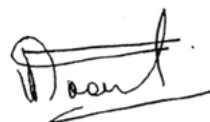


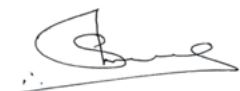


The Directors of SBM Bank (Mauritius) Ltd (“SBM Bank” or the “Bank”) are pleased to present the Annual Report for the year ended 31 December 2022. The Board acknowledges its responsibility for ensuring the integrity of the Annual Report, and has applied its collective mind to the preparation and presentation of this report. The Annual Report was approved by the Board of Directors in March 2023.



Mr VISVANADEN SOONDRAM

Chairman



Mr SANJAIYE RAWOTEEA

Acting Chief Executive Officer

50

years of
golden stories

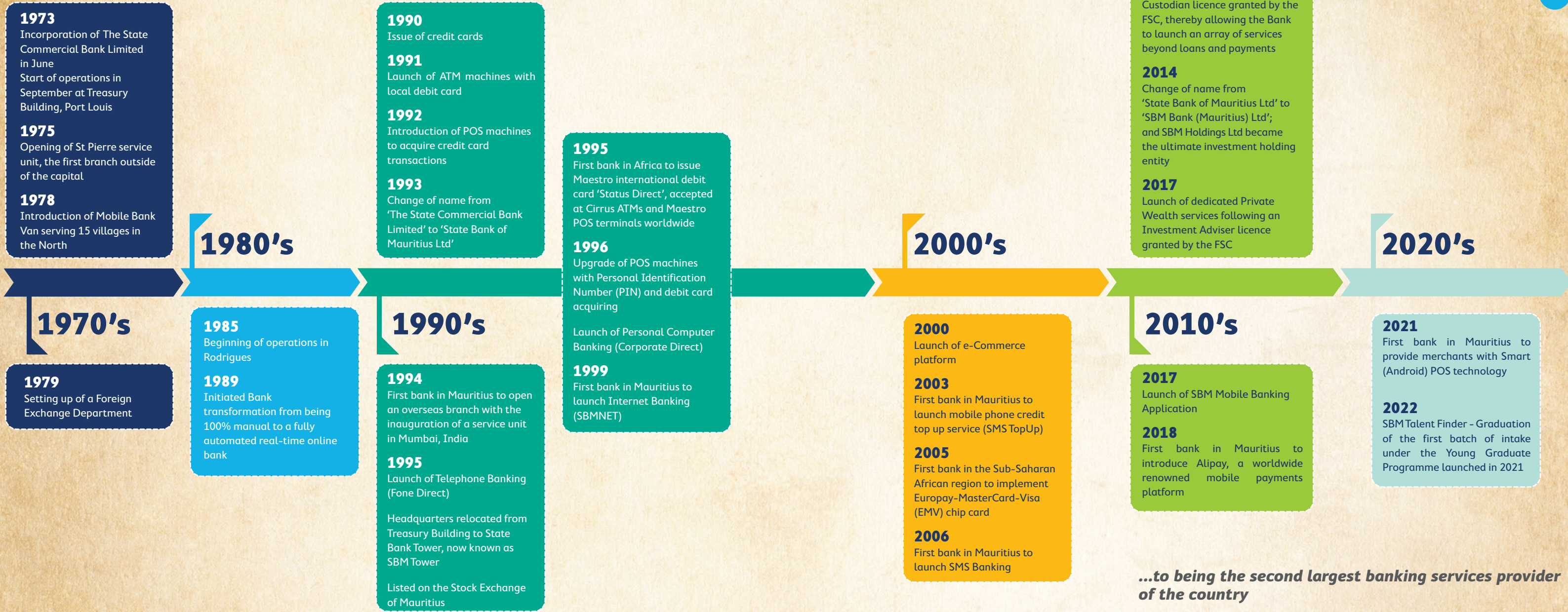
Incorporated on 04 June 1973 under the name of The State Commercial Bank Limited, SBM Bank (Mauritius) Ltd (the “Bank”) has been an unflinching partner of the socio-economic development of Mauritius over the past five decades. The Bank has greatly contributed to the economic emancipation of individuals and small businesses, while fostering greater access to the banking system, especially for populations from rural areas.

Following a first revamp in 1993 when the Bank’s name was changed to State Bank of Mauritius Ltd, 2014 witnessed yet another major evolution when the name ‘SBM Bank (Mauritius) Ltd’ was adopted. This was followed by the roll-out of a new visual identity to highlight the Bank’s increasing focus on digital services and the use of technology to enhance the customer journey and banking experience.

As we celebrate the 50th anniversary of the Bank in 2023, we will deploy several initiatives over the coming months to further entrench our position as one of the country’s leading banking institutions.

Retracing SBM's eventful journey

From our humble beginnings in 1973...

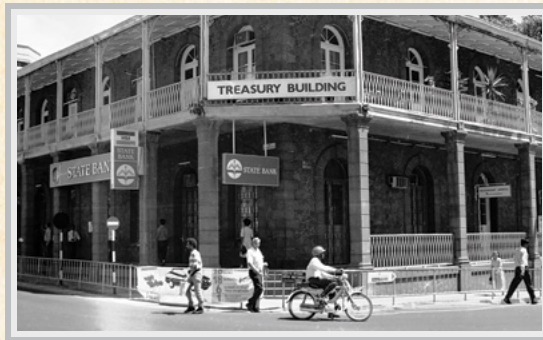


...to being the second largest banking services provider of the country

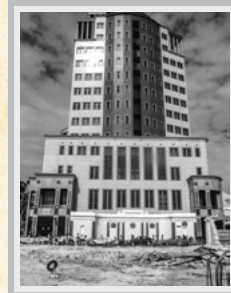
A photographic journey across SBM Bank's history

Every photo tells a story. Every story is different. Ours is a throwback to our humble beginnings and an aperçu of the strong legacy built along the way. The foundation of SBM's success remains the solid and trustworthy relationship we enjoy with our stakeholders, without whom we would not be where we are today.

Back in the year 1973, our story began in a suite of offices in the old Government Treasury Building, Port Louis...



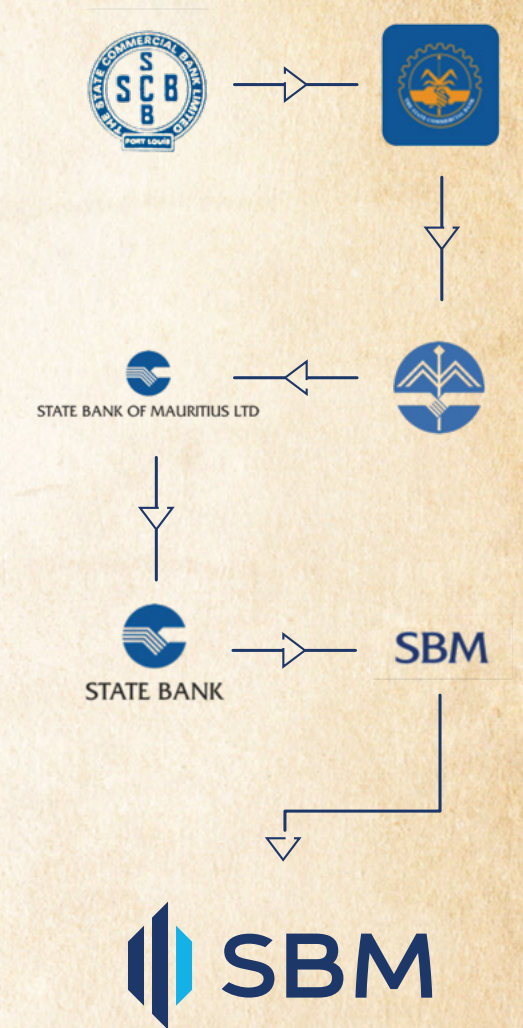
...before building the iconic SBM Tower, while keeping the essence and historical façade of the former Government Printing Office...



...and providing financial services through our mobile bank vans and branches across the island.

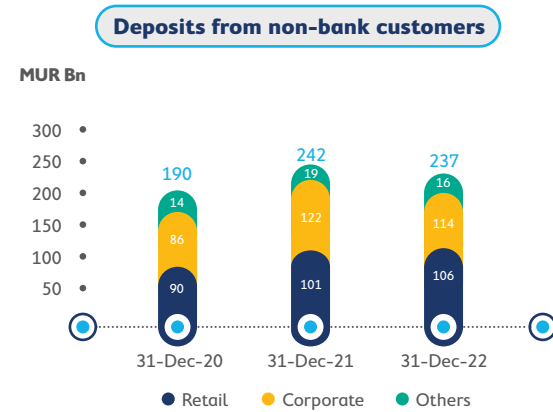
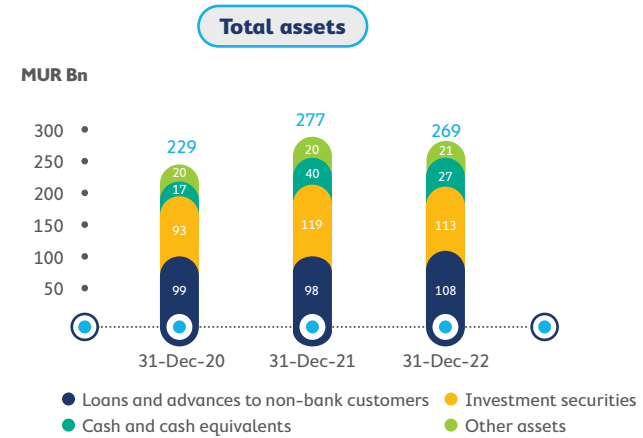
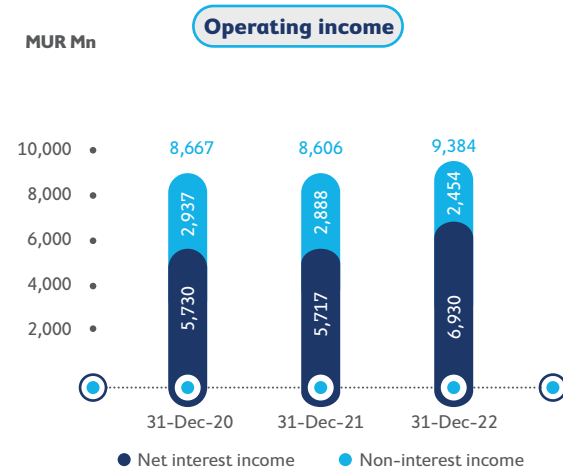
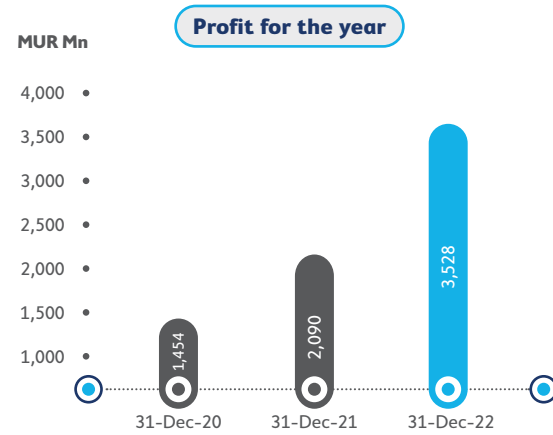


Evolution of Logo

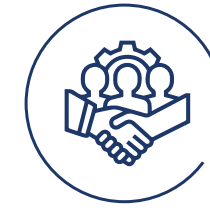


Key Highlights for 2022

A consistent solid financial performance indicative of the pertinence of SBM Bank's strategy...



...with the following key focus areas



Consolidation of domestic business



Prudent management of international business



Strengthening the risk management framework



Enhancement of customer experience



Attract, develop and retain talent

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" Our financial performance in FY 2022 is indicative of the pertinence of our strategic approach."

Chairman's Letter

Dear Stakeholders,

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 2022 ("FY 2022").

Context

After two years of what has been a very challenging time for the economy, Mauritius continued on the journey to recovery in 2022, and SBM Bank (Mauritius) Ltd pursued its role as a staunch supporter of socio-economic development in the country.

Our strategy helped support all customer segments to fully capture the new opportunities that arose in the wake of the COVID-19 pandemic, and we fully braced ourselves, as one of the leading Mauritian banking institutions, to offer new, improved products and services to ensure continuity of operations.

" Nevertheless, SBM Bank has been able to maintain its growth momentum, as evidenced by its financial performance in FY 2022."

During FY 2022, we worked relentlessly to underpin the economic recovery efforts while exploring new ventures to sustain our growth, thus ensuring our role as a key contributor in the Mauritian economy. In 2022, the prevailing high inflation, tightening of monetary policy and the outbreak of the Russia-Ukraine conflict emerged as new challenges. This threat of a world economic crisis heightened the need for a more vigilant approach during the year. Nevertheless, SBM Bank has been able to maintain its growth momentum, as evidenced by its financial performance in FY 2022.

The Bank posted a remarkable profit after tax of MUR 3.5 billion for the year ended 31 December 2022, compared to MUR 2.1 billion for 2021. This is mainly on account of a significant growth of 10.5% in net loans and advances to MUR 108.1 billion, coupled with a lower impairment charge for the year 2022 at MUR 1.2 billion compared to MUR 2.3 billion for 2021. Moreover, our investment securities portfolio remained high at MUR 113.0 billion making up 42.0% of our balance sheet size. Deposits from

non-bank customers stood at MUR 236.9 billion as at 31 December 2022.

Anticipating new trends

"...we will continue rolling out new initiatives on various fronts, while also focussing on more targeted banking solutions..."

Our financial performance in FY 2022 is indicative of the pertinence of our strategic approach. And, in this regard, we will continue rolling out new initiatives on various fronts, while also focussing on more targeted banking solutions to match the needs and expectations of the newer generations of customers.

Adhering to world class standards in banking raises new challenges and we will, once again, rely on our most important asset, our human resources, to help steer the Bank in the relevant direction. While global trends are being set at a remarkably fast pace thanks to the rapid adoption of the latest available technologies, it is of paramount importance for the Bank to ensure it has the adequate pool of talented professionals and experts to embrace the new paradigm of banking.

We will thus focus our efforts on recruiting individuals with the right aptitude, skills and attitude to help the Bank improve its overall market position and commit to the standards that customers expect from a leading domestic bank.

The near future

" It is also vital for us to ensure that we have the relevant resources to face the growing competition on the domestic banking market and to explore new ventures to meet the standards of the day in terms of other market segments we cater to."

We are pursuing the rolling out of our Strategic Plan, not only to reinforce the foundations on which the Bank is built, but also to anticipate upcoming trends that will definitely impact the banking landscape in the coming years.

Chairman's Letter (Cont'd)

It is also vital for us to ensure that we have the relevant resources to face the growing competition on the domestic banking market and to explore new ventures to meet the standards of the day in terms of other market segments we cater to. And I am pleased to note that we have been able to fully adapt to the changing operating environment thanks largely to the adoption of new technologies and a focus on developing new, up-to-date products and services, as well as offering state-of-the-art facilities to underline our commitment towards service excellence.

On the risk management and good governance fronts, we are fully committed to best practices that will help us enhance the customer experience while optimising costs, a prerequisite to advance in the current economic context.

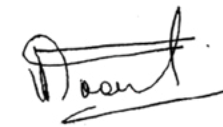
“ As we look ahead to other milestones in the Bank's history, it is important to keep a focus on what has helped SBM Bank become a reference on the domestic banking market, but it is also paramount to keep devising new ways to implement our strategic thinking and align our philosophy to the changing needs of customers”

Together with the Management team of SBM Bank and the dedication of our staff, I have no doubt that we will successfully reach our objectives and even exceed our targets in the coming years. 2023 will mark the Bank's 50th anniversary and we can be proud of our journey during the last five decades. We do not intend, however, to rest on our laurels and revel in our past achievements. As we look ahead to other milestones in the Bank's history, it is important to keep a focus on what has helped SBM Bank become a reference on the domestic banking market, but it is also paramount to keep devising new ways to implement our strategic thinking and align our philosophy to the changing needs of customers.

Words of appreciation

On this note, I would like to commend the Management team, staff, and partners for their contribution towards steering the Bank in new directions and the success that characterises SBM Bank. I would also like to extend my gratitude to my fellow Directors for their guidance and advice, which have helped the Bank in reaching its objectives. Last but not least, I would like to extend my gratitude to our stakeholders for their support, and our customers for their loyalty and trust.

As we enter yet another era for banking, we will continue to navigate SBM Bank through these challenging times, explore new ways of doing business and pave the path to greater heights.



VISVANADEN SOONDRAM

Chairman of the Board





" Our purpose of fulfilling the needs of our stakeholders and supporting the progress of the community drove our strategies across the Bank."

Acting Chief Executive Officer's Letter

Dear Valued Partners,

Following two years of global pandemic which heavily disrupted the socio-economic fabric along with the challenges brought forth by the Russia-Ukraine conflict, SBM Bank (Mauritius) Ltd forged ahead with renewed agility. Throughout this transition, our purpose of fulfilling the needs of our stakeholders and supporting the progress of the community drove our strategies across the Bank. We endorsed our role as an important player in the country's financial landscape and guided our clients through economic uncertainties.

" Amidst these changing paradigms, we wielded our expertise, leadership and balance sheet to support our clients in reaching their financial goals."

In 2022, the Bank proved that adversities are often rife with opportunities. Faced with new and emerging risks, we had to constantly reinvent our business models while pursuing our risk containment strategy by cautiously managing our cross-border risk appetite. We also implemented strategic cost-optimisation initiatives to streamline our processes and enhance value creation. This stance has allowed the Bank to strike the balance between prevention and preparation as well as response and recovery, thus allowing us to strengthen our resilience which is a key element to manage vulnerabilities.

Amidst these changing paradigms, we wielded our expertise, leadership and balance sheet to support our clients in reaching their financial goals. Across our different lines of businesses, we took measures to deepen our relationships with our current customers and to earn the trust of new ones. Putting the needs of our stakeholders at the crux of our operating strategy allowed us to fully embrace the new paradigm.

To achieve and sustain growth in an economic environment that was still marked by numerous challenges, the Management team, with the support of all staff members, rolled out several initiatives in line with our three-year strategic plan that comprised precise measures aimed at strengthening our position in key market segments.

With the implementation of these initiatives, SBM Bank allowed its customers to rebuild their financial health while helping the Bank grow its footprint on the domestic market. Moreover, in our endeavour to support local SMEs, we organised three Open Days in strategic locations across the country to reach potential clients and accompany them throughout their entrepreneurial journey. We launched an integrated campaign across several channels to promote this initiative. For its Private Banking & Wealth Management clients, SBM Bank further consolidated its position within the Mauritian banking landscape by pushing forth its dedicated service, a reduced turnaround time and an array of tailor-made high-end products for this segment.

We further developed our digital strategy to provide a seamless customer-centric experience encompassing both in-person and online touchpoints. The digitalisation of our services is a constant focus of the Bank with the aim of offering a seamless banking experience while maintaining world-class standards in all our service units through our ongoing branch renovation exercise. With an uplifted modern and contemporary setting, SBM Bank attuned itself to its customer base by providing them with the ease and convenience that are synonymous with our brand.

In addition to supporting its clients in their endeavours, SBM Bank also fully played its role as an employer of choice by offering the opportunity to young graduates to embrace a career in the banking industry. As such, the Bank onboarded a total of 12 fresh graduates who were part of the SBM Talent Finder Programme. Through this initiative, we not only empowered the local youth by offering them a platform to showcase their capabilities, but also broadened our in-house talent pool with new competencies.

We extended benefits and initiatives to bolster the health and well-being of our employees and their families. In addition to having daily sports and wellness activities for our staff at SBM Park, we also organised several events for our staff such as a wellness week comprising numerous workshops covering many topics such as Mental Health/Stress Management, Nutrition and Balanced Diet, among others.

Acting Chief Executive Officer's Letter (Cont'd)

Along with meeting the needs of our different stakeholders, we also advanced in our purpose of supporting the development of the community at large. We have successfully played our role as a regular contributor to the well-being of society. We sponsored several initiatives across the country aimed at encouraging people of all ages, especially the younger generations, to take part in sports and wellness activities. 2022 saw several prominent sponsorship projects such as the 12th edition of the CJSOI Games, of which we were the platinum sponsor, the SBM Mauritius Gymkhana Grass Tennis Open 2022, and the SBM Golf Invitational 2022. In June, we also sponsored a major continental event, the 22nd edition of the African Senior Championships in Athletics.

In 2022, the Bank also won several major accolades, including the trophies for “Best Private Bank” and “Best Retail Customer Services Bank” at the International Finance Awards 2022. It was ranked 5th in the Top 10 Employer Brands in Mauritius at the Brand Magic Summit 2022.

Performance: Building on sturdy foundations

The financial results of 2022 were in accordance with the adaptive strategies implemented. Our purpose-driven approach led to a profit after tax of MUR 3.5 billion for the year ended 31 December 2022, a substantial increase of 68.8% over the results of 2021.

SBM Bank ended 2022 with an operating income of MUR 9.4 billion, 9.0% higher than the corresponding period of the previous year despite the lower net gains on the derecognition of financial assets measured at fair value. This strong performance was carried by the rise in net interest income and net fees and commission income of 21.2% and 11.1% respectively. While the non-interest expense rose by 12.6%, SBM Bank grew its profit before credit loss by 6.4% to reach MUR 5.2 billion in 2022.

Our total assets stood at MUR 269.1 billion as at 31 December 2022, a drop of MUR 7.5 billion from 31 December 2021. Our net loans and advances grew by 10.4% (MUR 10.2 billion), and our deposit base stood at MUR 238.6 billion. Our investment securities portfolio represented 42.0% of the total asset base as at 31 December 2022.

As at 31 December 2022, shareholder's equity totalled MUR 21.7 billion.

The Tier 1 capital ratio stood at 15.3% and the total Capital Adequacy Ratio at 16.9%. The Bank fully respected the regulatory requirement of total CAR of 14.5% and a Tier 1 capital ratio of 12.5%, which includes a 2.5% capital conservation buffer and a 2.0% loss absorbency requirement for domestic systemically important banks.

