. The average retirement age is 65. The assets of the scheme are managed presently by the SBM Mauritius Asset Managers Ltd.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets, is reflected immediately in the statement of financial position with a charge or credit recognised in statement of comprehensive income in the period in which they occur. Remeasurement recognised in the statement of comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in the statement of profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Bank's defined benefits plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(ii) Pension benefits for employees under term contracts and all employees who joined after 31 December 2004

Employees who joined after 31 December 2004 are entitled to defined contribution retirement benefit pension arrangements. Employer contributions are expensed in the statement of profit or loss in the period in which they fall due. The defined contribution benefit replaced the defined benefit pension plan as from 01 January 2005. Employees who were initially in the defined benefit pension plan remained in the said plan.

(iii) Travel tickets/allowances

Employees are periodically entitled to reimbursements of overseas travelling and allowances up to a certain amount depending on their grades. The expected costs of these benefits are recognised in the statement of profit or loss on a straight-line and undiscounted basis over the remaining periods until the benefits are payable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14 PENSION LIABILITY (CONT'D)

Significant accounting estimates and judgements

The Bank operates a defined benefit pension plan for its employees. The amount shown in the Statement of financial position in respect of retirement benefit obligations is subject to estimates in respect of periodic costs which would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan. The value of the defined benefit pension fund is based on report submitted by an independent actuarial firm on an annual basis.

The amount included in the statement of financial position arising from the Bank's obligation in respect of its defined benefit plans is as follows:

Pension liability	**31 December 2020**	**31 December 2019**	**31 December 2018**
	MUR' 000	**MUR' 000**	**MUR' 000**
Defined benefit obligation	**577,568**	240,146	109,621
Residual retirement gratuities	**146,514**	93,859	63,434
	724,082	334,005	173,055
(a) Defined benefit obligation			
Present value of funded defined benefit obligation	**1,932,247**	1,307,790	1,044,716
Fair value of planned assets	**(1,354,679)**	(1,067,644)	(935,095)
Net liability arising from defined benefit obligation	**577,568**	240,146	109,621
Reconciliation of net defined benefit liability			
Balance at start of the year	**240,146**	109,621	91,781
Amount recognised in statement of profit or loss	**39,214**	32,684	30,245
Amount recognised in statement of comprehensive income	**597,379**	204,365	33,496
Less employer contributions	**(299,171)**	(106,524)	(45,901)
Balance at end of the year	**577,568**	240,146	109,621

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14 PENSION LIABILITY (CONT'D)

	31 December 2020	31 December 2019	31 December 2018
Reconciliation of fair value of planned assets	MUR' 000	MUR' 000	MUR' 000
Balance at start of the year	1,067,644	935,095	943,867
Interest income	59,871	59,075	52,493
Employer contributions	299,171	106,524	45,901
Benefits paid	(46,138)	(38,813)	(28,872)
Transfer to/from another entity	-	(6,590)	2,143
Return on planned assets excluding interest income	(25,869)	12,353	(80,437)
Balance at end of the year	1,354,679	1,067,644	935,095
Reconciliation of present value of defined benefit obligation			
Balance at start of the year	1,307,790	1,044,716	1,035,648
Current service cost	30,979	30,680	26,473
Interest expense	68,106	62,561	56,294
Past service cost	-	(1,482)	(29)
Other benefits paid	(46,138)	(38,813)	(28,872)
Transfer to/from another entity	-	(6,590)	2,143
Liability experience loss	-	226,181	-
Liability loss/(gain) due to change in financial assumptions	571,510	(9,463)	(46,941)
Balance at end of the year	1,932,247	1,307,790	1,044,716
Components of amount recognised in statement of profit or loss			
Service cost	30,979	29,198	26,444
Net interest on net defined benefit liability	8,235	3,486	3,801
Total expense as above (Note 30)	39,214	32,684	30,245
Components of amount recognised in the statement of comprehensive income			
Return on planned assets below interest income	25,869	(12,353)	80,437
Liability experience loss	-	226,181	-
Liability loss/(gain) due to change in financial assumptions	571,510	(9,463)	(46,941)
Total	597,379	204,365	33,496

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14 PENSION LIABILITY (CONT'D)

	31 December 2020	31 December 2019	31 December 2018
Allocation of planned assets at end of year	%	%	%
Equity - Overseas quoted	26	23	18
Equity - Overseas unquoted	5	8	10
Equity - Local quoted	25	26	28
Equity - Local unquoted	5	7	7
Debt - Overseas quoted	-	1	1
Debt - Overseas unquoted	-	-	6
Debt - Local quoted	6	6	4
Debt - Local unquoted	10	15	23
Cash and other	23	14	3
Total	100	100	100
Reporting entity's own transferable financial instruments	2.0%	3.0%	4.0%
Principal assumptions used at end of year			
Discount rate	2.9%	5.3%	6.1%
Rate of salary increases	2.6%	3.1%	4.0%
Rate of pension increases	1.0%	0.8%	1.6%
Average retirement age (ARA)			
Average life expectancy for:	65	65	65
- Male at ARA	15.9 years	15.9 years	15.9 years
- Female at ARA	20 years	20 years	20 years
Sensitivity Analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	347,804	205,990	184,915
Decrease due to 1% increase in discount rate	270,515	167,365	148,350

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14 PENSION LIABILITY (CONT'D)

The sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

IAS 19 requires that the discount rate be set based on the yields of high quality corporate bonds with an appropriate term. Since no deep market in such bonds is available, IAS 19 requires that the yield on government bonds of appropriate term can be applied. The discount rate takes account of the nominal yield to redemption of government bonds traded on the secondary market as at 31 December 2020 and the duration of last year's liabilities.

Future cashflows

The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuary.

The Bank expects to make a contribution of around MUR 47.52 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 16 years.

The most recent actuarial valuation of the defined benefit plan was carried out at 31 December 2020 by AON Hewitt Ltd, actuaries and consultants.

The plan exposes the Bank to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary rise risks.

Investment risk

The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk

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

Longevity risk

The 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 liability.

Salary risk

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

There has been no plan amendment, curtailment or settlement during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14 PENSION LIABILITY (CONT'D)

(b) Residual retirement gratuities

The amount included in the statement of financial position arising from the Bank's obligation in respect of its residual retirement gratuities is as follows:

	31 December 2020	31 December 2019	31 December 2018
Reconciliation of net defined benefit liability	**MUR' 000**	**MUR' 000**	**MUR' 000**
Balance at start of the year	93,859	63,434	-
Amount recognised in statement of profit or loss	(84,381)	30,925	63,434
Amount recognised in statement of comprehensive income	137,036	(500)	-
Balance at end of the year	**146,514**	93,859	63,434
Reconciliation of present value of defined benefit obligation			
Balance at start of the year	93,859	63,434	-
Current service cost	6,590	3,700	-
Interest expense	4,975	3,869	-
Past service cost	(95,946)	23,356	63,434
Liability experience loss	508	2,612	-
Liability loss / (gain) due to change in financial assumptions	136,528	(3,112)	-
Balance at end of the year	**146,514**	93,859	63,434
Components of amount recognised in statement of profit or loss			
Service cost	(89,356)	27,056	63,434
Net interest on net defined benefit liability	4,975	3,869	-
Total expense as above	(84,381)	30,925	63,434
Components of amount recognised in other comprehensive income			
Liability experience loss	508	2,612	-
Liability loss / (gain) due to change in financial assumptions	136,528	(3,112)	-
Total	**137,036**	(500)	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

14 PENSION LIABILITY (CONT'D)

	31 December 2020	31 December 2019	31 December 2018
Principal assumptions used at end of year	%	%	%
Discount rate	2.9%	5.3%	6.1%
Rate of salary increases	5.0%	3.1%	4.0%
Rate of pension increases	0.0%	0.8%	1.6%
Average retirement age (ARA)	60/65	60/65	60/65
Sensitivity analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	53,591	13,458	19,090
Decrease due to 1% increase in discount rate	42,372	9,002	8,686

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. The results are particularly sensitive to a change in discount rate due to the nature of the liabilities being the difference between the pure retirement gratuities under the Workers' Rights Act 2019 and the deductions allowable, being five times the annual pension provided and half the lump sum received by the member at retirement from the SBM Group DC Fund with reference to the Bank's share of contributions. The Bank made a contribution amounting to MUR 93.11 million to SBM Group DC fund for employees under the defined contribution pension plan (2019: MUR 88.41 million and 2018: MUR 79.15 million)

Future cashflows

The funding policy is to pay benefits from the reporting entity's cashflow as and when due.

The Bank expects to make a contribution of around MUR 9.16 million for the next financial year and the weighted average duration of the defined benefit obligation is 20 years.

The negative 'past service cost' of MUR 95.95 million is on account of a transfer of employees to other entities within the group.

The Bank is exposed to normal risks associated with residual retirement gratuities such as interest and salary rise risks.

Interest risk

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

Salary risk

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

15 DEPOSITS FROM BANKS

Accounting policy

Deposits from banks are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the Bank's obligations are discharged, cancelled or they expire.

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Demand deposits	1,119,661	929,357	796,117

16. DEPOSITS FROM NON-BANK CUSTOMERS

Accounting policy

Deposits from non-bank customers are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the Bank's obligations are discharged, cancelled or they expire.

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
(i) Retail customers			
Current accounts	22,451,904	18,514,354	14,574,635
Savings accounts	60,358,474	54,376,651	51,247,818
Time deposits with remaining term to maturity:			
Up to 3 months	1,780,870	1,904,780	1,565,609
Over 3 months and up to 6 months	1,290,770	1,281,866	2,211,505
Over 6 months and up to 12 months	1,690,778	1,870,138	3,769,381
Over 1 year and up to 5 years	2,379,546	2,343,725	2,227,733

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

16 DEPOSITS FROM NON-BANK CUSTOMERS (CONT'D)

	31 December 2020 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000
(i) Retail customers (cont'd)			
Over 5 years	11,106	2,296,622	-
Total time deposits	7,153,070	9,697,131	9,774,228
Total deposits from retail customers	89,963,448	82,588,136	75,596,681
(ii) Corporate customers			
Current accounts	68,352,249	54,110,610	43,860,789
Savings accounts	4,041,778	3,373,764	3,479,325
Time deposits with remaining term to maturity:			
Up to 3 months	9,234,684	9,349,142	9,516,405
Over 3 months and up to 6 months	1,604,487	3,642,694	1,788,154
Over 6 months and up to 12 months	2,287,062	2,130,624	958,036
Over 1 year and up to 5 years	260,557	233,830	396,499
Total time deposits	13,386,790	15,356,290	12,659,094
Total deposits from corporate customers	85,780,817	72,840,664	59,999,208
(iii) Government			
Current accounts	7,742,294	7,994,530	6,098,267
Savings accounts	3,386,221	2,909,782	3,521,548
Time deposits with remaining term to maturity:			
Up to 3 months	501	6,918,162	1,620,343
Over 3 months and up to 6 months	126,702	1,600	619,611
Over 6 months and up to 12 months	3,004,187	5,828	69,396
Over 1 year and up to 5 years	100	-	5,786
Total time deposits	3,131,490	6,925,590	2,315,136
Total deposits from government	14,260,005	17,829,902	11,934,951
Total deposits from non-bank customers	190,004,270	173,258,702	147,530,840

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

17 OTHER BORROWED FUNDS

Loans and borrowings are recognised initially at fair value, net of directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

	31 December 2020 MUR' 000	31 December 2019 *Restated* MUR' 000	31 December 2018 *Restated* MUR' 000
Borrowings from central banks			
- For refinancing	1,977,685	-	50,998
Borrowings from other financial institutions			
- For refinancing	3,139,542	2,718,585	1,312,137
Borrowings from banks			
- In Mauritius	3,956,990	2,550,602	2,450,659
- Abroad	2,011,734	4,871,028	5,402,647
	11,085,951	10,140,215	9,216,441
Remaining term to maturity			
Up to 3 months	2,041,212	5,767,984	4,363,887
Over 3 months and up to 6 months	3,049,797	1,162,205	3,489,418
Over 6 months and up to 12 months	989,158	36,353	50,998
Over 1 year and up to 5 years	4,520,261	2,512,345	583,341
Over 5 years	485,523	661,328	728,797
	11,085,951	10,140,215	9,216,441

18 TAXATION

Accounting policy

Income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Corporate social responsibility (CSR)

Corporate social responsibility (CSR) was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its segment A chargeable income of the preceding financial year to government approved CSR NGOs. As from July 2017, following amendments to the Finance Act 2017, the Bank was required as from 01 January 2017 to 31 December 2018 to remit to the Director General of the Mauritius Revenue Authority (MRA) at least 50% of the CSR contribution. After 01 January 2019, the Bank is required to remit to the Director General of the MRA at least 75% of the CSR contribution. This is recorded as part of income tax expense.

Bank levy

The Bank is liable to pay a special levy as per the VAT Act enacted under the Finance Act 2018. Special levy is calculated as a percentage of the Bank's leviable income from residents excluding Global Business Licence holders (the special levy was paid as a percentage of its segmental chargeable income for the year 2019 and 2018). Special levy is recorded under the tax expense line.

As from 01 January 2020, a new tax regime is applicable for the banking sector. Banks are being taxed at 5% on the first MUR 1.5 billion of their chargeable income, at 15% of the chargeable income between MUR 1.5 billion and the base year income, and at 5% on the remainder, subject to meeting prescribed conditions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

18A CURRENT TAX LIABILITIES

Current tax liabilities can be analysed as follows:	**31 December 2020**	**31 December 2019**	**31 December 2018**
		Restated	*Restated*
	MUR' 000	**MUR' 000**	**MUR' 000**
At 01 January	**487,139**	480,633	108,042
Income tax expenses	**239,812**	537,016	564,665
Corporate Social Responsibility contribution	**68,986**	39,410	20,845
Bank levy	**171,368**	171,368	-
Underprovision in prior years	**39,334**	22,166	47,333
Paid during the year	**(759,865)**	(763,454)	(260,252)
At 31 December	**246,774**	487,139	480,633

Current tax liabilities will mature within the next one year and are classified as current liabilities.

18B TAX EXPENSE

	31 December 2020	**31 December 2019**	**31 December 2018**
		Restated	*Restated*
	MUR' 000	**MUR' 000**	**MUR' 000**
The total tax expense can also be analysed as follows:			
Income tax expense	**279,146**	559,182	636,350
Deferred tax (credit) / charge (*Note 18d*)	**(226,412)**	(268,508)	23,765
Corporate Social Responsibility contribution	**68,986**	39,410	20,845
Bank levy	**171,368**	171,368	-
Total tax expense	**293,088**	501,452	680,960

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

18C TAX RECONCILIATION

	31 December 2020	31 December 2019	31 December 2018
		Restated	Restated
	MUR' 000	MUR' 000	MUR' 000
Profit before tax from continuing operations	1,747,002	1,001,219	2,261,592
Tax on accounting profit at applicable tax rates	239,812	150,183	339,239
Underprovision in prior years	39,334	22,165	69,234
Non-allowable expenses	(157,607)	237,823	392,476
Exempt income	(68,805)	(69,986)	(22,851)
Corporate Social Responsibility contribution	68,986	39,410	20,845
Special levy on banks	171,368	171,368	184,345
	293,088	550,963	983,288
Foreign tax credit	-	(49,511)	(302,328)
Total tax expense	293,088	501,452	680,960

18D DEFERRED TAX (ASSETS)/LIABILITIES

Accounting policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

> Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

> In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

18D DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

Accounting policy (cont'd)

> Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

> In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised outside profit or loss are recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The deferred tax rate applied for segment A and segment B is 7% and 5% respectively (2019: 7% & 5% and 2018:17% & 3%). The change in the rate in 2019 resulted in a tax credit of MUR 112.59 million in the statement of profit or loss and MUR 110.47 million in other comprehensive income for the year ended 31 December 2019. Deferred tax (assets) / liabilities are treated as non-current (assets) / liabilities as they have a maturity of over more than one year.

18D DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

	MUR' 000
At 01 January 2018	75,444
Deferred tax charge (Note 18b)	23,765
Deferred tax on retirement benefit obligations accounted in OCI	(5,694)
Underprovision of deferred tax liability in prior years	70,481
At 31 December 2018	163,996
At 01 January 2019	163,996
Deferred tax charge (Note 18b)	(155,921)
Deferred tax on retirement benefit obligations accounted in OCI	(14,271)
Deferred tax on revaluation of property	9,950
Change in tax rate - recognised in	
- Other comprehensive income	(110,469)
- Statement of profit or loss (Note 18b)	(112,587)
At 31 December 2019	(219,302)
At 01 January 2020	**(219,302)**
Deferred tax charge (Note 18b)	**(226,412)**
Deferred tax on retirement benefit obligations accounted in OCI	**(51,409)**
At 31 December 2020	**(497,123)**

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Deferred tax assets	**(497,123)**	(219,302)	-
Deferred tax liabilities	**-**	-	163,996
	(497,123)	(219,302)	163,996
Analysed as resulting from:			
Accelerated capital allowances	**142,376**	169,837	484,897
Allowances for credit impairment	**(667,424)**	(448,423)	(503,857)
Revaluation of property	**83,840**	87,431	198,880
Defined benefit plans and retirement residual gratuity	**(50,686)**	(23,380)	(13,470)
Other provisions	**(5,229)**	(4,767)	(2,454)
	(497,123)	(219,302)	163,996

19 OTHER LIABILITIES

Accounting policy

A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. Deferred income relates to loan processing fees and commission on letter of guarantee which is amortised over the life of the facility. Financial liabilities are measured at amortised cost using the effective interest method.

