SBM

# NEW PERSPECTIVE RENEWED COMMITMENT

## SBM BANK (MAURITIUS) LTD

ANNUAL REPORT 2021

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr Visvanaden SOONDRAM *(Chairman)*

Mr Jean Paul Emmanuel AROUFF

Mr Coomarah CHENGAN

Mr Raoul Claude Nicolas GUFFLET

Mrs Imalambaal KICHENIN

Mr Eric Michel Georges LEAL

Mr Roodesh MUTTYLALL

Mr Anoop Kumar NILAMBER (Also CEO)

Mr Rajcoomar RAMPERTAB, CSK

Mr Muhammad Azeem SALEHMOHAMED

Ms Oumila SIBARTIE

Mr Ranapartab TACOURI, GCSK

## SECRETARIES TO THE BOARD

Ms Preshnee RAMCHURN

Mrs Bharti BOLAH-CHOWTEE

## AUDITORS

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

## REGISTERED OFFICE

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



SBM

The Directors of SBM Bank (Mauritius) Ltd are pleased to present the Annual Report for the year ended 31 December 2021. The Bank acknowledges its responsibility for ensuring the integrity of the Annual Report and has applied its collective mind to the preparation and presentation of this report. The Annual Report was approved by the Board of Directors in March 2022.

**Mr VISVANADEN SOONDRAM**
Chairman

**Mr ANOOP KUMAR NILAMBER**
Chief Executive Officer

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# CHAIRMAN'S LETTER

# CHAIRMAN'S LETTER

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of SBM Bank (Mauritius) Ltd for the financial year ended 31 December 2021 (FY 2021).

## Context

Following the global widespread of COVID-19 in FY 2020, authorities and governments around the world came together to look for solutions on how to flatten the curve while maintaining a sensible level of economic activity. Thus, after much effort from every stakeholder, FY 2021 became the year of recovery. With the introduction of strict sanitary measures, a well laid-out COVID-19 vaccination programme and financial help from relevant authorities, economic and social activities resumed, albeit with obvious restrictions. Indeed, some sectors such as the tourism industry were still in a financial turmoil as the virus kept on mutating and international travel was limited. The silver lining of this crisis is that new businesses and sectors emerged, creating more jobs, while electronic commerce increased, and technology changed and simplified the way we do business.

To keep up with this fast-changing business environment, the Bank also proactively adapted its services to the 'new normal'. Whilst a number of our branches were open for business with our frontliners braving the COVID-19 crisis during the lockdown, our other teams, developed and introduced many new offerings to provide a seamless experience to our customers.

## Solid and Profitable Financial Performance

Despite the ongoing challenging operating environment characterised by high levels of uncertainty, the Bank realised posted profits of MUR 2.1 billion for the year ended 31 December 2021, compared to MUR 1.5 billion for 2020. The Bank reported a significantly lower impairment charge, by 39.2 per cent, standing at MUR 2.35 billion for the year under review. Moreover, deposits and investments both achieved growth of 27.0 per cent and 27.9 per cent, respectively. Whilst net loans and advances dropped by MUR 1.12 billion, to reach MUR 97.92 billion at the reporting date as a result of the Bank's conscious decision to exit risky positions, loans to the domestic market segment increased by 5.5 per cent.

## Positioning for Recovery

Building up on our momentum from the beginning of FY 2021, the Bank intends to pursue its efforts in various fields, especially the SME sector which contributes significantly to our country's economy, by promoting grassroots economic growth and equitable sustainable development.

In line with the progression of this sector in Mauritius, the Bank has also revamped its proposals for SMEs and micro-enterprises with the provision of different services, including financial assistance and mentoring. Moreover, our SME teams have been very proactive, with a dedicated SME desk in each branch, and have reported a staggering increase in disbursements.

The Bank is giving its full support to those who have the skills, desire and commitment to start their own business. Furthermore, we support start-ups and existing businesses that have the potential for growth, income generation and the ability to compete. On another note, in line with our modernisation strategy, several branches have already been renovated, offering a harmonised setting and an enhanced level of customer service that match our vision to continually improve the customer experience and provide up-to-date digitalised services to our clients. The models we are creating could very well become the reference in terms of retail banking services. As the works continue, we are impatiently waiting for all our branches to undergo their renovation to be able to project that shrine of what will be the SBM of tomorrow.

Moreover, through our partnership with some eminent media partners, we have been able to communicate our achievements to our stakeholders while also gaining valuable media time which has had a positive outcome on the Bank's brand image. One of our main priorities is to position the SBM brand as one which remains on top of the mind of customers and the general public; a target which we intend to achieve through constant and regular communications.

In addition, we have appointed several high calibre and experienced individuals in key functions across the Bank. This new pool of expertise will bring new insights and help consolidate and drive our strategies for the foreseeable future.

## The Near Future

As we look to the future, I am pleased to inform you that the Bank is ready with its 2022-2024 Strategic Plan which is aimed at reinforcing the solid foundations on which the Bank rests. Despite the gradual normalisation of economic activity, uncertainty remains and is expected to be part of the new normal in the near future. Stiff competition in the banking sector and changing customer behaviour towards digital channels will also impact the Bank in the coming years.

In this context, whilst adhering to strong risk management and governance practices, the Bank needs to consolidate and grow business volume in key segments, embrace new technology that will enhance the customer journey and cautiously manage costs.

We remain optimistic that there are still a lot of opportunities to tap into, especially on the domestic market. We are focused on building our strategy around key segments and deepening our presence in high growth sectors. Besides our strong customer centricity, we are also committed to enhancing our product offering and providing value-added solutions to our customers.

While we will continue to build our resilience, we will also leverage on our diversified business model, extensive track record of operational excellence and financial discipline to bring about greater long-term value to our stakeholders. The Bank is therefore well-poised to take advantage of the vast opportunities of this period.

# CHAIRMAN'S LETTER (CONT'D)

## Words of Appreciation

At this point, I would like to extend my deepest appreciation to our management team, staff, and business associates for their contribution towards the Bank. I would also like to thank my fellow directors for their guidance and advice which have helped the Bank achieve its current objectives. Last but not least, I would like to extend my gratitude to our shareholder for their loyal support.

In this new normal, we will continue to strive towards a more robust, customer-centric and innovative financial institution for our customers, as well as hoisting our shareholder's value.

Sincerely,

**Visvanaden Soondram**
Chairman of the Board

# CHIEF EXECUTIVE OFFICER'S LETTER

# CHIEF EXECUTIVE OFFICER'S LETTER

Dear Valued Partners,

I joined SBM Bank (Mauritius) Ltd ("the Bank") at a time when the country was only beginning to recover from the lockdown of March 2021 to contain the spread of COVID-19. While economic prospects still looked quite uncertain, we all knew that it was time to put in the necessary efforts to ensure that the country would be well set on the path to a much-needed economic recovery over the coming months.

Meanwhile, as was the case in 2020, the Bank adjusted to the new normal and maintained operations during the lockdown, opening the maximum number of branches to cater to the needs of our customers and the general public. This was done while taking into consideration the well-being of all members of staff, especially our frontliners who once again braved the situation to serve our customers according to our guiding philosophy of a bank of the people, for the people and by the people.

Among numerous tangible initiatives taken during the March-April 2021 lockdown were the installation of mobile ATMs in areas that were declared red zones by the authorities as well as a full-fledged Work-from-Home strategy to allow a maximum number of staff in our middle and back office to be fully operational, with a high number of IT equipment distributed to staff, including office-issued laptops and smartphones. I must stress on the fact that lessons learnt during the first nationwide lockdown in 2020 helped us devise a more efficient and easier-to-implement policy to ensure that the Bank could operate with as little disruption as possible.

This policy also took the form of an increased digitalisation of our services, as illustrated by the launch, in early 2021, of the SBM Pocket mobile application, which offers the possibility to customers to carry out several transactions, including applying for loans and credit cards right from their smartphones. In line with our digital strategy and as part of our endeavour to provide a seamless online experience to Private Wealth clients under discretionary and advisory mandates, we also launched, in July 2021, a dedicated state-of-the-art online portal. This investment portal is a clear, simple and interactive monitoring tool which comprises multiple features. Other digitalisation initiatives include the deployment of the latest generation of Android-based smart Point-of-Sale terminals, making us the first banking institution in Mauritius to provide merchants with these cutting-edge devices.

We also pursued our renovation strategy which started at the end of 2020 to offer customers and the public a standardised and cohesive setting conducive to a more seamless and smoother banking experience, with digital screens and cleverly arranged office spaces, among others. We relocated some of our branches to more convenient and accessible buildings, as was the case with the Plaine Verte branch, which is now housed in a modern building along SSR Street in Port Louis.

Our commitment to support the citizens of Mauritius to recover from the challenges posed by the global pandemic also saw the Bank implementing all Government-led initiatives to help businesses, especially Small and Medium Enterprises, who were more severely impacted by the situation. This included the provision of all schemes set up by the Bank of Mauritius, as well as the rescheduling of loan repayments on a case-by-case basis.

While the context remained challenging for the better part of 2021, the Bank was able to witness sustained growth during FY 2021, as evidenced by our quarterly financial performance which culminated in a commendable result at year end. Indeed, the financial performance of SBMBM during the whole FY 2021 is illustrative of our capacity to adapt to an economic environment marked by uncertainties. The Bank of the Year Mauritius 2021 Award, as well as other accolades received during FY 2021, are yet another testimony to our organisation's resilience and constant focus on innovative solutions. They also underline the commitment and the hard work of each and every member of our staff, and the synergy among employees at every level of our organisation.

It is no secret that the focus on quality human resources has always been a trademark of the SBM brand. We have always ensured that we onboard the best available talents. This led us to implement a new initiative in mid-2021, SBM Talent Finder, which is an internship programme coupled with a training component. We are planning to have this exercise annually to ensure that we have a pool of talent that will help us drive our development strategy over the coming years. It also serves as an ideal platform to give the opportunity to young graduates to join the banking sector and develop their knowledge and expertise in an industry that has always been highly sophisticated and at the forefront of innovation.

As we tread on the path to full economic recovery, it is important to keep in mind our ambition to be the leading domestic bank and one of the most trusted financial services providers in the region. To achieve this, we have reviewed our risk management and corporate governance culture, and strengthened key positions within our Senior Management team with the recruitment of seasoned C-Suite Executives, many of whom have had international exposure in the fields of banking and finance. Appointments and internal promotions were made to ensure that each team has a strong leader, and staff was recruited to fill in key vacancies across all teams. Our most valuable resource remains our human capital.

## Performance, Capital Structure, and Dividend

The Bank demonstrated its resilience as we adapted to new ways of working to uphold our level of service and thus delivered a noteworthy profit after tax of MUR 2.1 billion for the year ended 31 December 2021.

SBMBM achieved a growth of 27.1 per cent in its deposits base to MUR 243.0 billion and a considerable increase of 27.9 per cent to MUR 119.4 billion in its investment securities. Our Segment B remediation programme is now complete and the positive impact is evident in our significantly lower credit loss expense for the year. The provisioning level is also one of the highest in the industry and bears witness to the management's commitment to ensure that issues faced in the past are correctly addressed. SBM remains a strong brand in the local market and we continue to make inroads on the domestic front with a growth in our local advances portfolio.

# CHIEF EXECUTIVE OFFICER'S LETTER (CONT'D)

The Bank is strongly capitalised with a Capital Adequacy Ratio (CAR) standing at 17.3 per cent and the tier 1 capital to risk-weighted assets ratio of 15.7 per cent. We remain the driving force for the Group both in terms of profit contribution and also through the payment of MUR 400 million of dividend to our parent company in 2021.

## Economic Outlook

Following the unprecedented contraction of 2020, the global economy recovered during 2021, with an estimated growth of 5.9 per cent for the year under review. However, the ongoing global recovery faces multiple challenges such as the spread of the Omicron variant, supply chain disruptions, rising prices of commodities, tightening of monetary policies and escalating geopolitical tensions. Global economic growth is expected to be moderate at 4.4 per cent in 2022 according to IMF's January 2022 forecasts.

The domestic economy also recovered in 2021, with an estimated baseline growth of 4.3 per cent. Accommodative monetary and fiscal policies contributed to mitigate the economic impact of the pandemic and the second lockdown. While activities in the tourism sector remain subdued, other sectors witnessed improved growth during 2021, notably construction and manufacturing. Mauritius also made huge progress on the vaccination front with a significant percentage of the population being fully vaccinated. The Financial Action Task Force's (FATF) decision to remove Mauritius from the 'grey' list is also a welcome boost to the country's financial sector and its efforts to strengthen its AML/CFT measures. With the reopening of borders and ongoing global economic recovery, growth for the Mauritian economy is expected to be around 6.5 per cent in 2022. Nevertheless, downside risks, emanating from uncertainties related to the Russia-Ukraine conflict, Omicron or other COVID-19 variants, as well as rising inflation could impede economic recovery.

We will however maintain our ambition to be the number one Bank in Mauritius, as well as the preferred organisation for young professionals eager to embrace a successful and rewarding career in the banking industry.

Together, we can achieve this legitimate ambition, and I seize this opportunity to extend my gratitude to our shareholder and stakeholders. Moreover, I wish to congratulate every staff member who has helped uplift our business despite the COVID-19 situation and its consequences.

**Anoop Kumar Nilamber**
Chief Executive Officer

# ABOUT THIS REPORT

# ABOUT THIS REPORT

## Purpose

The primary purpose of this Annual Report is to provide an overview of the Bank's ability to achieve a sustainable business growth and to generate and/or preserve value over the long term. This Annual Report is one of our primary communications with stakeholders, and lays out the Bank's vision and governance philosophy as well as the key strategies and initiatives for value creation at all levels.

## Scope of Reporting

The report covers the period 01 January 2021 to 31 December 2021. Some material events arising after this date, until approval of the Annual Report by the Board of Directors of the Bank, may also be included in our reporting.

## Assurance

Financial as well as several non-financial aspects of this report are independently assured. The report of the external auditor on our Financial Statements is on **page 190** of this report.

## Forward-Looking Statements Disclaimer

Some elements in this Annual Report constitute forward-looking statements. These are typically identified by the use of terms such as 'believes', 'expects', 'may', 'will', 'could', 'should', 'intends', 'estimates', 'plans', 'assumes' and 'anticipates', or negative variations thereof.

Such forward-looking statements are subject to a number of risks and uncertainties, many beyond the Bank's control and all based on its current beliefs and expectations about future events.

No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Bank.

# ABOUT SBM

# ABOUT SBM

## Who We Are

SBM Bank (Mauritius) Ltd (the "Bank") is the flagship 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 physical presence comprising 40 branches and 4 counters in both Mauritius and Rodrigues. The Bank has a workforce of over 1,500 staff and its domestic market share as at 31 December 2021 stood at 26.5% (2020: 25.8%) for total advances (excluding GBL) and 21.3% (2020: 20.6%) for total segment A deposits.

## What We Do

The Bank services a wide range of customer segments comprising Retail, Private Banking & Wealth Management, SME, Corporate, International, Financial, Government and Non-government Institutions. We offer multi-channel capabilities to our customers, through state-of-the-art branches, Internet and Mobile Banking solutions, e-commerce gateways and digital services such as SBM Pocket, SBM easy-pay, Online Loan Application, Online Customer Onboarding for new account opening and SBM Amigos mobile App amongst others.

### 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

## SBM Bank at a Glance

| ~545,000 | 1,569 | 44 | 127 |
|---|---|---|---|
| Number of customers | Number of employees | Number of branches & counters | Number of ATMs |

### Awards

**Bank of the Year – Mauritius 2021**
The Banker Magazine

**Most Innovative Retail Bank – Mauritius 2021**
Global Business Outlook Awards 2021

**Straight-Through Processing (STP) Excellence Award**
Citigroup

**Best Private Bank in Africa for Excellence in Crisis: Client Services (Global Finance World's Best Private Bank Awards 2021)**
Global Finance Magazine

### Achievements

**SBM** ranked **59th**
Top 200 African Banks – The Africa Report 2021 Edition

# ABOUT SBM (CONT'D)

## Board of Directors

| Non-Independent Non-Executive Director |
|---|
| Mr Visvanaden SOONDRAM (Chairman) |
| Mr Jean Paul Emmanuel AROUFF |
| Mr Raoul Claude Nicolas GUFFLET |
| Mr Roodesh MUTTYLALL |
| Mr Muhammad Azeem SALEHMOHAMED |

| Independent Non-Executive Director |
|---|
| Mr Coomarah CHENGAN |
| Mrs Imalambaal KICHENIN |
| Mr Eric Michel Georges LEAL |
| Mr Rajcoomar RAMPERTAB, CSK |
| Ms Oumila SIBARTIE |
| Mr Ranapartab TACOURI, GCSK |

| Executive Director |
|---|
| Mr Anoop Kumar NILAMBER (also CEO) |

| Secretaries to the Board |
|---|
| Ms Preshnee RAMCHURN |
| Mrs Bharti BOLAH-CHOWTEE |

## Management Team

The Executive Forum is the senior most Management Forum with authority delegated by the Board and is responsible for delivering on the strategic objectives and day-to-day business of the Bank.

| Members of Executive Forum / Senior Management | |
|---|---|
| Mr Anoop Kumar NILAMBER | Chief Executive Officer and Executive Director on the Board of SBM Bank (Mauritius) Ltd |
| Mr Sanjaiye RAWOOTEEA | Head of Consumer Banking |
| Mr Anil GUJJALU | Head of Projects |
| Mr Sanda SOONDRAM | Head of Strategy & Business Development |
| Mr Jorge STOCK | Chief Operating Officer |
| Mr Darmen HURKOO | Chief Credit Officer |
| Mr Teddy ALING | Head of Finance, Procurement and ALM & Capital Management |
| Mr Norman FON SING | Head of Corporate Domestic Banking |

| Other Key Members of Management | |
|---|---|
| Mrs Veronique LIM HOYE YEE | Acting Chief Risk Officer |
| Mrs Anju ISSUR | Head of Financial Markets |
| Mrs Latasha JUGROO | Head of Compliance |
| Mr Percy PHILIPS | Head of Retail Banking |
| Mr Neelesh Sharma SAWOKY | Head of Internal Audit |
| Mr Sanjai RAMESSUR | Head of Legal |
| Mr Ashwin RAMPHUL | Chief Information Officer |
| Ms Deorani KHELAWON | Head of Cards & Payments |
| Mrs Kamlawtee Davi NAGA | Officer-in-Charge - Human Resources |
| Mr Bye Samah GHOORA | Head of Microfinance |

**The above is not an exhaustive list of the Members of Management*

# ABOUT SBM (CONT'D)

## Key Financial Highlights

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Shareholder's equity (MUR million) | **20,583** | 19,796 | 18,065 |
| Capital adequacy ratio (%) | **17.3** | 15.9 | 14.8 |
| Tier 1 Capital adequacy ratio (%) | **15.7** | 14.3 | 13.1 |
| Profit before income tax (MUR million) | **2,538** | 1,747 | 1,001 |
| Profit for the year (MUR million) | **2,090** | 1,454 | 500 |
| Return on average assets (%)[a] | **0.8** | 0.7 | 0.3 |
| Return on average risk-weighted assets (%)[a] | **1.9** | 1.3 | 0.5 |
| Return on average shareholder's equity (%)[a] | **10.4** | 7.7 | 2.8 |
| Return on average tier 1 capital (%)[a] | **12.8** | 9.8 | 3.7 |
| Credit deposit ratio (%) | **45.3** | 58.1 | 61.6 |
| Cost to income (%) | **43.2** | 35.3 | 42.9 |
| Gross impaired advances to gross advances (%)[b] | **10.0** | 11.2 | 7.6 |
| Net impaired advances to net advances (%)[b] | **1.6** | 2.6 | 2.6 |
| Electronic to gross transactions (%) | **94** | 94 | 93 |

[a] Averages are calculated using year-end balances.

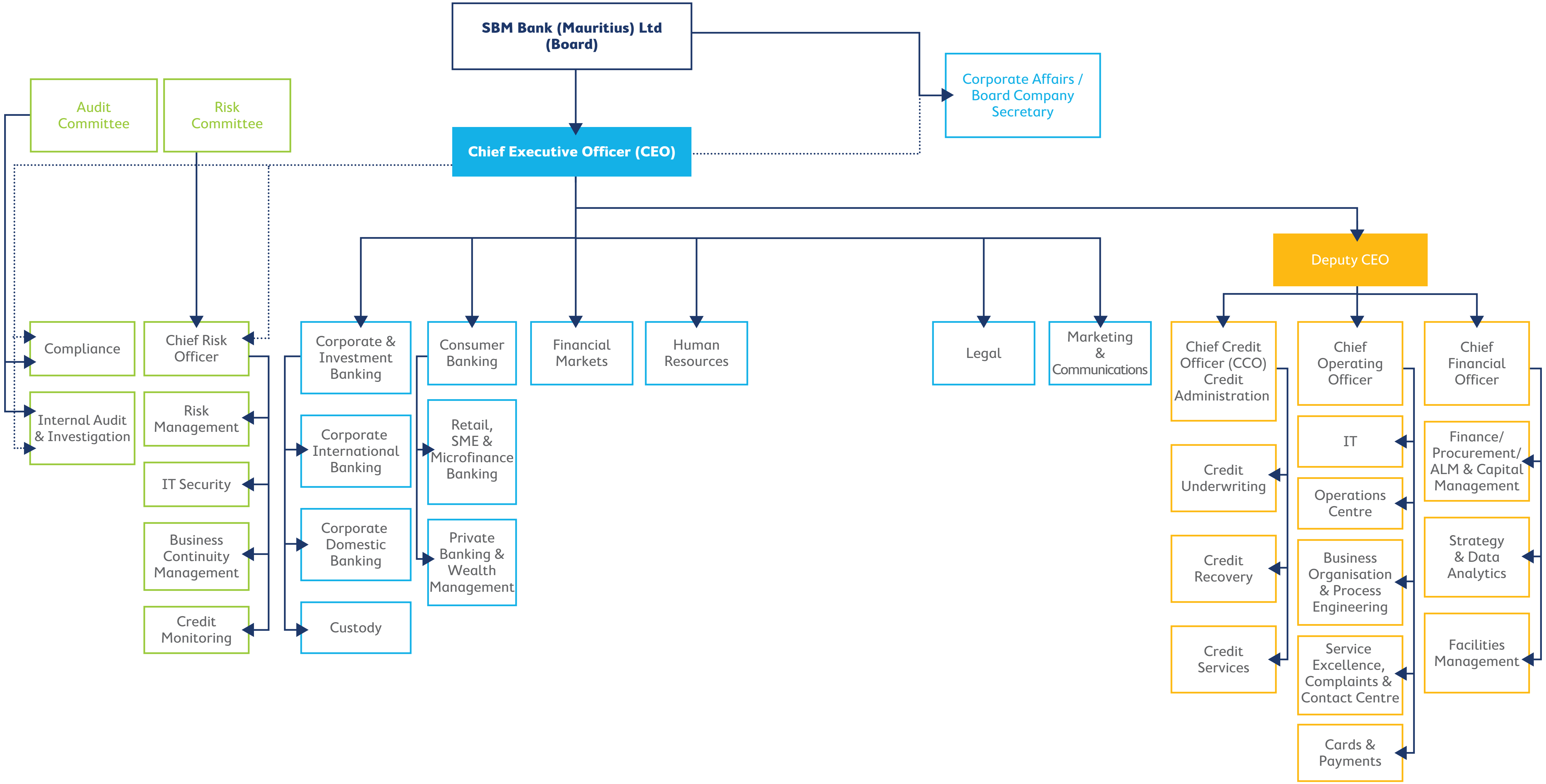
[b] Advances used in calculation for December 2019 are net of cash collaterals.

## 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.

# ABOUT SBM (CONT'D)

## The Bank's Organisational Chart*




*As at 31 December 2021

# BOARD OF DIRECTORS

# BOARD OF DIRECTORS

**From Left to Right:**
Mr Visvanaden Soondram - *Chairman*, Mr Jean Paul Emmanuel Arouff, Mr Coomarah Chengan,
Mr Raoul Gufflet, Mrs Imalambaal Kichenin, Mr Eric Michel Georges Leal

**From Left to Right:**
Mr Roodesh Muttylall, Mr Rajcoomar Rampertab, CSK, Mr Muhammad Azeem Salehmohamed,
Mr Ranapartab Tacouri, GCSK, Ms Oumila Sibartie, Mr Anoop Kumar Nilamber

# BOARD OF DIRECTORS (CONT'D)

## Mr VISVANADEN SOONDRAM
***Chairman***

**Appointed since July 2020**

*Master's 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. He has a fruitful career spanning over 25 years within the same Ministry where he previously served as Director (Economic and Finance), Accountant and Lead Analyst. His fields of expertise include economic planning, policy analysis and strategy development.

*Directorship in Other Entities*
SBM (Bank) Holdings Ltd
SBM Holdings Ltd
The Economic Development Board
Airport Holdings Ltd

## Mr JEAN PAUL EMMANUEL AROUFF
***Non-Executive Director***

**Appointed since July 2020**

*Master's in Journalism*

Mr Arouff is currently Senior Advisor and Director of Strategy at the Ministry of Finance, Economic Planning and Development. He has over 20 years of experience in journalism, specialising in reviewing economic and financial markets. He was previously 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 Senior Advisor and Director of Communications at the Prime Minister's Office.

*Directorship in Other Entities*
Economic Development Board
Landscope (Mauritius) Ltd
SBM (Bank) Holdings Ltd
SBM Holdings Ltd
SBM (NFC) Holdings Ltd



## Mr COOMARAH CHENGAN
***Independent Director***

**Appointed since August 2020**

*MBA*
*BSc in Police Studies*
*Bachelor of Laws*

Mr Chengan has over 30 years of experience in the public service sector during which he held 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 service sector.

*Directorship in Other Entities*
None

## Mr RAOUL GUFFLET
***Independent Director***

**Appointed since July 2021**

*Advanced Management Programme – INSEAD, France*
*Certified Internal Auditor (CIA) - Institute of Internal Auditors, USA*
*Postgraduate Diploma International Finance - Université de Paris XIII, France*
*Master's Degree in Economics (specialisation in Finance) - University of Paris (La Sorbonne), France*
*BSc Economics - University of Paris (La Sorbonne), France*
*Member of the Mauritius Institute of Directors*

Mr. Gufflet is a seasoned professional, who has spent nearly three decades in the banking and financial sector.

He started his career as a strategy consultant, having been involved for over twelve years in restructuring and corporate advisory assignments with PwC in France, Eastern Europe and Africa. He has been involved in several studies with the World Bank and European Bank for Reconstruction and Development (EBRD) on financial institutions in both developed and transitional economies.

Prior to joining SBM Group, he was the Deputy Chief Executive Officer of a renowned bank in Mauritius, as well as Director of several entities across Africa and the Indian Ocean. He has led the international development of the Bank's franchise on the African continent, as well as the transformation of most of its business lines, bringing them to international digital, regulatory and compliance best standards.

As a firm believer in sustainability, he is committed to developing a sustainable banking and capital market philosophy, which is a prerequisite for unlocking value in Mauritius and across the African continent.

*Directorship in Other Entities*
SBM (Bank) Holdings Ltd - SBM Bank (India) Limited - Banque SBM Madagascar - SBM (Bank) Kenya Limited

# BOARD OF DIRECTORS (CONT'D)

## Mrs IMALAMBAAL KICHENIN
***Independent Director***

**Appointed since 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 also acts as director on listed companies and Private Equity Funds. She is moreover the promoter of the African Institute of Training and Development.

*Directorship in Other Entities*
JurisTax 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

## Mr ERIC MICHEL GEORGES LEAL
***Independent Director***

**Appointed since March 2020**

*Bachelor in Arts & Science – Business Administration*
*Member of the Mauritius Institute of Directors*

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 previously held the posts of Service Director and Deputy Managing Director at Leal & Co. Ltd.

*Directorship in Other Entities*
Leal & Co Ltd and related entities/subsidiaries of the Leal Group of Companies

## Mr ROODESH MUTTYLALL
***Non-Executive Director***

**Appointed since July 2020**

*Master's 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)*
*Member of the Mauritius Institute of Directors*

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 moreover worked for SBM Group from 2000 to 2001. He is also a Member of the Mauritius Institute of Professional Accountants.

*Directorship in Other Entities*
SBM Holdings Ltd
SBM (Bank) Holdings Ltd
Banque SBM Madagascar SA
University of Technology, Mauritius
Afrinex Limited

## Mr ANOOP KUMAR NILAMBER
***Executive Director***

**Appointed since July 2021**

*BSc (Licence) in Economics, University Panthéon Assas - Paris II, Paris*
*Master's Degree in Banking and Finance, Université Panthéon-Assas Paris II, France*

Mr Nilamber is a seasoned professional with over 15 years of experience in the Banking, Investment and Corporate sectors, having worked in international reputed financial institutions, including HSBC France. He was previously a member on the board of several key entities including MauBank Ltd, Airports of Mauritius Ltd, the State Investment Corporation Ltd, SME Mauritius Ltd and the Mauritius Revenue Authority, among others. His past experiences include those of Economic Advisor at the Ministry of Finance and Economic Development, Chief Executive Officer at Mauritius Duty Free Paradise Ltd, Group Chief Executive Officer at Airports of Mauritius Co. Ltd and lecturer at the Université Panthéon-Assas Paris II, France.

*Directorship in Other Entities*
None

# BOARD OF DIRECTORS (CONT'D)

## Mr RAJCOOMAR RAMPERTAB, CSK
***Independent Director***

**Appointed since March 2020**

*Postgraduate Diploma in Legal Practice (LPC Solicitors Final)*
*Bachelor of Laws (LLB)*
*BA (Hons) Social Science*
*Diploma of Higher Education*
*Member of the Mauritius Institute of Directors*

Mr Rampertab practised as an immigration lawyer in the UK for several years and has worked as a civil servant as well as 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. He 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 during which he occupied the post of Parliamentary Private Secretary (PPS). In addition, he was a Member of the Parliamentary Committee of ICAC from June 2015 to October 2019.

*Directorship in Other Entities*
None

## Mr MUHAMMAD AZEEM SALEHMOHAMED
***Non-Executive Director***

**Appointed since July 2020**

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

Mr. Salehmohamed is currently Advisor on Economic Matters at 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)



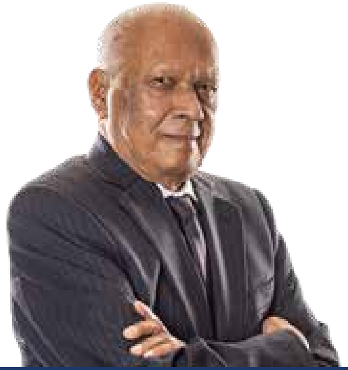
## Ms OUMILA SIBARTIE
***Independent Director***

**Appointed since August 2020**

*Master's Degree in Economics (USA)*
*ACI Dealing Certificate (France)*
*International Certificate in Wealth and Investment Management (UK)*
*Member of the Mauritius Institute of Directors*

Ms Sibartie is a multi-faceted financial professional with over 23 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 held 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
Island Life Assurance Co. Ltd



## Mr RANAPARTAB TACOURI, GCSK
***Independent Director***

**Appointed since March 2020**

*Master's Degree in Economics*
*BA (Hons) in Economics*

Mr Tacouri has a long and eminent career spanning over 50 years in the academic and financial sectors. He has previously been 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

# STRATEGY REPORT

# STRATEGY REPORT

## Achievements

As a key economic partner, the Bank maintained its operations to serve households, businesses, and the community, despite pandemic-related disruptions.

The Bank maintained its resilience during 2021 on the back of strong adaptability and a thorough strategic execution process. Well-established protocols and business continuity plans, with health and safety of employees as priority, have contributed to the smooth running of operations and mitigated the impact of lockdown-related disruptions. The evolution of customer behaviour towards more digital channels has also been well accommodated. The Bank also accompanied its clients during 2021 with the implementation of several well-adapted financial solutions for those who were more severely impacted by the challenging economic situation.

In line with its three-year strategic plan, the Bank has put in place several key strategic initiatives in 2021. Key achievements during the year include:

- Strengthening of the Bank's leadership team with the filling of several key positions, notably CEO, Head of Strategy and Business Development, Acting Chief Risk Officer, Chief Credit Officer, and Head of Compliance;
- Improved quality of service through the revamping of branches and continued monitoring of customer satisfaction feedbacks;
- Building up of capabilities with a human resources development programme, SBM Talent Finder, which enabled the onboarding of several young graduates;
- Review of processes to enhance customer journey for onboarding and loan disbursement;
- Inclusion of government incentives in SBM Homeloan offerings;
- Increased digitalisation of channels with the rolling out of new ATMs, Android Smart Point-of-Sale terminals, dedicated Private Wealth portal and mobile apps, namely SBM Pocket, which features online customer onboarding and card application, among other features;
- Improving risk management culture with several risk awareness campaigns and the rolling out of a Credit Mastery Programme;
- Winning of numerous awards, the most notable ones being:
  - Bank of the Year – Mauritius 2021 by The Banker;
  - Most Innovative Retail Bank by Global Business Outlook Awards 2021; and
  - Straight-Through Processing (STP) Excellence Award by Citigroup

## Going Forward

The operating environment in the coming years will differ significantly from that of the pre-pandemic era. Hence, it is vital to position SBMBM to adapt to this increasingly demanding context in order to consolidate its position and to tap into new opportunities. The management team of SBMBM has devised a three-year plan that will focus on (i) consolidating SBM Bank's position in existing markets; (ii) tapping into new business opportunities and markets, (iii) improving service quality to enhance customer journey, (iv) digitalisation of channels, (v) capacity building, and (vi) enhancing risk management culture.

# FINANCIAL REVIEW

# FINANCIAL REVIEW

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Statement of profit or loss (MUR million)** | | | |
| Interest income | 6,661 | 7,227 | 7,980 |
| Interest expense | 944 | 1,497 | 2,187 |
| Net interest income | 5,717 | 5,730 | 5,793 |
| Non interest income | 2,888 | 2,937 | 2,275 |
| Operating income | 8,606 | 8,667 | 8,068 |
| Non interest expense | 3,720 | 3,057 | 3,460 |
| Depreciation and amortisation | 624 | 646 | 668 |
| Net impairment loss on financial assets | 2,348 | 3,863 | 3,607 |
| Profit before income tax and net impairment loss on financial assets | 4,886 | 5,610 | 4,608 |
| Profit before income tax | 2,538 | 1,747 | 1,001 |
| Profit for the year from continuing operations | 2,090 | 1,454 | 500 |
| **Statement of financial position (MUR million)** | | | |
| Total assets | 276,573 | 228,968 | 209,646 |
| Gross loans and advances to non-bank customers | 109,370 | 110,476 | 106,792 |
| Deposits from non-bank customers | 241,529 | 190,004 | 173,259 |
| Shareholder's equity | 20,583 | 19,796 | 18,065 |
| Tier 1 capital | 16,932 | 15,797 | 13,916 |
| Risk-weighted assets | 107,929 | 110,654 | 106,544 |
| **Statement of financial position (average[a] MUR million)** | | | |
| Assets | 252,770 | 219,307 | 195,641 |
| Gross loans and advances to non-bank customers | 109,923 | 108,634 | 103,295 |
| Deposits from non-bank customers | 215,767 | 181,631 | 160,395 |
| Shareholder's equity | 20,190 | 18,931 | 17,778 |
| Tier 1 capital | 16,365 | 14,857 | 13,682 |

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Performance ratios (%)** | | | |
| Capital adequacy ratio | 17.3 | 15.9 | 14.8 |
| Tier 1 Capital adequacy ratio | 15.7 | 14.3 | 13.1 |
| Profit before income tax / average risk-weighted assets[a] | 2.3 | 1.6 | 1.0 |
| Profit before income tax / average assets[a] | 1.0 | 0.8 | 0.5 |
| Profit before income tax / average shareholder's equity[a] | 12.6 | 9.2 | 5.6 |
| Profit before income tax / average Tier 1 capital[a] | 15.5 | 11.8 | 7.3 |
| Return on average risk-weighted assets[a] | 1.9 | 1.3 | 0.5 |
| Return on average assets[a] | 0.8 | 0.7 | 0.3 |
| Return on average shareholder's equity[a] | 10.4 | 7.7 | 2.8 |
| Return on average Tier 1 capital[a] | 12.8 | 9.8 | 3.7 |
| **Efficiency ratios (%)** | | | |
| Cost to income | 43.2 | 35.3 | 42.9 |
| **Asset quality ratios (%)[b]** | | | |
| Gross impaired advances to gross advances | 10.0 | 11.2 | 7.6 |
| Net impaired advances to net advances | 1.6 | 2.6 | 2.6 |
| **Other key data** | | | |
| Number of employees | 1,569 | 1,520 | 1,532 |
| Number of service units | 44 | 44 | 43 |

[a] Averages are calculated using year-end balances.
[b] Advances used in calculation for December 2019 are net of cash collaterals.

# FINANCIAL REVIEW (CONT'D)

## Results

The challenging environment of 2020 continued into 2021 with the domestic economy facing headwinds due to the COVID-19 pandemic and overall economic activity remained curtailed. From the third quarter onwards, a positive sentiment was felt as the country reached herd immunity with a significant portion of the population being fully vaccinated. The economy started opening up, travel restrictions were eased, and exports of manufactured goods picked up in line with global demand and investments in the construction industry.

The measures implemented by the Regulator since 2020 have helped to reduce pressure on the Bank's capital and liquidity positions and ensured continuous flow of credit into the economy at large. These included a 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.

As we draw a close on 2021, the Bank's fundamentals are 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.

The Bank has been resilient and generated a healthy profit after tax of MUR 2,090.2 million compared to MUR 1,453.9 million for the same period in 2020. Net Interest Income and Operating Income remained at par compared to 2020, at MUR 5.7 billion and MUR 8.6 billion respectively.

Significantly lower impairment charges of MUR 1.5 billion and a very comfortable provision coverage ratio of 85.9 per cent reflects the Bank's commitment to address its bad loans, in line with the Bank's revised strategy on segment B business.

## Revenue Growth

The operating income of MUR 8.6 billion for 2021 was at par with the performance for 2020.

## 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 1.85 per cent 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 years under review.

This results from a well-designed Asset & Liability Management strategy whereby the drop of 7.8 per cent in the total interest income compared to 2020 is offset by a decrease of 37.0 per cent or MUR 553.2 million in interest expense over the year 2020.

Interest income from loans and advances to non-bank customers stood at MUR 4.6 billion and experienced the highest drop under the component of total interest income due to several cuts in repo rate since 2019. However, it remains the main source of interest income.

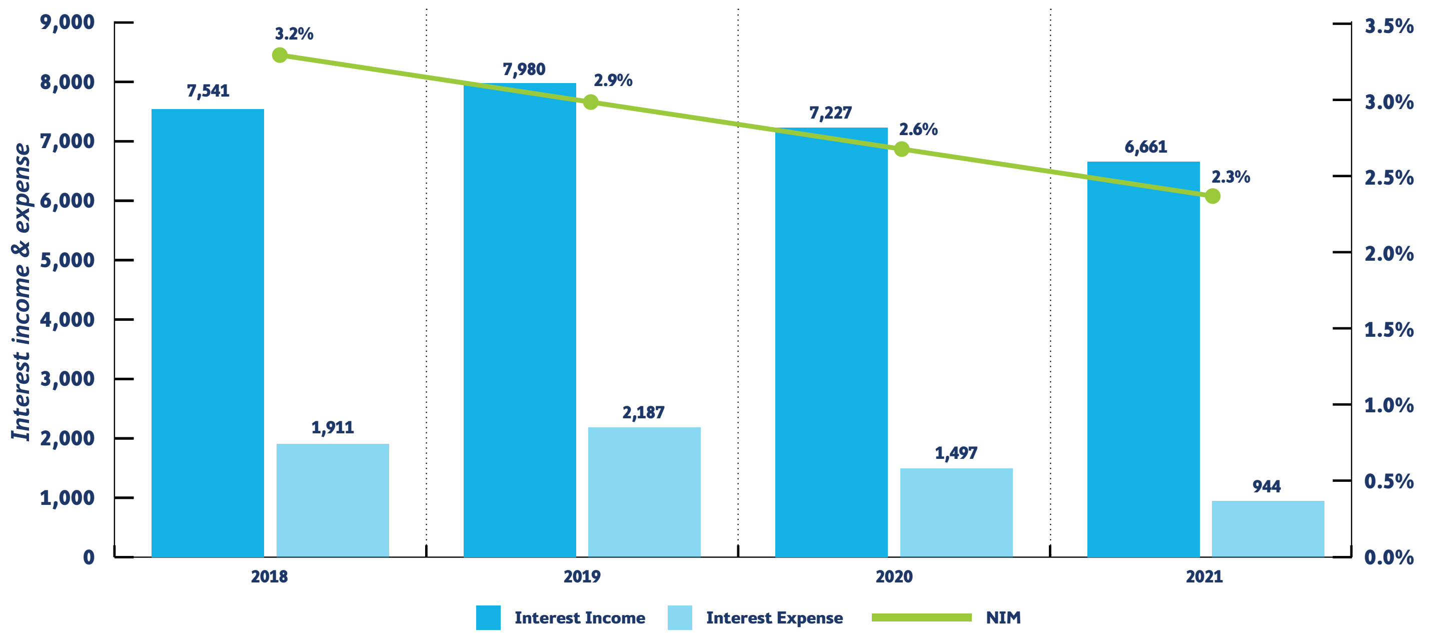
## Net Interest Income (cont'd)

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 as the Bank is deploying its excess funds primarily in low-yielding assets.

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) FCY Deposits with lower/no interest payment and (ii) lower reliance on borrowings.

The combined effect of a falling interest rate environment, lower than expected growth in the advances book, and conservative deployment of excess liquidity in HQLA securities resulted in a lower net interest margin of 2.3 per cent for the year ended 31 December 2021 from 2.6 per cent for the year ended 31 December 2020.

### Net Interest Margin



# FINANCIAL REVIEW (CONT'D)

## Non-Interest Income

As shown in the table below, non-interest income decreased by 1.6 per cent, from MUR 2,936.9 million for the year ended 31 December 2020 to MUR 2,888.5 million for the year ended 31 December 2021.

| | Year Dec 21 | Year Dec 20 | Year Dec 19 | Variance | |
|---|---|---|---|---|---|
| | MUR' million | MUR' million | MUR' million | MUR' million | % |
| Net fee and commission income | **719.1** | 575.4 | 644.6 | 143.7 | 25.0 |
| Card income including e-commerce income | **357.5** | 359.3 | 400.1 | (1.8) | (0.5) |
| Net trading income from: | | | | | |
| Profit arising from dealings in foreign currencies | **863.9** | 469.4 | 505.1 | 394.5 | 84.0 |
| Interest rate instruments | **27.5** | 147.0 | 146.7 | (119.5) | (81.3) |
| Fair value movements on debt securities measured at FVTPL | **81.0** | 211.1 | 445.6 | (130.1) | (61.6) |
| Gains/(osses) on financial assets at fair value through profit or loss | **228.1** | (29.2) | (92.3) | 257.3 | 881.2 |
| Gain on sale of financial instruments | **588.1** | 1,203.0 | 224.4 | (614.9) | (51.1) |
| Other | **23.3** | 0.9 | 0.9 | 22.4 | 2,556.7 |
| | **2,888.5** | 2,936.9 | 2,275.1 | (48.4) | (1.6) |

The components of non-interest income which contributed positively in 2021 are: fee and commission income; gains from dealings in foreign currencies; and gains from financial assets held at fair value through profit or loss.

Net fee and commission income from retail and corporate customers increased by MUR 143.7 million is aligned with the Bank's strategy to increase non-interest income. Net gains from financial assets measured at fair value through profit or loss is higher for the year under review by MUR 257.3 million compared to the previous year due to higher gains on revaluation on derivatives held for risk management purposes.

However, a decrease is noted for the other contributors of non-interest income like trading income from interest rate instruments; fair value movements on debt securities and net gains on sale of securities. Last year, the Bank recorded exceptional one-off net gains on the sale of securities of MUR 1,203.0 million compared to MUR 588.1 million for the year ended 31 December 2021 as the Bank had 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 where an exceptional gain of MUR 508.4 million was realised upon disposal of a portion of it.

Card income also witnessed a marginal decrease of MUR 1.8 million from MUR 359.3 million for 2020 to MUR 357.5 million for 2021 mostly due to lower income from cross-border transactions with travel restrictions at the start of the year and a low volume of transactions. Some merchants also closed down following restrictions from VISA.

The ratio of non-interest income to average assets stood at 1.1 per cent for the current year against 1.3 per cent for 2020. Non-interest income as a percentage of operating income also decreased from 33.9 per cent for 2020 to 33.6 per cent for 2021.



## Non-Interest Expense

The table below shows the components of operating expenses.

| | Year Dec 21 | Year Dec 20 | Year Dec 19 | Variance | |
|---|---|---|---|---|---|
| | MUR' million | MUR' million | MUR' million | MUR' million | % |
| Personnel costs | **1,748.2** | 1,402.2 | 1,697.8 | 346.0 | 24.7 |
| Property costs (including depreciation) | **337.4** | 298.4 | 311.2 | 39.0 | 13.1 |
| System costs (including depreciation and amortisation) | **996.2** | 1,000.9 | 1,019.2 | (4.7) | (0.5) |
| Other expenses | **638.0** | 355.5 | 431.6 | 282.5 | 79.4 |
| | **3,719.8** | 3,057.0 | 3,459.8 | 662.8 | 21.7 |

Non-interest expenses witnessed an increase of MUR 662.8 million for the year ended 31 December 2021 over the same period 2020, resulting in worsening of the cost to income ratio at 43.2 per cent compared to 35.3 per cent for last year.

This year, the major component of the increase in non-interest expense has been attributed to personnel costs as the Bank remains focused on investing in its human capital and to remain an Employer of Choice. The Bank reported personnel costs of MUR 1,748.2 million for the year 2021 compared to MUR 1,402.2 million for 2020, which represented an increase of 24.7 per cent.

Other expenses also are on the high side mainly due to some additional costs of legal and professional charges taken on debts recovery cases during the year under review and accrual of contribution payable to the Regulator in accordance with the Mauritius Deposit Insurance Scheme. The newly implemented Group Transfer pricing policy also resulted in additional costs for the Bank. Higher FCY denominated expenses were borne by the Bank following general increase in the exchange rate.

## Credit Loss Expense on Financial Assets

Total credit loss expenses recognised for 2021 amounted to MUR 2.3 billion, which included mostly additional impairment charge for the segment B impaired book in addition to Expected Credit Losses (ECL) provisions. The charge for 2021 is significantly lower by MUR 1.5 billion over 2020 and had a positive impact to the comparative bottom line. In line with the requirements of IFRS 9 and looking ahead, the Bank ensured that ECL reflect the underlying credit risk arising from lingering COVID-19 uncertainty as well as the potential economic impacts of the Russian-Ukrainian war.

# FINANCIAL REVIEW (CONT'D)

## Statement of Financial Position

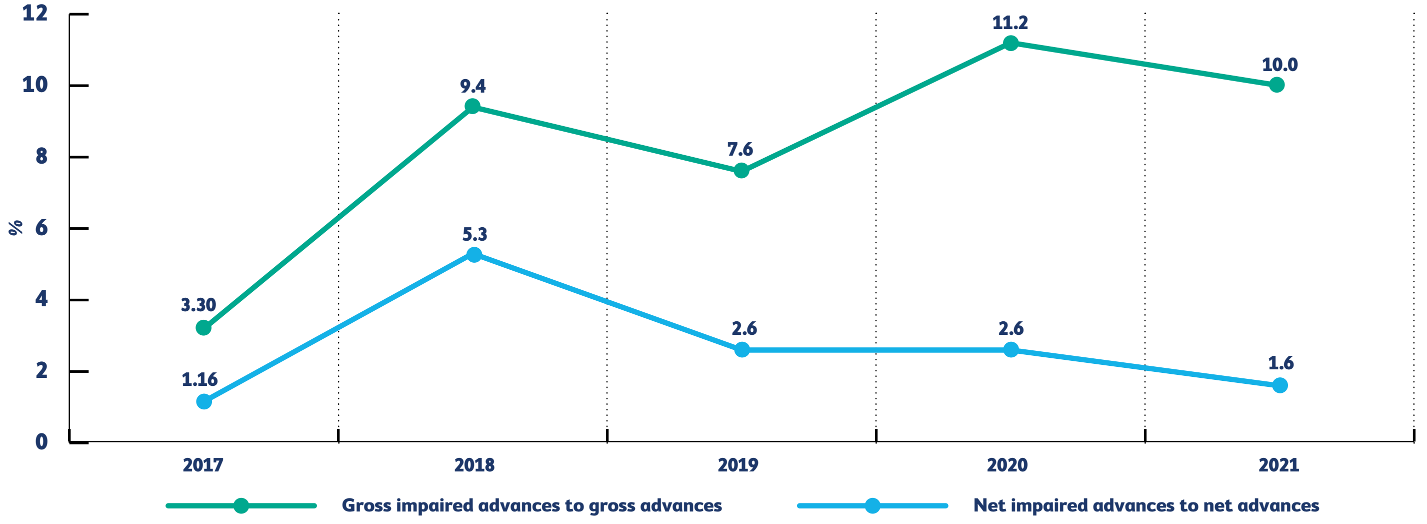
### Loans and Advances

Gross loans and advances for the Bank decreased by MUR 1.11 billion or 1.0 per cent to reach MUR 109.4 billion as at 31 December 2021 on account of early repayments of some risky segment B exposures. Nevertheless, segment A advances reported an increase of MUR 5.1 billion, from MUR 81.7 billion as at 31 December 2020 to MUR 86.7 billion as at 31 December 2021 which reflects the Bank's ability to grow its business domestically despite a very competitive environment. A breakdown of the credit portfolio by economic sectors and level of provisions held has been disclosed in Note 9 of the Financial Statements while segmental advances and provisions are available in Note 40. Net loans and advances stood at MUR 97.9 billion compared to MUR 99.0 billion for 2020 as provisions were maintained at MUR 11.4 billion at the two reporting dates.

### Credit Quality

Impaired advances stood at MUR 10.9 billion as at 31 December 2021, compared to MUR 12.3 billion as at 31 December 2020. The Bank wrote off advances amounting to MUR 2.4 billion during the year under review where specific allowance for credit impairment decreased from MUR 9.8 billion as at 31 December 2020 to MUR 9.3 billion as at 31 December 2021 after offsetting the additional impairment taken for the year. The provision coverage ratio stood at 85.9 per cent, against 79.2 per cent as at 31 December 2020. The uncovered portion is adequately covered by collaterals, suitably discounted to reflect prevailing market conditions and expected time of recovery.

An improvement of both the gross impaired advances to gross advances ratio and net impairment ratio is seen as at 31 December 2021, from 11.2 per cent and 2.6 per cent to 10.0 per cent and 1.6 per cent respectively.






## Investment Securities, Placements and Cash & Cash Equivalents

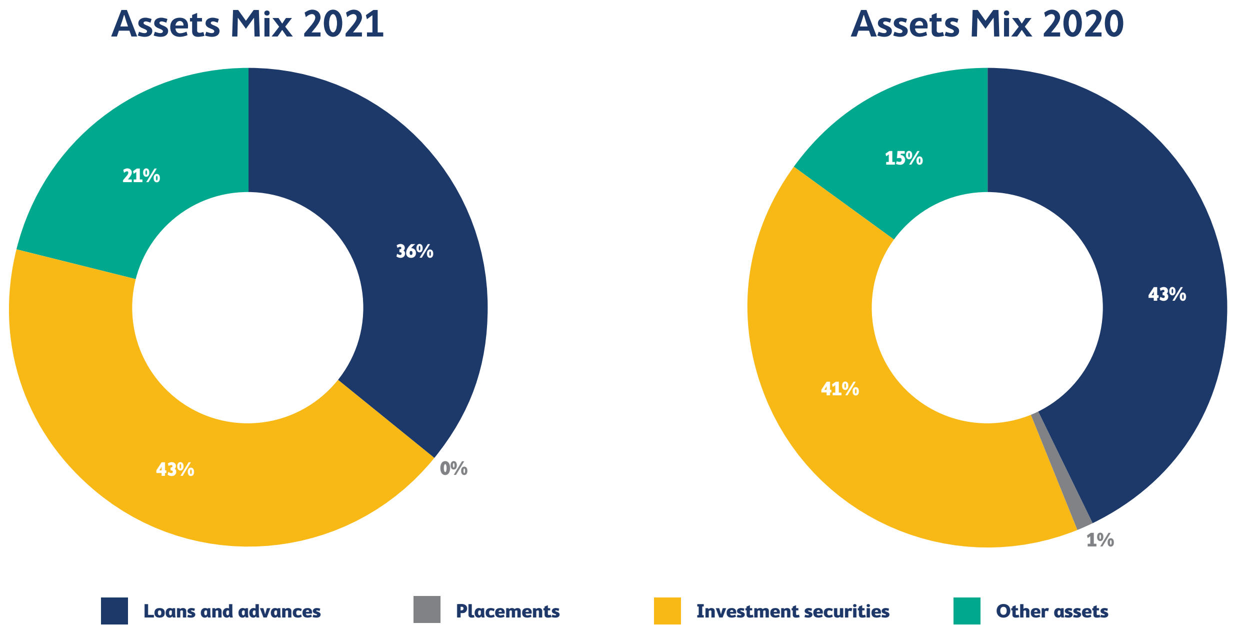
The combination of lower than expected credit disbursement in the domestic market and increased deposits from customers resulted in a liquidity surplus which was deployed into fixed income gilt-edged securities, foreign bank bonds, corporate bonds and short-term placements with banks. Investment securities as a result increased by MUR 26.1 billion or 27.9 per cent to reach MUR 119.4 billion as at 31 December 2021 and cash & cash equivalents increased to MUR 40.3 billion at December 2021 from MUR 16.7 billion as at December 2020, with unrestricted balance with the central bank amounting to MUR 35.8 billion at the reporting date (2020: MUR 10.5 billion).

As at 31 December 2021, financial assets classified at amortised cost increased from MUR 33.8 billion as at 31 December 2020 to MUR 51.7 billion, representing an increase of MUR 17.9 billion or 52.7 per cent while those classified at Fair Value Through Other Comprehensive Income (FVTOCI) witnessed an increase of MUR 9.4 billion to reach MUR 59.6 billion (2020: MUR 50.2 billion) as at 31 December 2021.

Gross loans and placements with banks amounted to MUR 843.1 million as at 31 December 2021 compared to MUR 3.2 billion as at 31 December 2020.

## Other Non-Interest Earning Assets

Other non-interest earning assets decreased by MUR 81.1 million due to a drop in the receivable balance as at 31 December 2021.

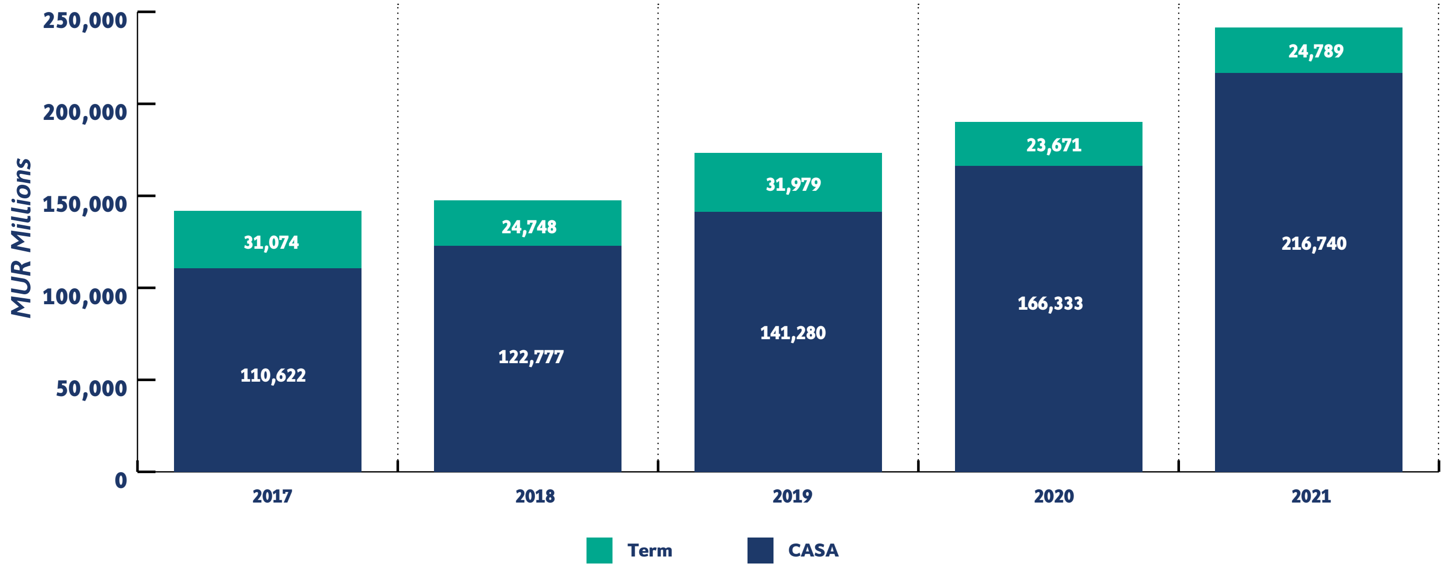


# FINANCIAL REVIEW (CONT'D)

## Deposits and Borrowings

Total deposits from non-bank customers experienced a growth of 27.1 per cent during the year under review from MUR 190 billion as at 31 December 2020 to MUR 241.5 billion as at 31 December 2021. This growth is attributable to CASA deposits which increased from MUR 166.33 billion as at 31 December 2020 to MUR 216.7 billion as at 31 December 2021. CASA deposits accounted for 89.7 per cent of total deposits as at 31 December 2021 (2020: 87.5 per cent).

### Deposits




## Other Borrowed Funds

The Bank placed less reliance on borrowings during financial year 2021, the balance of borrowed funds as at 31 December 2021 stood at MUR 5.3 billion compared to MUR 11.1 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.

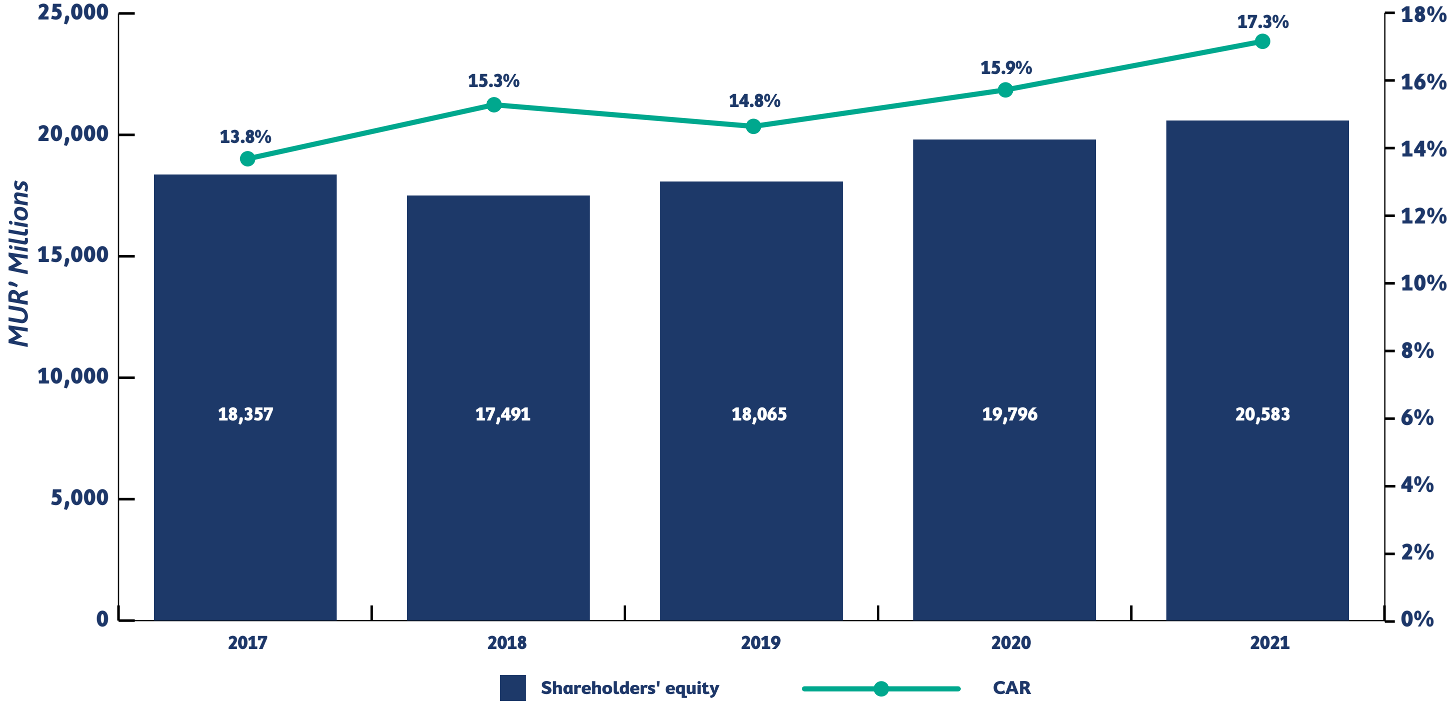
## Shareholder's Fund

The Bank remains well capitalised with a Capital Adequacy Ratio of 17.3 per cent, up from 15.9 per cent as at 31 December 2020 and Tier 1 capital to risk weighted assets ratio to 15.7 per cent as at 31 December 2021 (2020: 14.3 per cent). Both capital ratios are above the minimum regulatory requirement for Domestic-Systemically Important Banks. Shareholder's equity stood at MUR 20.6 billion as at 31 December 2021 compared to MUR 19.8 billion as at 31 December 2020 and common equity Tier 1 capital stood at MUR 16.9 billion.