Economic Outlook: Moving forward

The transition in the economic landscape has paved the way for an increasingly ambiguous and disruptive environment. Therefore, the IMF has projected that global growth will decelerate from 3.4% in 2022 to 2.9% in 2023.

With regards to Mauritius, the economic situation is gradually getting back to shape, with the country witnessing year-on-year real positive quarterly GDP growth rates in 2022. Promisingly, the tourism industry recorded a significant upturn, with spillover effects on other areas of the economy. Furthermore, the manufacturing, financial services, construction, wholesale and retail trade sectors maintained good momentum, and prospects are quite promising going forward. However, the risks for growth outlook are tilted to the downside, with the country likely to be exposed to a demanding global environment, amidst the war in Ukraine, volatile financial and commodity markets as well as higher interest rates. Hence, the local economic situation needs to be constantly monitored.

“...we will continue to build our resilience and improve our value proposition...”

Therefore, we will continue to build our resilience and improve our value proposition, backed by innovation and technological adoption in order to navigate the new normal effectively. We will move forward with our long-term vision and purpose as the guiding thread throughout our different strategies, operations and initiatives while continuously assessing the environment to manage the critical vulnerabilities.

In this regard, we will continue to strengthen the foundations which have helped the Bank secure its position over the years, to the point where it can now be considered a homegrown multinational organisation. As we pursue the rolling out of our strategic plans through carefully selected initiatives

and a renewed focus on innovation, SBM Bank also carries the mandate to explore new markets and develop highly sophisticated products as a way to better meet the expectations of new generations of customers, while ensuring healthy cost-optimisation in terms of our business processes.

Our ambition is to become the reference in terms of domestic banking while consolidating our position in all other segments, including Corporate Banking, SME Banking, and Private Banking. To achieve this, we are looking into new ways to reinforce our teams, bringing in new talents and ensuring that they have the adequate training so as to help in the implementation of all strategic initiatives, including but not limited to our aim to fully embrace the digitalisation of services to better respond to current and future trends in banking.

2023 will mark the 50th anniversary of SBM Bank. During these five decades, the Bank has emerged as one of the most important players in the country's financial landscape. As I look back on the numerous accomplishments and commendable growth over these past fifty years, I thank all stakeholders who have been part of this journey. I am proud of how our people have stepped up and delivered despite the challenges faced; they truly embody our core values: Customer-centricity, Trustworthiness, Integrity, Respect and Prudence.

As we begin this new milestone, we aim to maintain our position as one of the leading and most trusted financial services providers. We aspire to build on our purpose of fulfilling the needs of our stakeholders and supporting the progress of the country. I am confident that, together, we can successfully bring this vision to fruition.



SANJAIYE RAWOTEEA

Acting Chief Executive Officer

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 starting from 01 January 2022 till 31 December 2022. Some material events arising after this date until approval of the Annual Report by the Board of Directors of SBM Bank (Mauritius) Ltd have also been included in our reporting.



Assurance

Financial and several non-financial aspects of this report are independently assured. The report of the external auditor on our financial statements and specific non-financial indicators is on page 189 of this report.



Cautionary Statements

In this report, the Bank has made various forward-looking statements with respect to its financial position, business strategy and management objectives among others. Such forward-looking statements are identified by the use of words such as 'expects', 'estimates', 'anticipates', 'believes', 'intends', 'plans', 'forecasts', 'projects' or words or phrases of a similar nature.

By their nature, forward-looking statements require the Bank to make assumptions and are subject to inherent risks and uncertainties. There is a risk that predictions and other forward-looking statements may not prove to be accurate. Readers of this report are thus cautioned not to place undue reliance on forward-looking statements as a number of factors could cause future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed therein.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including, but not limited to, interest rate and currency value fluctuations, local and global industry evolution, economic and political conditions, pandemic situations and other force majeure, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Bank operates, as well as management actions and technological changes. The list of factors is not exhaustive and when relying on forward-looking statements to make decisions with respect to the Bank, investors and other parties should carefully consider these factors, as well as the inherent uncertainty of forward-looking statements and other uncertainties and potential events. The Bank does not undertake to update any forward-looking statement that may be made, from time to time, by the organisation or on its behalf.

Corporate Profile

Who we are

SBM Bank (Mauritius) Ltd is one of the prominent banking institutions in Mauritius, with an extensive range of products and services. A pioneer in digital banking, SBM Bank was established in June 1973 as The State Commercial Bank of Mauritius Ltd. Over the past five decades, the Bank has devised up-to-date banking solutions based on the principles of proximity and market expectations. As a reliable partner of the country's socio-economic growth, the Bank has helped to foster access to banking services to a large number of the population. SBM Bank now operates 40 modern branches and 4 counters across Mauritius and Rodrigues, as well as the most extensive network of ATMs in the country. The multichannel capabilities of SBM Bank are serviced through a workforce of over 1,600 employees committed to enhancing the Bank's focus on service excellence and building long-lasting relationships with all stakeholders, while contributing to the progress of the community. Its domestic market share as at 31 December 2022 stood at 26.7% (2021: 26.5%) for total advances (excluding GBL) and 21.5% (2021: 21.3%) 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, among others. SBM Bank also offers several easy-to-use and secured financial solutions, including Internet Banking and Mobile Banking solutions, e-Commerce gateways and a host of allied digital services. Hence, SBM Bank is committed to ensure that its products, services and policies are in line with its goal to better serve its customers' increasingly sophisticated needs.



Vision

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



Mission

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



Values



Customer centricity



Integrity



Prudence



Trustworthiness



Respect

Corporate Profile (Cont'd)

SBM Bank at a Glance



~545,000
Customers



44
Branches & Counters



134
ATMs



1,683
Employees

Figures are as at 31 December 2022.

Awards & Achievements

The Bank's performance has been recognised and awarded as per below:



Best Private Bank
International Finance Awards 2022



Best Retail Customer Services Bank
International Finance Awards 2022



Straight-Through Processing Excellence Award
Citigroup Excellence Award



SBM ranked 5th place
Brand Magic Summit 2022 Top Employer Brands

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.



Registered Office

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

Auditors

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

Board of Directors

Non-Independent Non-Executive Directors

Mr Visvanaden SOONDRAM (Chairperson)

Mr Jean Paul Emmanuel AROUFF

Mr Raoul Claude Nicolas GUFFLET

Mr Muhammad Azeem SALEHMOHAMED

Independent Non-Executive Directors

Mr Coomarah CHENGAN

Mrs Imalambaal KICHENIN

Mr Rajcoomar RAMPERTAB CSK

Ms Oumila SIBARTIE

Mr Ranapartab TACOURI GCSK

Executive Director

Mr Sanjaiye RAWOTEEA (Acting Chief Executive Officer)

Secretaries to the Board

Ms Preshnee RAMCHURN

Mrs Bharti BOLAH-CHOWTEE

Committees of the Board

Audit Committee

Mrs Imalambaal KICHENIN (Chairperson)

Mr Coomarah CHENGAN

Ms Oumila SIBARTIE

Corporate Governance & Conduct Review Committee

Mr Jean Paul Emmanuel AROUFF (Chairperson)

Mr Coomarah CHENGAN

Mr Sanjaiye RAWOTEEA

Mr Muhammad Azeem SALEHMOHAMED

Ms Oumila SIBARTIE

Board Supervisory Committee

Mr Visvanaden SOONDRAM (Chairperson)

Mr Raoul GUFFLET

Mr Sanjaiye RAWOTEEA

Ms Oumila SIBARTIE

Mr Ranapartab TACOURI GCSK

Remuneration & Nomination Committee

Mr Rajcoomar RAMPERTAB CSK (Chairperson)

Mr Jean Paul Emmanuel AROUFF

Mrs Imalambaal KICHENIN

Mr Sanjaiye RAWOTEEA

Ms Oumila SIBARTIE

Risk Management Committee

Mr Ranapartab TACOURI GCSK (Chairperson)

Mr Raoul GUFFLET

Mr Rajcoomar RAMPERTAB CSK

Mr Sanjaiye RAWOTEEA

Mr Muhammad Azeem SALEHMOHAMED

Strategy Committee

Mr Muhammad Azeem SALEHMOHAMED (Chairperson)

Mr Jean Paul Emmanuel AROUFF

Mr Coomarah CHENGAN

Mr Raoul GUFFLET

Mrs Imalambaal KICHENIN

Mr Sanjaiye RAWOTEEA

Board of Directors



From left to right:

Mr Visvanaden SOONDRAM (*Chairperson*), Mr Jean Paul Emmanuel AROUFF, Mr Coomarah CHENGAN, Mr Raoul GUFFLET, Mrs Imalambaal KICHENIN

From left to right:

Mr Rajcoomar RAMPERTAB CSK, Mr Muhammad Azeem SALEHMOHAMED, Ms Oumila SIBARTIE, Mr Ranapartab TACOURI GCSK, Mr Sanjaiye RAWOTEEA

Board of Directors (Cont'd)

Committee Key

- AC Audit Committee
- CC Corporate Governance & Conduct Review Committee
- RN Remuneration & Nomination Committee
- RM Risk Management Committee
- SC Strategy Committee
- BS Board Supervisory Committee
- C Committee Chair
- M Committee Member



Qualifications and Membership

Master's in Finance
Fellow of the Association of Chartered Certified Accountants (FCCA)

Background and Experience

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 on other Entities:

SBM Holdings Ltd
SBM (Bank) Holdings Ltd
The Economic Development Board
Airport Holdings Ltd

● BS
C

Mr Visvanaden SOONDRAM

Chairperson of the Board

Date of appointment: July 2020 (Chairperson since September 2021)



Qualifications and Membership

Master's in Journalism

Background and Experience

Mr Arouff has over 20 years of experience in journalism, specialising in the analysis of 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.

Directorship on other Entities:

SBM Holdings Ltd
SBM (Bank) Holdings Ltd
SBM (NFC) Holdings Ltd
The Economic Development Board
Landscape (Mauritius) Ltd

● CG ● RN ● SC
C M M

Mr Jean Paul Emmanuel AROUFF

Non-Executive Director

Date of appointment: July 2020

Board of Directors (Cont'd)

Committee Key

- AC Audit Committee
- CG Corporate Governance & Conduct Review Committee
- RN Remuneration & Nomination Committee
- RM Risk Management Committee
- SC Strategy Committee
- BS Board Supervisory Committee
- C Committee Chair
- M Committee Member



Mr Coomarah CHENGAN

Independent Director

Date of appointment: August 2020

Qualifications and Membership

MBA
BSc in Police Studies
Bachelor of Laws (LLB)

Background and Experience

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.



Mr Raoul GUFFLET

Non-Executive Director

Date of appointment: July 2021

Qualifications and Membership

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
Member of Les Conseillers du Commerce Extérieur de la France (CCEF)

Background and Experience

Mr Gufflet is a seasoned professional, who has spent nearly three decades in the banking and financial sector across multiple jurisdictions. 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 exposed to 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 on other Entities:

SBM Holdings Ltd, SBM (Bank) Holdings Ltd, SBM Bank (India) Limited, Banque SBM Madagascar SA, SBM Bank (Kenya) Limited



Board of Directors (Cont'd)

Committee Key

- AC Audit Committee
- CC Corporate Governance & Conduct Review Committee
- RN Remuneration & Nomination Committee
- RM Risk Management Committee
- SC Strategy Committee
- BS Board Supervisory Committee
- C Committee Chair
- M Committee Member



Mrs Imalambaal KICHENIN

Independent Director

Date of appointment: March 2020

Qualifications and Membership

Bachelor of Laws (LLB)
 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

Background and Experience

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 on 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 Rajcoomar RAMPERTAB CSK

Independent Director

Date of appointment: March 2020

Qualifications and Membership

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

Background and Experience

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.



Board of Directors (Cont'd)

Committee Key

- AC Audit Committee
- CG Corporate Governance & Conduct Review Committee
- RN Remuneration & Nomination Committee
- RM Risk Management Committee
- SC Strategy Committee
- BS Board Supervisory Committee
- C Committee Chair
- M Committee Member



Mr Sanjaiye RAWOTEEA

Executive Director

Date of appointment: March 2023

Qualifications and Membership

Graduate and alumnus of the Harvard Business School
MBA, Management College of Southern Africa
Bachelor of Commerce, University of Natal (South Africa)

Background and Experience

Mr Sanjaiye Rawoteea is the Acting Chief Executive Officer of SBM Bank (Mauritius) Ltd. 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 at 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.

He has also served as the Head of Consumer Banking, overseeing the Private Banking & Wealth Management and Retail Banking Divisions of the Bank.



Mr Muhammad Azeem SALEHMOHAMED

Non-Executive Director

Date of appointment: July 2020

Qualifications and Membership

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

Background and Experience

Mr Salehmohamed has started his career as Economist at the Mauritius Chamber of Commerce and Industry (MCCI) upon his return from the UK. He 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 on other Entities:

Development Bank of Mauritius (DBM)



Board of Directors (Cont'd)

Committee Key

- AC Audit Committee
- CC Corporate Governance & Conduct Review Committee
- RN Remuneration & Nomination Committee
- RM Risk Management Committee
- SC Strategy Committee
- BS Board Supervisory Committee
- C Committee Chair
- M Committee Member



Ms Oumila SIBARTIE

Independent Director

Date of appointment: August 2020

Qualifications and Membership

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

Background and Experience

Ms Sibartie is a multi-faceted financial professional with over 24 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 with major 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 professional training.

Directorship on other Entities:

Warwyck Phoenix PCC
 Island Life Assurance Co. Ltd
 Trimetys Ltd
 Saint Capital Fund
 HV Holdings Ltd

- AC
M
- RN
M
- CG
M
- BS
M



Mr Ranapartab TACOURI GCSK

Independent Director

Date of appointment: March 2020

Qualifications and Membership

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

Background and Experience

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.

- RM
C
- BS
M

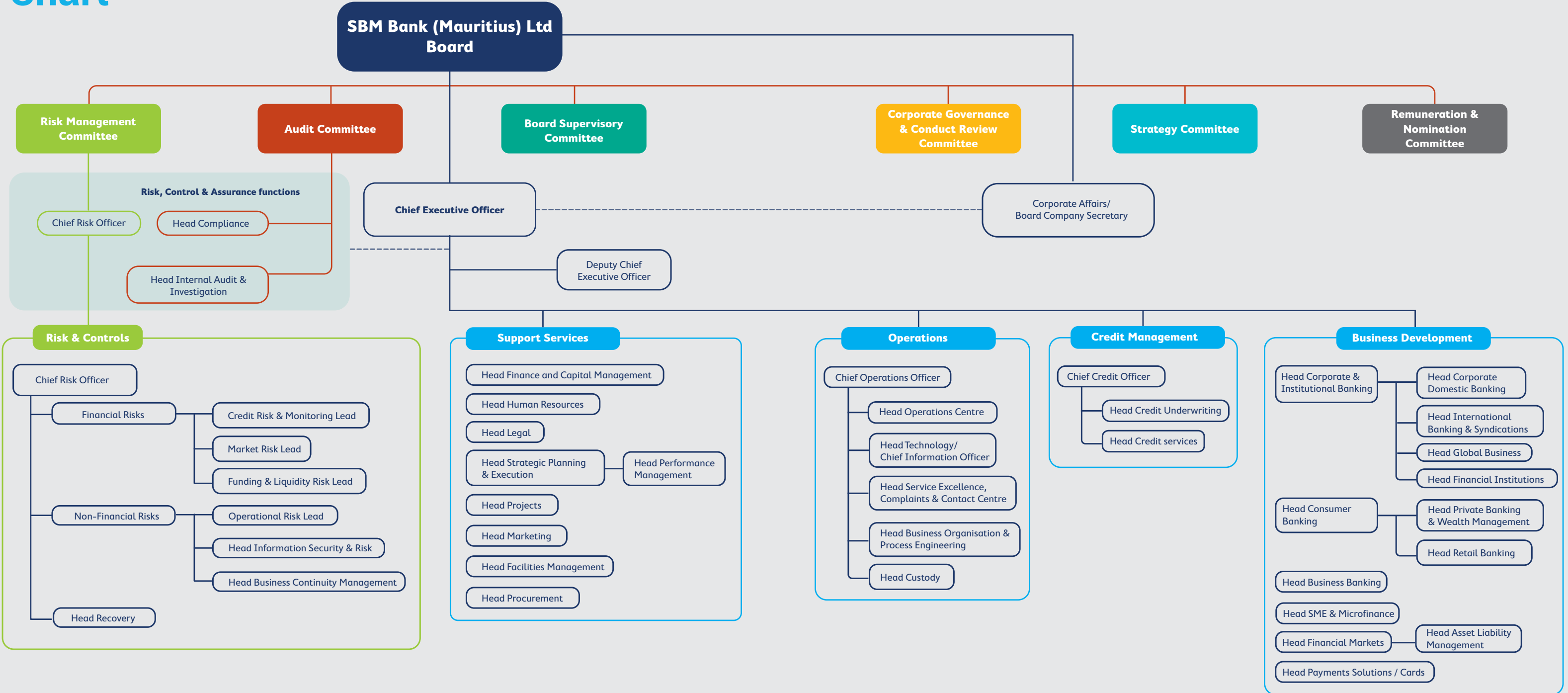
Leadership Team

Senior Management	Mr Sanjaiye RAWOTEEA	Acting Chief Executive Officer & Executive Director
	Mrs Veronique LIM HOYE YEE	Acting Chief Risk Officer
	Mr Ragnish (Anil) GUJJALU	Head of Projects
	Mr Teddy Kian Lim ALING	Head of Finance & Capital Management
	Mrs Anju ISSUR	Head of Financial Markets
	Mrs Kamlawtee Davi (Veena) NAGA	Officer in Charge – Human Resources
Other Key Members of Management	Mr Deeagarajen Manogaven (Sanda) SOONDRAM	Head of Strategy
	Mr Norman Dean Thia Kim Luck FON SING	Head of Client Origination
	Mr Dharmendranath (Darmen) HURKOO	Head of SME & Microfinance
	Ms Deorani (Anita) KHELAWON	Head of Operations
	Mr Percy PHILIPS	Head of Retail Banking
	Mr Ashwin Kumar RAMPHUL	Chief Information Officer
	Mr Neelesh Sharma SAWOKY	Head of Internal Audit & Investigation
	Mrs Latasha BISSESSUR	Head of Compliance
	Mr Ravi GUNESS	Senior Officer, Recovery & Workout
Mrs Linita Jyoti Sharma KIM CURRUN	Head of Service Excellence, Complaints & Contact Centre	

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

Organisational Chart

SBM Bank (Mauritius) Ltd Board





“SBM has helped me in so many ways”

Back in the days, life was difficult and I started working at a very young age until my uncle hired me as a handyman in his small shop. I was 18 then. He did not pay me any salary but would give me a sum of money for the whole year in one go! That's how I opened my first account at SBM... and let it grow! One day, when I was 27, my uncle unexpectedly decided to hand over his shop to me! This is how I started “Elysee Mode” and “Future Fashion” with the support of SBM. The Bank has helped me in so many ways to structure my business with open letters of credit and the acquisition of a building in Mahebourg. But, above all, they taught me how to stand on my own two feet.

Ahmad Eshan Hingun

Owner of “Elysee Mode” and “Future Fashion” shops
Mahebourg



Strategy Report

Delivering on our Strategy

The Operating Context

Two years after the outbreak of the COVID-19 pandemic, the operating landscape of the Bank has remained challenging. Globally, the accommodative stance adopted during the pandemic was superseded by restrictive monetary and fiscal policies. While supply chain bottlenecks and a strong US Dollar initially contributed to rising prices, the Ukraine–Russia war further exacerbated prices of consumer and energy commodities in 2022. In this context of rising prices, Central Banks across the globe resorted to hiking interest rates to curb inflation. On the domestic front, Mauritius remained impacted by the global economic conditions. For instance, due to persisting inflation, the Bank of Mauritius intervened by raising the Key Rate on five successive occasions to 4.5%. Nevertheless, the Mauritian economy posted a growth of more than 7.0% in 2022.

Despite this exceptionally challenging operating environment, the Bank upheld its resilience and maintained a disciplined execution of its strategic intents throughout 2022.

Key Objectives and Achievements of 2022

Led by the vision to become one of the leading and trusted financial services providers, the Bank set well-defined priorities for 2022 with the following main focus areas:

Consolidation of Domestic Business

The Bank grew its market share in key segments during the year. In the Retail segment, despite stiff competition, SBM Bank managed to grow its mortgage market share to around 37% in December 2022 by successfully leveraging on incentives for residential loans. Likewise, in the Corporate Domestic segment, the Bank grew its market share in terms of advances to around 23% in December 2022, benefiting from a pick up in the post pandemic economic activities of the country. Also, it is worth noting that in 2022, the SME Banking segment underwent a major overhaul. The restructuring of the SME Banking segment included the centralisation of its operations at the Head Office while servicing clients in 10 different hubs across the island and onboarding experienced staff in key positions. The Bank conducted three successful SME Open Days in Mauritius in the second half of 2022, which resulted in a very positive business pipeline.

Prudent Management of International Business

Following the challenges encountered in the International Banking segment, the Bank has significantly curtailed its Segment B business over the past few years and managed its foreign-sourced business very prudently. During the year, the Bank has reviewed its risk appetite, country limits, policies and procedures. Furthermore, capacity in this segment has also been strengthened with the appointment of a consultant with experience in commodities and recruitment of other experienced staff.

Enhancement of customer experience

Another main focus area as part of SBM Bank's strategy is Enhancing the Customer Experience. As such, the Bank embarked on a renovation programme of its branches in 2021. In 2022, eight branches were uplifted, bringing the total number of renovated branches to 23 as at December 2022. The ongoing renovation has brought a more intuitive in-branch experience for our clients. Furthermore, with the support of our Service Excellence team, customer surveys are conducted on a regular basis and feedbacks are actioned upon to improve customer service. During the past two years, the Bank has noted a continuous improvement in its Customer Satisfaction Index.