	31 December 2020	31 December 2019	31 December 2018
		Restated	*Restated*
	MUR' 000	MUR' 000	MUR' 000
Balance due in clearing	**2,198,673**	2,951,306	2,908,532
Bills payable	**190,709**	342,102	214,487
Accruals for expenses	**360,576**	408,143	30,676
Accounts payable	**576,059**	398,988	459,605
Deferred income	**363,144**	326,558	291,242
Balances in transit	**862,898**	899,889	772,867
Others	**14,029**	27,849	30,767
ECL on memorandum items (Note 22)	**337,982**	112,666	114,995
	4,904,070	5,467,501	4,823,171

Deferred income have a maturity of over more than one year and are treated non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

20 STATED CAPITAL

Accounting policy

(i) Share issue costs

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

Authorised, issued and paid up share capital	Number	MUR' 000
At 31 December 2020	40,000,000,000	400,000
At 31 December 2019	40,000,000,000	400,000
At 31 December 2018	31,000,000,000	310,000

	31 December 2020	31 December 2019	31 December 2018
Capital Contribution	MUR' 000	MUR' 000	MUR' 000
At 01 January	11,854,011	11,044,011	9,063,106
Capital contribution received during the year	-	900,000	1,980,905
Conversion into share capital during the year	-	(90,000)	-
At 31 December	11,854,011	11,854,011	11,044,011

Fully paid ordinary shares carry one vote per share and the right to dividend.

The capital contribution refers to additional capital over and above the actual stated capital. It is fully paid up, unsecured, interest free and is perpetual with no maturity date. The shareholder shall not demand, sue for or receive payment of the whole or any part of the capital contribution or claim any set-off which would result in the principal amount of the capital contribution outstanding to be reduced. The Bank reserves the right to issue ordinary shares against the amount of capital contribution at any time at prevailing market rates.

21 DIVIDEND

Accounting policy

Dividends on ordinary shares are recognised in equity in the period in which they are authorised by the directors. Dividends that are declared after the reporting date are dealt with in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

21 DIVIDEND (CONT'D)

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Cash dividend declared during the year:			
2020: Nil; 2019: 3.60 cents and 2018: 3.55 cents per share	-	1,319,000	1,100,500
Less dividend paid: 2020: Nil; 2019: 3.60 cents and 2018: 3.55 cents per share	-	(1,319,000)	(1,100,500)
Dividend payable	-	-	-
Dividend declared after the reporting date:			
2020: Nil & 2019 & 2018: Nil	-	-	-

Loss on distribution of dividend in specie

Non-current assets held for sale and discontinued operations

The Bank classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 38. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

21 DIVIDEND (CONT'D)

Dividend in specie

During the financial year 2018, the Bank made a distribution in specie to its sole shareholder SBM (Bank) Holdings Ltd. The distribution in specie consisted of the Bank transferring the entire of its Indian operations to its shareholder. The distribution was made at an amount which was the equivalent of the fair value of the assets and liabilities of the Indian operations.

As such, on 30 November 2018, following approval from the Bank of Mauritius, the Indian Operations were fully transferred to SBM (Bank) Holdings Ltd. The statement of financial position as of that date was as follows:

Statement of financial position as at 30 November 2018	INR'000	MUR' 000
Assets	16,455,231	8,100,910
Liabilities	11,306,557	5,566,218
Capital and reserves	5,148,674	2,534,692
	16,455,231	8,100,910

The distribution in specie of the Indian operations led to the recognition of a loss in the Statement of Profit or Loss of the Bank. This loss mainly represents the derecognition of the translation reserve of this foreign operation.

For further information on this distribution in specie, refer to Note 38 on Discontinued Operations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22 MEMORANDUM ITEMS

Accounting policy

Memorandum items are off-balance sheet items and comprise acceptances, contingent liabilities and financial guarantee contracts.

Acceptances

Acceptances are obligations to pay on due date the bills of exchange drawn on customers. It is expected most of these acceptances will be honoured by the customers on due dates. Acceptances are accounted for as off-balance sheet items and are disclosed under memorandum items.

Contingent liabilities

Contingent liabilities which include certain guarantees and letters of credit pledged are possible obligations that arise from past events whose existence will be confirmed by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Bank; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Financial guarantee contracts

Liabilities under financial guarantee contracts which are not classified as insurance contracts are recorded initially at fair value, which is generally the fee received or present value of the fee receivable. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation and the best estimate of the expenditure required to settle the obligations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22 MEMORANDUM ITEMS (CONT'D)

		31 December 2020	31 December 2019	31 December 2018
		MUR' 000	MUR' 000	MUR' 000
a	Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers			
	Acceptances on account of customers	234,453	671,824	199,670
	Guarantees on account of customers	8,473,986	7,118,905	7,594,442
	Letters of credit and other obligations on account of customers	457,807	362,982	513,356
	Other contingent items	202,295	185,584	-
		9,368,541	8,339,295	8,307,468
b	Commitments			
	Undrawn credit facilities	10,851,199	11,675,375	9,071,296
c	Others			
	Inward bills held for collection	96,311	144,051	248,962
	Outward bills sent for collection	128,759	36,135	39,943
		225,070	180,186	288,905
	Total	20,444,810	20,194,856	17,667,669

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification.

At 31 December 2020:

	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	8,436,274	7,758	-	8,444,032
Standard grade	4,915,794	207,849	-	5,123,643
Sub-standard grade	5,638,261	1,049,851	-	6,688,112
Non-performing				
Individually impaired	-	-	189,023	189,023
Total	18,990,329	1,265,458	189,023	20,444,810

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22 MEMORANDUM ITEMS (CONT'D)

At 31 December 2019:

	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	5,932,948	42,486	-	5,975,434
Standard grade	4,846,401	1,171,542	-	6,017,943
Sub-standard grade	7,233,996	966,478	-	8,200,474
Non-performing				
Individually impaired	-	-	1,005	1,005
Total	18,013,345	2,180,506	1,005	20,194,856

At 31 December 2018:

	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	3,852,695	70,095	-	3,922,790
Standard grade	5,699,476	5,412,812	-	11,112,288
Sub-standard grade	2,627,610	1,483	-	2,629,093
Non-performing				
Individually impaired	-	-	3,498	3,498
Total	12,179,781	5,484,390	3,498	17,667,669

Details of the Bank's internal grading system are set out in Note 37(b)(i).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22 MEMORANDUM ITEMS (CONT'D)

An analysis of changes in the gross carrying amount is as follows:

At 31 December 2020:

	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January 2020	18,013,345	2,180,506	1,005	20,194,856
Financial assets originated or purchased	12,006,174	436,888	61,379	12,504,441
Assets derecognised or repaid (excluding write offs)	(10,847,370)	(1,399,010)	(8,107)	(12,254,487)
Transfers to Stage 1	205,202	(205,202)	-	-
Transfers to Stage 2	(387,022)	387,022	-	-
Transfers to Stage 3	-	(134,746)	134,746	-
Gross carrying amount as at 31 December 2020	18,990,329	1,265,458	189,023	20,444,810

At 31 December 2019:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January 2019	12,179,781	5,484,390	3,498	17,667,669
Financial assets originated or purchased	10,072,787	1,119,556	-	11,192,343
Assets derecognised or repaid (excluding write-offs)	(6,605,829)	(2,056,794)	(2,533)	(8,665,156)
Transfers to Stage 1	2,424,141	(2,424,141)	-	-
Transfers to Stage 2	(57,375)	57,495	(120)	-
Transfers to Stage 3	(160)	-	160	-
Gross carrying amount as at 31 December 2019	18,013,345	2,180,506	1,005	20,194,856

At 31 December 2018:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January 2018	26,530,116	-	-	26,530,116
Financial assets originated or purchased	9,324,074	637,436	3,498	9,965,008
Assets derecognised or repaid (excluding write-offs)	(15,404,311)	(816,137)	-	(16,220,448)
Transfers to Stage 2	(5,663,091)	5,663,091	-	-
Derecognition of Indian Operations following distribution in specie	(2,607,007)	-	-	(2,607,007)
Gross carrying amount as at 31 December 2018	12,179,781	5,484,390	3,498	17,667,669

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

22 MEMORANDUM ITEMS (CONT'D)

An analysis of changes in the corresponding ECL allowances is as follows:

At 31 December 2020:	Stage 1	Stage 2	Stage 3	Total
	Individual	Individual		
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January 2020	98,721	10,349	3,596	112,666
Movement for the year	73,321	105,118	143,845	322,284
Assets derecognised or repaid (excluding write offs)	(86,874)	(7,402)	(2,692)	(96,968)
Transfers to Stage 1	559	(559)	-	-
Transfers to Stage 2	(1,817)	1,817	-	-
Transfers to Stage 3	-	(424)	424	-
ECL allowance as at 31 December 2020	83,910	108,899	145,173	337,982

	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January 2019	57,115	53,290	4,590	114,995
Movement for the year	78,274	4,138	-	82,412
Assets derecognised or repaid (excluding write offs)	(61,965)	(21,782)	(994)	(84,741)
Transfers to Stage 1	25,545	(25,545)	-	-
Transfers to Stage 2	(248)	248	-	-
ECL allowance as at 31 December 2019	98,721	10,349	3,596	112,666

At 31 December 2018:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January 2018	172,864	-	-	172,864
Movement for the year	39,606	23,544	4,590	67,740
Assets derecognised or repaid (excluding write offs)	(115,703)	(9,906)	-	(125,609)
Transfers to Stage 2	(39,652)	39,652	-	-
ECL allowance as at 31 December 2018	57,115	53,290	4,590	114,995

The Bank is subject to various legal claims from former employees and customers with claims totalling MUR 724.8 million (2019: MUR 584.1 million and 2018: MUR 553.3 million). The Bank has not made any provisions in these financial statements as at 31 December 2020 on the basis that so far there is no indication that the claims would succeed in court.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

23 ASSETS PLEDGED

The aggregate carrying amount of assets that have been pledged to secure the credit facilities of the Bank are as follows:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Bank of Mauritius Bonds / Government of Mauritius Bonds	6,555,000	70,000	5,427,202
Other investment securities	4,884,628	-	-
	11,439,628	70,000	5,427,202
Analysed as:			
- In Mauritius	6,555,000	70,000	3,542,550
- Overseas	4,884,628	-	1,884,652
	11,439,628	70,000	5,427,202

24 CAPITAL COMMITMENTS

	31 December 2020	31 December 2019	31 December 2018
Approved and contracted for	85,901	182,952	85,160
Approved and not contracted for	175,288	402,998	72,333

25 OPERATING LEASE

Accounting policy

Prior to 01 January 2019

Rentals payable under operating leases are charged to the statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

From 01 January 2019

Refer to Note 11b. Right-of-use assets and lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

25 OPERATING LEASE (CONT'D)

	31 December 2018
Leasing arrangements - The Bank as lessee	MUR' 000
Operating lease expense	64,684

Operating lease payments represent rentals payable for property, equipment and motor vehicles for the entire contract period. Operating lease contracts contain renewal clauses in the event that the Bank exercises its option to renew the contracts. The Bank does not have an option to purchase the assets at the expiry of the lease period.

The future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2018
	MUR' 000
Up to 1 year	46,064
After 1 year and before 5 years	89,193
After 5 years and up to 25 years	31,760
	167,017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

26 NET INTEREST INCOME

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

For all financial instruments measured at amortised cost and interest-earning financial instruments classified as investment securities measured at FVTOCI, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises their estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the outstanding amount of the financial asset. For all credit-impaired assets, the interest income is reversed and charged against the outstanding amount of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

26 NET INTEREST INCOME (CONT'D)

	31 December 2020	31 December 2019	31 December 2018
		Restated	*Restated*
Interest income using the effective interest method	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	34,602	125,512	156,248
Loans to and placements with banks	133,551	233,578	312,079
Loans and advances to non-bank customers	5,017,425	5,692,812	5,685,737
Investment securities at amortised cost	804,725	719,612	417,241
Investment securities at FVTOCI	945,362	1,062,746	686,469
	6,935,665	7,834,260	7,257,774
Other interest income			
Investment securities measured at FVTPL	55,390	66,790	153,897
Derivatives	236,159	78,954	129,101
	291,549	145,744	282,998
Total interest income	7,227,214	7,980,004	7,540,772
Interest expense using the effective interest method			
Deposits from customers	(780,638)	(1,649,120)	(1,376,701)
Other borrowed funds	(266,058)	(354,307)	(265,485)
Interest expense on lease liabilities	(13,761)	(15,064)	-
Other	(1,746)	(5,038)	(1,188)
	(1,062,203)	(2,023,529)	(1,643,374)
Other interest expense			
Derivatives	(434,831)	(163,906)	(267,674)
	(434,831)	(163,906)	(267,674)
Total interest expense	(1,497,034)	(2,187,435)	(1,911,048)
Net interest income	5,730,180	5,792,569	5,629,724

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

27 NET FEE AND COMMISSION INCOME

Accounting policy

Fees and commission income and expense are recognised on an accrual basis when the service has been provided. Commission and fees arising from negotiation of transactions with third parties, or participating in the negotiation of a transaction for a third party is recognised on completion of the underlying transaction. Fees and commission that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. Other fees and commission expense relate mainly to transaction and services fee, which are expensed as the services are received.

	31 December 2020	31 December 2019	31 December 2018
		Restated	*Restated*
Fee and commission income	**MUR' 000**	**MUR' 000**	**MUR' 000**
Retail banking customer fees	274,620	264,105	200,271
Corporate banking customer fees	309,083	393,260	357,674
Card income	359,274	400,141	350,519
Other	28,373	18,955	19,740
Total fee and commission income	971,350	1,076,461	928,204
Fee and commission expense			
Interbank transaction fees	(21,922)	(16,800)	(14,409)
Other	(14,778)	(14,916)	(8,606)
Total fee and commission expense	(36,700)	(31,716)	(23,015)
Net fee and commission income	934,650	1,044,745	905,189

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

28 NET TRADING INCOME

Accounting policy

Profits arising from dealings in foreign currencies include gains and losses from spot and forward contracts and other currency derivatives. Debt securities income includes the results of buying and selling and changes in the fair value of debt securities and debt securities sold short. The results of trading money market instruments, interest rate swaps, options and other derivatives are recorded under other interest rate instruments.

Other net trading income includes the impact of fair value changes due to movement in the fair value of asset backed securities, recorded as held for trading.

Gains or losses on assets, liabilities and derivatives designated in hedge relationships recognise fair value movements (excluding interest) on both the hedged item and hedging derivative in a fair value hedge relationship, and hedge ineffectiveness from fair value hedge relationships.

Gains or losses on other financial assets designated at fair value through profit or loss recognise fair value movements (excluding interest) on those items designated as fair value through profit or loss.

	31 December 2020	31 December 2019	31 December 2018
		Restated	*Restated*
	MUR' 000	**MUR' 000**	**MUR' 000**
Profit arising on dealings in foreign currencies	469,488	505,120	802,978
Fair value movements on debt securities measured at FVTPL	211,096	445,554	227,496
Other interest rate instruments	146,967	146,676	487,993
	827,551	1,097,350	1,518,467

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

29A NET GAINS/(LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020	31 December 2019	31 December 2018
		Restated	*Restated*
	MUR' 000	MUR' 000	MUR' 000
Financial assets mandatorily measured at fair value through profit or loss	30,083	(23,141)	(2,401)
Derivatives held for risk management purposes	(59,301)	(69,148)	(49,026)
	(29,218)	(92,289)	(51,427)

29B NET GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH COMPREHENSIVE INCOME

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Financial assets mandatorily measured at fair value through other comprehensive income	1,203,006	224,380	-

The Bank realised significant gains during the year which were driven by the Bank's treasury management operation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

30 PERSONNEL EXPENSES

Accounting policy

Short-term employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:

(a) wages, salaries and social security contributions;

(b) paid annual leave and paid sick leave;

(c) bonuses; and

(d) non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees.

When an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

The Bank operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under personnel expenses. Unpaid contributions are recorded as a liability. Refer to Note 14 for accounting policy on defined benefit plans.

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Wages and salaries	1,241,115	1,396,876	1,001,238
Other social security obligations	18,293	29,005	-
Contributions to defined contribution plans	119,018	137,615	80,843
Increase in liability for defined benefit plans (*Note 14 (a)*)	39,214	32,684	30,245
Residual retirement gratuities (*Note 14 (b)*)	(84,381)	30,925	63,434
Staff welfare cost	39,301	54,308	50,220
Other	42,196	38,179	45,185
	1,414,756	1,719,592	1,271,165

31 OTHER EXPENSES

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology cost	434,536	435,659	301,567
Utilities and telephone charges	51,373	66,740	56,322
Professional charges	118,806	130,990	91,415
Marketing costs	52,721	76,653	55,370
Rent, repairs, maintenance and security charges	125,158	131,351	127,195
Licence and other registration fees	24,083	24,509	20,905
Postage, courier and stationery costs	44,285	50,683	45,420
Insurance costs	42,994	43,006	12,466
Other*	102,600	112,962	57,772
	996,556	1,072,553	768,432

** Includes mainly other operational costs.*

32 CREDIT LOSS EXPENSE ON FINANCIAL ASSETS & MEMORANDUM ITEMS

Accounting policy

The Bank recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Loans to and placements with banks;
- Loans and advances to non-bank customers;
- Debt investment securities;
- Loan commitments issued;
- Financial guarantee contracts, bills and letters of credit.