Return on average shareholder's equity has increased from 7.7 per cent in 2020 to 10.4 per cent for 2021.

We remain a key contributor to the Group with a profit after tax of MUR 2.09 billion and have paid MUR 400 million in terms of dividend to our parent entity in 2021.

Refer to the Capital Management section in Note 34 for more details.



# FINANCIAL REVIEW (CONT'D)

## Performance against Objectives

| Indicator | Target for 2021 | Performance 2021 | Target for 2022 |
|---|---|---|---|
| Return on Average Assets (ROA) | To improve marginally over 2020 | ROA reached 0.8 per cent for the year, an improvement of 16bps over last year | To reach at least 1 per cent |
| Return on Average Equity (ROE) | To grow by at least 1 per cent | ROE improved to 10.4 per cent | To achieve a minimum of 12 per cent |
| Operating Income | To keep at same level as previous year as trading income is expected to drop due to unfavourable market conditions | Operating income of MUR 8.6 billion for 2021 is at par with last year with higher fees and commission and lower gain on sale of securities | Net interest income is expected to grow through increased business volumes with focus on growing fee-based income. |
| Operating Expenses | Operating expenses are likely to grow further in 2021 in line with the Bank's expansion policy | Operating expenses have picked up in 2021 with the expansion plan and further investment in capacity building | Operating expenses are expected to grow with the continued investment in capacity building |
| Cost to Income ratio (CI) | With continuing investment in human capital and technology, the cost to income ratio is expected to rise | The CI ratio reached 43.2 per cent | It is expected that CI ratio will pick up in the initial stage and then gradually decrease as the Bank reaps the benefits of these investments |
| Gross Advances | Growth in loans book will focus mainly on the domestic market | The Bank grew its overall gross advances mostly in the Retail segment and domestic Corporates. With the high uncertainty conditions prevailing in the economic activity both locally and foreign, the Bank ended with a lower than expected performance | A two digit growth in the loans is anticipated with focus on both domestic market and a prudential approach-based for the Segment B market |
| Deposits From Customers | A two digit growth is aimed on the deposits side with focus on low cost deposits base | Total deposits stood at MUR 243 billion, an increase of 27.1 per cent over previous year mostly in CASA deposits | Expecting to keep a year on year growth of at least 5 per cent with focus on CASA deposits both in local and foreign currency |
| Assets Quality | Gross Impaired ratio is expected to improve | Gross Impaired ratio improved to 10 per cent with a coverage ratio of 85.9 per cent | Gross Impaired ratio is expected to improve |
| Capital Management | The Bank shall comply with the BoM minimum requirement. | The Bank's CAR ratio and Tier 1 ratio stood respectively at 17.3 per cent and 15.7 per cent respectively, which are above the prescribed minimum requirements | The Bank shall continue to maintain its capital adequacy ratio (CAR) at the optimum level and ensure adherence to regulatory requirements at all times. |

# CORPORATE GOVERNANCE REPORT

# CORPORATE GOVERNANCE REPORT

## Report from Chairman of CGCR Committee

**Dear Shareholder and Valued Partners,**

I am pleased to present our Corporate Governance report for the financial year 2021.

During the year under review, the Bank took the necessary steps to ensure adherence to the requirements and provisions as specified in the National Code of Corporate Governance for Mauritius (2016) (the 'Code').

The Corporate Governance report sets out details on the composition of our Board, its corporate governance arrangements, processes and activities during the year, together with the related statutory disclosures. 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, CSK**
Chairman
Corporate Governance and Conduct Review Committee

## Our Governance Framework

Our governance framework ensures that all aspects of our business are managed to achieve the desired outcomes in our governance universe. The Board is the focal point and custodian of this framework through its committee structures, and its relationship with management, shareholders and other stakeholders.

**Shareholder and other stakeholders**

**The Board**
Responsible for overall conduct and control of the affairs of the Bank. Sets long-term strategic direction and strategy.

**Company Secretary**
Guides the Chairman and Board members on their duties, responsibilities and powers and advises on corporate governance.

| Board governance | Advisory and support | Management governance |
|---|---|---|
| **Audit Committee**<br>Page 87 of the Annual report<br><br>**Board Supervisory Committee**<br>Page 92 of the Annual report<br><br>**Corporate Governance & Conduct Review Committee**<br>Page 88 of the Annual report<br><br>**Remuneration & Nomination Committee**<br>Page 89 of the Annual report<br><br>**Risk Management Committee**<br>Page 90 of the Annual report<br><br>**Strategy Committee**<br>Page 91 of the Annual report | **Risk Management Forums**<br>3 Risk Forums namely the Portfolio and Credit Risk Forum, Asset and Liability Forum and Operational Risk Forum have been set up to advise on risk matters. Responsible for the oversight and monitoring of the various risk areas within the business.<br><br>**Shared services**<br>Shared services are provided to the holding companies and some sister companies across SBM Group to assist in executing key activities and controls to mitigate risk and achieve set objectives. The shared services include, inter alia, Compliance, Human Resources, IT, Internal Audit, Legal, Risk Management, amongst others.<br>Service-level agreements ensure these are of appropriate quality. | **Chief Executive Officer – Mr Anoop Kumar Nilamber**<br>Develops and recommends the strategy and purpose of the Company to the Board, along with annual business plans and budgets that support the Bank's long-term view.<br><br>**Executive Forum**<br>Principal Management Forum of the Bank. Provides organisational direction on behalf of the Board; advises the Board on decisions and business matters including strategy planning, policy and risk; takes decisions for day-to-day affairs of the Bank, except for credit sanctioning. It has set up other sub-forums to assist in the discharge of its responsibilities. It meets on a weekly basis.<br><br>**Management Credit Forum**<br>Principal credit authority of the Bank. Reviews and sanctions credit proposals in line with the Credit Policy of the Bank. Composed of Members of Senior Management and meets on a bi-weekly basis or as frequently when the business needs. |

# CORPORATE GOVERNANCE REPORT (CONT'D)

## Creating Sustainable Value through Good Governance

The Board understands the importance of the Standards of Corporate Governance for the good functioning of the Bank and therefore, ensures that these Standards are applied at all times. The Board and the Bank's Senior Management Team focus on creating shared value by living up to our purpose and ensuring our business model remains relevant and sustainable. Underpinned by good governance - fully aligned with the National Code of Corporate Governance (the "Code") , each strategic priority enables the Bank to focus on conducting operations safely and responsibly while achieving its financial target.

### Application of the Code

The Board took all necessary steps to ensure adherence to the 8 principles of the Code. The Board continually reviews its governance practices and is satisfied that all material aspects of the Code were applied in 2021. The key recommended practices of the Code are entrenched in our internal control systems, board policies, board charter and the committees' terms of reference. The eight principles of the Code and their application by the Bank have been explained in this report.

The Board has ensured that the Corporate Governance Disclosures, taken as a whole, are fair, balanced, and understandable, and provide the information necessary for shareholders to assess the Bank's position and performance, business model and strategy.

## PRINCIPLE 1 OF THE CODE

### Governance Structure

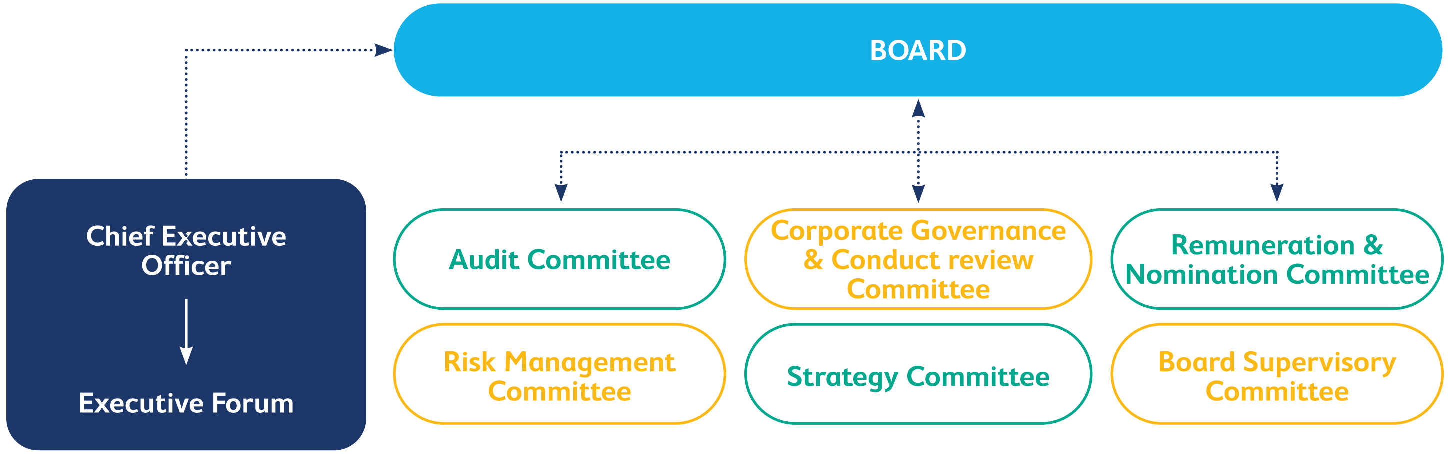
*"All organisations should be headed by an effective Board. Responsibilities and accountabilities within the organisation should be clearly identified."*

### The Board

SBM Bank (Mauritius) Ltd (the "Bank" or "Company") is led by a committed and unitary Board, responsible for promoting the long-term success of the Company and for setting the Bank's vision, strategy and values. The Board assesses whether the necessary resources are and will continue to be in place to enable the Bank to meet its objectives.

In the early part of each financial year, the Board sets a number of short-term objectives which it intends to pursue during the year, and which are aligned with the Bank's long-term strategic goals. These objectives are used to drive the agenda-setting process for each scheduled meeting of the Board, hence ensuring enough time is allocated to these key areas. The objectives set by the Board and the results achieved by the Bank form a useful framework within which the effectiveness of the Board can be assessed.

The Board operates within a clearly defined governance framework, which allows the delegation of its powers and setting up of clear lines of responsibility while retaining effective control. This corporate governance framework is designed to improve the effectiveness of the Board and to support the Leadership Team. It continues to evolve to support the delivery of our strategy and priorities.




*See Page 87 to 92 for more about the roles and membership of each Board Committee

# CORPORATE GOVERNANCE REPORT (CONT'D)

## How the Board of Directors Operates

- Provides effective leadership in the formulation and delivery of Bank's strategy
- Establishes Sub-Committees
- Appoints CEO and Leadership Team
- Considers and approves business plan, strategies and budget

Monitors the delivery of strategy

Challenges and supports management as necessary

Oversees the governance and internal control framework namely through oversight delegated to Board Committees

Oversees the overall management of the Company

Monitors and understands the risk environment in which the Bank operates

- Reports to shareholders on business performance and ascertains their views
- Oversees reporting to other stakeholders

## Board Sub-Committees

The Board has established Committees to assist it in the discharge of its responsibilities. The Chairpersons of these Committees report on their activities at each quarterly Board meeting. All terms of reference and the Board Charter are reviewed annually. The committees are interrelated and provide feedback to each other on salient matters as these apply to their remits.

The following Sub-Committees of the Bank were operational during 2021:

- Audit Committee
- Board Credit Committee*
- Board Supervisory Committee
- Corporate Governance & Conduct Review Committee
- Remuneration & Nomination Committee
- Risk Management Committee
- Strategy Committee

*The Board Credit Committee was dismantled in February 2021. 3 meetings of the Board Credit Committee were held during the year 2021 preceding its closure.

Each Committee has a pre-defined mandate which is reviewed by the Board on a regular basis. The Terms of Reference for each Committee set out its role, responsibilities, scope of authority and composition.

## Executive Management Team

The operational management and day-to-day running of the Bank are entrusted to the Bank's Chief Executive Officer and, through him, the Executive Forum.

The Executive Forum ensures that all relevant matters under its purview are addressed in a timely matter and in accordance with the Board-approved terms of reference.

## Key Governance Documents

The Key Governance Documents assist the Board, Committees and Executive Management Team in their respective duties.

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

- Board Charter;
- Committee Terms of Reference; and
- Code of Ethics.

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

- Job description of Key Governance positions; and
- Organisational Chart.

# CORPORATE GOVERNANCE REPORT (CONT'D)

## Key Governance Positions

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

The key areas of responsibilities of the Directors of the Board, Chairman of the Board, Chief Executive Officer, Chairman of the Risk Management Committee, Chairman of the Corporate Governance & Conduct Review Committee and Company Secretary, which are set out below, have been approved by the Board:

### 1. Directors of the Board

*The list of the current Directors of the Bank is provided on page 22.*

The key responsibilities of the Directors of the Board are:

**Accuracy of Financial information**
Ensure the accuracy of financial information which is being released to the market

**Reporting to Stakeholders**
Responsible for reporting to other stakeholders

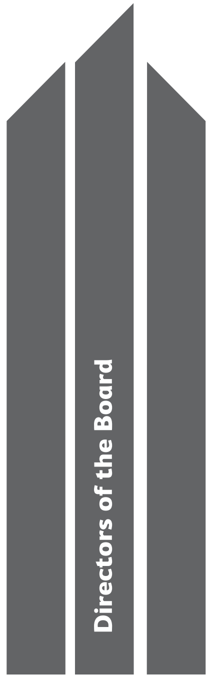
**Development of the Bank's Strategy**
Bring effective contribution to the Bank's Strategy

**Implementation of the Bank's Strategy**
Ensure that the Strategy approved by the Board is being implemented

**Supervision**
/ersee governance environment, including thorough oversight delegated to Board sub-committees

**Succession Planning**
Implement the Board's succession planning for its Directors and the Senior Management Team

**Sharing of Deliberations and Experience**
Bring deliberations and experience to the Board decision-making process




**Reporting to Shareholders**
Report to shareholders on business performance and ascertain their views

**Compliance with Legal and Regulatory Requirements**
Assume responsibility for meeting all legal and regulatory requirements applicable to the Bank

**Decision-making Process**
Participate in the Board decision-making process and constructively challenge as required

**Internal Control**
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

**Primary Duties**
Be bound by the fiduciary duty and duty of skills and car

**Assistance to the Executive Management Team**
Monitor, challenge and support the Executive Management Team, thereby ensuring that they are meeting the objectives set

### 2. Chairman of the Board

*Position of the Chairman held by **Mr Visvanaden SOONDRAM***

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

The key responsibilities of the Chairman of the Board are:

**Running of the Board**
Ensures that the Board functions effectively

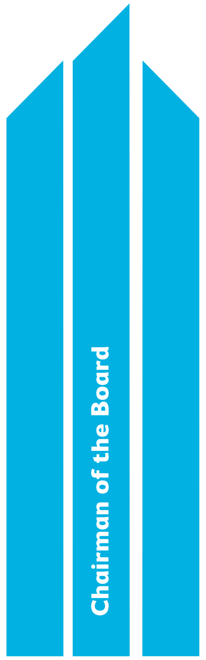
**Sharing of Information**
Ensures that all Directors receive sufficient information in order to be able to make well-informed decisions

**Shareholders' Meetings**
Calls special meetings, where required

**Teamwork**
Encourages teamwork and a culture of openness to promote constructive challenge among the Members

**Meeting of Shareholders**
Chairs annual and special meetings of shareholders

**Maintain Good Working Relationships**
Maintains a close working relationship with the Chief Executive Officer/Officer in-Charge and any other key senior staff




**Agenda**
Sets agenda in conjunction with Company Secretary and ensures that adequate time is allocated for thorough discussions of critical and strategic matters set in the agenda

**Functioning of Board Committees**
Reviews composition of Board Committees and ensures that each committee functions effectively

**Directors' Development**
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 Remuneration & Nomination Committee)

**Directors' Performance**
Ensures that an annual Board evaluation exercise and evaluation of individual Director's performance is carried out

**Communication**
Ensures there is effective communication with shareholders

# CORPORATE GOVERNANCE REPORT (CONT'D)

## 3. Chief Executive Officer ("CEO")

*Position held by **Mr Anoop Kumar NILAMBER***

The CEO 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 Guidelines on Corporate Governance, the CEO's leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the Company's strategic plans.

Being the CEO, Mr Anoop Kumar NILAMBER currently has the following responsibilities:

**Chief Executive Officer ("CEO")**

**Day-to-Day Operations**
Manages the day-to-day operations of the Bank

**Compliance with Standards**
Promotes and conducts 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

**Guidance**
Provides leadership and guidance to Senior Management Team

**Intermediary**
Acts as an intermediary between the Board and Management

**Communication**
Communicates effectively with shareholders, employees, Government authorities, other stakeholders, and the public

**Strategy Implementation**
Implements strategy as proposed by the Board of Directors

**Teamwork**
Works in conjunction with the Chairperson on strategic issues

**Leadership**
Chairs the Executive Committees with a view to ensure that the Senior Management Team pursues and achieves the objectives of the Bank as approved by the Board

**Risk Monitoring and Assessment**
Assesses the principal risks of the Bank and ensures that they are being monitored and managed mainly through a sound and robust internal control system

## 4. Chairman of the Risk Management Committee

*Position held by **Mr Ranapartab TACOURI, GCSK***

The responsibilities of Mr Ranapartab TACOURI, GCSK as the Chairman of the Risk Management Committee of the Bank are as follows:

**Chairman of the Risk Management Committee**

**Teamwork**
Works in close co-operation with, and provides support and advice to the Chairman of the Board

**Compliance with Laws**
Ensures compliance with the terms of the regulatory framework in Mauritius to act for the Risk Management Committee

**Reporting**
Ensures that an updated report of each Risk Management Committee meeting is presented to the Board at least on a quarterly basis

**Guidance**
Provides risk expertise to the Risk Management Committee

**Board Approval**
Guides and advises the Board in the approval of an appropriate risk management framework

**Training**
Ensures that appropriate risk management training for Directors and Senior Management is available and effective.

# CORPORATE GOVERNANCE REPORT (CONT'D)

## 5. Chairman of the Corporate Governance & Conduct Review Committee

*Position held by* ***Mr Rajcoomar RAMPERTAB, CSK***

The key responsibilities of the Chairman of the Corporate Governance & Conduct Review Committee are as follows:

**Teamwork**
Works in close co-operation with, and provides support and advice to the Chairman of the Board

**Compliance with Standards**
Ensures the Board is up to date with the Global and National Good Governance Standards

**Report**
Oversees the production of the Bank's Annual Report each year

**Adherence to Standards**
Ensures that the policies around conduct and ethical standards are regularly upheld and transparently adhered to by the Board and Senior Management


**Guidance**
Provides expertise in the areas of corporate governance and ethical conduct

**Training**
Ensures that the Board receives regular and ongoing training and development

**Evaluation**
Ensures that an evaluation of the Board is carried out each year and that the recommendations from that evaluation are implemented.

**Reporting**
Ensures that an update of each Corporate Governance & Conduct Review Committee meeting is presented to the Board

## 6. Company Secretary

*Position held by:* ***Ms Preshnee RAMCHURN*** *and* ***Mrs Bharti BOLAH-CHOWTEE***

The key responsibilities of the Secretary are as follows:

**Guidance**
To provide the Board with guidance as regards to its duties, responsibilities and powers

**Documentation**
To 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

**Assistance**
To play a leading role in the governance of the Bank by supporting the Chairman and helping the Board and its committees to function effectively


**Compliance with Laws**
To carry out statutory filings

**Filing**
To certify in the Annual Financial Statements of the Bank that the Bank has filed with the Registrar all such returns of the Bank as required under the Act

**Company Updates**
To 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

# CORPORATE GOVERNANCE REPORT (CONT'D)

## Leadership Team

The Leadership Team ensures that the affairs of the Bank are consistent with the business strategy, risk appetite and policies set by the Board while adhering to regulatory requirements.

Authority has been delegated from the Board to the CEO for the day-to-day running of the organisation. A new CEO was appointed during the year 2021, namely Mr Anoop Kumar Nilamber who brings in a range of valuable experience. Despite myriad challenges during the year, the leadership transition was smooth and the new CEO has already made a valuable contribution in managing the major challenges facing the Bank in recent years. Other changes were brought to the Senior Management Team during the year and these were expected to strengthen and focus the pool of expertise to support the Board-approved strategy. Amongst others, the Board ensured that the following positions were filled during the year, either on a regular basis or in an acting capacity, in furtherance of achieving the set objectives:

- Chief Credit Officer
- Chief Risk Officer
- Head of Strategy & Business Development
- Head of Compliance
- Head of Legal
- Head of Projects

Given that 2021 was also a period of transitioning to new leadership, the Board believes the Company made commendable progress against key strategic objectives for the year to 31 December 2021 and has proven its resilience in the face of the on-going crisis.

## Management Forums

To support the CEO in managing the business, various committees / forums involving the Bank's senior officers have been established to deliberate on key issues for informed decision-making, including the following:

### A. Executive Forum

The Board of SBM Bank (Mauritius) Ltd has established an Executive Forum comprising key members of Senior Management, with key mandates as hereunder:

1. The development and implementation of strategy, operational plans, policies, procedures and budgets;
2. The monitoring of operations and financial performance;
3. The assessment and control of risk;
4. The prioritisation and allocation of resources;
5. Monitoring competitive forces in each area of operation; and
6. Other major non-credit operational decisions.

### B. Credit Forums

The Bank has established 2 key forums at Management level, with main mandate to review and approve credit applications / requests in line with the delegated authority as set out in the Board-approved Credit Policies.

# CORPORATE GOVERNANCE REPORT (CONT'D)

### C. Risk Management Forums

Oversight and monitoring of the various risk areas within the business are exercised at Management level through the Executive Forum, the Management Credit Forum and the various Risk Forums.

The Bank has set up 3 main Risk Management Forums with key mandates, as hereunder:

| Portfolio and Credit Risk Forum (PCF) | Asset and Liability Committee (ALCO) | Operational Risk Forum (ORF) |
|---|---|---|
| Monitors credit risk exposures | Ensures that risk tolerance and market risk appetite are effectively managed | Formulates and implements an operational risk framework along Basel requirements to identify and assess operational risks |
| Reviews credit policies, exposure limits, credit risk mitigation techniques | Manage the Bank's assets and liabilities with a view to maximize return | Ensures that Operational Risks identified within Businesses are assessed in terms of implications for wider business and strategic risk and to ensure that the identified risks are reviewed and reported accordingly through the Operational Risk reporting process |
| Review industry risk factors for credit risk rating | Recommends to the Board the establishment of appropriate limits | Ensures an effective risk monitoring system |
| Reviews / recommends portfolio risk profile | Reviews and approves the methodology for measuring market risk | Identifies operational risks and recommends ways to mitigate the risks |
| Reviews credit concentration and ensure adherence to prudential and regulatory limits | Analyses and monitors the Bank's market risk exposures | Recommends appropriate policies and procedures to control and limit operational risks |
| | Assesses the stress-testing scenarios on assets and liability risks<br><br>Reviews stress testing outcome and proposes recommendation for capital management | Reviews key risk indicators including the operational risk loss events in light of overall risk appetite and profile |

### Executive Management Team

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.

The members of Management forums are carefully selected, taking into consideration their age, experience, and area of responsibility.

The Executive Forum, which is composed of all key Members of Senior Management (excluding those charged with assurance duties), has the responsibility for the day-to-day management and running of the Bank. The profiles of the Members of the Executive Forum (excluding that for Mr Anoop Kumar Nilamber, which has already been disclosed in the Directors' Profiles section) are given in the next pages.

# CORPORATE GOVERNANCE REPORT (CONT'D)

## Executive Management Team (cont'd)

**From Left to Right:**
Mr Anoop Kumar Nilamber*, Mr Sanjaiye Rawoteea, Mr Darmen Hurkoo, Mr Sanda Soondram, Mr Teddy Aling, Mr Anil Gujjalu, Mr Norman Fon Sing, Mr Jorge Stock

*Profile of Mr Anoop Kumar Nilamber (Bank's CEO) provided on page 35

**Mr SANJAIYE RAWOTEEA**

Mr Sanjaiye Rawoteea is currently Head of Consumer Banking at SBM Bank. A seasoned banker with a long career spanning over 20 years in the banking sector, with 10 years dedicated to Private Banking and Wealth Management in both local and international banks, he brings a broad experience to the organisation.

Mr Rawoteea joined SBM in 2009 where he has since held several senior positions, including those of Senior Relationship Manager in the Private Banking Division and Head of Sales & Marketing in the SBM Non-Banking Financial Cluster.
He was instrumental in setting up, in 2017, the Private Wealth Division within the 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 Bachelor of Commerce in Finance & Business Administration from the University of Natal, South Africa.

In his capacity as Head of Consumer Banking, Mr Rawoteea oversees the Private Banking & Wealth Management Division, the Retail Banking, SME and Microfinance Divisions, as well as the Marketing & Communications Department of the Bank.

**Mr ANIL GUJJALU**

With over 20 years of experience in consulting and various fields within the services industry, Mr Anil Gujjalu has held numerous senior positions across the banking and non-banking clusters of the SBM Group. His most recent roles were Head of Projects and SBM Insurance Agency at SBM (NBFC) Holdings Ltd, and Head of Retail Banking at SBM Bank (Mauritius) Ltd.

Holder of an MBA from the Cranfield School of Management, Cranfield University, UK, and a BA (Hons) in Business Information Technology from the UK's Huddersfield University, Mr Gujjalu's career spans over several countries. He served as a Management Consultant for Cap Gemini Ernst & Young in London and, prior to joining SBM in 2012, Mr Gujjalu was Chief Operating Officer at Barclays Bank Mauritius Limited (now ABSA Bank (Mauritius) Limited).

# CORPORATE GOVERNANCE REPORT (CONT'D)

Mr SANDA SOONDRAM

Mr Sanda Soondram is the Head of Strategy and Business Development at SBM Bank (Mauritius) Ltd since October 2021. He has a wide experience in the Banking, Financial Management, Strategic Planning, and Corporate Finance fields. Mr. Soondram has previously been part of SBM from 2013 to 2018, holding different positions namely, Head of Value-Based Performance Management and Head of the Non-Banking Financial Cluster (NBFC). He was recently involved in consulting services in the Corporate Finance field.

Mr Soondram holds a BSc (Hons) Economics, an MSc Finance from the Birkbeck College, University of London, and an MBA from the Institute of Professional Financial Managers. He is also an Associate Member of the Chartered Institute of Management Accountants and is a Chartered Global Management Accountant.

Mr JORGE STOCK

Mr Jorge Stock is currently Chief Operating Officer of SBM Bank (Mauritius) Ltd. In this role, he is the Operations and Technology partner to the Bank's Executive Management Team. He oversees Operations, Technology, Cards & Payments, Business Organisation & Process Engineering, Service Excellence, Complaints Unit and Contact Centre.

Prior to joining SBM in February 2020, Jorge Stock has had a 25-year career in financial institutions in Europe and Africa. He was previously the Chief Executive Officer of First Capital Bank, Mozambique, and has held senior roles in Corporate Banking, Retail Banking, Marketing and Organization, for Banco BPI (CaixaBank Group - Spain) in Portugal and in Angola.

Mr Stock holds a Post Graduate Diploma in Financial Technology and Financial Innovation from Saiid Business School, University of Oxford, UK, and a BA in Economics & French from Anglia Ruskin University, Cambridge, UK.

Mr DARMEN HURKOO

Mr Darmen Hurkoo is the Chief Credit Officer of SBM Bank (Mauritius) Ltd. In his capacity, he is responsible for the Credit Underwriting Team, Credit Services Unit and Credit Recovery Team. As a Senior member of the Management of the Bank, he sits on various Committees and Forums.

Mr Hurkoo has a rich banking career spanning over 30 years, having held various senior positions, namely Acting Head of Credit Underwriting, Head of SME, Head of Special Assets Unit and Portfolio Lead within the Corporate Banking Division at SBM. He was also the Head of Business Banking at Barclays Mauritius. Mr. Hurkoo holds an MBA (Finance) from the University of Leicester.

Mr TEDDY ALING

Mr Teddy Aling is currently Head of Finance at SBM Bank (Mauritius) Ltd and is responsible for the Finance, Procurement, as well as the ALM and Capital Management functions. Mr Aling has spent over 21 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, Mr Aling 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 BSc (Econ) Economics from the London School of Economics and Political Science, University of London.

# CORPORATE GOVERNANCE REPORT (CONT'D)

Mr NORMAN FON SING

Mr Norman Fon Sing is currently the Head of Corporate Domestic Banking and is responsible for overseeing and growing the overall Corporate Domestic Banking book with a team of over 75 colleagues. Since June 2021, he is also overseeing the International Banking business whilst implementing the new 3- Year Strategy leading a team of over 40 colleagues. He holds a Bachelor of Science Honours in Actuarial Science and is a Chartered Financial Analyst (CFA). He has a rich professional experience of more than 15 years in the Banking Sector during which he has held various strategic positions, from heading Business Development functions to Domestic Corporates and Customer Relationship Management.

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

## PRINCIPLE 2 OF THE CODE

**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."*

### Board Composition

The Board comprises 12 members with a broad mix of experience, wholly endorsing the belief in diversity as stated in the Board Charter. After having served as Deputy Chairman since November 2020, Mr Visvanaden SOONDRAM transitioned into the full role of Board Chairman effective September 2021.

The Directors of the Board are categorized as per the Bank of Mauritius Guidelines and the requirements of the Code. At least 50 per cent of the Directors of the Bank do not hold any relationship, other than their directorships roles, with the Bank or with the shareholders of the Bank. The below diagram provides the names of the Directors of the Bank and shows their respective categories.

**50%**
**Independent Non-Executive Directors**
Mr Coomarah CHENGAN
Mrs Imalambaal KICHENIN
Mr Eric Michel Georges LEAL
Mr Rajcoomar RAMPERTAB, CSK
Ms Oumila SIBARTIE
Mr Ranapartab TACOURI, GCSK

**42%**
**Non-Independent Non-Executive Directors**
Mr Visvanaden SOONDRAM (Chairman)
Mr Jean Paul Emmanuel AROUFF
Mr Raoul GUFFLET
Mr Roodesh MUTTYLALL
Mr Muhammad Azeem SALEHMOHAMED

**8%**
**Executive Director**
Mr Anoop Kumar NILAMBER

# CORPORATE GOVERNANCE REPORT (CONT'D)

### Board Composition (cont'd)

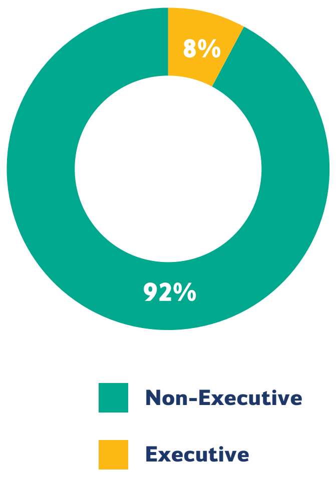
**Board Changes in 2021**
- Mr Visvanaden SOONDRAM was appointed as Board Chairman in September 2021.
- 2 Board Members were appointed during 2021 namely Messrs Anoop Kumar NILAMBER and Raoul GUFFLET.
- Mr Jorge STOCK served the Board as Executive Director till 01 July 2021.

### Balance and independence of the Board members

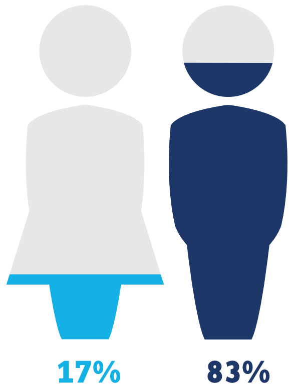
With input from the Remuneration and Nomination Committee, the Board keeps its membership, and that of its Committees, under regular review and it determines whether there is diversity on the Board of the Bank.

The diagrams below illustrate the diversity of the Board of the Bank:

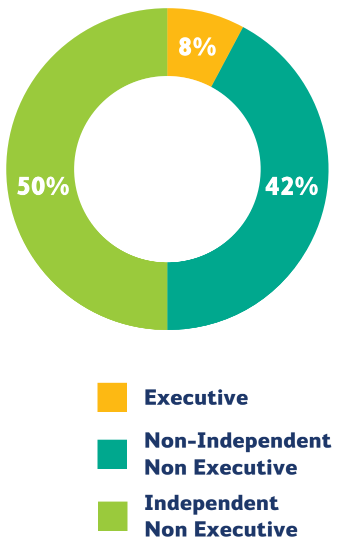
**Composition of the Board**




**Gender Diversity**




**Independence**




### Executive Management

The executive representation on the Bank Board is achieved through the appointment of Executive Directors. The Chief Executive Officer of the Bank is an ex-officio member of the Board in line with the Constitution. Mr Anoop Kumar NILAMBER is the Chief Executive Officer of the Bank since 01 July 2021. He is a member of the Board of the Bank as well as the Sub-Committees (except the Audit Committee, where he only acts as an attendee during the meetings). Given that Mr Anoop Kumar NILAMBER is involved in the day-to-day affairs of the Bank unlike other Board Members, he provides his views and suggestions on how to improve the functioning of the Bank when he sits on the Board and the Sub-Committees.

As per the Code, 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 members of Senior Management in relevant Committees and Board deliberations as necessary.

### Independence

In spite of the appointment of 2 non-independent Directors during 2021, viz. 1 Executive Director and 1 Non-Independent Non-Executive Director, the independence of the Board stood at 50 per cent, aligned with regulatory requirements.

The independence of Directors is assessed annually by taking into consideration, inter alia, the independence criteria provided in the Bank of Mauritius Guidelines and the Code. The Board believes Independent Directors exercise objective judgement.

### Gender Balance

The principles of good governance provide for a favourable gender balance on the board of companies. In view of maintaining such balance, the Bank has appointed two women Directors on its Board, namely Mrs Imalambaal KICHENIN and Ms Oumila SIBARTIE.

## The Board's Assurance Approach

### Assurance Framework of the Board

The Board ensures that assurance services and functions enable an effective control environment that supports the integrity of information through our combined assurance framework. This includes a number of assurance services, to adequately cover significant risks and material matters so as to enable an effective control environment, support the integrity of information used as well as the integrity of the Company's external reports. Assurance providers have been categorised into different lines of defence in the organisation:

- Management – line functions that own and manage their risks
- Internal assurance providers from specialist functions including Compliance and Risk Management divisions
- Internal audit
- External auditors
- External assurance providers

# CORPORATE GOVERNANCE REPORT (CONT'D)

## Key Focus Areas of the Board during 2021

The Board discharges its responsibilities through a formal programme of meetings. Papers and presentations are given to the Board (and its committees) to focus on strengthening the fundamental elements of the business and its growth-based performance ambitions in pursuit of the Company's strategy. This information helps the Board in effective decision-making and aids the Board's oversight and awareness of business performance and routine good governance practices operated by the Company.

A summary of the main undertakings of the Board for FY 2021 are provided below:

**Board Succession**
- Appointment of Board Chairman, Non-Executive Director and Chief Executive Officer.

**Strategy**
- Approved a revised strategic plan 2022-2024 and appraised the performance of the Bank against key performance indicators;
- Consolidated the Bank's domestic positioning across the different market segments it serves; and
- Considered Management's proposals regarding digitalisation of the Bank's operations and the migration process of the Bank's DC/DR infrastructure.

**Governance & Risk**
- Received quarterly reports from Chairpersons of Board Sub-Committees;
- Reviewed and continued to evolve the Board's governance architecture;
- Initiated the process of establishing a governance structure that contributes to the effective oversight of the affairs of the Bank;
- Established one new Board Committee namely the Board Supervisory Committee;
- Discussed the composition of the Board and its Committees, including Board succession;
- Identified and considered the appointment of qualified candidates for Board membership and for key positions within the Bank;
- Approved the Annual Report;
- Reviewed AGM preparation and approved the 2021 Notice of AGM;
- Considered and approved the appointment of an Independent Consultant for Board Evaluation;
- Considered observations and agreed actions from the Board's external evaluation;
- Reviewed and recommended necessary changes to the Bank's Constitution in line with the recommendations of the Consultant appointed for the Board Evaluation;
- Reviewed and approved the policies of the Bank;
- Reviewed the reports from Internal Audit division;
- Reviewed reports from assurance / control functions namely Internal Audit, Risk Management and Compliance divisions;
- Undertook remediation exercises, including the reinforcement of the Bank's Risk Management framework; and
- Considered various employee-related initiatives with a view to increase employee engagement and motivation.



**Finance**
- Reviewed the quarterly financial results, dividend proposal and results announcements;
- Received reports from the external auditor;
- Approved the Financial Statements;
- Approved a revised budget for the renovation of service units;
- Approved major projects/initiatives with a view to enhance customer experience and improve the Bank's turnaround time; and
- Reviewed and recommended the reappointment of Deloitte as the statutory auditor for the Bank, to the Shareholder.

**COVID-19**
- Monitored the impact of COVID-19 across the business since its outbreak
- Accordingly, the Board considered the impact of COVID-19 on the risk register and the risk profile of the business was updated accordingly following recommendations from Management and the Risk Management division.

Board members' decision-making on the above significant matters included the consideration of the interests of the Bank's key stakeholders and how decisions could potentially affect them. The papers considered by the Board and its Committees sought to highlight the relevant stakeholder impacts of and perspective on these matters, whether positive or negative. The board note format has been revisited to ensure Management provides the necessary information to allow for informed decision-making.

# CORPORATE GOVERNANCE REPORT (CONT'D)

## Meetings of the Board and its Sub-Committees

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 Annual Board calendar that is set out each year by the Chairman of the Board with the assistance of the Company Secretary. In case physical presence of Directors is not possible, they are allowed to participate in the deliberations via audio conference.

**Board interactions during COVID-19**

Due to COVID-19, the Board had to rethink its practices for meetings and engagements to adhere to COVID-19 regulations. As the pandemic progressed, the Board has implemented a hybrid solution for meetings which includes a limited number of people present in person and virtual attendance. All COVID-19 protocols are observed.

**Directors' participation at Meetings**

The Board members are required to attend the maximum number of meetings scheduled for the Bank. If ever they are unable to do so, they formally notify the Chairperson and/or the Company Secretary. The replacement of Directors by their alternates in meetings is generally discouraged in the Company.

**Participation by Bank Officers / Advisors / Experts**

The Board/Committee meetings are also attended by other Bank officers, advisors and/or other experts as and when required. These persons are invited by the Company Secretary, and they are allowed to participate in those meetings only for a specific time and specific board matter(s).

### Before, during and after Meetings

Board Papers (based on Chairperson-cleared agenda) uploaded on secure portal for Directors' perusal

Chairperson presides over the Meetings in accordance with the Board Charter & Company Secretary attends the meetings and prepares minutes to record deliberations and decisions

Decisions and Action Points released to CEO and/or concerned members of Management

## Board Meetings during 2021

There were 16 Board meetings of the Bank for the year 2021.

The table below shows the attendance of both the ED and NEDs who served on the Board of the Company for the financial year 2021:

| Members | Category | Board Member since | Meeting attendance |
|---|---|---|---|
| Mr Visvanaden SOONDRAM[1] *(Chairman)* | Non-Independent NED | July 2020 | 16/16 |
| Mr Jean Paul Emmanuel AROUFF | Non-Independent NED | July 2020 | 14/16 |
| Mr Coomarah CHENGAN | Independent NED | August 2020 | 15/16 |
| Mr Raoul GUFFLET[2] | Non-Independent NED | July 2021 | 8/9 |
| Mrs Imalambaal KICHENIN | Independent NED | March 2020 | 10/16 |
| Mr Eric Michel Georges LEAL | Independent NED | March 2020 | 13/16 |
| Mr Roodesh MUTTYLALL | Non-Independent NED | July 2020 | 14/16 |
| Mr Anoop Kumar NILAMBER[3] | Executive Director | July 2021 | 10/10 |
| Mr Rajcoomar RAMPERTAB, CSK | Independent NED | March 2020 | 15/16 |
| Mr Muhammad Azeem SALEHMOHAMED | Non-Independent NED | July 2020 | 14/16 |
| Ms Oumila Sibartie | Independent NED | August 2020 | 16/16 |
| Mr Ranapartab TACOURI, GCSK | Independent NED | March 2020 | 16/16 |
| Mr Jorge STOCK[3] | Executive Director | December 2020 | 6/6 |

*Meeting attendance provided against the number of meetings each director was eligible to attend.*

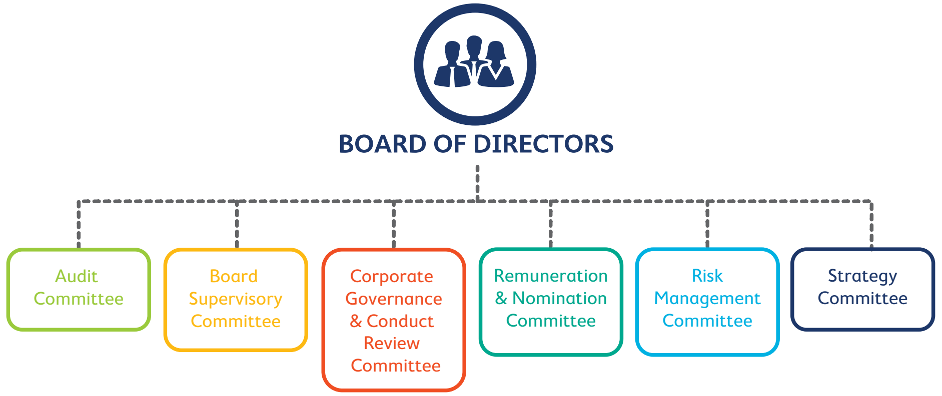
*Notes:*
1. Mr Visvanaden Soondram was appointed as Chairman of the Board since September 2021.
2. Mr Raoul Gufflet was appointed as Member the Board effective from 26 July 2021.
3. Mr Anoop Kumar Nilamber was appointed as Director and Mr Jorge Stock ceased to be a Member of the Board effective 01 July 2021.

# CORPORATE GOVERNANCE
# REPORT (CONT'D)

## Board Sub-Committees

Roles and responsibilities are formally defined to determine how authority is exercised and decisions are taken. 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 formed Committees to assist in discharging its duties. Each committee has terms of reference delegating specific responsibilities and authority on behalf of the Board.

The Chairpersons of these Committees report on their activities at each quarterly Board meeting. All terms of reference and the Board Charter are reviewed annually.




## Board Committee Changes during 2021

The Board Credit Committee ("BCC"), which was operational since the past few years and was mostly involved in the sanctioning of credit facilities, was dismantled in the first quarter of 2021 following careful analysis. The Board took the necessary steps to ensure that a revised Credit Sanctioning Authority Matrix was in place in a timely manner to avoid disruptions to the smooth running of the Bank's business following the dismantling of this Board Sub-Committee.

With a view to ensure a governance structure that contributes to the effective oversight of the affairs of the Bank, the Board has set up a Board Supervisory Committee during the year 2021, consisting mostly of non-executive Directors. This Committee has been mandated by the Board to, inter alia, oversee the overall management of the Company and to ascertain that the body charged with executive management exercises its decision-making powers appropriately and within the confinements of the Bank's strategies and its general internal policies. Reporting to the Board Supervisory Committee is made mostly by Control / Assurance functions.

The responsibilities of each Board Sub-Committee, the list of Members constituting these Committees and the attendance record at the respective meetings for the year 2021 are provided below:

## 1. Audit Committee

The Audit Committee is composed of only Independent Non-Executive Directors. The main responsibilities of the Committee include the following:

- Critically review and examine the quality and integrity of quarterly results and audited financial statements of the Bank prior to submission to and approval of the Board
- Get assurance from external auditors on the appropriateness of the accounting policies applied and whether they are prudent and consistent with prior practice and comply with regulatory 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 Senior Management and 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 and Compliance functions along with their respective annual plan of action
- Review the objectives of the Internal Audit function along with its respective annual plan of action
- Review and consider auditors' recommendations regarding the Bank's systems of internal controls to ascertain their adequacy and effectiveness
- Review regular reports from Internal Audit and Compliance teams on internal controls and deficiencies in system.

### Audit Committee Meetings during 2021

There were 6 Audit Committee meetings of the Bank during the year 2021. The attendance records for the meetings are as follows:

| Members | Category | Committee Member since | Meeting attendance |
|---|---|---|---|
| Mrs Imalambaal Kichenin (Chairperson) | Independent NED | March 2020 | 6/6 |
| Mr Eric Michel Georges Leal | Independent NED | March 2020 | 6/6 |
| Ms Oumila Sibartie[1] | Independent NED | September 2021 | 1/1 |
| Mr Ranapartab Tacouri, GCSK[1] | Independent NED | February 2021 (Until 14 September 2021) | 5/5 |

*Secretary to the Audit Committee: Ms Preshnee RAMCHURN*

*Note:*

1. Mr Ranapartab Tacouri, GCSK ceased to be a Member of the Audit Committee and Ms Oumila Sibartie was appointed as Member of Audit Committee effective 14 September 2021.

# CORPORATE GOVERNANCE REPORT (CONT'D)

## 2. Corporate Governance and Conduct Review ("CGCR") Committee

The CGCR Committee is composed of at least 3 (three) independent non-executive Directors of the Board. The main responsibilities of the Committee 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
- Take cognisance, review and ratify each credit facility granted to related party with a view to ensuring compliance with the Bank of Mauritius Guideline
- Ensure accurate disclosure of directors' remunerations and ensure that related party transactions are carried out at arm's length

### CGCR Committee Meetings during 2021

There were 4 CGCR Committee meetings of the Bank during the year 2021. The attendance records for the meetings are as follows:

| Members | Category | Committee Member since | Meeting attendance |
|---|---|---|---|
| Mr Rajcoomar Rampertab, CSK (Chairman) | Independent NED | September 2020 | 4/4 |
| Mr Coomarah Chengan | Independent NED | September 2020 | 4/4 |
| Mr Anoop Kumar Nilamber[1] | Executive Director | July 2021 | 2/2 |
| Mr Jorge Stock[1] | Executive Director | December 2020 | 2/2 |
| Ms Oumila Sibartie[2] | Independent NED | September 2021 | 1/1 |
| Mr Ranapartab Tacouri, GCSK[2] | Independent NED | March 2020 | 3/3 |
| Mr Visvanaden Soondram[3] | Non-Independent NED | September 2020 | 3/3 |

*Secretary to the CGCR Committee: Ms Preshnee RAMCHURN*

*Note:*

1. Mr Anoop Kumar Nilamber was appointed as Member and Mr Jorge Stock ceased to be a Member of the Corporate Governance and Conduct Review (CGCR) Committee effective 01 July 2021.
2. Ms Oumila Sibartie was appointed as Member and Mr Ranapartab Tacouri, GCSK ceased to be Member of the Corporate Governance and Conduct Review (CGCR) Committee effective 14 September 2021.
3. Mr Visvanaden Soondram ceased to be Member of the Corporate Governance and Conduct Review (CGCR) Committee effective 17 September 2021.

## 3. Remuneration & Nomination Committee ("REMCO")

The REMCO is composed of a majority of independent non-executive Directors of the Board. The main responsibilities of the Committee 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
- Determine the total remuneration package of executive directors of the Bank and the level of Board fees for directors, for recommendation to Board and shareholders, where applicable

### REMCO meetings during 2021

There were 8 REMCO meetings of the Bank for the year 2021. The attendance records for the meetings are as follows:

| Members | Category | Committee Member since | Meeting attendance |
|---|---|---|---|
| Mr Rajcoomar Rampertab, CSK (Chairman) | Independent NED | March 2020 | 8/8 |
| Mr Jean Paul Emmanuel Arouff | Non-Independent NED | September 2020 | 6/8 |
| Mrs Imalambaal Kichenin | Independent NED | March 2020 | 4/8 |
| Ms Oumila Sibartie[1] | Independent NED | February 2021 | 6/6 |
| Mr Anoop Kumar Nilamber[2] | Executive Director | July 2021 | 4/4 |
| Mr Jorge Stock[2] | Executive Director | December 2020 | 4/4 |

*Secretary to the REMCO: Ms Preshnee RAMCHURN*

*Note:*

1. Ms Oumila Sibartie was appointed as Member of the Remuneration & Nomination Committee (REMCO) effective 09 February 2021.
2. Mr Anoop Kumar Nilamber was appointed as Member and Mr Jorge Stock ceased to be a Member of the Remuneration & Nomination Committee (REMCO) effective 01 July 2021.

# CORPORATE GOVERNANCE REPORT (CONT'D)

## 4. Risk Management Committee ("RMC")

The Risk Management Committee should be composed of non-executive persons with a reasonable number being familiar with risk management together with the Chief Executive Officer. The main responsibilities of the 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
- Monitor material litigation involving the Bank
- Review Bank policies for management of risks, particularly in areas of credit, market, interest rate, liquidity, operational and technological risks

### Risk Management Committee meetings during 2021

There were 7 RMC meetings for the year 2021. The attendance records for the meetings are as follows:

| Members | Category | Committee Member since | Meeting attendance |
|---|---|---|---|
| Mr Ranapartab Tacouri, GCSK (Chairman)[1] | Independent NED | November 2021 | 2/2 |
| Ms Oumila Sibartie[1] | Independent NED | September 2020 | 5/5 |
| Mr Roodesh Muttylall | Non-Independent NED | February 2021 | 5/7 |
| Mr Muhammad Azeem Salehmohamed | Non-Independent NED | September 2020 | 6/7 |
| Mr Anoop Kumar Nilamber[2] | Executive Director | July 2021 | 5/5 |
| Mr Jorge Stock[2] | Executive Director | December 2020 | 2/2 |
| Mr Eric Michel Georges Leal[3] | Independent NED | March 2020 | 2/2 |
| Mr Raoul Gufflet[3] | Non- Independent NED | July 2021 | 5/5 |
| Mr Visvanaden Soondram[4] | Non-Independent NED | August 2020 | 2/3 |

*Secretary to the RMC: Mrs Bharti BOLAH-CHOWTEE*

*Note:*

1. Ms Oumila chaired the Risk Management Committee till September 2021 and Mr Ranapartab Tacouri, GCSK took the Chairpersonship thereafter.
2. Mr Anoop Kumar Nilamber was appointed as Member and Mr Jorge Stock ceased to be a Member of the Risk Management Committee effective 01 July 2021.
3. Mr Leal Eric Michel Georges ceased to be a Member of the Risk Management Committee and Mr Raoul Gufflet was appointed as Member of the Risk Management Committee effective 26 July 2021.
4. Mr Visvanaden Soondram ceased to be Member of the Risk Management Committee effective 17 September 2021.

## 5. Strategy Committee

The Strategy Committee shall be composed of at least 3 (three) independent non-executive directors of the Board but shall also comprise 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 the Bank's long-term objectives and goals
- Consider and review the type of organisational structures and functions necessary for implementing the strategic plans

### Strategy Committee Meetings during 2021

There were 5 Strategy Committee meetings for the year 2021. The attendance records for the meetings are as follows:

| Members | Category | Committee Member since | Meeting attendance |
|---|---|---|---|
| Mr Muhammad Azeem Salehmohamed (Chairman) | Non-Independent NED | September 2020 | 5/5 |
| Mr Jean Paul Emmanuel Arouff | Non- Independent NED | August 2020 | 4/5 |
| Mr Coomarah Chengan[1] | Independent NED | February 2021 | 3/4 |
| Ms Oumila Sibartie[1] | Independent NED | February 2021 | 3/4 |
| Mrs Imalambaal Kichenin | Independent NED | March 2020 | 3/5 |
| Mr Eric Michel Georges Leal | Independent NED | March 2020 | 4/5 |
| Mr Anoop Kumar Nilamber[2] | Executive Director | July 2021 | 2/2 |
| Mr Jorge Stock[2] | Executive Director | December 2020 | 3/3 |

*Secretary to the Strategy Committee: Ms Preshnee RAMCHURN*

*Note:*

1. Ms Oumila Sibartie and Mr Chengan Coomarah were appointed as Member of the Strategy Committee effective 09 February 2021.
2. Mr Anoop Kumar Nilamber was appointed as Member and Mr Jorge Stock ceased to be a Member of the Strategy Committee effective 01 July 2021.

# CORPORATE GOVERNANCE REPORT (CONT'D)

## 6. Board Supervisory Committee

The Board Supervisory Committee shall be composed of a majority of non-executive Directors of the Board. The main responsibilities of the Committee include the following:

- Ensure that Senior Executives are managing the Bank in accordance with the Company's procedures and set policies
- Ensure that the Board is kept informed about the running of the affairs of the Bank
- Review major credit risk issues and large credit exposures
- Ensure proper implementation of procedures and policies approved by the Board
- Undertake ongoing review of major transformative projects of the Bank

### Board Supervisory Committee meetings during 2021

There were 3 Board Supervisory Committee of the Bank for the year 2021. The attendance records for the meetings are as follows:

| Members | Category | Committee Member since | Meeting attendance |
|---|---|---|---|
| Mr Visvanaden Soondram (Chairman) | Non-Independent NED | April 2021 | 2/3 |
| Mr Roodesh Muttylall | Non-Independent NED | April 2021 | 3/3 |
| Ms Oumila Sibartie | Independent NED | April 2021 | 3/3 |
| Mr Ranapartab Tacouri, GCSK | Independent NED | April 2021 | 3/3 |
| Mr Jorge Stock[1] | Executive Director | April 2021 | 1/1 |
| Mr Anoop Kumar Nilamber[1] | Executive Director | July 2021 | 2/2 |
| Mr Raoul Gufflet[2] | Non-Indepedent NED | July 2021 | 2/2 |

*Secretary to the Board Supervisory Committee: Ms Preshnee RAMCHURN*

*Note:*

1. Mr Anoop Kumar Nilamber was appointed as Member and Mr Jorge Stock ceased to be a Member of the Board Supervisory Committee effective 01 July 2021.
2. Mr Raoul Gufflet was appointed as Member of the Board Supervisory Committee effective 26 July 2021.

### Company Secretary

The Company Secretary plays an important role in the application of good governance principles in the affairs of the Bank. The appointment or removal of the Company Secretary is a matter of the Board in accordance with the terms of the Constitution of the Bank. All Directors have access to the services of the Company Secretary.

**COMPANY SECRETARY**

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

Ms Preshnee RAMCHURN and Mrs Bharti BOLAH-CHOWTEE are the Company Secretaries of SBM Bank (Mauritius) Ltd:

#### Ms Preshnee Ramchurn

Ms Preshnee Ramchurn is the Governance Lead & Company Secretary at SBM Bank (Mauritius) Ltd. She is a Governance Professional with extensive experience in corporate governance matters and company secretarial practice and has 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, Ms Ramchurn oversees the Corporate Affairs division of the Bank and acts as Secretary to the following Sub-Committees of the Board:

- Audit Committee
- Board Supervisory Committee
- Corporate Governance & Conduct Review Committee
- Remuneration & Nomination Committee
- Strategy Committee

Ms Ramchurn is a Member of the Chartered Governance Institute UK & Ireland (ICSA) and a Member of the Mauritius Institute of Directors (MIoD). She is a Senior Officer of the Bank.

#### Mrs Bharti Bolah-Chowtee

Mrs Bharti Bolah-Chowtee was appointed as Company Secretary of SBM Bank (Mauritius) Ltd in April 2019. Besides her role as Secretary to Board and Risk Management Committee, she also acts as Secretary to the Management Credit Forum of the Bank. She is proficient in corporate governance matters and company secretarial practice with over 7 years of experience in one of the leading management companies in Mauritius.

Mrs Bolah-Chowtee holds a bachelor's degree from the University of Mauritius and is an Associate Member of the Chartered Governance Institute UK & Ireland (ICSA) and a Member of the Mauritius Institute of Directors (MIoD).

# CORPORATE GOVERNANCE REPORT (CONT'D)

## PRINCIPLE 3 OF THE CODE

### 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."*

### Appointment on the Board

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 organisational 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.

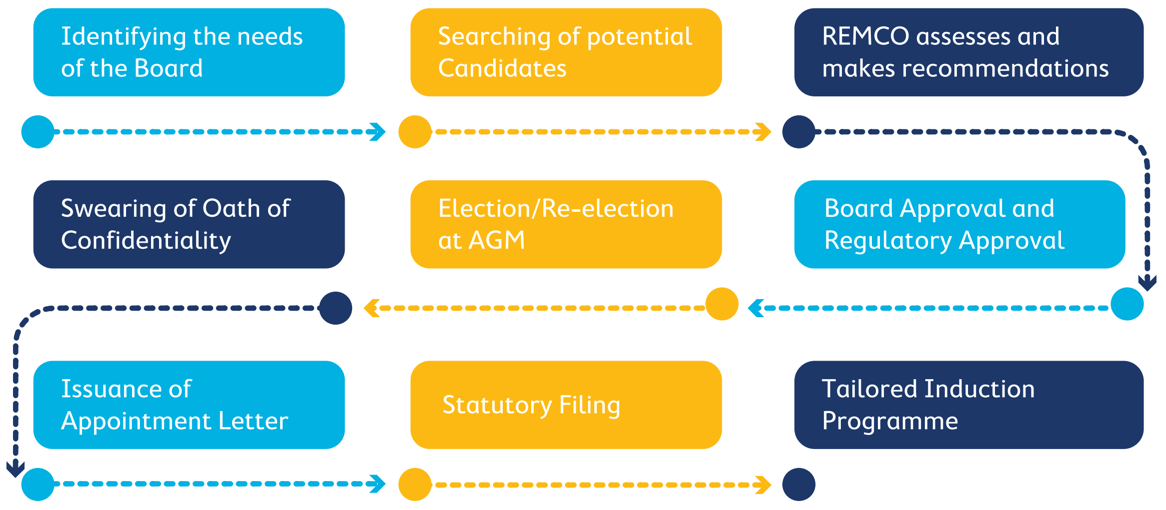
### Criteria to be met for Directors' Appointment

Besides the candidate's qualifications, experience and satisfying the fit and proper criteria as set by the Bank's regulators, the following criteria are also taken into consideration whenever a director is being appointed:

- Skills, knowledge and expertise;
- Time commitment;
- Independence of judgement and mind;
- Conflicts of interest;
- Board Diversity in terms of age and gender; and
- Balance of the Board in terms of composition (Executive, Non-Executive, Independent).

### Nomination, Appointment and Reappointment process

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




The executive Directors, including the Chief Executive Officer hold their directorship only as long as they hold their office as Executives of the Bank.

The Board affirms that the applicable process was followed for both new appointments in the year 2021, viz., that of Mr Anoop Kumar Nilamber and Mr Raoul Gufflet.

# CORPORATE GOVERNANCE REPORT (CONT'D)

## Succession Planning

The Board is ultimately responsible for succession planning for directorship 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 Board Chairman and the Remuneration & Nomination Committee ("REMCO") play a key role in this process.

### Succession Planning at Board Level

REMCO reviews any vacancies or probable vacancies which may arise due to resignation and/or Directors retirement.

It 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 as a Director of the Board based on his academic qualifications, experience, competence and track record.

### Succession Planning for Senior Management

The REMCO also ensures proper succession planning at Senior Management level which is mostly based on input from the Chief Executive Officer and Head of Human Resources. 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.

The Board acknowledges that having smooth transitions in leadership roles is crucial to an organisation's long-term success.

## Rotation of Board Members

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 regulatory requirements, while taking into account the Bank's current and future needs. In this wake, some changes were brought by the Board to the composition of the Audit Committee, Risk Management Committee and the Corporate Governance & Conduct Review Committee, during the course of the year 2021.

## Recruitment Experts

In the event that specific skills and experience are required, the Board may hire the services of a consultant. The Board enlisted the services of one renowned recruitment agency during the year 2021 to fill some key positions at Senior Management level.

## PRINCIPLE 4 OF THE CODE

### 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

On appointment to the Board, all new Directors receive a general induction, which includes, inter alia, their duties and responsibilities as Director of a banking entity and the Company's corporate governance structure. This seeks to make them aware of their legal duties and help them 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 programmes.

## Code of Ethics

The Bank has put in place a Code of Ethics which outlines the values and behaviour 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 is driven by daily behaviour exhibited through individuals and 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, staff members, and other relevant stakeholders to follow the Bank's Code of Ethics and Business Conduct in place and act ethically.

The Code of Ethics and Business Conduct has been drafted under the guidance of the Board and in consultation with key members of management. Both the Directors and staff are made aware of this Code, and the consequences of non-compliance. The Board, through the control functions, evaluates compliance with the Code of Ethics.

In 2021, the Board ensured that the content of the Bank's Code of Ethics was enhanced to focus on risk and compliance, as well as diversity and creating an inclusive workplace.

# CORPORATE GOVERNANCE REPORT (CONT'D)

## Board Effectiveness

The Board recognises the need to undertake a regular review of its performance and effectiveness, as well as that of its Committees and individual members.