Strengthening the Risk Management Framework

SBM Bank's risk management framework is continuously being strengthened to enhance the risk culture across the Bank. In this respect, the Bank has deployed Business Risk Coordinators (BRCs) across different departments, including all the different lines of businesses. BRCs are the first point of contact for the Risk Management team and are responsible for not only raising risk awareness, but also improving it through continuous training. Furthermore, the Bank has reviewed its scoring models with the collaboration of external providers to align with global practices while incorporating country and industry risks. Risk policies for key lines of businesses have also been reviewed during the year to factor changes in the business and operating environment.

Attract, Develop and Retain Talent

Our employees being our most valuable asset, talent management remains an important area of focus for SBM Bank. The Bank uses a combination of HR techniques for its Strategic Human Resource Management covering recruitment and employee relations, thereby maintaining a strong organisation and adaptation to the changing labour environment. It should be noted that in 2022, the Bank, amongst other initiatives, successfully completed its Talent Finder programme whereby 12 young graduates were recruited. These graduates have since been deployed in several departments within the Bank.

Strategy Report (Cont'd)

Outlook for 2023

Looking ahead, the Mauritian economy will continue to be exposed to a challenging global environment with the Ukraine–Russia war, volatile financial and commodity markets, as well as higher interest rates. That said, the economy is likely to pursue its recovery momentum in 2023, supported by dedicated measures and policies by the public and private sectors. While key downside risks prevail, notably due to the shaky international economic environment, real local GDP growth is expected to be above 5.0% in 2023.

Despite the anticipated challenging context, Management remains optimistic of the Bank's resilience and will maintain a disciplined execution of the Bank's long-term strategy. The Bank's Strategy for 2023 will be a continuity of its long-term roadmap with focus on Achieving Organisational Transformation and Management through a People, Process and Technology Framework. As such, key initiatives for 2023 will ensure:



Continued consolidation of Domestic Lines of Business with proper segmentation and product offerings;



Prudent growth in International Business Segment with focus on capacity building, quality of clients and best-in-class procedures;



Enhanced customer journey with digitalisation of services and new Internet Banking and Mobile Banking platforms; and



Gearing up of the Bank on the ESG (Environmental, Social, and Governance) and sustainability fronts by building up capacity, developing new products and partnering with key stakeholders.





“SBM is a blessing, a chance for the children...”

I have always worked with children with special needs. I opened the schools in Chemin Grenier and Rivière des Anguilles in 2010 and 2017, respectively, for children aged 5 to young adults aged 20, with an inclusive approach to special education that includes not just learning, but also social and emotional needs. SBM has been by our side since 2015 to help us acquire special school equipment and recruit therapists for children with physical and intellectual disabilities, including autism. Having SBM by our side is a blessing, a chance to help these kids achieve their potential.

Soojanee Sokapadu
Owner of Angel Special School and Welfare
CSR beneficiary



Corporate Governance Report

Corporate Governance Report

Report from Chairman of Corporate Governance & Conduct Review Committee



Dear Shareholder and Valued Partners,

I am pleased to present our Corporate Governance Report for the financial year 2022.

The Board of Directors has sought to be as transparent in its disclosures and in its reporting. The Board continues to be guided in its approach to corporate governance through application of the National Code of Corporate Governance for Mauritius (2016) (the “Code”). For the year ended 31 December 2022, the Board reports compliance against the provisions of the Code for the duration of the review period. 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, performance and strategy.

I wish to thank the Members of the Board, the Company Secretary and the Staff for their work and commitment to good governance during the period under review.

On behalf of the Committee,

A handwritten signature in black ink, appearing to read 'JPA', with a horizontal line underneath.

JEAN PAUL EMMANUEL AROUFF
Chairman
Corporate Governance & Conduct Review Committee

SBM Bank (Mauritius) Ltd, as a public interest entity, is required to report on Corporate Governance in line with the National Code of Corporate Governance for Mauritius (2016) (the “Code”).

Disclosures pertaining to the eight principles of the Code have been made in this report:

	Pages
Principle One - Governance Structure	44
Principle Two - The Structure of the Board and its Committees	58
Principle Three - Director Appointment Procedures	74
Principle Four - Directors' Duties, Remuneration and Performance	77
Principle Five - Risk Governance and Internal Control	86
Principle Six - Reporting with Integrity	89
Principle Seven - Audit	100
Principle Eight - Relations with Shareholders and Other Key Stakeholders	102

Corporate Governance Report (Cont'd)

Governance Structure

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

Principle 1 of the National Code of Corporate Governance for Mauritius (2016)

Our Governance Framework

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.



The Board

Responsible for overall conduct and control of the affairs of the Bank. Sets long term strategic direction.

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
<p>Audit Committee Page 67 of the Annual report</p> <p>Corporate Governance & Conduct Review Committee Page 68 of the Annual Report</p> <p>Remuneration & Nomination Committee Page 69 of the Annual Report</p> <p>Risk Management Committee Page 70 of the Annual Report</p> <p>Strategy Committee Page 71 of the Annual Report</p> <p>Board Supervisory Committee Page 72 of the Annual Report</p>	<p>Risk Management Forums Three Risk Forums namely Credit Portfolio & Monitoring Forum, Asset and Liability Forum and Operational Risk & Compliance Forum have been set up to advise on risk matters. Responsible for the oversight and monitoring of the various risk areas within the business.</p> <p>Shared services 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, amongst others.</p> <p>Service-level agreements ensure these are of appropriate quality.</p>	<p>Chief Executive Officer Develops and recommends the strategy and purpose of the Bank to the Board, along with annual business plans and budgets that support the Bank's long-term view.</p> <p>Executive Forum 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.</p> <p>Management Credit Forum Principal credit sanctioning 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 as per business needs.</p>

The Board

The primary role of the Board is to lead the Bank in a way that ensures its long-term success, whilst generating value for shareholders and wider stakeholders. 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 by the Bank.

In support of the Bank's purpose and vision, the Board sets and monitors the strategy through a continuing programme of work. Once set by the Board, strategy implementation is the responsibility of the Chief Executive Officer and the Bank's Executive Forum. Oversight of performance is achieved through structured operational and financial reporting from the Senior Executives at Board / Committee meetings, in addition to presentations from each business unit at annual Strategy Retreat sessions. These presentations comprise strategic updates in line with the Bank's Governance Framework. Further details on strategy are given in the Strategy Report on page 33.

Corporate governance in the Bank can be explained as the minimum expectations set by the Board surrounding standards, responsible conduct and controls. The Bank's Governance Framework supports this approach by mapping where accountability resides in line with delegated authorities, and in this way, forms part of the system of Internal Control, as set out on page 86.

Corporate Governance Report (Cont'd)



Board Sub-Committees

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. 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 the year 2022:


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

Each Committee has a predefined 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. All Committees report to the Board through their respective Chairperson.



Key Governance Documents

The Key Governance Documents assist the Board, Committees and Leadership 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
- Code of Ethics

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

- Job description of Key Governance positions
- Organisational Chart.

Key Governance Positions

The Board acknowledges that some positions are critical in achieving a high level of good governance and in supporting the integrity of the Board's operations. The key governance positions, which are set out below, have been approved by the Board.



Directors of the Board

The key responsibilities of the Directors of the Board are:

Accuracy of Financial information

To ensure the accuracy of financial information which is being released to the market

Reporting to shareholders

To report to shareholders on business performance and ascertain their views

Compliance with legal and regulatory requirements

To assume responsibility for meeting all legal and regulatory requirements applicable to the Bank

Development of the Bank's Strategy

To bring effective contribution to the Bank's strategy

Decision-making process

To participate in the Board decision-making process and constructively challenge as required

Implementation of the Bank's Strategy

To ensure that the Strategy approved by the Board is being implemented

Supervision

Oversee governance environment, including thorough oversight delegated to Board sub-committees

Internal control

To 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

Succession planning

To implement the Board's succession planning for its Directors and Senior Management Team

Primary duties

To be bounded by the fiduciary duty and duty of skills and care

Sharing of deliberations and experience

To bring deliberations and experience to the Board decision-making process

Assistance to the Executive Management Team

To monitor, challenge and support the Executive Management Team, thereby ensuring that they are meeting the objectives set

Reporting to Stakeholders

To be responsible to other stakeholders

Corporate Governance Report (Cont'd)

Key Governance Positions (Cont'd)



Chairperson of the Board

The role of the Chairperson is distinct and separate from that of the Chief Executive Officer and there is a clear division of responsibilities with the Chairperson 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 Chairperson of the Board are:

Running of the Board

To ensure that the Board functions effectively

Agenda

To set agenda in conjunction with the Company Secretary and ensure that adequate time be allocated for thorough discussions of critical and strategic matters set in the agenda

Sharing of Information

To ensure that all Directors receive sufficient information in order to be able to make well informed decisions

Functioning of Board Committees

To review composition of Board Committees and ensure that each committee functions effectively

Shareholders’ Meetings

To call special meetings, where required

Teamwork

To encourage teamwork and a culture of openness so as to promote constructive challenge among the Members

Directors’ Development

To ensure 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)

Meeting of shareholders

To chair annual and special meetings of shareholders

Directors’ Performance

To ensure that an annual Board evaluation exercise and evaluation of individual Directors’ performance is carried out

Maintain good working relationships

To maintain a close working relationship with the Chief Executive and any other key senior staff

Communication

To ensure there is effective communication with shareholders



Chief Executive Officer (“CEO”)

The CEO is responsible for leading the development and execution of the Bank’s strategic plans with the view to creating shareholder value. As per the Bank of Mauritius Guideline 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.

The CEO has the following responsibilities:

Day-to-Day operations

To manage the day-to-day operations of the Bank

Strategy Implementation

To implement strategy as proposed by the Board of Directors

Compliance with standards

To promote and conduct the affairs of the Bank with the highest standards of integrity, probity and corporate governance, in accordance with the strategy and within the budgets approved by the Board

Teamwork

To work in conjunction with the Chairperson on strategic issues

Guidance

To provide leadership and guidance to the Senior Management Team

Leadership

To chair the Executive Committees with a view of ensuring that the Senior Management Team pursues and achieves the objectives of the Bank as approved by the Board

Intermediary

To act as an intermediary between the Board and Management

Communication

To communicate effectively with shareholders, employees, Government authorities, other stakeholders and the public

Risk monitoring and assessment

To assess the principal risks of the Bank and ensure that they are being monitored and managed mainly through a sound and robust internal control system

Corporate Governance Report (Cont'd)

Key Governance Positions (Cont'd)



Chairperson of the Corporate Governance & Conduct Review Committee

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

Teamwork

To work in close cooperation with, and provide support and advice to the Chairperson of the Board

Guidance

To provide expertise in the areas of corporate governance and ethical conduct

Compliance with standards

To ensure the Board is up to date with global and National Good Governance Standards

Training

To ensure that the Board receives regular and ongoing training and development

Report

To oversee the production of the Bank's annual report each year

Evaluation

To ensure that an evaluation of the Board is carried out each year and that the recommendations from that evaluation are implemented.

Adherence to the standards

To ensure that the policies around conduct and ethical standards are regularly upheld and transparently adhered to by the Board and Senior Management

Update to the Board

To ensure that an update of each Corporate Governance & Conduct Review Committee meeting is presented to the Board



Company Secretary

The key responsibilities of the Company Secretary are as follows:

Guidance

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

Compliance with laws

To carry out statutory filings

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 2001 (the "Act"), respectively, as well as all statutory registers are properly maintained

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 are required under the Act

Assistance

To play a leading role in the governance of the Board by supporting the Chairman and helping the Board and its Committees to function effectively

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 Chief Executive Officer (“CEO”) for the day-to-day running of the organisation. Following the exit of Mr Anoop Kumar Nilamber (former CEO), Mr Sanjaiye Rawoteea has been officiating as the Bank’s CEO in an acting capacity. Other changes were brought to the senior management team of the Bank since the last reporting, which are expected to strengthen and focus the pool of expertise to support the Board-approved strategy. Amongst others, the Board ensured that key positions were filled, either on a regular basis or in an acting capacity, in furtherance of achieving the set objectives.

To support the CEO in managing the business, various Management forums involving the Bank’s senior officers have been put in place to deliberate on key issues for informed decision-making, including the following:

1) Executive Forum

The Board of the Bank has established an Executive Forum comprising key members of Senior Management, with key mandates as hereunder:

- the development and implementation of strategy, operational plans, policies, procedures and budgets
- the monitoring of operations and financial performance
- the assessment and control of risk
- monitoring competitive forces in each area of operation
- to take major operational decisions

2) Credit Forums

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

3) 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 Forums and the various Risk Forums.

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

Credit Portfolio & Monitoring Forum
To review and recommend levels of risk appetite related to single borrower and group borrower exposure to the Bank
To review and recommend actions on the risk profile and/or risk tendency
To review and recommend risk strategy and key risk controls across the Bank
To review the usage and allocation of economic capital parameters for modeling, stress testing and scenario analysis
To review and propose changes to credit risk policies, including delegated authority
To monitor country risk exposure and exposure to various industries
To monitor compliance with regulatory standards for the Bank
To monitor the Bank’s risk appetite for each risk type under normal conditions
To recommend methodologies for assessing country risks and appropriate country exposure limits to board committees
To review and recommend methodologies for assessing Bank risks and recommends appropriate Bank exposure limits to board committees
To monitor concentration of risks for ensuring compliance with the risk tolerance of the Bank
To monitor the Bank’s risk appetite for each risk type under normal conditions
Operational Risk & Compliance Forum (ORCF)
To formulate and implement an operational risk framework along Basel requirements to identify and assess operational risks
To ensure that Operational Risks identified within Businesses are assessed in terms of implications for wider business and strategic risk, and ensures that identified risks are reviewed and reported accordingly through the Operational Risk reporting process
To ensure an effective risk monitoring system
To identify operational risks and recommend ways to mitigate the risks
To recommend appropriate policies and procedures to control and limit operational risks
To review key risk indicators, including the operational risk loss events in light of overall risk appetite and profile

Corporate Governance Report (Cont'd)

Leadership Team (Cont'd)

3) Risk Management Forums (Cont'd)

Asset and Liability Forum (ALCO)
To monitor the Bank's market risk exposures, including liquidity risk, interest rate risk, foreign exchange risk and other key risks
To ensure that risk tolerance and risk appetite for liquidity and market risks are effectively managed
To manage the Bank's assets and liabilities with a view to optimise resources within the risk appetite framework approved by the Board
To review and recommend to the Board the establishment of appropriate limits
To review and recommend to the Board the methodology for measuring liquidity and market risks
To analyse and monitor the Bank's liquidity and market risk exposures
To assess the stress testing scenarios on assets and liabilities risk
To review the stress testing outcome and propose recommendations for capital management
To review and recommend the capital management policy/framework
To review capital stress testing for Internal Capital Adequacy Assessment Process (ICAAP)

Members of Executive Forum

The purpose of the Bank's Executive Forum is to provide organisational direction on behalf of the Board and to advise the Board on decisions and business matters, including strategy planning, policy, investment and risk. The Executive Forum has the responsibility to operate within the strategic framework, risk appetites and policies set by the Board while adhering to regulatory requirements. A revised composition of the Executive Forum was approved by the Board during the year under review, which was more function-driven. Also, with a view to reinforcing oversight of operations from the level of SBM Holdings Ltd (SBMH), the CEO of SBMH sits as a 'permanent attendee' on some of the Management Forums of the Bank, including the Executive Forum.



From left to right:

Mrs Anju ISSUR, Mrs Kamlawtee Davi (Veena) NAGA, Mr Sanjaiye RAWOTEEA, Mr Teddy Kian Lim ALING, Mr Ragnish (Anil) GUJJALU

Corporate Governance Report (Cont'd)

Members of Executive Forum (Cont'd)

The profiles of the Members of the Executive Forum are given hereunder:



Mr Sanjaiye RAWOTEEA
Acting Chief Executive Officer

Mr Sanjaiye Rawoteea is currently the Acting Chief Executive Officer of SBM Bank (Mauritius) Ltd. 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 at 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. He has also served as the Head of Consumer Banking, overseeing the Private Banking & Wealth Management and Retail Banking Divisions of the Bank. Mr Rawoteea holds an MBA from the Management College of Southern Africa and a Bachelor of Commerce from the University of Natal, South Africa. He is also a graduate and an alumnus of the Harvard Business School.

Mrs Anju Issur is a seasoned banker with 15 years' experience in Financial Markets. She joined SBM in 2017 as the Head of Financial Market Sales and was promoted as Head of Financial Markets in 2019. Passionate about her job and on taking new challenges, she actively contributes in setting the strategy of the Financial Market Division and driving in its execution in line with the bank's overall strategy. She leads four key functions namely Financial Markets Sales, Trading of Financial Instruments, Fixed Income activities and Structuring. She contributes to the creation and delivery of sustainable shareholder's value. She is currently completing her Executive MBA at the prestigious HEC Paris. She holds an MSc in Global Banking & Finance from the European Business School, London, UK and a BSc in Economic & Finance from Royal Melbourne Institute of Technology University, Melbourne, Australia.



Mrs Anju ISSUR
Head of Financial Markets

Mr Teddy Kian Lim Aling is Head of Finance at SBM Bank (Mauritius) Ltd. Teddy has spent over 20 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, Teddy has held senior roles including those of CFO at Standard Chartered Bank (Mauritius) Ltd and CEO of a regulated Financial Services entity. Teddy is a CFA Charterholder 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.



Mr Teddy Kian Lim ALING
Head of Finance



Mrs Kamlawtee Davi (Veena) NAGA
Officer-In-Charge of the Human Resources Division

Mrs Veena Naga is the Officer-In-Charge of the Human Resources Division. With a rich career spanning over 30 years holding various positions across different lines of business, coupled with in-depth knowledge of the banking functions, Veena has substantial experience and knowledge in people management, conflict resolution and talent retention, amongst others. She leads a team of HR professionals who assist in developing and executing SBM's human resource strategy to support the overall business plan and strategic direction of the organisation while maintaining a professional and safe work environment. Veena holds a BSc in Human Resources from the University of Mauritius and a Master in Business Administration from the University of Technology.

Mr Anil Gujjalu is Head of Projects at SBM Bank (Mauritius) Ltd. He has over 25 years of experience in various fields within the services industry and consulting. Anil has occupied various senior roles within the SBM Group across both the banking and non-banking clusters. Previous positions included Head of Projects and Insurance Agency at SBM (NBFC) Holdings Ltd and Head of Retail Banking at SBM Bank (Mauritius) Ltd. Anil has also worked on several projects in Europe where he was a Management Consultant for Cap Gemini Ernst & Young, London. Prior to joining SBM in 2012, he was the Chief Operating Officer of Barclays Bank PLC (now ABSA Bank Mauritius Ltd). Anil holds an MBA from Cranfield School of Management, Cranfield University, UK, and a BA (Hons) Business Information Technology from Huddersfield University, UK.



Mr Ragnish (Anil) GUJJALU
Head of Projects

Corporate Governance Report (Cont'd)

The structure of the Board and its Committees

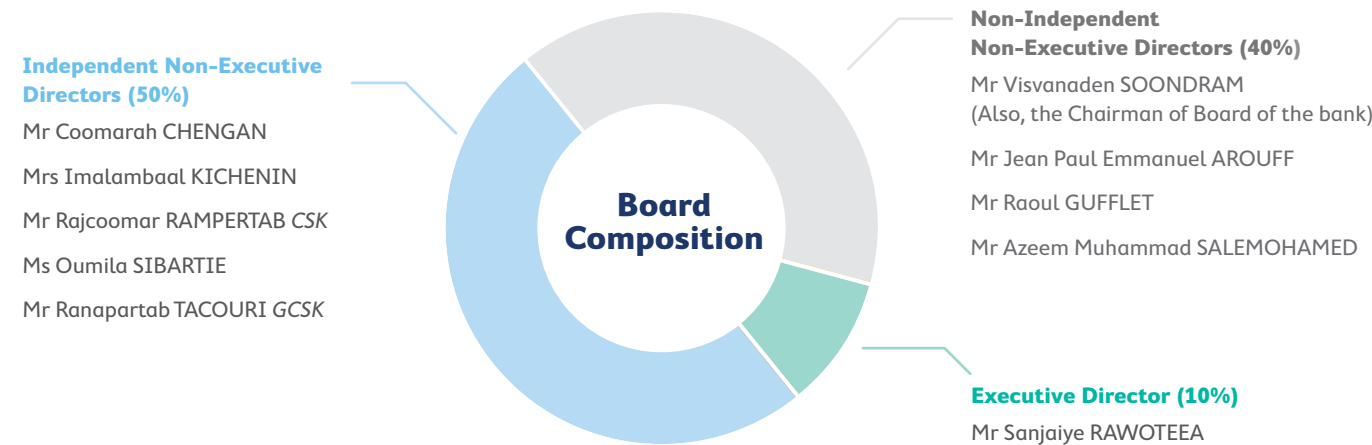
"The Board should contain independently minded directors. It should include an appropriate combination of executive directors, independent directors and non-independent non-executive directors to prevent one individual or a small group of individuals from dominating the Board's decision taking. The Board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

Principle 2 of the National Code of Corporate Governance for Mauritius (2016)

Board Composition

As at date of reporting, the Board comprises ten members with a broad mix of experience, wholly endorsing the belief in diversity as stated in the Board Charter. The Directors of the Board are categorised as per the Bank of Mauritius Guidelines and the requirements of the Code. At least 50% of the Directors of the Bank do not hold any relationship other than their directorships roles with the Bank or with the shareholder of the Bank. The Chairman of the Board is elected by the Board and all Directors reside in Mauritius.

The below diagram provides the names of the Directors of the Bank and show their respective categories.



● Independent Non-Executive Directors (50%) ● Non-Independent Non-Executive Directors (40%) ● Executive Director (10%)

Changes at Board level

- Mr Sanjaiye RAWOTEEA was appointed as Board Member on 17 March 2023
- Messrs. Roodesh MUTTYLALL, Eric LEAL and Anoop NILAMBER served the Board as Directors till 05 January 2023, 09 January 2023 and 07 February 2023, respectively.