32 CREDIT LOSS EXPENSE ON FINANCIAL ASSETS & MEMORANDUM ITEMS (CONT'D)

Accounting policy (cont'd)

With the exception of POCI assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, that is, lifetime ECL that results from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as stage 1); or
- full lifetime ECL, that is, lifetime ECL that results from all possible default events over the life of the financial instrument, (referred to as stage 2 and stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood of 'investment grade'.

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

The Bank measures ECL on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankrupcy or other financial reorganisation;

(e) the disappearance of an active market for the financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

32 CREDIT LOSS EXPENSE ON FINANCIAL ASSETS & MEMORANDUM ITEMS (CONT'D)

Accounting policy (cont'd)

Credit-impaired financial asset (cont'd)

A loan that has been renegotiatied due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit-impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit-impaired when there is observable evidence of credit impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

Definition of default and cure

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different type of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators such as breach of covenants, overdue status, non-payment on another obligation of the same counterparty. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources, for example, BOM guidelines on impairment.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as stage 2 or stage 1 once cured depends on the updated credit grade, at the time of the cure and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

32 CREDIT LOSS EXPENSE ON FINANCIAL ASSETS & MEMORANDUM ITEMS (CONT'D)

The table below shows the impairment charges recorded in the statement of profit or loss under IFRS 9:

At 31 December 2020:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	60,159	(701,173)	4,320,300	3,679,286
Loans and placements with banks*	(7,289)	-	-	(7,289)
Debt instruments measured at amortised cost and FVTOCI**	(8,808)	24,665	-	15,857
Loan commitments	(18,350)	-	-	(18,350)
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	3,539	98,550	141,577	243,666
Total credit loss expense under IFRS 9	29,251	(577,958)	4,461,877	3,913,170
Bad debts recovered				(50,098)
				3,863,072

At 31 December 2019:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	229,143	804,977	2,653,981	3,688,101
Loans and placements with banks*	(47,372)	-	-	(47,372)
Debt instruments measured at amortised cost and FVTOCI**	7,729	-	-	7,729
Loan commitments	42,834	-	-	42,834
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(1,228)	(42,941)	(994)	(45,163)
Total credit loss expense under IFRS 9	231,106	762,036	2,652,987	3,646,129
Bad debts recovered				(39,463)
				3,606,666

*ECL movement for cash and cash equivalents is included under loans and placements with banks.

**ECL movement for debt instruments measured at FVTOCI is included under debt instruments measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

32 CREDIT LOSS EXPENSE ON FINANCIAL ASSETS & MEMORANDUM ITEMS (CONT'D)

At 31 December 2018:	Stage 1	Stage 2	Stage 3	Total
Loans and advances to non-bank customers	(261,425)	371,890	2,897,543	3,008,008
Loans and placements with banks*	43,782	-	-	43,782
Debt instruments measured at amortised cost and FVTOCI**	22,636	-	-	22,636
Loan commitments	(19,832)	-	-	(19,832)
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(42,626)	-	4,590	(38,036)
Total credit loss expense under IFRS 9	(257,465)	371,890	2,902,133	3,016,558
Write-off				120
Bad debts recovered				(6,322)
				3,010,356

*ECL movement for cash and cash equivalents is included under loans and placements with banks

**ECL movement for debt instruments measured at FVTOCI is included under debt instruments measured at amortised cost.

33 NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES

	Notes	31 December 2020	31 December 2019	31 December 2018
			Restated	*Restated*
Operating activities		MUR' 000	MUR' 000	MUR' 000
Profit for the year		1,453,914	499,767	673,420
Adjustments to determine net cash flows:				
Depreciation of property and equipment	11a	150,225	143,121	153,737
Depreciation of right-of-use assets	11b	37,439	49,941	-
Amortisation of intangible assets	12	457,997	474,547	568,659

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33 NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES (CONT'D)

	Notes	31 December 2020	31 December 2019	31 December 2018
			Restated	*Restated*
Adjustments to determine net cash flows (cont'd)		MUR' 000	MUR' 000	MUR' 000
Pension expense		(45,167)	84,793	30,245
Credit loss expense on financial assets	32	3,863,072	3,606,666	3,010,356
Impairment of non-financial assets	11	-	9,962	-
Net (gain) / loss on disposal of property and equipment		(734)	(884)	45,826
Tax expense	18 & 18b	293,088	501,452	680,960
Loss in distribution of dividend in specie		-	-	685,838
Operating profit before working capital changes		6,209,834	5,369,365	5,849,041
Change in operating assets and liabilities				
Decrease in derivative financial assets		114,516	8,212	446,339
Decrease / (increase) in loans to and placements with banks		2,048,312	4,091,635	(3,903,928)
Increase in loans and advances to non-bank customers		(3,677,294)	(8,655,418)	(410,459)
Increase in gilt-edged investment securities		(7,466,781)	(14,959,447)	(13,185,216)
Increase in other investment securities		(11,467,459)	(7,192,541)	(2,543,882)
Increase in mandatory balances with central banks		(423,378)	(558,239)	(252,613)
Decrease in other assets		84,970	55,377	(185,429)
Increase in deposits from banks		190,304	133,240	70,370
Increase in deposits from non-bank customers		16,745,568	25,727,862	9,816,305
Increase / (decrease) in derivative financial liabilities		164,299	40,099	(608,680)
(Decrease) / increase in other liabilities		(1,067,788)	548,304	1,172,462
Income tax paid		(759,865)	(763,454)	(315,265)
Net cash generated from / (used in) operating activities		695,238	3,844,995	(4,050,955)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

34 CAPITAL MANAGEMENT

The Bank manages its capital to ensure that it will be able to continue as a going concern and maximise returns to shareholders. It also ensures that adequate capital is maintained to support its growth strategies, its risk appetite and depositors' confidence, while complying with statutory and regulatory requirements. The capital resources of the Bank are disclosed in the *statement of changes in equity* .
The Bank has met the respective minimum capital requirements set out by the relevant regulatory body and, where applicable, appropriate transfers have also been made to statutory reserves, ranging from 10% to 25% of annual profits.

The Bank has also met its respective minimum capital adequacy ratio requirements.

	31 December 2020	31 December 2019	31 December 2018
		Restated	*Restated*
	MUR' 000	MUR' 000	MUR' 000
Tier 1 capital	15,797,392	13,915,906	13,447,710
Tier 2 capital	1,837,758	1,810,211	1,599,058
Eligible capital base	17,635,150	15,726,117	15,046,768
Risk weighted assets	110,653,895	106,543,616	98,286,487
Capital adequacy ratio (%)	15.94	14.76	15.31

Tier 1 Capital also known as going concern capital consists of shareholder's equity less revaluation of fixed assets and regulatory deductions such as intangible assets and deferred tax and Tier 2 Capital also known as the supplementary capital that provides loss absorption of a gone concern basis includes 45% revaluation reserves on fixed assets and allowances for credit losses (restricted to 1.25% of total credit risk weighted assets).

35 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors regard SBM Holdings Ltd, a company incorporated in Mauritius as its ultimate holding company and SBM (Bank) Holdings Ltd, a company incorporated in Mauritius as its immediate holding company. SBM Holdings Ltd is a public company, domiciled in Mauritius and listed on the Stock Exchange of Mauritius. The address of the registered office of both SBM Holdings Ltd and SBM (Bank) Holdings is SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

36 RELATED PARTY DISCLOSURES

Accounting policy

For the purposes of these financial statements, parties are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank or exercise significant influence over the Bank in making financial and operating decisions, or vice versa, or if they and the Bank are subject to common control. Related parties may be individuals or other entities.

	Key management personnel including Directors			Associates and other entities in which the Group has significant influence			Immediate holding company and entities under common control		
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Credit facilities									
(i) Loans									
Balance at beginning of year	136,309	160,402	170,942	2,828,699	2,589,191	2,868,421	1,117,870	5,589	3,205
Loans of directors / entities who ceased to be related parties during the year	(58,891)	(49,167)	(23,513)	-	-	(391,377)	-	-	-
Existing loans of new related parties	39,694	17,792	20,937	-	-	-	447,637	1,112,281	-
Derecognition of associate by the Group	-	-	-	(2,828,699)	-	-	-	-	-
Other net movements	131,909	7,282	(7,964)	-	239,508	112,147	-	-	2,384
Balance at end of year	249,021	136,309	160,402	-	2,828,699	2,589,191	1,565,507	1,117,870	5,589
(ii) Off-balance sheet obligations									
Balance at end of year	-	-	50	-	720,982	678,424	120,191	143,143	12,000
(b) Placements at end of year	-	-	-	-	-	-	46,223	612,969	14,003
(c) Deposits at end of year	238,137	217,086	216,359	-	2,031,404	1,566,800	814,437	456,481	171,484
(d) Borrowings at end of year	-	-	-	-	-	-	63,528	102,813	317,837
(e) Interest income	6,841	6,562	7,855	-	84,331	84,922	31,174	20,495	18,781
(f) Interest expense	1,406	1,736	1,791	-	29,358	19,934	263	416	44
(g) Other income	186	34	32	-	12,548	13,908	2,887	1	2
(h) Emoluments	26,968	32,458	38,321	-	-	-	-	-	-
(i) Payables	-	-	-	-	-	-	11,787	-	-

Short-term benefits amounted to MUR 26.97 million at the reporting date (2019: MUR 32.46 million and 2018: MUR 38.32 million) and long-term benefits was nil at the reporting date (2019 and 2018: nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

36 RELATED PARTY DISCLOSURES (CONT'D)

Related party transactions in relation to Post Employment Benefit plans are as follows:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Deposits at end of year	188,541	211,640	97,051
Interest expense	-	216	32
Other income	4	-	-
Contributions paid	132,322	172,701	112,403

Transactions of the Bank with the ultimate holding company and the subsidiaries within the Group are disclosed below:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Net interest income	44,951	20,859	6,659
Non-interest expense	-	-	225
Derivative financial instruments (asset)	35,507	45,354	-

Credit facilities to key management personnel and executive directors are as per their contract of employment. All other transactions with key management personnel and directors, whether credit facilities, deposits or purchase of goods and services, are at market terms and conditions and will be settled in cash.

All credit facilities with entities considered as related parties disclosed above are at market terms and conditions and will be settled in cash. Credit facilities are secured except for credit card advances and some personal loans which are granted under an unsecured loan scheme in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT

The Board of Directors oversees the risk management framework and ensures decision making is aligned with the Board-driven strategic risk objectives and risk appetite. Board approves the risk policies and a set of prudential limits and risk tolerance limits, besides regulatory limits, within which the Bank operates. The Senior Management monitors risks totally on an ongoing basis at regular intervals as necessary and is accountable to ensure its operations are within approved policies, prudential limits besides regulatory limits and risk appetite approved framework. Any deviation and non-compliance are reported to Board Risk Committee. The principal risks arising from financial instruments to which the Bank are exposed include credit risk, liquidity risk, market risk, operational risk, strategic risk and reputational risk.

a(i) Classification of financial assets and financial liabilities

The following table shows the measurement categories under IFRS 9 for the Bank's financial assets and financial liabilities:

Financial assets	Classifcation and measurement category	31 December 2020	31 December 2019	31 December 2018
			Restated	*Restated*
		MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	Amortised Cost	16,749,335	15,386,899	11,211,712
Mandatory balances with central bank	Amortised Cost	9,749,384	9,326,006	8,767,767
Loans to and placements with banks	Amortised Cost	3,130,387	5,174,088	9,256,411
Derivative financial instruments	Fair value through P&L	774,785	889,301	897,514
Loans and advances to non-bank customers	Amortised cost	99,350,937	99,302,829	94,296,051
Investment securities	Amortised cost	33,808,788	19,339,255	13,806,487
Investment securities	Fair value through OCI	50,175,246	42,291,708	27,244,706
Investment securities	Fair value through P&L	9,349,604	11,825,756	9,883,115
Equity investments	Fair value through OCI	4,408	3,411	3,411
Other assets	Amortised Cost	533,302	626,543	714,833
Total financial assets		223,626,176	204,165,796	176,082,007
Financial liabilities				
Deposits from banks	Amortised Cost	1,119,661	929,357	796,117
Deposits from non-bank customers	Amortised Cost	190,004,270	173,258,702	147,530,840
Other borrowed funds	Amortised Cost	11,085,951	10,140,215	9,216,441
Derivative financial instruments	Fair value through P&L	1,165,271	1,000,972	960,873
Other liabilities	Amortised Cost	4,528,646	5,225,986	4,586,350
Total financial liabilities		207,903,799	190,555,232	163,090,621

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

a(ii) Fair values

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

	31 December 2020		31 December 2019		31 December 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
			Restated		Restated	
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets						
Cash and cash equivalents	16,749,335	16,749,335	15,386,899	15,386,899	11,211,712	11,211,712
Mandatory balances with central bank	9,749,384	9,749,384	9,326,006	9,326,006	8,767,767	8,767,767
Loans to and placements with banks	3,130,387	3,130,387	5,174,088	5,174,088	9,256,411	9,256,411
Derivative financial instruments	774,785	774,785	889,301	889,301	897,514	897,514
Loans and advances to non-bank customers	99,350,937	99,209,129	99,302,829	99,080,390	94,296,051	95,941,685
Investment securities	93,338,046	94,904,276	73,460,130	73,689,180	50,937,720	54,385,610
Other assets	533,302	533,302	626,543	626,543	714,833	714,833
	223,626,176	225,050,598	204,165,796	204,172,407	176,082,008	181,175,532
Financial liabilities						
Deposits from banks	1,119,661	1,119,661	929,357	929,357	796,117	796,117
Deposits from non-bank customers	190,004,270	190,032,028	173,258,702	173,257,902	147,530,840	147,843,840
Other borrowed funds	11,085,951	11,085,951	10,140,215	10,140,215	9,216,441	9,216,441
Derivative financial instruments	1,165,271	1,165,271	1,000,972	1,000,972	960,873	960,873
Other liabilities	4,528,646	4,528,646	5,225,986	5,225,986	4,586,350	4,586,350
	207,903,799	207,931,557	190,555,232	190,554,432	163,090,621	163,403,621

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

a(ii) Fair values (cont'd)

Loans and advances to non-bank customers

All the fixed loans and advances maturing after one year have been fair valued based on the current prevailing lending rate.

Investment securities and equity investments

All government bonds and BOM bonds have been fair valued based on the latest weighted yield rate. The equity investment has been fair valued at year end based on the net assets value of the investee.

Derivative Financial Instruments

Derivative products valued using a valuation methodology with market observable inputs include forward foreign exchange contracts, interest rate swaps and option contracts across several asset classes, including but not limited to foreign currencies, commodities, indices and equities. The most frequently applied valuation techniques include forward pricing and swap models, using discounted cash flow methodology based on market conventions. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves, market volatilities and other feeds from appointed valuation/calculation agents.

Deposits from non-bank customers

For deposits from non-bank customers, all the term deposits maturing after one year have been fair valued based on the current prevailing savings rate.

Index linked notes

Index linked notes are investment products that combine a fixed income investment with additional potential returns that are tied to the performance of equities. Equity linked notes are usually structured to return the initial investment with a variable interest portion that depends on the performance of the linked equity.

Except for the levels in which the financial assets and financial liabilities are shown in table 37 (a)(iii), the fair values of the other financial assets and financial liabilities are categorised in level 3.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

a(iii) Fair value measurement hierarchy

Accounting policy

The Bank measures financial instruments, such as, derivatives at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in note a (ii) below. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Bank.The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Significant accounting estimates and judgements

The fair value of equity investments that are quoted on active markets are based on the quoted prices for these instruments. Valuation techniques used to estimate the fair value of unquoted equity investments include the dividend growth, discounted cash flows and net assets. Management has made certain assumptions for inputs in the models, such as risk free rate, risk premium, dividend growth rate, future cash flows, weighted average cost of capital, and earnings before interest depreciation and tax, which may be different from actual. Inputs are based on information available at the reporting date.

The determination of fair values, estimated by discounting future cash flows and by determining the relative interest rates, is subjective. The estimated fair value was calculated according to interest rates prevailing at the reporting date and does not consider interest rate fluctuations. Given other interest rate assumptions, fair value estimates may differ.