Value Alpha Limited, a UK-based consultancy specialising in board evaluations, conducted an independent review of the effectiveness of the Board in April and May 2021.

- The process consisted of two-hour interviews with the Board Members, conducted with the assistance of a questionnaire which established the views of Members on a number of issues identified in the Value Alpha board effectiveness model.
- The interviews involved both quantitative and qualitative data collection, and scores were collected from all Directors. All interviews were conducted on a confidential and non-attributable basis.
- Value Alpha presented the findings of the evaluation to the Directors in May 2021.

The independent evaluation portrayed a board which, although young in terms of director tenure, was fit-for-purpose, achieving well, and in the high-performing quadrant of the Value Alpha board effectiveness model. The consultant averred that the Directors had a strong sense of service to both the Bank and to the wider community of the country and were determined to address areas of non-performance which had hampered the Bank in the past.

There were areas where a degree of performance improvement was acknowledged as necessary, and the report recommended addressing those issues, while encouraging the Board to continue to improve performance in those areas where the Board was already doing well.

An action plan was agreed. All issues identified were given due consideration within a reasonable timeframe and had been comprehensively addressed.

Amongst others, the services of Value Alpha Limited were subsequently retained to consider how the outcome of the board effectiveness review could be fed into the review of the Bank's governance documents and processes.
Following the external review by the independent consultant during year 2021, an internally facilitated performance evaluation of the Board, the Committees and the Individual Directors, will be conducted in Quarter 1–2022 to cover the whole FY 2021. The recommendations arising from this exercise will be followed up as a matter of priority and tracked by the Board through the Corporate Governance & Conduct Review Committee.

## Directors' Training Programme

Directors' training courses and development programmes are closely monitored by the Chairman of the Corporate Governance and Conduct Review Committee and the Company Secretary.

### 1. Directors' Induction

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

Besides being provided with a Directors' Induction Handbook, all newly appointed Directors attend extensive formal and tailored induction programmes along with refresher courses. In addition, interactive training sessions are organised with the Senior Management team to enable Directors to get acquainted with the activities of SBM and effectively contribute to strategic decision. The following key topics, amongst others, were covered during the induction for Directors appointed during the year 2021:

- Group Strategy including challenges for the strategy execution
- Board Committees, Procedures, Structure and Succession Plans
- Overview of Business, key issues and challenges and Key Performance Indicators
- Policies, Procedures, Rules, Regulations & Legislations
- Risk Management, Control Procedures and Relevant Disaster Recovery Plans
- Compliance & AML/CFT
- Cyber Security Awareness
- Internal Controls – 3 lines of defence
- Legal & Recovery – NPA and Recovery Process

### 2. Continuous Development Programme

The Board acknowledges that continuous training is essential for Directors to cope with the constant changes in the business environment. The Company Secretary in collaboration with SBM Academy assists the respective Chairpersons of the Board and the Corporate Governance & Conduct Review Committee in designing development programmes for all Board Members.

During FY 2021, much emphasis was laid on Credit Risk Management and Compliance. The fundamental goal of the training was to improve credit origination and prevention of problem loans, thus optimising the Bank's use of capital and return on capital and ensuring that Board Directors have a clear understanding of banking regulations regarding AML/CFT. All training sessions were highly interactive and included case studies and references to our policies.

# CORPORATE GOVERNANCE REPORT (CONT'D)

## 2. Continuous Development Programme (cont'd)

Given the level of responsibility the Board holds in attending / chairing different committees and Boards, it is vital that every board member uses reasonable care, skill and diligence to carry out their duties / functions. By investing in board development, a clear signal is sent throughout the organisation that continuous learning and development is valued at all levels.

The Directors acknowledged that ongoing training and development are important contributors to an effective board.

## 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 Senior Executives to declare any conflict or potential conflict of interest in any transactions undertaken by the Bank to the Board and/or Company Secretary 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 Non-Executive Directors have other business interests and directorships outside the Bank. However, 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 upon written request to the Company Secretary.

## Remuneration

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

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

### I. Remuneration of Non-Executive Directors

The Bank's remuneration philosophy concerning the Non-Executive Directors who do not hold an executive position within the Bank is as follows:

- The aim of the Board of Directors is to ensure that the remuneration of each director is in line with market practices and that the remuneration reflects the demands, competencies and efforts in light of the scope of their work and attendance at Board meetings.
- Directors are remunerated in accordance with the fee schedule approved by the Bank's shareholders. 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. In addition to the monthly fixed base fee, there is an attendance fee payable to Non-Executive Directors since September 2021 in respect of their presence at meetings of the Board and their respective Committees.
- Payment of Directors' remuneration is also subject to the SBM Group's Policy in the event a non-executive director of the Bank is employed by another entity of the Group.

The table below highlights the remuneration and benefits received by the Non-Executive Directors during the financial year 2021 in discharging their duties towards the Bank:

| Non – Executive Directors | January 2021 to December 2021 (MUR) |
|---|---|
| Mr Visvanaden Soondram (Chairman) | 1,320,000 |
| Mr Jean Paul Emmanuel Arouff | 635,000 |
| Mr Coomarah Chengan | 635,000 |
| Mrs Imalambaal Kichenin | 990,000 |
| Mr Eric Michel Georges Leal | 690,000 |
| Mr Roodesh Muttylall | 665,000 |
| Mr Rajcoomar Rampertab, CSK | 1,300,000 |
| Mr Muhammad Azeem Salehmohamed | 850,000 |
| Ms Oumila Sibartie | 1,175,000 |
| Mr Ranapartab Tacouri, GCSK | 815,000 |
| Total | 9,075,000 |

Non-Executive Directors have not received any remuneration in the form of share options or bonuses associated with organisational performance during the year 2021.

# CORPORATE GOVERNANCE REPORT (CONT'D)

### II. 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 in line with the policy for employees consisting of a basic salary and other benefits. The remuneration packages are determined based on a number of factors including qualifications, skills, market conditions and shouldered responsibilities. No executive director or prescribed officer is involved in deciding their own remuneration.

The Board through the Remuneration & Nomination Committee oversaw remuneration outcomes related to the exits of Senior Executives and appointment of our new CEO and some members of Senior Management. Remuneration for new appointees was established in the context of market benchmarks, internal parity and providing a competitive offer.

The total gross emoluments received by the Senior Executives who served on the Board during the financial year 2021 were as follows:

| Executive Directors | January 2021 to December 2021 (MUR) |
|---|---|
| Mr Jorge Stock* | 7,016,469 |
| Mr Anoop Kumar Nilamber** | 8,565,000 |
| Total | 15,581,469 |

**Mr Jorge Stock was an Executive Director till 01 July 2021 and disclosure pertains only for the period he served as Board Member.*
***Mr Anoop Kumar Nilamber was appointed as Chief Executive Officer and Director effective July 2021 and the remuneration disclosed pertains to the period July 2021 till December 2021.*

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

| Remuneration | 2021 (MUR) | 2020 (MUR) |
|---|---|---|
| Executive Directors | 15,581,469 | 17,588,441 |
| Non-Executive Directors | 9,075,000 | 9,380,000 |

The Board is pleased to affirm that the Company has subscribed to the principle of fair, responsible and transparent remuneration practice. There was an overall reduction in fees paid to the Directors in the year 2021 compared to the previous year mainly due to the initiative taken by the Bank during year 2021 to establish a governance structure that contributes to the effective oversight of the affairs of the Bank.

### Information Technology and IT Security

The focus of IT during last year has been on systems stability, cost optimization, digitalisation and innovation. A rigorous internal process of review and approvals is followed for significant upgrades or new changes to existing application and infrastructure landscape. From an operation perspective, approval is sought from IT Security, Business Continuity Planning (BCP), Risk Management and Compliance teams. At a more senior level, approval may also be required from the Bank's Executive Forum, Procurement Forum and the respective Boards as might be applicable.

Several initiatives were implemented by the IT department of the Bank during the year 2021, while maintaining systems stability with an average uptime above 99.99 per cent.

Some of the major initiatives delivered are:

**COVID-19 Readiness**

IT has been a major enabler of the Bank's COVID-19 readiness plan in terms of assisting the different teams of the Bank with Work From Home (WFH) facilities. Full WFH setup was actioned in just 4 hours following the lockdown. Also, during lockdown, SBM was the first bank in Mauritius to be fully operational and the first to fully reopen to the public.

**ATMs**

Installation of several mobile ATMs in the restricted zones during the lockdown, allowed customers to perform transactions amidst sanitary restrictions

Intelligent ATMs were also installed providing customers with additional features.

**SBM Pocket - Your banking requests in a single application**

A digital solution developed internally, SBM Pocket is a mobile app that enables customers to perform several banking transactions using their Smartphones. The launch of this mobile app is in line with our digitalisation and innovation strategies and facilitates broader access to our banking services.

SBM Pocket provides easy access to key information on SBM Bank (Mauritius) Ltd's retail products and services. The application includes tools to help users apply for new accounts, credit cards and loans at their convenience. SBM Pocket also features a handy locator that displays the nearest SBM ATMs and branches in Mauritius and Rodrigues.

**SBM Private Banking and Wealth Management website**

In line with the digital strategy and as part of our endeavour to provide a seamless online experience to Private Banking and Wealth Management clients, SBM launched a new, modern and dedicated Private Banking and Wealth Management website. The new website was developed by the Bank's IT department, has a classy and user-friendly interface and comprises several interesting features.

# CORPORATE GOVERNANCE REPORT (CONT'D)

### Information Technology and IT Security (cont'd)

| | |
|---|---|
| **Robotic Process Automation of Inward Remittances** | Automation of FCY inward remittances with 80 per cent efficiency gain and 75 per cent improvement in the turnaround time. |
| **Android POS** | Launch of the new Smart Android POS machine and deployment of more than 1,200 machines. This POS is the quickest in the market, three times quicker per transaction than our main competitor and is ready for the new era of digital payments. |
| **Moody's Risk Analyst replacement with SBM $R^2$** | Development of SBM $R^2$ which is a credit rating system developed 100 per cent in-house in replacement of Moody's Risk Analyst software. It is significantly cost-effective from an operating cost perspective and is fully customised to meet the exact credit rating needs of the Bank. The new platform is flexible and can accommodate future business requirements on demand. |
| **Infrastructure Improvements** | Infrastructure-related projects were conducted to improve response time for cards related transactions and reduce the risk of outages during peak periods. Backup mechanisms and enterprise storage capabilities were reviewed and enhanced as part of the IT platform refresh strategy. |

The aim of IT for next year will be focussed on Digital Transformation initiatives to 'Grow the Business', improve 'Operational Efficiency' and 'Optimise Costs'. IT is a key enabler of the Bank's strategy for 'Growing the Business' whilst at the same time improving operational efficiency. The main initiatives identified are around Digital Channels, Cards & Payments, Core Customer Journeys, Process Redesign, Automation, and Operational Efficiencies.

## PRINCIPLE 5 OF THE CODE

### 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."*

### Risk Management & Internal Control

The Board of Directors is ultimately responsible for the system of internal controls and risk management of the Bank. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

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. The Board is also supported by the Audit Committee and the Risk Management Committee to have an assurance on the effectiveness of internal control systems across the Bank.

### 1. Risk Management

Risk management is crucial for the smooth running of the affairs of the Bank. 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.

**Risk Management Committee**

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

Assisted by the Risk Management unit, 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 setting limits and the Bank's risk appetite framework.

# CORPORATE GOVERNANCE
# REPORT (CONT'D)

## 1. Risk Management (cont'd)

**Risk Management Function**

SBM has a dedicated risk management function. The Risk Management Team provides day-to-day oversight on management of risks and promotes the risk culture across the Bank. It is responsible to create and maintain 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.

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 to provide reasonable assurance on the management of risks.

## 2 Internal Control

The Board is supported by its different sub-committees to have an assurance on the effectiveness of the internal control system across the Bank.

**Audit Committee & Risk Management Committee**

The Risk Management Committee, which reviews and recommends the Bank's policies to the Board for approval, ensures that risks are maintained within approved limits and any deviation is reported on a timely basis. In parallel, the Audit Committee reviews both internal and external audit reports on systems and controls in place to manage those risks.

The Audit Committee receives regular reports from the External Auditors, Internal Auditors and the Compliance functions providing assurance on whether the internal control system in place is performing effectively and is adequate to mitigate risks in line with the risk appetite of the Bank.

**Assurance Functions**

The Audit Committee and the Risk Management Committee are assisted by the 3 Control Functions, namely Internal Audit, Risk Management and Compliance divisions to ensure that Management is taking appropriate corrective actions in a timely manner to address control weaknesses and non-compliance with laws and applicable policies and procedures.

The accountability for risk governance is shown below.


- The 1st line of defence, i.e., the Business units, is responsible for owning and managing risks through appropriate internal controls. Respective departments assess their compliance status to policies and processes on an ongoing basis and annually through the Risk & Control Self-Assessment (RCSA) exercise.
- The 2nd line of defence, i.e. Risk Management and Compliance, ensure that the controls are working effectively, and limits are adhered to through regular checks. Compliance function performs assurance reviews in line with the compliance plan to identify any gaps in the implementation of laws, regulations, rules, standards, policies and procedures.
- 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. As part of the Board approved Audit Plan, the Internal Audit (IA) function independently reviews and tests business units' compliance to policies and procedures. IA also assesses the overall adequacy and effectiveness of the Risk Management Framework. 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.
- In accordance with the instructions of 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, based on internal and external audit reports as well as periodic reportings from the respective sub-committees and assurance functions, the Board is of the opinion that the internal control systems of the Bank are effective and adequate.

# CORPORATE GOVERNANCE REPORT (CONT'D)

### 3. Whistle-blowing

The Bank is currently reviewing its existing whistle-blowing policy to make it more effective and adapted to the prevailing environment. The importance of having a robust whistleblowing policy geared towards fraud prevention and detection cannot be underestimated. In this context, the Bank is actively engaged in fostering a healthy corporate governance environment based on a culture of trust and integrity. SBM Bank (Mauritius) Ltd is committed to ensuring that it provides an open channel for every employee to report illegal, unethical or fraudulent activities as well as any form of misconduct or wrongdoing, in strict confidentiality and without fear of reprisal. Staff are regularly sensitised about the importance of whistle-blowing in various forms such as formal trainings, emails, flyers, posters and screen displays.

## PRINCIPLE 6 OF THE CODE

**Reporting with Integrity**

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

### 1. Financial

The Directors affirm their responsibility for the preparation of the financial statements in accordance with International Financial Reporting 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 Mauritius Companies Act 2001, the Banking Act 2004 and the 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 42 of the Annual Report. The Annual Report is published in full on the Bank's website.

### 2. Human Resources Report

In 2021, at SBM, we have navigated through the new normal by adopting new ways of working with a wider use of technology, not only to ensure seamless service to our customers but also taking into consideration the safety and well-being of our employees.

The Bank's strategy is to be an Employer of Choice and to support organisational change through a strategic, robust and well-structured HR function. Our guiding principles remain teamwork, collaboration, professionalism, trust, responsibility for self and others as well as a strong passion to serve with excellence. We are strategic partners to our lines of business by offering HR services to our people through an HR Business Partner model coupled with the provision of expertise in the different areas of core HR. We therefore build trust, mitigate conflicts, encourage two-way communication and increased collaboration leading to high-performing teams. We have aligned ourselves to the future of work concept to ensure an overall enriching and delightful employment experience to all our employees.

**Employees are at the heart of our organisation.**

2021 has been yet another year heavily marked by the pandemic whereby our employees have again shown resilience and dedication. At the Bank, we understand and nurture great work culture which is linked to a strong shared purpose of serving through excellence. This has proved to be a powerful tool to both motivating our employees and attracting new talent.
Employee wellness has also been key. The Bank has adopted flexible working arrangements and remote working options allowing employees to achieve a better work-life balance while also promoting wellbeing and resilience throughout the pandemic situation. This again has generated greater motivation for employees, which was resulted in an upturn in overall performance, engagement and productivity.

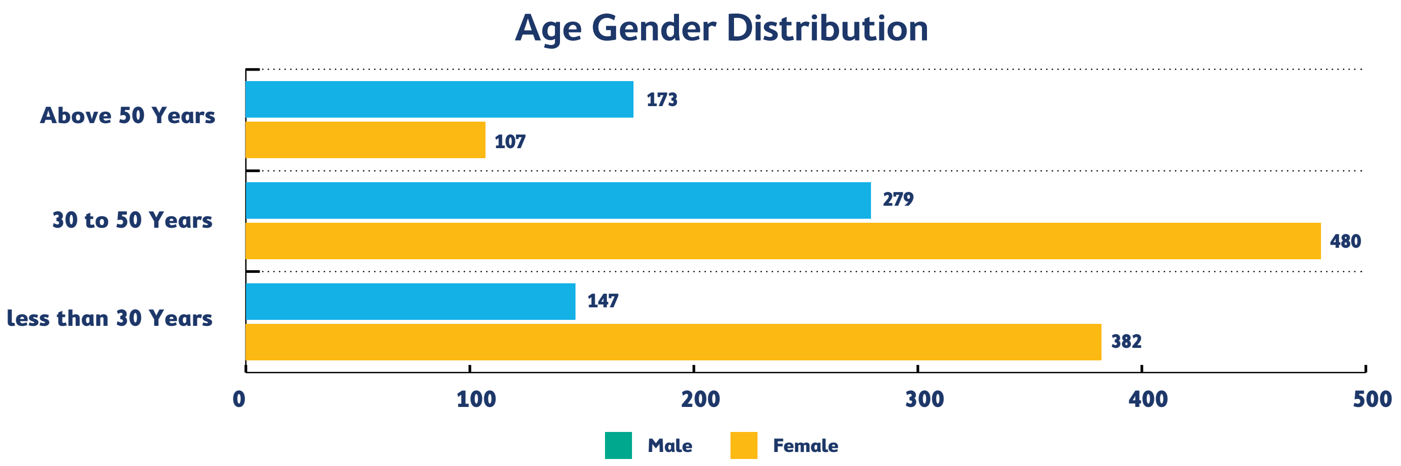
# CORPORATE GOVERNANCE REPORT (CONT'D)

## 2. Human Resources Report (cont'd)

In line with statutory requirements, the Bank also 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 representatives of both management and employees, ensures that all issues raised are addressed in a timely manner.

### SBM Bank, an Inclusive Employer

The age and gender distribution at the Bank is as follows:




SBM takes pride in having 62 per cent of its workforce made up of women. There is also a balance between young and more experienced employees.

### New Perspectives for the Future

2021 has shown us that our ability to ensure smooth running of our operations and serving our customers with excellence remains key. The focus for 2022 shall therefore remain our People, whose ability to be resilient through emergency and crisis situations is of paramount importance. As such, employee engagement through various initiatives and alignment to the strategic agenda of the Bank shall be emphasised. Generation of strategic initiatives to remain an inclusive employer is also on the agenda. Creation of the right working environment and work culture shall lead our people to be delighted of their employee experience with SBM Bank as well as be determined to continue to provide excellence at all times.

## 3. Environmental Report

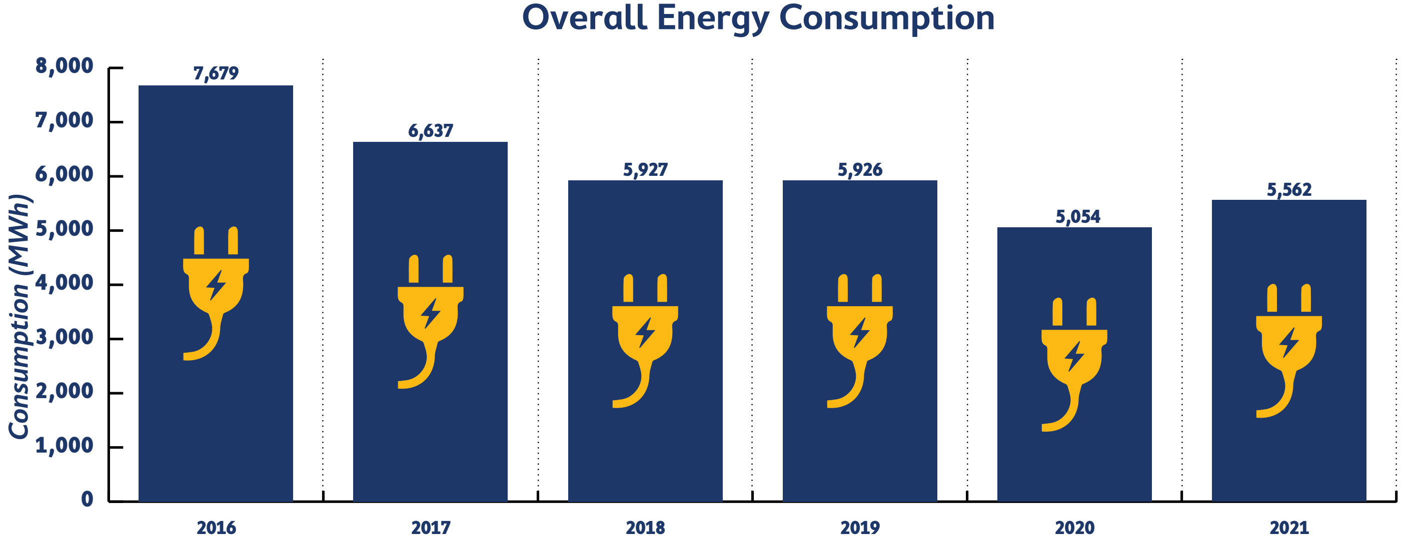
### Our Local Sustainable Initiatives

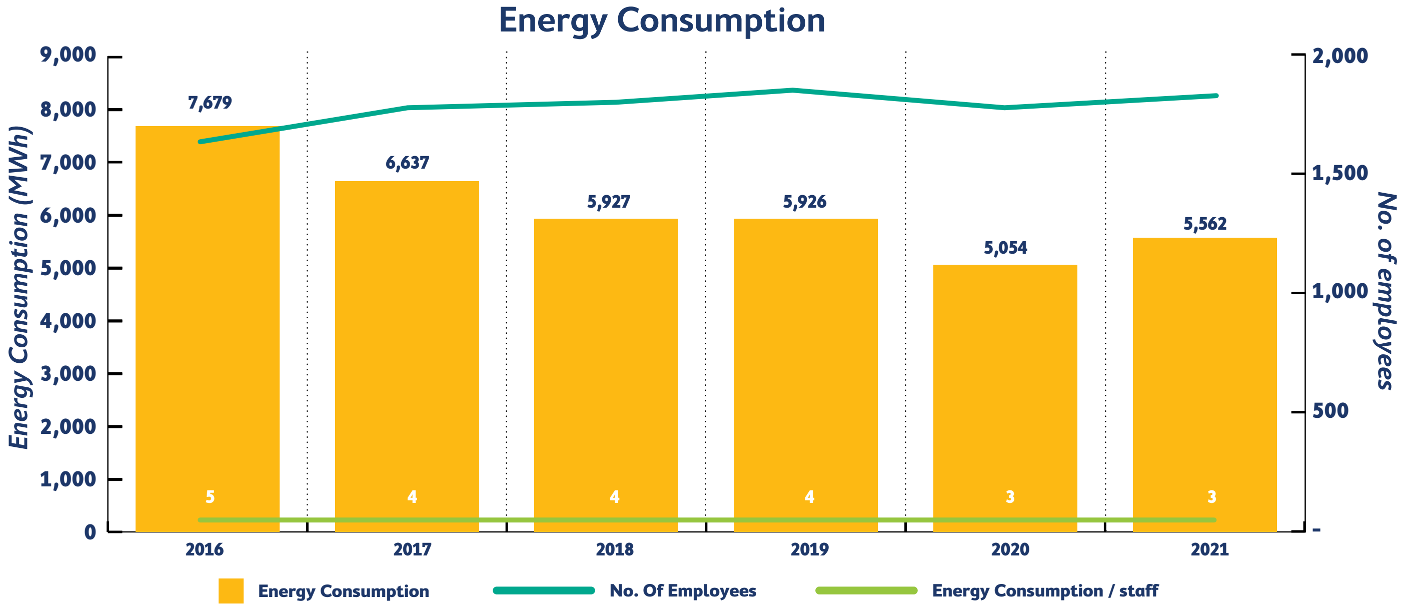
The Bank's strategy to protect the natural environment is through constant identification and implementation of new sustainable and environmentally-friendly initiatives. This is also reflected in terms of optimisation of resources, for instance paper usage, energy and water consumption.

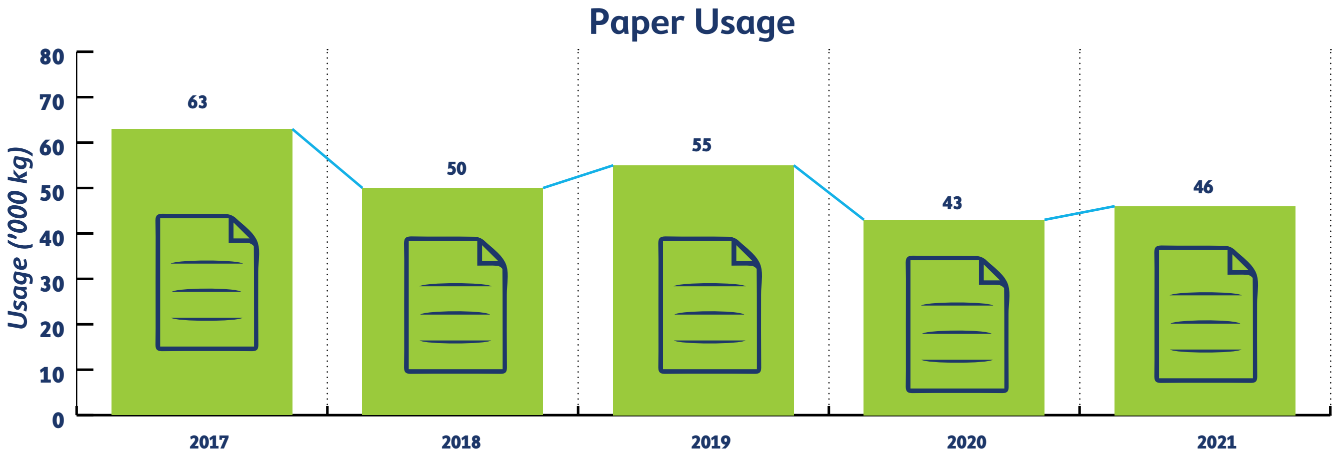
The Bank has embarked on the renovation of its service units using the latest technology and energy-efficient materials such as LED-dimmable lights, motion sensors, use of natural lighting, and adopted re-engineering opportunities and the use of the efficient equipment such as inverter air conditioning in view of reducing electricity consumption.

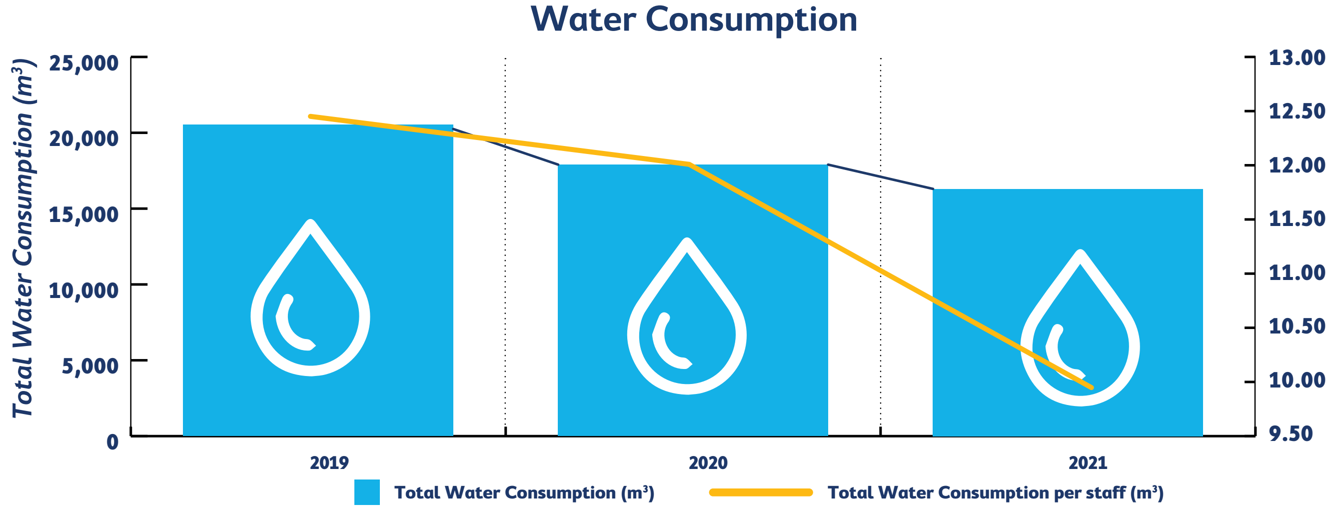
Our employees are encouraged to reduce paper usage by favouring means of communicating and consuming information. SBM Park users are also helping us reduce consumption of plastic by using their own reusable water bottles instead of disposable plastic ones. Our staff is regularly sensitised on the reduction of paper usage and there is an attempt to adopt a paperless approach to further reduce our carbon footprint. With regards to the disposal of obsolete papers, it is usually carried by recycling companies to save energy, prevent pollution whilst preserving natural resources.

# CORPORATE GOVERNANCE REPORT (CONT'D)



# CORPORATE GOVERNANCE REPORT (CONT'D)

## 4. Health & Safety Report

The well-being of our employees has again been one of the main foci for the year 2021.

In a year where the pandemic has again been very present, the ability to respond proactively and smoothly to emergency and crisis situations has been key. We have adopted a proactive approach to risk identification through a yearly schedule of planned health and safety inspections, and timely communication to employees on measures, guidelines and protocols. The Bank has also established protocols and procedures to mitigate the contagion of COVID-19 that are updated based on the actual evolution of the pandemic. We have communicated widely and frequently on the mitigation actions for COVID-19, taken preventive actions through the necessary protocols as well as the conducting of preventive tests for our employees and have thus ensured business continuity through our people.

In addition to the above, to promote a safe and healthy environment, the following has been put in place:

1. Fire drills are carried out at least once yearly as allowed by sanitary protocols
2. Trained first aiders and fire wardens are present on each floor / business unit
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 Continuity Management Team to ensure a safe working environment without disruption of operations
5. There is adherence to all safety regulations to ensure the elimination of any potential hazards identified and that all emergency procedures are applied and aligned with local legislations
6. New recruits are made aware of good health & safety practices during induction
7. On-site company doctor twice a week to ensure the well-being of employees

As part of the Health & Safety Programme, training is given:

1. To new recruits – to ensure that they know about the importance of health and safety at work and to familiarise them with the initiatives of the Bank regarding same.
2. First Aiders – the Bank is compliant with local legal requirements and provides training to its first aiders on a regular basis.
3. Fire Wardens – training is provided by the Mauritius Fire and Rescue Services to all nominated fire wardens. This exercise is an annual commitment to ensure the fire wardens are updated on Fire Safety protocols / rules / regulations.

In 2022, the Bank again takes the commitment to ensure the safety and health as well as the well-being of employees. The Health and Safety Team shall additionally put in place a framework for the implementation of a comprehensive Health & Safety Management System to be rolled out over the next 2 years.

## 5. Corporate Social Responsibility Report

### Our Corporate Social Responsibility Strategy

The Corporate Social Responsibility (CSR) approach of the Bank is implemented through the SBM Foundation.

We believe that the ideal opportunities may open doors and boost social and economic development and empowerment at SBM. Our CSR strategy is to contribute to the long-term development of the communities in which we operate by empowering people to learn, develop, and strive for a better future.

We put a strong emphasis on high-impact, long-term projects that benefit vulnerable and disadvantaged people as well as the community at large. Our long-term projects are tailored to promote a more inclusive society by focusing on:

- Education and Empowerment
- Providing tools to promote employability
- Combatting social ills with the goal of poverty alleviation

Since education is a powerful tool for empowering our children to become active participants in the society in which we live, a substantial part of our CSR funding is apportioned to the SBM Scholarship Scheme. We aim to provide financial support to bright and students from underprivileged backgrounds who want to pursue tertiary studies through this tailored scholarship scheme.

SBM also funds multiple projects proposed by non-governmental organisations (NGOs) / social partners, while its employees are actively involved in volunteer charity work of their choice.

*Providing funding to projects of Social Partners / NGOs*
Our efforts to break the cycle of poverty are multifaceted. SBM has provided funding and assistance to various social partners/ NGO projects in the following areas over the years:

01 Learning through play: Sports, music and culture

02 Women empowerment and child care

03 Education for disabled persons

04 Education for out-of-school youth

# CORPORATE GOVERNANCE REPORT (CONT'D)

### A. Learning Through Play: Sports, Music and Culture

LEARNING THROUGH PLAY: SPORTS, MUSIC AND CULTURE

**Abaim**
We continue to finance their Saturday and Sunday Care projects providing children who have experienced school failure, with the opportunity to become successful young artists.

**Centre of Learning**
We supported this association to accompany vulnerable communities through a holistic approach geared towards education, training and music.

**Mo'Zar Espace Artistic**
We provided financial support for the association's 'Fly me to the Moon Program' to prepare disadvantaged students for their music exams at SC and HSC level.

### B. Women Empowerment and Child Care

WOMEN EMPOWERMENT AND CHILD CARE

**Société des Femmes Arc-En-Ciel**
We are supporting the 'Lakaz Zenfan' project to assist deprived children for their academic and intellectual development through counselling and provision of a daily meal.

**M-Kids Association**
We have supported the association by offering hot meals to the children from deprived families. We have also financed IT tools for their remedial classes.

**Terre de Paix**
We are financially supporting their 'Early Childhood Services' project, which has as objective to provide better educational opportunities to infants and children from vulnerable groups. This, in turn, enables their mothers to take up paid employment to improve their family's economic well-being.

**SOS Poverty**
We are collaborating with SOS Poverty for the 'Les Abeilles' Day Care Center' project to provide free quality childcare to vulnerable children, aged 3 months to 3 years old, in a safe and stimulating environment. By doing so, mothers can also undertake paid employment to bring additional income to their families to break the vicious cycle of poverty.

**Falcon Citizens League**
We are assisting this association to engage low-income families in food production. By assisting farmers, youth, women, and low-income family groups to grow their own food, we are also helping them to have access to good nutrition, which can improve their health, as well as sell their produce to develop market and generate revenue.

# CORPORATE GOVERNANCE REPORT (CONT'D)

## C. Education for Disabled Persons

EDUCATION FOR DISABLED PERSONS

**Autisme Maurice**
We contributed financially to the identification and diagnosis of children and adolescents with autism for them to receive specialised education at the centre.

**Joie de vivre Universelle**
We provided assistance to the beneficiaries through therapeutic, technological and educational support services as well as transport facilities.

**EDYCS Epilepsy Group**
We provided funds for the association to cater for specialised health care to advocate and develop an intersectoral global action plan on epilepsy and other neurological disorders to ensure a comprehensive and coordinated response across multiple sectors, while also improving the quality of life of people living with epilepsy.

**Southern Handicapped Association Special Educational Needs School**
We helped this association provide quality and inclusive education to underprivileged children whose families live in extreme poverty.

**Association des Parents pour la Réhabilitation d'Infirmes Moteurs**
We finance rehabilitation services by occupation therapists for the beneficiaries.

**Centre pour l'Education et le Progrès des Enfants Handicapés**
We financially supported the provision of paramedical facilities to the beneficiaries.

**Association of Disability Service Providers**
We assisted for the acquisition of tablets for students not possessing a smartphone for them to attend online classes during this COVID-19 pandemic.

**Angel Special School and Welfare Association**
We sponsored their educational and life skills program and hydroponics courses to help children and parents having special needs to cultivate their own food.

**Association des Parents d'Enfants Inadaptés de l'Ile Maurice**
We support this association for its early intervention service specially designed for young children living with developmental and intellectual disabilities and associated disorders.

## D. Education for Out-of-school Youth

EDUCATION FOR OUT-OF-SCHOOL YOUTH

**Mouvement Forces Vives**
We supported the "Sa Nou Vize" academy to provide education, training, remedial classes, fitness coaching, music courses and meals to underpriviledged students.

**Adolescent Non Formal Education Network**
We supported this NGO to provide training to vulnerable persons with poor academic background for them to get a recognised technical certificate to become employable.

**Noyau Social Cité La Cure <<Teen Hope>>**
We aided the NGO in providing online classes during the COVID-19 pandemic through the provision of digital whiteboard and tablets for beneficiaries who do not have a smartphone.

**Mouvement pour le Progres de Roche Bois**
We financially assisted this association for their "Konekte Zeness, Nou Pou Avanse" project, which leveraged on technology to train, develop and motivate youngsters for them to be involved in community engagement to help address societal problems.

**Anges du Soleil**
We helped this NGO to assist and facilitate learning for the children with difficulties by offering language, IT and yoga courses.

# CORPORATE GOVERNANCE REPORT (CONT'D)

## Other Activities carried out during the Year


**International Day of Education – 24 January 2021**

On the occasion of the International Day of Education, which was observed on 24 January 2021, Mr Basdeo Rajee, Chairman of the SBM Foundation, took the opportunity to speak about how the scholarship scheme, since its inception, has contributed to the country's socio-economic development.

*'Founded in 2010, the Corporate Social Responsibility department had, as its main objective, the alleviation of poverty through education, which is a powerful tool. The SBM Foundation provides scholarships to bright students from underprivileged backgrounds with excellent HSC results who are not able to pursue their tertiary studies due to financial constraints.*

*To date, around 2,600 beneficiaries have been awarded a scholarship by the SBM Foundation, including 60 students from Rodrigues. Of note, students should hold a firm offer of a seat for a full-time programme in a recognised higher education institution or vocational courses offered by the MITD. Today, those beneficiaries are now working in various sectors where they are financially independent, thus improving the living standard of their families as well.'*

**International Walking Day – 03 October 2021**

SBM Foundation took part in the TAFISA World Walking Day, which was held on 03 October 2021.The event is a 24-hour relay around the world. Everyone was given the option of participating by selecting their favorite active movement (walking, running, cycling, swimming, canoeing, skateboarding, climbing, etc.).

Our social partner, Abaim, joined us to participate in this laudable initiative, making it more fun and lively by involving everyone in singing, playing musical instruments, and participating in fun activities. All participants were also offered refreshments and a lunch pack by the SBM Foundation.

**World Soil Day and International Volunteer Day – 05 December 2021**

Staff members of SBM Foundation participated in a workshop to celebrate World Soil Day and International Volunteer Day, which were celebrated jointly on 05 December 2021, together with our social partner, FALCON Association. The theme was 'Zeness vers la Terre'.

This event was organised to celebrate the importance of soil as a critical component of the natural system and as a vital contributor to human well-being. It also aimed to encourage volunteerism for community development, eventually contributing to the United Nations Sustainable Development Goals (UN SDGs).

# CORPORATE GOVERNANCE REPORT (CONT'D)

## PRINCIPLE 7 OF THE CODE

**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 2021

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 Shareholders held in July 2021, 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 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 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

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| **SBM Bank (Mauritius) Ltd** | Deloitte | Deloitte | Ernst & Young |
| Statutory Audits and quarterly reviews | 10,120 | 11,874 | 8,712 |
| Other services | 3,007 | 9,878 | 1,466 |

*Other services for FY 2021 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.

### 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 organisational value by providing risk-based and objective assurance, advice, and insight. Internal Audit helps the Bank achieve 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 policy approved by the Board. Internal audit is suitably positioned within the organisational hierarchy; with direct functional responsibility to the Audit Committee and administrative reporting line, to the Chief Executive Officer, which instils and promotes the audit team's ability to perform their duties without hinderance.

The Head of Internal Audit has regular meetings with the Chairperson of the Audit Committee, in the absence of Management representatives, thereby further reinforcing 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 risk-based audit plan and resources, and evaluates the effectiveness of the function.

Audit findings are discussed and finalised with the respective Heads of Departments and Management, and 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

In 2021, there was an internal reorganisation at the Bank, with the Anti-Fraud Unit being merged with the Internal Audit Department.

The new function was renamed as Internal Audit & Investigation Division. With this merger, over and above the existing 4 clusters (Credit, Operations, Others & IT Audit), a new cluster known as Investigation cluster was set up. The Investigation cluster primarily conducts investigations along with fraud prevention activities. The Investigation cluster is currently being structured and staffed.

The supervision of the daily field work of each cluster is overseen by an Audit Lead who reports to the Head of Internal Audit. The Audit Leads also coordinate on an on-going basis with the Internal Audit Teams across the Group.

# CORPORATE GOVERNANCE REPORT (CONT'D)

### Internal Audit (cont'd)

#### Challenges and Achievements

Amidst the challenging environment posed by COVID-19, the overall 2021 audit plan was achieved at 90 per cent. All the high-risk areas and planned branch audits were completed at 100 per cent.

High-risk open audit items were prioritised and closely followed-up with Senior Management to ensure prompt closure. In 2021, several ad-hoc assignments and investigations were also carried out. Due to the pandemic, the Work from Home arrangement was favoured.

#### Outlook

The focus for FY 2022 will be on coverage of key risk areas, completion of a data analytics tool to support audit work and strengthening the team with adequate resources.

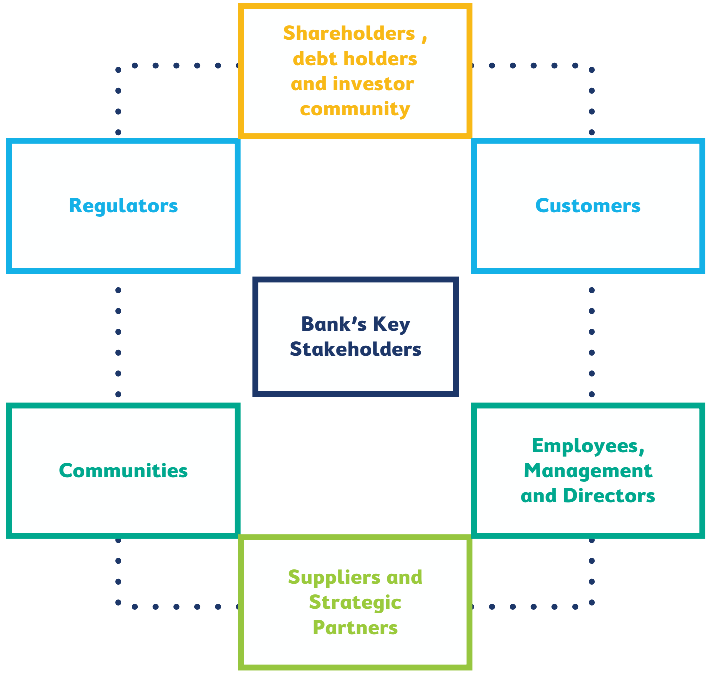
As the business grows, Internal Audit at SBM Bank (Mauritius) Ltd will have to adapt to new emerging requirements, devise new strategies and innovative audit approaches in order to keep pace with the challenging environment and the new normal.

## PRINCIPLE 8 OF THE CODE

**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 is aware of its fiduciary duties towards its shareholders whilst recognising its accountability to a wider range of stakeholders, namely its customers, regulators and employees amongst others.




Stakeholders are cognisant of the Bank's performance and outlook through different forums including social media, website and annual reports. 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

The Board encourages communication with the Bank's shareholders and the Company Secretary is always available to respond to any query or request which the shareholder may have with respect to the Bank. Moreover, the shareholder of the Bank is duly notified 21 days in advance of the Bank's Annual Meeting which is a forum for discussion.

**How do we engage with our Stakeholders**

- General Meeting is held, at least, on an annual basis.
- Sending notice of Annual General Meeting at least 21 days before the meeting in accordance with Mauritius 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
- Publication of year-end accounts and corresponding reports
- 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
- Ensure that financial information released to markets and shareholder is accurate

**Our Response to Stakeholders' Concern**

- 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

## 2. Customers

Without customers, there would be no business. The Bank thus recognises their vital importance and hence, customers are central to every management decision and staff must endeavour to achieve customer satisfaction.

| | | | | | | |
|---|---|---|---|---|---|---|
| **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 Issue raised** | Taking their valued feedback into consideration | Efficient and Professional customer service at all times, with an aim of continuous enhancement | Standardised display of all marketing collaterals. Better informed customers | Sensitising 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 |
| **Our Response to Stakeholders' Concern** | 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 Banks'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

Human capital is one of the key drivers for the achievement of the Bank's objectives, growth, development and competitiveness. Human capital includes employees, the Management team and Directors.

| | |
|---|---|
| **How do we engage with our Stakeholders** | • Induction courses<br>• Regular training and team building activities<br>• Conferences, team engagement sessions and performance management discussions<br>• Staff engagement survey and feedback<br>• Regular Internal staff meetings and workshops<br>• Social and cultural events<br>• Events and staff welfare facilities to enhance welfare<br>• Internal newsletters and electronic communication<br>• CEO and other Executive Members roadshows<br>• Staff retention and opportunity for internal growth<br>• 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 Issue raised** | • A safe, stimulating and rewarding work environment with open communication<br>• Fair remuneration and benefits<br>• Opportunities for career and personal development<br>• High standards of health and safety and mitigating hazards<br>• Fair treatment and respect towards employees<br>• Effective performance management and recognition |
| **Our Response to Stakeholders' Concern** | • We provide a competitive remuneration package<br>• We provide ongoing training to enhance skills<br>• There is open communication between employees and management<br>• Employee wellness programmes are aligned to local and international best practices/trends<br>• Performance management is integrated into development programmes for skills and personal development of the employee<br>• We use the findings of our employee surveys to create tailored action plans and to address areas needing improvements<br>• There is a collective bargaining agreement in place |

### 4. Suppliers and Strategic Partners

Suppliers and Strategic Partners are a key part of the Bank. Cooperative ventures are a means of combatting rising costs, increasing efficiency and jointly taking advantage of market circumstances.

| | |
|---|---|
| **How do we engage with our Stakeholders** | • Expression of interest<br>• Proper procurement process<br>• Cordial relationship between management and supplier<br>• 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<br>• Payment in a timely manner<br>• Decision to be communicated in a timely manner<br>• Spirit of partnership |
| **Our Response to Stakeholders' Concern** | • Fair payment process<br>• Fair selection of suppliers |

# CORPORATE GOVERNANCE REPORT (CONT'D)

### 5. Communities

The Bank lays a lot of emphasis on CSR activities and same is executed through the SBM Foundation, which is the philanthropic arm of SBM Group and which drives the CSR agenda.

**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

### 6. Regulators

The Bank's main regulators are the Bank of Mauritius and the Financial Services Commission. The Bank's officers regularly take part in the Bank of Mauritius's forums and working groups. The Trilateral meeting between the Bank of Mauritius, the Bank and the External Auditors, is held on a yearly basis to discuss the Bank's state of affairs, conduct and progress.

**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 Issue 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 and Officer 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 2021 to 31 December 2021

We, the Directors of SBM Bank (Mauritius) Ltd, confirm that, to the best of our knowledge, the Company has complied with all of its obligations and requirements under the National Code of Corporate Governance (2016).

**Visvanaden SOONDRAM**
Chairman – Board

**Rajcoomar RAMPERTAB, CSK**
Chairman – Corporate Governance and Conduct Review Committee

Date: 28 March 2022

## COMPANY SECRETARY'S CERTIFICATE

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

**Bharti BOLAH-CHOWTEE**
Company Secretary

Date: 28 March 2022

# RISK MANAGEMENT REPORT

# RISK MANAGEMENT REPORT

## Introduction

Risk Management is the process that seeks to identify, evaluate and mitigate any possibility of loss or damage inherent in operating activities. At SBM, we recognise the importance of a strong risk culture within the organisation and embrace risk management as a core competency that allows us to optimise risk-taking objectively and transparently. Through efficient risk processes, returns within a set risk appetite are maximised.

This risk culture is complemented by robust and effective enterprise-wide risk management, aligning strategies, policies, people, processes, technology, regulation, legal, trust and business intelligence. This enables the Bank to evaluate, manage and optimise the opportunities, threats and uncertainties that it may face in its ongoing efforts to maximise sustainable shareholder value.

During the financial year 2021, underpinned by a solid Risk Management Framework, the Bank remained resilient to stressed economic conditions caused by the COVID-19 pandemic. In addition to aligning ourselves with the authorities' requirements to provide moratorium periods for loan repayments and additional funding for COVID-19 needs, we have also worked closely with our client base to find long-term solutions on their repayment plan based on cash flow forecasts while taking into consideration the changing economic conditions.

## 2021 in Retrospective from a Risk Perspective

| | Inherent Risk | Mitigation Actions | Residual Risk | Capitals Impacted |
|---|---|---|---|---|
| **Externally Driven** | | | | |
| **COVID-19** | **High**<br>Global economy took a toll with the COVID-19 pandemic although the situation seemed to get under control by the 3rd quarter of the year.<br><br>Undoubtedly, the client base of the Bank felt the repercussions through disrupted business and lower growth. | While some companies received funding through MIC for their working capital needs, the Bank has rescheduled facilities granted to viable clients. The objective is to provide need-based solutions to allow the clients some much needed breathing space while ensuring adequate capacity for repayment of credit facilities. | **Moderate**<br>The underlying remains dependent on economic recovery amidst the pandemic. | Financial<br><br>Intellectual |
| **LIBOR transition** | **Medium**<br>During the year, the Bank managed the LIBOR transition. | The Bank has set up a technical working group reporting to Management on a frequent basis. | **Low**<br>Given the availability of key USD LIBOR rates until 30 June 2023, some USD contracts are still linked to LIBOR. | Financial |

| | Inherent Risk | Mitigation Actions | Residual Risk | Capitals Impacted |
|---|---|---|---|---|
| **Internally Driven** | | | | |
| **Data Quality** | **Medium**<br>The Bank collects and internally uses a wide range of data through its different systems to support its operations. These data are used in an array of reports as well as models which are subject to risk of error. | The Bank has a maker-checker concept in place to record a proper set of data. SBM Bank (Mauritius) Ltd also has a Data Management Unit which counter-verifies some levels of data.<br><br>Frequent training is also provided to staff members on data input as well as data privacy regulations. | **Low**<br>The Bank engages in data control to reduce the risk of human error. | Financial |
| **Model Risk** | **High**<br>The Bank uses a range of models in both financial and non-financial contexts. These models might require redevelopment with changing market conditions and might hinder adequate business decisions should they not perform as required. | The Bank has an incentive to enhance its model risk governance through the setting up of a credit modelling team. During the year, the Bank has prioritised on the update of expected credit losses models in order to incorporate the change in the macroeconomic conditions related to the pandemic. | **Moderate**<br>The Bank's model is principally based on its historical data which, in certain changing market environments, might not reflect future outcomes. Nevertheless, the Bank adopts a prudent approach and management overlays are incorporated where deemed appropriate. | Financial |
| **IT infrastructure and resilience** | **High**<br>Inability to serve customers. | For SBMBM, the contract agreement with the IT strategic partner has been reviewed with comprehensive and stringent SLAs set and monitored.<br><br>Continuous system monitoring is being performed.<br><br>An alert mechanism has been implemented to send notifications in case of any system anomaly.<br><br>A diligent review of key processes has been conducted.<br><br>A number of critical EOSL assets has already been remediated in Mauritius and a full remedial plan for addressing remaining EOSL assets is being put in place. | **Moderate**<br>System stability has been observed for critical as well as non-critical applications.<br><br>However, due to end-of-life and ageing infrastructure, the probability of an incident occurring has increased, hence impacting on the availability of the systems. | Financial<br><br>Human<br><br>Intellectual<br><br>Manufactured |

# RISK MANAGEMENT REPORT (CONT'D)

## 2021 in Retrospective from a Risk Perspective (cont'd)

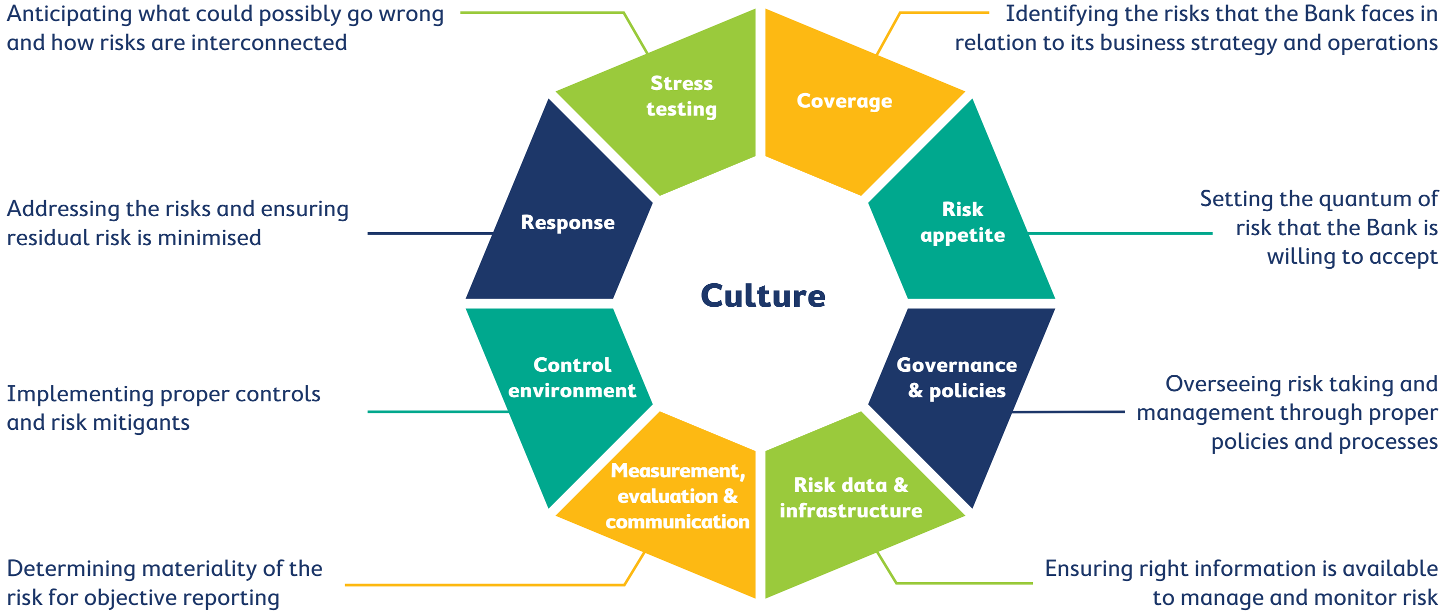
| | Inherent Risk | Mitigation Actions | Residual Risk | Capitals Impacted |
|---|---|---|---|---|
| **Internally Driven** | | | | |
| **Cybersecurity/ Confidentiality Risk** | **High**<br>With the roll-out of the work from home plan, the risk of leakage of confidential customer data increases since employees work on their own with less supervision.<br><br>An increase in cyber threat and attacks is generally observed as cybercriminals remain on the lookout to perform fraudulent acts. | All employees are regularly reminded to always abide by the Bank's data confidentiality clauses, especially when working from home.<br><br>Daily reports are generated to monitor employees' login on the organisation's Core Banking System (CBS) and Customer Relationship Management (CRM) when working from home.<br><br>A two-factor authentication (2FA) system has been implemented to access the Bank's systems.<br><br>Only corporate hardened devices are granted access to the organisation's network and the link is secured through Verisign SSL certificate.<br><br>The Bank's network is monitored on a continuous basis.<br><br>Users are provided regular awareness training on the current threats, attacks and IT policies in general.<br><br>SWIFT system cannot be accessed from home and the regular access is monitored and confirmed with users. | **Moderate**<br>No incident was noted from employees who were working from home.<br><br>The network remained secured with no fraudulent attack.<br><br>To further decrease the residual risk, NAC is currently being deployed. This will ensure that only hardened and compliant machines have access to the network, both from home and office.<br><br>NextGen EDR is also being deployed to enhance the visibility on the health of the machines.<br><br>Both projects are expected to be completed by May 2022. | Financial |
| **Health and Safety** | **High**<br>Health and safety of all staff members, visitors and service providers.<br><br>Risk of being infected with COVID-19. | A well designed and approved Work from Home Policy was duly communicated and implemented.<br><br>Supervision and protocols were put in place to handle reported cases.<br><br>Regular communications to staff members on precautionary measures.<br><br>Prompt actions taken upon reporting of cases. | **Moderate**<br>During the past few months, the Bank has registered more than 200 cases out of which 40 are active.<br><br>However, same is within control thanks to the devised protocol by HRD and BCM to ensure business continuity and minimise onsite infections. | Human<br><br>Financial<br><br>Intellectual |

| | Inherent Risk | Mitigation Actions | Residual Risk | Capitals Impacted |
|---|---|---|---|---|
| **Internally Driven** | | | | |
| **Business Continuity** | **High**<br>Peak of COVID-19 positive cases<br><br>Lockdown situation | Facilitated the COVID-19 vaccination programme for staff members.<br><br>Maintained split strategy to ensure resiliency.<br><br>Invested massively in IT equipment for staff members such that they are adequately equipped to work from home.<br><br>Enhanced the work from home experience by heavily investing in IT infrastructure, notably to ensure better network connectivity.<br><br>Maintained strict sanitary measures and performed regular deep cleaning of premises for a safe environment for all stakeholders.<br><br>Maintained digital communication, virtual meetings and video conferencing and the provision of online training. | **Moderate**<br>Despite positive COVID-19 cases, continuity of services was ensured with no impact on customers. | Human<br><br>Financial |
| **Reputational Risk** | **Medium**<br>Negative publicity, whether true or not, may impair public and investor confidence in the Bank, resulting in costly litigation, or even lead to a decline in its customer base, business, revenue and/or market value. | Closely follow reports on the Bank in traditional media, social media, and other public forums to monitor reputational risk levels.<br><br>We encourage an organisational culture that promotes great work ethics, high level of commitment, a fine sense of responsibility, continuous learning and growth, and a passion for excellence.<br><br>We address customers' concern in an effective manner.<br><br>Risk Awareness sessions conducted by the Risk Management Team. | **Low**<br>The Bank closely and continuously assesses and monitors reputational risk | Human<br><br>Manufactured<br><br>Intellectual |

# RISK MANAGEMENT REPORT (CONT'D)

## How Risk is managed – Our Risk Management Framework

### Overview of the risk management framework




***The Bank has an integrated and robust Risk Management Framework*** which aligns strategies, policies, people, processes and technology to adequately identify and mitigate risks.

Our framework is subject to constant evaluation (at least annually) to ensure that it meets the challenges of the dynamic environment in which it operates, in line with evolving regulatory requirements and industry best practices. It 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.

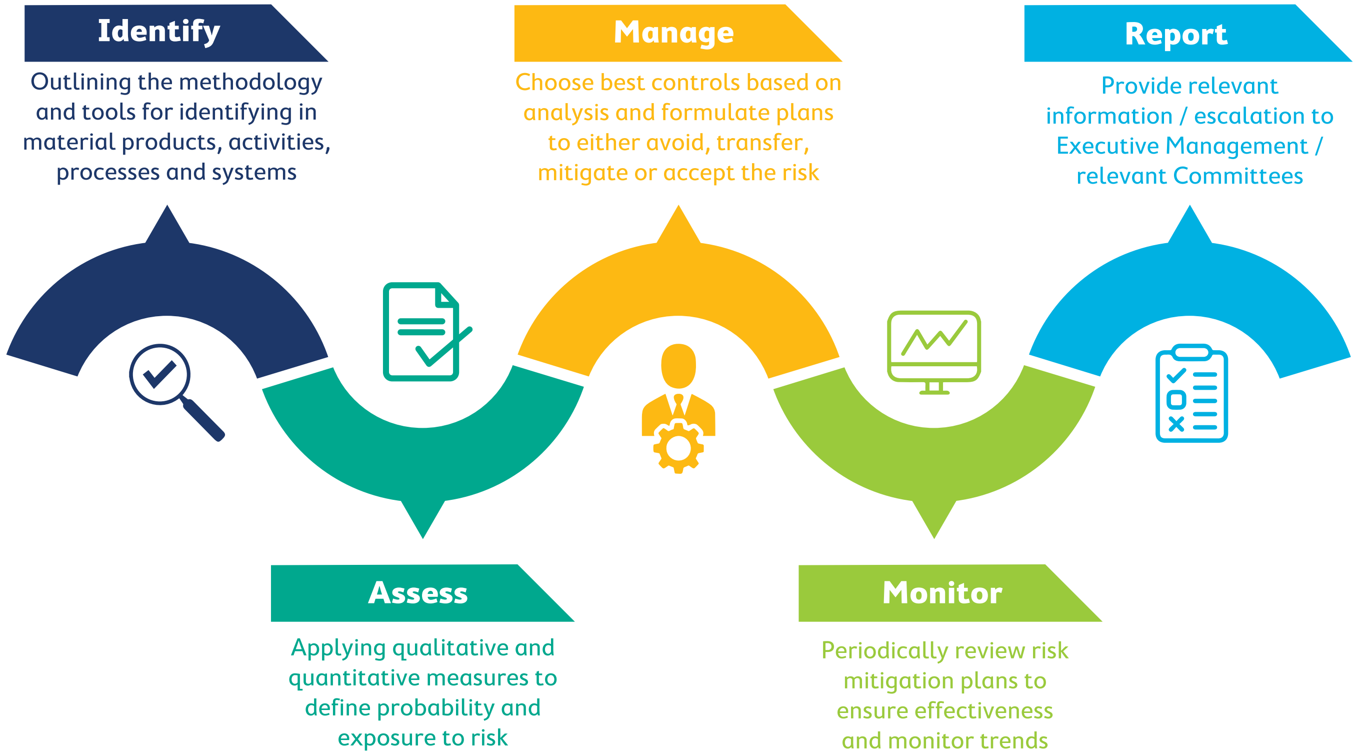
The Bank ensures the following:

- a solid and effective risk management infrastructure in place;
- the Risk Appetite as recommended and approved by the Board is embedded in decision making;
- Risk Management control techniques and methodologies to monitor control effectiveness;
- continuous review of the Bank's risk profile and potential exposure to various risks;
- documentation of bank policies for management on main risks, particularly in areas of credit, market, interest rate, liquidity, operational and technological risks;
- staff training, awareness and capacity building programmes; and
- reporting mechanisms for all material risks.