Diversity on the Board

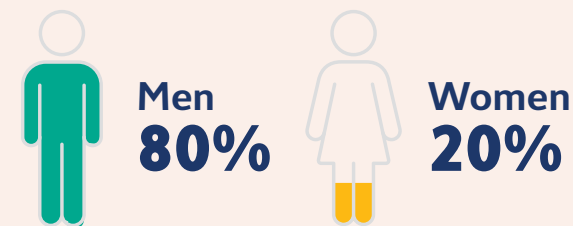
With the input of the Remuneration & Nomination Committee, the Board keeps its membership, and that of its Committees, under regular review and it determines whether there is diversity on the Board of the Bank.

Board Independence

The independence of directors is assessed by taking into consideration, *inter alia*, the independence criteria provided in the Bank of Mauritius Guidelines on Corporate Governance and the Code. The Board believes that independent directors exercise objective judgement.

The chart on page 58 provides the category of each Director of the Bank.

Gender Diversity



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

Corporate Governance Report (Cont'd)

Diversity on the Board (Cont'd)

Executive Representation

The executive representation on the Board is achieved through the appointment of Executive Directors. Given that the Executive Director 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.

The Chief Executive Officer of the Bank is an ex-officio member of the Board in line with the Constitution. Mr Anoop Kumar Nilamber was the Chief Executive Officer and a member of the Board of the Bank as well as the sub-committees (except the Audit Committee) till 07 February 2023. Following the departure of Mr Nilamber, the Board ensured proper executive representation on the Board by appointing one of the Senior Executives of the Bank, namely Mr Sanjaiye Rawoteea, as a Director in March 2023. It is worth highlighting that Mr Rawoteea has been officiating as the Bank's CEO in an acting capacity following the departure of Mr Nilamber.

As per the Code of Corporate Governance, all boards should have a strong executive management presence. The Board is of the view that the spirit of the Code is met through the attendance and participation of the Executive Director and the members of the Senior Management in relevant Committees and Board deliberations as necessary.

The Board's Assurance Approach

The Board ensures that assurance functions enable an effective control environment that supports the integrity of information through our combined assurance framework. This includes the assurance functions to adequately cover significant risks and material matters. Assurance functions have been categorised into different lines of defence in the organisation:

- Management – line functions that own and manage their risks
- Internal assurance 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 2022

In order to safeguard the areas material to the delivery of the Bank's purpose, vision and strategy, the Board retains a schedule of matters reserved for its decision. The Board discharges its responsibilities through a formal programme of meetings. This facilitates 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 2022 are provided below:

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
- Reviewed the Terms of Reference of the Board Sub-Committees in light of new developments, including changes in regulatory guidelines
- Discussed the composition of the Board and its Committees, including Board succession
- Identified and considered the appointment of qualified candidates for key positions within the Bank
- Approved the Annual Report
- Reviewed AGM preparation and approved the 2022 Notice of AGM
- Considered observations and agreed actions from the Board evaluation exercise
- Reviewed and approved the policies of the Bank
- Received 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
- Considered various employee-related initiatives with a view to increase employee engagement and motivation
- Approved training plan for directors for FY 2022
- Approved an internal reorganization
- Reviewed the Bank's organisational structure along with the composition and mandates of Management Forums falling under its purview

Strategy

- Reviewed the performance of the Bank against key performance indicators
- Consolidated the Bank's domestic positioning across the different market segments it serves
- Considered Management's proposals regarding digitalisation of the Bank's operations and the migration process of the Bank's Data Centre (DC) and Data Recovery (DR) infrastructure, End of Support Life (EOSL) Remediation and Cloud strategy

Finance

- Reviewed the quarterly financial results and dividend proposal
- Received reports from the external auditor
- Approved the Financial Statements
- Approved a revised budget for the renovation of service units
- Approved/Reviewed major projects/initiatives with a view to enhance internal processes and customer experience, and to improve the Bank's turnaround time
- Reviewed and recommended the reappointment of Deloitte as the statutory auditors for the Bank to the Shareholder
- Payment of Dividends to shareholder for the year ended 31 December 2021

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.

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 the physical presence of directors is not possible, they are allowed to participate in the deliberations via audio conference.

Structured meeting agendas are developed by the Chairman, Chief Executive Officer and Company Secretary, around an agreed plan of Board business and current status of projects, strategic workstreams and the overarching operating context. Adequate time is allocated to support effective and constructive discussion. An electronic meeting portal allows efficient navigation of Board/Committee papers.

Directors' participation at Meetings

The Board members should attend the maximum 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 the directors by their alternates in meetings is generally discouraged at the Bank.

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



In the period to 31 December 2022, the Board consisted of 12 members, with a diverse mix of skills, knowledge and experience. It was composed of both Executive Directors ("ED") and Non-Executive Directors ("NED") in line with the requirements of the Code.

Across the year, Board meetings were conducted in line with applicable government guidance, with the physical element returning when it was safe to do so. There were 20 Board meetings of the Bank during the year.

The table below shows the attendance of the ED, Non-Independent NED and Independent NED who served on the Board of the Company for the financial year 2022:

Members	Board Status	Board Member Since	Meeting Attendance
Mr Visvanaden Soondram (Chairperson since September 2021)	Non-Independent NED	July 2020	20/20
Mr Jean Paul Emmanuel Arouff	Non-Independent NED	July 2020	18/20
Mr Coomarah Chengan	Independent NED	August 2020	18/20
Mr Raoul Gufflet	Non-Independent NED	July 2021	16/20
Mrs Imalambaal Kichenin	Independent NED	March 2020	13/20
Mr Eric Michel Georges Leal ¹	Independent NED	March 2020	9/20
Mr Roodesh Muttylall ²	Non-Independent NED	July 2020	17/20
Mr Anoop Nilamber ³	Executive Director	July 2021	20/20
Mr Rajcoomar Rampertab CSK	Independent NED	March 2020	19/20
Mr Muhammad Azeem Salehmohamed	Non-Independent NED	July 2020	18/20
Ms Oumila Sibartie	Independent NED	August 2020	19/20
Mr Ranapartab Tacouri GCSK	Independent NED	March 2020	20/20

Notes:

1. Mr Eric Michel Georges Leal ceased to be a Member effective from 09 January 2023
2. Mr Roodesh Muttylall ceased to be a Member effective from 05 January 2023
3. Mr Anoop Nilamber ceased to be a Member effective from 07 February 2023

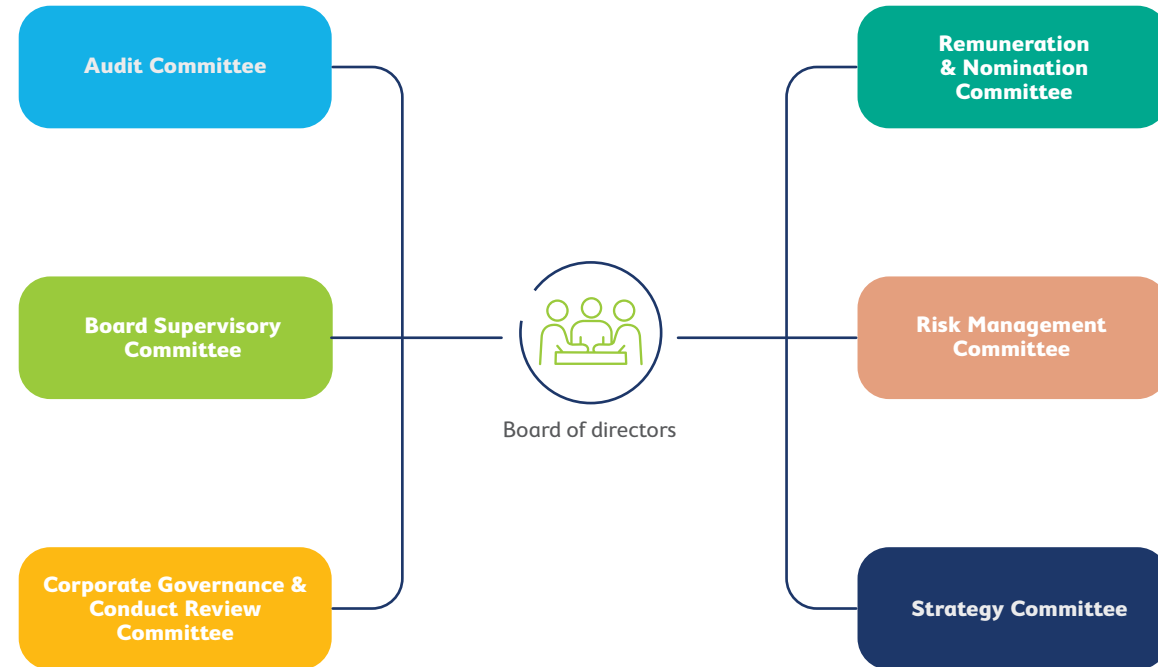
Key to Board members:

■ Executive Director
 ■ Non-Independent NED
 ■ Independent NED

Corporate Governance Report (Cont'd)

Board Sub-Committees

As part of the process of establishing a governance structure that contributes to the effective oversight of the affairs of the Bank, the Board has 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.

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 2022 are provided on the following pages.



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
- Review critical accounting issues and ensure capital adequacy and internal control
- Discuss with Senior Management and external auditors the overall results of the audit, the quality of financial statements and any concerns raised by external auditors
- Review the objectives of the Internal Audit and Compliance functions along with their respective annual plan of action
- Review and consider recommendations of auditors and assurance functions regarding the Bank's systems of internal controls to ascertain its adequacy and effectiveness
- Get assurance from the external auditors on the appropriateness of the accounting policies applied and whether they are prudent and consistent with prior practice and comply with regulatory and legal requirements
- Review adequacy of provisions, including provision for credit impairment losses
- Make recommendations to the Board for the appointment, re-appointment and retention of external auditors
- Review the objectives of the Internal Audit function along with their respective annual plan of action

Audit Committee Meetings during 2022

There were 7 Audit Committee meetings of the Bank during the year 2022. The attendance records for the meetings are as follows:

Members	Board Status	Committee Member Since	Meeting Attendance
Mrs Imalambaal Kichenin (Chairperson)	Independent NED	March 2020	7/7
Mr Eric Michel Georges Leal ¹	Independent NED	March 2020	6/7
Ms Oumila Sibartie	Independent NED	September 2021	7/7

Secretary to the Committee: Ms Preshnee RAMCHURN

Note:

1. Mr Eric Michel Georges Leal ceased to be a Member effective from 09 January 2023.

Corporate Governance Report (Cont'd)



Corporate Governance & 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:

Advice to the Board

- Advise the Board on all aspects of corporate governance and recommend the adoption of best practices

Review report

- Review the Corporate Governance report to be published in the Annual Report

Application of Code of Ethics

- Provide guidance and direction on the application of the Code of Ethics

Ensure accurate disclosure of information

- Ensure accurate disclosure of directors' remunerations

General policy on Corporate Governance

- Determine and develop the Bank's general policy on corporate governance in accordance with the applicable Code of Corporate Governance and international best practice

Monitor developments

- Monitor developments in the area of corporate governance and recommend initiatives to maintain the highest standards of corporate governance



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 HR related policies

- Review on a periodic basis the HR-related policies of the Bank

Recruitment

- Identify qualified candidates for Board membership and position of Chairperson of the Board, its committees and their members

Review salary package

- Review and recommend salary revisions and service conditions of employees

Review performance based bonuses

- Review and recommend performance-based remuneration for staff members, including Senior Management, against objectives and key performance indicators

Recommend candidates

- Recommend recruitment and/or promotion of senior officers and above, and recommend their remuneration, benefits and other terms and conditions of employment

Directors' fees

- 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

CGCR Meetings during 2022

There were 4 CGCR Committee meetings of the Bank during the year 2022. The attendance records for the meetings are as follows:

Members	Board Status	Committee Member Since	Meeting Attendance
Mr Jean Paul Emmanuel Arouff (Chairperson) ¹	Non-Independent NED	June 2022	2/2
Mr Rajcoomar Rampertab CSK ²	Independent NED	September 2020	4/4
Mr Coomarah Chengan	Independent NED	September 2020	4/4
Mr Anoop Nilamber ³	Executive Director	July 2021	4/4
Ms Oumila Sibartie	Independent NED	September 2021	4/4
Mr Muhammad Azeem Salehmohamed ⁴	Non-Independent NED	June 2022	2/2

Secretary to the Committee: Ms Preshnee RAMCHURN

Notes:

- Mr Jean Paul Arouff was appointed as Chairperson effective from 21 June 2022.
- Mr Rajcoomar Rampertab CSK was a member till 11 January 2023. He chaired the Committee till 21 June 2022.
- Mr Azeem Salehmohamed was appointed as Member effective from 21 June 2022.
- Mr Anoop Nilamber ceased to be a Member effective from 07 February 2023.

REMCO Meetings during 2022

There were 8 REMCO meetings of the Bank for the year 2022. The attendance records for the meetings are as follows:

Members	Board Status	Committee Member Since	Meeting Attendance
Mr Rajcoomar Rampertab CSK (Chairperson)	Independent NED	March 2020	8/8
Mr Coomarah Chengan ¹	Independent NED	June 2022	3/4
Mr Jean Paul Emmanuel Arouff	Non-Independent NED	September 2020	2/8
Mrs Imalambaal Kichenin	Independent NED	March 2020	8/8
Ms Oumila Sibartie	Independent NED	February 2021	8/8
Mr Anoop Nilamber ²	Executive Director	July 2021	8/8

Secretary to the Committee: Ms Preshnee RAMCHURN

Notes:

- Mr Coomarah Chengan was a Member from 21 June 2022 to 11 January 2023.
- Mr Anoop Nilamber ceased to be a Member effective from 07 February 2023.

Corporate Governance Report (Cont'd)



Risk Management Committee

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:

Effective system in place

- Ensure that the Bank has a solid and effective risk management infrastructure in place

Implementation of Risk Management Control Techniques

- Establish and review the adequacy of risk management control techniques and methodologies and monitor their effectiveness

Monitoring of material litigation

- Monitor material litigation involving the Bank

Risk appetite

- Adopt the risk appetite for the Bank, as recommended to and approved by the Board

Risk profile

- Review the Bank's risk profile and potential exposure to risks of various types

Review of Bank policies

- 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 2022

There were 8 Risk Management Committee meetings of the Bank for the year 2022. The attendance records for the meetings are as follows:

Members	Board Status	Committee Member Since	Meeting Attendance
Mr Ranapartab Tacouri <i>GCSK</i> (Chairperson)	Independent NED	November 2021	8/8
Mr Roodesh Muttylall ¹	Non-Independent NED	February 2021	6/8
Mr Muhammad Azeem Salehmohamed	Non-Independent NED	September 2020	8/8
Mr Anoop Nilamber ²	Executive Director	July 2021	8/8
Mr Raoul Gufflet	Non-Independent NED	July 2021	8/8

Secretary to the Committee: Mrs Bharti BOLAH-CHOWTEE

Notes:

- Mr Roodesh Muttylall ceased to be a Member effective from 05 January 2023.
- Mr Anoop Nilamber ceased to be a Member effective from 07 February 2023.



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 director(s). The main responsibilities of the Committee include the following:

Plans and other related documents

- Review and recommend the strategic plans, business plans, annual or quarterly corporate objectives and budgets

Plans, Objectives and Budgets

- Review the Bank's strategic plans and annual / quarterly corporate objectives and budgets

Tackle issues arising

- Review issues of fundamental importance and proposals from management related to the Bank's long-term objectives and goals

Strategies

- Review effectiveness of the Bank's strategies

KPIs

- Review performance against set KPIs and targets

Implementation of the strategic plans

- Consider and review the type of organisational structures and functions necessary for implementing the strategic plans

Strategy Committee Meetings during 2022

There were 4 Strategy Committee meetings for the year 2022. The attendance records for the meetings are as follows:

Members	Board Status	Committee Member Since	Meeting Attendance
Mr Muhammad Azeem Salehmohamed (Chairperson)	Non-Independent NED	September 2020	4/4
Mr Jean Paul Emmanuel Arouff	Non-Independent NED	August 2020	3/4
Mr Coomarah Chengan	Independent NED	February 2021	4/4
Ms Oumila Sibartie ¹	Independent NED	February 2021	2/2
Mrs Imalambaal Kichenin	Independent NED	March 2020	4/4
Mr Eric Michel Georges Leal ²	Independent NED	March 2020	3/4
Mr Anoop Nilamber ³	Executive Director	July 2021	4/4
Mr Raoul Gufflet ⁴	Non-Independent NED	November 2022	-

Secretary to the Committee: Ms Preshnee RAMCHURN

Notes:

- Ms Oumila Sibartie ceased to be a Member effective from 21 June 2022.
- Mr Eric Leal ceased to be a Member of Strategy Committee effective from 09 January 2023.
- Mr Anoop Nilamber ceased to be a Member effective from 07 February 2023.
- Mr Raoul Gufflet was appointed as Member of the Strategy Committee on 29 November 2022.

Corporate Governance Report (Cont'd)



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:

Compliance with policies and procedures

- Ensure that Senior Executives are managing the Bank in accordance with the Company's procedures and set policies

Review

- Review major credit risk issues and large credit exposures

Tackle issues arising

- Undertake ongoing review of the major transformative projects of the Bank

Up-to-date Information

- Ensure that the Board is kept informed about the running of the affairs of the Bank

Implementation of procedures and policies

- Ensure proper implementation of procedures and policies approved by the Board

Board Supervisory Committee Meetings during 2022

There were 5 meetings of the Board Supervisory Committee of the Bank during the year 2022. The attendance records for the meetings are as follows:

Members	Board Status	Committee Member Since	Meeting Attendance
Mr Visvanaden Soondram (Chairperson)	Non-Independent NED	April 2021	5/5
Mr Roodesh Muttylall ¹	Non-Independent NED	April 2021	5/5
Ms Oumila Sibartie	Independent NED	April 2021	5/5
Mr Ranapartab Tacouri GCSK	Independent NED	April 2021	5/5
Mr Anoop Nilamber ²	Executive Director	July 2021	5/5
Mr Raoul Gufflet	Non-Independent NED	July 2021	4/5

Secretary to the Committee: Ms Preshnee RAMCHURN

Notes:

- Mr Roodesh Muttylall ceased to be a Member effective from 05 January 2023.
- Mr Anoop Nilamber ceased to be a Member effective from 07 February 2023.

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.

The main responsibilities of the Company Secretary include the following:

- Acts as Secretary to the Board and all Board Committees
- Supports the Board and Committee Chairs in Meeting Planning
- Supports the Chairperson 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

The Governance Lead has a direct reporting line to the Board and also reports administratively to the Chief Executive Officer.

Ms Ramchurn is senior officer of the Bank as well as a Member of the Chartered Governance Institute UK & Ireland (ICSA) and a Member of the Mauritius Institute of Directors (MIOd).

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 seven 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)

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.”

Principle 3 of the National Code of Corporate Governance for Mauritius (2016)

Nomination, Appointment and Reappointment Process

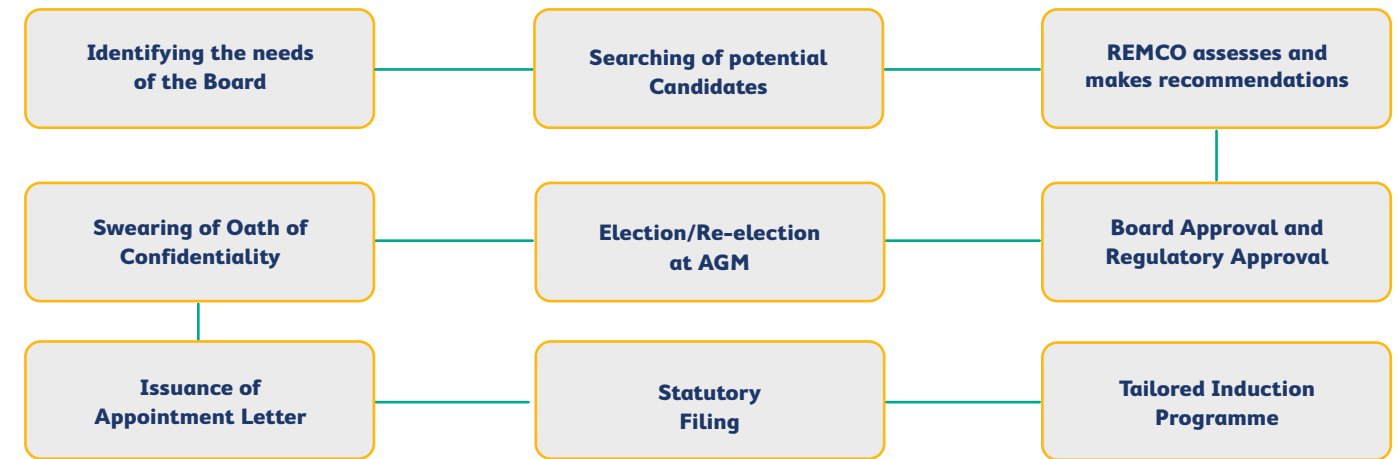
The Board has established a Remuneration & Nomination Committee which is responsible, amongst others, for reviewing the organisational structure, Board size and composition along with identifying eligible candidates for directorship on the Board of the Bank. In so doing, it seeks to promote a diverse 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 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
- Balance of the Board in terms of composition (Executive, Non-Executive, Independent)

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



Succession Planning

The Board is ultimately responsible for succession planning for directorship and key management roles. The Board Chairman and the 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.

During the year under review, the Board had evaluated the suitability of the person and recommended the re-election of Directors to the Shareholder for approval at the Annual General Meeting of the Bank, thereby safeguarding the stability of its composition while also considering a review in a sensible way.

Any vacancies or probable vacancies which could arise following resignation and retirement of Directors are given due consideration by the REMCO and the Board, taking into consideration the exigencies of the Board and provisions of the Bank's Constitution.

Corporate Governance Report (Cont'd)

Succession Planning (Cont'd)

Succession Planning for Senior Management

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

The Bank had identified and supported talented employees at an early stage with the goal to fill top management positions in the longer term namely through the promotion exercises carried out during the year to ensure retention, recognition of internal talents and proper succession planning amongst others. The prevailing HR standards for promotions and/or transfers are also designed to ensure that existing or proposed senior management benefit from a wide cross function exposure thereby facilitating career progression and succession planning.