Fair value measurements of financial instruments can be grouped into level 1 to 3 based on the degree to which the fair value is observable, namely:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

a(iii) Fair value measurement hierarchy (cont'd)

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

	Quoted prices in active markets Level 1	Significant unobservable inputs Level 2	Significant unobservable inputs Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020				
Derivative financial assets	-	774,785	-	774,785
Investment securities mandatorily measured at FVTPL				
Debt securities	8,564,319	-	785,285	9,349,604
Investments at FVTOCI				
Debt securities	50,175,246	-	-	50,175,246
Equity investments	-	-	4,408	4,408
Total assets	58,739,565	774,785	789,693	60,304,043
Derivative financial liabilities	-	1,165,271	-	1,165,271
Total liabilities	-	1,165,271	-	1,165,271

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

a(iii) Fair value measurement hierarchy (cont'd)

	Quoted prices in active markets Level 1	Significant unobservable inputs Level 2	Significant unobservable inputs Level 3	Total
31 December 2019 (Restated)	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Derivative financial assets	-	889,301	-	889,301
Investment securities mandatorily measured at FVTPL				11,825,756
Debt securities	11,116,554	-	709,202	
Investments at FVTOCI				42,291,708
Debt securities	42,291,708	-	-	3,411
Equity investments	-	-	3,411	55,010,176
Total assets	53,408,262	889,301	712,613	1,000,972
Derivative financial liabilities	-	1,000,972	-	1,000,972
Total liabilities	-	1,000,972	-	
31 December 2018 (Restated)				897,514
Derivative financial assets	-	897,514	-	
Investment securities mandatorily measured at FVTPL				9,883,116
Debt securities	8,946,664	765,119	171,333	
Investments at FVTOCI				27,244,706
Debt securities	19,935,729	7,308,977	-	3,411
Equity investments	-	-	3,411	38,028,747
Total assets	28,882,393	8,971,610	174,744	960,873
Derivative financial liabilities	-	960,873	-	960,873
Total liabilities	-	960,873	-	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

a(iii) Fair value measurement hierarchy (cont'd)

Reconciliation of level 3 assets:	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Balance at start of year	712,613	174,744	797,336
Additions	-	549,306	172,646
Disposals	-	-	(607,868)
Fair value movement	77,080	(11,437)	1,729
Derecognition of Indian Operations following distribution in specie	-	-	(189,100)
Balance at end of year	789,693	712,613	174,743

b Credit risk

The Bank is exposed to credit risk through its lending, trade finance, treasury, asset management and leasing activities. Credit risk is the risk of loss arising from the failure of a counterparty to fulfil its contractual or financial obligations to the Bank as and when they fall due. The Bank's credit risk is managed through a portfolio approach with prudential limits set across country, bank, industry, group and individual exposures. The credit risk team, independent of the origination process, ensures the accumulation of assets within acceptable risk norms using internal and external rating systems for the standardisation of credit assessment. The Bank has a tiered credit sanctioning process depending on the credit quality, exposure type and amount. Credit exposures and risk profile are monitored by the Credit Risk Management unit and are reported regularly to the Board Risk Management Committee. The Bank has also enhanced its credit risk policy to reinforce its controls on segment B lending.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)
(i) Maximum credit exposure

The maximum exposure to credit risk at the reporting date without taking account of any collateral held and other credit enhancements is as disclosed below:

	31 December 2020	31 December 2019	31 December 2018
		Restated	Restated
Fund-based exposures:	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	14,208,901	12,974,366	8,577,539
Mandatory balances with central bank	9,749,384	9,326,006	8,767,767
Loans to and placements with banks	3,150,745	5,199,057	9,290,692
Derivative financial instruments	774,785	889,301	897,514
Loans and advances to non-bank customers	110,787,991	107,069,501	99,798,242
Investment securities	93,376,566	73,483,267	50,946,759
Other assets	533,302	626,543	714,833
	232,581,674	209,568,041	178,993,346
Non-fund based exposures:			
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	9,593,611	8,519,481	8,596,373
Credit commitments	10,851,199	11,675,375	9,071,296
	20,444,810	20,194,856	17,667,669

An analysis of the Bank's maximum exposure to credit risk per class of financial asset, internal rating and 'stage', at the reporting date, without taking account of any collateral held and other credit enhancements has been disclosed in Notes 7, 9 and 10.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)
(i) Maximum credit exposure (cont'd)

An analysis of credit exposures, including non-fund based facilities, for advances to non-bank customers that are neither past due nor impaired using the Bank's credit grading system is given below:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Grades:			
1 to 3 - High Grade	16,904,833	41,019,256	41,356,537
4 to 6 - Standard	35,889,770	42,947,906	34,886,343
7 to 10 (including unrated) - Sub standard	58,146,344	25,994,326	25,647,564
	110,940,947	109,961,488	101,890,444

Grade 1 includes customers with low credit risk factors, strong financial conditions and excellent repayment capacities whereas grade 10 includes unrated customers which have been defaulted to 10 on a prudent basis.

Overview of modified loans

From a risk management point of view, once an asset is modified, the Bank continues to monitor the exposure until it is completely and ultimately derecognised.

The table below shows the gross carrying amount of modified financial assets for which loss allowance has changed during the year.

	31 December 2020		31 December 2019	
	Gross carrying amount	ECL	Gross carrying amount	ECL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Modified loans	25,441,261	353,714	12,494,575	326,436

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)
(i) Maximum credit exposure (cont'd)
Internal credit risk ratings

In order to minimise credit risk, the Bank has tasked its credit management committee to develop and maintain the Bank's credit risk grading to categorise exposures according to their degree of risk of default. The Bank's credit risk grading framework comprises different categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Bank's exposures:

- Payment record and ageing analysis;
- Extent of utilisation of granted limit;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies; and
- For retail exposures internally generated data of customer behaviour or other metrics.

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposure analysed by type of products and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Bank's internal credit risk grades to external ratings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)
(i) Maximum credit exposure (cont'd)
Internal credit risk ratings (cont'd)

Bank's credit risk grades	Moody's rating	Description
1	Aaa	High Grade
2	Aa1	High Grade
3	Aa2 to Aa3	High Grade
4	A1 to A3	Standard
5	Baa1 to Ba1	Standard
6	Ba1	Standard
7	Ba2 to Ba3	Sub-standard
8	B1	Sub-standard
9	B2 to B3	Sub-standard
10	Caa1 to NR	Sub-standard

The Bank analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time by using macroeconomic forecasts to adjust estimates of PDs.

Irrespective of the outcome of the above assessment, the Bank presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Bank has reasonable and supportable information that demonstrate otherwise. The Bank has monitoring procedures in place to ensure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due. The Bank performs periodic back-testing of its ratings to consider whether the drivers of credit-risk that led to default were accurately reflected in the rating in a timely manner.

37 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

1. Inputs, assumptions and techniques used in estimating impairment : Refer to Note 9 (c) Credit Impairment

2. Significant increase in credit risk

The Bank monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for certain industries, as well as internally generated information of customer payment behaviour. The Bank allocated its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with

- the remaining lifetime PD for the point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

The quantitative factors that indicate a significant increase in credit risk are reflected in PD models on a timely basis. However the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly, such as, creditworthiness of counterparty which has deteriorated such as unemployment, bankruptcy or death.

As a back-stop when an asset becomes 30 days past due (rebuttable presumption), the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

3. Modified financial asset

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under this policy, renegotiation is performed on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to renegotiation policy. For financial assets modified, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal based on the Bank's previous experience on similar renegotiation.

Generally modification of financial assets is a qualitative indicator of a significant increase in credit risk and may constitute evidence that the exposure is credit-impaired/ in default. A customer needs to demonstrate consistently good payment behaviour over a period of time, as prescribed by BOM guidelines on Credit Impairment Measurement and Income Recognition (see below) before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to lifetime ECL.

Where the restructuring occurs prior to the classification of a loan as impaired, the restructured loan is classified as impaired when, in the aggregate, the period of time the loan is in arrears before and after restructuring is 90 days or more.

Where the restructuring occurs after a loan has been classified as impaired, the restructured loan is continued to be classified as impaired until repayments have been received by the Bank, in amount and in such stipulated time, for a continuous period of six months, strictly in accordance with the terms and conditions of the restructured loan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)
(i) Maximum credit exposure (cont'd)
3. Modified financial asset (cont'd)

Where the loan has been restructured more than once, the restructured loan shall continue to be classified as impaired until repayments have been received by the financial institutions in amount and in such stipulated time, for a continuous period of nine months, at a minimum, strictly in accordance with the terms and conditions of the restructured loan.

4. Incorporation of forward-looking information

The Bank incorporates forward-looking information that is available without undue cost and effort into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on analysis from the Bank's Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. The following key indicators were considered:

- Consumer Price Index [CPI];
- Nominal Bilateral Exchange Rate;
- Debt to GDP ratio;
- Unemployment rate;
- Interest rate;
- Official reserves;
- Current account balance;
- Chare price index; and
- Real imports of goods and services.

Measurement of ECL : The key inputs into the measurement of ECL are the following:
(i) probability of default (PD);
(ii) loss given default (LGD);
(iii) exposure at default (EAD).

These parameters are derived from trusted external sources based on internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)
b Credit risk (cont'd)
(i) Maximum credit exposure (cont'd)

5. Measurement of ECL

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties as well as cure rates. The LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for loans with a funded component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)
(ii) Collateral and other credit enhancements

The use of credit risk mitigants is an integral part of the credit risk management process and is documented in the Bank Credit Risk policy. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types taken include:

- Fixed / floating charge on assets of borrowers;
- Pledge of deposits / securities / life insurance policy / shares;
- Government guarantee / bank guarantee / corporate guarantee / personal guarantee;
- Lien on vehicle; and
- Letter of comfort.

The Bank holds collateral and other credit enhancement against certain of its credit exposure. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	31 December 2020	31 December 2019	31 December 2018	Principal Type of collateral held
		Restated	*Restated*	
	MUR' 000	MUR' 000	MUR' 000	
Fund-based exposures:				
Cash and cash equivalents	14,208,901	12,974,367	8,577,539	Unsecured
Mandatory balances with Central Bank	9,749,384	9,326,006	8,767,767	Unsecured
Loans to and placements with banks	3,150,745	5,199,057	9,290,692	Unsecured
Derivative financial instruments	774,785	889,301	897,514	Unsecured
Loans and advances to non-bank customers	110,787,991	107,069,501	99,798,242	Residential property
Investment securities	93,376,566	73,483,267	50,946,759	Unsecured
Other assets	533,302	626,543	714,833	Unsecured
Non-fund based exposures:				
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	9,593,611	8,519,481	8,596,373	Residential property
Credit commitments	10,851,199	11,675,375	9,071,296	Unsecured

In addition to the collateral included in the table above, the Bank holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

There was no change in the Bank's collateral policy during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(iii) Ageing of loans and advances that are past due but not impaired:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Up to 1 month	139,068	163,012	118,304
Over 1 month and up to 3 months	502,055	346,884	364,136
	641,123	509,896	482,440

Under the Bank's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. The table below provides an analysis of the gross carrying amount of receivables by past due status:

	31 December 2020		31 December 2019		31 December 2018	
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
0-30 days (Stage 1)	79,678,480	711,750	74,499,853	651,591	55,905,181	422,448
31-89 days (Stage 2)	18,765,353	961,423	22,250,513	1,662,596	31,450,316	857,619
Total	98,443,833	1,673,173	96,750,366	2,314,187	87,355,497	1,280,067

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)
(iv) Impaired financial assets

Loans and advances are assessed for impairment when objective evidence, such as default or delinquency in interest or principal payments, significant financial difficulty of the counterparty or evidence that the borrower will enter bankruptcy or financial re-organisation, which indicate that the account may be impaired.

The carrying amount of impaired financial assets and specific allowance held are shown below:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Loans and advances (Note 9c)	12,344,158	10,319,135	12,442,745
Specific allowance held in respect of impaired advances (Note 9c)	9,763,881	5,452,485	4,222,124
Fair value of collaterals of impaired advances	2,951,380	4,956,827	7,960,053

(v) Credit concentration of risk by industry sectors

Total outstanding credit facilities, net of deposits where there is a right of set off, including guarantees, acceptances, and other similar commitments extended by the Bank to any one customer or group of closely-related customers for amounts aggregating more than 10% of its capital base, classified by industry sectors:

	31 December 2020	31 December 2019	31 December 2018
Portfolio	MUR' 000	MUR' 000	MUR' 000
Agriculture	3,227,632	3,859,712	5,603,930
Traders	8,042,135	7,883,416	14,476,212
Real estate	5,704,924	5,150,442	3,168,948
Transport	1,825,995	4,012,762	2,357,501
Tourism	8,389,473	6,758,321	6,812,399
Financial services	12,870,411	6,873,501	-
	40,060,570	34,538,154	32,418,990

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

c Liquidity risk

Liquidity risk is the potential earnings volatility arising from being unable to fund assets at reasonable rates over required maturities. The Bank ensures that sufficient liquidity is maintained to fund its day-to-day operations, meet deposit withdrawals and loan disbursements. Liquidity risk is managed by setting prudential limits on maturity mismatches, liquid assets ratios, concentration of deposits by type and by entity. Liquidity gap analysis is used to measure and monitor the mismatches by time bucket and currency under realistic and stress scenarios.

(i) The tables below show the expected timing of cash flows for financial assets and liabilities of the Bank, slotted as per the rules defined by the Bank of Mauritius.

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket	Total
31 December 2020	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets								
Cash and cash equivalents	16,750,354	-	-	-	-	-	(1,019)	16,749,335
Mandatory balances with central bank	2,693,088	327,572	56,051	301,183	92,022	6,279,468	-	9,749,384
Loans to and placements with banks	-	46,000	1,260,591	1,008,285	593,109	242,760	(20,358)	3,130,387
Derivative financial instruments	-	-	-	-	-	-	774,785	774,785
Loans and advances to non-bank customers	3,922,256	5,418,721	6,222,239	9,617,426	26,507,611	46,816,786	845,898	99,350,937
Investment securities	34,063,486	700,100	5,068,127	4,851,017	15,855,299	32,834,130	(34,113)	93,338,046
Other assets	-	-	-	-	-	-	533,302	533,302
Total financial assets	57,429,184	6,492,393	12,607,008	15,777,911	43,048,041	86,173,144	2,098,495	223,626,176
Financial liabilities								
Deposits from banks	1,119,661	-	-	-	-	-	-	1,119,661
Deposits from non-bank customers	22,284,959	10,010,474	3,137,963	8,739,581	1,692,804	144,138,489	-	190,004,270
Other borrowed funds	918,515	2,028,813	2,220,960	1,062,055	4,203,913	651,695	-	11,085,951
Derivative financial instruments	-	-	-	-	-	-	1,165,271	1,165,271
Other liabilities	-	-	-	-	-	-	4,528,646	4,528,646
Total financial liabilities	24,323,135	12,039,287	5,358,923	9,801,636	5,896,717	144,790,184	5,693,917	207,903,799
Liquidity Gap	33,106,049	(5,546,894)	7,248,085	5,976,275	37,151,324	(58,617,040)	(3,595,422)	15,722,377

Non-maturity bucket includes ECL provisions, investment in shares having no maturity, non-performing loans whose maturity date have been exceeded, derivatives, other assets and liabilities with undetermined maturity dates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

31 December 2019 (Restated)	Up to 1 month MUR' 000	1-3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-3 years MUR' 000	Over 3 years MUR' 000	Non-Maturity Bucket MUR' 000	Total MUR' 000
Financial assets								
Cash and cash equivalents	15,386,100	4,497	-	-	-	-	(3,698)	15,386,899
Mandatory balances with central bank	3,398,190	86,271	95,036	101,662	107,949	5,536,898	-	9,326,006
Loans to and placements with banks	196,289	395,111	2,595,684	1,249,520	762,453	-	(24,969)	5,174,088
Derivative financial instruments	-	-	-	-	-	-	889,301	889,301
Loans and advances to non-bank customers	5,489,867	5,570,486	4,647,548	9,602,131	25,049,629	45,493,252	3,449,916	99,302,829
Investment securities	30,079,628	3,910,955	3,225,528	2,637,400	9,939,827	23,526,622	140,170	73,460,130
Other assets	-	-	-	-	-	-	626,543	626,543
Total financial assets	54,550,074	9,967,320	10,563,796	13,590,713	35,859,858	74,556,772	5,077,263	204,165,796
Financial liabilities								
Deposits from banks	893,524	23,747	12,086	-	-	-	-	929,357
Deposits from non-bank customers	25,106,827	6,601,613	5,817,238	5,506,385	1,992,265	128,234,374	-	173,258,702
Other borrowed funds	5,767,984	43,307	1,272,535	146,271	2,398,950	511,168	-	10,140,215
Derivative financial instruments	-	-	-	-	-	-	1,000,972	1,000,972
Other liabilities	-	-	-	-	-	-	5,225,986	5,225,986
Total financial liabilities	31,768,335	6,668,667	7,101,859	5,652,656	4,391,215	128,745,542	6,226,958	190,555,232
Liquidity Gap	22,781,739	3,298,653	3,461,937	7,938,057	31,468,643	(54,188,770)	(1,149,695)	13,610,564
31 December 2018 (Restated)								
Financial assets								
Cash and cash equivalents	11,253,470	-	-	-	-	-	(41,758)	11,211,712
Mandatory balances with central bank	2,957,068	199,808	90,675	164,748	128,288	5,227,180	-	8,767,767
Loans to and placements with banks	1,092,716	2,479,307	2,495,283	553,723	2,669,663	-	(34,281)	9,256,411
Derivative financial instruments	-	-	-	-	-	-	897,514	897,514
Loans and advances to non-bank customers	4,661,493	7,921,780	4,274,936	9,415,027	20,701,640	38,329,629	8,991,546	94,296,051
Investment securities	22,391,525	1,619,324	1,881,135	3,204,656	10,315,022	11,360,354	165,704	50,937,720
Other assets	-	-	-	-	-	-	714,833	714,833
Total financial assets	42,356,272	12,220,219	8,742,029	13,338,154	33,814,613	54,917,163	10,693,558	176,082,008

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

31 December 2018 (Restated) (cont'd)	Up to 1 month MUR' 000	1-3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-3 years MUR' 000	Over 3 years MUR' 000	Non-Maturity Bucket MUR' 000	Total MUR' 000
Financial Liabilities								
Deposits from banks	776,829	19,288	-	-	-	-	-	796,117
Deposits from non-bank customers	19,863,882	7,325,802	4,362,012	5,602,022	2,182,859	108,194,263	-	147,530,840
Other borrowed funds	4,127,492	256,688	3,633,991	163,906	518,957	515,407	-	9,216,441
Derivative financial instruments	-	-	-	-	-	-	960,873	960,873
Other liabilities	-	-	-	-	-	-	4,586,350	4,586,350
Total financial liabilities	24,768,203	7,601,778	7,996,003	5,765,928	2,701,816	108,709,670	5,547,223	163,090,621
Liquidity Gap	17,588,069	4,618,441	746,026	7,572,226	31,112,797	(53,792,507)	5,146,335	12,991,387

(ii) The table below shows the remaining contractual maturities of financial liabilities:

Financial liabilities	On Demand MUR' 000	1-3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-3 years MUR' 000	Over 3 years MUR' 000	Total MUR' 000
Deposits	167,429,282	11,813,428	2,937,042	6,655,675	1,692,804	595,700	191,123,931
Other borrowed funds	-	2,947,328	2,220,960	1,062,055	4,203,913	651,695	11,085,951
Derivative financial instruments	1,165,271	-	-	-	-	-	1,165,271
Other liabilities	4,528,646	-	-	-	-	-	4,528,646
31 December 2020	173,123,199	14,760,756	5,158,002	7,717,730	5,896,717	1,247,395	207,903,799
Deposits	142,109,515	18,790,812	4,877,264	3,833,264	1,992,265	2,584,939	174,188,059
Other borrowed funds	-	5,811,290	1,272,535	146,272	2,398,950	511,168	10,140,215
Derivative financial instruments	1,000,972	-	-	-	-	-	1,000,972
Other liabilities	5,225,986	-	-	-	-	-	5,225,986
31 December 2019 (Restated)	148,336,473	24,602,102	6,149,799	3,979,536	4,391,215	3,096,107	190,555,232
Deposits	124,179,001	12,713,760	3,924,142	5,235,769	2,182,859	91,426	148,326,957
Other borrowed funds	-	4,384,179	3,633,991	163,906	518,957	515,408	9,216,441
Derivative financial instruments	960,873	-	-	-	-	-	960,873
Other liabilities	4,586,350	-	-	-	-	-	4,586,350
31 December 2018 (Restated)	129,726,224	17,097,939	7,558,133	5,399,675	2,701,816	606,834	163,090,621

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

d Market risk

Market risk is the risk of loss resulting from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices. The Bank's market risks are monitored by the Market Risk Team and reported to the Market Risk Forum and Risk Management Committee on a regular basis.