## Risk Management Process

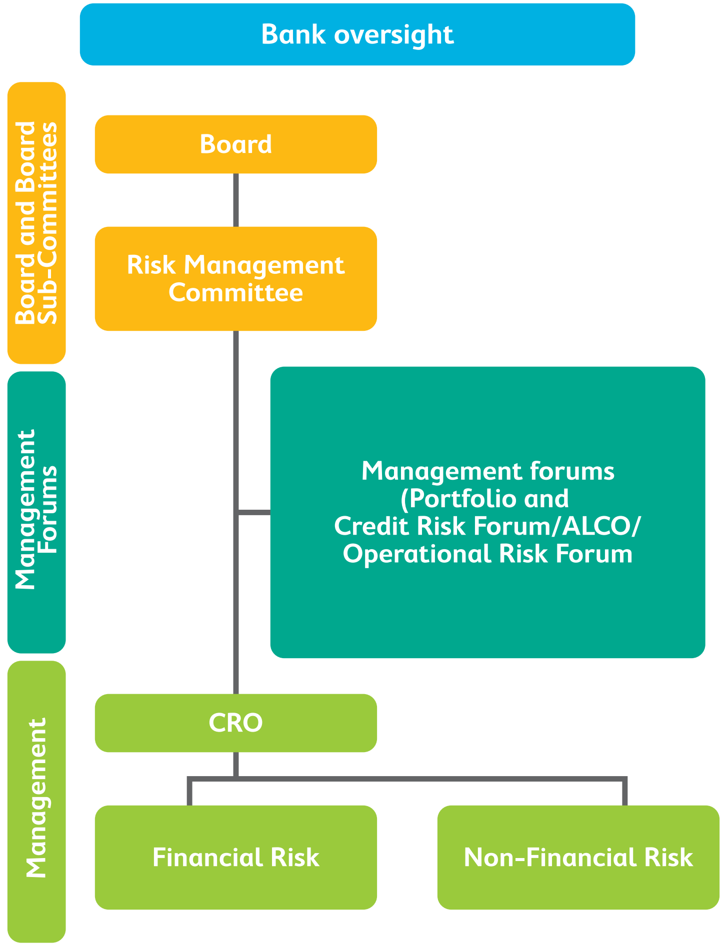
The Risk Management Process, aligned with our Risk Appetite, is of strategic importance to the Bank given the breadth of its value proposition and customer segments.

The overall Risk Management Process is established at each entity level, cutting across the entire cycle, allowing for the proactive and disciplined identification, assessment, management, monitoring and reporting of risks.



# RISK MANAGEMENT REPORT (CONT'D)

## Our Established Risk Governance Structure




The Board has the ultimate responsibility for the effective management of risk and approves the overall risk appetite which is cascaded down to all employees of the Bank. The Acting CRO independently reports to the SBM Risk Management Committee.

The Bank has an independent Risk Management team headed by an Acting Chief Risk Officer (CRO) and reports at least monthly to Management Forums and quarterly to the Risk Management Committee. The Bank promotes the development of a risk culture that advocates consistent application of the Framework across the organisation, and ensures that the Risk functions are clearly understood and internalised at all levels.

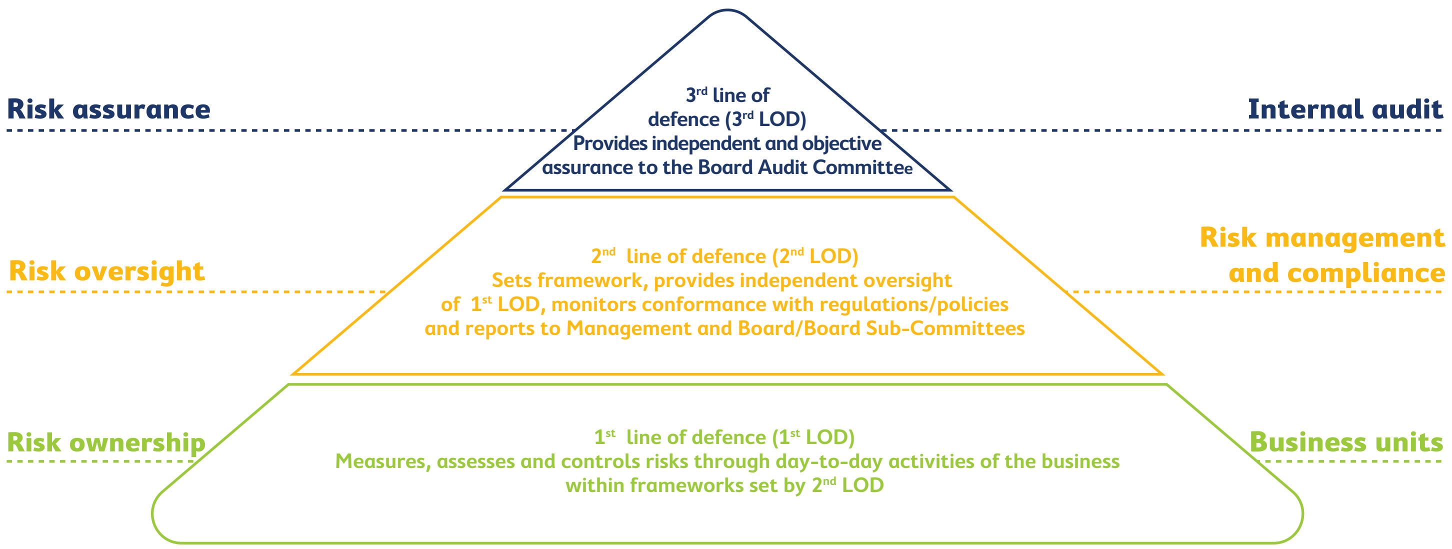
## Risk Universe

The Bank faces several financial as well as non-financial risks as listed below and has taken several measures to mitigate and manage them. This is achieved through policies, frameworks, SLAs, continuous risk assessment and monitoring. Regular training, communication and awareness campaigns are also run throughout the year.

# RISK MANAGEMENT REPORT (CONT'D)

## Three Lines of Defence

The Bank's philosophy is that responsibility for risk management resides at all levels of the organisation and therefore uses the three lines of defence model which promotes transparency, accountability and consistency through clear identification and segregation of risks.



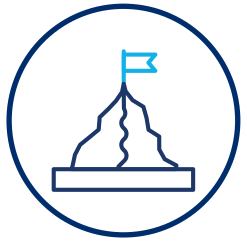

## Risk Culture

Risk culture is part of a wider corporate culture and is intimately linked to it. It is the set of encouraged and acceptable behaviours, values and attitudes towards taking and managing risks.

For an effective Risk Culture, there is a need to focus on the following key behaviours:
1. Adherence to policies, procedures and limits
2. Ownership of risk by First Line of Defence
3. Raise alert about risks and issues to allow early intervention
4. Report incidents as soon as they arise to Second Line of Defence

The Bank maintains an efficient, effective and transparent ERM framework to promote a risk culture within the organisation.

The diagram below depicts the process implemented at the Bank:



### Tone from the management

- Regular communiqués from Senior Risk Executives on various risk topics and importance of complying with them
- Regulations distilled and circulated promptly

### Risk training & awareness

- Mandatory training on Risk and compliance
- Regular awareness campaigns (e.g. Moody's training, enterprise risk & credit cycle awareness for first liners)
- Empowering 1st line of defence to aid business to own, act and timely escalate issues for mitigation
- Risk culture and fraud vulnerability assessment surveys conducted to assess perception and identify areas of improvement

### Policies, procedures & conduct

- Comprehensive policy & procedures framework in place to aid in the effective performance of roles and responsibilities
- Easy access via intranet to all staff
- Dedicated session on risk management in the employee orientation programme

## Risk Appetite Framework

The Bank has a comprehensive Risk Appetite Framework in place, providing a structured approach to the identification, measurement and management of risks within Risk Appetite parameters.

The Risk Appetite Statement articulates the quantum of risk that the Bank is willing to accept in pursuit of its strategies, duly set and monitored by the Board, and integrated into the Bank's strategy, business, risk and capital plans. The Bank's risk appetite is measured and expressed both through qualitative and quantitative risk metrics. The limits are monitored and reported to the Risk Management Committee on a quarterly basis.

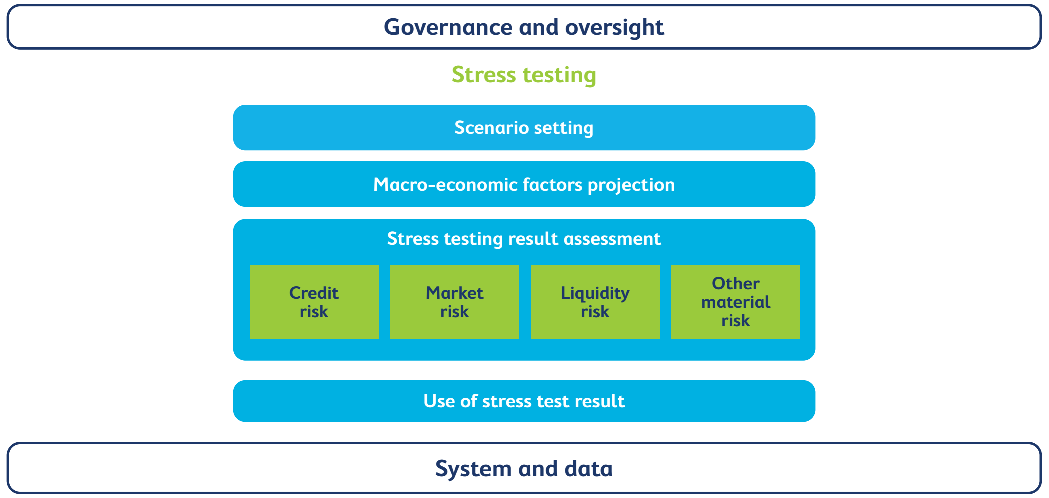
The Risk Appetite Statement is prepared in consultation with all concerned entities and is discussed at the Executive Forum. The ultimate responsibility for defining and setting the risk appetite resides with the Board of Directors.

The Risk Appetite Framework is reviewed on an annual basis following the approval of the Bank's 3-year strategic plan. The Bank is guided by the Guiding Principles of Solvency, Profitability, Liquidity and Sustainability.

# RISK MANAGEMENT REPORT (CONT'D)

## Stress Testing Framework

Stress testing is an integral part of the Bank's risk management process used to evaluate the potential effects on the Bank's financial condition of a specific event and/or movement in a set of variables. The stress testing results are used as a tool for assessing the resilience of the Bank to potential adverse shocks under certain specific scenarios on their capital and liquidity position vis-à-vis regulatory requirements. The selection of scenarios is either based on regulatory requirements or on the output of top and emerging risks identified and entity's risk appetite.




The Bank has a strong Governance and Oversight structure in place in relation to stress testing activities.

**Risk Management Committee ("RMC") is responsible for:**

- Exercising effective oversight on the overall Stress Test programme
- Ensuring that the applicable regulatory requirements are met
- Reviewing Stress Test scenarios and results

**Risk Forum is responsible for:**

- Reviewing, evaluating and advising the RMC on the recommended Stress Test scenarios and approach
- Reviewing and endorsing Stress Test results

**The Stress Testing Working Group (STWG):**

- Is responsible for designing, conducting and assessing the Stress Test exercise
- Is composed of appointed members from specific teams

SBM Bank (Mauritius) Ltd performs both scenario analysis through hypothetical scenario settings based on market conditions as well as bank-specific sensitivity analysis. During the year 2021, some of the stress tests performed are as follows:

***Scenario analysis***

- Baseline Scenario (V-shaped Recovery): Recovery will start in 2021 and GDP is expected to reach its pre-COVID-19 level from 2023 onwards.
- Moderate Scenario (U-shaped Recovery): Recession will prolong in 2021 and recovery will only start as from 2022. GDP is expected to reach its pre-COVID-19 level from 2024 onwards.
- Severe Scenario (Nike-shaped Recovery): Recession will aggravate in 2021 and recovery will only start afterwards with GDP gradually reaching its pre-COVID-19 level from 2025 onwards. We also assumed a slower than expected rebound of the tourism sector with the reopening of borders.
- Under the above scenarios, the Bank made adjustments to its ECL parameters (PD, LGD, CCF) and stage classification to cater for the changing macroeconomic conditions. Impairment assessment over different scenarios was also conducted prior to moving clients to Stage 3 for the stress testing purpose.

***Sensitivity analysis***

- Following the risk identification and measurement exercise, the Bank has investigated the impact on the following risk types:
- Credit Risk – impairment of top watch list customers
- Country Risk – impairment of clients in top risk countries
- Consumer Concentration Risk – assumed default on top client and group exposures
- Portfolio Concentration Risk – assumed default on high-risk sectors in current market conditions
- Bullet Repayment Risk – assumed default on bullet repayment facilities

# RISK MANAGEMENT REPORT (CONT'D)

## Key Risks Overview

| Key Risks | Arising from | Measurement, Monitoring and Management of Risk |
|---|---|---|
| **Credit Risk** | | |
| **Credit Risk is defined as the economic loss that the Bank will suffer in case a bank borrower or counterparty fails to fulfil its financial or other contractual obligations.** | Credit Risk arises when funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements, whether reflected on- or off-balance sheet. Among the risks faced by SBM, Credit Risk generates the largest regulatory capital requirement. | Credit Risk is:<br>• **measured** as risk-weighted exposures for performing and non-performing exposures.<br>• **monitored** within regulatory and prudential limits by borrowers, portfolios, country and Bank; approved by the Board within a framework of delegated authorities. Regular review of portfolio to proactively manage any delinquency and minimising any undue credit concentrations; and<br>• **managed** through a robust Risk Control Framework which outlines clear and consistent policies, principles and guidance. |
| **Market Risk** | | |
| **Market Risk is the risk of loss that arises due to changes in market conditions that may adversely impact on the value of assets or liabilities, or otherwise negatively impact earnings.** | Market Risk arise from variations in the market value of trading and non-trading positions resulting from changes in interest rate risk, foreign exchange risk and price risk, and in their implied volatilities. | Market Risk is:<br>• **measured** in terms of value at risk, which is used to estimate potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence, augmented with stress testing to evaluate the potential impact on portfolio values of more extreme, though plausible, events or movements in a set of financial variables;<br>• **monitored** using measures including the sensitivity of net interest income and the sensitivity of structural foreign exchange which are applied to the market risk positions within each risk type; and<br>• **managed** using risk limits approved by the Board. |

| Key risks | Arising from | Measurement, Monitoring and Management of Risk |
|---|---|---|
| **Funding and Liquidity Risk** | | |
| **The inability to meet contractual and contingent financial obligations, on- and off- balance sheet as they may come due. Our primary liquidity objective is to provide adequate funding for our business throughout market cycles, including periods of financial stress.** | Liquidity Risk arises from mismatches in the timing of cash flows.<br><br>Funding Risk arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required. | Liquidity and Funding Risk is:<br>• **measured** using internal metrics including stressed cash flow projections, coverage ratios and advances to core funding ratios;<br>• **monitored** against the Bank's Liquidity and Funding Risk Framework and overseen by the Asset and Liability Management Committees (ALCOs) and the Board Risk Management Committee; and<br>• **managed** on a stand-alone basis with no reliance on any Group entity. |
| **Operational Risk** | | |
| **Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.** | Operational Risk arises from human error, inappropriate conduct, failures in systems, processes and controls or natural and man-made disasters. It is inherent to all products, activities, processes and systems, and is generated in all business and support areas. | Operational Risk is:<br>• **measured** using the Risk and Control Assessment process which allows identification and evaluation of risks and effectiveness of controls;<br>• **monitored** through regular risk assessment procedures, key risk indicators and internal loss database; and<br>• **managed** through a conducive control environment with robust operational risk policies, processes, systems as well as appropriate risk culture within the organisation which contribute to maintaining a low operational loss experience over the years. |

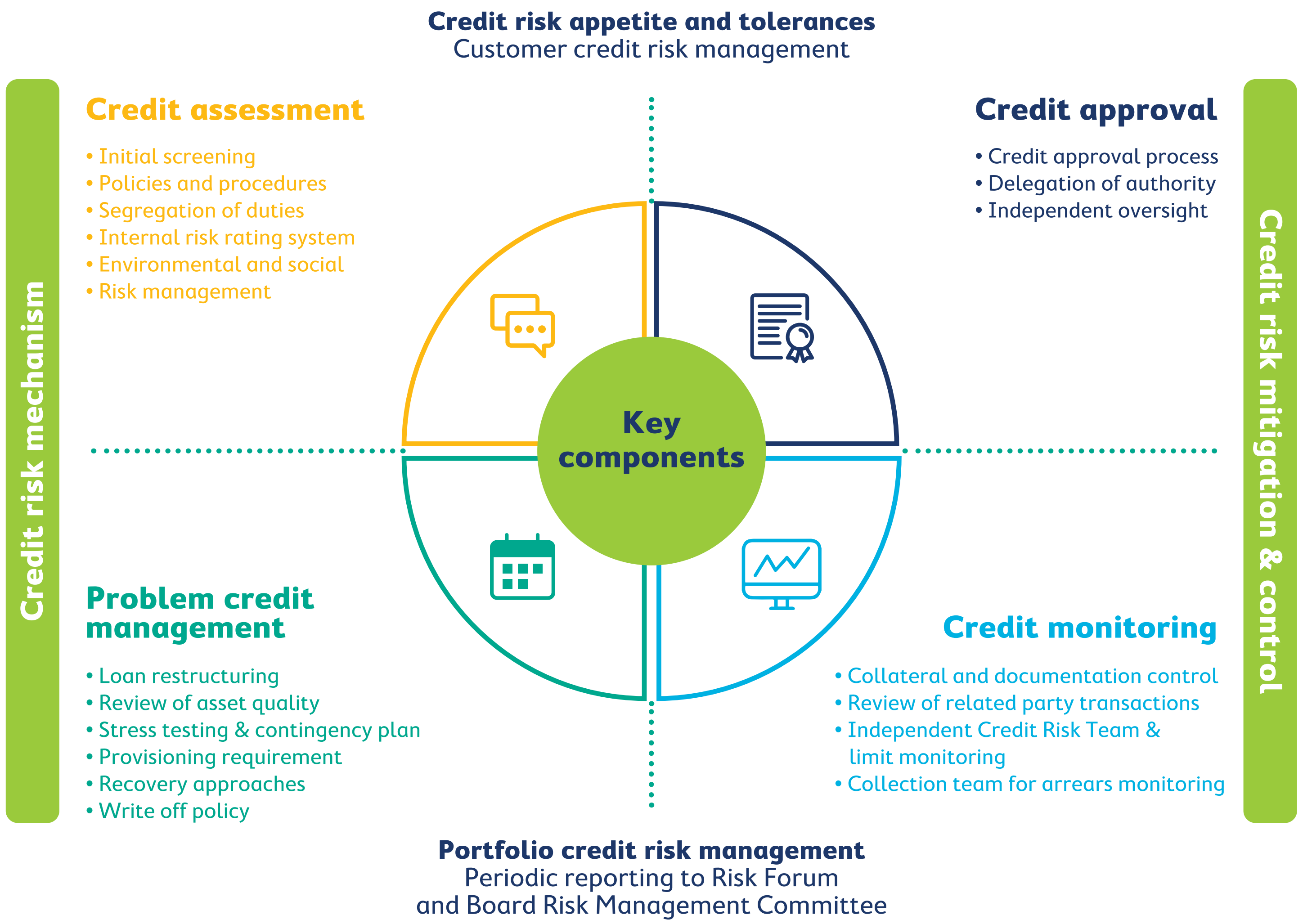
# RISK MANAGEMENT REPORT (CONT'D)

## Key Risks Overview (cont'd)

| Key Risks | Arising from | Measurement, Monitoring and Management of Risk |
|---|---|---|
| **Reputational Risk** | | |
| **The potential that negative perceptions of the Bank's conduct or business practices may adversely impact its profitability or operations through an inability to establish new or maintain existing customer/client relationships.** | Reputational risk arises from failure to meet stakeholder expectations as a result of any action, event or situation caused by SBM or its employees that can adversely impact SBM's reputation. | Reputational Risk is:<br>• **measured** by reference to our reputation as indicated by our dealings with all relevant stakeholders, including media, regulators, customers and employees;<br>• **monitored** through analysis of root cause for justified complaints and reporting to appropriate forums/committees; and<br>• **managed** through a framework where all employees are responsible for identifying and managing reputational risk that may occur within their respective areas of business. These responsibilities form part of the SBM Code of Conduct. |
| **Business and Strategic Risk** | | |
| **The risk of loss resulting from incorrect assumptions about external or internal factors, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environments.** | Business and Strategic Risks are risks that affect or are created by an organisation's business strategy and strategic objectives, which are critical to the growth and performance of the Bank. Pursuing an unsuccessful business plan represents a possible source of loss to the Bank. | Business and Strategic Risk is:<br>• **measured** by using several key internal indicators and metrics as a yardstick which enables the Bank to track progress against fulfilling the objective;<br>• **monitored** against our risk appetite set out by the Board whilst taking into consideration our internal capabilities and growth prospects; and<br>• **managed** by the Board, which sets the objectives for the Bank in terms of growth orientation in consultation with our Strategy team. |

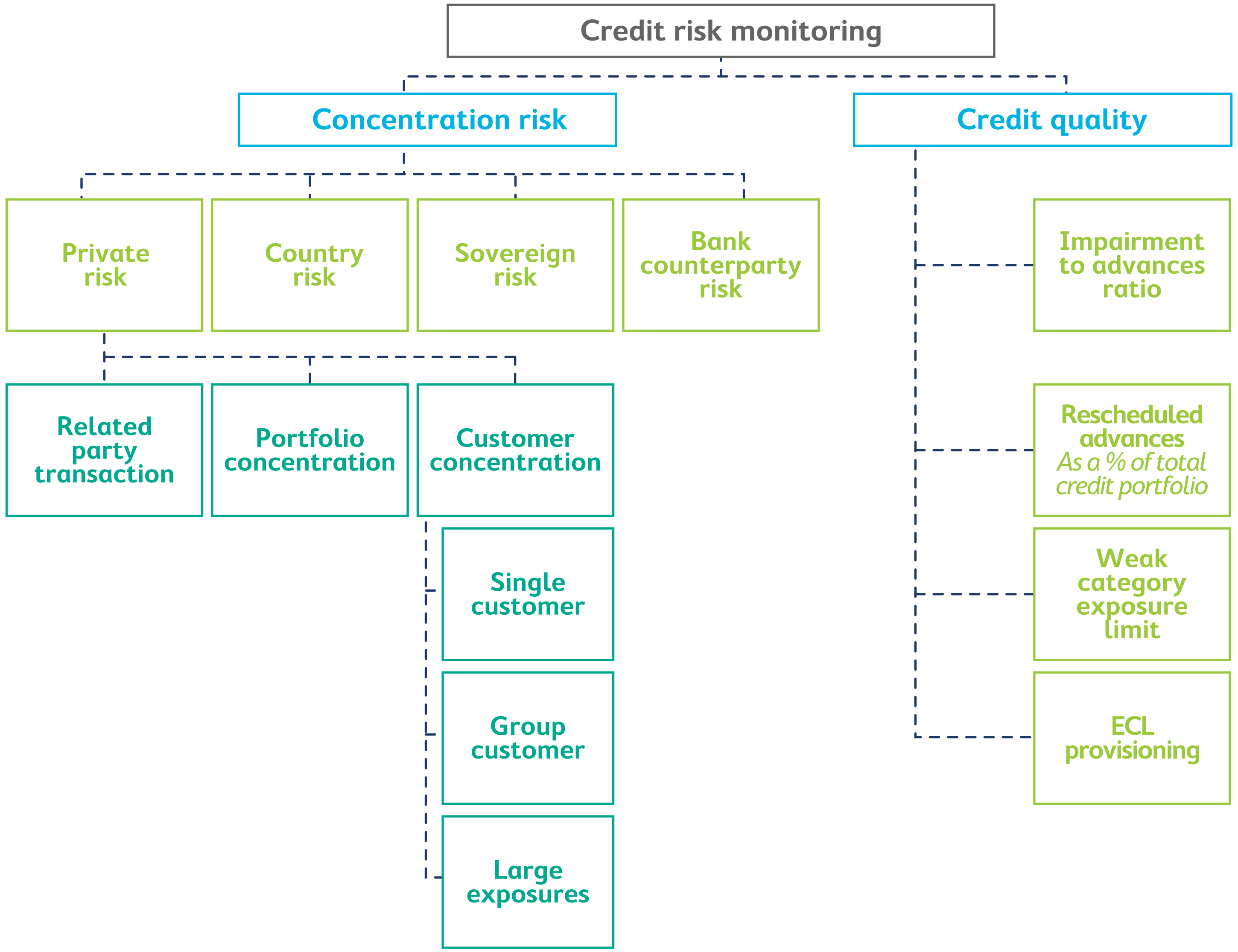


## Credit Risk Management Framework and Measurement



## Limit Setting

The Bank sets specific risk limits at appropriate levels relative to the risks and returns so as to minimise risk that could lead to unexpected losses. The limits are set within the Bank's overall strategy and risk appetite. The figure below gives an overview of the level of limit set as per approved risk appetite for the Bank.



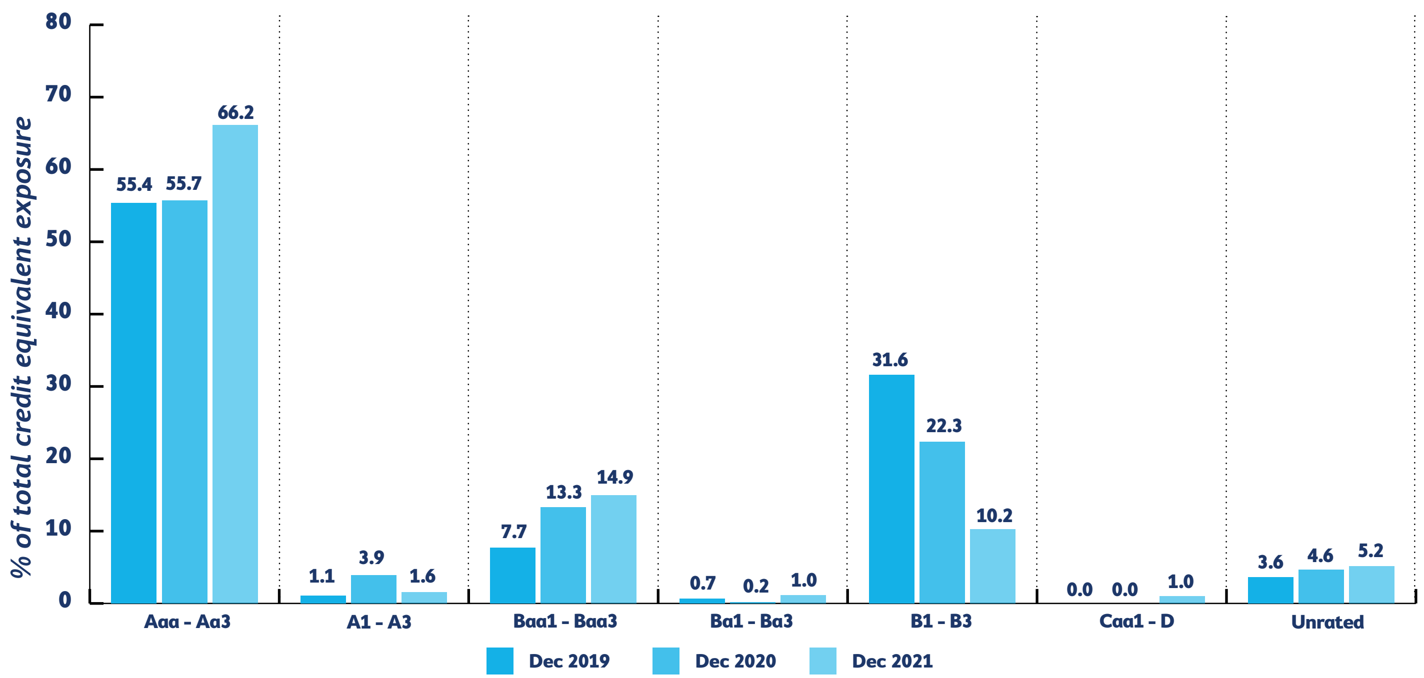

## Country Risk

Country risk pertains to the risk of investing or lending in a particular foreign country arising from possible changes in economic, political and social environments that may adversely affect the operations and repayment capacity of cross-border counterparties including the sovereign.

During the financial year 2021, the Bank has been more prudent in dealing with cross-border exposures. SBM Bank (Mauritius) Ltd has reviewed its risk appetite during the year, enhanced its capacity-building and reviewed its strategic plans to set the pace for gradual expansion of cross-border business in the coming years.

As at 31 December 2021, SBM Bank's total credit equivalent exposure to cross-border lending accounted for 303.9 percent of Bank Tier 1 Capital. Exposure to Supranationals represented 29.0 per cent of total cross-border lending.

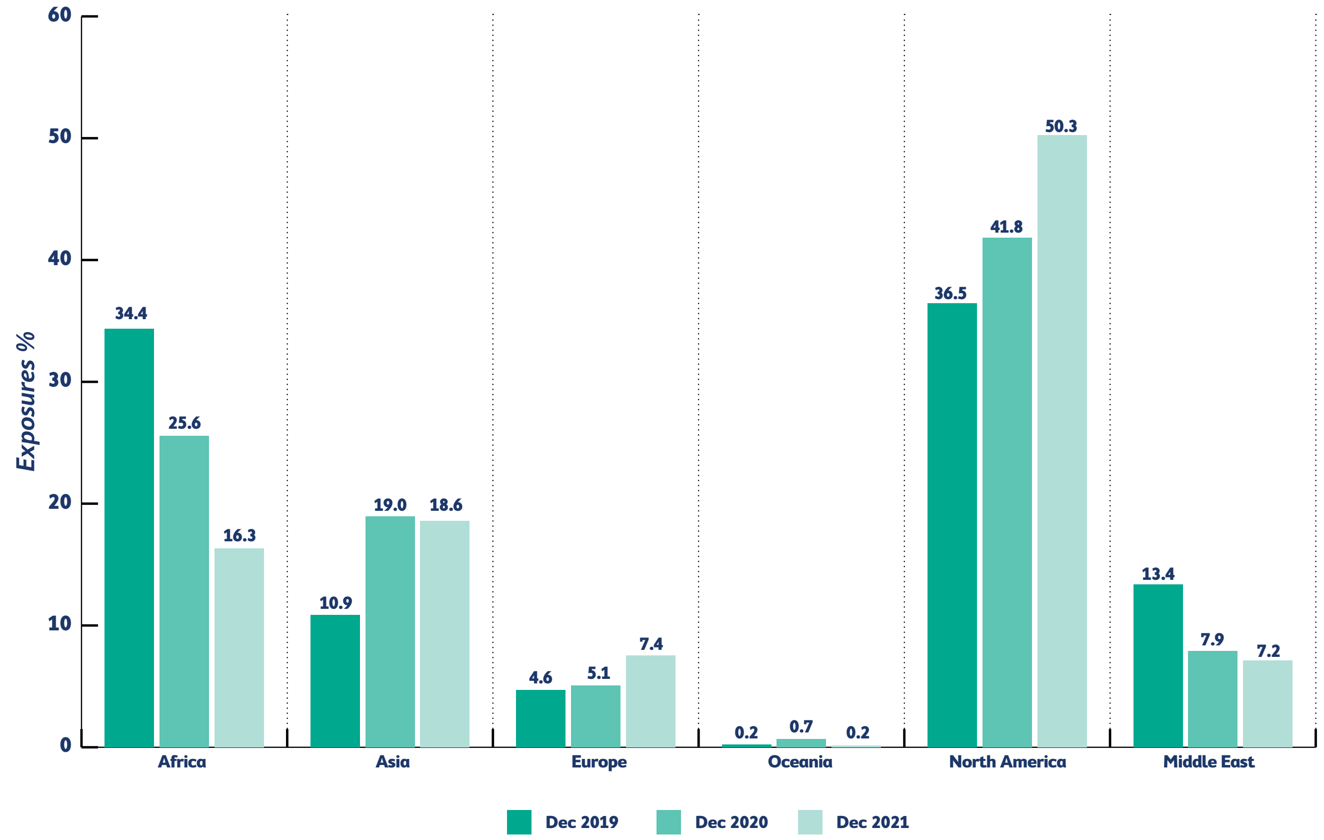
**Distribution of country risk by rating (%)**



# RISK MANAGEMENT REPORT (CONT'D)

## Country Risk (cont'd)

### Distribution of country risk by region (%)

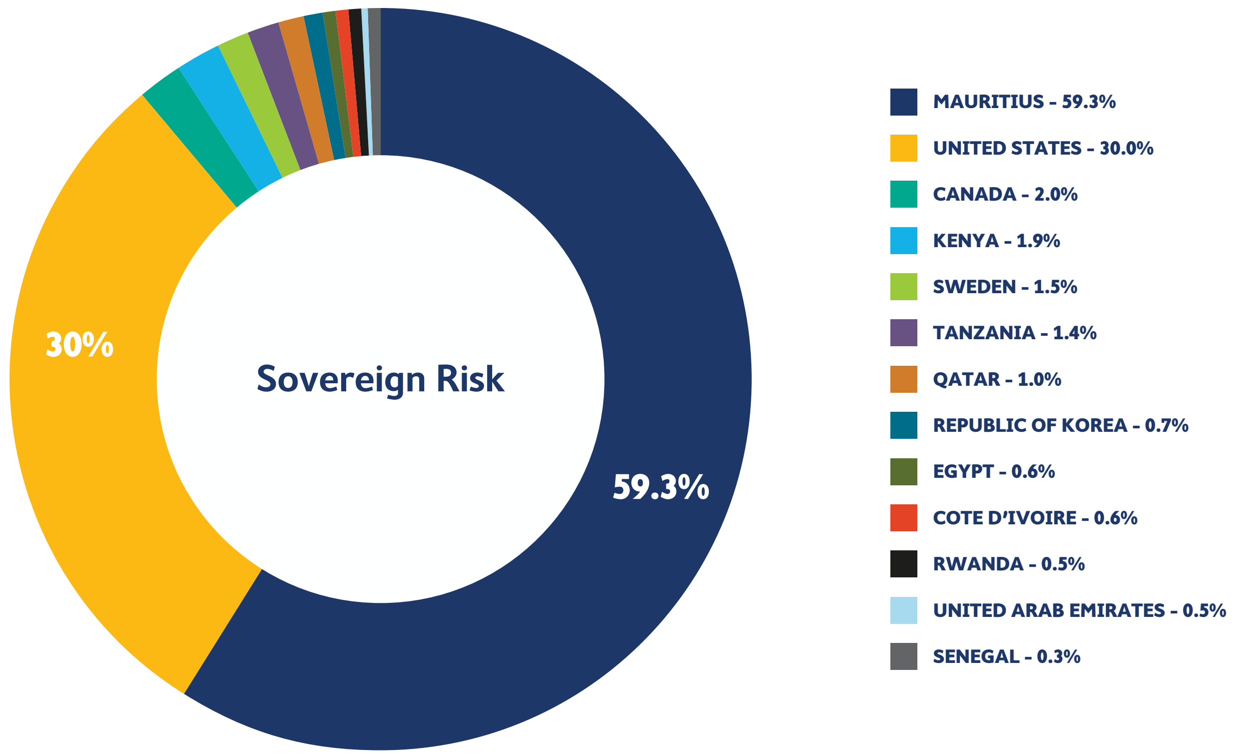



## Sovereign Risk

Sovereign risk relates to the risk of a particular Government becoming unwilling or not able to meet its credit obligations.

As at 31 December 2021, sovereign exposures accounted for 459.2 per cent of Bank Tier 1 Capital, of which sovereign exposures in SBM presence countries accounted for 281.6 per cent of Bank Tier 1 Capital.

### Distribution of sovereign exposures



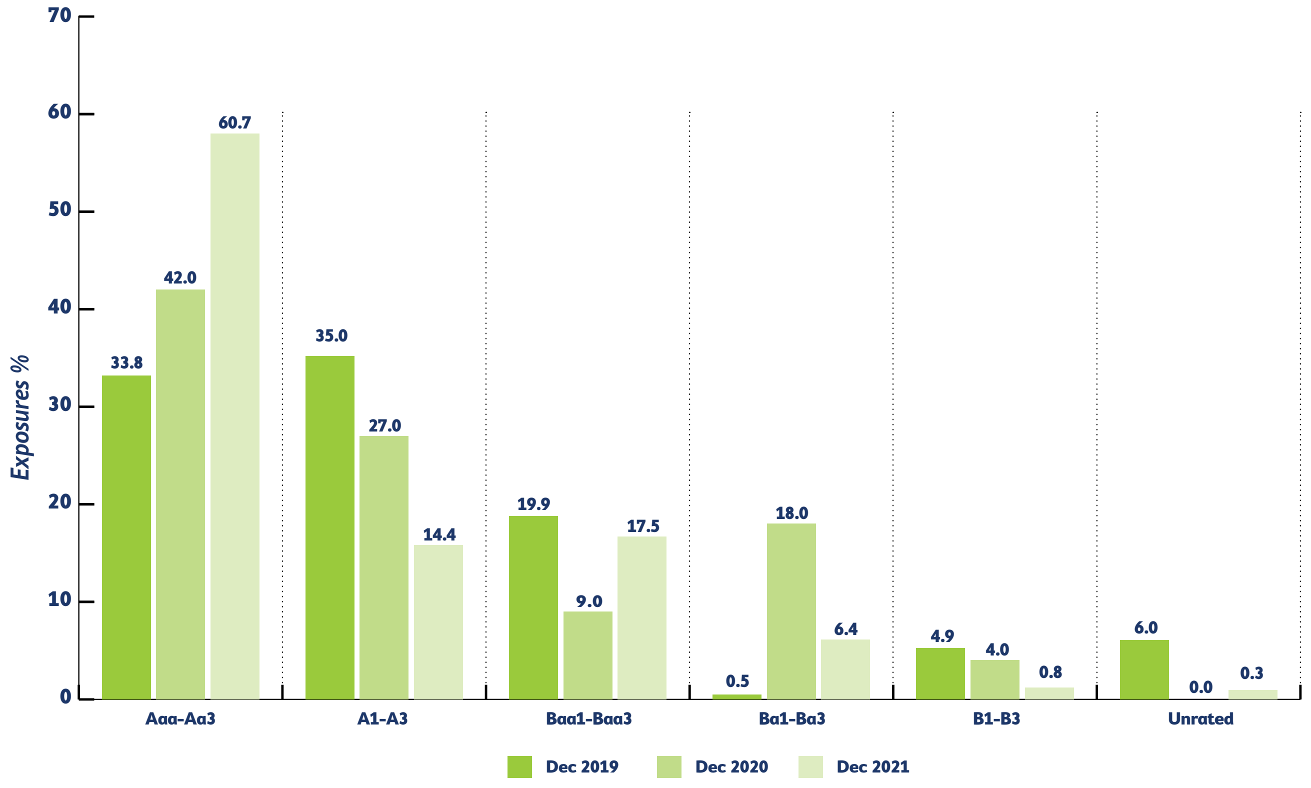
# RISK MANAGEMENT REPORT (CONT'D)

## Bank 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, SBM Bank (Mauritius) Ltd has developed a Bank Risk Framework where limits to each individual bank are attributed based on the bank's risk profile. The limits are also contained by the Bank's country limit and the regulatory limit on single counterparty exposure.

As at 31 December 2021, SBM Bank's counterparty credit equivalent exposure accounted for 139.9 per cent of the Bank's Tier 1 Capital.

### Distribution of Bank counterparty risk by rating (%)




## Counterparty Credit 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. The Bank has set prudential limits within its regulatory limits designed to restrain concentration to a single/group of connected counterparties as well as large exposures.

As at 31 December 2021, the credit concentration exposures were well within the Bank of Mauritius regulatory limits.

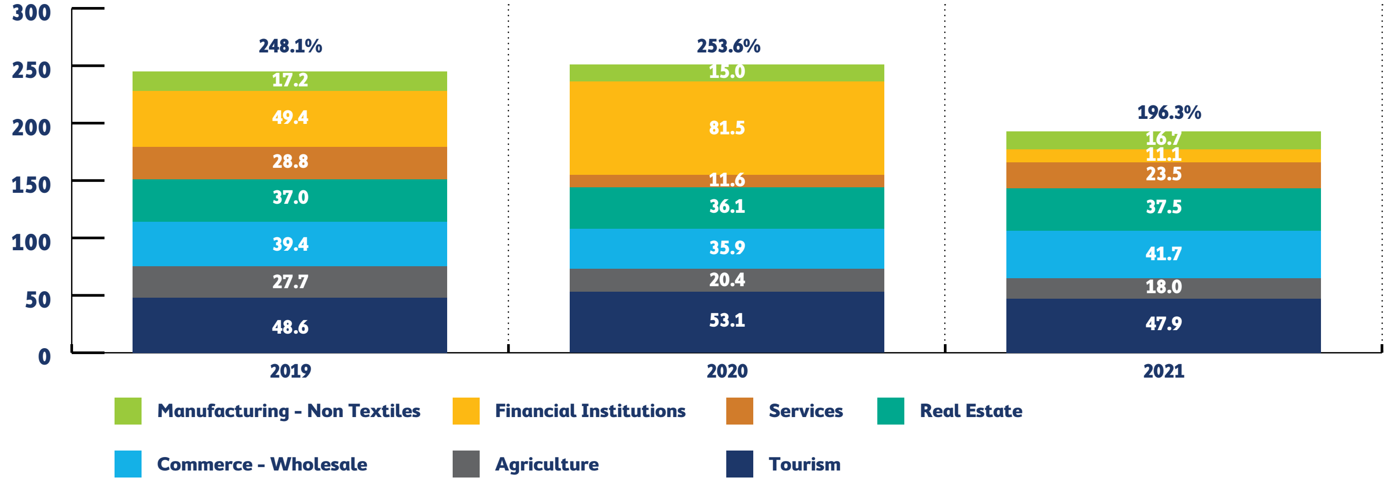
**Regulatory credit concentration limit**

**11.5%** Credit exposure to any single customer shall **not exceed 25%** of the Bank's Tier 1 Capital

**24.6%** Credit exposure to any group of closely related customers shall **not exceed 40%** of the Bank's Tier 1 Capital

**196.3%** Aggregate large credit exposures to all customers and groups of closely related customers above 10% of the Bank's Tier 1 Capital shall **not exceed 800%** of the Bank's Tier 1 Capital

### Top group of closely related customers' exposure by sector as a % of Tier 1 Capital

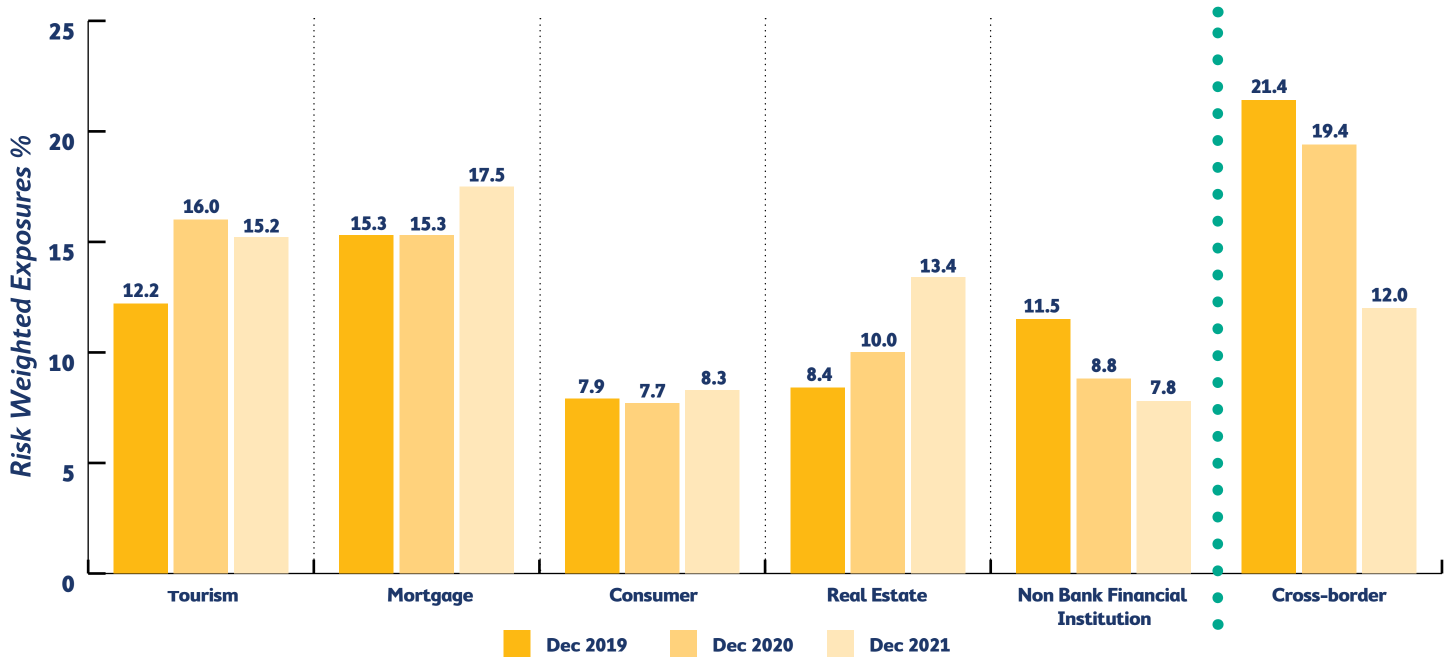


# RISK MANAGEMENT REPORT (CONT'D)

## Portfolio Concentration

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

### SBMBM's top portfolio by risk weighted exposures (%)

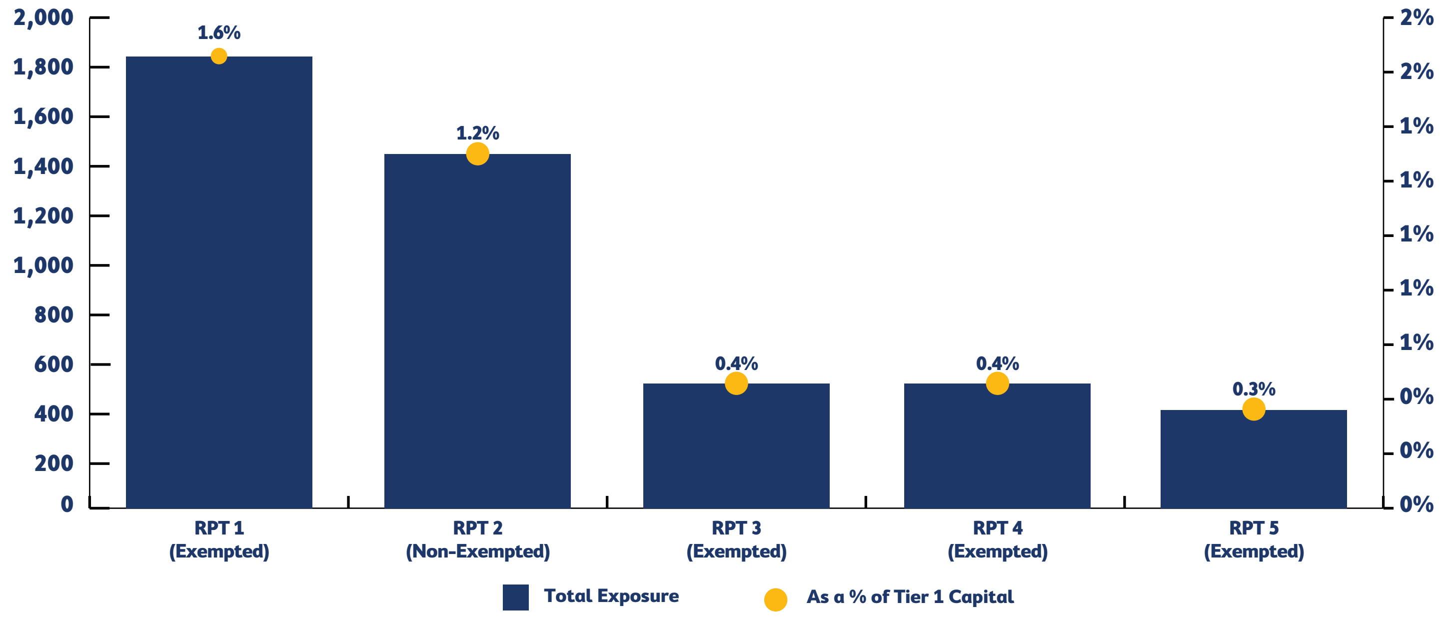



## Related Party Transaction Risk

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 2021, the aggregate non-exempted exposures to related parties represented 8.5 per cent of the Bank's Tier 1 Capital, which is well within the regulatory limit of 60 per cent for category 1 and within the regulatory limit of 150 per cent for categories 1 and 2.

### Top 5 related party exposures




## 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 its primary obligations.
- Guarantees, letters of credit and similar instruments from third parties, which enable it 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 undergoes a periodic valuation, ensuring its continuous legal enforceability and realisation value.

# RISK MANAGEMENT REPORT (CONT'D)

## Expected Credit Loss

The Bank has undertaken full IFRS9 Model redevelopment over FY 2020 in the context of increased model risk arising in disturbed market conditions. The models were segregated at a more granular level and three different scenarios were considered for macroeconomic conditions. Over and above updated parameters, the Bank has also placed overlays on a prudent basis where deemed appropriate to cater for conditions that were not fully reflected in its data set.

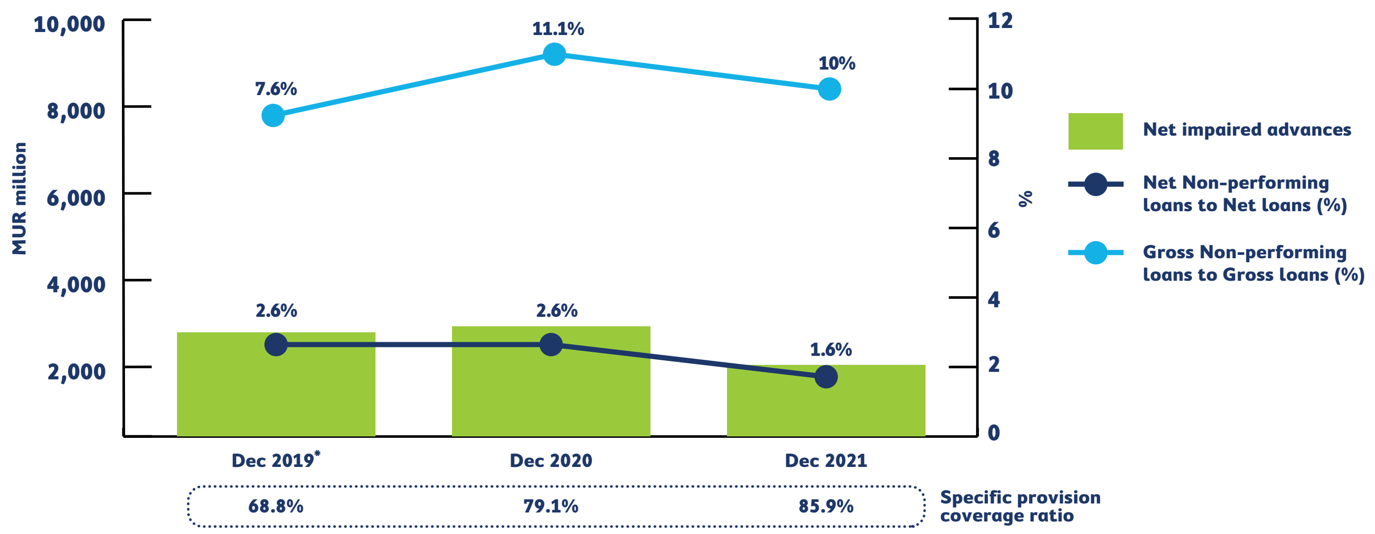
The Bank has undertaken impairment assessment under different scenarios as part of the stress testing exercise on its client base to ensure that it is adequately provisioned and that necessary contingency plans are set up to meet any crisis situation. A watch list review forum is held on a quarterly basis with Senior Management representatives to review customer-wise exposures tagged as 'watch list' under a detailed list of criteria, enabling better control over these exposures. These exposures are further classified under 'Stage 2' where a lifetime Expected Credit Loss (ECL) is allocated.

## Impairment

The Bank has, through the pandemic, been able to contain its level of defaults after some unfortunate large defaults over previous years. The Bank adheres to the IFRS9 principles and 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 pandemic context, restructuring has not been automatically classified as Stage 3 but rather client-level assessments were carried out based on viability of the business and cash flow projections coupled with other criteria as defined by the Bank's credit and provisioning policies.

Impairment trend

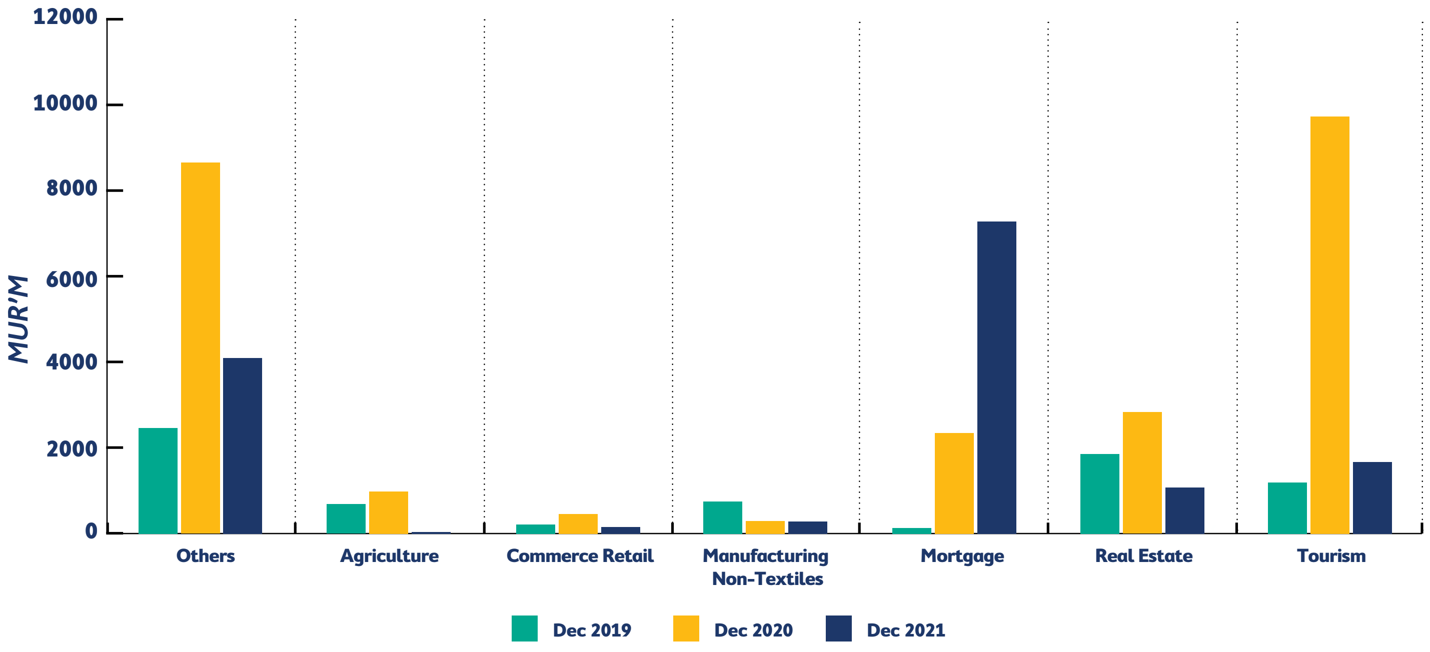



* figures are net of cash collateral

## Rescheduled Advances

Rescheduled advances consist of changes in existing terms and conditions of credit facilites as originally agreed by the client and the Bank. Rescheduling aims at assisting clients who are experiencing a temporary cash flow constraint and require some concessions in view of a change in their operating circumstances.

Similar to previous years, the Bank witnessed an increase in rescheduled advances over the financial year due to the challenging economic context related to the COVID-19 pandemic. As at 31 December 2021, total rescheduled loans stood at 12.7 per cent of the total credit portfolio compared to 21.9 per cent of the total credit portfolio as at 31 December 2020.



# RISK MANAGEMENT REPORT (CONT'D)

## Market Risk Management Framework and Measurement

### Market Risk

The Bank has a sound market risk management framework, underpinned by the 3 lines of defence consistent 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.

### Interest Rate Risk

Interest rate risk is the exposure of the Bank's financial condition to the variability of interest rates due to repricing and/or 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 as at last three years is as follows:

| | Impact of 200 bps parallel rate change on NII | | |
|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
| SBM Bank (Mauritius) Ltd | 8.25% | 9.13% | 5.57% |

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 assets, liabilities and off-balance sheet items.

The transition to alternative rates has been successfully completed for EUR and GBP. For USD, it is still in progress, given the availability of key USD LIBOR rates until 30 June 2023.

### 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) and stop loss limits. Moreover, the Bank manages the counterparty exposure arising from market risk related transactions on spot and Over-the-Counter (OTC) derivative contracts by using collateral and netting agreements with major counterparties.

### 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 per cent 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 | Minimum | Maximum | 31 December 2021 |
|---|---|---|---|
| SBM Bank (Mauritius) Ltd | 392,916 | 24,032,436 | 2,833,556 |

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

### 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 revalued periodically using market prices. Price risk is controlled by stop loss limits, open position limits 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 trading portfolio is managed by the Financial Markets Division, while the banking book is managed by the ALM Team. The Bank maintains a well-diversified portfolio consisting primarily of investment grade securities, including local government securities and other High Quality Liquid Assets (HQLA) Bonds denominated in USD. 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 mark-to-market and netting agreements with major counterparties mitigate the resulting credit risk.

### Liquidity Risk

SBM Bank has historically maintained a strong liquidity position. 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 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. The Bank adopts a prudential approach in liquidity risk management with the setup of internal liquidity gap limits based on the level of HQLA and a more conservative LCR target. These are determined by ALCO and RMC, 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 of the Bank.

# RISK MANAGEMENT REPORT (CONT'D)

### Liquidity Coverage Ratio (LCR)

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

The LCR is shown in the table below:

| | LCR | | |
|---|---|---|---|
| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
| SBM Bank (Mauritius) Ltd | 187.9% | 153.9% | 149.1% |

The LCR for the Bank stood at 187.9 per cent as at 31 December 2021 (2020: 153.9 per cent), which is significantly above the Basel III requirement of 100 per cent. The average stock of HQLA amounts to MUR 106.6 billion for SBMBM. The Bank's portfolio of HQLA is mostly comprised of the A-rated sovereign securities, USD A-rated sovereign securities and USD Multilateral Development Banks (MDBs) bonds.

### 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. Moreover, the Bank has a high level of core deposits which is adequate to mitigate the related liquidity and funding risk given a high degree of stickiness.

The NSFR across the Bank, as at last three years, is shown in the table below:

| NSFR | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| SBM Bank (Mauritius) Ltd | 134.6% | 122.4% | 116.4% |

## Operational Risk Management Framework and Measurement

### Operational Risk

Operational risk is inherent in all business activities and has been defined by the Basel Committee on Banking Supervision as "the risk of loss resulting from inadequate or failed internal processes, people, systems or external events". It is the risk of doing business.

These diverse risks are explained as follows:

- Process risk - The risk related to the execution and maintenance of transactions, and the various aspects of running a business, including products and services;
- People risk - The risk of a loss intentionally or unintentionally caused by an employee – that is, employee error, employee misdeed - or involving employees, such as in the area of employment disputes;
- Information technology risk - The risk of loss caused by piracy, theft, failure, collective breakdown or other disruption in technology, data or information. It also includes technology that fails to meet business needs; and
- External risk - The risk of loss due to damage to physical property or assets from natural or non-natural causes. This category also includes the risk presented by actions of external parties, such as the perpetration of fraud, or in the case of regulators, the execution of change that would alter SBM Bank's ability to continue operating in certain markets. Other related risks are legal risk, reputational risk and compliance risk.

Operational risk management has become a fundamental discipline in the past 20 years. Over its almost half-century of existence, the Bank has gradually built upon safeguards based on its own experiences, exigencies of laws & regulations, and in the wake of global scandals and crises.