During the year under review, Management had evaluated the suitability of the person before recommending his appointment to the Board. Updates of any vacancies or probable vacancies which arise due to resignation and retirement at Senior Management were also reviewed by the REMCO and Board through the relevant updates provided by Management on a periodic basis.

A review of the composition of the Executive Forum was carried out during the year whereby, the configuration was changed from 'people-driven' to 'function-driven'; and due considerations were given to skills, experience, age and gender so as to ensure that there is a proper balance within the Senior Management Team. This has helped, amongst others, in talent pooling, thereby ensuring smooth replacement planning especially in situations where key posts fall vacant due to unplanned events/circumstances, such as that of the CE in February 2023.

Rotation of Board Members

It is a common practice at the Bank for each head of department to be supported by senior team members, who assist to manage other team members and contribute to the overall delivery of the objectives of the department. The senior team members have a critical role in ensuring the smooth running of operations and business continuity in the absence of the head of department.

The Board acknowledges that having smooth transitions in leadership roles is crucial to an organisation's long-term success. Succession planning is done to identify critical positions and to develop action plans for individuals to assume those positions at a later date. We ensure succession planning by building a solid talent pipeline through targeted recruitment for key critical roles, promotions, on-the-job training, formal training, and other development programmes.

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."

Principle 4 of the National Code of Corporate Governance for Mauritius (2016)

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.

A copy of the Bank's Board Charter and Terms of Reference of its committees are available on its website at <https://banking.sbmgroup.mu/individual/about-us/corporate-governance>. These documents list the duties of our Board and its committees, matters that are specifically reserved for decision by our Board and those matters that should be reported to it.

In 2022, the duties of the Board and its Committees, as mentioned in the Board Charter and Terms of Reference respectively, were reviewed with regards to the revised Guidelines issued by the Bank of Mauritius and other developments.

Code of Ethics

The Board firmly believes that good conduct is fundamental to the sustainability of the banking industry. Therefore, the Board 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.

The Code of Ethics and Business Conduct had been drafted by Management under the guidance of the Board. 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.

The Code of Ethics and Business Conduct is available on the Bank's website at <https://banking.sbmgroup.mu/individual/about-us/corporate-governance>.

Corporate Governance Report (Cont'd)

Board Effectiveness

The Board, through the Corporate Governance & Conduct Review Committee, undertakes a rigorous and regular review of its performance and effectiveness to assess how it, its committees and individual directors are performing.

In line with the Code's recommendations, an independent review of the Board's effectiveness was conducted in April/May 2021. The exercise was facilitated by Value Alpha Limited ("Value Alpha"), a UK-based consultancy specialising in board evaluations. Value Alpha identified some areas where a degree of performance improvement was deemed necessary while at the same time, encouraged the Board to continue improving its performance in those areas where it is already doing well.

An internally facilitated performance evaluation of the Board and Committees, led by the Chairman with the support of the Company Secretary, was subsequently conducted for the financial years 2021. The internal evaluation exercise for the FY 2022 is currently underway and an action plan will be devised to further improve the running of an effective Board.

An action plan tracker was set up to earmark for issues identified and recommended to be improved. Below is an overview of the details covered in the tracker:

Recommendations/ Areas of improvement	Category	Action Owner	Comments/ Progress	Timeline	Status
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In Q4 2022, most of the recommendations/areas of improvement had their status as 'closed' in the action plan tracker whilst the remaining ones were under progress and being tracked by the Corporate Governance & Conduct Review Committee.

The below diagram shows the performance evaluation conducted for financial years 2020 to 2022:



Directors' Training

A commitment to offer trainings / development programmes to all the actors within the Bank is a central part of the Bank's culture.

At the Bank, the Directors' training / development programmes fall under the responsibility of the Chairman of the Corporate Governance & Conduct Review Committee, assisted by the Company Secretary and the SBM Academy. Together, they must ensure that the Board and its committees:

- Receive training on crucial matters on a timely basis;
- Participate in sessions developing further their granular knowledge of businesses in the banking sector; and
- Be made aware of the current and emerging issues relevant to the Bank and its operations, on particular products, business opportunities and corporate governance.

a. Directors' Induction

An induction programme is prepared for all newly appointed Non-Executive Director(s). This is delivered through the Directors' Induction Handbook, formal briefings and introductory sessions with Board members, Senior Management, Auditors and Regulators, as appropriate.

At the Bank, the early focus on induction is considered as vital as it allows the new Directors to get acquainted with their legal duties and enables them to develop a quick understanding of the Bank's business operations as well as associated opportunities and challenges. At the end, with the help of all these information, the new Directors would be able to contribute meaningfully to strategic decision(s) of the Bank from appointment.

During the year 2022, there was no new Non-Executive Director appointed on the Board and therefore, no induction was carried out.

b. Continuous Development Programme

The Board is highly supportive towards Directors' continuous trainings / development programmes as these apprise them of their duties towards the Bank, contribute to an effective board, and help them cope with the constant changes, challenges and complexity of the business environment.

The Company Secretary, in collaboration with SBM Academy, assists the Chairpersons of the Board and the Corporate Governance & Conduct Review Committee in designing a formal and customised training plan for all Board Members and the Senior Executive team. Such training programmes are facilitated by both internal and external subject matter experts, and have as objective to provide the level of knowledge and expertise to enable the teams navigate through the business environment.

Fintech, new regulatory frameworks, sophisticated cyber-attacks, sustainability risks are increasing the need for both the Board Members and the senior executive team to stay ahead of the curve to effectively execute their responsibilities.

Therefore, during FY 2022, much emphasis was laid on five pillars, namely (1) Fintech & Emerging Technologies; (2) Compliance; (3) Risk Management Framework; (4) Cyber Risks; and (5) Corporate Governance. The fundamental goal of the trainings was to stay ahead of the curve and enable the Directors to carry out their duties / functions with reasonable care, skill and diligence.

Corporate Governance Report (Cont'd)

Directors' Training (Cont'd)

The total number of training hours attended by Directors during FY 2022 was 147.

The details of the five trainings offered during 2022 have been provided in the table below:

Category Fintech & Emerging Technologies

Total Training hours 21

Category Compliance

Total Training hours 57

Category Risk Management

Total Training hours 20

Category Cyber Security

Total Training hours 7

Category Sustainability

Total Training hours 42

By investing in Board development, a clear signal is sent throughout the organisation that continuous learning and development is valued at all levels.

Remuneration

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

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

a. Remuneration for Non-Executive Directors

The Bank's remuneration philosophy concerning the Non-Executive Directors 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 the attendance of Board meetings.
- Directors are remunerated in accordance with the fee schedule approved by the Bank's shareholder. 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 in respect of their presence at meetings of the Board and of 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 2022 whilst discharging their duties towards the Bank:

Non – Executive Directors	January 2022 to December 2022 (MUR)*
Mr Visvanaden Soondram (Chairman)	1,875,000
Mr Jean Paul Emmanuel Arouff	1,155,000
Mr Coomarah Chengan	1,095,000
Mrs Imalambaal Kichenin	1,515,000
Mr Eric Michel Georges Leal	975,000
Mr Roodesh Muttylall	990,000
Mr Rajcoomar Rampertab CSK	1,590,000
Mr Muhammad Azeem Salehmohamed	1,350,000
Ms Oumila Sibartie	1,665,000
Mr Ranapartab Tacouri GCSK	1,315,000
TOTAL	13,525,000

*includes the fixed monthly fee and attendance fee.

Non-Executive Directors have not received any remuneration in the form of share options or bonuses associated with organisational performance during the financial year 2022.

Corporate Governance Report (Cont'd)

Remuneration (Cont'd)

b. Remuneration for Executive Director

In accordance with the Bank's remuneration philosophy, the Executive Director is not entitled to directorship fees.

The approach used to determine the remuneration for Executive Management is in line with their employment contracts and 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. Instead, the Board, through the Remuneration & Nomination Committee, oversees the remuneration packages of some members of Senior Management.

The total gross emolument received by the Senior Executive who served the Board during the financial year 2022 was as follows:

Executive Director	January 2022 to December 2022 (MUR)
Mr Anoop Kumar Nilamber*	21,145,941

*Mr Anoop Kumar Nilamber ceased to act as Executive Director of the Board as from 07 February 2023.

Directors & Officers Liability

The Bank has subscribed to a Directors & Officers Liability Insurance policy protecting both individuals and insured entities. The cover reimburses the Insured Entity if they have paid a loss for a Director and Officer arising out of claims first made against that Director or Officer. The Insurer will pay the loss of each Director and Officer arising out of a claim first made against that insured person. The policy does NOT cover the deliberate gaining by any insured of profit or advantage to which such insured was not legally entitled, or the committing of any deliberately dishonest or deliberately fraudulent act by any insured.

Conflicts of Interests

In accordance with the Mauritius Companies Act 2001, Directors have a duty to avoid actual or potential conflicts of interest and to act in the best interest of the Bank.

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

At the level of the Bank, the Conflict of Interest Policy is reviewed on an annual basis.

The Board recognises that Non-Executive Directors have other business interests and directorships outside the Bank. Therefore, there could be such transactions undertaken by the Directors that could give rise to a conflict or a potential conflict of interest. In such situations, the Directors are advised to declare their interests to the Board and/or Company Secretary. These details would generally be recorded in the Interest register maintained by the Company Secretary. The register can be made available to shareholders of the Bank upon written request to the Company Secretary.

The Directors of the Bank are regularly reminded of their continuing obligations to disclose any potential or actual conflict of interest and at the same time, to confirm their external interests.

Corporate Governance Report (Cont'd)

IT Governance

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

Several initiatives were implemented by IT during last year, at the same time maintaining systems stability with an average uptime above 99.95%.

Some of the major initiatives completed during 2022 are:

Moody's Risk Analyst replacement with SBM R²	Implementation of SBM R ² , which is a credit rating system developed 100% in-house in replacement of Moody's Risk Analyst software. It is significantly cost-effective and is fully customised to meet the credit rating needs of the Bank. The new platform is flexible and can accommodate future business requirements on demand.
PEX Cards Migration	The two premium credit card products hosted at PEX were migrated in-house. Project was complex due to data migration, cutover with card associations network and new loyalty programmes. Our customers can now have a consolidated view of their PEX Cards in IB and MB, similarly to their other products.
E-Commerce (Debit Cards)	Our Debit cards are now enabled for e-Commerce transactions, boosting card usage for e-Commerce, and enhancing customer convenience-shopping experience. Customers can effect e-Commerce transactions using their debit card, and have the facility to activate service/update daily usage limits through Internet Banking and Mobile Banking.
Infrastructure and Network Improvements	A number of infrastructure-related projects was conducted to remediate equipment in Branches and SBM Tower that were end-of-life. All branches, including Rodrigues, and all floors in SBM Tower are now equipped with latest Cisco switches. Each branch is also equipped with 2 Fortinet SDWAN in an active-active HA (High Availability) cluster, ensuring resiliency with 2 redundant network connectivity with 2 different Internet service providers.
43XL Project	23 branches were successfully renovated with new equipment where applicable, including ATMs.
Zero Interest Medical Loan	In line with the Government initiative to offer assistance for medical treatment in private hospitals, SBM has successfully launched the Zero Interest Medical Loan in collaboration with the Ministry of Finance.

The aim of IT for next year will be focused on continuous investment and strengthening of our IT landscape to ensure Business Continuity, improve Operational Efficiency, and drive Business Growth through our Digital Transformation Programme. SBM endeavours to be at the head of the innovation curve in the short-medium-long term and is making the required investments to achieve this vision. SBM has been consistently first to market on several innovative products and services in the past, and we aim at continuing in this direction.

A number of major initiatives have kick-started in 2022 in line with the Bank's IT Strategy, namely:

Digital Channels

As part of our transformation journey, whilst we are strengthening our IT ecosystem and laying the foundation of our longer-term Digital Journey, SBM is in parallel focussing on revamping its Digital Channels offering with upmarket channels offerings and introducing more efficient and attractive experience covering key areas such as Customer Journeys, Credit Journeys, and Payment Journeys.

Cloud Strategy

As part of our overseas Datacentres relocation from India to Mauritius, in 2022, Gartner has been engaged to assist SBM with defining its Cloud Strategy and Target Operating Model, in line with the guidelines and regulations of the Bank of Mauritius. Key fundamentals are embedded in defining this new DNA of the Bank, namely Innovation & Time to Market, Security, Business Continuity, and Data Protection & Sovereignty.

IT Transformation

The Bank has engaged in an IT Transformation Programme with the aim of consolidating and transforming the IT organisation to better support and enable IT Operations, Digital Growth, and Innovation. The IT Organisation is undergoing a major structural changes, and the adoption of new ways of working.

End of Support Life (EOSL) Remediation in India

A number of our IT Assets in India have reached EOSL and require remediation to avoid risks of business disruptions. SBM is continuously making the required investment to ensure our IT assets in India are upgraded to the latest versions. This is a medium-term project that will equip SBM with a solid technology foundation for future growth.

Relocation of our Local Mauritius Datacentres

A number of our IT Assets in India have reached EOSL and require remediation to avoid risks of business disruptions. SBM is continuously making the required investment to ensure our IT assets in India are upgraded to the latest versions. This is a medium-term project that will equip SBM with a solid technology foundation for future growth.

Corporate Governance Report (Cont'd)

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."

Principle 5 of the National Code of Corporate Governance for Mauritius (2016)

Risk Management & Internal Control

Risk Management & Internal Control is key to the success of SBM. We accept the risks inherent to our core business lines and we diversify them through our scale, the variety of the products and services we offer and the channels through which we sell them.

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 approval 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.

Further details on the management of risk are given in the Risk Management report on pages 115 to 165.

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.



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 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 ensures that appropriate actions are being taken to mitigate these risks, all in compliance with the Bank of Mauritius guidelines and the 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.



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 Chief Risk Officer 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.

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.



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.

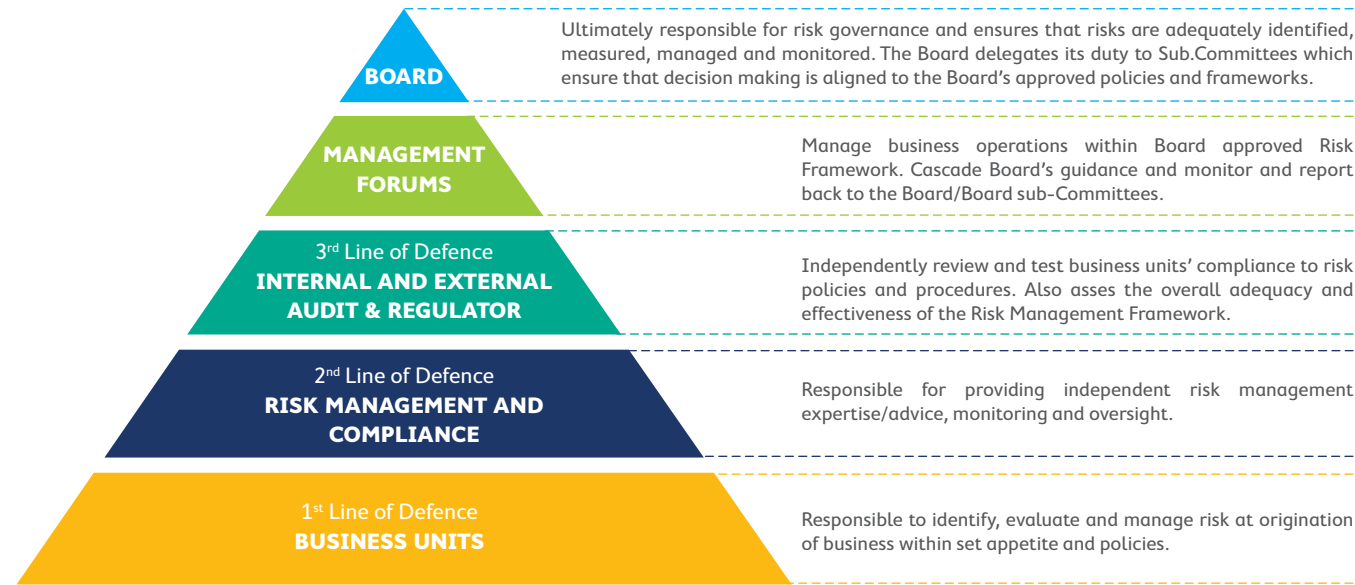
The Audit Committee receives regular reports from the External Auditors, Internal Auditors and the Compliance functions, providing assurance on whether the internal control system in place is performing effectively and is adequate to mitigate risks in line with the risk appetite of the Bank.



The Audit Committee and the Risk Management Committee are assisted by the 3 Control Functions, namely the 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.

Corporate Governance Report (Cont'd)

The accountability for risk governance is as hereunder:



- 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, ensures that the controls are working effectively, and limits are adhered to through regular checks. The 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 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.
- Through regular audits, the internal control system is evaluated with respect to the risk environment. The Audit Committee derives assurance from the Head of Internal Audit & Investigation, the Head of Compliance and the external auditor that remedial measures are being taken for material audit findings.
- In accordance with the instructions in the Guideline on Maintenance of Accounting and other Records and Internal Control Systems, the external auditor examined the internal control systems of the Bank, which they concluded were effective.

Overall, through internal and external audit reports, the Board is of opinion that the internal control systems of the Bank are effective and adequate.

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."

Principle 6 of the National Code of Corporate Governance for Mauritius (2016)

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 172 to 179 of the Annual Report. The Annual Report is published in full on the Bank's website.

Human Resources Report ("HR Report")

In 2022, the focus of the Human Resources Division has been the well-being of our employees. With the employees returning to office, the main challenge has been to ensure that there is a smooth transition from the work from home to the work from office mode. A number of activities having at heart the employees' well-being has therefore been organised, such as :

1. Blood donations have been conducted as part of welfare initiatives;
2. Wellness Week was conducted in the month of September 2022. It was a fun filled week with messages to staff members with regards to their own health.

Some of the series of activities conducted are:

- | | |
|--|---|
| <ul style="list-style-type: none"> • Awareness talks on Nutrition, Balanced diet and importance of breakfast and exercises • Awareness talks on Stress management • Awareness talks on Ergonomics and good postures at work • Awareness talks on smoking and drug abuse • Awareness talks on cancer • Laughter Therapy | <ul style="list-style-type: none"> • Eye Screening • Stretching and relaxation • Yoga • Zumba • Aerobics |
|--|---|

Corporate Governance Report (Cont'd)

Human Resources Report ("HR Report") (Cont'd)

Over and above the activities, prepacked breakfast and fruits were distributed to all employees.

3. Yoga sessions carried out each Tuesday at SBM Tower
4. On-site company doctor twice a week to ensure the well-being of our employees

Huge emphasis has been placed on ensuring continuity in our business and serving our customers with passion while we position the safety and well-being of our employees as a top priority.

Our position to be an Employer of Choice and to be a top-of-mind organisation for youngsters and seasoned professionals remains unchanged. Our reputation on the market as a key employer and contributor on the Mauritian economic scene remains essential.

Teamwork, collaboration, professionalism, trust, responsibility for self and others as well as a strong passion to serve with excellence have been key guiding principles in the way HR has been the strategic partner to the different lines of business. We encourage a high-performance culture by rewarding performance, providing development and growth opportunities and supporting organisational change for a more efficient and robust structure.

Creating a lifelong employee experience

At SBM, we want employees to be provided with an experience that is both memorable and entertaining to keep the motivation level and the sense of belonging at the highest. We have therefore taken the commitment to put at the heart of all key decisions and to provide the latter with opportunities to benefit from a one-of-a-kind employee experience through wellness events, community service, cultural programmes and other employee events.

Environmental Report

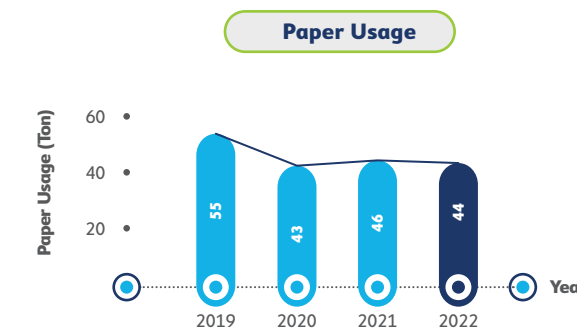
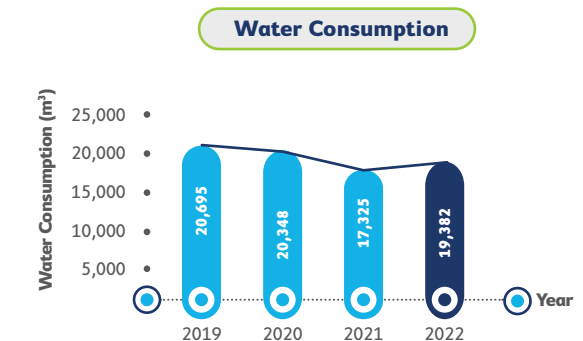
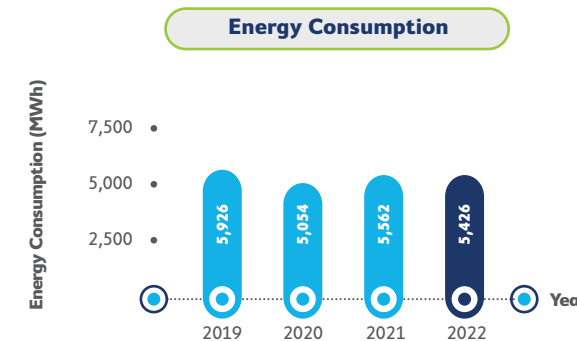
Our Local Sustainable Initiatives

The Bank's approach to environmental preservation is through continuous exploration and adoption of innovative sustainable and environmentally friendly initiatives. This is also seen in the efficient use of resources, such as the use of paper, electricity, and water.

In order to reduce electricity consumption, the Bank is currently renovating its branches with the newest technology and energy-saving materials, such as LED-dimmable lights, motion sensors, the use of natural lighting, adoption of re-engineering opportunities, and the use of efficient equipment, such as inverter air conditioning.