(i) Interest rate risk

The Bank's interest rate risk arises mostly from mismatches in the repricing of its assets and liabilities. The Bank uses an interest rate gap analysis to measure and monitor the interest rate risk. Prudential limits for currency wise gaps, expressed as a percentage of assets, have been set for specific time buckets and earnings at risk is calculated based on different shock scenarios across major currencies.

The table below analyses the Bank's interest rate risk exposure in terms of the remaining period to the next contractual repricing date or to the maturity date, whichever is the earlier. The 'up to 3 months' column includes the financial assets and liabilities which have floating rates of interest that do not reprice at set dates, but rather reprice whenever the underlying interest rate index changes.

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
31 December 2020	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	-	-	-	-	-	-	16,749,335	16,749,335
Mandatory balances with central bank	-	-	-	-	-	-	9,749,384	9,749,384
Loans to and placements with banks	1,890,154	1,243,992	-	-	-	-	(3,759)	3,130,387
Derivative financial instruments	-	-	-	-	-	-	774,785	774,785
Loans and advances to non-bank customers	91,897,155	3,869,771	2,280,480	4,859,415	2,293,084	900,255	(6,749,223)	99,350,937
Investment securities	14,960,176	5,258,419	10,293,973	14,582,793	28,885,472	15,569,335	3,787,878	93,338,046
Other assets	-	-	-	-	-	-	533,302	533,302
Total assets	108,747,485	10,372,182	12,574,453	19,442,208	31,178,556	16,469,590	24,841,702	223,626,176

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
31 December 2020	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Liabilities								
Deposits from banks	-	-	-	-	-	-	1,119,661	1,119,661
Deposits from non-bank customers	82,493,697	2,527,063	5,882,858	119,123	716,415	-	98,265,114	190,004,270
Other borrowed funds	9,132,837	943,992	988,515	-	-	-	20,607	11,085,951
Derivative financial instruments	-	-	-	-	-	-	1,165,271	1,165,271
Other liabilities	-	-	-	-	-	-	4,528,646	4,528,646
Total liabilities	91,626,534	3,471,055	6,871,373	119,123	716,415	-	105,099,299	207,903,799
On balance sheet interest rate sensitivity gap	17,120,951	6,901,127	5,703,080	19,323,085	30,462,141	16,469,590	(80,257,597)	15,722,377
Off balance sheet interest rate sensitivity gap	8,825,230	(3,520,496)	(806,126)	(2,506,693)	(999,868)	(921,239)	-	70,808
	25,946,181	3,380,631	4,896,954	16,816,392	29,462,273	15,548,351	(80,257,597)	15,793,185

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

31 December 2019 (Restated)	Up to 3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-2 years MUR' 000	2-5 years MUR' 000	Over 5 years MUR' 000	Non-interest sensitive MUR' 000	Total MUR' 000
Assets								
Cash and cash equivalents	1,029,496	-	-	-	-	-	14,357,403	15,386,899
Mandatory balances with central bank	-	-	-	-	-	-	9,326,006	9,326,006
Loans to and placements with banks	2,939,766	1,520,344	334,335	346,000	-	-	33,643	5,174,088
Derivative financial instruments	-	-	-	-	-	-	889,301	889,301
Loans and advances to non-bank customers	88,834,177	3,018,690	5,290,106	3,870,028	4,162,361	1,923,767	(7,796,300)	99,302,829
Investment securities	19,838,915	4,752,681	5,259,649	5,045,025	25,748,612	11,945,431	869,817	73,460,130
Other assets	-	-	-	-	-	-	626,543	626,543
Total assets	112,642,354	9,291,715	10,884,090	9,261,053	29,910,973	13,869,198	18,306,413	204,165,796
Liabilities								
Deposits from banks	59,317	11,830	-	-	-	-	858,210	929,357
Deposits from non-bank customers	96,510,087	4,402,334	2,856,640	141,380	387,739	-	68,960,522	173,258,702
Other borrowed funds	8,461,415	1,650,689	-	-	-	-	28,111	10,140,215
Derivative financial instruments	-	-	-	-	-	-	1,000,972	1,000,972
Other liabilities	-	-	-	-	-	-	5,225,986	5,225,986
Total liabilities	105,030,819	6,064,853	2,856,640	141,380	387,739	-	76,073,801	190,555,232
On balance sheet interest rate sensitivity gap	7,611,535	3,226,862	8,027,450	9,119,673	29,523,234	13,869,198	(57,767,388)	13,610,564
Off balance sheet interest rate sensitivity gap	8,635,578	(2,014,728)	120,607	(1,187,222)	(3,127,618)	(2,173,653)	-	252,964
	16,247,113	1,212,134	8,148,057	7,932,451	26,395,616	11,695,545	(57,767,388)	13,863,528

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

31 December 2018 (Restated)	Up to 3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-2 years MUR' 000	2-5 years MUR' 000	Over 5 years MUR' 000	Non-interest sensitive MUR' 000	Total MUR' 000
Assets								
Cash and cash equivalents	1,160,206	-	-	-	-	-	10,051,506	11,211,712
Mandatory balances with central bank	-	-	-	-	-	-	8,767,767	8,767,767
Loans to and placements with banks	6,380,517	2,697,971	82,560	-	-	-	95,363	9,256,411
Derivative financial instruments	-	-	-	-	-	-	897,514	897,514
Loans and advances to non-bank customers	79,956,572	3,550,888	1,354,255	4,625,816	3,837,623	2,850,164	(1,879,267)	94,296,051
Investment securities	11,419,814	6,736,976	6,224,634	6,488,067	12,030,380	7,636,446	401,403	50,937,720
Other assets	-	-	-	-	-	-	714,833	714,833
Total assets	98,917,109	12,985,835	7,661,449	11,113,883	15,868,003	10,486,610	19,049,119	176,082,008
Liabilities								
Deposits from banks	48,217	-	-	-	-	-	747,900	796,117
Deposits from non-bank customers	76,892,630	3,374,910	3,875,756	275,958	77,619	-	63,033,967	147,530,840
Other borrowed funds	4,852,942	4,330,762	-	-	-	-	32,737	9,216,441
Derivative financial instruments	-	-	-	-	-	-	960,873	960,873
Other liabilities	-	-	-	-	-	-	4,586,350	4,586,350
Total liabilities	81,793,789	7,705,672	3,875,756	275,958	77,619	-	69,361,827	163,090,621
On balance sheet interest rate sensitivity gap	17,123,320	5,280,163	3,785,693	10,837,925	15,790,384	10,486,610	(50,312,708)	12,991,387
Off balance sheet interest rate sensitivity gap	7,558,239	(2,313,475)	(68,693)	(1,298,380)	(893,463)	(2,900,292)	-	83,936
	24,681,559	2,966,688	3,717,000	9,539,545	14,896,921	7,586,318	(50,312,708)	13,075,323

Various scenarios are used to measure the effect of the changing interest rates on net interest income including the standardised approach of 200bp parallel shock over a 12-month period assuming a static balance sheet, as shown below.

	31 December 2020 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000
Increase/(decrease) in profit	520,801	340,216	487,596

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)
(ii) Fair value hedges

	31 December 2020				31 December 2019				31 December 2018			
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
Micro fair value hedges	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed rate corporate loans	6,213,147	-	215,796	-	8,179,583	-	145,936	-	4,670,782	-	117,059	-
Fixed rate debt instrument	2,398,849	-	21,439	-	2,220,898	-	51,242	-	3,163,303	-	6,271	-
Fixed rate non-bank deposits	-	135,996	-	-	-	153,751	-	-	-	143,919	-	-

The following table provides information about the hedging instruments included in the derivative financial instruments line items of the Bank's statement of financial position:

	31 December 2020			31 December 2019			31 December 2018		
	Notional Amount	Carrying Amount		Notional Amount	Carrying Amount		Notional Amount	Carrying Amount	
Micro fair value hedges		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
Interest rate swaps	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
	7,084,396	393	235,903	12,577,020	367	280,993	2,650,748	2,377	122,874

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)
(ii) Fair value hedges (cont'd)

The below table sets out the outcome of the Bank's hedging strategy, set out in Note 8 and 9, in particular, to changes in the fair value of the hedged items and hedging instruments in the current year and the comparative year, used as the basis for recognising ineffectiveness:

		31 December 2020			31 December 2019			31 December 2018		
		Gain / (loss) attributable to the hedged risk			Gain / (loss) attributable to the hedged risk			Gain / (loss) attributable to the hedged risk		
Hedged items	**Hedged instruments**	Hedged items	Hedging instruments	Hedge ineffectiveness	Hedged items	Hedging instruments	Hedge ineffectiveness	Hedged items	Hedging instruments	Hedge ineffectiveness
Micro fair value hedge relationships hedging assets										
Fixed rate corporate loans	Interest rate swaps	215,796	(214,464)	1,332	145,936	(263,848)	(117,912)	117,059	(125,251)	(8,192)
Fixed rate debt instrument	Interest rate swaps	215,439	(21,439)	-	51,242	(17,145)	34,097	6,271	-	6,271
Micro fair value hedge relationships hedging liabilities										
Fixed rate non-bank deposits	Interest rate swaps	-	393	393	-	367	367	145,936	2,377	2,377
Total micro fair value hedge relationship		237,235	(235,510)	1,725	197,178	(280,626)	(83,448)	123,330	(122,874)	456

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(ii) Fair value hedges (cont'd)

The maturity profile of the hedging instruments used in micro fair value hedge relationships is as follows:

At 31 December 2020:	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	TOTAL
Fixed rate corporate loans	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest rate swap (Notional amount)	-	135,996	3,811,151	2,277,768	859,481	7,084,396
At 31 December 2019:						
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	549,111	-	9,869,879	2,158,030	12,577,020
At 31 December 2018:						
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	-	-	-	2,650,748	2,650,748

(iii) Currency risk

Foreign exchange risk arises from open and imperfectly offset or hedged positions. Imperfect correlations across currencies and international interest rate markets pose particular challenges to the effectiveness of foreign currency hedging strategies. The Bank exercises strict control over its foreign currency exposures. The Bank reports on foreign currency positions to the Central Bank and has set up conservative internal limits in order to mitigate foreign exchange risk. To manage their foreign currency exposures, dealers operate within prudential limits approved by the Board including intraday/overnight open exposures, stop loss and authorised currencies. These trading limits for Mauritius and Indian Operations are reviewed at least once annually by the Board / Board Risk Management Committee. The Middle Office closely monitors the Front Office and reports any excesses and deviations from approved limits to the Market Risk Forum and to the Board Risk Management Committee.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

The tables below show the carrying amounts of the monetary assets and liabilities:

At 31 December 2020:	MUR	USD	GBP	EURO	INR	KES	OTHER	TOTAL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	12,621,610	2,883,226	90,322	444,180	40,336	5,681	663,980	16,749,335
Mandatory balances with central banks	8,628,978	807,233	83,389	211,255	-	-	18,529	9,749,384
Loans to and placements with banks	333,150	2,553,203	-	244,034	-	-	-	3,130,387
Derivative financial instruments	279,262	431,138	1,571	10,327	42,797	-	9,690	774,785
Loans and advances to non-bank customers	61,288,628	21,107,222	1,072,477	15,850,560	-	-	32,050	99,350,937
Investment securities	54,954,633	37,002,243	-	493,439	636,476	-	251,255	93,338,046
Other assets	526,944	3,994	159	2,210	-	-	(5)	533,302
Total monetary financial assets	138,633,205	64,788,259	1,247,918	17,256,005	719,609	5,681	975,499	223,626,176

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

The table below show the carrying amounts of the monetary assets and liabilities (cont'd)

At 31 December 2020 (cont'd):	**MUR**	**USD**	**GBP**	**EURO**	**INR**	**KES**	**OTHER**	**TOTAL**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Liabilities								
Deposits from banks	513,413	484,545	2,013	92,660	-	-	27,030	1,119,661
Deposits from non-bank customers	107,670,168	65,398,429	2,568,942	13,132,750	-	36	1,233,945	190,004,270
Other borrowed funds	-	10,037,158	-	1,048,793	-	-	-	11,085,951
Derivative financial instruments	98,893	970,126	1,075	41,797	34,130	-	19,250	1,165,271
Other liabilities	2,190,159	(208,199)	(1,100,151)	4,051,967	(2,244)	-	(402,886)	4,528,646
Total monetary financial liabilities	110,472,633	76,682,059	1,471,879	18,367,967	31,886	36	877,339	207,903,799
On balance sheet position	28,160,572	(11,893,800)	(223,961)	(1,111,962)	687,723	5,645	98,160	15,722,377
Off balance sheet position	-	586,875	-	-	(586,875)	-	-	-
Net currency position	28,160,572	(11,306,925)	(223,961)	(1,111,962)	100,848	5,645	98,160	15,722,377

31 December 2019 (Restated)

	MUR	**USD**	**GBP**	**EURO**	**INR**	**KES**	**OTHER**	**TOTAL**
Assets								
Cash and cash equivalents	7,203,754	6,052,466	552,276	827,426	131,816	3,730	615,431	15,386,899
Mandatory balances with central banks	8,231,853	972,536	94,288	26,276	-	-	1,053	9,326,006
Loans to and placements with banks	2,431,333	1,504,865	-	1,237,890	-	-	-	5,174,088
Derivative financial instruments	344,051	500,065	3	10,312	18,138	-	16,732	889,301
Loans and advances to non-bank customers	61,167,578	25,098,915	791,613	12,180,236	-	-	64,487	99,302,829
Investment securities	48,199,827	23,609,294	-	1,040,942	610,067	-	-	73,460,130
Other assets	551,541	11,099	607	39,699	-	-	23,597	626,543
Total monetary financial assets	128,129,937	57,749,240	1,438,787	15,362,781	760,021	3,730	721,300	204,165,796

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

The tables below show the carrying amounts of the monetary assets and liabilities: (cont'd)

31 December 2019 (Restated) (cont'd)	**MUR**	**USD**	**GBP**	**EURO**	**INR**	**KES**	**OTHER**	**TOTAL**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Liabilities								
Deposits from banks	579,184	294,898	7,176	47,341	-	-	758	929,357
Deposits from non-bank customers	103,223,986	56,657,902	2,010,554	10,764,606	-	1	601,653	173,258,702
Other borrowed funds	-	6,084,400	3,254	4,052,113	-	-	448	10,140,215
Derivative financial instruments	38,325	871,392	2	65,874	6,352	-	19,027	1,000,972
Other liabilities	2,043,441	3,457,724	(561,851)	829,272	(401,374)	(7)	(141,219)	5,225,986
Total monetary financial Liabilities	105,884,936	67,366,316	1,459,135	15,759,206	(395,022)	(6)	480,667	190,555,232
On balance sheet position	22,245,001	(9,617,076)	(20,348)	(396,425)	1,155,043	3,736	240,633	13,610,564
Off balance sheet position	685,112	(338,234)	134,314	(334,535)	(62,752)	-	(83,905)	-
Net currency position	22,930,113	(9,955,310)	113,966	(730,960)	1,092,291	3,736	156,728	13,610,564

37 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

The tables below show the carrying amounts of the monetary assets and liabilities: (cont'd)

31 December 2018 (Restated)	MUR	USD	GBP	EURO	INR	KES	OTHER	TOTAL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	4,435,692	4,961,455	466,570	754,645	-	4,608	588,742	11,211,712
Mandatory balances with central banks	7,803,233	823,330	92,565	47,674	-	-	965	8,767,767
Loans to and placements with banks	5,195,708	2,886,641	-	1,174,062	-	-	-	9,256,411
Derivative financial instruments	219,448	624,339	4,630	2,588	20,234	-	26,275	897,514
Loans and advances to non-bank customers	59,380,439	24,050,589	828,678	9,974,100	-	-	62,245	94,296,051
Investment securities	32,818,281	17,388,263	-	398,186	332,990	-	-	50,937,720
Other assets	649,686	10,718	(181)	34,471	-	-	20,139	714,833
Total monetary financial assets	110,502,487	50,745,335	1,392,262	12,385,726	353,224	4,608	698,366	176,082,008
Liabilities								
Deposits from banks	796,117	-	-	-	-	-	-	796,117
Deposits from non-bank customers	89,188,504	46,167,611	2,841,997	8,859,140	-	(1)	473,589	147,530,840
Other borrowed funds	1,355	7,234,188	284,044	1,637,762	-		59,092	9,216,441
Derivative financial instruments	267,072	319,753	8	-	362,656	-	11,384	960,873
Other liabilities	1,531,882	2,560,363	50,352	399,893	(1,004)	83	44,781	4,586,350
Total monetary financial liabilities	91,784,930	56,281,915	3,176,401	10,896,795	361,652	82	588,846	163,090,621
On balance sheet position	18,717,557	(5,536,580)	(1,784,139)	1,488,931	(8,428)	4,526	109,520	12,991,387
Off balance sheet position	(2,542,005)	2,868,951	122,001	150,181	(56,201)	82	(543,009)	-
Net currency position	16,175,552	(2,667,629)	(1,662,138)	1,639,112	(64,629)	4,608	(433,489)	12,991,387

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, and the impact on the Bank's profit and equity.