A robust and effective operational risk management framework in place allows increased management visibility and drives better business decision whilst ensuring continued service delivery and value creation.

The Bank's Operational Risk Management Framework, with its 3 lines of defence, provides clear ownership and accountability for managing risk in a structured and systematic manner, and keeping pace with the current and emerging risks well across the Bank. Risk owners as the first line of defence are fully accountable for their operational risks and should ensure that the operational risk exposures are properly managed against a defined risk appetite. Key to this philosophy is that all employees are responsible for identifying, assessing, mitigating and escalating risks facing the organisation.

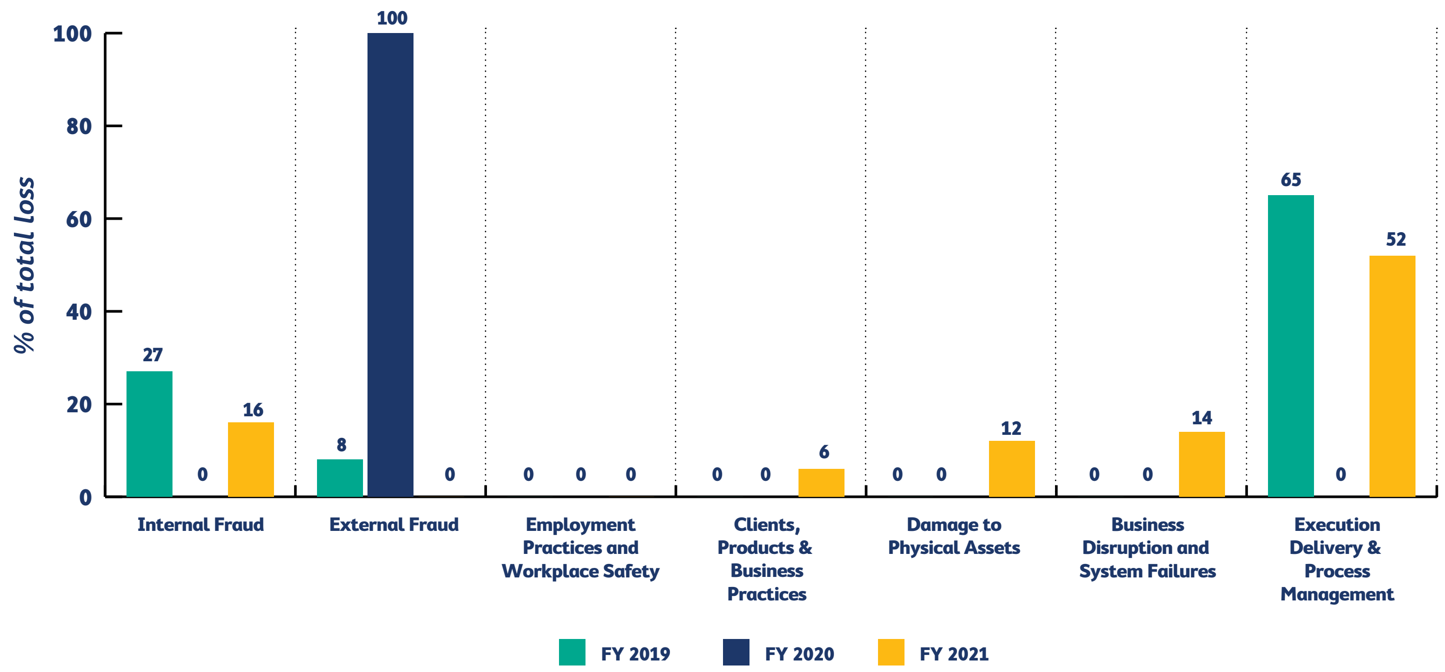
The Risk Management Framework intends to protect the Bank against financial losses, physical and reputational damages in an efficient and practical manner, and ensures that stakeholders expectations are duly met. It consists of several tools and technologies to identify, assess and monitor those risks. Operational risk management includes Information Security, Outsourcing and Business Continuity.

# RISK MANAGEMENT REPORT (CONT'D)

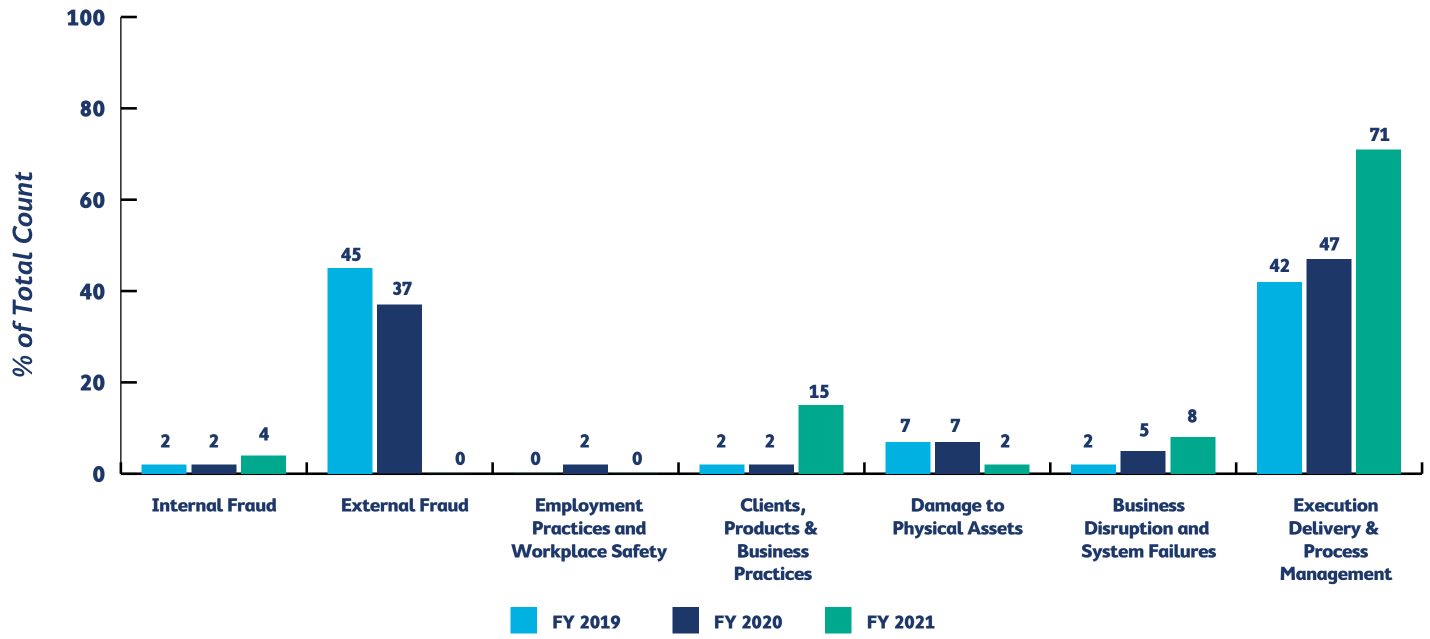
### Operational Loss

The year 2021 has witnessed a significant decline in absolute operational loss amount and a decrease in the number of loss events when compared to previous years. This is due to strengthening of controls at various levels across the Bank.

**Distribution of net losses by operational risk category – % of total**




**Distribution of number of events by operational risk category – % of total**




A proper Operational Risk Management Framework is in place and the Bank has set appropriate and robust procedures to identify, assess, analyse, mitigate and monitor any operational risk. Continuous risk awareness trainings are conducted with all staff with a view to enhance risk culture at all levels.

### Cyber Security and Risk

With the ever changing and evolving nature of cybercrime and cyber threats, it is important for the Bank to keep up with the times and deploy controls to mitigate risks and their potential impact. The Bank has engaged in multiple initiatives to enhance its defence mechanisms with the early adoption of new technologies, enhancing teams, reviewing constantly the control framework, educating and making staff and stakeholders better versed with the latest cybersecurity trends, threats and risks.

As the Bank is pacing towards leveraging on technology to enhance its reach to customers and providing more digital channels with best in breed user experience, these initiatives bring along an inherent element of risk. Cybersecurity and risk management are induced at the very inception of these initiatives which is very well in line with the principle of security by design.
In any organisational technology ecosystem, people will always be considered as the weakest link and keeping this fact in mind, considerate efforts have been made to make stakeholders more and more security aware, and multiple sessions and trainings have been organised and communiqués issued to that effect.

# RISK MANAGEMENT REPORT (CONT'D)

### Cyber Security and Risk (cont'd)

Our security governance portfolio, including policies, procedures and standards, has been revisited, revamped and enhanced to mitigate the flux of risks and to be in line with the current threat landscape.

The Bank has a defined assurance framework and schedules where we seek assistance from top service providers to carry out an independent assessment, compliance and security testing of critical assets, and internal teams run a regular vulnerability management programme throughout the year.

There is a regular quest from the Bank to enhance its cyber resilience towards targeted and industry wide cyber-attacks. As such, we have a defined approved strategy and plans in place to ensure that we are in sync with the protection mechanisms adopted by the industry and peers against these sophisticated and organised cybercrimes.

### Reputational Risk

Reputational risk can arise from negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, other relevant parties or regulators that can adversely affect the Bank's ability to maintain existing or establish new business relationships, and continued access to sources of funding.

Reputational risk is a strategic concern as it is evolving and it is at the same time connected to and magnified by other business risks. The most prevalent drivers of reputational risk at SBM Bank are risks related to ethics and integrity, cybersecurity, and products and services. The implications of poorly managed operational risk may have a contagious effect on the reputation of the Bank. The Bank closely and continuously assesses and monitors reputational risk and reports to the Risk Management Committee on a quarterly basis.

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.

Recipient of complaints at SBM Bank are encouraged to log and escalate customers' grievances to our dedicated Complaints Cell/ Contact Centre.

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 a regular basis to the relevant forums such as the Operational Risk Forum, the Corporate Governance & Conduct Review Committee as well as the Risk Management Committee. The Bank continues to enhance customer experience whilst acting upon customers' feedback through surveys/complaints management with a focus on regular improvement.

Furthermore, service quality KPIs such as the Customer Satisfaction Index have been extended from the Retail Banking segment to our Contact Centre and the Complaints Cell to further enhance service.

### Compliance Risk

Compliance risk refers to the risk of regulatory sanctions, financial loss or damage to the Bank's reputation that may arise from non-compliance with laws, regulations, rules, standards or codes of conduct.

### Compliance Division

The Compliance Division of the Bank is led by the Head of Compliance. This function is independent from any commercial, administrative or control function within the organisation. The Compliance Division has a formal status, with the appropriate standing, authority and independence within the Bank, and ensures a cooperative working relationship between the compliance function and business units which helps to identify and manage compliance risks at an early stage.

The Compliance Division of SBMBM is responsible for the overall management and oversight of Compliance Risk within the Bank through the following:

a) Regulatory Framework
b) Risk Identification, Risk Assessment and Risk Monitoring
c) Training
d) Reporting

The Bank thus seeks to have a strong compliance culture driven by the organisation's leadership.

### Governance and Oversight

Compliance has a direct reporting line to the Audit Committee. To further endorse the requirements of the Guideline on AML/ CFTP issued by the Bank of Mauritius, the Compliance Division ensures periodic reporting to the Bank's Executive Forum (EF) and Operational Risk Forum (ORF).

During the year 2021, the Bank has reviewed its compliance structure to achieve an effective risk management system with a clear reporting line to the Audit Committee and an administrative line of reporting to the Chief Executive office. This reporting structure confers the required independence to the Head of Compliance to discharge responsibilities to ensure compliance with applicable laws, regulations, codes of conduct and standards of good practice.

The current compliance structure comprises the following:

1) Financial Crime Compliance: The Compliance function is endowed by law with anti-money laundering and combatting the financing of terrorism (AML/CFT) responsibilities. This sub-team ensures that the Bank complies with the requirements and obligations set out in the Mauritius legislation, regulations, rules and industry guidance for the financial services sector, including the need to have adequate systems and controls in place to mitigate the risk of the Bank being used to facilitate financial crime.

2) Regulatory and Advisory Compliance: This sub-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 risk for breach of the legal and regulatory requirements.

3) Monitoring and Testing: Through monitoring and testing, the Compliance Division independently identifies the areas of risk and tests the effectiveness of controls within the Bank. The results of the periodic compliance testing are reported to the Board Sub-Committees, namely the Risk Management Committee and the Audit Committee, at regular intervals. This team thus determines whether the Bank's controls are effective with regard to the institution's risks through ongoing monitoring and testing.

# RISK MANAGEMENT REPORT (CONT'D)

## The Head of Compliance

The Head of Compliance has the overall responsibility for coordinating the identification and management of the Bank's compliance risk activities and for supervising the activities of the Compliance Division.

The Head of Compliance coordinates overall compliance within SBM Bank and is responsible for:

a. Establishing and continuously improving a consistent operating framework for the identification, management, monitoring and reporting of compliance risks and issues;
b. A well-defined compliance plan which outlines the compliance planned activities;
c. Carrying out risk assessment to identify and ensure proactive management, reporting and, where necessary, escalation of compliance risks;
d. Promoting and facilitating a compliance culture within the Bank based on full understanding of regulations, national and international standards and best practices, the compliance risks faced and how these risks are managed in line with corporate values, code of ethics and code of conduct;
e. Providing advice and guidance to business units and management on compliance-related matters and ensuring alignment with the Bank's objectives;
f. Evaluating new laws and regulations, and staying abreast of all legislative and regulatory developments, both locally and globally, that might have an impact on SBM Bank.

## Responsibilities of the Compliance Function

The Head of Compliance is responsible to drive the compliance risks which are further split into financial crime risk, regulatory risk and conduct risk as follows:

→ **Financial Crime Risk:** Financial crime risk is the risk of any kind of criminal conduct relating to money or to financial services including bribery and corruption, fraud, tax evasion, cyberfraud, identity theft, money laundering and terrorist financing.

→ **Regulatory Risk:** Regulatory risk is the risk that the Bank fails to observe, in letter and spirit, all relevant laws, regulations, guidelines, codes, rules and standards of good market practice, and incurs fines and penalties, and suffers damage to its business as a consequence. It is the risk of sanction and material financial loss or reputational damage. Regulatory risk is measured as part of operational risk and arises from the risk associated with the Bank breaching its duty to clients and other counterparties, inappropriate market conduct and breaching other regulatory requirements.

→ **Conduct Risk:** The risk of detriment to customers, clients, market integrity, effective competition or SBM Bank from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.

## Achievements

In 2021, the Bank reinforced its Compliance, specifically AML/CFT and sanctions frameworks, supported by dedicated training programmes for staff and the consolidation of relevant policies, as well the introduction of new policies and standards. In addition to strengthening the Compliance Team with additional recruitments and bolstering the Compliance advisory team, the Compliance Division focused on enhancing the compliance areas which are effective, through a diversified compliance approach for customer segments and products, and has a dedicated team that continuously monitors new regulatory developments and updates the Bank's senior management and the Board on their implications.

## Data protection

SBM Bank is committed to protecting the privacy of individuals whose personal data it holds and processing such personal data in a way that is consistent with applicable laws.

The Bank has thus strong internal controls, requiring openness and transparency about the collection and use of personal information, and protection against loss and unauthorised or improper access. The EU's General Data Protection Regulation (GDPR) created a broadly harmonised privacy regime across EU member States, enhancing individual rights, a need to openly demonstrate compliance, and significant penalties for breaches. The extraterritorial effect of the GDPR means entities established outside the EU may fall within the Regulation's ambit when offering goods or services to Europe-based customers or clients.

In Mauritius, we have embedded the Data Protection Act and GDPR framework in our laws and regulations, and have further strengthened our data privacy framework to manage our stakeholders expectation.

## Fraud Risk

Fraud risk is the risk of unexpected financial, material or reputational loss as the result of fraudulent action of persons internal or external to the organisation. The Bank fosters honesty and integrity in all its operations. Directors, Management and staff are expected to lead by example in adhering to policies, procedures and practices. Equally, customers, service providers, suppliers and contractors are expected to act with integrity and without intent to commit fraud against the Bank.

The Bank has a Board-approved Fraud Management Policy which is built around four major pillars, namely prevention, 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
- Human resource policy including code of ethics and business conduct, and conflict of interest

All potential fraud cases are given due attention and investigated by independent teams, usually sitting within Internal Audit. Appropriate actions are taken against offenders and also to strengthen controls in place.

# RISK MANAGEMENT REPORT (CONT'D)

### Third Party Risk

Third party risk is the potential threat presented to organisations' employee and customer data, financial information and operations from the organisation's supply-chain and other outside parties that provide products and/or services, and have access to privileged systems.

SBM Bank has an outsourcing policy that sets the guidelines for managing this risk and enabling the successful transition to an outsourcing model.

The Outsourcing Policy contributes to minimise any risk to the Bank by:

- Ensuring proper due diligence criteria are in place for selecting vendors
- Having robust contractual & service agreements with service providers
- Protecting the Bank's integrity by ensuring the service provider has proper confidentiality & data protection processes in place

### Business Continuity Management

Business continuity risk refers to threats that disrupt the functionning of a business. There are a number of business continuity risks that make organisations suffer such as cyber attacks, data breaches, security incidents, fire, flood, transport disruption, and terrorism.

The environment in which organisations are operating nowadays is rapidly evolving and becoming even more demanding. In fact, organisations need to constantly respond and adapt to disruptive threats including, among others, the COVID-19 pandemic, extreme weather, and climate change events as well as cyber threats in line with the increased reliance on technology. In this operating environment, Business Continuity Management (BCM) is becoming increasingly relevant and is key to building and improving the resilience of organisations in the face of risks. Indeed, BCM identifies the organisation's priorities and prepares solutions through the design and implementation of plans to protect value creating operations in the event of a disruption, the assets of the organisations and to ensure the health and safety of its people.

In 2021, the Bank has pursued its strategy to ensure continuity of services even during the lockdown period and, more importantly, has continued to take all necessary measures to ensure the health and safety of its staff members, customers and the public in general.

### The Bank has notably:

- Facilitated the COVID-19 vaccination programme for its staff members
- Reacted swiftly and invested significantly in equipments to enable Work From Home (WFH) arrangements
- Continued to maintain strict sanitary measures and to perform regular deep cleaning of premises for a safe environment for all stakeholders
- Maintained digital communication, virtual meetings and video conferencing, and the provision of online training
- Maintained split strategy to ensure resiliency of operations

Additionally, the following principles are reviewed regularly to ensure that the Business Continuity framework is aligned with the Bank's:

- Strategy, objectives, and operating environment
- Outsourced activities and suppliers of product and services

Extensive simulations, exercises and drills are performed annually to confirm that the Business Continuity Management (BCM) programme meets the objectives set by the Bank and that the plans and procedures are effective.

- Disaster Recovery Drills
- Desktop testing
- Fire Drill
- Flood Drill
- Telephone Call Tree Exercise

## Emerging Risks and Focus Areas

### Ongoing Pandemic

With the emergence of new variants and global record-high new cases per day, we might not be out of the tunnel yet. Although countries around the world are putting much effort in vaccination campaigns, we might not recover as fast as we would expect. Slower than expected economic recovery or worsening of the pandemic situation with new variants would further impact on the Bank's client base. The Bank is doing regular monitoring and stress testing exercises of the evolving situation and has the required disaster programmes in place to counter a deterioration in macro-economic projections.

### Climate Change

Climate change was again put in the limelight with the UN Climate Change Conference (COP26) in Glasgow. At SBM, we are committed to support global efforts to limit global temperature rise and stave off related disasters. The Bank has collaborated with a strategic partner to develop product initiatives that would encourage clients to shift to eco-friendly solutions. The Bank aims to further engage itself in collaborating towards green energy and is working on setting up a climate risk appetite framework that aims to gradually reduce our carbon footprint through our own operations or through funding.

## Capital Management

The Bank maintains an actively managed capital base to cover risks inherent in the business, retain sufficient financial strength and flexibility to support new business growth, and meet regulatory capital requirements at all times.

The Bank manages its capital structure and makes adjustments thereto in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to its parent company or issue capital securities. No changes were made in the objectives, policies and processes from previous years.

### Regulatory Requirement

The Capital Adequacy Ratios measure the adequacy of capital by comparing the Bank's eligible capital to its statement of financial position, assets and off-balance sheet commitments at a weighted amount to reflect their relative risk.

# RISK MANAGEMENT REPORT (CONT'D)

**Regulatory Requirement** (cont'd)

The Bank adheres to the Basel III guidelines issued by the Bank of Mauritius (BoM), effective since July 2014, and which were to be implemented in a phased manner by January 2020 as per the transitional arrangement provided by the BoM for Basel III implementation. In May 2020, in response to COVID-19, the BoM had extended the transition period for implementing the last tranche of 0.625 per cent under Capital Conservation Buffer (CCB) to 01 January 2021. Since then, it has been further extended to 01 April 2022, a measure which has somehow helped release more capital whilst also allowing greater flexibility in terms of funding capacity and support provided to customers.

The CCB is designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred.

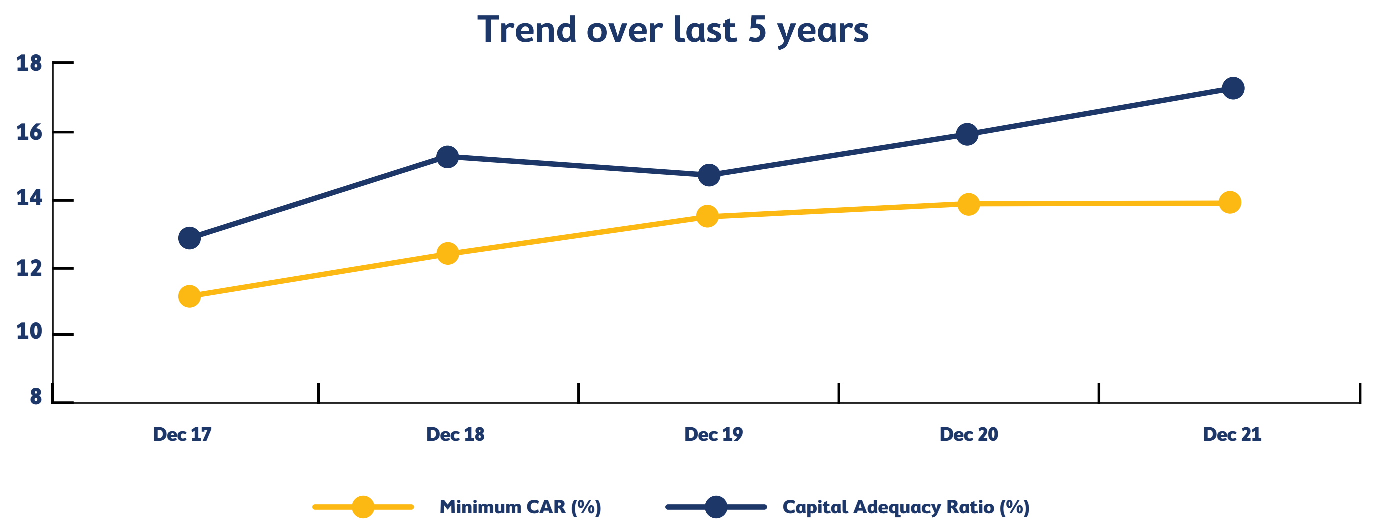
As at December 2021, SBM was required to maintain a minimum Common Equity Tier 1 (CET 1) capital ratio of 10.375 per cent, minimum Tier 1 capital ratio of 11.875 per cent and minimum total capital ratio of 13.875 per cent. The minimum total capital requirement includes a capital conservation buffer of 1.875 per cent and capital surcharge of 2.0 per cent on account of the Bank's systemic importance in the domestic economy. SBM was identified as a Domestic-Systemically Important Bank (D-SIB) in 2014 by the Central Bank, firstly based on its contribution of more than 3.5 per cent of the GDP at market price and subsequently on the five factors, namely size, exposure to large groups, interconnectedness, complexity and substitutability, following which, since January 2016, the Bank started to maintain additional CET 1 capital for loss absorbency in a phased manner.

Table below illustrates Minimum Regulatory Capital Ratios applicable to SBM:

| Minimum Capital Requirement (%) | FY 2021 | FY 2022 |
|---|---|---|
| Common Equity Tier 1 (CET) | 6.500 | 6.500 |
| Tier 1 | 8.000 | 8.000 |
| Capital Adequacy Ratio (CAR) | 10.000 | 10.000 |
| Capital Conservation Buffer (CCB) | 1.875 | 2.500 |
| D-SIB Buffer | 2.000 | 2.000 |
| CET 1 plus CCB + D-SIB | 10.375 | 11.000 |
| Tier 1 plus CCB + D-SIB | 11.875 | 12.500 |
| CAR (Tier 1 + Tier 2) + CCB + D-SIB | 13.875 | 14.500 |

The Bank continues to maintain a strong capital position to ensure it can support and sustain business growth, even in challenging times. The Tier 1 and total capital ratios improved to attain 15.7 and 17.3 per cent, respectively, as at 31 December 2021, thus comfortably exceeding minimum regulatory levels. The increase in the ratios were primarily driven by capital base going up, on the back of higher retained earnings and risk-weighted assets going down. Amidst the persisting economic downturns, the growth of risk-weighted assets was relatively contained.

Below chart depicts trend over the last 5 years:




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

## 1. Capital Position

SBM complies with the BoM Guideline on Scope of Application of Basel III and Eligible Capital, which came into effect in July 2014 for the computation of its Capital Base. The guideline was revised on 28 June 2021 to widen the scope of eligible investment, in line with the Basel III standards on the definition of eligible capital.
The Bank's capital position remained robust owing to capital buffers kept in excess of regulatory requirements. As at end of December 2021, the Bank's CAR rose to 17.3 per cent from 15.9 per cent the previous year, primarily due to an expansion of 6.0 per cent in capital base relative to a drop of 2.6 per cent in risk-weighted assets. The CAR remained above the regulatory limit throughout Financial Year 2021 with an average of 16.2 per cent notwithstanding the second wave of COVID-19 in 2021.

The Bank's capital base (net of regulatory adjustments) increased by MUR 1.1 billion from the previous year to MUR 18.7 billion as at December 2021. Tier 1 capital, which is the higher quality core capital, rose by 7.2 per cent to MUR 16.9 billion and represented 90.5 per cent of the aggregate capital base. In May 2021, the Bank paid a dividend of MUR 400 million to its immediate parent company, SBM (Bank) Holdings Ltd.

The prudent management of risk-weighted assets contributed to the CAR being 3.5 per cent above the minimum regulatory requirement.

# RISK MANAGEMENT REPORT (CONT'D)

The following table sets forth, for the periods indicated, the Capital Structure and Capital Adequacy Ratios computed in accordance with Basel III guidelines of the BoM.

| | DEC 2021 | DEC 2020 | DEC 2019 |
|---|---|---|---|
| *Capital Base* | Figures in MUR' million | | |
| Share Capital | **12,254** | 12,254 | 12,254 |
| Retained Earnings | **6,675** | 4,596 | 3,777 |
| Accumulated other comprehensive income and other disclosed reserves | **338** | 1,590 | 630 |
| **Common Equity Tier 1 Capital (CET 1) before regulatory adjustments** | **19,267** | **18,440** | **16,661** |
| ***Regulatory Adjustments*** | | | |
| Goodwill and Intangible assets | **(1,817)** | (2,145) | (2,526) |
| Deferred Tax Assets | **(518)** | (497) | (219) |
| **Common Equity Tier 1 Capital (CET 1)** | **16,932** | **15,797** | **13,916** |
| **Additional Tier 1 (AT 1)** | **-** | - | - |
| **Tier 1 capital (T1 = CET1 + AT1)** | **16,932** | 15,797 | 13,916 |
| Other Reserves (45% of surplus arising from Rev of land & Buildings) | **565** | 586 | 608 |
| Portfolio Provision or ECL (restricted to 1.25% of credit RWA) | **1,204** | 1,251 | 1,202 |
| **Tier 2 Capital** | **1,769** | 1,838 | 1,810 |
| TOTAL CAPITAL BASE | **18,701** | **17,635** | **15,726** |
| *Risk-Weighted Assets (RWAs)* | | | |
| **Credit risk** | **96,340** | 100,118 | 96,197 |
| *On-balance sheet assets* | **89,254** | 93,843 | 90,020 |
| *Off-balance sheet exposures* | **7,086** | 6,275 | 6,176 |
| **Market risk** | **731** | 646 | 1,100 |
| *Aggregate net open foreign exchange position* | **616** | 375 | 595 |
| *Capital charge for trading book position exceeding 5% or more of its total assets* | **115** | 270 | 505 |
| **Operational risk** | **10,857** | 9,890 | 9,247 |
| TOTAL RWAs | **107,929** | **110,654** | **106,544** |
| CAPITAL ADEQUACY RATIO (%) | **17.3** | 15.94 | 14.76 |
| *of which Tier 1 Ratio* | **15.7** | 14.28 | 13.06 |

## 2. Computation of Risk-Weighted Assets

Under Pillar 1 of the BoM guidelines on Basel III, SBM follows the Standardised Approach to Credit risk, standardised method for Measurement and Management of Market risk and Alternative Standardised Approach for measurement of operational risk.

### 3.a. Credit Risk

The risk weightage of the Bank's exposures is calculated in accordance with the 'Guideline on Standardised Approach to Credit Risk (Feb 2018)'.

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, where lower risk weights are applicable. Based on the recommendations of the BoM Guideline on the Recognition and Use of External Credit Assessment (ECAI), SBM 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 for risk-weighting of some corporates.

The BoM also granted some specific forbearance, like reviewing the thresholds and risk weights applicable for certain categories of exposures to provide additional flexibility to banks to support clients impacted by the COVID-19 crisis.

Amidst weaker demand for credit and subdued economic activity, gross advances decreased by around 1.0 per cent to MUR 109.4 billion in FY 2021. During the period under review, the Bank adopted a conservative approach and redeployed its funds towards assets bearing lower risk weights, specifically investments in Government and BoM securities and placements.

During the year under review, investments of around MUR 2.8 billion were made in rated Corporates Bonds and around MUR 2.5 billion facilities were granted to some domestic corporates that carried lower risk weights than the standard risk weight of 100 per cent applicable to unrated corporates.

Gross Exposures to the Retail Portfolio increased by more than half a billion while exposures to facilities secured by residential property were up by MUR 2.6 billion due to certain incentives granted by Government.

Although the asset quality remained under pressure due to potentially lower repayment capacity of borrowers arising from the negative impact of COVID-19, the Bank has been able to contain the growth of Non-Performing Loans (NPLs). The relief measures put in place by the Central Bank, notably moratoriums to alleviate financial strains on individuals, households, economic operators, and Small and Medium Enterprises (SMEs) contributed largely to avert a deterioration of the credit portfolio of the Bank. At the Bank's level, past due claims contracted by 39 per cent, mainly on account of higher specific provisions and write-offs made during the year.

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 2021 | | | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|---|---|---|
| **Figures in MUR million** | Amount | Weight % | Weighted Assets | Weighted Assets | Weighted Assets |
| Cash Items | 2,728 | 0-20 | 0.6 | 0.9 | 0.8 |
| Claims on Sovereigns | 60,944 | 0-100 | 4,448 | 4,965 | 3,130 |
| Claims on Central banks | 80,835 | 0-50 | - | - | 596 |
| Claims on Banks | 21,565 | 0-100 | 4,124 | 6,697 | 6,727 |
| Claims on Non-Central Government Public Sector Entities | 376 | 50-100 | 341 | 41 | 47 |
| Claims on Corporates | 45,461 | 0-100 | 40,349 | 43,285 | 44,429 |
| Claims included in the Regulatory Retail Portfolio | 13,206 | 0-75 | 9,904 | 9,415 | 8,923 |
| Claims secured by Residential Property | 26,550 | 35-125 | 10,174 | 9,098 | 9,006 |
| Claims secured by Commercial Real Estate | 9,843 | 100-125 | 9,882 | 9,306 | 6,817 |
| Past due claims | 1,573 | 50-150 | 1,077 | 1,940 | 1,506 |
| Other Assets | 8,954 | 100 | 8,954 | 9,094 | 8,837 |
| **Total On-Balance Sheet RWAs** | 272,035 | | 89,254 | 93,843 | 90,020 |

| *Risk-Weighted Non-Market related Off-Balance Sheet Assets* | 31 Dec 2021 | | | | | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|---|---|---|---|---|
| **MUR million** | Nominal Amount | Credit Conversion Factor | Credit equivalent Amount | Weight (%) | Weighted Assets | Weighted Assets | Weighted Assets |
| Direct Credit Substitutes | 1,714 | 100 | 1,714 | 0-100 | 1,590 | 1,475 | 1,848 |
| Transaction-Related Contingent items | 7,466 | 50 | 3,733 | 0-100 | 3,504 | 3,018 | 2,276 |
| Trade-Related Contingencies | 1,129 | 20-100 | 374 | 0-100 | 391 | 227 | 122 |
| Other Commitments | 11,465 | 0-50 | 1,146 | 35-100 | 949 | 812 | 927 |
| **Total Off-Balance Sheet RWAs** | 21,774 | | 6,967 | | 6,433 | 5,533 | 5,173 |

### 3.b Market-Related Risk-Weighted Assets

SBM 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. The Bank is an active market participant in the interest rate and foreign exchange derivative market for trading and market making purposes, which are carried out primarily for customer transactions and managing the proprietary position on interest rate and foreign exchange risk.

Table below provides figures for the RWAs market-related off-balance sheet assets:

| *Market-related Off-balance Sheet RWAs* | 31 Dec 2021 | | | | | | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|---|---|---|---|---|---|
| | 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 | 5,644 | 0-1.5 | 39 | 110 | 149 | 135 | 68 | 104 |
| Foreign exchange contracts | 8,023 | 1-5.0 | 170 | 196 | 365 | 296 | 358 | 401 |
| Equity contracts | 1,439 | 6-8.0 | 112 | 86 | 198 | 129 | 40 | 10 |
| Other commodity contracts | | | | | | | 199 | 160 |
| Credit derivative contracts | | | | | | | 40 | 293 |
| Other market-related contracts | 1,098 | 12 | 132 | 12 | 143 | 94 | 38 | 35 |
| **Total market RWAs** | 16,204 | | 452 | 403 | 855 | 653 | 743 | 1,003 |

The total market-related off-balance sheet RWA's dropped to MUR 653 million from MUR 743 million compared to the previous year on account of lower trading volumes in Foreign Exchange contracts due to the pandemic.

### Aggregate Net Open Foreign Exchange Position

The Net Open Position in foreign exchange, an important indicator on foreign exchange risk that the Bank is exposed to, stood at MUR 616 million as at year end 2021.

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

| MUR million | Dec-21 | Dec-20 | Dec-19 |
|---|---|---|---|
| Aggregate net open foreign exchange position | 616 | 375 | 595 |

# RISK MANAGEMENT REPORT (CONT'D)

### 3.c Operational Risk Capital

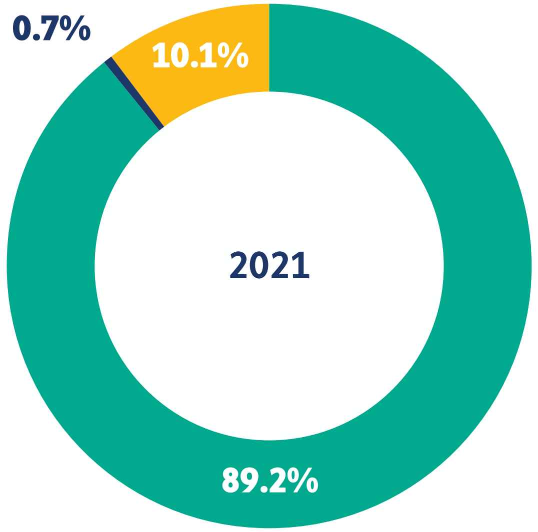
SBM has adopted the Alternative Standardised Approach for calculating operational risk capital as per the BoM Guideline on Operational Risk. In line with growth in business volumes, the RWA for Operational Risk increased by 9.8 per cent in 2021.

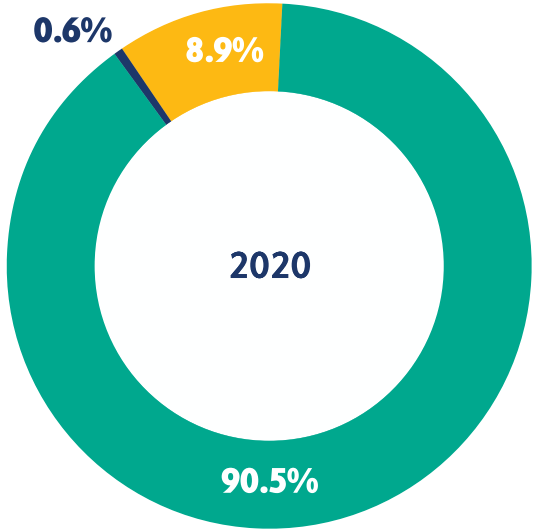
The table below sets out, at the date indicated, the operational risk-weighted assets:

| MUR million | Dec-21 | Dec-20 | Dec-19 |
|---|---|---|---|
| RWA | 10,857 | 9,890 | 9,247 |

### 4. Risk by Type

The percentage risk by type for 2021 has slightly changed from previous year with operational risk increasing by 1.1 per cent due to higher business volumes at the expense of credit risk.




Credit Risk  Operational Risk  Market Risk

### 5. Leverage Ratio

Basel III introduced a minimum 'leverage ratio', which is a non-risk-based measure to supplement the risk-based minimum capital requirements. The leverage ratio aims to constrain the build-up of excessive leverage in the banking system and to enhance bank stability.

The leverage ratio is calculated by dividing Tier 1 capital by the Bank's average total assets.

The Bank's leverage ratio was 5.75 per cent as at 31 December 2021 compared to the Basel Committee on Banking Supervision's minimum requirement of 3 per cent.

# STATEMENT OF DIRECTORS' RESPONSIBILITY

# STATEMENT OF DIRECTORS' RESPONSIBILITY
## For the year ended 31 December 2021

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.

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 2021 and have been prepared in accordance with 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 judgments, 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 192 to 197.

**Anoop Kumar Nilamber**
Chief Executive

**Imalambaal Kichenin**
Chairperson, Audit Committee

**Visvanaden Soondram**
Chairman

28 March 2022

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

## For the year ended 31 December 2021

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 comprise 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.

**Anoop Kumar Nilamber**
Chief Executive

**Imalambaal Kichenin**
Chairperson, Audit Committee

**Visvanaden Soondram**
Chairman

28 March 2022



# REPORT FROM THE COMPANY SECRETARY

## For the year ended 31 December 2021

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

28 March 2022

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

Deloitte.

# 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 200 to 334, which comprise the statement of financial position as at 31 December 2021, 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 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001, 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.

### Key audit matters

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



Deloitte.

INDEPENDENT AUDITOR'S REPORT
to the shareholder of SBM Bank (Mauritius) Ltd

| 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 application of IFRS 9 are:<br>• 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.<br>• 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.<br>• 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.<br>• 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.<br>• 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.<br>Due to the significance of the judgements and estimates applied in the computation of the expected credit losses, this item is considered as a key audit matter.<br><br>The details of the policies and processes followed for the determination of ECL are disclosed in Note 37 to the financial statements. | Our audit procedures included amongst others:<br>• Testing of the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs, and significant judgements, estimates and assumptions used in the models;<br>• Evaluating controls over model monitoring and validation;<br>• Using specialist team in performing certain procedures in relation to model validation;<br>• Verifying the historical data used in determination of PD in the models;<br>• 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;<br>• Assessing the appropriateness of the macro- economic forecasts used;<br>• Assessing the reasonableness of the qualitative adjustments (overlays) applied by management for events not captured by the ECL models;<br>• Independently assess probability of default, loss given default and exposure at default assumptions;<br>• Testing the accuracy and completeness of ECL by reperformance; and<br>• Assessing whether the disclosures are in accordance with the requirements of IFRS 9. |

# 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 2021 amount to MUR 9,505 million and the charge to profit or loss for the year amount to MUR 1,993 million.<br><br>The use of assumptions for the measurement of provision for expected credit losses is subjective due to the level of judgement applied by Management.<br><br>Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment.<br><br>The details of allowance for credit impairment on loans and advances to non-bank customers and memorandum items are disclosed in Notes 8(c), 22 and 32 to the financial statements.<br><br>The most significant judgements / matters are:<br>- whether impairment events have occurred<br>- valuation of collateral and future cash flows<br>- management judgements and assumptions used<br><br>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:<br>• Obtaining audit evidence in respect of key controls over the processes for identification of impairment events, impaired assets and impairment assessment;<br>• Inspecting the minutes of Impaired Advances Review Forum, Management Credit Forum, Board Risk Committee and Board to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment;<br>• Challenging the methodologies applied by using our industry knowledge and experience;<br>• Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; and<br>• 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<br>• Assessing whether the disclosures are in accordance with the requirements of IFRS 9. |

## Other information

The directors are responsible for the other information. The other information, obtained at the date of this auditor's report, comprises the About SBM, Chairperson's letter, Chief Executive Officer's letter, Board of Directors, Corporate Profile, Strategy Report, Financial Review, Corporate Governance Report, Risk Management Report, Statement of Directors' responsibility, Statement of management's responsibility for financial reporting and Report from the Company Secretary, Management Discussion and Analysis but does not include the financial statements and our auditor's report thereon.

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





## Other information (cont'd)

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)

### Auditor’s responsibilities for the audit of the financial statements (cont'd)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

### Report on other legal and regulatory requirements

#### *Mauritius Companies Act 2001*

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

- We have no relationship with, or interest in, the Bank and its subsidiaries 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.



INDEPENDENT AUDITOR'S REPORT
to the shareholder of SBM Bank (Mauritius) Ltd (cont'd)

#### *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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

**Deloitte**
**Chartered Accountants**

28 March 2022

**R. Srinivasa Sankar, FCA**
**Licensed by FRC**

# FINANCIAL STATEMENTS

# STATEMENT OF FINANCIAL POSITION
## As at 31 December 2021

| | Notes | 31 December 2021 MUR' 000 | 31 December 2020 MUR' 000 | 31 December 2019 MUR' 000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | 5 | **40,281,422** | 16,749,335 | 15,386,899 |
| Mandatory balances with central bank | | **11,203,833** | 9,749,384 | 9,326,006 |
| Loans to and placements with banks | 6 | **837,970** | 3,130,387 | 5,174,088 |
| Derivative financial instruments | 7 | **579,946** | 774,785 | 889,301 |
| Loans and advances to non-bank customers | 8 | **97,916,200** | 99,038,527 | 99,025,404 |
| Investment securities | 9 | **119,399,335** | 93,338,046 | 73,460,130 |
| Property and equipment | 10 | **3,019,187** | 2,582,331 | 2,599,568 |
| Right-of-use assets | 11 | **212,037** | 255,603 | 247,168 |
| Intangible assets | 12 | **1,816,509** | 2,145,280 | 2,526,156 |
| Deferred tax assets | 18d | **518,443** | 497,123 | 219,302 |
| Other assets | 13 | **787,947** | 706,889 | 791,859 |
| **Total assets** | | **276,572,829** | 228,967,690 | 209,645,881 |
| **LIABILITIES** | | | | |
| Deposits from banks | 15 | **1,481,854** | 1,119,661 | 929,357 |
| Deposits from non-bank customers | 16 | **241,528,828** | 190,004,270 | 173,258,702 |
| Other borrowed funds | 17 | **5,275,400** | 11,085,951 | 10,140,215 |
| Derivative financial instruments | 7 | **565,655** | 1,165,271 | 1,000,972 |
| Lease liability | 11 | **184,665** | 233,590 | 240,180 |
| Current tax liabilities | 18a | **307,887** | 246,774 | 487,139 |
| Pension liability | 14 | **395,928** | 724,082 | 334,005 |
| Other liabilities | 19 | **6,249,910** | 4,591,660 | 5,190,076 |
| **Total liabilities** | | **255,990,127** | 209,171,259 | 191,580,646 |
| **SHAREHOLDER'S EQUITY** | | | | |
| Stated capital | 20 | **400,000** | 400,000 | 400,000 |
| Capital contribution | 20 | **11,854,011** | 11,854,011 | 11,854,011 |
| Retained earnings | | **6,675,006** | 4,595,878 | 3,777,262 |
| Other reserves | 38 | **1,653,685** | 2,946,542 | 2,033,962 |
| **Total equity** | | **20,582,702** | 19,796,431 | 18,065,235 |
| **Total liabilities and equity** | | **276,572,829** | 228,967,690 | 209,645,881 |

Approved by the Board of Directors and authorised for issue on 28 March 2022.

**Anoop Kumar Nilamber**
Chief Executive

**Imalambaal Kichenin**
Chairperson, Audit Committee

**Visvanaden Soondram**
Chairman

The notes on pages 205 to 334 form an integral part of these financial statements.



# STATEMENT OF PROFIT OR LOSS
## For the year ended 31 December 2021

| | Notes | 31 December 2021 MUR' 000 | 31 December 2020 MUR' 000 | 31 December 2019 MUR' 000 |
|---|---|---|---|---|
| Continuing Operations | | | | |
| Interest income using the effective interest method | | **6,458,236** | 6,935,665 | 7,834,260 |
| Other interest income | | **202,837** | 291,549 | 145,744 |
| Interest expense using the effective interest method | | **(548,130)** | (1,062,203) | (2,023,529) |
| Other interest expense | | **(395,716)** | (434,831) | (163,906) |
| **Net interest income** | 25 | **5,717,227** | 5,730,180 | 5,792,569 |
| Fee and commission income | | **1,130,243** | 971,350 | 1,076,461 |
| Fee and commission expense | | **(53,630)** | (36,700) | (31,716) |
| **Net fee and commission income** | 26 | **1,076,613** | 934,650 | 1,044,745 |
| **Other income** | | | | |
| Net trading income | 27 | **972,356** | 827,551 | 1,097,350 |
| Net gains/(losses) from financial assets at fair value through profit or loss | 28 | **228,083** | (29,218) | (92,289) |
| Net gains on derecognition of financial assets measured at fair value through other comprehensive income | 29 | **588,098** | 1,203,006 | 224,380 |
| Other operating income | | **23,304** | 878 | 884 |
| | | **1,811,841** | 2,002,217 | 1,230,325 |
| **Non-interest income** | | **2,888,454** | 2,936,867 | 2,275,070 |
| **Operating income** | | **8,605,681** | 8,667,047 | 8,067,639 |
| Personnel expenses | 30 | **(1,748,224)** | (1,402,217) | (1,697,838) |
| Depreciation of property and equipment | 10 | **(149,112)** | (150,225) | (143,121) |
| Depreciation of right-of-use assets | 11 | **(64,107)** | (37,439) | (49,941) |
| Amortisation of intangible assets | 12 | **(411,081)** | (457,997) | (474,547) |
| Other expenses | 31 | **(1,347,241)** | (1,009,095) | (1,094,307) |
| **Non-interest expense** | | **(3,719,765)** | (3,056,973) | (3,459,754) |
| **Profit before credit loss expense** | | **4,885,916** | 5,610,074 | 4,607,885 |
| Credit loss expense on financial assets and memorandum items | 32 | **(2,347,518)** | (3,863,072) | (3,606,666) |
| **Profit before income tax** | | **2,538,398** | 1,747,002 | 1,001,219 |
| Tax expense | 18b | **(448,211)** | (293,088) | (501,452) |
| **Profit for the year** | | **2,090,187** | 1,453,914 | 499,767 |

The notes on pages 205 to 334 form an integral part of these financial statements.

# STATEMENT OF OTHER COMPREHENSIVE INCOME
## For the year ended 31 December 2021

| | Notes | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|---|
| | | MUR' 000 | MUR' 000 | MUR' 000 |
| **Profit for the year** | | **2,090,187** | 1,453,914 | 499,767 |
| **Other comprehensive income :** | | | | |
| ***Items that will not be reclassified to profit or loss:*** | | | | |
| Increase in revaluation of property | 10 | **-** | 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 | **366,917** | (734,415) | (203,865) |
| Deferred tax on remeasurement of defined benefit pension plan | 18d | **(25,684)** | 51,409 | 14,271 |
| Revaluation gains on equity instruments measured at FVTOCI | 9 | **404** | 997 | - |
| | | **341,637** | (681,255) | 115,323 |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | | |
| ***Investment securities measured at FVTOCI (Debt instruments)*** | | | | |
| Movement in fair value during the year | | **(663,969)** | 2,161,068 | 608,876 |
| Reclassification of losses included in profit or loss on derecognition | | **(588,098)** | (1,203,006) | (224,380) |
| Loss allowance relating to debt instruments held at FVTOCI | | **6,514** | 475 | (6,370) |
| | | **(1,245,553)** | 958,537 | 378,126 |
| Total other comprehensive (loss) / income | | **(903,916)** | 277,282 | 493,449 |
| **Total comprehensive income for the year** | | **1,186,271** | 1,731,196 | 993,216 |

The notes on pages 205 to 334 form an integral part of these financial statements.



# STATEMENT OF CHANGES IN EQUITY
## For the year ended 31 December 2021

| | Notes | Stated capital | Capital contribution | Retained earnings | Statutory reserve | Fair value reserve on instruments | Property reserve | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **At 01 January 2019** | | 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 | | 90,000 | (90,000) | | | | | - |
| Revaluation surplus realised on depreciation | | - | - | 42,670 | - | - | (42,670) | - |
| Transfer to statutory reserve | 20 | - | - | (90,000) | 90,000 | - | - | - |
| Cash dividend | 21 | - | - | (1,319,000) | - | - | - | (1,319,000) |
| **At 31 December 2019** | | 400,000 | 11,854,011 | 3,777,262 | 400,000 | 283,401 | 1,350,561 | 18,065,235 |
| **At 01 January 2020** | | 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 |
| **At 01 January 2021** | | **400,000** | **11,854,011** | **4,595,878** | **400,000** | **1,242,935** | **1,303,607** | **19,796,431** |
| Profit for the year | | **-** | **-** | **2,090,187** | **-** | **-** | **-** | **2,090,187** |
| Other comprehensive income / (loss) for the year | | **-** | **-** | **341,233** | **-** | **(1,245,149)** | **-** | **(903,916)** |
| Total comprehensive income / (loss) for the year | | **-** | **-** | **2,431,420** | **-** | **(1,245,149)** | **-** | **1,186,271** |
| Revaluation surplus realised on depreciation | | **-** | **-** | **47,708** | **-** | **-** | **(47,708)** | **-** |
| Cash dividend | 21 | **-** | **-** | **(400,000)** | **-** | **-** | **-** | **(400,000)** |
| **At 31 December 2021** | | **400,000** | **11,854,011** | **6,675,006** | **400,000** | **(2,214)** | **1,255,899** | **20,582,702** |

The notes on pages 205 to 334 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS
## For the year ended 31 December 2021

| | Notes | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|---|
| | | MUR' 000 | MUR' 000 | MUR' 000 |
| **Net cash generated from operating activities** | 33 | 30,508,554 | 695,238 | 3,844,995 |
| **Investing activities** | | | | |
| Acquisition of property and equipment | 10 | (586,863) | (132,829) | (91,145) |
| Acquisition of intangible assets | 12 | (88,593) | (83,489) | (52,095) |
| Disposal of property and equipment | | - | 1,329 | 2,589 |
| Acquisition of equity investments | 9 | (2,057) | - | - |
| **Net cash used in investing activities** | | (677,513) | (214,989) | (140,651) |
| **Financing activities** | | | | |
| Repayment of principal portion of lease liabilities | | (82,610) | (66,227) | (71,993) |
| Net change in other borrowed funds | | (5,810,551) | 945,736 | 923,777 |
| Capital contribution received during the year | 20 | - | - | 900,000 |
| Dividend paid on ordinary shares | 21 | (400,000) | - | (1,319,000) |
| **Net cash (used in) / generated from financing activities** | | (6,293,161) | 879,509 | 432,784 |
| **Net change in cash and cash equivalents** | | 23,537,880 | 1,359,758 | 4,137,128 |
| Expected credit loss on cash and cash equivalents | | (5,793) | 2,678 | 38,059 |
| Cash and cash equivalents at start of year | 5 | 16,749,335 | 15,386,899 | 11,211,712 |
| **Cash and cash equivalents at end of year** | 5 | 40,281,422 | 16,749,335 | 15,386,899 |

The notes on pages 205 to 334 form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 December 2021

## 1A General Information

SBM Bank (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

The COVID-19 pandemic has hit the world in unprecedented ways, heightening risk with prolonged uncertainty. As per World Economic Outlook, the global growth is expected to moderate from 5.9% in 2021 to 4.4% in 2022. This is expected to further be impacted by the current Russian-Ukraine war which is having an impact on the entire global economy by slowing growth and jacking up inflation that could fundamentally reshape the global economic order in the longer term. 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.

### 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 (BoM) to enhance the economic resilience of the country.

The measures were extended up to 30 June 2022 as the Bank of Mauritius commits towards maintaining financial stability, consistent with its statutory responsibilities.

Furthermore, some companies benefitted from support from the Mauritius Investment Corporation (MIC) which has as main objective to assist systemically large, important and viable companies in Mauritius, which are financially impacted as a result of the COVID-19 pandemic and representing a direct threat to financial stability.

### Key impact on financial performance of the Bank:

COVID-19 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**

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 borders re-opened from October 2021, the recovery is still uncertain. The Mauritian government had set a target of welcoming 650,000 tourists over the next nine months (Oct-21 to Jun-22) (350,000 of which should come by mid-January 2022). However, as of Feb-22 the expectation was not reached.

## 1B Impact of COVID-19 (cont'd)

### *Loans and advances to banks and customers: (cont'd)*

**Credit risk(cont'd)**

Given the uncertainty of the pandemic and the Russian-Ukraine war, the Bank simulated three stress scenarios based on the future economic recovery in both the local and domestic market. In its baseline scenario, the Bank has considered that recovery will continue in 2022. GDP growth gains stream with economic sectors recovering from current crisis and inflation remains manageable. No other additional impairment other than budgeted was taken in this scenario. This scenario resulted in a slight increase in the expected credit loss amount.

In its mild case scenario, the Bank has considered an underlying rationale that economic slump will prolong in 2022. GDP growth is slow with subdued macroeconomic conditions with elevated inflation rates and high debt levels and high volatility in foreign exchange markets. The Bank has thus, impacted its book assuming lower growth in advances, reduction in Net interest income, worsening credit ratings of corporate and SME clients by an additional 1 notch down, increase in probability of default premium on retail clients and taken a downside probability of default. The Bank ended with an increase in ECL within the Bank's appetite for the coming year ending 31 December 2022.

In its worst-case scenario, the Bank has considered that the economic slump will aggravate in 2022. GDP growth remains low with stagnation in tourism sector and sluggish private and public investment. Major increase in volatility in foreign exchange markets and sustained uptrend in inflation rate leading to a deterioration in Mauritius sovereign credit rating. Under this scenario, the Bank anticipated higher specific provisioning for clients likely to move to stage 3 on top of the stressed parameters considered under its mild scenario.

**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 updating 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 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 and the war. 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.

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 and has worked on a premium to be taken as additional overlay on account of uncertainty around the Russian-Ukraine war and its impact on the Bank's client base.

Stage 3 exposures have been assessed considering COVID-19 impact and adequate provisioning has been made by the Bank as at 31 December 2021.



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### *Deposits from non-bank customers*

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.

### *Liquidity risk*

The Bank's liquidity position remained strong and as at 31 December 2021, Liquidity Coverage Ratio (LCR) stood at 188% (31 December 2020: 154%). This is well above the LCR ratio of 100% required by BoM. The LCR exists to cater for this type of stress situation under which banks have to potentially operate. High Quality Liquid Assets (securities) currently held by the Bank included some MUR 137 billion, mostly in local government securities and highly rated USD sovereign securities. The Bank has been monitoring its liquidity level on a daily basis to ensure that with the impact of COVID-19, there is no significant outflow. Management has carried out a stress test based on several scenarios including deposit flight, additional impairment and provision of moratorium on capital repayment and is satisfied that the Bank's LCR will remain within the regulatory limits in all the mild and medium stress scenarios.

### *Capital adequacy ratio (CAR)*

The Bank achieved a CAR of 17.33% as at 31 December 2021 which is above the minimum requirement of 13.875%.

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, Moderate and Worst case Scenarios for FY 2021, FY 2022 and FY 2023 in the assumption of no dividend payout.

The Bank continues to monitor the 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 and by performing several stressed testing scenarios.

## 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 2021.

*(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.

## 2 Application of new and revised standard and interpretation (IFRS) (cont'd)

*(a) New and revised IFRSs and IFRICs (cont'd)*
IFRS 7 Financial Instruments: Disclosures - Amendments regarding replacement issues in the context of the IBOR reform
IFRS 9 Financial Instruments - Amendments regarding replacement issues in the context of the IBOR reform
IFRS 16 Leases - Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification
IFRS 16 Leases - Amendments regarding replacement issues in the context of the IBOR reform

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

**Impact of the initial application of Interest Rate Benchmark Reform**

In the prior year, the Bank adopted the Phase 1 amendments Interest Rate Benchmark Reform - Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Bank adopted the Phase 2 amendments Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Bank to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Both the Phase 1 and Phase 2 amendments are relevant to the Bank because it applies hedge accounting to its interest rate benchmark exposures. However, in the current period no modifications in response to the reform have been made to the Bank's derivative and non-derivative financial instruments that mature post 2021 (the date by which the reform is expected to be implemented) and hence there are no financial impact during the year ended 31 December 2021.

Details of the derivative and non-derivative financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by the Bank to manage the risks relating to the reform are disclosed in Note 37(d)(i).

The amendments are relevant for the following types of hedging relationships and financial instruments of the Bank, all of which extend beyond 2021:
- Fair value hedges where LIBOR-linked derivatives are designated as a fair value hedge of fixed rate debt in respect of the USD LIBOR and Euro LIBOR risk component
- Term deposits and loans to customers which reference LIBOR and are subject to the interest rate benchmark reform
- Interest rate swaps and cross currency swaps linked with USD LIBOR



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The application of the amendments affects the Bank's accounting in the following ways:
- The Bank has issued USD and Euro denominated fixed rate debt that is subject to a fair value hedge using USD and Euro fixed to USD and EURO LIBOR interest rate swaps. The amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rates, USD and Euro LIBOR, may no longer be separately identifiable and there is uncertainty about the replacement of the floating interest rates included in the interest rate swaps.
- The Bank will not discontinue hedge accounting should the retrospective assessment of hedge effectiveness fall outside the 80-125 per cent range and the hedging relationship is subject to interest rate benchmark reforms. For those hedging relationships that are not subject to the interest rate benchmark reforms the entity continues to cease hedge accounting if retrospective effectiveness is outside the 80-125 per cent range.

As a result of the phase 2 amendments:
- When the contractual terms of the Bank's financial instruments will be amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Bank will change the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other changes.
- When changes will be made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the Bank will update the hedge documentation without discontinuing the hedging relationship.

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

IAS 1 Presentation of Financial Statements - Amendments to defer the effective date of the January 2020 amendments (effective 01 January 2023)
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 12 Income Taxes - Amendments regarding deferred tax on leases and decommissioning obligations (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)
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)

The Directors anticipate that these amendments will be applied 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 application of these amendments.

## 3 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.

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.

### *(d) Recognition of income and expenses*

*(i) Net interest income*
Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated at Fair value through profit and loss (FVTPL) are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in profit or loss using the effective interest method.

For all financial instruments measured at amortised cost and interest-earning financial instruments classified as investment securities measured at Fair value through other comprehensive income (FVTOCI), interest income or expense is recorded at



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the effective interest rate (EIR), 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 interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (that is, at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (that is, the gross carrying amount less the allowance for expected credit losses (ECLs).

For financial assets at FVTPL, transaction costs are recognised in profit or loss at initial recognition. Interest on financial assets at FVTPL are recognised under other interest income or other interest expense.

*(ii) Net fee and commission income*
**Fee income earned from services provided**
These fees include commission income, account servicing fees, asset management, custody and other management and advisory fees . The fees are recognised as the related services are provided. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis. A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

**Fee income from providing transaction services**
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.

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

*(iii) Net trading income*
Results arising from trading activities include profit arising on dealings in foreign currencies; all gains and losses from changes in fair value and dividends for financial assets and financial liabilities held-for-trading.

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.

# 3 Summary of significant accounting policies (cont'd)

## *(d) Recognition of income and expenses (cont'd)*

*(iv) Gains / losses from financial assets measured at FVTPL*
Gains or losses on assets, liabilities and derivatives designated in hedge relationships recognises 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 recognises fair value movements (excluding interest) on those items designated as fair value through profit or loss.

## *(e) Financial instruments*

***Financial assets and liabilities***
Financial assets and financial liabilities (excluding regular way trades) are recognised in the statement of financial position when the Bank become a party to the contractual provisions of the instrument. Recognised financial assets and financial liabilities are initially measured at fair value. Regular way trades are 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. These are recognised using settlement date accounting and are applied both for financial assets mandatorily measured at FVTPL and financial assets measured at amortised cost.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the entity will account for such difference as follows:
- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

***Financial assets***
All financial assets are recognised and derecognised on settlement date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market, and are





initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL.

Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals. All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI; and
- all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the entity may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:
- the entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- the entity may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The Bank has not designated any debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

***Debt instruments measured at amortised cost or at FVTOCI***
The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI. For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

## 3 Summary of significant accounting policies (cont'd)

### (e) Financial instruments (cont'd)

***Debt instruments measured at amortised cost or at FVTOCI (cont'd)***
Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The entity determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The entity's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing their financial instruments which reflect how they manage their financial assets in order to generate cash flows. The business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Bank considers all relevant information available when making the business model assessment.

However, this assessment is not performed on the basis of scenarios that the Bank does not reasonably expect to occur, such as 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available 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 in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassesses their business models at each reporting period to determine whether the business models have changed since the preceding period. When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

***Financial assets measured at FVTPL***
Financial assets at FVTPL are:
- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.



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These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

***Equity instruments designated at FVTOCI***
On initial recognition, the entity may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the entity manages together and has evidence of a recent actual pattern of short-term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

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

***Reclassifications***
If the business model under which the entity 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. During the current financial year there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made.

***Foreign exchange gains and losses***
The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:
- for financial assets measured at amortised cost, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss and other exchange differences are recognised in the OCI in fair value reserve;
- for financial assets measured at FVTPL, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in the OCI in the fair value reserve.

# 3 Summary of significant accounting policies (cont'd)

## (e) Financial instruments (cont'd)

*Financial guarantees*
In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, bank guarantees and acceptances.

Financial guarantee contracts issued by an entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:
- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the entity's revenue recognition policies.

Any increase in the liability relating to financial guarantees is recorded in the statement of profit or loss and other comprehensive income. The premium received is recognised in the statement of profit or loss and other comprehensive income in 'Fee and commission income' on a straight-line basis over the life of the guarantee.

*Impairment of financial assets*
The Bank recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- loans and advances to banks and customers;
- loans to and placements with banks;
- investment securities measured at amortised cost;
- investment securities measured at FVTOCI;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments designated at FVTOCI.

ECLs are required to be measured through a loss allowance at an amount equal to:
- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instruments that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instruments (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. More details on the determination of a significant increase in credit risk are provided in Note 37 (b).

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the entity under the contract and the cash flows that the entity expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.





For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the entity if the holder of the commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down.

The Bank measures ECL on an individual basis, or 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.

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the entity expects to receive from the holder, the debtor or any other party.

More information on measurement of ECLs is provided in Note 37.

*Credit impaired financial assets*
A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

Evidence of credit-impairment includes observable data about the following events:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

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 (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

The Bank does not have purchased or originated credit impaired financial assets.

## 3 Summary of significant accounting policies (cont'd)

### *(e) Financial instruments (cont'd)*

***Definition of default***
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 (see Note 37).

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.

This definition of default is used by the Bank for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types 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. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in Note 37. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore credit impaired assets will include defaulted assets, but will also include other non-defaulted asset given the definition of credit impaired is broader than the definition of default.

***Significant increase in credit risk (SICR)***
The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts 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 a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default occurring 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



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that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

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, relevant think-tanks 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 regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour .

The Bank allocates their 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 this 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 qualitative factors that indicate 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. For corporate lending, there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Bank considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, sale of assets.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes 30 days past due, 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. In addition, loans that are individually assessed and are included on a watch list are in stage 2 of the impairment model. As noted, if there is evidence of credit impairment, the assets are moved to stage 3 of the impairment model.

## 3 Summary of significant accounting policies (cont'd)

### *(e) Financial instruments (cont'd)*

***Modification and derecognition of financial assets***

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness), change in interest rates and amendments to covenants. The Bank has a forbearance policy in place to cater for requests for restructuring of debts. When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms, the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest rate. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Bank considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the entity considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation. In the case where the financial asset is derecognised, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare



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occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the entity determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the ability to collect the modified cash flows taking into account the previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Bank performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk. Where a modification does not lead to derecognition, the Bank calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account. Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continue to control the transferred asset, the Bank recognises their retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss. On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

## 3 Summary of significant accounting policies (cont'd)

### *(e) Financial instruments (cont'd)*

*Modification and derecognition of financial assets (cont'd)*
The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

*Write-off*
Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

*Presentation of allowance for ECL in the statement of financial position*
Loss allowances for ECLs are presented in the statement of financial position as follows:
- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve; and
- for loan commitments and financial guarantee contracts: as a provision.

*Financial liabilities and equity*
Debt and equity instruments that are issued are classified as either the financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank. Where a financial instrument includes both a drawn and an undrawn component, and the entity cannot identify the ECL on the loan commitment component separately from those on the drawn component: the entity presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision. A contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank are or may be obliged to deliver a variable number of their own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.





*Equity instruments*
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank is recognised at the proceeds received, net of direct issue costs. Ordinary shares are classified as equity. Repurchase of the Bank's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

*Financial liabilities*
Financial liabilities include deposits from banks, deposits from banks and non-bank, other borrowed funds, 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.

Financial liabilities measured at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability.

*Derecognition and modification of financial liabilities*
The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the entity exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. To determine if the modified terms of a liability are substantially different to the original terms a similar process with modification of financial assets is followed. The modification is assessed at first on a qualitative basis, factors such as a change in currency or the introduction of a non-closely related embedded derivative that significantly modifies the cash flows are regarded as substantially different.

## 3 Summary of significant accounting policies (cont'd)

### (e) Financial instruments (cont'd)

***Derecognition and modification of financial liabilities (cont'd)***
If it is not clear from the qualitative assessment that a modification has resulted in a substantial change in a financial liability, a quantitative assessment is applied. It is assumed that the terms of the financial liability are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the Bank recalculates the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. The Bank recognises any adjustment to the amortised cost of the financial liability in profit or loss as income or expense at the date of the modification. The financial liability modification gain/loss is not significant for the Bank. Modification gains are presented in 'other operating income' and modification losses are presented in 'other operating expenses' in profit or loss.

***Hedge accounting***
The Bank enters into 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.

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.

***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.



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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. The Bank elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

***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.

### (f) Derivative financial instruments

The Bank enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk; credit risk; and foreign exchange rate risk. Derivative held include forward contracts, spot position, swaps and option contracts. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

## 3 Summary of significant accounting policies (cont'd)

### (f) Derivative financial instruments (cont'd)

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

### (g) Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

### (h) Provisions and other contingent liabilities

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, they are involved in various litigation, arbitration and regulatory investigations and proceedings both in local and in other jurisdictions, arising in the ordinary course of the Bank's business. When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable





estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in their financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

### (i) 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.
(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 other comprehensive income ('OCI') 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 other comprehensive income, any exchange component of that gain or loss shall be recognised in the statement of profit or loss and other comprehensive income.

### (j) 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.

This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position. Income and expense will not be offset in the statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies.

### (k) 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.

The accounting policies of each relevant line item not disclosed above, are included in the respective notes.

# 4 Significant accounting judgements and estimates

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.

***Judgements***

## 4.1 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.

## 4.2 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.



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## 4.3 Calculation of ECL allowance

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

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.
- Models and assumptions used: The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

## 4.4 Deferred tax assets

Recognition of deferred tax assets depends on management's intention of the Bank to generate future taxable profits which will be used against temporary differences and to obtain tax benefits thereon. The outcome of their actual utilisation may be different.

***Estimates***

## 4.5 Expected credit losses (ECL) on financial assets

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

## 4 Significant accounting judgements and estimates (cont'd)

## 4.5 Expected credit losses (ECL) on financial assets (cont'd)

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

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. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

## 4.6 Fair values of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement 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.

## 4.7 Assessment of useful lives of property and equipment and intangible assets

The Bank reviews the estimated useful lives of property and equipment and intangible assets at the end of each reporting period. The cost of the property and equipment and intangible assets are depreciated and amortised over the estimated useful life of the asset. The estimated life is based on expected usage of the asset and expected physical wear and tear which depends on operational factors.

## 4.8 Leases

The application of IFRS 16 requires significant judgement and certain key estimations. Critical judgements include determination of whether it is reasonably certain that an extension or termination option will be exercised. Key sources of estimation uncertainty in the application of IFRS 16 include estimation of the lease terms, determination of the appropriate rates to discount the lease payments and assessment of whether right of use asset is impaired.



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## 4.9 Pension benefits

The Bank operates a defined benefit pension plan for its employees as well as provide for retirement gratuities under the Workers' Rights Act. 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 plans is based on report submitted by an independent actuarial firm on an annual basis.

## 4.10 Provisions and other contingent liabilities

Provision is recognised in the financial statements when the Bank have met the recognition criterion. The directors measure the provision at the best estimate of the amount required to settle the obligation at the reporting date. Actual results may be different from their estimates.

In specific circumstances, significant judgement is required from directors to identify the financial effects to be disclosed attributable to the uncertainties inherent in contingent liabilities.

## 5 Cash and cash equivalents

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.

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Cash in hand | 1,961,952 | 2,016,619 | 2,078,284 |
| Foreign currency notes and coins | 763,171 | 524,835 | 337,946 |
| Unrestricted balances with central bank [1] | 35,790,264 | 10,536,120 | 4,167,009 |
| Loans and placements with banks[2] | - | - | 1,035,373 |
| Balances with banks | 1,772,848 | 3,672,781 | 7,771,985 |
| | 40,288,235 | 16,750,355 | 15,390,597 |
| Less: allowance for credit losses | (6,813) | (1,020) | (3,698) |
| | 40,281,422 | 16,749,335 | 15,386,899 |

[1] Unrestricted balances with central bank represents 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.

## 5 Cash and cash equivalents (cont'd)

**An analysis of changes in the corresponding ECL allowances is, as follows:**

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | Stage 1 | Stage 1 | Stage 1 |
| | MUR' 000 | MUR' 000 | MUR' 000 |
| ECL allowance as at 01 January | 1,020 | 3,698 | 41,758 |
| Net remeasurement of loss allowance | 6,390 | 1,020 | 3,698 |
| Assets repaid | (597) | (3,698) | (41,758) |
| **ECL allowance as at 31 December** | **6,813** | 1,020 | 3,698 |

## 6 Loans to and placements with banks

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| *At amortised cost* | MUR' 000 | MUR' 000 | MUR' 000 |
| Loans to and placements with banks: | | | |
| - in Mauritius | - | 353,508 | 2,482,044 |
| - outside Mauritius | 843,079 | 2,797,237 | 2,717,013 |
| | 843,079 | 3,150,745 | 5,199,057 |
| Less: allowance for credit losses | (5,109) | (20,358) | (24,969) |
| | 837,970 | 3,130,387 | 5,174,088 |
| **Remaining term to maturity** | | | |
| Up to 3 months | - | 47,293 | 522,761 |
| Over 3 months and up to 6 months | - | 1,257,394 | 2,504,267 |
| Over 6 months and up to 12 months | - | 1,008,868 | 1,119,602 |
| Over 1 year and up to 2 years | 653,378 | - | 1,052,427 |
| Over 2 years and up to 5 years | 189,701 | 837,190 | - |
| | 843,079 | 3,150,745 | 5,199,057 |



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### Credit loss allowance for loans and placement 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).

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | Stage 1 | Stage 1 | Stage 1 |
| **Internal rating grade** | MUR' 000 | MUR' 000 | MUR' 000 |
| **Performing** | | | |
| High grade | 189,701 | - | 367,371 |
| Standard grade | 653,378 | 2,807,724 | 3,719,888 |
| Sub-standard grade | - | 343,021 | 1,111,798 |
| **Total** | 843,079 | 3,150,745 | 5,199,057 |

**An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:**

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | Stage 1 | Stage 1 | Stage 1 |
| | MUR' 000 | MUR' 000 | MUR' 000 |
| **Gross carrying amount as at 01 January** | 3,150,745 | 5,199,057 | 9,290,692 |
| Financial assets originated or purchased | - | 2,698,297 | 2,766,559 |
| Financial assets repaid (excluding write offs) | (2,371,933) | (4,768,978) | (7,014,033) |
| Foreign exchange adjustments | 64,267 | 22,369 | 155,839 |
| **Gross carrying amount as at 31 December** | 843,079 | 3,150,745 | 5,199,057 |
| | Stage 1 | Stage 1 | Stage 1 |
| | MUR' 000 | MUR' 000 | MUR' 000 |
| **ECL allowance as at 01 January** | 20,358 | 24,969 | 34,281 |
| Net remeasurement of loss allowance | - | 18,004 | 5,299 |
| Assets repaid (excluding write offs) | (15,249) | (22,615) | (14,611) |
| **ECL allowance as at 31 December** | 5,109 | 20,358 | 24,969 |

## 7 Derivative financial instruments

| | 31 December 2021 MUR' 000 | 31 December 2020 MUR' 000 | 31 December 2019 MUR' 000 |
|---|---|---|---|
| **Assets** | | | |
| Derivative assets | **579,946** | 774,785 | 889,301 |
| **Liabilities** | | | |
| Derivative liabilities | **565,655** | 1,165,271 | 1,000,972 |

The fair values of derivative instruments are further analysed as follows:

| | Notional Principal Amount | Fair Values | |
|---|---|---|---|
| | | Assets | Liabilities |
| | MUR' 000 | MUR' 000 | MUR' 000 |
| **31 December 2021** | | | |
| **Derivatives held for trading** | | | |
| Foreign exchange contracts* | **10,539,939** | **52,005** | **(30,883)** |
| Cross currency swaps | **2,917,055** | **204,110** | **(208,317)** |
| Other derivative contracts | **2,728,546** | **199,196** | **(198,081)** |
| **Derivatives used as Micro fair value hedges** | | | |
| Interest rate swap contracts | **4,901,874** | **124,635** | **(128,374)** |
| | **21,087,414** | **579,946** | **(565,655)** |
| **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** | | | |
| **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) |

* Foreign exchange contracts include forward and spot contracts.





## 8 Loans and advances to non-bank customers

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| *At amortised cost* | MUR' 000 | MUR' 000 | MUR' 000 |
| Governments | **9,713** | 7,705 | 8,515 |
| Retail customers | **45,490,284** | 41,305,180 | 39,363,943 |
| - Credit cards | **492,464** | 510,114 | 583,205 |
| - Mortgages | **30,632,959** | 27,555,755 | 25,487,999 |
| - Other retail loans | **14,364,861** | 13,239,311 | 13,292,739 |
| Corporate customers | **49,225,351** | 48,912,236 | 47,550,561 |
| Entities outside Mauritius | **14,644,923** | 20,250,460 | 19,869,057 |
| | **109,370,271** | 110,475,581 | 106,792,076 |
| Less credit loss allowance | **(11,454,071)** | (11,437,054) | (7,766,672) |
| | **97,916,200** | 99,038,527 | 99,025,404 |

### a Remaining term to maturity

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Up to 3 months | **9,221,841** | 8,500,152 | 9,417,082 |
| Over 3 months and up to 6 months | **2,638,419** | 3,507,260 | 2,937,677 |
| Over 6 months and up to 12 months | **5,850,802** | 5,475,686 | 6,085,980 |
| Over 1 year and up to 2 years | **4,605,809** | 9,894,847 | 6,890,553 |
| Over 2 years and up to 5 years | **20,948,455** | 18,563,563 | 19,404,879 |
| Over 5 years | **66,104,945** | 64,534,073 | 62,055,905 |
| | **109,370,271** | 110,475,581 | 106,792,076 |

Out of the MUR 109.37 billion, there is an amount of MUR 4.63 billion (2020: MUR 6.21 billion and 2019: MUR 8.18 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

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. Net investment in finance leases are measured at amortised cost.

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 75.53 million (2020: MUR 69.26 million and 2019: MUR 87.32 million).

## 8 Loans and advances to non-bank customers (cont'd)

### b Net investment in finance leases (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 2021** | | | | |
| Gross investment in finance leases | 463,085 | 1,154,976 | 135,891 | 1,753,952 |
| Less: Unearned finance income | (70,036) | (113,421) | (4,969) | (188,426) |
| **Present value of minimum lease payments** | 393,049 | 1,041,555 | 130,922 | 1,565,526 |
| Credit loss expense | | | | (52,459) |
| **Net investment in finance leases** | | | | 1,513,067 |
| **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 expense | | | | (94,545) |
| **Net investment in finance leases** | | | | 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 expense | | | | (45,769) |
| **Net investment in finance leases** | | | | 1,360,301 |

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.

### c Credit loss allowance on loans and advances to non-bank customers

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).





| **At 31 December 2021:** | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Internal rating grade** | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **Performing** | | | | |
| High grade | 40,065,579 | 949,994 | - | 41,015,573 |
| Standard grade | 24,110,281 | 7,763,823 | - | 31,874,104 |
| Sub-standard grade | 5,886,503 | 15,434,466 | - | 21,320,969 |
| Past due but not impaired | - | 4,276,271 | - | 4,276,271 |
| **Non-performing** | | | | |
| Individually impaired | - | - | 10,883,354 | 10,883,354 |
| **Total** | 70,062,363 | 28,424,554 | 10,883,354 | 109,370,271 |

| **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 | 33,285,409 | 1,417,014 | - | 34,702,423 |
| Standard grade | 35,315,355 | 8,532,926 | - | 43,848,281 |
| Sub-standard grade | 10,791,064 | 7,248,997 | - | 18,040,061 |
| Past due but not impaired | - | 1,551,008 | - | 1,551,008 |
| **Non-performing** | | | | |
| Individually impaired | - | - | 12,333,808 | 12,333,808 |
| **Total** | 79,391,828 | 18,749,945 | 12,333,808 | 110,475,581 |

| **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 | 34,855,065 | 853,683 | - | 35,708,748 |
| Standard grade | 30,754,206 | 5,705,392 | - | 36,459,598 |
| Sub-standard grade | 8,639,984 | 8,843,872 | - | 17,483,856 |
| Past due but not impaired | - | 6,821,990 | - | 6,821,990 |
| **Non-performing** | | | | |
| Individually impaired | - | - | 10,317,884 | 10,317,884 |
| **Total** | 74,249,255 | 22,224,937 | 10,317,884 | 106,792,076 |

# 8 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 2021: | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Gross carrying amount as at 01 January 2021 | 79,391,828 | 18,749,945 | 12,333,808 | 110,475,581 |
| Financial assets originated or purchased | 21,564,406 | 3,281,823 | - | 24,846,229 |
| Assets derecognised or repaid (excluding write offs) | (20,157,396) | (5,447,842) | (556,311) | (26,161,549) |
| Transfers to Stage 1 | 1,660,898 | (1,627,719) | (33,179) | - |
| Transfers to Stage 2 | (12,956,515) | 13,006,566 | (50,051) | - |
| Transfers to Stage 3 | (193,016) | (305,916) | 498,932 | - |
| Amounts written off | - | - | (2,396,994) | (2,396,994) |
| Foreign exchange adjustments | 752,158 | 767,697 | 1,087,149 | 2,607,004 |
| Gross carrying amount as at 31 December 2021 | 70,062,363 | 28,424,554 | 10,883,354 | 109,370,271 |

| 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 | 74,249,255 | 22,224,937 | 10,317,884 | 106,792,076 |
| Financial assets originated or purchased | 23,064,837 | 4,291,500 | - | 27,356,337 |
| Assets derecognised or repaid (excluding write offs) | (19,813,477) | (5,217,887) | (2,871,345) | (27,902,709) |
| Transfers to Stage 1 | 5,590,362 | (5,572,158) | (18,204) | - |
| Transfers to Stage 2 | (5,926,179) | 5,945,926 | (19,747) | - |
| Transfers to Stage 3 | (116,866) | (3,873,203) | 3,990,069 | - |
| 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 | 79,391,828 | 18,749,945 | 12,333,808 | 110,475,581 |

| 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 | 28,521,644 | 7,272,023 | - | 35,793,667 |
| Assets derecognised or repaid (excluding write offs) | (16,188,337) | (11,056,046) | (1,433,465) | (28,677,848) |
| 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 | 74,249,255 | 22,224,937 | 10,317,884 | 106,792,076 |



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| At 31 December 2021: | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| ECL allowance as at 01 January 2021 | 711,750 | 961,423 | 9,763,881 | 11,437,054 |
| Allowance on new financial assets | 170,173 | 111,417 | - | 281,590 |
| Assets derecognised or repaid (excluding write offs) | (429,720) | (318,343) | (492,107) | (1,240,170) |
| Transfers to Stage 1 | 173,850 | (173,571) | (279) | - |
| Transfers to Stage 2 | (72,455) | 75,685 | (3,230) | - |
| Transfers to Stage 3 | (8,736) | (13,062) | 21,798 | - |
| Net remeasurement of loss allowance | 106,321 | 811,463 | 2,454,807 | 3,372,591 |
| Amounts written off | - | - | (2,396,994) | (2,396,994) |
| ECL allowance as at 31 December 2021 | 651,183 | 1,455,012 | 9,347,876 | 11,454,071 |

| 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 |
| 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 | - |
| Net remeasurement of loss allowance | 293,527 | 667,451 | 3,728,485 | 4,689,463 |
| 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 |
| 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 | - |
| Net remeasurement of loss allowance | 154,530 | 223,771 | - | 378,301 |
| 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 |

## 8 Loans and advances to non-bank customers (cont'd)

### d Credit loss allowances on loans and advances by industry sectors

| At 31 December 2021: | Gross amount of loans | Credit Impaired loans | Stage 3 allowance for credit impairment | Stage 1 & stage 2 Credit loss allowance | Total allowances for credit impairment |
|---|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Agriculture and fishing | 2,526,492 | 920,559 | 490,016 | 23,031 | 513,047 |
| Manufacturing | 4,043,073 | 177,027 | 173,382 | 43,354 | 216,736 |
| *of which EPZ* | *1,421,007* | *21,156* | *21,156* | *2,867* | *24,023* |
| Tourism | 13,713,464 | 39,890 | 8,112 | 759,677 | 767,789 |
| Transport | 2,046,166 | 34,224 | 25,492 | 20,608 | 46,100 |
| Construction | 12,528,434 | 626,386 | 520,038 | 392,400 | 912,438 |
| Financial and business services | 5,896,365 | 46,546 | 46,538 | 78,954 | 125,492 |
| Traders | 10,801,453 | 6,377,717 | 5,674,511 | 90,557 | 5,765,068 |
| Personal | 43,788,942 | 1,090,420 | 852,110 | 514,515 | 1,366,625 |
| *of which credit cards* | *492,464* | *40,217* | *42,385* | *4,800* | *47,185* |
| Professional | 130,815 | 82,760 | 82,760 | 4,144 | 86,904 |
| Global Business Licence holders | 5,637,793 | 1,372,644 | 1,371,147 | 40,901 | 1,412,048 |
| Others | 8,257,274 | 115,181 | 103,770 | 138,054 | 241,824 |
| | 109,370,271 | 10,883,354 | 9,347,876 | 2,106,195 | 11,454,071 |

| At 31 December 2020: | Gross amount of loans | Credit Impaired loans | Stage 3 allowance for credit impairment | Stage 1 & stage 2 Credit loss allowance | Total allowances for credit impairment |
|---|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Agriculture and fishing | 4,683,383 | 827,431 | 331,126 | 35,281 | 366,407 |
| Manufacturing | 4,461,220 | 185,390 | 158,151 | 82,473 | 240,624 |
| *of which EPZ* | *1,778,397* | *26,531* | *3,942* | *22,840* | *26,782* |
| Tourism | 15,287,021 | 9,916 | 870 | 354,544 | 355,414 |
| Transport | 2,180,026 | 15,895 | 14,561 | 24,221 | 38,782 |
| Construction | 10,800,431 | 629,538 | 477,190 | 381,405 | 858,595 |
| Financial and business services | 8,103,313 | 665,792 | 621,575 | 80,789 | 702,364 |
| Traders | 11,152,448 | 5,808,510 | 4,531,386 | 90,627 | 4,622,013 |
| Personal | 39,349,045 | 1,052,900 | 736,094 | 466,667 | 1,202,761 |
| *of which credit cards* | *510,114* | *47,026* | *48,136* | *4,326* | *52,462* |
| Professional | 160,200 | 82,718 | 82,718 | 4,629 | 87,347 |
| Global Business Licence holders | 6,481,782 | 1,247,358 | 1,096,615 | 14,089 | 1,110,704 |
| Others | 7,816,712 | 1,808,360 | 1,713,595 | 138,448 | 1,852,043 |
| | 110,475,581 | 12,333,808 | 9,763,881 | 1,673,173 | 11,437,054 |



# NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

| At 31 December 2019: | Gross amount of loans | Credit Impaired loans | Stage 3 allowance for credit impairment | Stage 1 & stage 2 Credit loss allowance | Total allowances for credit impairment |
|---|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Agriculture and fishing | 3,958,718 | 1,729 | 253 | 115,681 | 115,934 |
| Manufacturing | 4,361,146 | 154,707 | 124,765 | 70,220 | 194,985 |
| *of which EPZ* | *1,687,420* | *28,053* | *4,141* | *31,192* | *35,333* |
| Tourism | 11,726,634 | 3,632 | 3,213 | 134,265 | 137,478 |
| Transport | 2,212,143 | 15,933 | 14,371 | 136,465 | 150,836 |
| Construction | 9,572,469 | 281,418 | 193,287 | 110,729 | 304,016 |
| Financial and business services | 9,805,038 | 628,137 | 440,446 | 76,287 | 516,733 |
| Traders | 12,628,321 | 7,802,236 | 3,662,471 | 59,283 | 3,721,754 |
| Personal | 37,347,894 | 886,066 | 633,392 | 465,252 | 1,098,644 |
| *of which credit cards* | *583,205* | *81,055* | *41,997* | *6,258* | *48,255* |
| Professional | 168,000 | 73,872 | 73,873 | 1,720 | 75,593 |
| Global Business Licence holders | 6,682,622 | 286,405 | 144,822 | 501,775 | 646,597 |
| Others | 8,329,091 | 183,749 | 161,592 | 642,510 | 804,102 |
| | 106,792,076 | 10,317,884 | 5,452,485 | 2,314,187 | 7,766,672 |

# 9 Investment securities

Remaining term to maturity

| At 31 December 2021: | 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 |
|---|---|---|---|---|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **(a) Investment securities mandatorily measured at FVTPL** | | | | | | | | | |
| *Trading investments:* | | | | | | | | | |
| Government bonds and treasury notes | - | - | - | 1,869,314 | 106 | 821,169 | 167,962 | - | 2,858,551 |
| Treasury bills | - | 827,391 | - | 1,706,626 | - | - | - | - | 2,534,017 |
| Bank of Mauritius bills / bonds | 509,376 | 153,920 | - | - | 504 | - | - | - | 663,800 |
| Bank bonds | - | - | - | - | 85,250 | - | - | - | 85,250 |
| *Other investments:* | | | | | | | | | |
| Investment in mutual funds | - | - | - | - | - | - | - | 2,046,812 | 2,046,812 |
| | 509,376 | 981,311 | - | 3,575,940 | 85,860 | 821,169 | 167,962 | 2,046,812 | 8,188,430 |
| **(b) Debt securities measured at FVTOCI** | | | | | | | | | |
| Government bonds | 2,764,049 | 653,527 | - | 1,927,517 | 2,936,737 | 5,642,413 | 2,183,788 | - | 16,108,031 |
| Treasury bills | 4,355,356 | 8,271,746 | - | 3,052,213 | - | - | - | - | 15,679,315 |
| Bank of Mauritius bills / bonds | 999,416 | 257,162 | - | - | - | - | - | - | 1,256,578 |
| Bank bonds | 1,135,094 | 157,488 | 4,116,867 | 536,971 | 6,538,129 | 3,837,908 | - | - | 16,322,457 |
| Corporate bonds | - | 518,753 | 601,460 | 43,067 | 1,738,889 | 4,394,559 | 2,898,700 | - | 10,195,428 |
| | 9,253,915 | 9,858,676 | 4,718,327 | 5,559,768 | 11,213,755 | 13,874,880 | 5,082,488 | - | 59,561,809 |
| **(c) Equity securities designated at FVTOCI** | | | | | | | | | |
| Equity shares of companies: | | | | | | | | | |
| - Equity investments | - | - | - | - | - | - | - | 6,869 | 6,869 |
| | - | - | - | - | - | - | - | 6,869 | 6,869 |
| **(d) Debt securities measured at amortised cost** | | | | | | | | | |
| Government bonds and treasury notes | 1,499,553 | 3,934,954 | 747,934 | 422,709 | 1,655,906 | 12,434,787 | 16,268,111 | - | 36,963,954 |
| Bank of Mauritius bills / notes | 114,167 | 557 | 172,780 | - | 3,231,062 | 5,471,076 | 4,979,621 | - | 13,969,263 |
| Bank bonds | - | - | - | - | - | 551,616 | 84,932 | - | 636,548 |
| Corporate bonds | - | - | - | - | - | - | 100,346 | - | 100,346 |
| | 1,613,720 | 3,935,511 | 920,714 | 422,709 | 4,886,968 | 18,457,479 | 21,433,010 | - | 51,670,111 |
| **Total investment securities** | 11,377,011 | 14,775,498 | 5,639,041 | 9,558,417 | 16,186,583 | 33,153,528 | 26,683,460 | 2,053,681 | 119,427,219 |
| Less: allowance for credit losses | | | | | | | | | (27,884) |
| | | | | | | | | | 119,399,335 |





| At 31 December 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 |
|---|---|---|---|---|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **(a) Investment securities mandatorily measured at FVTPL** | | | | | | | | | |
| *Trading investments:* | | | | | | | | | |
| Government bonds and treasury notes | - | - | - | - | - | - | 706 | - | 706 |
| Treasury bills | 799,645 | 876,539 | 1,976,073 | - | - | - | - | - | 3,652,257 |
| Bank of Mauritius bills / bonds | 1,537,842 | 1,498,127 | 541,717 | - | - | 762,825 | - | - | 4,340,511 |
| *Other investments:* | | | | | | | | | |
| Investment in mutual funds | - | - | - | - | - | - | - | 1,356,130 | 1,356,130 |
| | 2,337,487 | 2,374,666 | 2,517,790 | - | - | 762,825 | 706 | 1,356,130 | 9,349,604 |
| **(b) Debt securities measured at FVTOCI** | | | | | | | | | |
| Government bonds | 995,332 | 313,326 | - | 1,852,056 | 1,501,280 | 3,228,323 | 5,536,169 | - | 13,426,486 |
| Treasury bills | 9,152,843 | - | - | 1,625,570 | - | - | - | - | 10,778,413 |
| Bank of Mauritius bills / bonds | 100 | - | - | 896,766 | 1,018,377 | 2,453,980 | - | - | 4,369,223 |
| Bank bonds | 786,223 | 416,735 | 1,114,654 | 587,681 | 5,201,863 | 6,499,153 | 312,759 | - | 14,919,068 |
| Corporate bonds | 43,250 | 174,219 | 39,943 | 203,803 | 738,559 | 3,609,441 | 1,872,841 | - | 6,682,056 |
| | 10,977,748 | 904,280 | 1,154,597 | 5,165,876 | 8,460,079 | 15,790,897 | 7,721,769 | - | 50,175,246 |
| **(c) Equity securities designated at FVTOCI** | | | | | | | | | |
| Equity shares of companies: | | | | | | | | | |
| - Equity investments | - | - | - | - | - | - | - | 4,408 | 4,408 |
| | - | - | - | - | - | - | - | 4,408 | 4,408 |
| **(d) Debt 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 |
| Treasury bills | 698,172 | 1,498,256 | - | - | - | - | - | - | 2,196,428 |
| Bank of Mauritius bills / notes | 1,315 | 50,168 | 989,847 | - | 152,052 | 5,183,483 | 4,976,466 | - | 11,353,331 |
| Bank bonds | - | - | - | - | 105,675 | 386,265 | - | - | 491,940 |
| | 699,487 | 1,982,810 | 1,601,228 | 74,196 | 6,871,090 | 13,260,410 | 9,358,087 | - | 33,847,308 |
| **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 |
| Less: allowance for credit losses | | | | | | | | | (38,520) |
| | | | | | | | | | 93,338,046 |

# 9 Investment securities (cont'd)

Remaining term to maturity

| At 31 December 2019: | 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 |
|---|---|---|---|---|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **(a) Investment securities mandatorily measured at FVTPL** | | | | | | | | | |
| ***Trading investments:*** | | | | | | | | | |
| Government bonds and treasury notes | - | - | - | - | 212,779 | 1,905,066 | 232,849 | - | 2,350,694 |
| Treasury bills | 1,800,754 | 1,017,626 | 874,265 | 327,225 | - | - | - | - | 4,019,870 |
| Bank of Mauritius bills / bonds | 2,482,402 | 866,386 | 123,368 | 780,168 | - | - | - | - | 4,252,324 |
| Bank bonds | - | - | - | - | - | 493,666 | - | - | 493,666 |
| ***Other investments:*** | | | | | | | | | |
| Investment in mutual funds | - | - | - | - | - | - | - | 709,202 | 709,202 |
| | 4,283,156 | 1,884,012 | 997,633 | 1,107,393 | 212,779 | 2,398,732 | 232,849 | 709,202 | 11,825,756 |
| **(b) Debt securities measured at FVTOCI** | | | | | | | | | |
| Government bonds | 7,083 | - | 303,925 | 503,108 | 489,711 | 6,579,766 | 3,522,426 | - | 11,406,019 |
| Treasury bills | 7,501,499 | 1,827,606 | 35,271 | 293,373 | - | - | - | - | 9,657,749 |
| Bank of Mauritius bills / bonds | 3,431,679 | 891,955 | 3,791 | 832,769 | 76,055 | 435,332 | - | - | 5,671,581 |
| Bank bonds | 1,511,872 | 62,265 | 484,089 | - | 1,121,357 | 7,206,266 | 572,576 | - | 10,958,425 |
| Corporate bonds | - | - | - | - | 782,952 | 2,506,604 | 1,308,378 | - | 4,597,934 |
| | 12,452,133 | 2,781,826 | 827,076 | 1,629,250 | 2,470,075 | 16,727,968 | 5,403,380 | - | 42,291,708 |
| **(c) Equity securities designated at FVTOCI** | | | | | | | | | |
| Equity shares of companies: | | | | | | | | | |
| - Equity investments | - | - | - | - | - | - | - | 3,411 | 3,411 |
| | - | - | - | - | - | - | - | 3,411 | 3,411 |
| **(d) Debt securities measured at amortised cost** | | | | | | | | | |
| Government bonds and treasury notes | 1,061,709 | - | 202,421 | 351,568 | 2,580,143 | 6,318,093 | 6,731,108 | - | 17,245,042 |
| Treasury bills | - | - | - | - | - | - | - | - | - |
| Bank of Mauritius bills / notes | 1,009,125 | 53,085 | - | 100,000 | 50,257 | 151,779 | - | - | 1,364,246 |
| Bank bonds | - | - | - | - | 361,602 | 391,502 | - | - | 753,104 |
| | 2,070,834 | 53,085 | 202,421 | 451,568 | 2,992,002 | 6,861,374 | 6,731,108 | - | 19,362,392 |
| **Total investment securities** | 18,806,123 | 4,718,923 | 2,027,130 | 3,188,211 | 5,674,856 | 25,988,074 | 12,367,337 | 712,613 | 73,483,267 |
| Less: allowance for credit losses | | | | | | | | | (23,137) |
| | | | | | | | | | 73,460,130 |





| **Investment securites analysed as follows:** | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| - Debt securities | 119,392,466 | 93,333,638 | 73,456,719 |
| - Equity securities | 6,869 | 4,408 | 3,411 |
| | 119,399,335 | 93,338,046 | 73,460,130 |

| **Debt investment securities at amortised cost** | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | Stage 1 | Stage 1 | Stage 1 |
| | MUR' 000 | MUR' 000 | MUR' 000 |
| High grade | 277,860 | 256,365 | 753,104 |
| Standard grade | 50,224,355 | 32,517,383 | 18,609,288 |
| Sub standard grade | 1,167,896 | 1,073,560 | - |
| **Total gross carrying amount** | 51,670,111 | 33,847,308 | 19,362,392 |
| Credit loss allowance | (27,884) | (38,520) | (23,137) |
| **Carrying amount** | 51,642,227 | 33,808,788 | 19,339,255 |

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | Stage 1 | Stage 1 | Stage 1 |
| | MUR' 000 | MUR' 000 | MUR' 000 |
| **Gross carrying amount as at 01 January** | 33,847,308 | 19,362,392 | 13,815,525 |
| New financial assets originated | 23,268,987 | 34,578,025 | 8,750,000 |
| Financial assets that have been repaid | (5,600,989) | (20,438,552) | (3,328,700) |
| Other movements | 154,805 | 345,443 | 125,567 |
| **Gross carrying amount as at 31 December** | 51,670,111 | 33,847,308 | 19,362,392 |

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | Stage 1 | Stage 1 | Stage 1 |
| | MUR' 000 | MUR' 000 | MUR' 000 |
| **ECL allowance as at 01 January** | 38,520 | 23,137 | 9,038 |
| Net remeasurement of loss allowance | 232 | 38,387 | 15,605 |
| Assets derecognised or repaid (excluding write offs) | (10,868) | (23,004) | (1,506) |
| **ECL allowance as at 31 December** | 27,884 | 38,520 | 23,137 |

## 9 Investment securities (cont'd)

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.

**Debt investment securities at FVTOCI**

| | 31 December 2021 | | | 31 December 2020 | 31 December 2019 |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Total | Stage 1 | Stage 1 |
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| High grade | 40,368,632 | - | 40,368,632 | 29,755,220 | 19,186,436 |
| Standard grade | 18,118,611 | 513,374 | 18,631,985 | 19,149,274 | 22,587,811 |
| Sub standard grade | 169,365 | 391,827 | 561,192 | 1,270,752 | 517,461 |
| **Carrying amount** | 58,656,608 | 905,201 | 59,561,809 | 50,175,246 | 42,291,708 |

| | 31 December 2021 | | | 31 December 2020 | 31 December 2019 |
|---|---|---|---|---|---|
| | 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 | 29,118 | 24,665 | 53,783 | 53,308 | 59,678 |
| Net remeasurement of loss allowance | 11,178 | 24,086 | 35,264 | 45,020 | 44,533 |
| Assets derecognised or repaid (excluding write offs) | (27,552) | (1,198) | (28,750) | (44,545) | (50,903) |
| Transfers to stage 2 | (664) | 664 | - | - | - |
| ECL allowance as at 31 December | 12,080 | 48,217 | 60,297 | 53,783 | 53,308 |

Stage 1 & 2 ECL allowance for 31 December 2020 stood at MUR 29.12 million and MUR 24.66 million respectively. No loss allowance is recognised in the statement of financial position for debt instruments measured at FVTOCI as the carrying amount is at fair value.

| Equity instruments designated at FVTOCI | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| **Carrying amount as at 01 January** | 4,408 | 3,411 | 3,411 |
| Additions | 2,057 | - | - |
| Fair value movement | 404 | 997 | - |
| **Carrying amount as at 31 December** | 6,869 | 4,408 | 3,411 |



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

## 10 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
- 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.

Depreciation on revalued buildings is charged to profit or loss. A transfer is made from the revaluation reserve to retained earnings as the asset is used (representing difference between depreciation based on revalued amount and depreciation based on original cost). On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

| | Freehold land and buildings | Buildings on leasehold land | Other tangible fixed assets | Motor vehicles | Total property and equipment |
|---|---|---|---|---|---|
| Cost or valuation | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| At 01 January 2019 | 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 |
| Additions | - | - | 86,311 | - | 86,311 |
| Disposals | - | - | (93,420) | - | (93,420) |
| **At 31 December 2021** | 803,952 | 1,437,876 | 1,806,947 | 4,123 | 4,052,898 |

## 10 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 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| At 01 January 2019 | 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 |
| 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 |
| Disposal | - | - | (92,525) | - | (92,525) |
| Charge for the year | 11,715 | 57,721 | 78,851 | 825 | 149,112 |
| At 31 December 2021 | 24,406 | 119,540 | 1,413,369 | 2,192 | 1,559,507 |
| Net book value | | | | | |
| At 31 December 2021 | 779,546 | 1,318,336 | 393,578 | 1,931 | 2,493,391 |
| Progress payments on tangible fixed assets | | | | | 525,796 |
| | | | | | 3,019,187 |
| 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 |

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 2021

Details of the Bank's land and buildings and information about the fair value hierarchy are as follows:

| | Fair value level | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|---|
| | | MUR' 000 | MUR' 000 | MUR' 000 |
| Freehold land | Level 2 | 485,001 | 485,001 | 484,983 |
| Freehold buildings | Level 3 | 294,545 | 306,260 | 317,772 |
| Buildings on leasehold land | Level 3 | 1,318,336 | 1,376,057 | 1,416,297 |
| | | 2,097,882 | 2,167,318 | 2,219,052 |

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 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Freehold land and buildings | 417,025 | 420,644 | 443,289 |
| Buildings on leasehold land | 319,351 | 333,426 | 347,500 |
| | 736,376 | 754,070 | 790,789 |

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. The directors have ensured that management assessed the fair value of the properties at 31 December 2021 and 2020. The estimated fair value approximate the carrying value as at the reporting date. These assets have not been impaired during the years under review.

## 11 Right-of-use assets and lease liability

*Accounting policy*

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

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

## 11 Right-of-use assets and lease liability (cont'd)

*Accounting policy (cont'd)*

The lease liability is presented as a separate line in the statement of financial position.

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

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

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

The right-of-use assets are presented as a separate line in the statement of financial position. The Bank leases several assets including land, buildings and equipment . The average lease term is 5 years.

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

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





Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

| | Land and buildings | Other tangible fixed assets | Total |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| **Cost** | | | |
| 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 |
| Additions | 20,216 | 2,714 | 22,930 |
| Termination | (10,473) | (121) | (10,594) |
| **At 31 December 2021** | **209,099** | **134,111** | **343,210** |
| **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 |
| Termination | (8,084) | (121) | (8,205) |
| Charge for the year | 34,638 | 29,469 | 64,107 |
| **At 31 December 2021** | **69,729** | **61,444** | **131,173** |
| **Net book value** | | | |
| **At 31 December 2021** | **139,370** | **72,667** | **212,037** |
| 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 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Depreciation expense on right-of-use assets | 64,107 | 37,439 | 49,941 |
| Interest expense on lease liability (Note 25) | 13,144 | 13,761 | 15,064 |
| **Total amount recognised in profit or loss** | 77,251 | 51,200 | 65,005 |

## 11 Right-of-use assets and lease liability (cont'd)

The Bank had a total cash outflows for leases of MUR 82.61 million (2020: MUR 66.23 million & 2019: MUR 71.99 million). At 31 December 2021, the Bank does not have any commitment for short-term leases.

There are no variable lease payment in the lease contracts of the Bank

| Maturity analysis of lease liability are as follows: | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Up to 1 year | 76,633 | 69,114 | 54,088 |
| 1 to 5 years | 129,677 | 163,243 | 150,248 |
| 5 to 25 years | 24,097 | 28,414 | 41,131 |
| | 230,407 | 260,771 | 245,467 |
| Less unearned interest | (45,742) | (27,181) | (5,287) |
| | 184,665 | 233,590 | 240,180 |
| Further analysed into: | | | |
| Non current | 78,668 | 159,053 | 173,531 |
| Current | 105,997 | 74,537 | 66,649 |
| | 184,665 | 233,590 | 240,180 |

The Bank does not face significant liquidity risk with regards to its lease liabilities. All the lease obligations are denominated in Mauritian Rupees.

## 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. Software is 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.

**(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.




# NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021


| | Software | WIP Software (Note a) | Intellectual Property (Note b) | Total |
|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **Cost** | | | | |
| At 01 January 2019 | 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 |
| Additions | - | 88,593 | - | 88,593 |
| Transfers | 83,823 | (83,823) | - | - |
| Write off | - | (6,283) | - | (6,283) |
| **At 31 December 2021** | 4,054,117 | 76,512 | 284,917 | 4,415,546 |
| **Accumulated amortisation** | | | | |
| At 01 January 2019 | 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 |
| Charge for the year | 411,081 | - | - | 411,081 |
| **At 31 December 2021** | 2,314,120 | - | 284,917 | 2,599,037 |
| **Net book value** | | | | |
| **At 31 December 2021** | 1,739,997 | 76,512 | - | 1,816,509 |
| 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 |

All intangibles are tested for impairment on an annual basis and the intangible assets have not been impaired during the years under review.

## 13 Other assets

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Accounts receivable[1] | 530,884 | 525,888 | 620,381 |
| Balances due in clearing | 3,033 | 4,422 | 4,196 |
| Prepayments | 156,694 | 102,962 | 88,252 |
| Others[2] | 97,336 | 73,617 | 79,030 |
| | 787,947 | 706,889 | 791,859 |

[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.

## 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 other comprehensive income in the period in which they occur. Remeasurement recognised in other 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.

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 2021 MUR' 000 | 31 December 2020 MUR' 000 | 31 December 2019 MUR' 000 |
|---|---|---|---|
| Defined benefit pension plan (Note 14 (a)) | 303,844 | 577,568 | 240,146 |
| Residual retirement gratuities (Note 14 (b)) | 92,084 | 146,514 | 93,859 |
| | 395,928 | 724,082 | 334,005 |



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

**(a) Defined benefit pension plan**
The pension plan is a final salary defined benefit plan to eligible employees joining the Bank prior to 31 December 2004 and are wholly funded. The assets of the funded plan are managed by SBM Mauritius Asset Managers Ltd and administered by SICOM Ltd. The plan is a multi employer plan.

The plan provides for a pension at retirement and a benefit in death or disablement in service before retirement.

There has been no plan amendment, curtailment or settlement during the year except for some employee transfers between related entities within SBM Group.

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.

| | 31 December 2021 MUR' 000 | 31 December 2020 MUR' 000 | 31 December 2019 MUR' 000 |
|---|---|---|---|
| Present value of funded defined benefit obligation | 1,881,806 | 1,932,247 | 1,307,790 |
| Fair value of planned assets | (1,577,962) | (1,354,679) | (1,067,644) |
| Net liability arising from defined benefit obligation | 303,844 | 577,568 | 240,146 |
| **Reconciliation of net defined benefit liability** | | | |
| Balance at start of the year | 577,568 | 240,146 | 109,621 |
| Amount recognised in statement of profit or loss | 60,416 | 39,214 | 32,684 |
| Amount recognised in other comprehensive income | (288,714) | 597,379 | 204,365 |
| Less employer contributions | (45,426) | (299,171) | (106,524) |
| **Balance at end of the year** | 303,844 | 577,568 | 240,146 |

## 14 Pension liability (cont'd)

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| **Reconciliation of fair value of planned assets** | | | |
| Balance at start of the year | 1,354,679 | 1,067,644 | 935,095 |
| Interest income | 39,034 | 59,871 | 59,075 |
| Employer contributions | 45,426 | 299,171 | 106,524 |
| Benefits paid | (62,879) | (46,138) | (38,813) |
| Transfer to/from another entity | - | - | (6,590) |
| Return on planned assets excluding interest income | 201,702 | (25,869) | 12,353 |
| **Balance at end of the year** | 1,577,962 | 1,354,679 | 1,067,644 |
| **Reconciliation of present value of defined benefit obligation** | | | |
| Balance at start of the year | 1,932,247 | 1,307,790 | 1,044,716 |
| Current service cost | 44,320 | 30,979 | 30,680 |
| Interest expense | 55,130 | 68,106 | 62,561 |
| Past service cost | - | - | (1,482) |
| Other benefits paid | (62,879) | (46,138) | (38,813) |
| Transfer to/from another entity | - | - | (6,590) |
| Liability experience loss | - | - | 226,181 |
| Liability gain due to change in demographic assumptions | (7,141) | - | - |
| Liability (gain)/loss due to change in financial assumptions | (79,871) | 571,510 | (9,463) |
| **Balance at end of the year** | 1,881,806 | 1,932,247 | 1,307,790 |
| **Components of amount recognised in statement of profit or loss** | | | |
| Service cost | 44,320 | 30,979 | 29,198 |
| Net interest on net defined benefit liability | 16,096 | 8,235 | 3,486 |
| Total expense as above *(Note 30)* | 60,416 | 39,214 | 32,684 |
| **Components of amount recognised in other comprehensive income** | | | |
| Return on planned assets below interest income | (201,702) | 25,869 | (12,353) |
| Liability experience loss | - | - | 226,181 |
| Liability experience gain due to change in demographic assumptions | (7,141) | - | - |
| Liability (gain)/loss due to change in financial assumptions | (79,871) | 571,510 | (9,463) |
| **Total** | (288,714) | 597,379 | 204,365 |





| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Allocation of planned assets at end of year** | % | % | % |
| Equity - Overseas quoted | 36 | 26 | 23 |
| Equity - Overseas unquoted | 3 | 5 | 8 |
| Equity - Local quoted | 18 | 25 | 26 |
| Equity - Local unquoted | 4 | 5 | 7 |
| Debt - Overseas quoted | - | - | 1 |
| Debt - Local quoted | 10 | 6 | 6 |
| Debt - Local unquoted | 15 | 10 | 15 |
| Cash and other | 14 | 23 | 14 |
| **Total** | 100 | 100 | 100 |
| Reporting entity's own transferable financial instruments | 3.0% | 2.0% | 3.0% |

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Principal assumptions used at end of year** | % | % | % |
| Discount rate | 4.7% | 2.9% | 5.3% |
| Rate of salary increases | 5.2% | 2.6% | 3.1% |
| Rate of pension increases | 1.5% | 1.0% | 0.8% |
| Average retirement age (ARA) | 65 | 65 | 65 |
| Average life expectancy for: | | | |
| - Male at ARA | 15.9 years | 15.9 years | 15.9 years |
| - Female at ARA | 20 years | 20 years | 20 years |

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 2021 and the duration of last year's liabilities.

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Sensitivity analysis on defined benefit pension plan at end of year** | % | % | % |
| Increase due to 1% decrease in discount rate | 301,089 | 347,804 | 205,990 |
| Decrease due to 1% increase in discount rate | 244,635 | 270,515 | 167,365 |

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. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit asset as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

## 14 Pension liability (cont'd)

**Future cashflows**
The funding policy is to pay contributions to an external legal entity at the rate recommended by the Bank's actuary.

The Bank expects to make a contribution of around MUR 44.39 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 15 years.

The most recent actuarial valuation of the defined benefit plan was carried out at 31 December 2021 by AON Hewitt Ltd, actuaries and consultants.

**(b) Residual retirement gratuities**
The liability relates to residual retirement gratuities payable under the Workers' Rights Act 2019 and is unfunded. 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 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| **Reconciliation of net defined benefit liability** | | | |
| Balance at start of the year | 146,514 | 93,859 | 63,434 |
| Amount recognised in statement of profit or loss | 24,530 | (84,381) | 30,925 |
| Amount recognised in other comprehensive income | (78,203) | 137,036 | (500) |
| Less employer contributions | (757) | - | - |
| **Balance at end of the year** | 92,084 | 146,514 | 93,859 |
| **Reconciliation of present value of defined benefit obligation** | | | |
| Balance at start of the year | 146,514 | 93,859 | 63,434 |
| Current service cost | 21,623 | 6,590 | 3,700 |
| Interest expense | 4,219 | 4,975 | 3,869 |
| Past service cost | (1,312) | (95,946) | 23,356 |
| Other benefits paid | (757) | - | - |
| Liability experience loss | (20,972) | 508 | 2,612 |
| Liability gain due to change in demographic assumptions | (26,567) | - | - |
| Liability loss / (gain) due to change in financial assumptions | (30,664) | 136,528 | (3,112) |
| **Balance at end of the year** | 92,084 | 146,514 | 93,859 |
| **Components of amount recognised in statement of profit or loss** | | | |
| Service cost | 20,311 | (89,356) | 27,056 |
| Net interest on net defined benefit liability | 4,219 | 4,975 | 3,869 |
| Total expense as above | 24,530 | (84,381) | 30,925 |





| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| **Components of amount recognised in other comprehensive income** | | | |
| Liability experience loss | (20,972) | 508 | 2,612 |
| Liability experience gain due to change in demographic assumptions | (26,567) | - | - |
| Liability (gain)/loss due to change in financial assumptions | (30,664) | 136,528 | (3,112) |
| **Total** | (78,203) | 137,036 | (500) |

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Principal assumptions used at end of year** | % | % | % |
| Discount rate | 4.7% | 2.9% | 5.3% |
| Rate of salary increases | 5.2%/6.0% | 5.0% | 3.1% |
| Rate of pension increases | 1.5% | 0.0% | 0.8% |
| 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 | 33,080 | 53,591 | 13,458 |
| Decrease due to 1% increase in discount rate | 27,168 | 42,372 | 9,002 |

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 100.94 million to SBM Group DC fund for employees under the defined contribution pension plan (2020: MUR 93.11 million and 2019: MUR 88.41 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 10.79 million for the next financial year and the weighted average duration of the defined benefit obligation is 16 years.

The negative 'past service cost' of MUR 1.31 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.

## 15 Deposits from banks

| | 31 December 2021 MUR' 000 | 31 December 2020 MUR' 000 | 31 December 2019 MUR' 000 |
|---|---|---|---|
| Demand deposits | 1,481,854 | 1,119,661 | 929,357 |

## 16 Deposits from non-bank customers

| | 31 December 2021 MUR' 000 | 31 December 2020 MUR' 000 | 31 December 2019 MUR' 000 |
|---|---|---|---|
| (i) Retail customers | | | |
| Current accounts | 26,005,661 | 22,451,904 | 18,514,354 |
| Savings accounts | 67,926,002 | 60,358,474 | 54,376,651 |
| Time deposits with remaining term to maturity: | | | |
| Up to 3 months | 1,826,819 | 1,780,870 | 1,904,780 |
| Over 3 months and up to 6 months | 1,278,193 | 1,290,770 | 1,281,866 |
| Over 6 months and up to 12 months | 1,465,255 | 1,690,778 | 1,870,138 |
| Over 1 year and up to 5 years | 2,500,142 | 2,379,546 | 2,343,725 |
| Over 5 years | 10,178 | 11,106 | 2,296,622 |
| Total time deposits | 7,080,587 | 7,153,070 | 9,697,131 |
| **Total deposits from retail customers** | 101,012,250 | 89,963,448 | 82,588,136 |
| (ii) Corporate customers | | | |
| Current accounts | 104,793,111 | 68,352,249 | 54,110,610 |
| Savings accounts | 3,463,515 | 4,041,778 | 3,373,764 |
| Time deposits with remaining term to maturity: | | | |
| Up to 3 months | 8,902,072 | 9,234,684 | 9,349,142 |
| Over 3 months and up to 6 months | 2,394,308 | 1,604,487 | 3,642,694 |
| Over 6 months and up to 12 months | 1,221,083 | 2,287,062 | 2,130,624 |
| Over 1 year and up to 5 years | 1,481,318 | 260,557 | 233,830 |
| Total time deposits | 13,998,781 | 13,386,790 | 15,356,290 |
| **Total deposits from corporate customers** | 122,255,407 | 85,780,817 | 72,840,664 |
| (iii) Government | | | |
| Current accounts | 10,252,546 | 7,742,294 | 7,994,530 |
| Savings accounts | 4,299,087 | 3,386,221 | 2,909,782 |
| Time deposits with remaining term to maturity: | | | |
| Up to 3 months | 126,022 | 501 | 6,918,162 |
| Over 3 months and up to 6 months | 1,600 | 126,702 | 1,600 |
| Over 6 months and up to 12 months | 3,304,794 | 3,004,187 | 5,828 |
| Over 1 year and up to 5 years | 277,000 | 100 | - |
| Over 5 years | 122 | - | - |



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

| | 31 December 2021 MUR' 000 | 31 December 2020 MUR' 000 | 31 December 2019 MUR' 000 |
|---|---|---|---|
| Total time deposits | 3,709,538 | 3,131,490 | 6,925,590 |
| **Total deposits from government** | 18,261,171 | 14,260,005 | 17,829,902 |
| **Total deposits from non-bank customers** | 241,528,828 | 190,004,270 | 173,258,702 |

## 17 Other borrowed funds

| | 31 December 2021 MUR' 000 | 31 December 2020 MUR' 000 | 31 December 2019 MUR' 000 |
|---|---|---|---|
| Borrowings from central banks | | | |
| - For refinancing | - | 1,977,685 | - |
| Borrowings from other financial institutions | | | |
| - For refinancing | 916,692 | 3,139,542 | 2,718,585 |
| Borrowings from banks | | | |
| - In Mauritius | 4,358,708 | 3,956,990 | 2,550,602 |
| - Abroad | - | 2,011,734 | 4,871,028 |
| | 5,275,400 | 11,085,951 | 10,140,215 |
| **Remaining term to maturity** | | | |
| Up to 3 months | 4,358,708 | 2,041,212 | 5,767,984 |
| Over 3 months and up to 6 months | - | 3,049,797 | 1,162,205 |
| Over 6 months and up to 12 months | 58,427 | 989,158 | 36,353 |
| Over 1 year and up to 5 years | 364,644 | 4,520,261 | 2,512,345 |
| Over 5 years | 493,621 | 485,523 | 661,328 |
| | 5,275,400 | 11,085,951 | 10,140,215 |

## 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.

## 18 Taxation (cont'd)

*Accounting policy (cont'd)*

***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). A communique issued by the Bank of Mauritius during the year under review clarified that Special Levy should be treated as a tax expense.

The income tax rate applicable for 2019 was 15%. 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.

## 18a Current tax liabilities

| Current tax liabilities can be analysed as follows: | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| At 01 January | 246,774 | 487,139 | 480,633 |
| Income tax expenses | 205,954 | 239,812 | 537,016 |
| Corporate Social Responsibility contribution | 72,749 | 68,986 | 39,410 |
| Bank levy payable | 186,416 | 171,368 | 171,368 |
| Underprovision in prior years | 30,097 | 39,334 | 22,166 |
| Paid during the year (*Note 33*) | (434,103) | (759,865) | (763,454) |
| At 31 December | 307,887 | 246,774 | 487,139 |

## 18b Tax expense

| The total tax expense can also be analysed as follows: | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Income tax expense | 205,954 | 279,146 | 559,182 |
| Deferred tax (credit) / charge (*Note 18d*) | (47,004) | (226,412) | (268,508) |
| Corporate Social Responsibility contribution | 72,749 | 68,986 | 39,410 |
| Bank levy | 216,512 | 171,368 | 171,368 |
| **Total tax expense** | 448,211 | 293,088 | 501,452 |





## 18c Tax reconciliation

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Profit before tax from continuing operations | 2,538,398 | 1,747,002 | 1,001,219 |
| Tax on accounting profit at 7% (2020:7% and 2019:17%) | 177,688 | 122,290 | 150,183 |
| Underprovision in prior years | 30,799 | 39,334 | 22,165 |
| Non allowable expenses | 64,622 | (49,030) | 237,823 |
| Exempt income | (71,453) | (96,638) | (69,986) |
| Corporate Social Responsibility contribution | 72,749 | 68,986 | 39,410 |
| Special levy on banks | 186,416 | 171,368 | 171,368 |
| Tax rate differential | (12,610) | 36,778 | - |
| | 448,211 | 293,088 | 550,963 |
| Foreign tax credit | - | - | (49,511) |
| **Total tax expense** | 448,211 | 293,088 | 501,452 |

## 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:

> 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.

## 18d Deferred tax (assets)/liabilities (cont'd)

*Accounting policy*

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 (2020: 7% & 5% and 2019: 7% & 5%). 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.