By favouring digital methods of communication and information consumption, our staff are encouraged to use less paper. By utilising their own reusable water bottles rather than single-use plastic ones, visitors to SBM Park are also assisting us in reducing our usage of plastics.

Our workforce is regularly sensitised on the need to use less paper, and efforts are being made to embrace a paperless strategy that will lower our carbon impact. Recycling businesses often handle the disposal of outdated papers in order to conserve energy, reduce pollution, and preserve natural resources.



Corporate Governance Report (Cont'd)

Health & Safety Report

Much emphasis has been placed on Health & Safety in 2022 through the implementation of wellness activities and putting the employees' well-being at the heart of what we do.

With the number of active COVID-19 cases still present and the changes in legislation with respect to the leaves in case of COVID infection, it was essential to ensure employees felt safe within their working environment. With employees also returning to work after having been on work from home mode for almost two years, a significant shift in the employees' mindset was noted.

Much emphasis was therefore put on wellness activities through the organisation of a wellness week, awareness talks and other related activities such as yoga, laughter therapy, eye screening and blood donations. The presence of an onsite doctor also ensured employees were provided with the comfort that their health and a safe working environment remain of utmost importance.

Additionally, to promote a safe and healthy working environment, adherence to all safety regulations was maintained. All health and safety matters were looked into at the earliest and within a reasonable timeframe. Inspections were also carried out at all SBM sites. Internal communications were also issued on a regular basis to advise employees on all health and safety matters.

As part of the Health & Safety Programme, training is also given to new recruits, first aiders and fire wardens.

New initiative for year 2023

With the emphasis on the well-being of employees and with employees having to work in office, other activities are planned for 2023. The activities include a wellness plan with the appointment of a Zumba instructor, psychologist, Tai Chi instructor, bank medical doctor and wellness activities for Branches and tie-ups with gyms in different regions across the island.

Corporate Social Responsibility Report

Our Strategy

The Corporate Social Responsibility (CSR) strategy of SBM Bank (Mauritius) Ltd is driven by its social arm, the SBM Foundation.

At SBM, we have a strong conviction that the proper opportunities may break down barriers and promote social and economic empowerment. By giving people the chance to learn, develop, and aspire for a better future, we aim to contribute to the sustainable development of the communities in which we operate.

We focus heavily on sustainable high-impact initiatives that benefit both the community at large and the underprivileged populations. Our long-term initiatives are tailored to promote an inclusive society by emphasising on:

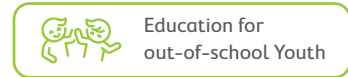
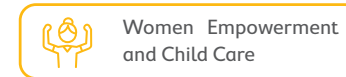
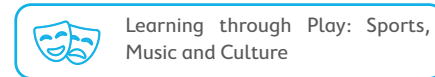
- Education and empowerment
- Providing tools to promote employability
- Combatting social ills with the objective of poverty alleviation

A considerable part of our CSR funds is allocated to the SBM Scholarship Scheme because we believe that education is a powerful tool for empowering our youngsters to become active and responsible members of the society in which we live. With the assistance of this unique and distinctive scholarship scheme, we aim to provide financially challenged students the chance to follow either tertiary or technical education of their choice in the Republic of Mauritius.

SBM also funds numerous initiatives submitted by non-governmental organisations (NGOs) / social partners, and its employees are actively involved in voluntary charitable activities.

Providing funding to projects of Social Partners / NGOs

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



Learning Through Play: Sports, Music and Culture

Abaim

Abaim adopts a holistic approach to poverty alleviation, empowerment and acquisition of skills through music. The SBM Foundation financed their Saturday and Sunday Care projects which provide children who had experienced school failure with the opportunity to become successful young artists.

Mo'Zar Espace Artistic

This association is one of the pioneers in using of music to enable youngsters acquire skills to get out of poverty. The SBM Foundation provided its financial support to its 'Fly me to the Moon Programme' in preparing disadvantaged students for music exams at SC and HSC level.

Centre of Learning

This association empowers music as a tool to impart knowledge to help youngsters get out of poverty. The SBM Foundation supported this association for accompanying vulnerable communities through a holistic approach geared towards education, training and promoting non-academic activities.

Corporate Governance Report (Cont'd)

Providing funding to projects of Social Partners / NGOs (Cont'd)



Women Empowerment and Child Care

Terre de Paix

This NGO provides early childhood care, education and development within a safe environment. The SBM Foundation has financially supported to their current 'Early Childhood Services' project, providing 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

The SBM Foundation supported this NGO financially for their 'Les Abeilles' Day Care Centre 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 undertake paid employment to bring additional income to their families to break the vicious cycle of poverty.

Falcon Citizens League

This association follows the UN Decade of Family Farming 2019-2028 action plan by leveraging on agriculture as a means to alleviate poverty. The SBM Foundation assisted this association in empowerment and advocacy of poor and vulnerable women in agribusiness as a means to mitigate poverty.

M-Kids Association

This NGO aims to improve the well-being of children and empowers them through impactful and sustainable programmes and activities. The SBM Foundation supported them with the project "M-Kids' Superkids: Youth Capacity-Building Retreat" to enable vulnerable children to take part in various psycho-social activities to boost their confidence, build up their skills and encourage positive friendships and influences.

Société des Femmes Arc-en-Ciel

This association helps to protect children from the influences of drug and prostitution. The SBM Foundation supported its project 'Lakaz Zenfan' to assist deprived children of the locality in promoting their educational and intellectual development through counselling and provision of a daily meal.



Education for Disabled Persons

Association des Parents pour la Réhabilitation d'Infirmes Moteurs

This NGO provides day care facilities for children and young adults affected by cerebral palsy. The SBM Foundation provided financial support for rehabilitation services of occupational therapists for the beneficiaries.

Centre pour l'Education et le Progrès des Enfants Handicapés

This association caters for disabled children and adolescents facing physical, cognitive, social, behavioural, emotional and academic challenges. The SBM Foundation supported financially in the provision of paramedical facilities to the beneficiaries.

Association of Disability Service Providers

This NGO is a SEN school providing equal opportunities to children and young adults with disabilities. The SBM Foundation financially assisted for a fence around the boundaries as well as for the salary of a full-time psychologist.

Angel Special School and Welfare Association

This association helps in empowering children and parents with special needs in Mauritius and Rodrigues through therapy and rehabilitation services. The SBM Foundation financially supported the upgrading and extension of therapeutic, recreational activities for special needs people in Mauritius and Rodrigues.

Association des Parents d'Enfants Inadaptés de l'Ile Maurice

This NGO helps in identifying disabilities in children at a young age and provides support to parents in this critical phase as well as encourages a 'prise en charge'. The SBM Foundation financially supported this association in the improvement of the quality of services offered to cater to the needs of people with intellectual disabilities and their families.

Autisme Maurice

In addition to running a diagnosis centre to identify autism at an early age, this

association also provides support and training to parents. The SBM Foundation supported financially the setting up of a resource centre and the provision of specialised education for children and other persons with autism in Mauritius.

EDYCS Epilepsy Group

This NGO is specialised in supporting epilepsy patients through various services such as medical, psychological and therapeutic support, a special school, community educational services and entrepreneurship programmes, amongst others. The SBM Foundation provided financial assistance in restructuring epilepsy care services and programmes at EDYCS Epilepsy centres in Mauritius and Rodrigues.

Joie de Vivre Universelle

The NGO Joie de Vivre Universelle aims to provide appropriate educational facilities for children suffering from Down's syndrome, autistic spectrum disorder or attention deficit hyperactivity disorder through specialised education. The SBM Foundation helped in representing the introduction of vocational education at JDVU SEN School.

Southern Handicapped Association Special Educational Needs School

This association is a SEN school providing educational services, paramedical therapy services and trainings to disabled kids and young adults. The SBM Foundation helped this association with the provision of ICT-related services and rehabilitation services to students with disabilities and to their parents.

Careco Rodrigues

This association aims to cater for people with disabilities by giving them training and employment. The SBM Foundation supported this association, representing improvements and development at the Rehabilitation, Training and Production workshop for people with disabilities.

Corporate Governance Report (Cont'd)

Providing funding to projects of Social Partners / NGOs (Cont'd)



Education for out-of-school Youth

Adolescent Non-Formal Education Network

The association helps in promoting informal education programmes for school dropouts. The SBM Foundation supported this NGO in creating equal access for low academic achievers and unemployed youth through technical training and sustainable employability.

Noyau Social Cité La Cure «Teen Hope»

This NGO provides assistance to adolescents aged between 12 to 16 years who are not attending school due to poor performance by helping them develop their literacy, numeracy and life skills. The SBM Foundation provided its financial assistance to this NGO with the initiative of implementing basic design courses using specific design software; upgrading of hardware and software; wiring and cabling and Wi-Fi extension for its computer room.

Mouvement pour Le Progès de Roche Bois

This association supports families from vulnerable groups to escape poverty through family empowerment programmes. The SBM Foundation financially assisted this association in its project 'Konekte Zeness, Nou Pou Avanse' to encourage youth for community engagement in addressing societal problems by using Information Technology as a major innovative tool to facilitate training and skills acquisition.

Anges du Soleil

This NGO intervenes in disadvantaged regions to help families get out of poverty through education and other activities to children and adolescents. The SBM Foundation supported this NGO in capacity building and empowerment of children from disadvantaged areas of Black River.

Mouvement Forces Vives

This association puts emphasis on poverty alleviation projects through educational support. The SBM Foundation supported its 'Sa Nou Vize Academy' project which is socio-economic development as a means for poverty alleviation/ educational support and training.

Rodrigues Student Needs Association

This association helps poor students meet their various needs through strategic actions. This makes the students feel secure and confident using music and other activities where the students can develop new interests and become self-confident. The SBM Foundation supported this association for the "Hope for the Hopeless" project which revolves around academic and vocational training, and leisure activities.

Other activities during 2022



World Environment Day – 05 June 2022

On the occasion of the World Environment Day, which was observed on 05 June 2022 at FALCON Citizens Leagues situated in Terre Rouge, staff members from various departments of the Bank got a guided visit of the agricultural farm and had the opportunity to get a demonstration of planting techniques (potted cultivation, seedling, cultivation, etc.) and plant some items themselves. The NGO covers various activities mainly for vulnerable women like farming, environmental care, with food security as a main objective.



Lunch at the Meenatchee Home – 24 July 2022

The SBM Foundation supported the Credit Recovery Team in organizing a lunch for the residents of the Meenatchee Home, situated in Port Louis. SBM staff spent a wonderful time with these residents, a moment which they truly valued.

Corporate Governance Report (Cont'd)

CSR Initiatives in Rodrigues

It is the first time that the Corporate Social Responsibility (CSR) department, through the SBM Foundation, visited Rodrigues to enhance its visibility there and meet various NGOs. The welcome we have received, and the interactive meetings have exceeded our expectations. We also provided SBM Foundation branded giveaways to the people we met, including polo shirts, caps, and pens. Below are the CSR initiatives held in Rodrigues.



Official launch of the book “La Faune et la Flore de Rodrigues” of the Mauritian Wildlife Foundation in Rodrigues – 16 November 2022

The SBM Foundation participated in the official launch of the book “La Faune et la Flore de Rodrigues” of the Mauritian Wildlife Foundation in Rodrigues during a ceremony held in the presence of the Chief Commissioner, which was followed by a site visit of the Nature Reserve. We funded the printing of the book. The launch received good coverage from MBC Rodrigues and was broadcast on local news.



Guided visit at Careco Rodrigues – 16 November 2022

The SBM Foundation engaged in a guided visit to a new partner NGO, Careco Rodrigues. There are some beneficiaries who are disabled; some are hearing-impaired or visually-impaired, while others suffer from autism. They produce a range of products mainly made from coconut shells, beehives and a range of beekeeping equipment, as well as honey.



Visit at Rodrigues Student Needs Association – 15 November 2022

The SBM Foundation visited a new partner NGO, Rodrigues Student Needs Association. The NGO provides educational support and training to slow learners and their parents.

Corporate Governance Report (Cont'd)

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”

Principle 7 of the National Code of Corporate Governance for Mauritius (2016)

External Audit

Following a competitive tender process, Deloitte was appointed as SBM's External Auditor for the financial year beginning 01 January 2020. Deloitte was reappointed by the Bank's shareholder and have continued to serve as SBM's External Auditor.

Deloitte presented the strategy and scope of the audit at the Audit Committee meetings held during the year, highlighting key areas of audit focus. The auditors reported against their audit scope at subsequent Committee meetings, providing an opportunity for the Committee to monitor progress and raise questions, and challenge both Deloitte and Management.

During the course of the year, Deloitte shared insights and feedback with management, and held debriefs to refine the planned audit approach for the review period.

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.

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

Auditors' fees and fees		Deloitte	Deloitte	Deloitte
		2022	2021	2020
		MUR' 000	MUR' 000	MUR' 000
	Statutory Audits and quarterly reviews	11,235	10,120	11,874
	Other services	972	3,007	9,878

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

Internal Audit

The Internal Audit and Investigation Division of the Bank provides independent, objective assurance and consulting activity designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit and Investigation Division is governed by an Internal audit charter approved by the Audit Committee.

The Head of Internal Audit & Investigation has a direct reporting line to the Audit Committee and also reports administratively to the Chief Executive Officer.

The Head of Internal Audit & Investigation has regular meetings with the Chairperson of the Audit Committee, in the absence of Management representatives, thereby further establishing Internal Audit's independence. Moreover, in order to maintain objectivity, Internal Audit is not involved or responsible for any area of operations within the Bank. Internal Audit has unrestricted access to all personnel, documents, records and explanations required in the performance of its duties.

Departmental Structure

There are 5 clusters within the Internal Audit & Investigation Division, namely the (1) Credit Cluster, the (2) Operations Cluster, the (3) IT Audit Cluster, the (4) Cluster Others and the (5) Investigation Cluster. Each cluster is supervised by an Audit Lead, who reports directly to the Head of Internal Audit & Investigation.

Team members of the Internal Audit & Investigation Division have a mix of banking and auditing experience. Most are fully ACCA qualified and have globally recognised certifications such as CIA, CFE or CISA.

The Internal Audit & Investigation Division also provides audit services to the SBM Group as per the Group's Internal Audit Policy. The Audit Leads coordinate on an ongoing basis with the Internal Audit Teams across the Group for better oversight.

Challenges and Achievements

The audit plan FY 2022 of the Bank was completed, despite challenges posed by COVID-19 and work from home arrangements. The audits were conducted following a risk-based methodology which is in line with IIA and other global best practices. Control weaknesses and remedial measures were reported to the Audit Committee on a quarterly basis. High risk open items were prioritised and discussed with Senior Management to ensure that the deficiencies have been addressed and that Internal Audit's recommendations have been acted upon.

Due to resource constraints, a few areas from the 3-year strategic audit plan were outsourced to external audit firms.

During 2022, several investigations were carried out in strict confidentiality, as mandated by the Chief Executive Officer / Audit Committee / Board. The findings were reported to the Executive Forum and Audit Committee for appropriate corrective actions.

The review of all service units was also completed.

The first two phases of the Data Analytics project were successfully implemented, resulting in enhanced assurance over computation of interest income & expense.

Outlook

In 2023, over and above the execution of the audit plan, the team intends to achieve the objectives set as per the 3-year Strategic plan, increase capacity with additional resources and explore automation of the audit process through acquisition of a new audit software.

Corporate Governance Report (Cont'd)

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.”

Principle 8 of the National Code of Corporate Governance for Mauritius (2016)

Engaging with our stakeholders is key to our success and delivering our strategy. Our fundamental aim is to create long-term value for our shareholder and all our stakeholders as we move through the economic cycle. The Bank is aware of its fiduciary duties towards its shareholder whilst recognising its accountability to a wider range of stakeholders, namely its customers, regulators and employees, amongst others.

The SBM Group has embarked on a Sustainability Agenda and is at an early stage of the journey. We recognize there is huge amount of progress still to make, but we are completely committed to achieving our ambition. Over the coming years, we will aim at increasing our momentum and continue to be transparent about our progress.

 Learn more in the Sustainability Report on SBM Group's website.

Our stakeholders are those individuals, groups and organisations that materially affect or could be materially affected by our business activities, products and services, and associated performance. Our business activities directly and indirectly impact on our stakeholders' own well-being and success.

We are committed to building constructive partnerships with our stakeholders, minimising the harmful impacts and optimising the positive impacts of our business activities on them. We engage with our stakeholders on a range of diverse issues and strive to respond to their legitimate concerns in an appropriate and timely manner. Proactive engagement with our stakeholders provides us with insights that help in communicating our material issues, shape our business strategy as well as operations, and minimise reputational risk.



1. Shareholders, Debt Holders and Investor Community

The Board encourages communication with the Bank's shareholder 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 in advance of the Bank's Annual Meeting which is a forum for discussion, as per the statutory timeline.

How do we engage with our Stakeholders	Their contribution to value creation	What our Stakeholders expect from us and key issues raised	Our responses to Stakeholders' concern
<ul style="list-style-type: none"> General Meeting is held on an annual basis, where shareholders have the opportunity to ask questions, express their opinion and seek clarification Sending notice of Annual General Meeting as per the statutory timeline before the meeting in accordance with the Mauritius Companies Act 2001 Circulation of all relevant documents prior to the meeting Keeping shareholders abreast of material events Annual reports Publication of interim reports on a quarterly basis Communication through website and electronic communication Rating agencies review 	<ul style="list-style-type: none"> The key source of financial capital for business operations and growth sustainability are investors, shareholders and debt holders 	<ul style="list-style-type: none"> 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 Bank's risk appetite framework of the Bank Regular communications about major developments Ensure that financial information released to markets and shareholder is accurate 	<ul style="list-style-type: none"> 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-committees oversees the responsibility of Management for risk, corporate governance and adherence to internal policies. The Board also ensures that the Bank's strategy is properly implemented by Management. No major shareholder influence

Corporate Governance Report (Cont'd)

2. Customers

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

How do we engage with our Stakeholders	Their contribution to value creation	What our Stakeholders expect from us and key issues raised	Our responses to Stakeholders' concern
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Focus to improve service quality at all levels based on the five dimensions of service • Implementation of Service Quality KPI's in the quadrant of Customer for Retail. A transparent reporting on customers' perception of our service level • Include principles to be adhered to and achieve enhancement in customer experience in all SBM branches network by having a coherent display of the Bank's materials • Training of Privilege and Private Bankers on how best to acquire, retain and manage customers with a focus on building on-going relationship • Sensitize the Bank staff on adopting the good principles related to Service • Improve Customer experience across all channels.

The Bank embarked on a journey to improve customer service. Some of the key initiatives of the Bank were the digitalisation of some banking services and the renovation of its branches across the country in a phased manner. This exercise was proposed by the Strategy Committee and approved by the Board. The main objective behind the renovation exercise is to make all Stakeholders of the Bank at ease during their visits to SBM. Below are some recent pictures of the renovated SBM branches:



Beau Bassin Branch



Plaine Verte Branch



Quartier Militaire Branch



Lallmatie Branch



Lallmatie Branch



Royal Street, Port Louis Branch

Corporate Governance Report (Cont'd)

3. Employees, Management and Directors

Human capital is one of the key drivers to achieve the Bank's objectives, growth, development and competitiveness. Human capital includes employees, the Management Team and Directors.

How do we engage with our Stakeholders	Their contribution to value creation	What our Stakeholders expect from us and key issues raised	Our responses to Stakeholders' concern
<ul style="list-style-type: none"> • Induction courses • Regular training and team building activities • Conferences, team engagement sessions and performance management discussions • Staff engagement survey and feedback • Regular Internal staff meetings and workshops • Social and cultural events • Events and facilities to enhance staff welfare • Internal newsletters and electronic communication • CEO and other Executive Members roadshows • Staff retention and opportunity for internal growth • Trade union and collective bargaining agreement 	<ul style="list-style-type: none"> • One of the key drivers for growth, development and achieving the Bank's objectives are the employees who deliver on our promises to our stakeholders and serve customers with dedication. 	<ul style="list-style-type: none"> • A safe, stimulating and rewarding work environment with open communication • Fair remuneration and benefits • Opportunities for professional and personal development • High standards of health and safety and mitigating hazards • Fair treatment and respect towards employees • Effective performance management and recognition 	<ul style="list-style-type: none"> • We provide a competitive remuneration package • We provide ongoing training to enhance skills • There is open communication between employees and management • Employee wellness programmes are in line with local and international best practices/trends • Performance management is integrated into development programmes for skills and personal development of the employee • We use the findings of our employee surveys to create tailored action plans and to address areas needing improvements • There is a collective bargaining agreement in place.

Some of the key initiatives of the Bank had been captured in the below pictures:



SME Open Day



Mauritius Finance Sports Day



Maha Shivratri



Hajj Event



Divali Event



Christmas Event

Corporate Governance Report (Cont'd)

4. Suppliers and Strategic Partners



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

How do we engage with our Stakeholders	Their contribution to value creation	What our Stakeholders expect from us and key issues raised	Our responses to Stakeholders' concern
<ul style="list-style-type: none"> • Expression of interest • Proper procurement process • Cordial relationship between Management and supplier • Meeting and Supplier visits 	<ul style="list-style-type: none"> • In order to be able to deliver its non-core activities, the Bank engages with several suppliers 	<ul style="list-style-type: none"> • Fair and reasonable contract terms • Payment in a timely manner • Decision to be communicated in a timely manner • Spirit of partnership 	<ul style="list-style-type: none"> • Fair payment process • Fair selection of suppliers

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 the SBM Group and drives the CSR agenda.