	Impact on profit after tax and equity					
Change in currency by:	**USD**	**GBP**	**EURO**	**INR**	**KES**	**OTHER**
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020						
5%	(565,346)	(11,198)	(55,598)	5,042	282	4,908
-5%	565,346	11,198	55,598	(5,042)	(282)	(4,908)
31 December 2019 (Restated)						
5%	(497,766)	5,698	(36,548)	54,615	187	7,836
-5%	497,766	(5,698)	36,548	(54,615)	(187)	(7,836)
31 December 2018 (Restated)						
5%	(133,381)	(83,107)	81,956	(3,231)	230	(21,674)
-5%	133,381	83,107	(81,956)	3,231	(230)	21,674

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)
Value-at-Risk Analysis

The Bank uses Value-at-Risk (VAR) to estimate the potential foreign exchange loss arising from adverse movements in an ordinary market environment. To calculate VAR, the Bank uses the historical method which assumes that historical changes in market values are representative of future changes. The VAR is based on the previous 12 months data. The Bank calculates VAR using 10 days holding period and an expected tail-loss methodology, which approximates a 99% confidence level. This would mean that only once in every 100 trading days, the Bank would expect to incur losses greater than the VAR estimates, or about two to three times a year. The use of 10 days holding period and a one-year historical observation period are in line with the Basel II recommendation.

The Bank's VAR amounted to:

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Minimum for the year	487	764	389
Maximum for the year	7,608	11,027	14,398
Year end	1,495	2,933	1,321

(iv) Equity price sentivity analysis

The Bank is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than for trading purposes and the Bank does not actively trade in these investments. Changes in prices / valuation of these investments are reflected in the statement of comprehensive income, except for impairment losses which are reported in the statement of profit or loss. Changes in prices of held-for-trading investments are reflected in the statement of profit or loss.

A 5% increase in the price of equities held at the reporting date would have resulted in an unrealised gain to the statement of comprehensive income or statement of profit or loss as reflected below. A 5% decrease would have resulted in an equivalent loss being booked.

	31 December 2020	31 December 2019	31 December 2018
	MUR' 000	MUR' 000	MUR' 000
Statement of comprehensive income	220	171	171
Statement of profit or loss	-	-	-
	220	171	171

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37 RISK MANAGEMENT (CONT'D)

e Accounting policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability and equity instruments are disclosed in Note 4 to the financial statements (accounting policies).

38 DISCONTINUED OPERATIONS

On 30 November 2018, the Bank declared a distribution in specie and its foreign operations consisting of four branches in India were transferred to SBM (Bank) Holdings Ltd, its sole shareholder. At 31 December 2018, the results of the foreign operations for the period 01 January 2018 to 30 November 2018 were reported as a one line item under "Discontinued Operations" in the Statement of Profit or Loss. The results of the foreign operations for the period ended 30 November 2018 are presented below:

	30 November 2018	31 December 2017
	MUR' 000	MUR' 000
Interest income	520,717	576,440
Interest expense	(353,938)	(361,996)
Net interest income	166,779	214,444
Fee and commission income	5,540	17,787
Fee and commission expense	(3,277)	(2,225)
Net fee and commission income	2,263	15,562
Other operating income	10,328	41,821
Operating income	179,370	271,827
Non-interest expense	(247,596)	(138,003)
Profit before credit loss expense on financial assets and tax	(68,226)	133,824
Credit loss expense on financial assets	(153,148)	(759,238)
Profit before tax	(221,374)	(625,414)
Tax expense	-	(66,445)
Loss for the year from discontinued operations	(221,374)	(691,859)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

38 DISCONTINUED OPERATIONS

The statement of financial position as at 30 November 2018:	MUR' 000
Assets	8,100,910
Liabilities	5,566,218
Net assets disposed of	2,534,692
Movement in Other 'Comprehensive income'	
Recycling of translation reserve following derecognition of Indian Operations	685,838

The net cash flows incurred by the India operations are as follows:

	2018	2017
	MUR' 000	MUR' 000
Operating	180,204	(71,732)
Investing	(121,507)	234,197
Financing	885,600	-
	944,297	162,465

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

39 OTHER RESERVES

Fair value through other comprehensive income reserve

This reserve comprises fair value movements recognised on fair value through other comprehensive income financial assets.

Foreign currency translation reserve

The net translation reserve is used to record exchange differences arising from the translation of financial statements of foreign operations.

Statutory reserve

This reserve represents transfers from retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the profit for the year is transferred each year until the balance is equal to the amount paid as stated capital.

Property revaluation reserve

The net property revaluation reserve is used to record increases in the fair value of land and buildings (net of deferred tax on the revalued asset) and decreases to the extent that such decreases relates to an increase on the same asset previously recognised in equity..

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS

The Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure classified into Segment A and B. Segment B activity is essentially directed to the provision of international financial services that give rise to 'foreign source income'. Segment A activity relates to all banking business other than Segment B activity. 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. Segmental reporting is based on the internal reports regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess their performance.

a Statement of financial position

	Notes	Segment A 31-Dec 2020 MUR' 000	Segment B 31-Dec 2020 MUR' 000	Bank 31-Dec 2020 MUR' 000	Segment A 31-Dec 2019 Restated MUR' 000	Segment B 31-Dec 2019 Restated MUR' 000	Bank 31-Dec 2019 Restated MUR' 000	Segment A 31-Dec 2018 Restated MUR' 000	Segment B 31-Dec 2018 Restated MUR' 000	Bank 31-Dec 2018 Restated MUR' 000
ASSETS										
Cash and cash equivalents	40k	13,077,341	3,671,994	16,749,335	7,614,914	7,771,985	15,386,899	5,228,135	5,983,577	11,211,712
Mandatory balances with central banks		9,749,384	-	9,749,384	9,326,006	-	9,326,006	8,767,767	-	8,767,767
Loans to and placements with banks	40l	353,501	2,776,886	3,130,387	2,480,589	2,693,499	5,174,088	5,039,015	4,217,396	9,256,411
Derivative financial instruments	40m	364,754	410,031	774,785	388,365	500,936	889,301	272,618	624,896	897,514
Loans and advances to non-bank customers	40n	78,629,205	20,721,732	99,350,937	75,938,183	23,364,646	99,302,829	69,394,195	24,901,856	94,296,051
Investment securities	40o	55,520,327	37,817,719	93,338,046	49,059,939	24,400,191	73,460,130	44,291,560	6,646,160	50,937,720
Property and equipment	40p	2,582,331	-	2,582,331	2,599,568	-	2,599,568	2,458,814	-	2,458,814
Right-of-use assets	40p	255,603	-	255,603	247,168	-	247,168	-	-	-
Intangible assets	40q	2,145,280	-	2,145,280	2,526,156	-	2,526,156	2,962,920	-	2,962,920
Deferred tax assets		85,158	411,965	497,123	(56,918)	276,220	219,302	-	-	-
Other assets	40r	674,650	32,239	706,889	650,905	140,954	791,859	783,378	63,858	847,236
Total assets		163,437,534	65,842,566	229,280,100	150,774,875	59,148,431	209,923,306	139,198,402	42,437,743	181,636,145

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS

a Statement of financial position (cont'd)

	Notes	Segment A 31-Dec 2020 MUR' 000	Segment B 31-Dec 2020 MUR' 000	Bank 31-Dec 2020 MUR' 000	Segment A 31-Dec 2019 Restated MUR' 000	Segment B 31-Dec 2019 Restated MUR' 000	Bank 31-Dec 2019 Restated MUR' 000	Segment A 31-Dec 2018 Restated MUR' 000	Segment B 31-Dec 2018 Restated MUR' 000	Bank 31-Dec 2018 Restated MUR' 000
LIABILITIES										
Deposits from banks	40s	461,051	658,610	1,119,661	458,267	471,090	929,357	342,285	453,832	796,117
Deposits from non-bank customers	40t	124,286,264	65,718,006	190,004,270	116,278,952	56,979,750	173,258,702	100,797,742	46,733,098	147,530,840
Other borrowed funds	40u	5,934,675	5,151,276	11,085,951	2,550,602	7,589,613	10,140,215	2,501,657	6,714,784	9,216,441
Derivative financial instruments	40m	136,489	1,028,782	1,165,271	245,256	755,716	1,000,972	252,952	707,921	960,873
Lease liabilities		233,590	-	233,590	240,180	-	240,180	-	-	-
Current tax liabilities		204,507	42,267	246,774	432,812	54,327	487,139	401,138	79,495	480,633
Pension liability		724,082	-	724,082	334,005	-	334,005	173,055	-	173,055
Deferred tax liabilities		-	-	-	-	-	-	263,751	(99,755)	163,996
Other liabilities	40v	2,557,108	2,346,962	4,904,070	2,280,856	3,186,645	5,467,501	1,764,029	3,059,142	4,823,171
Total liabilities		134,537,766	74,945,903	209,483,669	122,820,930	69,037,141	191,858,071	106,496,609	57,648,517	164,145,126
SHAREHOLDER'S EQUITY										
Stated capital				400,000			400,000			310,000
Capital contribution				11,854,011			11,854,011			11,044,011
Retained earnings				4,595,878			3,777,262			4,841,342
Other reserves				2,946,542			2,033,962			1,295,666
Total equity				19,796,431			18,065,235			17,491,019
Total liabilities and equity				229,280,100			209,923,306			181,636,145

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

b Statement of profit or loss

		Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
		31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
					Restated	*Restated*	*Restated*	*Restated*	*Restated*	*Restated*
Continuing operations	Notes	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income using the effective interest method		5,437,423	1,498,242	6,935,665	5,861,427	1,972,833	7,834,260	5,111,904	2,145,870	7,257,774
Other interest and similar income		154,253	137,296	291,549	109,649	36,095	145,744	156,054	126,944	282,998
Interest expense using the effective interest method		(763,069)	(299,134)	(1,062,203)	(1,396,649)	(626,880)	(2,023,529)	(1,273,492)	(369,882)	(1,643,374)
Other interest and similar expense		(79,218)	(355,613)	(434,831)	(15,131)	(148,775)	(163,906)	-	(267,674)	(267,674)
Net interest income	40c	4,749,389	980,791	5,730,180	4,559,296	1,233,273	5,792,569	3,994,466	1,635,258	5,629,724
Fee and commission income		716,555	254,795	971,350	773,641	302,820	1,076,461	711,038	217,166	928,204
Fee and commission expense		(6,305)	(30,395)	(36,700)	67	(31,783)	(31,716)	(1,954)	(21,061)	(23,015)
Net fee and commission income	40d	710,250	224,400	934,650	773,708	271,037	1,044,745	709,084	196,105	905,189
Other Income										
Net trading income	40e	842,898	(15,347)	827,551	774,888	322,462	1,097,350	601,730	916,737	1,518,467
Net (losses)/gains from financial assets at fair value through profit or loss	40f	(326)	(28,892)	(29,218)	23,352	(115,641)	(92,289)	-	(51,427)	(51,427)
Net gains on derecognition of financial assets measured at amortised cost		-	-	-	-	-	-	4,728	-	4,728
Net gains on derecognition of financial assets measured at fair value through other comprehen-sive income		1,153,329	49,677	1,203,006	223,463	917	224,380	-	-	-
Other operating income		878	-	878	884	-	884	-	-	-
		1,996,779	5,438	2,002,217	1,022,587	207,738	1,230,325	606,458	865,310	1,471,768
Non interest income		2,707,029	229,838	2,936,867	1,796,295	478,775	2,275,070	1,315,542	1,061,415	2,376,957
Operating income		7,456,418	1,210,629	8,667,047	6,355,591	1,712,048	8,067,639	5,310,008	2,696,673	8,006,681

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

b Statement of profit or loss

		Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
		31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
					Restated	*Restated*	*Restated*	*Restated*	*Restated*	*Restated*
	Notes	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Personnel expenses	40g	(1,189,013)	(225,743)	(1,414,756)	(1,510,668)	(208,924)	(1,719,592)	(1,098,953)	(172,212)	(1,271,165)
Depreciation of property and equipment		(135,950)	(14,275)	(150,225)	(135,638)	(7,483)	(143,121)	(139,493)	(5,695)	(145,188)
Depreciation of right-of-use assets		(33,693)	(3,746)	(37,439)	(46,189)	(3,752)	(49,941)	-	-	-
Amortisation of intangible assets		(356,533)	(101,464)	(457,997)	(432,121)	(42,426)	(474,547)	(500,107)	(49,841)	(549,948)
Other expenses	40h	(830,421)	(166,135)	(996,556)	(983,767)	(88,786)	(1,072,553)	(692,698)	(75,734)	(768,432)
Non-interest expense		(2,545,610)	(511,363)	(3,056,973)	(3,108,383)	(351,371)	(3,459,754)	(2,431,251)	(303,482)	(2,734,733)
Profit before net impairment loss		4,910,808	699,266	5,610,074	3,247,208	1,360,677	4,607,885	2,878,757	2,393,191	5,271,948
Credit loss expense on financial assets & memorandum items	40i	(1,181,366)	(2,681,706)	(3,863,072)	(48,881)	(3,557,785)	(3,606,666)	(278,203)	(2,732,153)	(3,010,356)
Profit before income tax		3,729,442	(1,982,440)	1,747,002	3,198,327	(2,197,108)	1,001,219	2,600,554	(338,962)	2,261,592
Tax expense	40j	(386,566)	93,478	(293,088)	(665,539)	164,087	(501,452)	(605,378)	(75,582)	(680,960)
Profit for the year from continuing operations		3,342,876	(1,888,962)	1,453,914	2,532,788	(2,033,021)	499,767	1,995,176	(414,544)	1,580,632
Discontinued operations										
Loss after tax for the year from discontinued operations		-	-	-	-	-	-	-	(221,374)	(221,374)
Loss on distribution of dividend in specie		-	-	-	-	-	-	-	(685,838)	(685,838)
Profit for the year		3,342,876	(1,888,962)	1,453,914	2,532,788	(2,033,021)	499,767	1,995,176	(1,321,756)	673,420

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

c Net interest income

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
				Restated	*Restated*	*Restated*	*Restated*	*Restated*	*Restated*
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest Income using the effective interest method									
Cash and cash equivalents	15,512	19,090	34,602	33,533	91,979	125,512	32,125	124,123	156,248
Loans to and placements with banks	36,076	97,475	133,551	95,195	138,383	233,578	124,823	187,256	312,079
Loans and advances to non-bank customers	3,982,769	1,034,656	5,017,425	4,374,092	1,318,720	5,692,812	4,059,341	1,626,396	5,685,737
Investment securities at amortised cost	726,173	78,552	804,725	694,625	24,987	719,612	417,241	-	417,241
Investment securities at FVTOCI	676,893	268,469	945,362	663,982	398,764	1,062,746	478,374	208,095	686,469
	5,437,423	1,498,242	6,935,665	5,861,427	1,972,833	7,834,260	5,111,904	2,145,870	7,257,774
Other interest and similar income									
Investment securities measured at FVTPL	29,871	25,519	55,390	63,383	3,407	66,790	129,812	24,085	153,897
Derivatives	124,382	111,777	236,159	46,266	32,688	78,954	26,242	102,859	129,101
	154,253	137,296	291,549	109,649	36,095	145,744	156,054	126,944	282,998
Total interest and similar income	5,591,676	1,635,538	7,227,214	5,971,076	2,008,928	7,980,004	5,267,958	2,272,814	7,540,772
Interest expense using the effective interest method									
Deposits from customers	(586,773)	(193,865)	(780,638)	(1,235,801)	(413,319)	(1,649,120)	(1,146,916)	(229,785)	(1,376,701)
Other borrowed funds	(162,535)	(103,523)	(266,058)	(145,784)	(208,523)	(354,307)	(126,576)	(138,909)	(265,485)
Lease finance charges	(13,761)	-	(13,761)	(15,064)	-	(15,064)	-	-	-
Other	-	(1,746)	(1,746)	-	(5,038)	(5,038)	-	(1,188)	(1,188)
	(763,069)	(299,134)	(1,062,203)	(1,396,649)	(626,880)	(2,023,529)	(1,273,492)	(369,882)	(1,643,374)
Other interest and similar expense									
Derivatives	(79,218)	(355,613)	(434,831)	(15,131)	(148,775)	(163,906)	-	(267,674)	(267,674)
	(79,218)	(355,613)	(434,831)	(15,131)	(148,775)	(163,906)	-	(267,674)	(267,674)
Total interest and similar expense	(842,287)	(654,747)	(1,497,034)	(1,411,780)	(775,655)	(2,187,435)	(1,273,492)	(637,556)	(1,911,048)
Net interest income	4,749,389	980,791	5,730,180	4,559,296	1,233,273	5,792,569	3,994,466	1,635,258	5,629,724