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| At 01 January | (497,123) | (219,302) | 163,996 |
| *Charge/(credit) to profit or loss:* | | | |
| - Movement for the year (Note 18b) | (47,004) | (226,412) | (155,921) |
| - Change in tax rate (Note 18b) | - | - | (112,587) |
| *Charge/(credit) to other comprehensive income:* | | | |
| - Remeasurement of retirement benefit obligations | 25,684 | (51,409) | (14,271) |
| - Revaluation of properties | - | - | 9,950 |
| - Change in tax rate | - | - | (110,469) |
| **At 31 December** | (518,443) | (497,123) | (219,302) |





| | 01 January 2019 | Charge/(credit) to profit or loss | Charge/(credit) to OCI | 31 December 2019 |
|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Deferred tax assets | | | | |
| Allowances for credit impairment | (503,857) | 55,435 | - | (448,423) |
| Pension liability | (13,470) | (3,564) | (6,347) | (23,380) |
| Other provisions | (2,454) | (2,313) | - | (4,767) |
| | (519,781) | 49,557 | (6,347) | (476,570) |
| Deferred tax liabilities | | | | |
| Accelerated capital allowances | 484,897 | (315,060) | - | 169,837 |
| Revaluation of property | 198,880 | (3,004) | (108,442) | 87,431 |
| **Net deferred tax assets** | 163,996 | (268,507) | (114,791) | (219,302) |

| | 01 January 2020 | Charge/(credit) to profit or loss | Charge/(credit) to OCI | 31 December 2020 |
|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Deferred tax assets | | | | |
| Allowances for credit impairment | (448,423) | (219,001) | - | (667,424) |
| Pension liability | (23,380) | 24,103 | (51,409) | (50,686) |
| Other provisions | (4,767) | (462) | - | (5,229) |
| | (476,570) | (195,360) | (51,409) | (723,339) |
| Deferred tax liabilities | | | | |
| Accelerated capital allowances | 169,837 | (27,461) | - | 142,376 |
| Revaluation of property | 87,431 | (3,591) | - | 83,840 |
| **Net deferred tax assets** | (219,302) | (226,412) | (51,409) | (497,123) |

| | 01 January 2021 | Charge/(credit) to profit or loss | Charge/(credit) to OCI | 31 December 2021 |
|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Deferred tax assets | | | | |
| Allowances for credit impairment | (667,424) | 7,502 | - | (659,922) |
| Pension liability | (50,686) | (2,057) | 25,684 | (27,059) |
| Other provisions | (5,229) | (1,345) | - | (6,574) |
| | (723,339) | 4,100 | 25,684 | (693,555) |
| Deferred tax liabilities | | | | |
| Accelerated capital allowances | 142,376 | (47,764) | - | 94,612 |
| Revaluation of property | 83,840 | (3,340) | - | 80,500 |
| **Net deferred tax assets** | (497,123) | (47,004) | 25,684 | (518,443) |

## 19 Other liabilities

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Balance due in clearing | 3,074,532 | 2,198,673 | 2,951,306 |
| Bills payable | 273,795 | 190,709 | 342,102 |
| Accruals for expenses | 701,293 | 360,576 | 408,142 |
| Accounts payable | 856,087 | 576,059 | 398,988 |
| Deferred income | 35,118 | 50,734 | 49,134 |
| Balances in transit | 971,002 | 862,898 | 899,889 |
| Others | 41,924 | 14,029 | 27,849 |
| ECL on memorandum items *(Note 22)* | 296,159 | 337,982 | 112,666 |
| | 6,249,910 | 4,591,660 | 5,190,076 |

## 20 Stated capital

| Authorised, issued and paid up share capital | Number' Million | MUR' 000 |
|---|---|---|
| **At 31 December 2021** | 40,000 | 400,000 |
| **At 31 December 2020** | 40,000 | 400,000 |
| **At 31 December 2019** | 40,000 | 400,000 |

| Capital Contribution | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| At 01 January | 11,854,011 | 11,854,011 | 11,044,011 |
| Capital contribution received during the year | - | - | 900,000 |
| Conversion into share capital during the year | - | - | (90,000) |
| **At 31 December** | 11,854,011 | 11,854,011 | 11,854,011 |

Fully paid ordinary shares at no par value 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.

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Cash dividend declared during the year: | | | |
| 2021: 1 cent per share; 2020: Nil and 2019: 3.60 cents per share | 400,000 | - | 1,319,000 |
| Less dividend paid: 2021: 1 cent per share; 2020: Nil and 2019: 3.60 cents per share | (400,000) | - | (1,319,000) |
| Dividend payable | - | - | - |
| Dividend declared after the reporting date: | | | |
| 2021, 2020 & 2019: Nil | - | - | - |

The dividends were paid to SBM (Bank) Holdings Ltd in May 2021.

## 22 Memorandum items

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | 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 | 291,106 | 234,453 | 671,824 |
| Guarantees on account of customers | 9,443,377 | 8,473,986 | 7,118,905 |
| Letters of credit and other obligations on account of customers | 1,144,247 | 457,807 | 362,982 |
| | 10,878,730 | 9,166,246 | 8,153,711 |
| b Commitments | | | |
| Undrawn credit facilities | 11,474,814 | 10,851,199 | 11,675,375 |
| c Others | | | |
| Inward bills held for collection | 195,273 | 96,311 | 144,051 |
| Outward bills sent for collection | 40,871 | 128,759 | 36,135 |
| | 236,144 | 225,070 | 180,186 |
| **Total** | 22,589,688 | 20,242,515 | 20,009,272 |

## 22 Memorandum items (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.

**At 31 December 2021:**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **Internal rating grade** | | | | |
| **Performing** | | | | |
| High grade | 8,779,688 | - | - | 8,779,688 |
| Standard grade | 4,992,002 | 639,980 | - | 5,631,982 |
| Sub-standard grade | 6,594,789 | 1,422,495 | - | 8,017,284 |
| **Non-performing** | | | | |
| Individually impaired | - | - | 160,734 | 160,734 |
| **Total** | 20,366,479 | 2,062,475 | 160,734 | 22,589,688 |

**At 31 December 2020:**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **Internal rating grade** | | | | |
| **Performing** | | | | |
| High grade | 8,435,235 | 7,758 | - | 8,442,993 |
| Standard grade | 4,910,211 | 207,849 | - | 5,118,060 |
| Sub-standard grade | 5,442,588 | 1,049,851 | - | 6,492,439 |
| **Non-performing** | | | | |
| Individually impaired | - | - | 189,023 | 189,023 |
| **Total** | 18,788,034 | 1,265,458 | 189,023 | 20,242,515 |

**At 31 December 2019:**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **Internal rating grade** | | | | |
| **Performing** | | | | |
| High grade | 5,930,298 | 42,486 | - | 5,972,784 |
| Standard grade | 4,837,768 | 1,171,542 | - | 6,009,310 |
| Sub-standard grade | 7,059,695 | 966,478 | - | 8,026,173 |
| **Non-performing** | | | | |
| Individually impaired | - | - | 1,005 | 1,005 |
| **Total** | 17,827,761 | 2,180,506 | 1,005 | 20,009,272 |

Details of the Bank's internal grading system are set out in note 37(b)(i).



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An analysis of changes in the gross carrying amount is as follows:

**At 31 December 2021:**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **Gross carrying amount as at 01 January 2021** | 18,788,034 | 1,265,458 | 189,023 | 20,242,515 |
| Financial assets originated | 11,509,869 | 836,024 | 16,127 | 12,362,020 |
| Assets derecognised or repaid (excluding write offs) | (8,899,577) | (1,069,834) | (45,436) | (10,014,847) |
| Transfers to Stage 1 | 36,031 | (36,031) | - | - |
| Transfers to Stage 2 | (1,067,878) | 1,067,878 | - | - |
| Transfers to Stage 3 | - | (1,020) | 1,020 | - |
| **Gross carrying amount as at 31 December 2021** | 20,366,479 | 2,062,475 | 160,734 | 22,589,688 |

**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** | 17,827,761 | 2,180,506 | 1,005 | 20,009,272 |
| Financial assets originated | 11,989,463 | 436,888 | 61,379 | 12,487,730 |
| 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** | 18,788,034 | 1,265,458 | 189,023 | 20,242,515 |

**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 | 9,887,203 | 1,119,556 | - | 11,006,759 |
| 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** | 17,827,761 | 2,180,506 | 1,005 | 20,009,272 |

An analysis of changes in the corresponding ECL allowances is, as follows:

**At 31 December 2021:**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **ECL allowance as at 01 January 2021** | 83,910 | 108,899 | 145,173 | 337,982 |
| Movement for the year | 57,333 | 21,759 | 28,533 | 107,625 |
| Assets derecognised or repaid (excluding write offs) | (55,876) | (77,427) | (16,144) | (149,447) |
| Transfers to Stage 1 | 244 | (244) | - | - |
| Transfers to Stage 2 | (3,139) | 3,139 | - | - |
| Transfers to Stage 3 | - | (1) | 1 | - |
| **At 31 December 2021** | 82,472 | 56,125 | 157,563 | 296,160 |

## 22 Memorandum items (cont'd)

An analysis of changes in the corresponding ECL allowances is, as follows: (cont'd)

| 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 | 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 |

| 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 | 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 |

The Bank is subject to various legal claims from former employees and customers with claims totalling MUR 746.91 million (2020: MUR 724.8 million and 2019: MUR 584.1 million). Out of these, the Bank has made a provision of only MUR 50.9 million as at 31 December 2021 while for the remaining amount of MUR 696 million, the Bank has not made any provision on the basis that so far there is no indication that the claims would succeed in court.

## 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 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Bank of Mauritius Bonds / Government of Mauritius Bonds | 4,076,830 | 6,555,000 | 70,000 |
| Other investment securities | - | 4,884,628 | - |
| | 4,076,830 | 11,439,628 | 70,000 |
| *Analysed as:* | | | |
| - In Mauritius | 4,076,830 | 6,555,000 | 70,000 |
| - Overseas | - | 4,884,628 | - |
| | 4,076,830 | 11,439,628 | 70,000 |



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## 24 Capital commitments

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Approved and contracted for | 253,694 | 85,901 | 182,952 |
| Approved and not contracted for | 219,578 | 175,288 | 402,998 |

## 25 Net interest income

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Interest Income using the effective interest method | MUR' 000 | MUR' 000 | MUR' 000 |
| Cash and cash equivalents | 9,080 | 34,602 | 125,512 |
| Loans to and placements with banks | 43,189 | 133,551 | 233,578 |
| Loans and advances to non-bank customers | 4,594,240 | 5,017,425 | 5,692,812 |
| Investment securities at amortised cost | 1,072,392 | 804,725 | 719,612 |
| Investment securities at FVTOCI | 739,335 | 945,362 | 1,062,746 |
| | 6,458,236 | 6,935,665 | 7,834,260 |
| **Other interest income** | | | |
| Investment securities measured at FVTPL | 17,103 | 55,390 | 66,790 |
| Derivatives held for risk management | 185,734 | 236,159 | 78,954 |
| | 202,837 | 291,549 | 145,744 |
| **Total interest income** | 6,661,073 | 7,227,214 | 7,980,004 |
| **Interest expense using the effective interest method** | | | |
| Deposits from customers | (446,505) | (780,638) | (1,649,120) |
| Other borrowed funds | (88,451) | (266,058) | (354,307) |
| Interest expense on lease liabilities | (13,144) | (13,761) | (15,064) |
| Other | (30) | (1,746) | (5,038) |
| | (548,130) | (1,062,203) | (2,023,529) |
| **Other interest expense** | | | |
| Derivatives held for risk management | (395,716) | (434,831) | (163,906) |
| | (395,716) | (434,831) | (163,906) |
| **Total interest expense** | (943,846) | (1,497,034) | (2,187,435) |
| **Net interest income** | 5,717,227 | 5,730,180 | 5,792,569 |

## 26 Net fee and commission income

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| **Fee and commission income** | | | |
| Retail banking customer fees | 310,341 | 274,620 | 264,105 |
| Corporate banking customer fees | 409,599 | 309,083 | 393,260 |
| Card income | 357,511 | 359,274 | 400,141 |
| Other | 52,792 | 28,373 | 18,955 |
| **Total fee and commission income** | 1,130,243 | 971,350 | 1,076,461 |
| **Fee and commission expense** | | | |
| Interbank transaction fees | (32,446) | (21,922) | (16,800) |
| Other | (21,184) | (14,778) | (14,916) |
| **Total fee and commission expense** | (53,630) | (36,700) | (31,716) |
| **Net fee and commission income** | 1,076,613 | 934,650 | 1,044,745 |

## 27 Net trading income

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Profit arising on dealings in foreign currencies | 863,851 | 469,488 | 505,120 |
| Fair value movements on debt securities measured at FVTPL | 80,957 | 211,096 | 445,554 |
| Other interest rate instruments | 27,548 | 146,967 | 146,676 |
| | 972,356 | 827,551 | 1,097,350 |

## 28 Net gains/(losses) from financial assets measured at FVTPL

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Financial assets measured at FVTPL | 57,629 | 30,083 | (23,141) |
| Derivatives held for risk management purposes | 170,454 | (59,301) | (69,148) |
| | 228,083 | (29,218) | (92,289) |



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## 29 Net gains on derecognition of financial assets measured at FVTOCI

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| **Debt securities measured at FVTOCI** | 588,098 | 1,203,006 | 224,380 |

The Bank realised significant gains during the year 2020 which was driven by the Bank's treasury management operation.

## 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 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Salaries | 1,388,855 | 1,231,735 | 1,385,696 |
| Other social security obligations | 21,692 | 18,293 | 29,005 |
| Contributions to defined contribution plan | 143,285 | 119,018 | 137,615 |
| Defined benefit plan *(Note 14 (a))* | 60,416 | 39,214 | 32,684 |
| Residual retirement gratuities *(Note 14 (b))* | 24,530 | (84,381) | 30,925 |
| Staff welfare cost | 50,018 | 39,301 | 54,308 |
| Others | 59,428 | 39,037 | 27,605 |
| | 1,748,224 | 1,402,217 | 1,697,838 |

## 31 Other expenses

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Software licensing and other information technology cost | **461,887** | 434,536 | 435,659 |
| Utilities and telephone charges | **52,390** | 51,373 | 66,740 |
| Professional charges | **187,733** | 128,186 | 142,170 |
| Marketing costs | **44,325** | 52,721 | 76,653 |
| Rent, repairs, maintenance and security charges | **187,428** | 125,158 | 131,351 |
| Licence and other registration fees | **26,233** | 24,083 | 24,509 |
| Postage, courier and stationery costs | **47,974** | 44,285 | 50,683 |
| Insurance costs | **53,371** | 42,994 | 43,006 |
| Other* | **285,900** | 105,759 | 123,536 |
| | **1,347,241** | 1,009,095 | 1,094,307 |

** Includes mainly other operational costs*

## 32 Credit loss expense on financial assets & memorandum items

The table below shows the impairment charges recorded in the statement of profit or loss under IFRS 9:

| At 31 December 2021: | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Loans and advances to non-bank customers | **(60,567)** | **493,589** | **1,980,989** | **2,414,011** |
| Loans and placements with banks* | **(9,456)** | **-** | **-** | **(9,456)** |
| Debt instruments measured at amortised cost and FVTOCI** | **(27,674)** | **23,552** | **-** | **(4,122)** |
| Loan commitments | **9,580** | **-** | **-** | **9,580** |
| Off balance sheet items (Guarantees, Letters of credit, Acceptances) | **(11,018)** | **(52,774)** | **12,390** | **(51,402)** |
| **Total credit loss expense under IFRS 9** | **(99,135)** | **464,367** | **1,993,379** | **2,358,611** |
| Bad debts recovered | | | | **(11,093)** |
| | | | | **2,347,518** |

| 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

## 33 Net cash generated from operating activities

| | Notes | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|---|
| | | MUR' 000 | MUR' 000 | MUR' 000 |
| **Operating activities** | | | | |
| Profit for the year | | **2,090,187** | 1,453,914 | 499,767 |
| **Adjustments to determine net cash flows:** | | | | |
| Depreciation of property and equipment | 10 | **149,112** | 150,225 | 143,121 |
| Depreciation of right-of-use assets | 11 | **64,107** | 37,439 | 49,941 |
| Amortisation of intangible assets | 12 | **411,081** | 457,997 | 474,547 |
| Pension expense | | **84,946** | (45,167) | 84,793 |
| Credit loss expense on financial assets | 32 | **2,347,518** | 3,863,072 | 3,606,666 |
| Impairment of non financial assets | 10 | **-** | - | 9,962 |
| Net loss / (gain) on disposal of property and equipment | | **895** | (734) | (884) |
| Tax expense | 18b | **448,211** | 293,088 | 501,452 |
| **Operating profit before working capital changes** | | **5,596,057** | 6,209,834 | 5,369,365 |
| **Change in operating assets and liabilities** | | | | |
| Net change in derivative financial assets | | **194,839** | 114,516 | 8,212 |
| Net change in loans to and placements with banks | | **2,307,666** | 2,048,312 | 4,091,635 |
| Net change in loans and advances to non-bank customers | | **(1,280,589)** | (3,677,294) | (8,655,418) |
| Net change in investment securities | | **(27,300,259)** | (18,934,240) | (22,151,988) |
| Net change in mandatory balances with central bank | | **(1,454,449)** | (423,378) | (558,239) |
| Net change in other assets | | **(81,059)** | 84,970 | 55,377 |
| Net change in deposits from banks | | **362,193** | 190,304 | 133,240 |
| Net change in deposits from non-bank customers | | **51,524,558** | 16,745,568 | 25,727,862 |
| Net change in derivative financial liabilities | | **(599,616)** | 164,299 | 40,099 |
| Net change in other liabilities | | **1,673,316** | (1,067,788) | 548,304 |
| Income tax paid | 18a | **(434,103)** | (759,865) | (763,454) |
| **Net cash generated from operating activities** | | **30,508,554** | 695,238 | 3,844,995 |

## 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 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | | | Restated |
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Tier 1 capital | 16,932,308 | 15,797,392 | 13,915,906 |
| Tier 2 capital | 1,769,065 | 1,837,758 | 1,810,211 |
| Eligible capital base | 18,701,373 | 17,635,150 | 15,726,117 |
| Risk weighted assets | 107,928,694 | 110,653,895 | 106,543,616 |
| Capital adequacy ratio (%) | 17.33 | 15.94 | 14.76 |

Tier 1 Capital also known as going concern capital consists of shareholder's equity less revaluation reserves of fixed assets and regulatory deductions such as intangible assets and deferred tax. Tier 2 Capital also known as the supplementary capital that provides loss absorption on 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 Ltd is SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

## 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.



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| | | 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 2021 | 31 December 2020 | 31 December 2019 | 31 December 2021 | 31 December 2020 | 31 December 2019 | 31 December 2021 | 31 December 2020 | 31 December 2019 |
| | | 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 | 249,021 | 136,309 | 160,402 | - | 2,828,699 | 2,589,191 | 1,565,507 | 1,117,870 | 5,589 |
| | Loans of directors / entities who ceased to be related parties during the year | (916) | (58,891) | (49,167) | - | - | - | - | - | - |
| | Existing loans of new related parties | 30,458 | 39,694 | 17,792 | - | - | - | - | 447,637 | 1,112,281 |
| | Derecognition of associate by the Group | - | - | - | - | (2,828,699) | - | - | - | - |
| | Other net movements | 117,878 | 131,909 | 7,282 | - | - | 239,508 | (118,504) | - | - |
| | Balance at end of year | 396,441 | 249,021 | 136,309 | - | - | 2,828,699 | 1,447,003 | 1,565,507 | 1,117,870 |
| *(ii)* | *Off-balance sheet obligations* | | | | | | | | | |
| | Balance at end of year | - | - | - | - | - | 720,982 | 99,416 | 120,191 | 143,143 |
| (b) | Placements at end of year | - | - | - | - | - | - | 50,616 | 46,223 | 612,969 |
| (c) | Deposits at end of year | 176,476 | 238,137 | 217,086 | - | - | 2,031,404 | 581,895 | 814,437 | 456,481 |
| (d) | Borrowings at end of year | - | - | - | - | - | - | - | 63,528 | 102,813 |
| (e) | Interest income | 7,243 | 6,841 | 6,562 | - | - | 84,331 | 30,846 | 31,174 | 20,495 |
| (f) | Interest expense | 552 | 1,406 | 1,736 | - | - | 29,358 | 51 | 263 | 416 |
| (g) | Other income | 423 | 186 | 34 | - | - | 12,548 | 2,345 | 2,887 | 1 |
| (h) | Emoluments | 24,656 | 26,968 | 32,458 | - | - | - | - | - | - |
| (i) | Payables | - | - | - | - | - | - | 47,158 | 11,787 | - |

Short term benefits amounted to MUR 24.66 million at the reporting date (2020: MUR 26.97 million and 2019: MUR 32.46 million) and long term benefits was nil at the reporting date (2020 and 2019: nil).

## 36 Related party disclosures (cont'd)

Related party transactions in relation to Post Employment Benefit plans are as follows:

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Deposits at end of year | 272,579 | 188,541 | 211,640 |
| Interest expense | - | - | 216 |
| Other income | - | 4 | - |
| Contributions paid | 161,360 | 132,322 | 172,701 |

Transactions of the Bank with the ultimate holding company and the subsidiaries within the Group are disclosed below:

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Net interest income | 28,259 | 44,951 | 20,859 |
| Non interest income | 24,199 | - | - |
| Non-interest expense | (23,011) | - | - |
| Derivative financial instruments (asset) | 109,214 | 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.

The above mentioned outstanding balances arose in the normal course of business. For the year ended 31 December 2021, the Bank has raised expected credit losses for doubtful debts relating to amounts owed by related parties as per ECL model currently being applied on financial assets. At 31 December 2021, none of the facilities to related parties was non-performing (2020: MUR Nil, 2019: MUR Nil). In addition, for the year ended 31 December 2021 the Bank has not written off any amount owed by related party (2020: MUR Nil, 2019: MUR Nil).





## 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. The 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 a full spectrum of risks on an ongoing basis and is accountable to ensure its operations are within board approved policies and risk appetite framework besides regulatory limits. 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 | Classification and measurement category | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|---|
| | | MUR' 000 | MUR' 000 | MUR' 000 |
| Cash and cash equivalents | Amortised Cost | 40,281,422 | 16,749,335 | 15,386,899 |
| Mandatory balances with central bank | Amortised Cost | 11,203,833 | 9,749,384 | 9,326,006 |
| Loans to and placements with banks | Amortised Cost | 837,970 | 3,130,387 | 5,174,088 |
| Derivative financial instruments | Fair value through P&L | 579,946 | 774,785 | 889,301 |
| Loans and advances to non-bank customers | Amortised cost | 97,916,200 | 99,038,527 | 99,025,404 |
| Investment securities | Amortised cost | 51,642,227 | 33,808,788 | 19,339,255 |
| Investment securities | Fair value through OCI | 59,561,809 | 50,175,246 | 42,291,708 |
| Investment securities | Fair value through P&L | 8,188,430 | 9,349,604 | 11,825,756 |
| Equity investments | Fair value through OCI | 6,869 | 4,408 | 3,411 |
| Other assets | Amortised Cost | 535,827 | 533,302 | 626,543 |
| **Total financial assets** | | 270,754,533 | 223,313,766 | 203,888,371 |

## 37 Risk management (cont'd)

### a (i) Classification of financial assets and financial liabilities (cont'd)

| | Classifcation and measurement category | 31 December 2021 MUR' 000 | 31 December 2020 MUR' 000 | 31 December 2019 MUR' 000 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Deposits from banks | Amortised Cost | **1,481,854** | 1,119,661 | 929,357 |
| Deposits from non-bank customers | Amortised Cost | **241,528,828** | 190,004,270 | 173,258,702 |
| Other borrowed funds | Amortised Cost | **5,275,400** | 11,085,951 | 10,140,215 |
| Derivative financial instruments | Fair value through P&L | **565,655** | 1,165,271 | 1,000,972 |
| Other liabilities | Amortised Cost | **6,211,999** | 4,528,646 | 5,225,986 |
| **Total financial liabilities** | | **255,063,736** | 207,903,799 | 190,555,232 |

An amount of MUR 252 million has been excluded from other assets under the above section. (2020: MUR 174 million & 2019: MUR 165 million)

An amount of MUR 38 million has been excluded from other liabilities under the above section. (2020: MUR 63 million & 2019: MUR 36 million)

### a (ii) Fair values

*Accounting policy*

The Bank measures financial instruments, such as, derivatives at fair value at each reporting date. Fair values of financial instruments measured at amortised cost are also disclosed under this note. 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.




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

| | 31 December 2021 | | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | **40,281,422** | **40,281,422** | 16,749,335 | 16,749,335 | 15,386,899 | 15,386,899 |
| Mandatory balances with central bank | **11,203,833** | **11,203,833** | 9,749,384 | 9,749,384 | 9,326,006 | 9,326,006 |
| Loans to and placements with banks | **837,970** | **837,970** | 3,130,387 | 3,130,387 | 5,174,088 | 5,174,088 |
| Derivative financial instruments | **579,946** | **579,946** | 774,785 | 774,785 | 889,301 | 889,301 |
| Loans and advances to non-bank customers | **97,916,200** | **97,731,940** | 99,038,527 | 98,896,719 | 99,025,404 | 98,802,965 |
| Investment securities | **119,392,466** | **117,890,045** | 93,333,638 | 94,899,868 | 73,456,719 | 73,685,769 |
| Equity investments | **6,869** | **6,869** | 4,408 | 4,408 | 3,411 | 3,411 |
| Other assets | **535,827** | **535,827** | 533,302 | 533,302 | 626,543 | 626,543 |
| | **270,754,533** | **269,067,852** | 223,313,766 | 224,738,188 | 203,888,371 | 203,894,982 |
| **Financial liabilities** | | | | | | |
| Deposits from banks | **1,481,854** | **1,481,854** | 1,119,661 | 1,119,661 | 929,357 | 929,357 |
| Deposits from non-bank customers | **241,528,828** | **241,544,814** | 190,004,270 | 190,032,028 | 173,258,702 | 173,257,902 |
| Other borrowed funds | **5,275,400** | **5,275,400** | 11,085,951 | 11,085,951 | 10,140,215 | 10,140,215 |
| Derivative financial instruments | **565,655** | **565,655** | 1,165,271 | 1,165,271 | 1,000,972 | 1,000,972 |
| Other liabilities | **6,211,999** | **6,211,999** | 4,528,646 | 4,528,646 | 5,225,986 | 5,225,986 |
| | **255,063,736** | **255,079,722** | 207,903,799 | 207,931,557 | 190,555,232 | 190,554,432 |

## 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. The Bank fair values its investment in mutual funds using net asset values.

*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.

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.



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### a (iii) Fair value measurement hierarchy

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.

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 | Significant observable inputs | Significant unobservable inputs | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **31 December 2021** | | | | |
| **Derivative financial assets** | - | 579,946 | - | 579,946 |
| **Investment securities mandatorily measured at FVTPL** | | | | |
| Debt securities | 7,622,247 | - | 566,183 | 8,188,430 |
| **Investments at FVTOCI** | | | | |
| Debt securities | 52,648,590 | 5,449,990 | 1,463,229 | 59,561,809 |
| Equity investments | - | - | 6,869 | 6,869 |
| **Total assets** | 60,270,837 | 6,029,936 | 2,036,281 | 68,337,054 |
| **Derivative financial liabilities** | - | 565,655 | - | 565,655 |
| **Total liabilities** | - | 565,655 | - | 565,655 |

## 37 Risk management (cont'd)

### a (iii) Fair value measurement hierarchy (cont'd)

| | Quoted prices in active markets Level 1 | Significant observable inputs Level 2 | Significant unobservable inputs Level 3 | Total |
|---|---|---|---|---|
| **31 December 2020** | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **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 | 45,724,570 | 3,805,254 | 645,422 | 50,175,246 |
| Equity investments | - | - | 4,408 | 4,408 |
| **Total assets** | 54,288,889 | 4,580,039 | 1,435,115 | 60,304,043 |
| **Derivative financial liabilities** | - | 1,165,271 | - | 1,165,271 |
| **Total liabilities** | - | 1,165,271 | - | 1,165,271 |
| **31 December 2019** | | | | |
| **Derivative financial assets** | - | 889,301 | - | 889,301 |
| **Investment securities mandatorily measured at FVTPL** | | | | |
| Debt securities | 11,116,554 | - | 709,202 | 11,825,756 |
| **Investments at FVTOCI** | | | | |
| Debt securities | 38,675,057 | 2,999,631 | 617,020 | 42,291,708 |
| Equity investments | - | - | 3,411 | 3,411 |
| **Total assets** | 49,791,611 | 3,888,932 | 1,329,633 | 55,010,176 |
| **Derivative financial liabilities** | - | 1,000,972 | - | 1,000,972 |
| **Total liabilities** | - | 1,000,972 | - | 1,000,972 |





| Reconciliation of level 3 assets: | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Balance at start of year | **1,435,115** | 1,329,633 | 609,531 |
| Additions | **1,070,997** | 439,658 | 715,064 |
| Disposals | **(532,909)** | (411,256) | (2,493) |
| Fair value movement | **(16,653)** | 77,080 | (11,436) |
| Foreign exchange adjustment | **79,731** | - | 18,967 |
| Balance at end of year | **2,036,281** | 1,435,115 | 1,329,633 |

There was no transfer between levels during the year.

### b Credit risk

The Bank is exposed to credit risk through its lending, trade finance, treasury, investment 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, sovereign, bank, single and group concentration, industry and asset quality. The risk management 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 risk management team 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.

## 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 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Fund-based exposures: | | | |
| Cash and cash equivalents | 37,563,112 | 14,208,901 | 12,974,367 |
| Mandatory balances with central bank | 11,203,833 | 9,749,384 | 9,326,006 |
| Loans to and placements with banks | 843,079 | 3,150,745 | 5,199,057 |
| Derivative financial instruments | 579,946 | 774,785 | 889,301 |
| Loans and advances to non-bank customers | 109,370,271 | 110,475,581 | 106,792,076 |
| Investment securities | 119,427,219 | 93,376,566 | 73,483,267 |
| Other assets | 535,827 | 533,302 | 626,543 |
| | 279,523,287 | 232,269,264 | 209,290,617 |
| Non-fund based exposures: | | | |
| Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers | 11,114,874 | 9,391,316 | 8,333,897 |
| Credit commitments | 11,474,814 | 10,851,199 | 11,675,375 |
| | 22,589,688 | 20,242,515 | 20,009,272 |

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 6, 8 and 9.

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 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Grades: | | | |
| 1 to 3 - High Grade | 49,976,367 | 16,904,833 | 41,019,256 |
| 4 to 6 - Standard | 37,534,694 | 35,889,770 | 42,947,906 |
| 7 to 10 (including unrated) - Sub standard | 30,434,971 | 58,146,344 | 25,994,326 |
| | 117,946,032 | 110,940,947 | 109,961,488 |

Grade 1 includes customers with low credit risk factors, strong financial conditions and excellent repayment capacities whereas grade 10 includes weak category clients and unrated customers which have been defaulted to 10 on a prudent basis due to outdated financials.



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#### 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 2021 | | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|---|---|
| | Gross carrying amount | ECL | Gross carrying amount | ECL | Gross carrying amount | ECL |
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Modified loans | 14,804,598 | 703,996 | 25,441,261 | 353,714 | 12,494,575 | 326,436 |

#### (ii) Credit risk assessment

The credit risk management framework is further supported by the policies and procedures in place to appropriately maintain and validate models to assess and measure ECL.

The Bank uses a combination of credit rating (internal and external) and statistical regression analyses to determine the probability of default. Statistical regression is derived using an analysis of historical data, whereby the Bank has estimated relationships between macro-economic variables, credit risk and credit losses. Country rating is also factored in ECL computation for non-resident counterparties.

#### Governance and post model adjustments

The IFRS 9 PD, EAD and LGD models are subject to the provisioning 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.

#### Internal credit risk ratings

In order to minimise credit risk, the Bank has developed and maintained an internal credit rating model that grades clients 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.

## 37 Risk management (cont'd)

**b Credit risk (cont'd)**

**(ii) Credit risk assessment (cont'd)**

**Internal credit risk ratings (cont'd)**

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 corporate 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.

| Bank's credit risk grades | BoM external rating grade | Standard & Poor's Rating services | Moody's Investors rating | Fitch ratings | Description |
|---|---|---|---|---|---|
| 1 - 3 | 1 | AAA to AA- | Aaa to Aa3 | AAA to AA- | High Grade |
| 4 | 2 | A+ to A - | A1 to A3 | A+ to A - | Standard |
| 5 | 3 | BBB+ to BBB- | Baa1 to Baa3 | BBB+ to BBB- | Standard |
| 6 | 4 | BB+ to BB- | Ba1 to Ba3 | BB+ to BB- | Standard |
| 7 | 5 | B+ to B- | B1 to B3 | B+ to B- | Sub-standard |
| 8 - 10 | 6 | CCC+ to D | Caa1 to D | CCC+ to D | 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.





**1. Inputs, assumptions and techniques used in estimating ECL**

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 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 Bank calculates ECLs based on three scenarios (baseline, upside and down side) 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.

Loan commitments are assessed along with the category of loan the Bank is committed to provide, i.e. commitments to provide corporate loans are assessed using similar criteria to corporate loans.

**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%.

## 37 Risk management (cont'd)

**b Credit risk (cont'd)**

**(ii) Credit risk assessment (cont'd)**

**2. 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 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.

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.

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:

- National Accounts: GDP Discrepency
- National Accounts: Real Gross Capital Formation
- Nominal Bilateral Exchange Rate
- Consumer Price Index (CPI)
- National Accounts: Nominal Gross Domestic Product [GDP] - Purchasing Power Parity [PPP]
- Implicit Price Deflator: Gross Capital Formation
- Labor Force Survey: Unemployment Rate
- Interest rates: Risk Spread
- National Accounts: Real Exports of Goods and Services
- Wage Rate Index - Real
- Interest Rates: 5-year government bond yield
- Terms of trade

In light of COVID-19, SBM reviewed its ECL framework so as to cater for the higher level of uncertainty in markets, both local and across borders. The Bank ensured that in doing so, it remains in line with the many guiding principles released by local and international body on IFRS9 in a COVID-19 context. Adjusting for forward looking information during this unprecedented event, the Bank has factored in post model adjustment to take into account the unlikeliness to pay criteria on certain sectors



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impacted by COVID-19. The adjustment is based on borrowers' non-payment behaviors observed in the current economic environment which may result in an increasing amount of balances becoming past due and having a higher probability of default in the future. The Bank has also considered the recent Russia/Ukraine war and the impact on the macro-economic variables. As these were not captured in the models, an overlay was estimated to measure the increasing uncertainty in the local and international markets triggered by the war. The overlays determined by the Bank are based on the following:

- COVID impacted sectors/facilities (tourism as well as other restructured debts due to COVID-19)
- An analysis of downgrading of ratings as a result of COVID-19 and the recent war
- Recoverability assessment considering the unlikeliness to pay and longer days past due triggered by COVID-19 and the Russia-Ukraine war.

**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.

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.

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:

## 37 Risk management (cont'd)

**b Credit risk (cont'd)**

**(ii) Credit risk assessment (cont'd)**

**Significant increase in credit risk (cont'd)**

- 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.

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.

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.

**3. Measurement of ECL**

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.

The key inputs into the measurement of ECL are the following:

(i) probability of default (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 under measurement of ECL.

(ii) loss given default (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 measurement of ECL.





(iii) exposure at default (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 measurement of ECL.

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.

**PD Estimates**

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.

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 is 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**

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.

Retail, Corporate and SME LGD model uses 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.

## 37 Risk management (cont'd)

**b Credit risk (cont'd)**

**(ii) Credit risk assessment (cont'd)**

**3. Measurement of ECL (cont'd)**

**EAD**

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.

For corporates, segmentation has been done based on local and cross-border categories with credit rating as internal variable. SME has been modelled separately with industry and line of business as internal parameters. Retail on the other hand has been segmented at a product level with different internal parameters such as month-on-book and line of business as suited by the models.

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.

**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.

**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.

**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.

**Individually assessed allowances**

The Bank determines the allowances to be appropriate for each facility assessed on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

**Regulatory provision**

Regulatory provision is conducted in accordance with the Bank of Mauritius Guideline on 'Credit Impairment Measurement and Income Recognition (April 2016)' and' Additional Macroprudential Measures For the Banking Sector (January 2015)' which require the Bank to take a minimum portfolio provision of 1% on standard credits and an additional portfolio provision as a macroprudential policy measure ranging between 0.5% to 1% depending on the sectors. The stage 1 and 2 provision on loans and advances was higher than the minimum portfolio provision.

**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 is 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

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.

## 37 Risk management (cont'd)

**b Credit risk (cont'd)**

**(ii) Credit risk assessment (cont'd)**

**3. Measurement of ECL (cont'd)**

**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.

**4. 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.



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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. 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.

**(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 2021 | 31 December 2020 | 31 December 2019 | Principal Type of collateral held |
|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | |
| **Fund-based exposures:** | | | | |
| Cash and cash equivalents | **37,563,112** | 14,208,901 | 12,974,367 | *Unsecured* |
| Mandatory balances with central bank | **11,203,833** | 9,749,384 | 9,326,006 | *Unsecured* |
| Loans to and placements with banks | **843,079** | 3,150,745 | 5,199,057 | *Unsecured* |
| Derivative financial instruments | **579,946** | 774,785 | 889,301 | *Unsecured* |
| Loans and advances to non-bank customers | **109,370,271** | 110,475,581 | 106,792,076 | *Residential property* |
| Investment securities | **119,427,219** | 93,376,566 | 73,483,267 | *Unsecured* |
| Other assets | **535,827** | 533,302 | 626,543 | *Unsecured* |
| **Non-fund based exposures:** | | | | |
| Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers | **11,114,874** | 9,391,316 | 8,333,897 | *Residential property* |
| Credit commitments | **11,474,814** | 10,851,199 | 11,675,375 | *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.

# 37 Risk management (cont'd)

## b Credit risk (cont'd)

### (iv) Ageing of loans and advances that are past due but not impaired:

| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Up to 1 month | 130,071 | 139,068 | 163,012 |
| Over 1 month and up to 3 months | 490,212 | 502,055 | 346,884 |
| | 620,283 | 641,123 | 509,896 |

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 2021 | | 31 December 2020 | | 31 December 2019 | |
|---|---|---|---|---|---|---|
| | 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) | 70,062,363 | 651,183 | 79,391,828 | 711,750 | 74,249,255 | 651,591 |
| 31-89 days (Stage 2) | 28,424,554 | 1,455,011 | 18,749,944 | 961,423 | 22,224,938 | 1,662,596 |
| **Total** | 98,486,917 | 2,106,194 | 98,141,772 | 1,673,173 | 96,474,193 | 2,314,187 |

### (v) 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 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Loans and advances (Note 8c) | 10,883,354 | 12,333,808 | 10,317,884 |
| Specific allowance held in respect of impaired advances (Note 8c) | 9,347,876 | 9,763,881 | 5,452,485 |
| Fair value of collaterals of impaired advances | 1,795,128 | 2,951,380 | 4,956,827 |





### (vi) 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 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Portfolio** | MUR' 000 | MUR' 000 | MUR' 000 |
| Agriculture | 2,843,509 | 3,227,632 | 3,859,712 |
| Traders | 9,227,334 | 8,042,135 | 7,883,416 |
| Real estate | 5,921,847 | 5,704,924 | 5,150,442 |
| Transport | 3,705,781 | 1,825,995 | 4,012,762 |
| Tourism | 7,564,459 | 8,389,473 | 6,758,321 |
| Financial services | 1,748,745 | 12,870,411 | 6,873,501 |
| | 31,011,675 | 40,060,570 | 34,538,154 |

### (vii) Offsetting financial instruments

*Loans and advances to customers*

The Bank holds cash collateral and marketable securities to mitigate the credit risk of securities lending.

*Derivative financial instruments*

The Bank enters into derivatives bilaterally under International Swaps and Derivatives Association (ISDA) master netting agreements. ISDA Master Netting agreements give either party the legal right of offset on termination of the contract or on default of the other party. The Bank executes a credit support annex in conjunction with each ISDA agreement, which requires the Bank and each counterparty to post collateral to mitigate credit risk. Collateral is also posted as per terms of Credit Support Annex (CSA) in respect of derivatives transacted on exchanges.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 December 2021

## 37 Risk management (cont'd)

### c Liquidity risk (cont'd)

**(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 2021** | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | 40,288,235 | - | - | - | - | - | (6,813) | 40,281,422 |
| Mandatory balances with central bank | 3,004,186 | 337,730 | 62,688 | 304,003 | 129,102 | 7,366,124 | - | 11,203,833 |
| Loans to and placements with banks | - | - | 992 | - | 653,330 | 188,757 | (5,109) | 837,970 |
| Derivative financial instruments | - | - | - | - | - | - | 579,946 | 579,946 |
| Loans and advances to non-bank customers | 4,526,467 | 6,227,491 | 5,882,942 | 9,491,242 | 21,231,325 | 50,496,490 | 60,243 | 97,916,200 |
| Investment securities | 44,777,989 | 2,940,780 | 5,863,347 | 2,750,969 | 15,755,604 | 47,331,661 | (27,884) | 119,392,466 |
| Equity investments | - | - | - | - | - | - | 6,869 | 6,869 |
| Other assets | - | - | - | - | - | - | 535,827 | 535,827 |
| | 92,596,877 | 9,506,001 | 11,809,969 | 12,546,214 | 37,769,361 | 105,383,032 | 1,143,079 | 270,754,533 |
| Financial liabilities | | | | | | | | |
| Deposits from banks | 1,481,854 | - | - | - | - | - | - | 1,481,854 |
| Deposits from non-bank customers | 29,400,868 | 10,294,573 | 4,156,073 | 8,493,807 | 3,534,678 | 185,648,829 | - | 241,528,828 |
| Other borrowed funds | - | 4,410,688 | 22,901 | 74,766 | 248,992 | 518,053 | - | 5,275,400 |
| Derivative financial instruments | - | - | - | - | - | - | 565,655 | 565,655 |
| Other liabilities | - | - | - | - | - | - | 6,211,999 | 6,211,999 |
| **Total financial liabilities** | 30,882,722 | 14,705,261 | 4,178,974 | 8,568,573 | 3,783,670 | 186,166,882 | 6,777,654 | 255,063,736 |
| **Liquidity Gap** | 61,714,155 | (5,199,260) | 7,630,995 | 3,977,641 | 33,985,691 | (80,783,850) | (5,634,575) | 15,690,797 |

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.





| | 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 | 533,488 | 99,038,527 |
| 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 |
| | 57,429,184 | 6,492,393 | 12,607,008 | 15,777,911 | 43,048,041 | 86,173,144 | 1,786,085 | 223,313,766 |
| 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) | (3,907,832) | 15,409,967 |
| **31 December 2019** | | | | | | | | |
| 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 | 3,172,491 | 99,025,404 |
| 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 |
| | 54,550,074 | 9,967,320 | 10,563,796 | 13,590,713 | 35,859,858 | 74,556,772 | 4,799,838 | 203,888,371 |
| 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) | (1,427,120) | 13,333,139 |

## 37 Risk management (cont'd)

### c Liquidity risk (cont'd)

**(ii) The table below shows the remaining contractual maturities of financial liabilities:**

| | On Demand | 1-3 months | 3-6 months | 6-12 months | 1-3 years | Over 3 years | Total |
|---|---|---|---|---|---|---|---|
| Financial liabilities | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Deposits | 218,202,413 | 11,593,073 | 3,522,114 | 5,751,058 | 3,534,678 | 407,346 | 243,010,682 |
| Other borrowed funds | - | 4,410,688 | 22,901 | 74,766 | 248,992 | 518,053 | 5,275,400 |
| Derivative financial instruments | 565,655 | - | - | - | - | - | 565,655 |
| Other liabilities | 6,211,999 | - | - | - | - | - | 6,211,999 |
| **31 December 2021** | 224,980,067 | 16,003,761 | 3,545,015 | 5,825,824 | 3,783,670 | 925,399 | 255,063,736 |
| 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** | 148,336,473 | 24,602,102 | 6,149,799 | 3,979,536 | 4,391,215 | 3,096,107 | 190,555,232 |

### 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.





| 31 December 2021 | Up to 1 month | 3-6 months | 6-12 months | 1-2 years | 2-5 years | Over 5 years | Non-interest sensitive | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Cash and cash equivalents | - | - | - | - | - | - | 40,281,422 | 40,281,422 |
| Mandatory balances with central bank | - | - | - | - | - | - | 11,203,833 | 11,203,833 |
| Loans to and placements with banks | 653,330 | - | - | - | 188,757 | - | (4,117) | 837,970 |
| Derivative financial instruments | - | - | - | - | - | - | 579,946 | 579,946 |
| Loans and advances to non-bank customers | 100,011,978 | 2,302,553 | 2,068,025 | 1,902,149 | 2,517,178 | 519,241 | (11,404,924) | 97,916,200 |
| Investment securities | 12,931,690 | 14,769,658 | 14,882,467 | 15,870,860 | 32,547,098 | 27,187,174 | 1,210,388 | 119,399,335 |
| Other assets | - | - | - | - | - | - | 535,827 | 535,827 |
| **Total assets** | 113,596,998 | 17,072,211 | 16,950,492 | 17,773,009 | 35,253,033 | 27,706,415 | 42,402,375 | 270,754,533 |
| **Liabilities** | | | | | | | | |
| Deposits from banks | - | - | - | - | - | - | 1,481,854 | 1,481,854 |
| Deposits from non-bank customers | 93,690,002 | 3,179,804 | 5,068,577 | 1,561,076 | 1,206,346 | - | 136,823,023 | 241,528,828 |
| Other borrowed funds | 5,272,107 | - | - | - | - | - | 3,293 | 5,275,400 |
| Derivative financial instruments | - | - | - | - | - | - | 565,655 | 565,655 |
| Other liabilities | - | - | - | - | - | - | 6,211,999 | 6,211,999 |
| **Total liabilities** | 98,962,109 | 3,179,804 | 5,068,577 | 1,561,076 | 1,206,346 | - | 145,085,824 | 255,063,736 |
| On balance sheet interest rate sensitivity gap | 14,634,889 | 13,892,407 | 11,881,915 | 16,211,933 | 34,046,687 | 27,706,415 | (102,683,449) | 15,690,797 |
| Off balance sheet interest rate sensitivity gap | 2,743,860 | (1,386,555) | 3,144 | (35,697) | (1,740,368) | 294,143 | - | (121,472) |
| | 17,378,749 | 12,505,853 | 11,885,059 | 16,176,236 | 32,306,320 | 28,000,558 | (102,683,449) | 15,569,325 |

## 37 Risk management (cont'd)

### d Market risk (cont'd)

#### (i) Interest rate risk (cont'd)

| 31 December 2020 | 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 | - | - | - | - | - | - | 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 | (7,061,633) | 99,038,527 |
| 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 | 24,529,292 | 223,313,766 |
| **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 | (80,570,007) | 15,409,967 |
| 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 | (80,570,007) | 15,480,775 |





| 31 December 2019 | 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 | (8,073,725) | 99,025,404 |
| 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 | 18,028,988 | 203,888,371 |
| **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 | (58,044,813) | 13,333,139 |
| 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 | (58,044,813) | 13,586,103 |

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 2021 MUR' 000 | 31 December 2020 MUR' 000 | 31 December 2019 MUR' 000 |
|---|---|---|---|
| Increase/(decrease) in profit | 519,877 | 520,801 | 340,216 |

## 37 Risk management (cont'd)

**d Market risk (cont'd)**

**(i) Interest rate risk (cont'd)**

**Interest rate benchmark reform**

As listed in note 2, the Bank has non derivative financial instruments and fair value hedge relationships affected by the interest rate benchmark reform.

The Bank has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the IBOR regulators. The Financial Conduct Authority (FCA) has confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- Immediately after 31 December 2021, in the case of all Sterling, Euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings
- Immediately after 30 June 2023, in the case of the remaining US dollar settings

In response to the announcements, the Bank has set up an IBOR Transition Working Group comprising of the following work streams: risk Risk Management, Treasury, Legal, Credit Services Unit, Asset and Liability Team, Finance and IT Team. The working group reporting to the Executive Forum was chaired by the Acting Chief Risk Officer.

***Risks arising from the interest rate benchmark reform***

The following are the key risks for the Bank arising from the transition:

Interest rate basis risk: If the bilateral negotiations with the Bank's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply.

Liquidity risk: There are fundamental differences between LIBORs and the various alternative benchmark rates which the Bank will be adopting. LIBORs are forward-looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments which will require additional liquidity management.

Other operational risks to which the Bank is exposed include updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks.



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***Progress towards implementation of alternative benchmark interest rates***

All newly transacted floating rate financial assets and liabilities as from 1 January 2022 will be linked to an alternative benchmark rate as follows:

| Currency | New rates |
|---|---|
| USD | Term SOFR (1m, 3m, and 6m) |
| GBP | Daily SONIA |
| EUR | EURIBOR (1m, 3m and 6m) |

The Bank's team is currently focusing on converting existing contracts in EURO and GBP. Thereafter, the Bank will address the USD exposures.

The Bank is planning to transition the majority of its LIBOR-linked contracts to alternative rates through amendments of existing contracts. There are no changes made in existing contracts at 31 December 2021. The amendments are expected to be implemented as from 1 January 2022.

***Interest rate benchmark transition for non-derivative financial instruments***

| Non derivative financial instrument prior to transition | Maturing in | Nominal currency | Total nominal (MUR) | Hedge accounting | Transition progress |
|---|---|---|---|---|---|
| *Floating rate financial assets* | | FCY'000 | MUR' 000 | | |
| Loan and advances to customers linked to EURO | Between 2022 and 2034 | 163,806 | 8,085,641 | N/A | Expected to transition to EURIBOR in quarter March 2022 |
| Loan and advances to customers linked to GBP | Between 2025 and 2029 | 17,529 | 1,031,385 | N/A | Expected to transition to SONIA in quarter March 2022 |
| Loan and advances to customers linked to USD | Between 2022 and 2031 | 132,111 | 5,754,117 | N/A | Transition discussions in progress |
| Loan and advances to customers linked to USD | Between 2024 and 2033 | 17,196 | 748,958 | Designated in fair value hedge | |
| Trading assets (USD) | Up to March 2034 | 57,024 | 2,483,691 | N/A | Expected to transition to SOFR by June 2023 |
| *Floating rate financial liabilities* | | | | | |
| Term deposits linked to USD | Between 2022 and 2030 | 3,166 | 137,915 | - | Transitioned in January 2022 |
| Term deposits linked to EURO | Between 2022 and 2026 | 6,755 | 333,430 | - | Transitioned in January 2022 |
| Term deposits linked to GBP | Between 2022 and 2025 | 781 | 45,966 | - | Transitioned in January 2022 |

# 37 Risk management (cont'd)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

**Interest rate benchmark reform (cont'd)**

***Interest rate benchmark transition for derivatives and hedge relationships***

The Bank has in issue fixed rate financial instruments which were in a fair value hedge using fixed to floating interest rate swap (IRS) contracts:

| Financial instrument | IRS contracts |
|---|---|
| Loan and advances to customers (Euro fixed rate) | Fixed to floating 3 mths Euro EURIBOR |
| Bonds | Fixed to floating USD SOFR |
| Fixed to floating USD SOFR | Fixed to floating 6 mths USD LIBOR |

The Bank have not yet transitioned the interest rate swaps to alternative risk-free rate, which would be as per ISDA Protocol. However, the Phase 1 amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rate is no longer considered to be separately identifiable.

For Bank's derivatives with nominal amount MUR 2.5 billion that reference to USD LIBOR maturing up to March 2034 but were not designated in hedge relationships, the International Swaps and Derivatives Association's (ISDA) fallback clauses were made available in the first quarter of 2021 and the Bank has signed up to the protocol, along with each of the Bank's counterparties. This ensures all legacy trades will, on cessation of IBOR, follow the fallback clause provided in the protocol.

"The Bank will continue to apply the amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Bank is exposed ends. The Bank expects this uncertainty will continue until the Bank's contracts that reference LIBORs are amended to specify the date on which the interest rate benchmark will be replaced, the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread.





(ii) Fair value hedges

**31 December 2021**

| | Carrying amount of hedged items | | Accumulated amount of fair value adjustments on the hedged items | |
|---|---|---|---|---|
| Micro fair value hedges | Assets MUR' 000 | Liabilities MUR' 000 | Assets MUR' 000 | Liabilities MUR' 000 |
| Fixed rate corporate loans | 4,629,903 | - | 81,206 | - |
| Fixed rate debt instrument | 1,102,733 | - | - | 3,761 |
| Fixed rate non-bank deposits | - | - | - | - |

**31 December 2020**

| | Carrying amount of hedged items individual | | Accumulated amount of fair value adjustments on the hedged items | |
|---|---|---|---|---|
| Micro fair value hedges | Assets MUR' 000 | Liabilities MUR' 000 | Assets MUR' 000 | Liabilities MUR' 000 |
| Fixed rate corporate loans | 6,213,147 | - | 215,796 | - |
| Fixed rate debt instrument | 2,398,849 | - | 21,439 | - |
| Fixed rate non-bank deposits | - | 135,996 | - | - |

**31 December 2019**

| | Carrying amount of hedged items individual | | Accumulated amount of fair value adjustments on the hedged items | |
|---|---|---|---|---|
| Micro fair value hedges | Assets MUR' 000 | Liabilities MUR' 000 | Assets MUR' 000 | Liabilities MUR' 000 |
| Fixed rate corporate loans | 8,179,583 | - | 145,936 | - |
| Fixed rate debt instrument | 2,220,898 | - | 51,242 | - |
| Fixed rate non-bank deposits | - | 153,751 | - | - |

# 37 Risk management (cont'd)

## d Market risk (cont'd)

### (ii) Fair value hedges (cont'd)

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 2021 | | | 31 December 2020 | | | 31 December 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Notional Amount | Carrying Amount | | Notional Amount | Carrying Amount | | Notional Amount | Carrying Amount | |
| Micro fair value hedges | MUR' 000 | Assets MUR' 000 | Liabilities MUR' 000 | MUR' 000 | Assets MUR' 000 | Liabilities MUR' 000 | MUR' 000 | Assets MUR' 000 | Liabilities MUR' 000 |
| Interest rate swaps | 3,106,810 | 3,761 | 80,718 | 7,084,396 | 393 | 235,903 | 12,577,020 | 367 | 280,993 |

The below table sets out the outcome of the Bank's hedging strategy, set out in Notes 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 2021 | | |
|---|---|---|---|---|
| | | Gain/(loss) attributable to the hedged risk | | |
| Hedged items | Hedged items | Hedged items | Hedging instruments | Hedge ineffectiveness |
| **Micro fair value hedge relationships hedging assets** | | | | |
| Fixed rate corporate loans | Interest rate swaps | 81,206 | (80,718) | 488 |
| Fixed rate debt instrument | Interest rate swaps | (3,761) | 3,761 | - |
| **Micro fair value hedge relationships hedging liabilities** | | | | |
| Fixed rate debt instrument | Interest rate swaps | - | - | - |
| **Total micro fair value hedge relationship** | | 77,445 | (76,957) | 488 |





| | | 31 December 2020 | | |
|---|---|---|---|---|
| | | Gain/(loss) attributable to the hedged risk | | |
| Hedged items | Hedged items | 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 |
| Fixed rate debt instrument | Interest rate swaps | 21,439 | (21,439) | - |
| **Micro fair value hedge relationships hedging liabilities** | | | | |
| Fixed rate debt instrument | Interest rate swaps | - | 393 | 393 |
| **Total micro fair value hedge relationship** | | 237,235 | (235,510) | 1,725 |

| | | 31 December 2019 | | |
|---|---|---|---|---|
| | | Gain/(loss) attributable to the hedged risk | | |
| Hedged items | Hedged items | Hedged items | Hedging instruments | Hedge ineffectiveness |
| **Micro fair value hedge relationships hedging assets** | | | | |
| Fixed rate corporate loans | Interest rate swaps | 145,936 | (263,848) | (117,912) |
| Fixed rate debt instrument | Interest rate swaps | 51,242 | (17,145) | 34,097 |
| **Micro fair value hedge relationships hedging liabilities** | | | | |
| Fixed rate debt instrument | Interest rate swaps | - | 367 | 367 |
| **Total micro fair value hedge relationship** | | 197,178 | (280,626) | (83,448) |

## 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:

| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | TOTAL |
|---|---|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **At 31 December 2021:** | | | | | | |
| **Fixed rate corporate loans** | | | | | | |
| Interest rate swap (Notional amount) | - | - | 1,259,190 | 1,267,603 | 580,017 | 3,106,810 |
| **At 31 December 2020:** | | | | | | |
| **Fixed rate corporate loans** | | | | | | |
| 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 |

#### (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.

The tables below show the carrying amounts of the monetary assets and liabilities:

| | MUR | USD | GBP | EURO | INR | KES | OTHER | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **31 December 2021** | | | | | | | | |
| Assets | | | | | | | | |
| Cash and cash equivalents | 2,872,142 | 36,308,963 | 394,496 | 490,374 | 34,233 | 14,644 | 166,570 | 40,281,422 |
| Mandatory balances with central bank | 9,716,310 | 928,952 | 142,879 | 395,785 | - | - | 19,907 | 11,203,833 |
| Loans to and placements with banks | (5,109) | 653,378 | - | 189,701 | - | - | - | 837,970 |
| Derivative financial instruments | 319,077 | 242,109 | 24 | 17 | 7,511 | - | 11,208 | 579,946 |
| Loans and advances to non-bank customers | 63,657,982 | 18,483,320 | 1,220,843 | 14,487,590 | - | - | 66,465 | 97,916,200 |
| Investment securities | 67,994,655 | 49,332,395 | - | 520,243 | 1,552,042 | - | - | 119,399,335 |
| Other assets | 513,820 | 4,966 | (334) | 17,827 | - | - | (452) | 535,827 |
| Total monetary financial assets | 145,068,877 | 105,954,083 | 1,757,908 | 16,101,537 | 1,593,786 | 14,644 | 263,698 | 270,754,533 |
| Liabilities | | | | | | | | |
| Deposits from banks | 631,468 | 374,597 | 3,251 | 435,949 | - | - | 36,589 | 1,481,854 |
| Deposits from non-bank customers | 121,652,919 | 98,262,521 | 3,526,958 | 17,002,628 | - | 11,601 | 1,072,201 | 241,528,828 |
| Other borrowed funds | - | 4,358,708 | - | 916,692 | - | - | - | 5,275,400 |
| Derivative financial instruments | 214,408 | 318,027 | 24 | 6,497 | 23,682 | - | 3,017 | 565,655 |
| Other liabilities | 2,690,110 | 3,226,245 | 42,646 | 210,544 | (2,244) | - | 44,698 | 6,211,999 |
| **Total monetary financial liabilities** | 125,188,905 | 106,540,098 | 3,572,879 | 18,572,310 | 21,438 | 11,601 | 1,156,505 | 255,063,736 |
| On balance sheet position | 19,879,972 | (586,015) | (1,814,971) | (2,470,773) | 1,572,348 | 3,043 | (892,807) | 15,690,797 |
| Off balance sheet position | - | - | - | - | - | - | - | - |
| **Net currency position** | 19,879,972 | (586,015) | (1,814,971) | (2,470,773) | 1,572,348 | 3,043 | (892,807) | 15,690,797 |
| **31 December 2020** | | | | | | | | |
| 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 bank | 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 | 61,012,694 | 21,078,107 | 1,070,714 | 15,844,962 | - | - | 32,050 | 99,038,527 |
| 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** | 138,357,271 | 64,759,144 | 1,246,155 | 17,250,407 | 719,609 | 5,681 | 975,499 | 223,313,766 |
| 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 | 27,884,638 | (11,922,915) | (225,724) | (1,117,560) | 687,723 | 5,645 | 98,160 | 15,409,967 |
| Off balance sheet position | - | 586,875 | - | - | (586,875) | - | - | - |
| **Net currency position** | 27,884,638 | (11,336,040) | (225,724) | (1,117,560) | 100,848 | 5,645 | 98,160 | 15,409,967 |



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## 37 Risk management (cont'd)

### d Market risk (cont'd)

### (iii) Currency risk (cont'd)

| | MUR | USD | GBP | EURO | INR | KES | OTHER | TOTAL |
|---|---|---|---|---|---|---|---|---|
| **31 December 2019** | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| 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 bank | 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 | 60,900,467 | 25,092,232 | 789,635 | 12,178,583 | - | - | 64,487 | 99,025,404 |
| 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** | 127,862,826 | 57,742,557 | 1,436,809 | 15,361,128 | 760,021 | 3,730 | 721,300 | 203,888,371 |
| 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 | 21,977,890 | (9,623,759) | (22,326) | (398,078) | 1,155,043 | 3,736 | 240,633 | 13,333,139 |
| Off balance sheet position | 685,112 | (338,234) | 134,314 | (334,535) | (62,752) | - | (83,905) | - |
| **Net currency position** | 22,663,002 | (9,961,993) | 111,988 | (732,613) | 1,092,291 | 3,736 | 156,728 | 13,333,139 |





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 Group's profit after tax and Equity | | | | | |
|---|---|---|---|---|---|---|
| | USD | GBP | EUR | INR | KES | OTHER |
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **31 December 2021** | | | | | | |
| 5% | (29,301) | (90,749) | (123,539) | 78,617 | 152 | (44,640) |
| -5% | 29,301 | 90,749 | 123,539 | (78,617) | (152) | 44,640 |
| **31 December 2020** | | | | | | |
| 5% | (566,802) | (11,286) | (55,878) | 5,042 | 282 | 4,908 |
| -5% | 566,802 | 11,286 | 55,878 | (5,042) | (282) | (4,908) |
| **31 December 2019** | | | | | | |
| 5% | (498,100) | 5,599 | (36,631) | 54,615 | 187 | 7,836 |
| -5% | 498,100 | (5,599) | 36,631 | (54,615) | (187) | (7,836) |

*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 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Minimum for the year | 393 | 487 | 764 |
| Maximum for the year | 24,032 | 7,608 | 11,027 |
| Year end | 2,834 | 1,495 | 2,933 |

## 37 Risk management (cont'd)

### d Market risk (cont'd)

### (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 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Statement of other comprehensive income | 343 | 220 | 171 |
| Statement of profit or loss | - | - | - |
| | 343 | 220 | 171 |

### 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 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.



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| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Statutory reserve | 400,000 | 400,000 | 400,000 |
| Fair value reserve on financial instruments | (2,214) | 1,242,935 | 283,401 |
| Propert revaluation reserve | 1,255,899 | 1,303,607 | 1,350,561 |
| | 1,653,685 | 2,946,542 | 2,033,962 |