How do we engage with our Stakeholders	Their contribution to value creation	What our Stakeholders expect from us and key issues raised	Our responses to Stakeholders' concern
<ul style="list-style-type: none"> • Donations to NGOs and charitable institutions • Blood donations • Sponsorships • CSR initiatives • Staff engagement 	<ul style="list-style-type: none"> • As a responsible organisation in the Society, the Bank fully engages in the community through sports, education and alleviation of poverty initiatives 	<ul style="list-style-type: none"> • Helping the economy at large • Support and empowerment of vulnerable persons 	<ul style="list-style-type: none"> • 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	Their contribution to value creation	What our Stakeholders expect from us and key issues raised	Our responses to Stakeholders' concern
<ul style="list-style-type: none"> • Regular meetings and workgroups with the Bank of Mauritius and Financial Services Commission on regulatory guidelines, new legislations, laws and other matters • Frequent meetings with the Bank of Mauritius and member banks on Compliance matters/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 	<ul style="list-style-type: none"> • Provides regulatory framework guidelines • Provides instructions issued by regulators from time to time • Workshops and forums organised for member banks on evolving banking practice and innovations • Joint consultation meetings on new laws and regulations 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Appropriate Customer Due Diligence and Know Your Customer (KYC) Exercise • Screening and monitoring • Risk Management and Internal Control • Compliance with the National 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

Statement of Compliance

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

Reporting Period: 1 January 2022 to 31 December 2022

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). The Bank has applied all of the principles set out in the Code and explained how these principles have been applied in this Report.



Visvanaden SOONDRAM

Chairman – Board

27 March 2023



Jean Paul Emmanuel AROUFF

Chairman – Corporate Governance & Conduct Review Committee

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

27 March 2023



“I love this bank. Deeply...”

I have been with SBM for more than 38 years. I am currently the Head of Fixed Income where my team and I look after the Bank's investments and trading in securities. After college, I was recruited by the Bank and was assigned to the Human Resources Department for 9 years, then to the Trade Finance Department while I was simultaneously studying accounting and maths at the University of Mauritius on a part-time basis. Several opportunities opened for me to go elsewhere, but the family spirit at SBM has always convinced me to stay. I have the Bank at heart and have many close friends within the Bank. I feel a bit sad whenever I am told that a colleague is retiring...

Ram Soobroydoo
Head of Fixed Income



Risk Management Report

Risk Management Report

Our risk review outlines our approach to risk management, i.e., the process that seeks to identify, evaluate and mitigate the possibility of loss or damage inherent to our business and operating activities. Additionally, it also explains our material risks and how we manage capital.

The risk landscape keeps constantly evolving with changes in the geopolitical landscape, economic conditions and social expectations creating complex and interrelated risks as witnessed in FY 2022. Managing these risks efficiently, providing support and delivering consistently to our various stakeholders have been made possible through the strong risk culture and robust enterprise risk management framework embedded across the Bank. As such, our risk management approach is at the heart of our business and is central to us achieving sustainable growth and performance.

Our strong risk management system is governed by mandated Board and management committees with the appropriate expertise. We take measured risks within the risk appetite set at Bank level by the Board and risk limits are set and reviewed regularly by the relevant management committees at the bank. We continuously scan the horizon for topical and emerging risks and collaborate with both internal and external partners to effectively mitigate those risks as they are identified.

Key developments in 2022 ...

2022 continued to present a challenging risk landscape and the Bank actively managed the risks related to macroeconomic uncertainties, the Russia-Ukraine conflict, broader geopolitical uncertainties, COVID-19 pandemic repercussions as well as other key risks described in this section.

The Bank continues to pursue its agenda in enhancing its risk management, supporting our strategic ambitions whilst ensuring that we are operating within regulatory parameters. Some of the key initiatives undertaken are:

- Engaged with and supported our clients who are enduring disproportionate effects of the globally changing macroeconomic parameters especially in rescheduling their repayments
- Strengthening the Bank Enterprise Risk Management Framework (ERMF), demonstrating our commitment to promote a healthy risk culture and driving the highest standards of conduct and alongside enhancing harmonisation across the Bank
- Focused on driving the first line risk management with the redefined roles and responsibilities for Business Risk Coordinators aiding to bolster partnerships with business segments to identify opportunities, manage or mitigate risks
- Continued to embed the governance and oversight around model adjustments and related processes for IFRS 9 models, and, training and upskilling a specialist team
- Began a process of enhancement for our regulatory reporting programme to strengthen our processes, improve consistency and enhance controls
- Enhanced our enterprise risk reporting processes to place a greater emphasis on our emerging risks by capturing the materiality, oversight and individual monitoring of these risks

- Adopted steps to improve the effectiveness of our Compliance function especially on the financial crime front where we refreshed our AML-CFT policies and updated processes and procedures
- Made considerable improvements in our process for Enterprise-Wide Risk Assessment (EWRA), rendering it more efficient
- Continued to invest significantly in our information and cybersecurity programme in order to strengthen our ability to anticipate, detect, defend against and recover from cyber attacks
- Made commendable progress in analysing climate-related and ESG risks, and developing solutions addressing local regulatory initiatives while engaging with industry peers and other stakeholders with the aim to set best practices
- Reviewed our approach to the management of our third-party relationships to improve control and oversight to maintain our operational resilience, and to meet new and evolving regulatory requirements
- Delivered targeted training and awareness sessions on the various aspects of risk management for Directors, risk and compliance officers and employees of the Bank to ensure that they have the necessary knowledge and skills to fulfil their duties

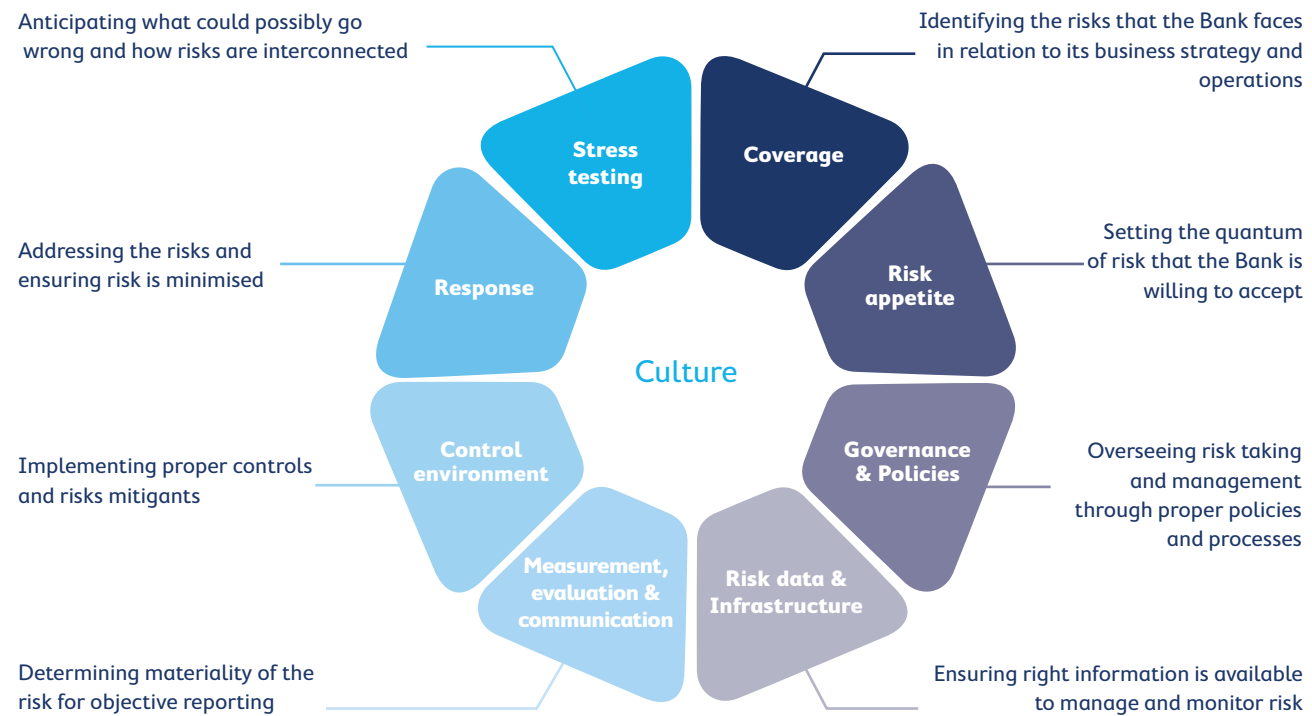
Risk Management Report (Cont'd)

Enterprise Risk Management Framework

Effective risk management is essential in delivering consistent and sustainable performance for all our stakeholders and is a central part of the financial and operational management of the Bank.

The ERMF outlines how enterprise-wide risks are being managed across the Bank. It is used to manage material risk types, including financial, non-financial and strategic risks.

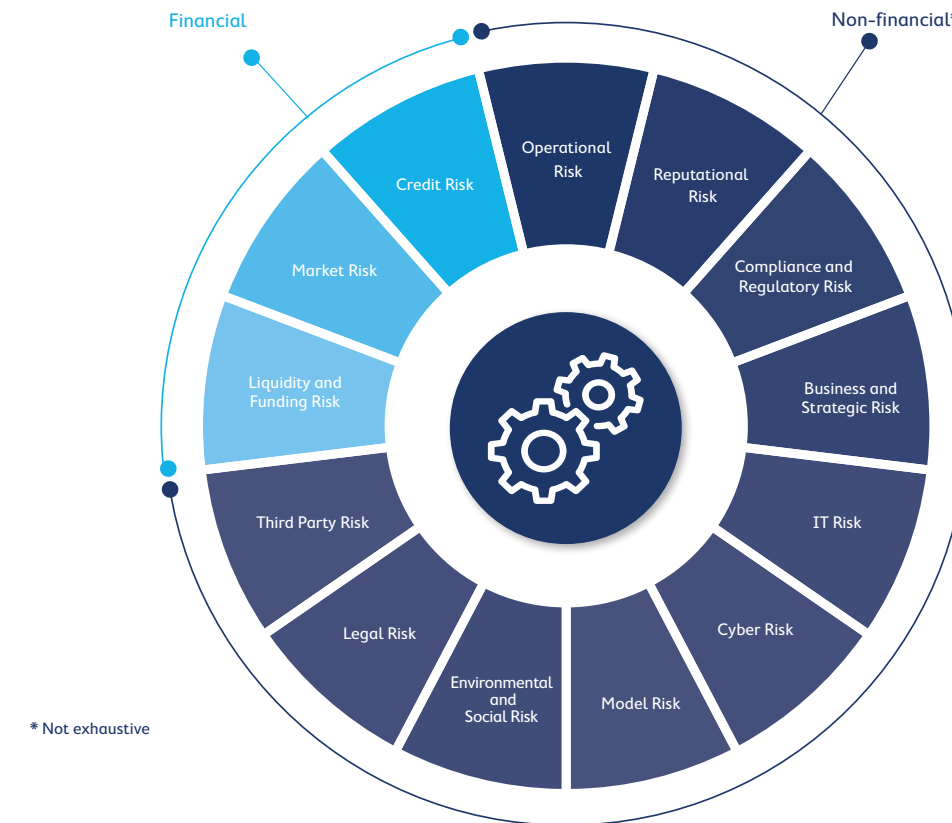
The framework sets out aspects such as the principal risks faced by the Bank, risk governance, risk management tools, risk culture which together help to align employee behaviour with risk appetite as expressed by the Board. The ERMF is complemented by frameworks, policies and standards which are mainly aligned to those material risks. It details the requirements in terms of responsibility, accountability, transparency and independence, and ensures that a coordinated and disciplined approach prevail across the organisation.



We constantly evaluate our ERMF to ensure that it meets the challenges of the dynamic environment in which we operate, aligning fully with evolving regulatory requirements and industry best practices.

Risk Universe

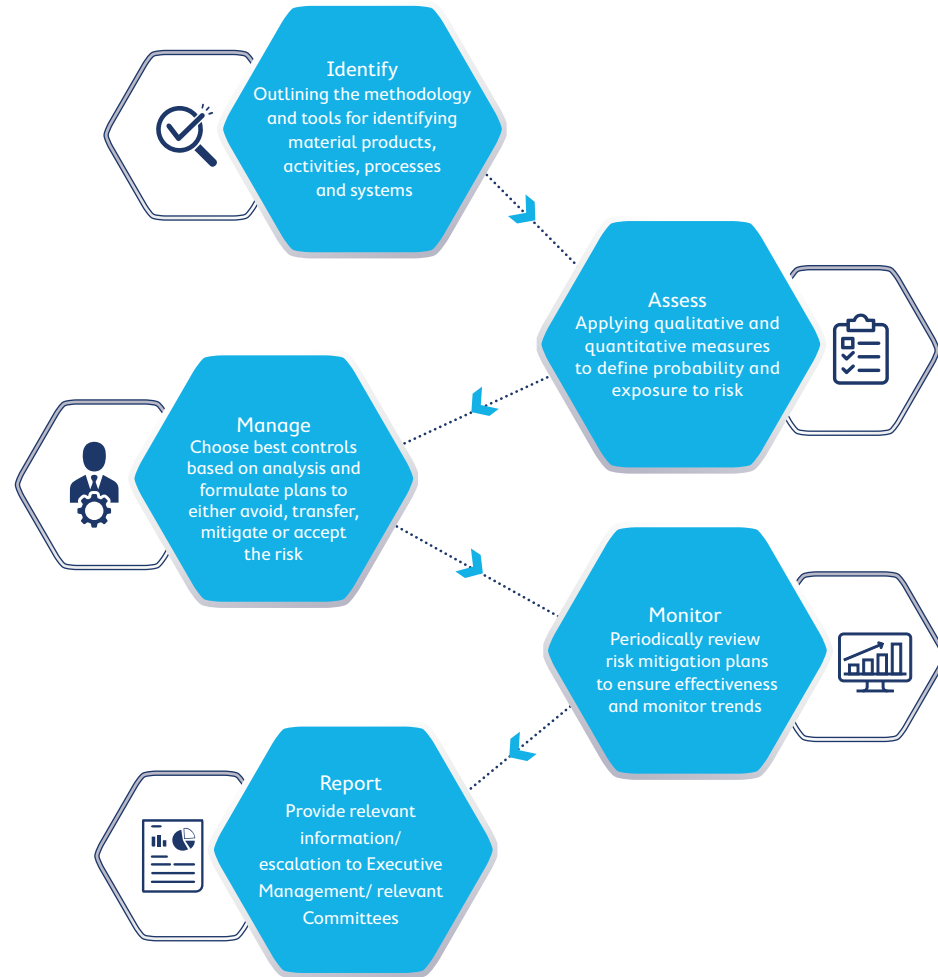
Our risk universe is derived from the array of risks potentially arising from all our operations and we ensure its relevance by regularly scanning the operating environment for changes to ensure prompt responses to risks and opportunities arising. These risks are classified as financial and non-financial risks with further sub categories emanating from these core risks and a host of measures are adopted to effectively manage and mitigate these risks. Our risk universe is managed through the risk lifecycle.



Risk Management Report (Cont'd)

Risk Management Lifecycle

Risk management allows for the proactive and disciplined identification, assessment, management, monitoring and reporting of risks. Effectively, the risk management process, which is of strategic importance for the Bank, provides the adequate mechanism to manage our risk universe effectively.



Risk Culture



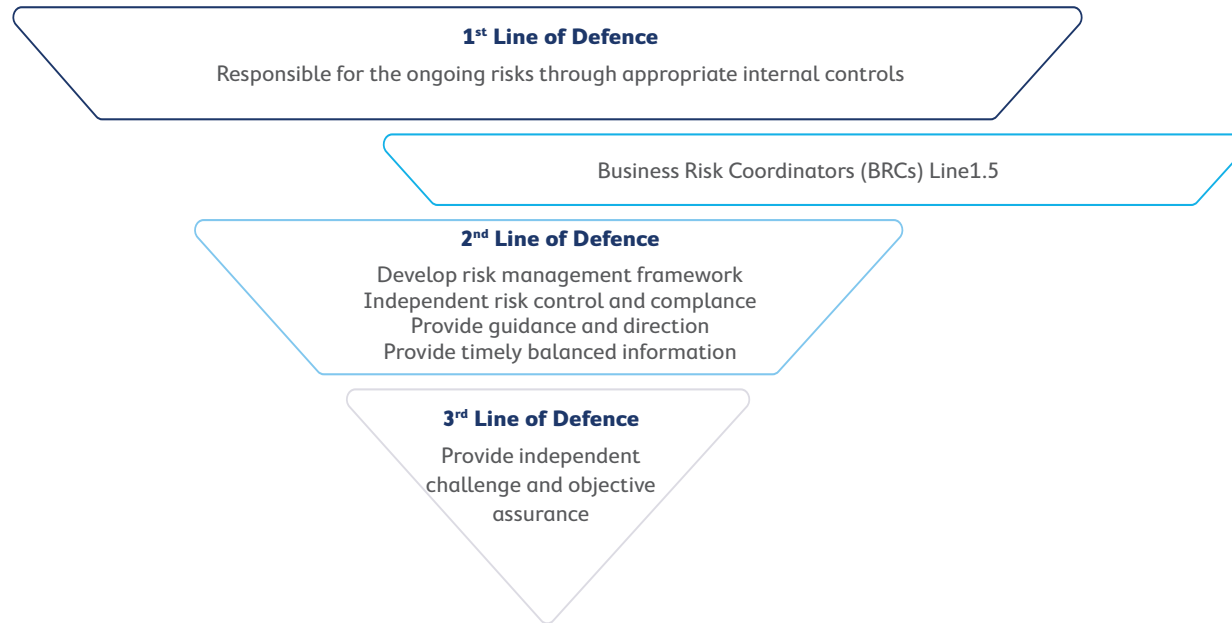
Risk Culture is the set of encouraged and acceptable behaviours, values and attitudes towards taking and managing risk. A strong risk culture is fostered through the mantra 'We are all Risk Managers' where all employees, regardless of their roles, need to understand and manage risks incurred while conducting business in line with our risk appetite.

Our risk culture allows us to consistently do the right business, the right way to achieve our strategic ambitions. This is demonstrated as to how the Bank identifies, escalates and manages risk matters. The Bank's risk culture provides guiding principles for the behaviours expected from its staff when managing risk, regardless of their positions, functions or locations. All staff must fully understand and take a holistic view of the risks which could result from their actions, understand the consequences and manage them effectively against our risk appetite.

Staff is required to be familiar with risk management framework and policies relevant to their roles and responsibilities and the governance around the escalation process in relation to actual or potential issues. This expectation continues to be reinforced through mandatory training courses and risk-related awareness campaign for all Bank employees.

Risk Management Report (Cont'd)

The Risk Culture has been reinforced through continuous training and awareness and the nomination of Business Risk Coordinators (BRCs) across the various departments. The BRCs play an important role in consolidating the Risk Culture as a partner of the Risk Management Team in this journey by Bridging the Gap between the First Line of Defence and the Second Line of Defence.



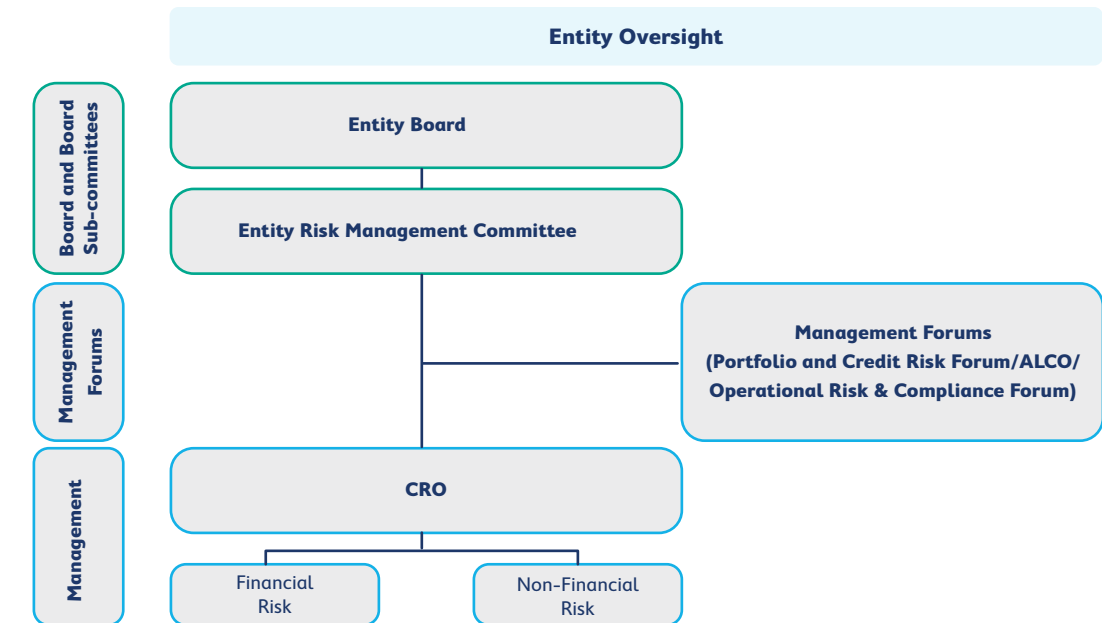
Risk management eventually works its way through the entire institution so that all levels of management participate in its processes.

Risk Governance

Effective governance sets a solid foundation for comprehensive risk management discipline. The Board has the ultimate responsibility for the effective management of risk across the Bank. As delegated by the Board, various Board sub-committees oversee specific responsibilities based on clearly defined terms of reference.

Under our risk management approach, the Board, through the Risk Management Committee (BRMC), sets our risk appetite, oversees the establishment of enterprise-wide risk management policies and processes and establishes risk appetite limits to guide the organisation's risk-taking. There are also several layers of management that provide cohesive risk governance.