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

d Net fee and commission income

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
				Restated	*Restated*	*Restated*	*Restated*	*Restated*	*Restated*
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fee and commission income									
Retail banking customer fees	246,956	27,664	274,620	236,119	27,986	264,105	178,532	21,739	200,271
Corporate banking customer fees	176,409	132,674	309,083	187,165	206,095	393,260	247,453	110,221	357,674
Card income	280,931	78,343	359,274	335,246	64,895	400,141	274,992	75,527	350,519
Other income	12,259	16,114	28,373	15,111	3,844	18,955	10,061	9,679	19,740
Total fee and commission income	716,555	254,795	971,350	773,641	302,820	1,076,461	711,038	217,166	928,204
Fee and commission expense									
Interbank transaction fees	(3)	(21,919)	(21,922)	(401)	(16,399)	(16,800)	-	(14,409)	(14,409)
Other	(6,302)	(8,476)	(14,778)	468	(15,384)	(14,916)	(1,954)	(6,652)	(8,606)
Total fee and commission expense	(6,305)	(30,395)	(36,700)	67	(31,783)	(31,716)	(1,954)	(21,061)	(23,015)
Net fee and commission income	710,250	224,400	934,650	773,708	271,037	1,044,745	709,084	196,105	905,189

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

e Net trading income

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
				Restated	*Restated*	*Restated*	*Restated*	*Restated*	*Restated*
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit arising on dealings in foreign currencies	342,041	127,447	469,488	457,244	47,876	505,120	377,708	425,270	802,978
Fair value movements on debt securities measured at FVTPL	163,845	47,251	211,096	364,448	81,106	445,554	244,645	(17,149)	227,496
Other interest rate instruments	337,012	(190,045)	146,967	(46,804)	193,480	146,676	(20,623)	508,616	487,993
	842,898	(15,347)	827,551	774,888	322,462	1,097,350	601,730	916,737	1,518,467

f Net (losses)/gains from financial assets at fair value through profit or loss

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
				Restated	*Restated*	*Restated*	*Restated*	*Restated*	*Restated*
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets mandatorily measured at fair value through profit or loss	-	30,083	30,083	-	(23,141)	(23,141)	-	(2,401)	(2,401)
Financial assets designated at fair value through profit or loss	(326)	(58,975)	(59,301)	23,352	(92,500)	(69,148)	-	(49,026)	(49,026)
	(326)	(28,892)	(29,218)	23,352	(115,641)	(92,289)	-	(51,427)	(51,427)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

g Personnel expenses

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
				Restated	*Restated*	*Restated*	*Restated*	*Restated*	*Restated*
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Wages and salaries	1,043,750	197,365	1,241,115	1,209,466	187,410	1,396,876	860,679	140,559	1,001,238
Other social security obligations	15,685	2,608	18,293	26,582	2,423	29,005	-	-	-
Contributions to defined contribution plans	98,704	20,314	119,018	129,128	8,487	137,615	68,865	11,978	80,843
Increase in liability for defined benefit plans	36,064	3,150	39,214	30,730	1,954	32,684	28,594	1,651	30,245
Residual retirement gratuities	(77,603)	(6,778)	(84,381)	29,077	1,848	30,925	53,043	10,391	63,434
Staff welfare cost	35,696	3,605	39,301	52,457	1,851	54,308	48,856	1,364	50,220
Other	36,717	5,479	42,196	33,228	4,951	38,179	38,916	6,269	45,185
	1,189,013	225,743	1,414,756	1,510,668	208,924	1,719,592	1,098,953	172,212	1,271,165

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

h Other expenses

	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019 Restated	Segment B 31-Dec 2019 Restated	Bank 31-Dec 2019 Restated	Segment A 31-Dec 2018 Restated	Segment B 31-Dec 2018 Restated	Bank 31-Dec 2018 Restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology cost	333,625	100,911	434,536	384,303	51,356	435,659	268,529	33,038	301,567
Utilities and telephone charges	46,384	4,989	51,373	61,236	5,504	66,740	52,101	4,221	56,322
Professional charges	95,874	22,932	118,806	117,132	13,858	130,990	69,020	22,395	91,415
Marketing costs	46,109	6,612	52,721	76,648	5	76,653	55,369	1	55,370
Rent, repairs, maintenance and security charges	119,527	5,631	125,158	125,943	5,408	131,351	122,496	4,699	127,195
Licence and other registration fees	21,928	2,155	24,083	23,224	1,285	24,509	19,773	1,132	20,905
Postage, courier and stationery costs	42,040	2,245	44,285	48,678	2,005	50,683	40,017	5,403	45,420
Insurance costs	35,042	7,952	42,994	39,637	3,369	43,006	11,869	597	12,466
Other	89,892	12,708	102,600	106,966	5,996	112,962	53,524	4,248	57,772
	830,421	166,135	996,556	983,767	88,786	1,072,553	692,698	75,734	768,432

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

i Credit loss expense on financial assets & memorandum items

	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019 Restated	Segment B 31-Dec 2019 Restated	Bank 31-Dec 2019 Restated	Segment A 31-Dec 2018 Restated	Segment B 31-Dec 2018 Restated	Bank 31-Dec 2018 Restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Portfolio and specific provisions	1,094,881	2,725,982	3,820,863	142,022	3,545,085	3,687,107	265,476	2,791,023	3,056,499
Bad debts written off for which no provisions were made	-	-	-	-	-	-	-	-	-
Recoveries of advances written off	(2,495)	(47,603)	(50,098)	(39,463)	-	(39,463)	(6,322)	-	(6,322)
Other	88,980	3,327	92,307	(53,678)	12,700	(40,978)	19,049	(58,870)	(39,821)
	1,181,366	2,681,706	3,863,072	48,881	3,557,785	3,606,666	278,203	2,732,153	3,010,356
Of which:									
Credit exposure	1,092,386	2,678,379	3,770,765	102,559	3,545,085	3,647,644	259,154	2,791,023	3,050,177
Other financial assets	88,980	3,327	92,307	(53,678)	12,700	(40,978)	19,049	(58,870)	(39,821)
	1,181,366	2,681,706	3,863,072	48,881	3,557,785	3,606,666	278,203	2,732,153	3,010,356

j Tax expense

	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019 Restated	Segment B 31-Dec 2019 Restated	Bank 31-Dec 2019 Restated	Segment A 31-Dec 2018 Restated	Segment B 31-Dec 2018 Restated	Bank 31-Dec 2018 Restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Income tax expense	236,879	42,267	279,146	546,804	12,378	559,182	560,768	75,582	636,350
Deferred tax (income) / charge	(90,667)	(135,745)	(226,412)	(92,043)	(176,465)	(268,508)	23,765	-	23,765
Corporate Social Responsibility contribution	68,986	-	68,986	39,410	-	39,410	20,845	-	20,845
Bank levy	171,368	-	171,368	171,368	-	171,368	-	-	-
	386,566	(93,478)	293,088	665,539	(164,087)	501,452	605,378	75,582	680,960

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

k Cash and cash equivalents

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
				Restated	*Restated*	*Restated*	*Restated*	*Restated*	*Restated*
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash in hand	2,016,619	-	2,016,619	2,078,284	-	2,078,284	2,398,191	-	2,398,191
Foreign currency notes and coins	524,835	-	524,835	337,946	-	337,946	277,740	-	277,740
Unrestricted balances with central banks [1]	10,536,120	-	10,536,120	4,167,009	-	4,167,009	1,527,560	-	1,527,560
Loans and placements with banks [2]	-	-	-	1,035,373	-	1,035,373	1,066,119	96,245	1,162,364
Balances with banks	-	3,672,781	3,672,781	-	7,771,985	7,771,985	-	5,887,615	5,887,615
	13,077,574	3,672,781	16,750,355	7,618,612	7,771,985	15,390,597	5,269,610	5,983,860	11,253,470
Less: allowance for credit losses	(233)	(787)	(1,020)	(3,698)	-	(3,698)	(41,475)	(283)	(41,758)
	13,077,341	3,671,994	16,749,335	7,614,914	7,771,985	15,386,899	5,228,135	5,983,577	11,211,712

[1] Unrestricted balances with central banks represent amounts above the minimum cash reserve requirement.

[2] The balances above relate to loans and placements with banks having an original maturity of up to three months. Allowance for impairment losses relates only to stage 1.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

l Loans to and placements with banks

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
				Restated	*Restated*	*Restated*	*Restated*	*Restated*	*Restated*
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans to and placements with banks									
- in Mauritius	353,508	-	353,508	2,482,044	-	2,482,044	5,039,036	-	5,039,036
- outside Mauritius	-	2,797,237	2,797,237	-	2,717,013	2,717,013	-	4,251,656	4,251,656
	353,508	2,797,237	3,150,745	2,482,044	2,717,013	5,199,057	5,039,036	4,251,656	9,290,692
Less: allowance for credit losses	(7)	(20,351)	(20,358)	(1,455)	(23,514)	(24,969)	(21)	(34,260)	(34,281)
	353,501	2,776,886	3,130,387	2,480,589	2,693,499	5,174,088	5,039,015	4,217,396	9,256,411
Remaining term to maturity									
Up to 3 months	47,293	-	47,293	522,761	-	522,761	2,896,134	759,176	3,655,310
Over 3 months and up to 6 months	306,215	951,179	1,257,394	1,266,377	1,237,890	2,504,267	2,060,277	344,387	2,404,664
Over 6 months and up to 12 months	-	1,008,868	1,008,868	339,444	780,158	1,119,602	82,625	342,903	425,528
Over 1 year and up to 2 years	-	-	-	353,462	698,965	1,052,427	-	1,926,723	1,926,723
Over 2 years and up to 5 years	-	837,190	837,190	-	-	-	-	878,467	878,467
	353,508	2,797,237	3,150,745	2,482,044	2,717,013	5,199,057	5,039,036	4,251,656	9,290,692

m Derivative financial instruments

	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019	Segment A 31-Dec 2018	Segment B 31-Dec 2018	Bank 31-Dec 2018
Derivative assets	364,754	410,031	774,785	388,365	500,936	889,301	272,618	624,896	897,514
Derivative liabilities	136,489	1,028,782	1,165,271	245,256	755,716	1,000,972	252,952	707,921	960,873

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

n Loans and advances to non-bank customers

	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019 Restated	Segment B 31-Dec 2019 Restated	Bank 31-Dec 2019 Restated	Segment A 31-Dec 2018 Restated	Segment B 31-Dec 2018 Restated	Bank 31-Dec 2018 Restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Government	7,705	-	7,705	8,515	-	8,515	9,315	-	9,315
Retail customers	39,471,137	2,084,846	41,555,983	37,389,421	2,197,543	39,586,964	31,012,551	1,108,702	32,121,253
Credit cards	509,230	884	510,114	583,122	1,410	584,532	605,881	566	606,447
Mortgages	26,962,814	639,157	27,601,971	25,137,913	369,908	25,507,821	22,067,042	411,852	22,478,894
Other retail loans	11,999,093	1,444,805	13,443,898	11,668,386	1,826,225	13,494,611	8,339,628	696,284	9,035,912
Corporate customers	42,449,662	6,485,910	48,935,572	40,876,573	6,687,161	47,563,734	40,637,082	4,121,171	44,758,253
Entities outside Mauritius	-	20,288,731	20,288,731	-	19,910,288	19,910,288	-	22,909,421	22,909,421
	81,928,504	28,859,487	110,787,991	78,274,509	28,794,992	107,069,501	71,658,948	28,139,294	99,798,242
Less allowance for credit impairment	(3,299,299)	(8,137,755)	(11,437,054)	(2,336,326)	(5,430,346)	(7,766,672)	(2,264,753)	(3,237,438)	(5,502,191)
	78,629,205	20,721,732	99,350,937	75,938,183	23,364,646	99,302,829	69,394,195	24,901,856	94,296,051
Remaining term to maturity:									
Up to 3 months	8,107,413	564,984	8,672,397	9,098,950	501,235	9,600,185	8,627,231	3,099,752	11,726,983
Over 3 months and up to 6 months	1,804,778	1,703,123	3,507,901	2,119,213	820,264	2,939,477	1,388,553	1,867,804	3,256,357
Over 6 months and up to 12 months	4,315,762	1,160,124	5,475,886	4,460,119	1,626,765	6,086,884	7,474,055	1,401,322	8,875,377
Over 1 year and up to 2 years	5,577,138	4,327,633	9,904,771	3,473,672	3,421,162	6,894,834	6,429,091	2,100,669	8,529,760
Over 2 year and up to 5 years	13,013,701	5,574,798	18,588,499	12,544,370	6,888,622	19,432,992	10,887,308	6,678,139	17,565,447
Over 5 years	49,109,712	15,528,825	64,638,537	46,578,185	15,536,944	62,115,129	36,852,710	12,991,608	49,844,318
	81,928,504	28,859,487	110,787,991	78,274,509	28,794,992	107,069,501	71,658,948	28,139,294	99,798,242

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

n Loans and advances to non-bank customers (cont'd)

Credit loss allowances on loans and advances by industry sectors

	31-Dec-2020 Gross amount of loans	31-Dec-2020 Impaired loans	31-Dec-2020 Stage 3 allowance for credit loss	31-Dec-2020 Stage 1 & 2 allowance for credit loss	31-Dec-2020 Total allowances for credit loss	31-Dec-19 Total allowances for credit loss	31-Dec-18 Total allowances for credit loss
Segment A	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and Fishing	2,672,933	252	252	23,185	23,437	8,570	56,705
Manufacturing	4,213,593	185,398	158,151	63,689	221,840	182,253	167,268
of which EPZ	*1,527,798*	*26,531*	*3,942*	*4,056*	*7,998*	*22,601*	*17,118*
Tourism	14,431,795	9,916	870	338,836	339,706	124,487	167,141
Transport	362,162	15,895	14,561	12,082	26,643	18,007	23,669
Construction	10,437,321	569,801	449,288	288,412	737,700	288,289	356,545
Financial and business services	4,131,047	45,887	1,670	31,305	32,975	48,780	51,780
Traders	5,192,749	439,527	311,673	90,602	402,275	348,685	336,485
Personal	37,401,642	1,047,483	732,862	369,286	1,102,148	1,053,931	867,565
of which credit cards	*509,230*	*46,566*	*47,658*	*4,317*	*51,975*	*48,219*	*93,483*
Professional	160,294	82,718	82,718	4,629	87,347	75,451	103,222
Others	2,924,968	235,055	211,052	114,176	325,228	187,873	134,373
	81,928,504	2,631,932	1,963,097	1,336,202	3,299,299	2,336,326	2,264,753
Segment B							
Agriculture and Fishing	2,013,516	827,179	330,874	12,096	342,970	107,364	91,203
Manufacturing	250,762	-	-	18,784	18,784	12,732	347,695
of which EPZ	*250,762*	-	-	*18,784*	*18,784*	*12,732*	-
Tourism	860,807	-	-	15,708	15,708	12,991	17,278
Transport	1,830,154	-	-	12,139	12,139	132,829	120,188
Construction	368,117	59,737	27,902	92,993	120,895	15,727	8,113
Financial and business services	3,973,634	619,905	619,905	49,484	669,389	467,953	133,429
Traders	5,963,019	5,369,841	4,219,713	25	4,219,738	3,373,069	2,379,029
Personal	2,016,766	5,516	3,232	97,381	100,613	44,713	24,008
of which credit cards	*884*	*460*	*478*	*9*	*487*	*36*	-
Professional	-	-	-	-	-	142	37
Global Business Licence holders	6,485,910	1,248,424	1,096,615	14,089	1,110,704	646,597	105,568
Others	5,096,802	1,581,624	1,502,543	24,272	1,526,815	616,229	10,890
Total	28,859,487	9,712,226	7,800,784	336,971	8,137,755	5,430,346	3,237,438