## 39 Maturity analysis of assets and liabilities

| | 31 December 2021 | | |
|---|---|---|---|
| | Current | Non current | Total |
| ASSETS | MUR' 000 | MUR' 000 | MUR' 000 |
| Cash and cash equivalents | 40,281,422 | - | 40,281,422 |
| Mandatory balances with central bank | 11,203,833 | - | 11,203,833 |
| Loans to and placements with banks | - | 837,970 | 837,970 |
| Derivative financial instruments | 75,675 | 504,271 | 579,946 |
| Loans and advances to non-bank customers | 17,711,062 | 80,205,138 | 97,916,200 |
| Investment securities | 41,349,965 | 78,049,370 | 119,399,335 |
| Property and equipment | - | 3,019,187 | 3,019,187 |
| Right-of-use assets | - | 212,037 | 212,037 |
| Intangible assets | - | 1,816,509 | 1,816,509 |
| Deferred tax assets | - | 518,443 | 518,443 |
| Other assets | 787,947 | - | 787,947 |
| **Total assets** | 111,409,904 | 165,162,925 | 276,572,829 |
| **LIABILITIES** | | | |
| Deposits from banks | 1,481,854 | - | 1,481,854 |
| Deposits from non-bank customers | 237,260,068 | 4,268,760 | 241,528,828 |
| Other borrowed funds | 4,417,136 | 858,264 | 5,275,400 |
| Derivative financial instruments | 113,857 | 451,798 | 565,655 |
| Lease liability | 105,997 | 78,668 | 184,665 |
| Current tax liabilities | 307,887 | - | 307,887 |
| Pension liability | - | 395,928 | 395,928 |
| Other liabilities | 6,249,910 | - | 6,249,910 |
| **Total liabilities** | 249,936,709 | 6,053,418 | 255,990,127 |

## 39 Maturity analysis of assets and liabilities (cont'd)

| | 31 December 2020 | | |
|---|---|---|---|
| | Current | Non current | Total |
| ASSETS | MUR' 000 | MUR' 000 | MUR' 000 |
| 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 | 2,293,197 | 837,190 | 3,130,387 |
| Derivative financial instruments | 556,734 | 218,051 | 774,785 |
| Loans and advances to non-bank customers | 17,483,098 | 81,555,429 | 99,038,527 |
| Investment securities | 29,790,165 | 63,547,881 | 93,338,046 |
| Property and equipment | - | 2,582,331 | 2,582,331 |
| Right-of-use assets | - | 255,603 | 255,603 |
| Intangible assets | - | 2,145,280 | 2,145,280 |
| Deferred tax assets | - | 497,123 | 497,123 |
| Other assets | 706,889 | - | 706,889 |
| **Total assets** | 77,328,802 | 151,638,888 | 228,967,690 |
| **LIABILITIES** | | | |
| Deposits from banks | 1,119,661 | - | 1,119,661 |
| Deposits from non-bank customers | 187,352,961 | 2,651,309 | 190,004,270 |
| Other borrowed funds | 6,080,167 | 5,005,784 | 11,085,951 |
| Derivative financial instruments | 776,129 | 389,142 | 1,165,271 |
| Lease liability | 74,537 | 159,053 | 233,590 |
| Current tax liabilities | 246,774 | - | 246,774 |
| Pension liability | - | 724,082 | 724,082 |
| Other liabilities | 4,591,660 | - | 4,591,660 |
| **Total liabilities** | 200,241,889 | 8,929,370 | 209,171,259 |





| | 31 December 2019 | | |
|---|---|---|---|
| | Current | Non current | Total |
| ASSETS | MUR' 000 | MUR' 000 | MUR' 000 |
| Cash and cash equivalents | 15,386,899 | - | 15,386,899 |
| Mandatory balances with central bank | 9,326,006 | - | 9,326,006 |
| Loans to and placements with banks | 4,121,661 | 1,052,427 | 5,174,088 |
| Derivative financial instruments | 724,070 | 165,231 | 889,301 |
| Loans and advances to non-bank customers | 18,440,739 | 80,584,665 | 99,025,404 |
| Investment securities | 28,740,387 | 44,719,744 | 73,460,131 |
| Property and equipment | - | 2,599,568 | 2,599,568 |
| Right-of-use assets | - | 247,168 | 247,168 |
| Intangible assets | - | 2,526,156 | 2,526,156 |
| Deferred tax assets | - | 219,302 | 219,302 |
| Other assets | 791,859 | - | 791,859 |
| **Total assets** | 77,531,621 | 132,114,261 | 209,645,882 |
| **LIABILITIES** | | | |
| Deposits from banks | 929,357 | - | 929,357 |
| Deposits from non-bank customers | 168,384,525 | 4,874,177 | 173,258,702 |
| Other borrowed funds | 6,966,542 | 3,173,673 | 10,140,215 |
| Derivative financial instruments | 543,748 | 457,224 | 1,000,972 |
| Lease liability | 66,649 | 173,531 | 240,180 |
| Current tax liabilities | 487,139 | - | 487,139 |
| Pension liability | - | 334,005 | 334,005 |
| Other liabilities | 5,190,076 | - | 5,190,076 |
| **Total liabilities** | 182,568,036 | 9,012,610 | 191,580,646 |

## 40 Supplementary information as required by the 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 December 2021 MUR' 000 | Segment B 31 December 2021 MUR' 000 | Bank 31 December 2021 MUR' 000 | Segment A 31 December 2020 MUR' 000 | Segment B 31 December 2020 MUR' 000 | Bank 31 December 2020 MUR' 000 | Segment A 31 December 2019 MUR' 000 | Segment B 31 December 2019 MUR' 000 | Bank 31 December 2019 MUR' 000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | |
| Cash and cash equivalents | 40k | 38,509,049 | 1,772,373 | 40,281,422 | 13,077,341 | 3,671,994 | 16,749,335 | 7,614,914 | 7,771,985 | 15,386,899 |
| Mandatory balances with central bank | | 11,203,833 | - | 11,203,833 | 9,749,384 | - | 9,749,384 | 9,326,006 | - | 9,326,006 |
| Loans to and placements with banks | 40l | - | 837,970 | 837,970 | 353,501 | 2,776,886 | 3,130,387 | 2,480,589 | 2,693,499 | 5,174,088 |
| Derivative financial instruments | 40m | 320,197 | 259,749 | 579,946 | 364,754 | 410,031 | 774,785 | 388,365 | 500,936 | 889,301 |
| Loans and advances to non-bank customers | 40n | 82,691,374 | 15,224,826 | 97,916,200 | 78,359,930 | 20,678,597 | 99,038,527 | 75,707,890 | 23,317,514 | 99,025,404 |
| Investment securities | 40o | 68,535,630 | 50,863,705 | 119,399,335 | 55,520,327 | 37,817,719 | 93,338,046 | 49,059,939 | 24,400,191 | 73,460,130 |
| Property and equipment | 40p | 2,753,388 | 265,799 | 3,019,187 | 2,336,948 | 245,383 | 2,582,331 | 2,463,653 | 135,915 | 2,599,568 |
| Right-of-use assets | 40p | 185,258 | 26,779 | 212,037 | 230,030 | 25,573 | 255,603 | 228,598 | 18,570 | 247,168 |
| Intangible assets | 40q | 1,358,690 | 457,819 | 1,816,509 | 1,670,016 | 475,264 | 2,145,280 | 2,300,310 | 225,846 | 2,526,156 |
| Deferred tax assets | | 162,397 | 356,046 | 518,443 | 85,158 | 411,965 | 497,123 | (56,918) | 276,220 | 219,302 |
| Other assets | 40r | 709,164 | 78,783 | 787,947 | 674,650 | 32,239 | 706,889 | 650,905 | 140,954 | 791,859 |
| **Total assets** | | 206,428,980 | 70,143,849 | 276,572,829 | 162,422,039 | 66,545,651 | 228,967,690 | 150,164,251 | 59,481,630 | 209,645,881 |
| **LIABILITIES** | | | | | | | | | | |
| Deposits from banks | 40s | 842,042 | 639,812 | 1,481,854 | 461,051 | 658,610 | 1,119,661 | 458,267 | 471,090 | 929,357 |
| Deposits from non-bank customers | 40t | 143,668,449 | 97,860,379 | 241,528,828 | 124,286,264 | 65,718,006 | 190,004,270 | 116,278,952 | 56,979,750 | 173,258,702 |
| Other borrowed funds | 40u | 4,358,708 | 916,692 | 5,275,400 | 5,934,675 | 5,151,276 | 11,085,951 | 2,550,602 | 7,589,613 | 10,140,215 |
| Derivative financial instruments | 40m | 207,232 | 358,423 | 565,655 | 136,489 | 1,028,782 | 1,165,271 | 245,256 | 755,716 | 1,000,972 |
| Lease liability | | 162,534 | 22,131 | 184,665 | 210,220 | 23,370 | 233,590 | 222,135 | 18,045 | 240,180 |
| Current tax liabilities | | 297,788 | 10,099 | 307,887 | 204,507 | 42,267 | 246,774 | 432,812 | 54,327 | 487,139 |
| Pension liability | | 354,182 | 41,746 | 395,928 | 665,922 | 58,160 | 724,082 | 314,041 | 19,964 | 334,005 |
| Other liabilities | 40v | 2,855,795 | 3,394,115 | 6,249,910 | 2,306,240 | 2,285,420 | 4,591,660 | 2,059,107 | 3,130,969 | 5,190,076 |
| **Total liabilities** | | 152,746,730 | 103,243,397 | 255,990,127 | 134,205,368 | 74,965,891 | 209,171,259 | 122,561,172 | 69,019,474 | 191,580,646 |
| **SHAREHOLDER'S EQUITY** | | | | | | | | | | |
| Stated capital | | | | 400,000 | | | 400,000 | | | 400,000 |
| Capital contribution | | | | 11,854,011 | | | 11,854,011 | | | 11,854,011 |
| Retained earnings | | | | 6,675,006 | | | 4,595,878 | | | 3,777,262 |
| Other reserves | | | | 1,653,685 | | | 2,946,542 | | | 2,033,962 |
| Total equity | | | | 20,582,702 | | | 19,796,431 | | | 18,065,235 |
| **Total liabilities and equity** | | | | 276,572,829 | | | 228,967,690 | | | 209,645,881 |





**b Statement of profit or loss**

| **Continuing operations** | Notes | Segment A 31 December 2021 MUR' 000 | Segment B 31 December 2021 MUR' 000 | Bank 31 December 2021 MUR' 000 | Segment A 31 December 2020 MUR' 000 | Segment B 31 December 2020 MUR' 000 | Bank 31 December 2020 MUR' 000 | Segment A 31 December 2019 MUR' 000 | Segment B 31 December 2019 MUR' 000 | Bank 31 December 2019 MUR' 000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Interest income using the effective interest method | | 5,481,210 | 977,026 | 6,458,236 | 5,437,423 | 1,498,242 | 6,935,665 | 5,861,427 | 1,972,833 | 7,834,260 |
| Other interest and similar income | | 124,221 | 78,616 | 202,837 | 154,253 | 137,296 | 291,549 | 109,649 | 36,095 | 145,744 |
| Interest expense using the effective interest method | | (411,168) | (136,962) | (548,130) | (763,069) | (299,134) | (1,062,203) | (1,396,649) | (626,880) | (2,023,529) |
| Other interest and similar expense | | (80,055) | (315,661) | (395,716) | (79,218) | (355,613) | (434,831) | (15,131) | (148,775) | (163,906) |
| **Net interest income** | 40c | 5,114,208 | 603,019 | 5,717,227 | 4,749,389 | 980,791 | 5,730,180 | 4,559,296 | 1,233,273 | 5,792,569 |
| Fee and commission income | | 917,203 | 213,040 | 1,130,243 | 716,555 | 254,795 | 971,350 | 773,641 | 302,820 | 1,076,461 |
| Fee and commission expense | | (14,564) | (39,066) | (53,630) | (6,305) | (30,395) | (36,700) | 67 | (31,783) | (31,716) |
| **Net fee and commission income** | 40d | 902,639 | 173,974 | 1,076,613 | 710,250 | 224,400 | 934,650 | 773,708 | 271,037 | 1,044,745 |
| **Other Income** | | | | | | | | | | |
| Net trading income | 40e | 749,939 | 222,417 | 972,356 | 842,898 | (15,347) | 827,551 | 774,888 | 322,462 | 1,097,350 |
| Net gains/(losses) from financial assets at fair value through profit or loss | 40f | - | 228,083 | 228,083 | (326) | (28,892) | (29,218) | 23,352 | (115,641) | (92,289) |
| Net gains on derecognition of financial assets measured at fair value through other comprehensive income | | 556,691 | 31,407 | 588,098 | 1,153,329 | 49,677 | 1,203,006 | 223,463 | 917 | 224,380 |
| Other operating income | | 20,362 | 2,942 | 23,304 | 878 | - | 878 | 884 | - | 884 |
| | | 1,326,992 | 484,849 | 1,811,841 | 1,996,779 | 5,438 | 2,002,217 | 1,022,587 | 207,738 | 1,230,325 |

# 40 Supplementary information as required by the Bank of Mauritius (cont'd)

| b Statement of profit or loss (cont'd) | Notes | Segment A 31 December 2021 | Segment B 31 December 2021 | Bank 31 December 2021 | Segment A 31 December 2020 | Segment B 31 December 2020 | Bank 31 December 2020 | Segment A 31 December 2019 | Segment B 31 December 2019 | Bank 31 December 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Continuing operations** | Notes | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **Operating income** | | 7,343,839 | 1,261,842 | 8,605,681 | 7,456,418 | 1,210,629 | 8,667,047 | 6,355,591 | 1,712,048 | 8,067,639 |
| Personnel expenses | 40g | (1,467,261) | (280,963) | (1,748,224) | (1,179,832) | (222,385) | (1,402,217) | (1,492,720) | (205,118) | (1,697,838) |
| Depreciation of property and equipment | | (132,960) | (16,152) | (149,112) | (135,950) | (14,275) | (150,225) | (135,638) | (7,483) | (143,121) |
| Depreciation of right-of-use assets | | (56,424) | (7,683) | (64,107) | (33,693) | (3,746) | (37,439) | (46,189) | (3,752) | (49,941) |
| Amortisation of intangible assets | | (307,476) | (103,605) | (411,081) | (356,533) | (101,464) | (457,997) | (432,121) | (42,426) | (474,547) |
| Other expenses | 40h | (1,146,513) | (200,728) | (1,347,241) | (839,602) | (169,493) | (1,009,095) | (1,001,716) | (92,591) | (1,094,307) |
| **Non-interest expense** | | (3,110,634) | (609,131) | (3,719,765) | (2,545,610) | (511,363) | (3,056,973) | (3,108,384) | (351,370) | (3,459,754) |
| **Profit before net impairment loss** | | 4,233,205 | 652,711 | 4,885,916 | 4,910,808 | 699,266 | 5,610,074 | 3,247,208 | 1,360,677 | 4,607,885 |
| Credit loss expense on financial assets & memorandum items | 40i | (1,073,921) | (1,273,597) | (2,347,518) | (1,181,366) | (2,681,706) | (3,863,072) | (48,881) | (3,557,785) | (3,606,666) |
| **Profit before income tax** | | 3,159,284 | (620,886) | 2,538,398 | 3,729,442 | (1,982,440) | 1,747,002 | 3,198,327 | (2,197,108) | 1,001,219 |
| Tax expense | 40j | (456,661) | 8,450 | (448,211) | (386,566) | 93,478 | (293,088) | (665,539) | 164,087 | (501,452) |
| **Profit for the year** | | 2,702,624 | (612,436) | 2,090,187 | 3,342,876 | (1,888,962) | 1,453,914 | 2,532,788 | (2,033,021) | 499,767 |



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

| c Net interest income | Segment A 31 December 2021 | Segment B 31 December 2021 | Bank 31 December 2021 | Segment A 31 December 2020 | Segment B 31 December 2020 | Bank 31 December 2020 | Segment A 31 December 2019 | Segment B 31 December 2019 | Bank 31 December 2019 |
|---|---|---|---|---|---|---|---|---|---|
| | 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 | 3,850 | 5,230 | 9,080 | 15,512 | 19,090 | 34,602 | 33,533 | 91,979 | 125,512 |
| Loans to and placements with banks | 4,269 | 38,920 | 43,189 | 36,076 | 97,475 | 133,551 | 95,195 | 138,383 | 233,578 |
| Loans and advances to non-bank customers | 3,896,934 | 697,306 | 4,594,240 | 3,982,769 | 1,034,656 | 5,017,425 | 4,374,092 | 1,318,720 | 5,692,812 |
| Investment securities at amortised cost | 995,717 | 76,675 | 1,072,392 | 726,173 | 78,552 | 804,725 | 694,625 | 24,987 | 719,612 |
| Investment securities at FVTOCI | 580,440 | 158,895 | 739,335 | 676,893 | 268,469 | 945,362 | 663,982 | 398,764 | 1,062,746 |
| | 5,481,210 | 977,026 | 6,458,236 | 5,437,423 | 1,498,242 | 6,935,665 | 5,861,427 | 1,972,833 | 7,834,260 |
| **Other interest and similar income** | | | | | | | | | |
| Investment securities measured at FVTPL | 15,906 | 1,197 | 17,103 | 29,871 | 25,519 | 55,390 | 63,383 | 3,407 | 66,790 |
| Derivatives | 108,315 | 77,419 | 185,734 | 124,382 | 111,777 | 236,159 | 46,266 | 32,688 | 78,954 |
| | 124,221 | 78,616 | 202,837 | 154,253 | 137,296 | 291,549 | 109,649 | 36,095 | 145,744 |
| **Total interest and similar income** | 5,605,431 | 1,055,642 | 6,661,073 | 5,591,676 | 1,635,538 | 7,227,214 | 5,971,076 | 2,008,928 | 7,980,004 |
| **Interest expense using the effective interest method** | | | | | | | | | |
| Deposits from customers | (341,334) | (105,171) | (446,505) | (586,773) | (193,865) | (780,638) | (1,235,801) | (413,319) | (1,649,120) |
| Other borrowed funds | (58,265) | (30,186) | (88,451) | (162,535) | (103,523) | (266,058) | (145,784) | (208,523) | (354,307) |
| Lease finance charges | (11,569) | (1,575) | (13,144) | (13,761) | - | (13,761) | (15,064) | - | (15,064) |
| Other | - | (30) | (30) | - | (1,746) | (1,746) | - | (5,038) | (5,038) |
| | (411,168) | (136,962) | (548,130) | (763,069) | (299,134) | (1,062,203) | (1,396,649) | (626,880) | (2,023,529) |
| **Other interest and similar expense** | | | | | | | | | |
| Derivatives | (80,055) | (315,661) | (395,716) | (79,218) | (355,613) | (434,831) | (15,131) | (148,775) | (163,906) |
| | (80,055) | (315,661) | (395,716) | (79,218) | (355,613) | (434,831) | (15,131) | (148,775) | (163,906) |
| **Total interest and similar expense** | (491,223) | (452,623) | (943,846) | (842,287) | (654,747) | (1,497,034) | (1,411,780) | (775,655) | (2,187,435) |
| **Net interest income** | 5,114,208 | 603,019 | 5,717,227 | 4,749,389 | 980,791 | 5,730,180 | 4,559,296 | 1,233,273 | 5,792,569 |
| **d Net fee and commission income** | | | | | | | | | |
| **Fee and commission income** | | | | | | | | | |
| Retail banking customer fees | 298,130 | 12,211 | 310,341 | 246,956 | 27,664 | 274,620 | 236,119 | 27,986 | 264,105 |
| Corporate banking customer fees | 242,945 | 166,654 | 409,599 | 176,409 | 132,674 | 309,083 | 187,165 | 206,095 | 393,260 |
| Card income | 354,265 | 3,246 | 357,511 | 280,931 | 78,343 | 359,274 | 335,246 | 64,895 | 400,141 |
| Other income | 21,863 | 30,929 | 52,792 | 12,259 | 16,114 | 28,373 | 15,111 | 3,844 | 18,955 |
| Total fee and commission income | 917,203 | 213,040 | 1,130,243 | 716,555 | 254,795 | 971,350 | 773,641 | 302,820 | 1,076,461 |

# 40 Supplementary information as required by the Bank of Mauritius (cont'd)

| | Segment A | Segment B | Bank | Segment A | Segment B | Bank | Segment A | Segment B | Bank |
|---|---|---|---|---|---|---|---|---|---|
| | 31 December 2021 | 31 December 2021 | 31 December 2021 | 31 December 2020 | 31 December 2020 | 31 December 2020 | 31 December 2019 | 31 December 2019 | 31 December 2019 |
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **d Net fee and commission income (cont'd)** | | | | | | | | | |
| **Fee and commission expense** | | | | | | | | | |
| Interbank transaction fees | (4,712) | (27,734) | (32,446) | (3) | (21,919) | (21,922) | (401) | (16,399) | (16,800) |
| Other | (9,852) | (11,332) | (21,184) | (6,302) | (8,476) | (14,778) | 468 | (15,384) | (14,916) |
| Total fee and commission expense | (14,564) | (39,066) | (53,630) | (6,305) | (30,395) | (36,700) | 67 | (31,783) | (31,716) |
| **Net fee and commission income** | 902,639 | 173,974 | 1,076,613 | 710,250 | 224,400 | 934,650 | 773,708 | 271,037 | 1,044,745 |
| **e Net trading income** | | | | | | | | | |
| Profit arising on dealings in foreign currencies | 531,252 | 332,599 | 863,851 | 342,041 | 127,447 | 469,488 | 457,244 | 47,876 | 505,120 |
| Fair value movements on debt securities measured at FVTPL | 107,242 | (26,285) | 80,957 | 163,845 | 47,251 | 211,096 | 364,448 | 81,106 | 445,554 |
| Other interest rate instruments | 111,445 | (83,897) | 27,548 | 337,012 | (190,045) | 146,967 | (46,804) | 193,480 | 146,676 |
| | 749,939 | 222,417 | 972,356 | 842,898 | (15,347) | 827,551 | 774,888 | 322,462 | 1,097,350 |
| **f Net gains/(losses) from financial assets at fair value through profit or loss** | | | | | | | | | |
| Financial assets mandatorily measured at fair value through profit or loss | - | 57,629 | 57,629 | - | 30,083 | 30,083 | - | (23,141) | (23,141) |
| Financial assets designated at fair value through profit or loss | - | 170,454 | 170,454 | (326) | (58,975) | (59,301) | 23,352 | (92,500) | (69,148) |
| | - | 228,083 | 228,083 | (326) | (28,892) | (29,218) | 23,352 | (115,641) | (92,289) |
| **g Personnel expenses** | | | | | | | | | |
| Wages and salaries | 1,159,378 | 229,477 | 1,388,855 | 1,036,603 | 195,132 | 1,231,735 | 1,199,792 | 185,904 | 1,385,696 |
| Other social security obligations | 18,577 | 3,115 | 21,692 | 15,685 | 2,608 | 18,293 | 26,582 | 2,423 | 29,005 |
| Contributions to defined contribution plans | 117,556 | 25,729 | 143,285 | 98,704 | 20,314 | 119,018 | 129,128 | 8,487 | 137,615 |
| Increase in liability for defined benefit plans | 55,413 | 5,003 | 60,416 | 36,064 | 3,150 | 39,214 | 30,730 | 1,954 | 32,684 |
| Residual retirement gratuities | 20,112 | 4,418 | 24,530 | (77,603) | (6,778) | (84,381) | 29,077 | 1,848 | 30,925 |
| Staff welfare cost | 44,709 | 5,309 | 50,018 | 35,696 | 3,605 | 39,301 | 52,457 | 1,851 | 54,308 |
| Other | 51,516 | 7,912 | 59,428 | 34,683 | 4,354 | 39,037 | 24,954 | 2,651 | 27,605 |
| | 1,467,261 | 280,963 | 1,748,224 | 1,179,832 | 222,385 | 1,402,217 | 1,492,720 | 205,118 | 1,697,838 |





| | Segment A | Segment B | Bank | Segment A | Segment B | Bank | Segment A | Segment B | Bank |
|---|---|---|---|---|---|---|---|---|---|
| | 31 December 2021 | 31 December 2021 | 31 December 2021 | 31 December 2020 | 31 December 2020 | 31 December 2020 | 31 December 2019 | 31 December 2019 | 31 December 2019 |
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| **h Other expenses** | | | | | | | | | |
| Software licensing and other information technology cost | 358,871 | 103,016 | 461,887 | 333,625 | 100,911 | 434,536 | 384,303 | 51,356 | 435,659 |
| Utilities and telephone charges | 46,537 | 5,853 | 52,390 | 46,384 | 4,989 | 51,373 | 61,236 | 5,504 | 66,740 |
| Professional charges | 162,701 | 25,032 | 187,733 | 103,020 | 25,166 | 128,186 | 126,806 | 15,364 | 142,170 |
| Marketing costs | 38,203 | 6,122 | 44,325 | 46,109 | 6,612 | 52,721 | 76,648 | 5 | 76,653 |
| Rent, repairs, maintenance and security charges | 175,856 | 11,572 | 187,428 | 119,527 | 5,631 | 125,158 | 125,943 | 5,408 | 131,351 |
| Licence and other registration fees | 23,832 | 2,401 | 26,233 | 21,928 | 2,155 | 24,083 | 23,224 | 1,285 | 24,509 |
| Postage, courier and stationery costs | 45,928 | 2,046 | 47,974 | 42,040 | 2,245 | 44,285 | 48,678 | 2,005 | 50,683 |
| Insurance costs | 45,453 | 7,918 | 53,371 | 35,042 | 7,952 | 42,994 | 39,637 | 3,369 | 43,006 |
| Other | 249,132 | 36,768 | 285,900 | 91,927 | 13,832 | 105,759 | 115,241 | 8,295 | 123,536 |
| | 1,146,513 | 200,728 | 1,347,241 | 839,602 | 169,493 | 1,009,095 | 1,001,716 | 92,591 | 1,094,307 |
| **i Credit loss expense on financial assets & memorandum items** | | | | | | | | | |
| Portfolio and specific provisions | 1,106,859 | 1,319,542 | 2,426,401 | 1,094,881 | 2,725,982 | 3,820,863 | 142,022 | 3,545,085 | 3,687,107 |
| Bad debts written off for which no provisions were made | - | - | - | - | - | - | - | - | - |
| Recoveries of advances written off | (2,965) | (8,128) | (11,093) | (2,495) | (47,603) | (50,098) | (39,463) | - | (39,463) |
| Other | (29,973) | (37,817) | (67,790) | 88,980 | 3,327 | 92,307 | (53,678) | 12,700 | (40,978) |
| | 1,073,921 | 1,273,597 | 2,347,518 | 1,181,366 | 2,681,706 | 3,863,072 | 48,881 | 3,557,785 | 3,606,666 |
| *Of which:* | | | | | | | | | |
| *Credit exposure* | 1,103,894 | 1,311,413 | 2,415,307 | 1,092,386 | 2,678,379 | 3,770,765 | 102,559 | 3,545,085 | 3,647,644 |
| *Other financial assets* | (29,973) | (37,816) | (67,789) | 88,980 | 3,327 | 92,307 | (53,678) | 12,700 | (40,978) |
| | 1,073,921 | 1,273,597 | 2,347,518 | 1,181,366 | 2,681,706 | 3,863,072 | 48,881 | 3,557,785 | 3,606,666 |
| **j Tax expense** | | | | | | | | | |
| Income tax expense | 270,323 | (64,369) | 205,954 | 236,879 | 42,267 | 279,146 | 546,804 | 12,378 | 559,182 |
| Deferred tax (income) / charge | (102,923) | 55,919 | (47,004) | (90,667) | (135,745) | (226,412) | (92,043) | (176,465) | (268,508) |
| Corporate Social Responsibility contribution | 72,749 | - | 72,749 | 68,986 | - | 68,986 | 39,410 | - | 39,410 |
| Bank levy | 216,512 | - | 216,512 | 171,368 | - | 171,368 | 171,368 | - | 171,368 |
| | 456,661 | (8,450) | 448,211 | 386,566 | (93,478) | 293,088 | 665,539 | (164,087) | 501,452 |

## 40 Supplementary information as required by the 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 December 2021 | 31 December 2021 | 31 December 2021 | 31 December 2020 | 31 December 2020 | 31 December 2020 | 31 December 2019 | 31 December 2019 | 31 December 2019 |
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Cash in hand | 1,961,952 | - | 1,961,952 | 2,016,619 | - | 2,016,619 | 2,078,284 | - | 2,078,284 |
| Foreign currency notes and coins | 763,171 | - | 763,171 | 524,835 | - | 524,835 | 337,946 | - | 337,946 |
| Unrestricted balances with central banks [1] | 35,790,264 | - | 35,790,264 | 10,536,120 | - | 10,536,120 | 4,167,009 | - | 4,167,009 |
| Loans and placements with banks [2] | - | - | - | - | - | - | 1,035,373 | - | 1,035,373 |
| Balances with banks | - | 1,772,848 | 1,772,848 | - | 3,672,781 | 3,672,781 | - | 7,771,985 | 7,771,985 |
| | 38,515,387 | 1,772,848 | 40,288,235 | 13,077,574 | 3,672,781 | 16,750,355 | 7,618,612 | 7,771,985 | 15,390,597 |
| Less: allowance for credit losses | (6,338) | (475) | (6,813) | (233) | (787) | (1,020) | (3,698) | - | (3,698) |
| | 38,509,049 | 1,772,373 | 40,281,422 | 13,077,341 | 3,671,994 | 16,749,335 | 7,614,914 | 7,771,985 | 15,386,899 |

[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.





**l Loans to and placements with banks**

| | Segment A | Segment B | Bank | Segment A | Segment B | Bank | Segment A | Segment B | Bank |
|---|---|---|---|---|---|---|---|---|---|
| | 31 December 2021 | 31 December 2021 | 31 December 2021 | 31 December 2020 | 31 December 2020 | 31 December 2020 | 31 December 2019 | 31 December 2019 | 31 December 2019 |
| | 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 |
| - outside Mauritius | - | 843,079 | 843,079 | - | 2,797,237 | 2,797,237 | - | 2,717,013 | 2,717,013 |
| | - | 843,079 | 843,079 | 353,508 | 2,797,237 | 3,150,745 | 2,482,044 | 2,717,013 | 5,199,057 |
| Less: allowance for credit losses | - | (5,109) | (5,109) | (7) | (20,351) | (20,358) | (1,455) | (23,514) | (24,969) |
| | - | 837,970 | 837,970 | 353,501 | 2,776,886 | 3,130,387 | 2,480,589 | 2,693,499 | 5,174,088 |
| **Remaining term to maturity** | | | | | | | | | |
| Up to 3 months | - | - | - | 47,293 | - | 47,293 | 522,761 | - | 522,761 |
| Over 3 months and up to 6 months | - | - | - | 306,215 | 951,179 | 1,257,394 | 1,266,377 | 1,237,890 | 2,504,267 |
| Over 6 months and up to 12 months | - | - | - | - | 1,008,868 | 1,008,868 | 339,444 | 780,158 | 1,119,602 |
| Over 1 year and up to 2 years | - | 653,378 | 653,378 | - | - | - | 353,462 | 698,965 | 1,052,427 |
| Over 2 years and up to 5 years | - | 189,701 | 189,701 | - | 837,190 | 837,190 | - | - | - |
| | - | 843,079 | 843,079 | 353,508 | 2,797,237 | 3,150,745 | 2,482,044 | 2,717,013 | 5,199,057 |
| **m Derivative financial instruments** | | | | | | | | | |
| Derivative assets | 320,197 | 259,749 | 579,946 | 364,754 | 410,031 | 774,785 | 388,365 | 500,936 | 889,301 |
| Derivative liabilities | 207,232 | 358,423 | 565,655 | 136,489 | 1,028,782 | 1,165,271 | 245,256 | 755,716 | 1,000,972 |

# 40 Supplementary information as required by the Bank of Mauritius (cont'd)

n Loans and advances to non-bank customers

| | Segment A | Segment B | Bank | Segment A | Segment B | Bank | Segment A | Segment B | Bank |
|---|---|---|---|---|---|---|---|---|---|
| | 31 December 2021 | 31 December 2021 | 31 December 2021 | 31 December 2020 | 31 December 2020 | 31 December 2020 | 31 December 2019 | 31 December 2019 | 31 December 2019 |
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Governments | 9,713 | - | 9,713 | 7,705 | - | 7,705 | 8,515 | - | 8,515 |
| Retail customers | 43,120,555 | 2,369,729 | 45,490,284 | 39,221,070 | 2,084,110 | 41,305,180 | 37,167,761 | 2,196,182 | 39,363,943 |
| Credit cards | 487,962 | 4,502 | 492,464 | 509,230 | 884 | 510,114 | 583,122 | 83 | 583,205 |
| Mortgages | 29,920,268 | 712,691 | 30,632,959 | 26,917,282 | 638,473 | 27,555,755 | 25,118,126 | 369,873 | 25,487,999 |
| Other retail loans | 12,712,325 | 1,652,536 | 14,364,861 | 11,794,558 | 1,444,753 | 13,239,311 | 11,466,513 | 1,826,226 | 13,292,739 |
| Corporate customers | 43,587,558 | 5,637,793 | 49,225,351 | 42,430,454 | 6,481,782 | 48,912,236 | 40,867,940 | 6,682,621 | 47,550,561 |
| Entities outside Mauritius | - | 14,644,923 | 14,644,923 | - | 20,250,460 | 20,250,460 | - | 19,869,057 | 19,869,057 |
| | 86,717,826 | 22,652,445 | 109,370,271 | 81,659,229 | 28,816,352 | 110,475,581 | 78,044,216 | 28,747,860 | 106,792,076 |
| Less allowance for credit impairment | (4,026,452) | (7,427,619) | (11,454,071) | (3,299,299) | (8,137,755) | (11,437,054) | (2,336,326) | (5,430,346) | (7,766,672) |
| | 82,691,374 | 15,224,826 | 97,916,200 | 78,359,930 | 20,678,597 | 99,038,527 | 75,707,890 | 23,317,514 | 99,025,404 |
| **Remaining term to maturity:** | | | | | | | | | |
| Up to 3 months | 7,675,816 | 1,546,025 | 9,221,841 | 7,928,480 | 571,672 | 8,500,152 | 8,908,847 | 508,235 | 9,417,082 |
| Over 3 months and up to 6 months | 2,204,573 | 433,846 | 2,638,419 | 1,804,778 | 1,702,482 | 3,507,260 | 2,118,685 | 818,992 | 2,937,677 |
| Over 6 months and up to 12 months | 4,054,115 | 1,796,687 | 5,850,802 | 4,315,685 | 1,160,001 | 5,475,686 | 4,459,728 | 1,626,252 | 6,085,980 |
| Over 1 year and up to 2 years | 4,584,716 | 21,093 | 4,605,809 | 5,573,870 | 4,320,977 | 9,894,847 | 3,471,676 | 3,418,877 | 6,890,553 |
| Over 2 year and up to 5 years | 14,764,890 | 6,183,565 | 20,948,455 | 13,004,823 | 5,558,740 | 18,563,563 | 12,541,449 | 6,863,430 | 19,404,879 |
| Over 5 years | 53,433,716 | 12,671,229 | 66,104,945 | 49,031,593 | 15,502,480 | 64,534,073 | 46,543,831 | 15,512,074 | 62,055,905 |
| | 86,717,826 | 22,652,445 | 109,370,271 | 81,659,229 | 28,816,352 | 110,475,581 | 78,044,216 | 28,747,860 | 106,792,076 |



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

### Credit loss allowances on loans and advances by industry sectors

| | 31-Dec-2021 | | | | | 31-Dec-2020 | 31-Dec-2019 |
|---|---|---|---|---|---|---|---|
| Segment A | Gross amount of loans | Impaired loans | Stage 3 allowance for credit loss | Stage 1 & 2 allowance for credit loss | Total allowances for credit loss | Total allowances for credit loss | Total allowances for credit loss |
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Agriculture and Fishing | 1,615,327 | 9,394 | 5,842 | 23,031 | 28,873 | 23,437 | 8,570 |
| Manufacturing | 4,043,073 | 177,027 | 173,382 | 43,354 | 216,736 | 221,840 | 182,253 |
| *of which EPZ* | *1,421,007* | *21,156* | *21,156* | *2,867* | *24,023* | *7,998* | *22,601* |
| Tourism | 13,212,652 | 39,890 | 8,112 | 722,564 | 730,676 | 339,706 | 124,487 |
| Transport | 349,681 | 34,224 | 25,492 | 13,574 | 39,066 | 26,643 | 18,007 |
| Construction | 12,207,744 | 565,806 | 491,742 | 347,905 | 839,647 | 737,700 | 288,289 |
| Financial and business services | 3,908,900 | 46,546 | 46,538 | 38,885 | 85,423 | 32,975 | 48,780 |
| Traders | 4,905,525 | 484,246 | 434,126 | 90,544 | 524,670 | 402,275 | 348,685 |
| Personal | 41,438,486 | 1,069,083 | 846,414 | 438,608 | 1,285,022 | 1,102,148 | 1,053,931 |
| *of which credit cards* | *487,962* | *39,793* | *41,960* | *4,770* | *46,730* | *51,975* | *48,219* |
| Professional | 130,815 | 82,760 | 82,760 | 4,144 | 86,904 | 87,347 | 75,451 |
| Others | 4,905,623 | 115,181 | 103,770 | 85,666 | 189,436 | 325,228 | 187,873 |
| | 86,717,826 | 2,624,157 | 2,218,178 | 1,808,274 | 4,026,452 | 3,299,299 | 2,336,326 |
| **Segment B** | | | | | | | |
| Agriculture and Fishing | 911,165 | 911,165 | 484,174 | - | 484,174 | 342,970 | 107,364 |
| Manufacturing | - | - | - | - | - | 18,784 | 12,732 |
| *of which EPZ* | - | - | - | - | - | *18,784* | *12,732* |
| Tourism | 500,812 | - | - | 37,113 | 37,113 | 15,708 | 12,991 |
| Transport | 1,696,485 | - | - | 7,034 | 7,034 | 12,139 | 132,829 |
| Construction | 320,690 | 60,580 | 28,296 | 44,495 | 72,791 | 120,895 | 15,727 |
| Financial and business services | 1,987,465 | - | - | 40,069 | 40,069 | 669,389 | 467,953 |
| Traders | 5,895,928 | 5,893,471 | 5,240,385 | 13 | 5,240,398 | 4,219,738 | 3,373,069 |
| Personal | 2,350,456 | 21,337 | 5,696 | 75,907 | 81,602 | 100,613 | 44,713 |
| *of which credit cards* | *4,502* | *424* | *425* | *30* | *455* | *487* | *36* |
| Professional | - | - | - | - | - | - | 142 |
| Global Business Licence holders | 5,637,793 | 1,372,644 | 1,371,147 | 40,901 | 1,412,048 | 1,110,704 | 646,597 |
| Others | 3,351,651 | - | - | 52,389 | 52,389 | 1,526,815 | 616,229 |
| Total | 22,652,445 | 8,259,197 | 7,129,698 | 297,921 | 7,427,619 | 8,137,755 | 5,430,346 |

## 40 Supplementary information as required by the Bank of Mauritius (cont'd)

o Investment securities

Remaining term to maturity

| Segment A | 31-Dec-2021 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 2020 | 31-Dec 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 mandatorily measured at FVTPL** | | | | | | | | | | | |
| Government bonds and treasury notes | - | - | - | 516 | 106 | 821,169 | 167,962 | - | 989,753 | 706 | 2,350,694 |
| Treasury bills | - | 100 | - | 141,880 | - | - | - | - | 141,980 | 1,023,967 | 1,782,947 |
| Bank of Mauritius bills / Bonds | 509,376 | 153,920 | - | - | 504 | - | - | - | 663,800 | 4,340,511 | 4,252,324 |
| Corporate bonds | - | - | - | - | - | - | - | - | - | - | - |
| | 509,376 | 154,020 | - | 142,396 | 610 | 821,169 | 167,962 | - | 1,795,533 | 5,365,184 | 8,385,965 |
| **(b) Investment securities measured at FVTOCI** | | | | | | | | | | | |
| Government bonds | - | - | - | 69,931 | 847,193 | 5,510,415 | 2,183,788 | - | 8,611,327 | 7,692,656 | 11,406,019 |
| Treasury bills / notes | - | - | - | 9,936 | - | - | - | - | 9,936 | 637,816 | 412,240 |
| Bank of Mauritius bills / Bonds | 999,416 | 257,162 | - | - | - | - | - | - | 1,256,578 | 4,369,223 | 5,671,581 |
| Corporate bonds | - | 401,680 | 601,460 | 25,267 | 557,149 | 3,080,210 | 2,898,700 | - | 7,564,466 | 5,430,647 | 4,597,934 |
| | 999,416 | 658,842 | 601,460 | 105,134 | 1,404,342 | 8,590,625 | 5,082,488 | - | 17,442,307 | 18,130,342 | 22,087,774 |
| **(c) Investment securities at amortised cost** | | | | | | | | | | | |
| Government bonds | 1,499,553 | 3,934,954 | 747,934 | 422,709 | 1,301,856 | 11,484,023 | 15,951,603 | - | 35,342,632 | 18,475,681 | 17,245,042 |
| Treasury bills / notes | - | - | - | - | - | - | - | - | - | 2,196,428 | - |
| Bank of Mauritius bills / Bonds | - | 557 | 172,780 | - | 3,231,062 | 5,471,076 | 4,979,621 | - | 13,855,096 | 11,353,331 | 1,364,246 |
| Corporate bonds | - | - | - | - | - | - | 100,346 | - | 100,346 | - | - |
| Corporate paper and preference shares | - | - | - | - | - | - | - | - | - | - | - |
| | 1,499,553 | 3,935,511 | 920,714 | 422,709 | 4,532,918 | 16,955,099 | 21,031,570 | - | 49,298,074 | 32,025,440 | 18,609,288 |
| Total Segment A | 3,008,345 | 4,748,373 | 1,522,174 | 670,239 | 5,937,870 | 26,366,893 | 26,282,020 | - | 68,535,914 | 55,520,966 | 49,083,027 |
| Less: allowance for credit losses | | | | | | | | | (282) | (642) | (23,088) |
| | | | | | | | | | 68,535,632 | 55,520,324 | 49,059,939 |





| Segment A | 31-Dec-2021 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 2020 | 31-Dec 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 mandatorily measured at FVTPL** | | | | | | | | | | | |
| Government bonds | - | - | - | 1,868,798 | - | - | - | - | 1,868,798 | - | - |
| Treasury bills / notes | - | 827,291 | - | 1,564,746 | - | - | - | - | 2,392,037 | 2,628,290 | 2,236,923 |
| Bank Bonds | - | - | - | - | 85,250 | - | - | - | 85,250 | - | 493,666 |
| Mutual Funds | - | - | - | - | - | - | - | 2,046,812 | 2,046,812 | 1,356,130 | 709,202 |
| | - | 827,291 | - | 3,433,544 | 85,250 | - | - | 2,046,812 | 6,392,897 | 3,984,420 | 3,439,791 |
| **(b) Investment securities measured at FVTOCI** | | | | | | | | | | | |
| Government bonds | 2,764,049 | 653,527 | - | 1,857,586 | 2,089,544 | 131,998 | - | - | 7,496,704 | 5,733,830 | - |
| Treasury bills / notes | 4,355,356 | 8,271,746 | - | 3,042,277 | - | - | - | - | 15,669,379 | 10,140,597 | 9,245,509 |
| Bank bonds | 1,135,094 | 157,488 | 4,116,867 | 536,971 | 6,538,129 | 3,837,908 | - | - | 16,322,457 | 14,919,068 | 10,958,425 |
| Corporate Bonds | - | 117,073 | - | 17,800 | 1,181,740 | 1,314,348 | - | - | 2,630,961 | 1,251,409 | - |
| | 8,254,499 | 9,199,834 | 4,116,867 | 5,454,634 | 9,809,413 | 5,284,254 | - | - | 42,119,501 | 32,049,312 | 20,207,345 |
| **(c) Investment securities measured at FVTOCI** | | | | | | | | | | | |
| Equity shares of companies: | - | - | - | - | - | - | - | 6,869 | 6,869 | 4,408 | 3,411 |
| - Other equity investments | - | - | - | - | - | - | - | 6,869 | 6,869 | 4,408 | 3,411 |
| **(d)Investment securities at amortised cost** | | | | | | | | | | | |
| Government bonds | - | - | - | - | 354,050 | 950,765 | 316,508 | - | 1,621,323 | 1,329,928 | - |
| Bank Bonds | 114,167 | - | - | - | - | 551,616 | 84,932 | - | 750,715 | 491,940 | 753,104 |
| Corporate bonds | - | - | - | - | - | - | - | - | - | - | - |
| | 114,167 | - | - | - | 354,050 | 1,502,381 | 401,440 | - | 2,372,038 | 1,821,868 | 753,104 |
| Total Segment B | 8,368,666 | 10,027,125 | 4,116,867 | 8,888,178 | 10,248,713 | 6,786,635 | 401,440 | 2,046,811 | 50,891,305 | 37,855,600 | 24,400,240 |
| Less: allowance for credit losses | | | | | | | | | (27,601) | (37,878) | (49) |
| | | | | | | | | | 50,863,704 | 37,817,722 | 37,817,722 |
| Total investment securities | 11,377,011 | 14,775,498 | 5,639,041 | 9,558,417 | 16,186,583 | 33,153,528 | 26,683,460 | 2,046,811 | 119,427,219 | 93,376,566 | 73,483,267 |

## 40 Supplementary information as required by the 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 2021** | | | | | | | |
| Segment A | 765,340 | 1,134,784 | 356,520 | 1,560 | 185,258 | 495,184 | 2,938,646 |
| Segment B | 14,206 | 183,552 | 37,057 | 372 | 26,779 | 30,612 | 292,578 |
| **Bank** | 779,546 | 1,318,336 | 393,577 | 1,932 | 212,037 | 525,796 | 3,231,224 |
| **Net book value at 31 December 2020** | | | | | | | |
| Segment A | 716,072 | 1,245,299 | 350,238 | 2,494 | 230,030 | 22,845 | 2,566,978 |
| Segment B | 75,189 | 130,758 | 36,775 | 262 | 25,573 | 2,399 | 270,956 |
| **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 | 760,784 | 1,342,248 | 301,470 | 3,397 | 228,598 | 55,754 | 2,692,251 |
| Segment B | 41,971 | 74,049 | 16,632 | 187 | 18,570 | 3,076 | 154,485 |
| **Bank** | 802,755 | 1,416,297 | 318,102 | 3,584 | 247,168 | 58,830 | 2,846,736 |

**q Intangible assets**

| SOFTWARE | 31-Dec 2021 | 31-Dec 2020 | 31-Dec 2019 |
|---|---|---|---|
| | MUR' 000 | MUR' 000 | MUR' 000 |
| Net Book Value | | | |
| Segment A | 1,358,690 | 1,670,016 | 2,300,310 |
| Segment B | 457,819 | 475,264 | 225,846 |
| Total | 1,816,509 | 2,145,280 | 2,526,156 |

**r Other assets**

| | Segment A | Segment B | Bank | Segment A | Segment B | Bank | Segment A | Segment B | Bank |
|---|---|---|---|---|---|---|---|---|---|
| | 31-Dec 2021 | 31-Dec 2021 | 31-Dec 2021 | 31-Dec 2020 | 31-Dec 2020 | 31-Dec 2020 | 31-Dec 2019 | 31-Dec 2019 | 31-Dec 2019 |
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Accounts receivable | 510,333 | 20,551 | 530,884 | 529,237 | (3,349) | 525,888 | 522,122 | 98,259 | 620,381 |
| Balances due in clearing | 3,033 | - | 3,033 | 4,422 | - | 4,422 | 4,196 | - | 4,196 |
| Prepayments | 156,694 | - | 156,694 | 102,962 | - | 102,962 | 88,252 | - | 88,252 |
| Others | 39,104 | 58,232 | 97,336 | 38,029 | 35,588 | 73,617 | 36,335 | 42,695 | 79,030 |
| | 709,164 | 78,783 | 787,947 | 674,650 | 32,239 | 706,889 | 650,905 | 140,954 | 791,859 |





**s Deposits from banks**

| | Segment A | Segment B | Bank | Segment A | Segment B | Bank | Segment A | Segment B | Bank |
|---|---|---|---|---|---|---|---|---|---|
| | 31-Dec 2021 | 31-Dec 2021 | 31-Dec 2021 | 31-Dec 2020 | 31-Dec 2020 | 31-Dec 2020 | 31-Dec 2019 | 31-Dec 2019 | 31-Dec 2019 |
| | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 | MUR' 000 |
| Demand deposits | 842,042 | 639,812 | 1,481,853 | 461,051 | 658,610 | 1,119,661 | 458,267 | 471,090 | 929,357 |

**t Deposits from non-bank customers**

| | Segment A 31-Dec 2021 | Segment B 31-Dec 2021 | Bank 31-Dec 2021 | 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 |
|---|---|---|---|---|---|---|---|---|---|
| **(i) Retail customers** | | | | | | | | | |
| Current accounts | 22,245,969 | 3,759,692 | 26,005,661 | 18,951,457 | 3,500,447 | 22,451,904 | 15,659,983 | 2,854,371 | 18,514,354 |
| Savings accounts | 66,274,062 | 1,651,940 | 67,926,002 | 58,982,201 | 1,376,273 | 60,358,474 | 52,996,620 | 1,380,031 | 54,376,651 |
| Time deposits with remaining term to maturity: | | | | | | | | | |
| Up to 3 months | 1,250,285 | 576,534 | 1,826,819 | 1,090,392 | 690,478 | 1,780,870 | 1,309,302 | 595,478 | 1,904,780 |
| Over 3 months and up to 6 months | 656,225 | 621,968 | 1,278,193 | 631,984 | 658,786 | 1,290,770 | 790,700 | 491,166 | 1,281,866 |
| Over 6 months and up to 12 months | 1,036,818 | 428,437 | 1,465,255 | 1,247,604 | 443,174 | 1,690,778 | 1,301,660 | 568,478 | 1,870,138 |
| Over 1 year and up to 5 years | 1,986,349 | 513,793 | 2,500,142 | 1,920,584 | 458,962 | 2,379,546 | 1,966,799 | 376,926 | 2,343,725 |
| Over 5 years | 10,118 | 60 | 10,178 | 11,045 | 61 | 11,106 | 8,454 | 2,288,168 | 2,296,622 |
| Total time deposits | 4,939,795 | 2,140,792 | 7,080,587 | 4,901,609 | 2,251,461 | 7,153,070 | 5,376,915 | 4,320,216 | 9,697,131 |
| | 93,459,826 | 7,552,424 | 101,012,250 | 82,835,267 | 7,128,181 | 89,963,448 | 74,033,518 | 8,554,618 | 82,588,136 |
| **(ii) Corporate customers** | | | | | | | | | |
| Current accounts | 24,022,719 | 80,770,392 | 104,793,111 | 16,623,943 | 51,728,306 | 68,352,249 | 17,931,187 | 36,179,423 | 54,110,610 |
| Savings accounts | 3,463,515 | - | 3,463,515 | 4,041,778 | - | 4,041,778 | 3,373,764 | - | 3,373,764 |
| Time deposits with remaining term to maturity: | | | | | | | | | |
| Up to 3 months | 2,702,219 | 6,199,853 | 8,902,072 | 4,154,154 | 5,080,530 | 9,234,684 | 1,496,062 | 7,853,080 | 9,349,142 |
| Over 3 months and up to 6 months | 768,060 | 1,626,248 | 2,394,308 | 881,759 | 722,728 | 1,604,487 | 927,297 | 2,715,397 | 3,642,694 |
| Over 6 months and up to 12 months | 637,235 | 583,848 | 1,221,083 | 1,396,204 | 890,858 | 2,287,062 | 453,392 | 1,677,232 | 2,130,624 |
| Over 1 year and up to 5 years | 353,704 | 1,127,614 | 1,481,318 | 93,154 | 167,403 | 260,557 | 233,830 | - | 233,830 |
| Total time deposits | 4,461,218 | 9,537,563 | 13,998,781 | 6,525,271 | 6,861,519 | 13,386,790 | 3,110,581 | 12,245,709 | 15,356,290 |
| | 31,947,452 | 90,307,955 | 122,255,407 | 27,190,992 | 58,589,825 | 85,780,817 | 24,415,532 | 48,425,132 | 72,840,664 |
| **(ii) Government** | | | | | | | | | |
| Current accounts | 10,252,546 | - | 10,252,546 | 7,742,294 | - | 7,742,294 | 7,994,530 | - | 7,994,530 |
| Savings accounts | 4,299,087 | - | 4,299,087 | 3,386,221 | - | 3,386,221 | 2,909,782 | - | 2,909,782 |
| Time deposits with remaining term to maturity: | | | | | | | | | |
| Up to 3 months | 126,022 | - | 126,022 | 501 | - | 501 | 6,918,162 | - | 6,918,162 |
| Over 3 months and up to 6 months | 1,600 | - | 1,600 | 126,702 | - | 126,702 | 1,600 | - | 1,600 |
| Over 6 months and up to 12 months | 3,304,794 | - | 3,304,794 | 3,004,187 | - | 3,004,187 | 5,828 | - | 5,828 |
| Over 1 year and up to 5 years | 277,000 | - | 277,000 | 100 | - | 100 | - | - | - |
| Over 5 years | 122 | - | 122 | | | | | | |
| Total time deposits | 3,709,538 | - | 3,709,538 | 3,131,490 | - | 3,131,490 | 6,925,590 | - | 6,925,590 |
| | 18,261,171 | - | 18,261,171 | 14,260,005 | - | 14,260,005 | 17,829,902 | - | 17,829,902 |
| | 143,668,449 | 97,860,379 | 241,528,828 | 124,286,264 | 65,718,006 | 190,004,270 | 116,278,952 | 56,979,750 | 173,258,702 |

# NOTES TO THE FINANCIAL STATEMENTS
## For the year ended 31 December 2021

## 40 Supplementary information as required by the Bank of Mauritius (cont'd)

| u Other borrowed funds | Segment A | Segment B | Bank | Segment A | Segment B | Bank | Segment A | Segment B | Bank |
|---|---|---|---|---|---|---|---|---|---|
| | 31-Dec 2021 | 31-Dec 2021 | 31-Dec 2021 | 31-Dec 2020 | 31-Dec 2020 | 31-Dec 2020 | 31-Dec 2019 | 31-Dec 2019 | 31-Dec 2019 |
| | 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 | - | - | - |
| Borrowings from other financial institutions for refinancing | - | 916,692 | 916,692 | - | 3,139,542 | 3,139,542 | - | 2,718,585 | 2,718,585 |
| Borrowings from banks | | | | | | | | | |
| in Mauritius | 4,358,708 | - | 4,358,708 | 3,956,990 | - | 3,956,990 | 2,550,602 | - | 2,550,602 |
| abroad | - | - | - | - | 2,011,734 | 2,011,734 | - | 4,871,028 | 4,871,028 |
| | 4,358,708 | 916,692 | 5,275,400 | 5,934,675 | 5,151,276 | 11,085,951 | 2,550,602 | 7,589,613 | 10,140,215 |
| **v. Other liabilities** | | | | | | | | | |
| Balance due in clearing | 6,162 | 3,068,370 | 3,074,532 | 1,371 | 2,197,302 | 2,198,673 | 86,500 | 2,864,806 | 2,951,306 |
| Bills payable | 273,795 | - | 273,795 | 190,709 | - | 190,709 | 227,170 | 114,932 | 342,102 |
| Accruals for expenses | 701,293 | - | 701,293 | 360,576 | - | 360,576 | 353,473 | 54,669 | 408,142 |
| Accounts payable | 578,138 | 277,949 | 856,087 | 566,389 | 9,670 | 576,059 | 395,263 | 3,725 | 398,988 |
| Deferred income | - | 35,118 | 35,118 | - | 50,734 | 50,734 | - | 49,134 | 49,134 |
| Balances in transit | 971,002 | - | 971,002 | 862,898 | - | 862,898 | 899,889 | - | 899,889 |
| Others | 41,924 | - | 41,924 | 781 | 13,248 | 14,029 | 38,249 | (10,400) | 27,849 |
| ECL on memorandum items | 283,481 | 12,678 | 296,159 | 323,516 | 14,466 | 337,982 | 58,563 | 54,103 | 112,666 |
| | 2,855,795 | 3,394,115 | 6,249,910 | 2,306,239 | 2,285,420 | 4,591,660 | 2,059,107 | 3,130,969 | 5,190,076 |
| **w Memorandum items** | | | | | | | | | |
| *a* Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers | | | | | | | | | |
| Acceptances on account of customers | 271,263 | 19,843 | 291,106 | 234,453 | - | 234,453 | 216,158 | 455,666 | 671,824 |
| Guarantees on account of customers | 8,595,736 | 847,641 | 9,443,377 | 7,674,898 | 799,088 | 8,473,986 | 6,654,784 | 464,121 | 7,118,905 |
| Letters of credit and other obligations on account of customers | 1,076,673 | 67,574 | 1,144,247 | 453,153 | 4,654 | 457,807 | 325,073 | 37,909 | 362,982 |
| | 9,943,672 | 935,058 | 10,878,730 | 8,362,505 | 803,742 | 9,166,247 | 7,196,014 | 957,696 | 8,153,711 |
| *b* Commitments | | | | | | | | | |
| Undrawn credit facilities | 11,137,465 | 337,349 | 11,474,814 | 10,395,104 | 456,095 | 10,851,199 | 8,673,358 | 3,002,017 | 11,675,375 |
| | 11,137,465 | 337,349 | 11,474,814 | 10,395,104 | 456,095 | 10,851,199 | 8,673,358 | 3,002,017 | 11,675,375 |

# ABBREVIATIONS

2FA - Two-factor authentication
AGM - Annual General Meeting
ALCO - Asset and Liability Committee
ALM - Asset Liability Management
AML - Anti-Money Laundering
ARA - Average Retirement Age
ATM - Automatic Teller Machine
BCM - Business Continuity Management
BCP - Business Continuity Planning
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
CEO - Chief Executive Officer
CET1 - Common Equity Tier 1
CFT - Combating the Financing of Terrorism
CGCR Committee - Corporate Governance and Conduct Review Committee
CGU - Cash Generating Unit
CI - Cost to Income
COVID-19 - Coronavirus Disease 2019
CRO – Chief Risk Officer
CPI - Consumer Price Index
CRR - Cash Reserve Ratio
CRM – Customer Relationship Management
CSA - Credit Support Annex
CSK - Commander of the Star and Key of the Indian Ocean
CSR - Corporate Social Responsibility
DC - Defined Contribution
DC/DR - Data Centre/Data Recovery
DRs - Depositary Receipts
D-SIB - Domestic Systemically Important Bank
EAD - Exposure at Default
ECL - Expected Credit Losses
ED - Executive Director
EDR – Endpoint Detection and Response
EF – Executive Forum
EIR - Effective Interest Rate
ERM – Enterprise Risk Management
EOSL - End of Support Life
EUR - Euro
FCA - Financial Conduct Authority
FAFT - Financial Action Task Force
FCCA - Fellow of The Association of Chartered Certified Accountants
FCY - Foreign Currency
FVTOCI - Fair value through other comprehensive income
FVTPL - Fair value through profit or loss
FY - Financial Year
F-IRB - Foundation Internal Ratings Based Approach
FAFT - Financial Action Task Force
FCCA - Fellow of The Association of Chartered Certified Accountants
GBL - Global Business Licence
GBP - British Pound Sterling
GCSK - Grand Commander of the Order of the Star and Key of the Indian Ocean
GDP - Gross Domestic Product
GDPR - General Data Protection Regulation
HQLA - High Quality Liquid Asset
HRD - Human Resources Division
IAS - International Accounting Standards
IASB - International Accounting Standards Board
IBOR - Interest Rate Benchmark Reform
IESBA - International Ethics Standards Board for Accountants
IFRIC - International Financial Reporting Interpretations Committee
IFRS - International Financial Reporting Standards
IMF - International Monetary Fund
INR - Indian Rupee
IRS - Interest Rate Swap

# ABBREVIATIONS (CONT'D)

ISAs - International Standards on Auditing
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
MUR - Mauritian Rupee
NGOs - Non-Governmental Organisations
NED - Non-executive director
NII - Net Interest Income
NPA - Non-Performing Account
NPL - Non-performing loans
NSFR - Net Stable Funding Ratio
OCI - Other Comprehensive Income
ORF - Operational Risk Forum
OTC - Over-the-Counter
PCF - Portfolio and Credit Risk Forum
PD - Probability of Default
PIT - Point in Time
PMA - Post Model Adjustment
PPP - Purchasing Power Parity
REMCO - Remuneration & Nomination Committee
RFR - Risk-Free Rate
ROA - Return on Average Assets
ROE - Return on Average Equity
RPT - Related Party Transactions
RMC – Risk Management Committee

RWA - Risk-Weighted Assets
SADC - Southern African Development Community
SBMBM - SBM Bank (Mauritius) Ltd
SICR - Significant Increase in Credit Risk
SLAs – Service Level Agreements
SME - Small and Medium Enterprise
SOFR - Secured Overnight Financing Rate
SONIA - Sterling Overnight Index Average
SPPI - Sole Payment of Principal and Interest
SSL - Secure Sockets Layer
STP - Straight Through Processing
STWG – Stress Testing Working Group
SWIFT - Society for Worldwide Interbank Financial Telecommunication
S&P - Standard & Poor's
TTC - Through The Cycle
USD - United States Dollar
VAR - Value-at-Risk
VAT - Value Added Tax
WFH - Work From Home
WIP - Work In Progress

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