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

o *Investment securities*

Remaining term to maturity	31-Dec-2020										
	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	31-Dec-19	31-Dec-18
Segment A	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Investment securities at amortised cost											
Government bonds and treasury notes	-	434,386	611,381	74,196	6,613,363	6,489,567	4,252,788	-	18,475,681	17,245,042	11,738,705
Treasury bills	698,172	1,498,256	-	-	-	-	-	-	2,196,428	-	148,100
Bank of Mauritius bills / Bonds	1,315	50,168	989,847	-	152,052	5,183,483	4,976,466	-	11,353,331	1,364,246	1,232,730
	699,487	1,982,810	1,601,228	74,196	6,765,415	11,673,050	9,229,254	-	32,025,440	18,609,288	13,119,535
(b) Investment securities mandatorily measured at FVTPL											
Government bonds	-	-	-	-	-	-	706	-	706	2,350,694	765,117
Treasury bills / notes	799,645	224,322	-	-	-	-	-	-	1,023,967	1,782,947	5,142,257
Bank of Mauritius bills / Bonds	1,537,842	1,498,127	541,717	-	-	762,825	-	-	4,340,511	4,252,324	3,804,409
	2,337,487	1,722,449	541,717	-	-	762,825	706	-	5,365,184	8,385,965	9,711,783
(c) Investment securities measured at FVTOCI											
Government bonds	-	2,142	-	2,077	489,419	1,876,820	5,322,198	-	7,692,656	11,406,019	7,308,976
Treasury bills / notes	-	-	-	637,816	-	-	-	-	637,816	412,240	9,277,241
Bank of Mauritius bills / Bonds	100	-	-	896,766	1,018,377	2,453,980	-	-	4,369,223	5,671,581	2,141,448
Corporate bonds	-	174,219	-	193,336	736,510	2,453,741	1,872,841	-	5,430,647	4,597,934	-
Corporate paper and preference shares	-	-	-	-	-	-	-	-	-	-	2,741,443
	100	176,361	-	1,729,995	2,244,306	6,784,541	7,195,039	-	18,130,342	22,087,774	21,469,108
Total Segment A	3,037,074	3,881,620	2,142,945	1,804,191	9,009,721	19,220,416	16,424,999	-	55,520,966	49,083,027	44,300,426
Less: allowance for credit losses									(642)	(23,088)	(8,866)
									55,520,324	49,059,939	44,291,560

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

o *Investment securities (Cont'd)*

Remaining term to maturity	31-Dec-2020										
	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	31-Dec-19	31-Dec-18
Segment B	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Investment securities at amortised cost											
Government bonds	-	-	-	-	-	1,201,095	128,833	-	1,329,928	-	-
Bank Bonds	-	-	-	-	105,675	386,265	-	-	491,940	753,104	695,990
	-	-	-	-	105,675	1,587,360	128,833	-	1,821,868	753,104	695,990
(b) Investment securities mandatorily measured at FVTPL											
Treasury bills / notes	-	652,217	1,976,073	-	-	-	-	-	2,628,290	2,236,923	-
Bank Bonds	-	-	-	-	-	-	-	-	-	493,666	-
Other investment securities other than trading securities	-	-	-	-	-	-	-	1,356,130	1,356,130	709,202	171,333
	-	652,217	1,976,073	-	-	-	-	1,356,130	3,984,420	3,439,791	171,333
(c) Investment securities measured at FVTOCI											
Government bonds	995,332	311,184	-	1,849,979	1,011,861	1,351,503	213,971	-	5,733,830	-	-
Treasury bills / notes	9,152,843	-	-	987,754	-	-	-	-	10,140,597	9,245,509	-
Equity shares of companies:											
- Other equity investments	-	-	-	-	-	-	-	4,408	4,408	3,411	3,411
Bank bonds	786,223	416,735	1,114,654	587,681	5,201,863	6,499,153	312,759	-	14,919,068	10,958,425	5,775,598
Corporate Bonds	43,250	-	39,943	10,467	2,049	1,155,700	-	-	1,251,409	-	-
	10,977,648	727,919	1,154,597	3,435,881	6,215,773	9,006,356	526,730	4,408	32,049,312	20,207,345	5,779,009
Total Segment B	10,977,648	1,380,136	3,130,670	3,435,881	6,321,448	10,593,716	655,563	1,360,538	37,855,600	24,400,240	6,646,332
Less: allowance for credit losses									(37,878)	(49)	(172)
									37,817,722	24,400,191	6,646,160
Total Investment securities	14,014,722	5,261,756	5,273,615	5,240,072	15,331,169	29,814,132	17,080,562	1,360,538	93,376,566	73,483,267	50,946,758

PREVIOUS

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40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

p Property, equipment and right-of-use assets

	Freehold land and buildings	Leasehold buildings	Other tangible fixed assets	Motor vehicles	Right-of-use assets	Progress payments	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Net book value at 31 December 2020							
Segment A	791,261	1,376,057	387,013	2,756	255,603	25,244	2,837,934
Segment B	-	-	-	-	-	-	-
Bank	791,261	1,376,057	387,013	2,756	255,603	25,244	2,837,934
Net book value at 31 December 2019							
Segment A	802,755	1,416,297	318,102	3,584	247,168	58,830	2,846,736
Segment B	-	-	-	-	-	-	-
Bank	802,755	1,416,297	318,102	3,584	247,168	58,830	2,846,736
Net book value at 31 December 2018							
Segment A	738,891	1,348,512	334,518	3,292	-	33,601	2,458,814
Segment B	-	-	-	-	-	-	-
Bank	738,891	1,348,512	334,518	3,292	-	33,601	2,458,814

q Intangible assets

SOFTWARE	31-Dec 2020	31-Dec 2019	31-Dec 2018
	MUR' 000	MUR' 000	MUR' 000
Net Book Value			
Segment A	2,145,280	2,526,156	2,962,920
Segment B	-	-	-
Total	2,145,280	2,526,156	2,962,920

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

r Other assets

	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019 Restated	Segment B 31-Dec 2019 Restated	Bank 31-Dec 2019 Restated	Segment A 31-Dec 2018 Restated	Segment B 31-Dec 2018 Restated	Bank 31-Dec 2018 Restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accounts receivable	529,237	(3,349)	525,888	522,122	98,259	620,381	686,236	22,332	708,568
Balances due in clearing	4,422	-	4,422	4,196	-	4,196	2,860	-	2,860
Prepayments	102,962	-	102,962	88,252	-	88,252	52,144	-	52,144
Others	38,029	35,588	73,617	36,335	42,695	79,030	42,138	41,526	83,664
	674,650	32,239	706,889	650,905	140,954	791,859	783,378	63,858	847,236

s Deposits from banks

	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019	Segment A 31-Dec 2018	Segment B 31-Dec 2018	Bank 31-Dec 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Demand deposits	461,051	658,610	1,119,661	458,267	471,090	929,357	342,285	453,832	796,117

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

t Deposits from non-bank customers

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(i) Retail customers									
Current accounts	18,951,457	3,500,447	22,451,904	15,659,983	2,854,371	18,514,354	11,620,760	2,953,875	14,574,635
Savings accounts	58,982,201	1,376,273	60,358,474	52,996,620	1,380,031	54,376,651	49,851,784	1,396,034	51,247,818
Time deposits with remaining term to maturity:									
Up to 3 months	1,090,392	690,478	1,780,870	1,309,302	595,478	1,904,780	1,079,541	486,068	1,565,609
Over 3 months and up to 6 months	631,984	658,786	1,290,770	790,700	491,166	1,281,866	751,554	1,459,951	2,211,505
Over 6 months and up to 12 months	1,247,604	443,174	1,690,778	1,301,660	568,478	1,870,138	1,425,996	2,343,385	3,769,381
Over 1 year and up to 5 years	1,920,584	458,962	2,379,546	1,966,799	376,926	2,343,725	1,934,447	293,286	2,227,733
Over 5 years	11,045	61	11,106	8,454	2,288,168	2,296,622	-	-	-
Total time deposits	4,901,609	2,251,461	7,153,070	5,376,915	4,320,216	9,697,131	5,191,538	4,582,690	9,774,228
	82,835,267	7,128,181	89,963,448	74,033,518	8,554,618	82,588,136	66,664,082	8,932,599	75,596,681
(ii) Corporate customers									
Current accounts	16,623,943	51,728,306	68,352,249	17,931,187	36,179,423	54,110,610	14,597,888	29,262,901	43,860,789
Savings accounts	4,041,778	-	4,041,778	3,373,764	-	3,373,764	3,479,182	143	3,479,325
Time deposits with remaining term to maturity:									
Up to 3 months	4,154,154	5,080,530	9,234,684	1,496,062	7,853,080	9,349,142	2,373,111	7,143,294	9,516,405
Over 3 months and up to 6 months	881,759	722,728	1,604,487	927,297	2,715,397	3,642,694	936,447	851,707	1,788,154
Over 6 months and up to 12 months	1,396,204	890,858	2,287,062	453,392	1,677,232	2,130,624	551,344	406,692	958,036
Over 1 year and up to 5 years	93,154	167,403	260,557	233,830	-	233,830	260,737	135,762	396,499
Total time deposits	6,525,271	6,861,519	13,386,790	3,110,581	12,245,709	15,356,290	4,121,639	8,537,455	12,659,094
	27,190,992	58,589,825	85,780,817	24,415,532	48,425,132	72,840,664	22,198,709	37,800,499	59,999,208

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

t Deposits from non-bank customers (cont'd)

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2020	31-Dec 2020	31-Dec 2020	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(iii) Government									
Current accounts	7,742,294	-	7,742,294	7,994,530	-	7,994,530	6,098,267	-	6,098,267
Savings accounts	3,386,221	-	3,386,221	2,909,782	-	2,909,782	3,521,548	-	3,521,548
Time deposits with remaining term to maturity:									
Up to 3 months	501	-	501	6,918,162	-	6,918,162	1,620,343	-	1,620,343
Over 3 months and up to 6 months	126,702	-	126,702	1,600	-	1,600	619,611	-	619,611
Over 6 months and up to 12 months	3,004,187	-	3,004,187	5,828	-	5,828	69,396	-	69,396
Over 1 year and up to 5 years	100	-	100	-	-	-	5,786	-	5,786
Total time deposits	3,131,490	-	3,131,490	6,925,590	-	6,925,590	2,315,136	-	2,315,136
	14,260,005	-	14,260,005	17,829,902	-	17,829,902	11,934,951	-	11,934,951
Total deposits from non-bank customers	124,286,264	65,718,006	190,004,270	116,278,952	56,979,750	173,258,702	100,797,742	46,733,098	147,530,840

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

u Other borrowed funds

	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019	Segment A 31-Dec 2018	Segment B 31-Dec 2018	Bank 31-Dec 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Borrowings from central bank - for refinancing	1,977,685	-	1,977,685	-	-	-	50,998	-	50,998
Borrowings from other financial institutions for refinancing	-	3,139,542	3,139,542	-	2,718,585	2,718,585	-	1,312,137	1,312,137
Borrowings from banks									
in Mauritius	3,956,990	-	3,956,990	2,550,602	-	2,550,602	2,450,659	-	2,450,659
abroad	-	2,011,734	2,011,734	-	4,871,028	4,871,028	-	5,402,647	5,402,647
	5,934,675	5,151,276	11,085,951	2,550,602	7,589,613	10,140,215	2,501,657	6,714,784	9,216,441

v Other liabilities

	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019	Segment A 31-Dec 2018	Segment B 31-Dec 2018	Bank 31-Dec 2018
Balance due in clearing	1,371	2,197,302	2,198,673	86,500	2,864,806	2,951,306	3	2,908,529	2,908,532
Bills payable	190,709	-	190,709	227,170	114,932	342,102	173,640	40,847	214,487
Accruals for expenses	360,576	-	360,576	353,474	54,669	408,143	30,676	-	30,676
Accounts payable	566,389	9,670	576,059	395,263	3,725	398,988	458,133	1,472	459,605
Deferred income	250,868	112,276	363,144	221,748	104,810	326,558	200,520	90,722	291,242
Balances in transit	862,898	-	862,898	899,889	-	899,889	772,867	-	772,867
Others	781	13,248	14,029	38,249	(10,400)	27,849	30,767	-	30,767
ECL on memorandum items	323,516	14,466	337,982	58,563	54,103	112,666	97,423	17,572	114,995
	2,557,108	2,346,962	4,904,070	2,280,856	3,186,645	5,467,501	1,764,029	3,059,142	4,823,171

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

40 SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

w Memorandum items

	Segment A 31-Dec 2020	Segment B 31-Dec 2020	Bank 31-Dec 2020	Segment A 31-Dec 2019	Segment B 31-Dec 2019	Bank 31-Dec 2019	Segment A 31-Dec 2018	Segment B 31-Dec 2018	Bank 31-Dec 2018
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
a. Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers									
Acceptances on account of customers	234,453	-	234,453	216,158	455,666	671,824	-	199,670	199,670
Guarantees on account of customers	7,674,898	799,088	8,473,986	6,654,784	464,121	7,118,905	6,768,366	826,076	7,594,442
Letters of credit and other obligations on account of customers	453,153	4,654	457,807	325,073	37,909	362,982	496,473	16,883	513,356
Other contingent items	202,295	-	202,295	185,584	-	185,584	-	-	-
	8,564,799	803,742	9,368,541	7,381,599	957,696	8,339,295	7,264,839	1,042,629	8,307,468
b Commitments									
Undrawn credit facilities	10,395,104	456,095	10,851,199	8,673,358	3,002,017	11,675,375	8,516,608	554,688	9,071,296
	10,395,104	456,095	10,851,199	8,673,358	3,002,017	11,675,375	8,516,608	554,688	9,071,296

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ABBREVIATIONS

NEXT
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ABBREVIATIONS

2FA	-	Two-Factor Authentication
AFS	-	Available-for-Sale
AGM	-	Annual General Meeting
ALCO	-	Asset and Liability Management Committee
ALM	-	Asset Liability Management
AML	-	Anti-Money Laundering
ARA	-	Average Retirement Age
ATM	-	Automatic Teller Machine
AUM	-	Assets Under Management
BCBS	-	Basel Committee on Banking Supervision
BCM	-	Business Continuity Management
BCP	-	Business Continuity Plan
BIA	-	Business Impact Analysis
BOM	-	Bank of Mauritius
CAR	-	Capital Adequacy Ratio
CASA	-	Current Account and Savings Account
CBS	-	Core Banking System
CCB	-	Capital Conservation Buffer
CCF	-	Credit Conversion Factors
CCR	-	Counterparty Credit Risk
CCS	-	Cross-Currency Swap
CDS	-	Credit Default Swap
CEO	-	Chief Executive Officer
CET1	-	Common Equity Tier 1
CFT	-	Combating the Financing of Terrorism
CGCR Committee	-	Corporate Governance and Conduct Review Committee
CI	-	Cost to Income

ABBREVIATIONS

CPI	-	Consumer Price Index
CRR	-	Cash Reserve Ratio
CSR	-	Corporate Social Responsibility
DC	-	Defined Contribution
DRs	-	Depositary Receipts
D-SIB	-	Domestic Systemically Important Bank
EAD	-	Exposure at Default
ECL	-	Expected Credit Losses
EIR	-	Effective Interest Rate
EUR	-	Euro
EY	-	Ernst & Young
FCY	-	Foreign Currency
FVTOCI	-	Fair value through other comprehensive income
FVTPL	-	Fair value through profit or loss
FY	-	Financial Year
G.O.S.K.	-	Grand Officer of the Order of the Star and Key of the Indian Ocean
GBL	-	Global Business Licence
GBP	-	British Pound Sterling
GDP	-	Gross Domestic Product
HQLA	-	High Quality Liquid Asset
HR	-	Human Resources
HRD	-	Human Resources Division
HTM	-	Held-to-Maturity
IAS	-	International Accounting Standards
IASB	-	International Accounting Standards Board
IBOR	-	Interest Rate Benchmark Reform
IBR	-	Incremental Borrowing Rate

ABBREVIATIONS

ICAAP	-	Internal Capital Adequacy Assessment Process
ICT	-	Information and Communications Technology
IFRIC	-	International Financial Reporting Interpretations Committee
IFRS	-	International Financial Reporting Standards
INR	-	Indian Rupee
IRS	-	Interest Rate Swap
ISDA	-	International Swaps and Derivatives Association
IT	-	Information Technology
KPI	-	Key Performance Indicators
KRR	-	Key Repo Rate
LCR	-	Liquidity Coverage Ratio
LGD	-	Loss Given Default
LIBOR	-	London Inter-bank Offered Rate
LTECL	-	Lifetime Expected Credit Loss
MDBs	-	Multilateral Development Banks
MEV	-	Macroeconomic Variables
MIC	-	Mauritius Investment Corporation
MRA	-	Mauritius Revenue Authority
MTM	-	Market to Market
MUR	-	Mauritian Rupee
NGOs	-	Non-Governmental Organisations
NII	-	Net Interest Income
NPL	-	Non-performing loans
NSFR	-	Net Stable Funding Ratio
OCI	-	Other Comprehensive Income
OIC	-	Officer-in-Charge
OTC	-	Over-the-Counter
PAT	-	Profit After Tax
PD	-	Probability of Default

ABBREVIATIONS

PIT	-	Point in Time
PLR	-	Prime Lending Rate
PMA	-	Post Model Adjustment
POCI	-	Purchased or Originated Credit Impaired
POS	-	Point of Sale
PRM	-	Proactive Risk Management
RAROC	-	Risk Adjusted Return on Capital
REMCO	-	Remuneration & Nomination Committee
RFP	-	Request for Proposal
RFR	-	Risk-Free Rate
ROA	-	Return on Average Assets
ROE	-	Return on Average Equity
RPT	-	Related Party Transactions
RWA	-	Risk-Weighted Assets
RWE	-	Risk-Weighted Exposure
SBMBM	-	SBM Bank (Mauritius) Ltd
SICR	-	Significant Increase in Credit Risk
SME	-	Small and Medium Enterprise
SPPI	-	Sole Payment of Principal and Interest
SSL	-	Secure Sockets Layer
SWIFT	-	Society for Worldwide Interbank Financial Telecommunication
USD	-	United States Dollar
VAR	-	Value-at-Risk
VAT	-	Value Added Tax
VIU	-	Value-in-Use
WACC	-	Weighted Average Cost of Capital
WIP	-	Work In Progress

NOTES

PREVIOUS

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