Key management bodies and committees covering risk management matters



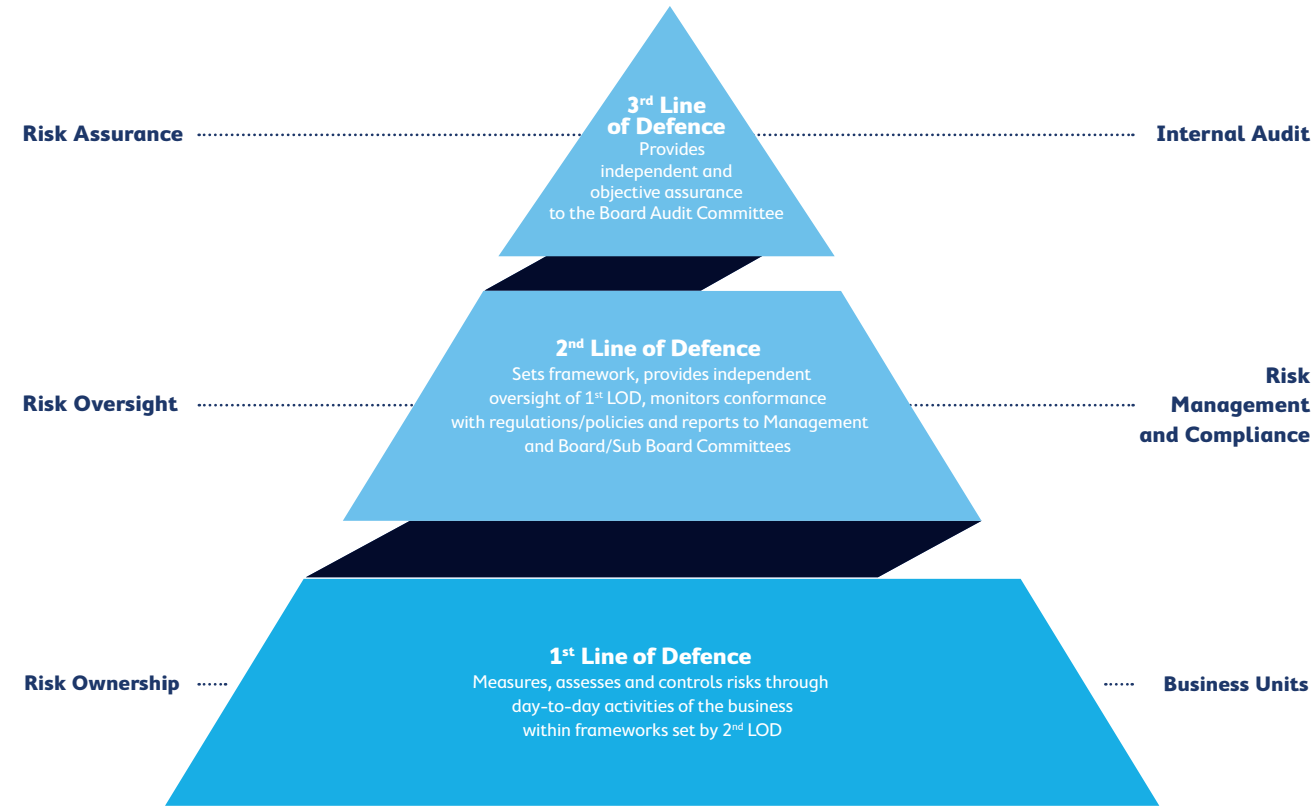
The Board has the ultimate responsibility for the effective management of risk and approves the overall risk appetite which is cascaded down to all employees of the Bank. The Acting Chief Risk Officer (CRO) independently reports to the SBM Risk Management Committee.

The Bank has an independent Risk Management team headed by an Acting 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.

The Bank's risk governance framework is based on a "Three Lines of Defence" governance model, where each line has a specific role with defined responsibilities and works in close collaboration to identify, assess and mitigate risks. The Three Lines of Defence model commands a prudent approach to risk at all levels Bank-wide, embedding the core concepts of accountability, transparency and consistency through clear identification and segregation of risks as well as enabling efficient coordination of risk and control activities. All staff across the Bank are responsible for understanding and managing risks within the context of their individual roles and responsibilities. The three lines of defence are summarised on the next page.:

Risk Management Report (Cont'd)

- The **first line of defence** owns the risks and is responsible for identifying, recording, reporting and managing them in line with the Bank's risk appetite and ensuring that the right controls and assessments are in place to mitigate them
- The **second line of defence** consists of independent risk management, compliance and control functions which are responsible for establishing risk management framework and associated control standards, and providing independent challenge to the activities, processes and controls carried out by the first line of defence
- The **third line of defence** is our Internal Audit function which provides independent assurance regarding whether our risk management approach and processes have been designed and are operating effectively



As shown on page 124, each line of defence has a specific set of responsibilities in managing risks. The independence of the risk function ensures that the necessary balance in making risk and returns is not jeopardised by short-term pressure to generate income. The risk function works alongside other departments such as Compliance and Financial Crime within the Risk Management Framework to deliver a unified second line of defence.

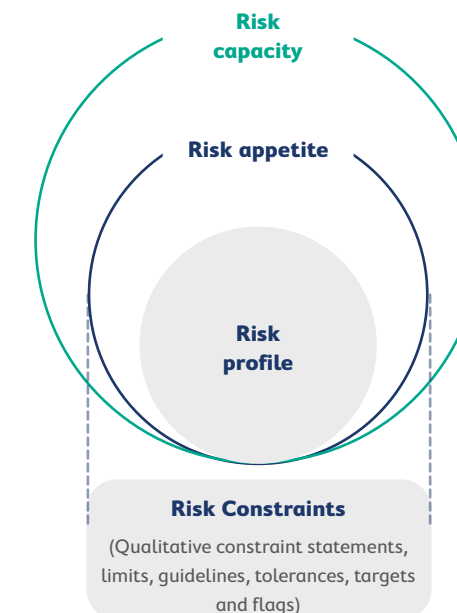
Risk Appetite

Risk appetite is interpreted as the maximum amount and type of risks which the Bank is prepared to accept in carrying out its activities in pursuit of its strategy. It provides a basis for ongoing dialogue between management and the Board with respect to the Bank's current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.

The Bank maintains a comprehensive Risk Appetite Framework (RAF) providing a structured approach to the identification, measurement and management of risks within risk appetite parameters. Our risk appetite is formally articulated through our Risk Appetite Statement (RAS).

The Board reviews and approves our risk appetite and capacity on an annual basis or more frequently in the event of unexpected changes to the risk environment, with the aim of ensuring that they are consistent with the Bank's strategy, business and regulatory environment, and stakeholders' requirements.

Risk appetite framework - key definitions



Risk capacity

Maximum level of risk that we can assume given our current level of resources before breaching any constraints determined by capital and liquidity requirements, the operational environment and our responsibilities to depositors, shareholders, investors and other stakeholders.

Risk appetite

Aggregate level and types of risk we are willing to assume within our risk capacity to achieve our strategic objectives and business plan.

Risk profile

Point-in-time assessment of our net risk exposures aggregated within and across each relevant risk category and expressed in a variety of different quantitative risk metrics and qualitative risk observations

Risk constraints

Quantitative and qualitative measures based on forward-looking assumptions that allocate our aggregate risk appetite to businesses, legal entities, risk categories, concentrations and, as appropriate, other levels.

Risk Management Report (Cont'd)



RISK CAPACITY

Risk bearing capacity represents the maximum level of risk that the Bank can assume in terms of available capital and ability to raise funds. It also covers the strength of operational processes and the operating culture of the organisation.



RISK APPETITE

Risk appetite articulates and allocates the risk capacity or quantum of risk that the Bank is willing to accept in pursuit of its strategy, duly set and monitored by the Board, and integrated into the Bank's strategy, business, risk and capital plans.



RISK TOLERANCE

Risk tolerance is the readiness to bear the risk after risk treatments to achieve set objectives. Risk tolerance is set in operational terms such as concentration limits, stop loss limits, etc, to ensure that the risk is within the defined risk appetite. Any breach thereof would lead to a control and/or mitigation action.



RISK TARGET

Risk target is the optimal level of risk that the Bank wants to take in pursuit of a specific goal. Setting the risk target should be based on the desired return, on the risks implicit in trying to achieve those returns and on SBM's capacity in managing those risks.



RISK LIMITS

Risk limits determine thresholds to monitor that actual risk exposure does not deviate too much from the desired optimum. Breaching risk limits will typically act as a trigger for corrective action at the process level.

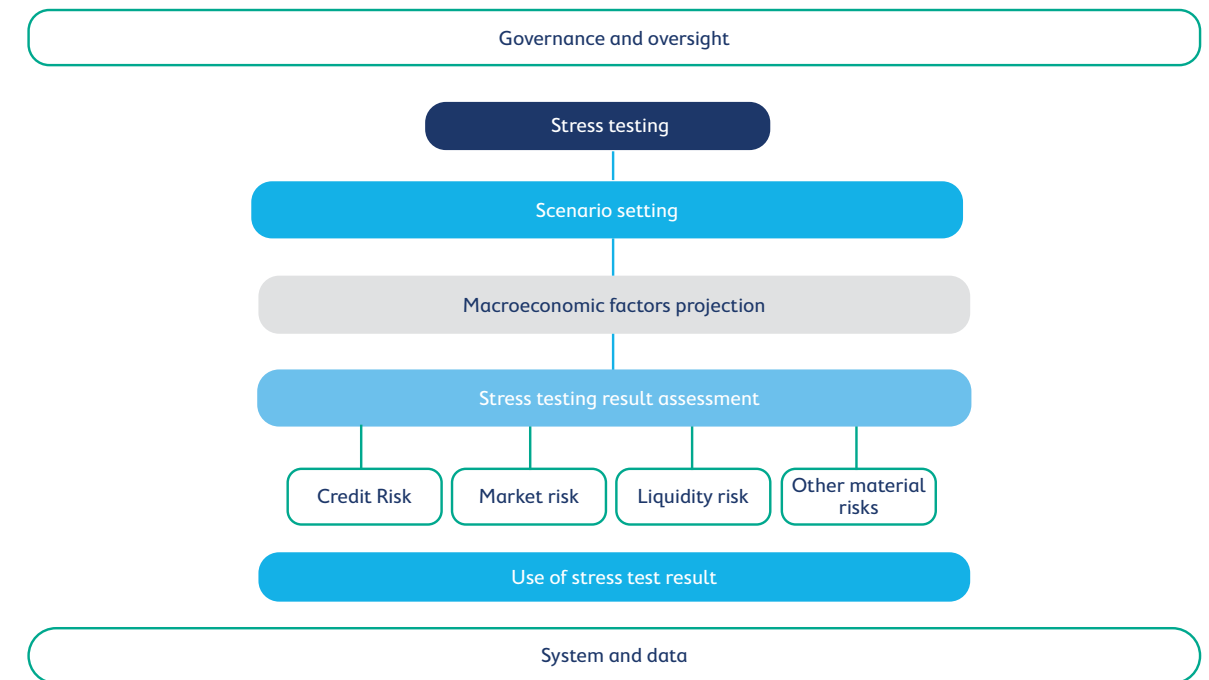
Stress Testing

Stress testing is designed to assess the resilience of banks to severe adverse economic or financial events and provides confidence to regulators on the organisation's financial stability. A well-developed stress testing framework provides a powerful tool for senior management to identify these risks and also take corrective actions to protect the earnings and capital from undesired impacts.

Stress testing is a fundamental element of our Bank-wide risk appetite framework included in overall risk management to ensure that our financial position and risk profile provide sufficient resilience to withstand the impact of severe economic conditions. The Bank regularly conduct stress tests in line with regulatory guidelines to assess the resilience of its balance sheet, capital adequacy and liquidity position. Stress testing results are monitored against limits and are used in risk appetite discussions and strategic business planning, and also to support our internal capital adequacy assessment process (ICAAP).

The ICAAP aims to identify and accurately assess the significance of material risks faced by the Bank. As part of the ICAAP process, the Bank assesses its current financial position and expected changes to the current business profile, the environment in which it expects to operate, its projected business plans, projected financial position and future planned sources of capital.

Based on the stress test results, recommendations of strategic actions are made to the Board to ensure that the Bank strategy remains within the approved risk appetite.



Risk Management Report (Cont'd)

Key Risk Areas Overview

Key Risks	Arising from	Measurement, monitoring and management of risk	Risk Trend
Credit Risk			
Credit Risk is defined as the risk that the Bank will suffer economic loss due to a borrower or counterparty failing 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. Amongst the risks faced by SBM, credit risk generates the largest regulatory capital requirement	Credit risk is: <ul style="list-style-type: none"> measured as risk-weighted exposures for performing and non-performing exposures 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 minimise any undue credit concentrations managed through a robust risk control framework which outlines clear and consistent policies, principles and guidance including triggers and limits 	^
Market Risk			
Market Risk is the risk of loss that arises due to changes in market conditions that may adversely impact the value of assets or liabilities, or otherwise negatively impact earnings	Market risk losses 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: <ul style="list-style-type: none"> 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 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 managed using risk limits approved by the Board 	^

Key Risks	Arising from	Measurement, monitoring and management of risk	Risk Trend
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. 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: <ul style="list-style-type: none"> measured using internal metrics that include stressed cash flow projections, coverage ratios and advances to core funding ratios monitored against the Bank's liquidity and funding risk framework and overseen by the Asset and Liability Management Committee ('ALCO') and the Board Risk Management Committee managed through control of resources in line with strategic objectives, cash flows and risk profiles 	< >
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: <ul style="list-style-type: none"> measured using the risk and control assessment process which allows identification and evaluation of risks and effectiveness of controls monitored through regular risk assessment procedures, key risk indicators and internal loss database 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 maintain a low operational loss experience over the years. 	^

Risk Management Report (Cont'd)

Key Risk Areas Overview (Cont'd)

Key Risks	Arising from	Measurement, monitoring and management of risk	Risk Trend
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: <ul style="list-style-type: none"> • measured by reference to our reputation as indicated by our dealings with all relevant stakeholders • monitored through analysis of root cause for justified complaints and reporting to appropriate forums/committee • 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 SBM's 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 environment	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: <ul style="list-style-type: none"> • measured by using several key internal indicators and metrics as a yardstick which enable the Bank to track progress against meeting the objective • monitored against our risk appetite set out by the Board whilst taking into consideration our internal capabilities and growth prospects • managed by the Board which sets the objectives for the Bank in terms of growth orientation in consultation with our Strategy team 	< >

Key Risks	Arising from	Measurement, monitoring and management of risk	Risk Trend
Cyber Security and Information Risk			
The risk to the Bank's assets, operations and individuals due to the potential digital attacks, accidental or intentional unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems that compromises the confidentiality, integrity and availability of information	Cyber Security and Information risk arise from day-to-day operations involving various stakeholders of the Bank from employees to clients and third parties among others	Cyber Security and Information Risk is: <ul style="list-style-type: none"> • measured by reference to incident assessments, identified metrics, performance tracking, outputs of technical reviews, breaches occurrence • monitored against a threat-led risk assessment to identify key threats, in-scope applications and key controls against risk appetite • managed by a comprehensive framework and supporting policies in place in respect of cyber, technology and information risk in line with evolving threats and regulatory requirements To maintain the confidentiality, integrity, security and availability of information assets stored, processed and transmitted throughout the organisation and to handle and mitigate cyber risks and establish a strong IT platform to aid the delivery of the organisation's strategic objectives, while protecting confidentiality, preventing misuse of systems and business disruptions and strengthening the effectiveness and adequacy of human firewalls	^
Compliance Risk			
The risk arising from legal or regulatory sanctions, material financial loss or reputational damage that we may suffer as a result of failure to comply with laws, regulations, codes of conduct, internal policies, and standards of good practice	Compliance risk arises from the failure to observe relevant laws, codes, rules and regulations and can manifest itself in poor market or customer outcomes and lead to fines, penalties and reputational damage to our operations	Compliance Risk is: <ul style="list-style-type: none"> • measured by reference to risk appetite, identified metrics, incident assessments, regulatory feedback and expert judgement of Compliance teams • monitored against risk and control assessments, monitoring & testing observations and outcomes of both internal and external reviews including regulatory inspections • managed by the establishment of appropriate frameworks and policies, training and upskilling of staffs and adoption of proactive risk control work and reporting to Management and Board Committees 	^

Risk Management Report (Cont'd)

Credit Risk Management and Measurement

Credit risk is the risk of financial loss due to the failure to pay or impaired credit of a customer or counterparty the Bank has financed or maintains a contractual obligation with. It remains our most significant risk in terms of exposure and capital consumption.

The Bank benefits from a recently revamped credit risk management framework which allows for the consistent evaluation, measurement and management of credit risk. The structured framework enables for effective management of credit exposures from well-defined credit policy and procedures to the required tools for measurement of credit risk and monitoring of exposures within the set risk appetite.

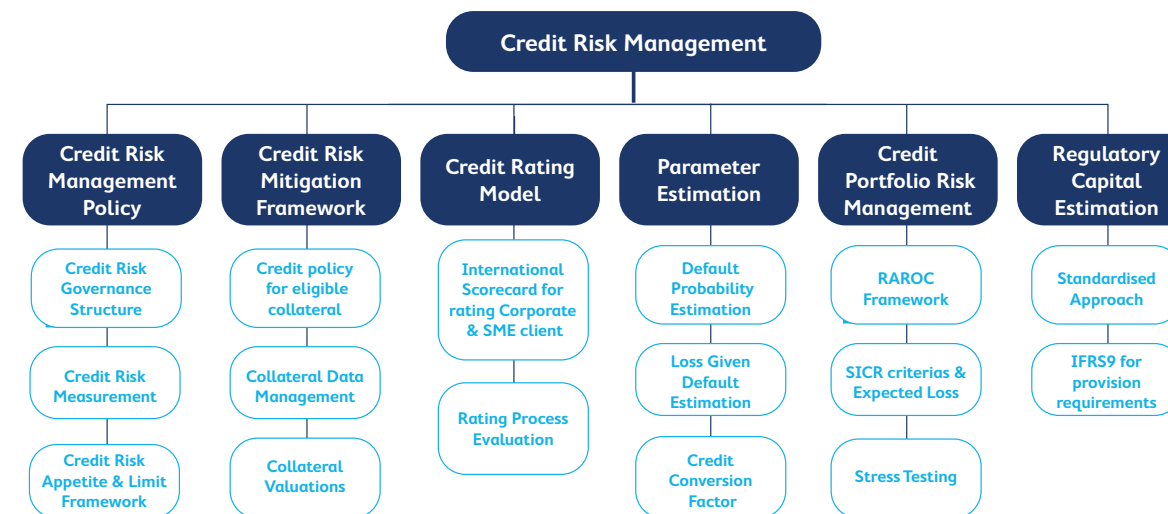
The credit risk framework incorporates the following core elements:

- *counterparty and transaction assessments*: application of internal credit ratings probability of default (PD), assignment of loss given default (LGD) and exposure at default (EAD) values in relation to counterparties and transactions;
- *credit limits*: establishment of credit limits, including limits based on notional exposure, potential future exposure and stress exposure, subject to approval by delegated authority holders, to serve as primary risk controls on exposures and to prevent undue risk concentrations;
- *credit monitoring, impairments and provisions*: processes to support the ongoing monitoring and management of credit exposures, supporting the early identification of deterioration and any subsequent impact; and
- *risk mitigation*: active management of credit exposures through the use of cash sales, participations, collaterals, guarantees, insurance or hedging instruments.

The Credit Risk Management function within the Risk Management Department is the second-line control function responsible for independent challenge, monitoring and oversight of the credit risk management practices of the business and functions engaged in or supporting revenue generating activities which constitute the first line of defence. In addition, they ensure that credit exposures and credit decisions are controlled in accordance with the framework, policies and approved risk appetite.

In addition to traditional credit exposure measurement, monitoring and management using current and potential future exposure metrics, counterparty and portfolio credit risk assessments of the impact of various internal stress test scenarios are performed.

The below provides an overview of the key parameters that governs the management of credit risk at the Bank.



Credit Risk evaluates and assesses counterparties and clients to whom the Bank has credit exposures. For the majority of counterparties and clients, Credit Risk uses internal rating tools acquired from external providers to determine internal credit ratings which are intended to reflect the PD of each counterparty for the different types of clients ranging from Corporates and SMEs to Retail.

Of note, the ratings for Corporates and SMEs are based not only on financial ratios but also accounts for subjective factors such as management quality, country risk, industry risk pertaining to the country of the exposure and any government support from which the counterparty benefits. For Retail clients, acquisition scorecards are being used to rate exposures. The organisation acknowledges the importance of robust parameters for sound and knowledgeable judgement and ensures that the models are reviewed on a frequent basis.

The Bank's default risk management is characterised by a well calibrated risk rating scale from 1–10 whereby the 1–6 risk rates are tagged as acceptable risks whilst 7–10 risk rates are considered as weak assets.

It is worth noting that the credit assessment and measurement process are distinct and segregated to demonstrate independence and integrity in the credit decision making process. There are multiple layers of credit approval authority across the Bank providing that extra level of controls in the process. The diagram below captures the main components of our credit approval process.



Risk Management Report (Cont'd)

Credit Risk Mitigation

The Bank employs a range of techniques and strategies to actively optimise credit exposure and reduce expected and actual credit losses. These techniques are used in a consistent manner and are acceptable ways of mitigation that are reviewed periodically. The use and approach to credit risk mitigation varies by product type, customer and business strategy. Mitigation techniques used are:

Credit Risk Limits

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.

Sustainable cash flow

The credit assessment is mainly focused on the asset to be financed and the expected cash flow generated, in order, to minimise the probability of losses from late and delinquent payments. Therefore, the creditworthiness of the borrower is determined based on its reliability and ability to repay the loans.

Collateral

The collateral is security that serves to mitigate the inherent risk of credit losses in the event of a default. The Bank has an eligible list of collaterals with appropriate haircuts for a conservative approach.

Risk Transfer

The Bank in some cases holds 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.

2022 was a year marred by the alarming inflation rates across the globe, slowed economic activity, great uncertainty caused by the conflict between Russia and Ukraine and also by the monetary policy of our markets. The Bank's main objectives are focused on maintaining a strong culture of responsible lending and ensuring the prevalence of robust risk policies and control frameworks.

The Bank has also been wary in growing its businesses on the international banking front. Such strategic endeavours required the revisiting and recalibrating of our risk appetite on cross lending, ensuring that all relevant risks have adequately been assessed and mitigated.

The Banks' exposures to various countries and types of borrowers remain well diversified. Country concentration is actively monitored, and the Bank continues to closely monitor the international macroeconomic outlook and would take additional steps to mitigate risks where warranted.

The following sections detail various diversification avenues in respect of credit exposures.

Geographical and Country Risk

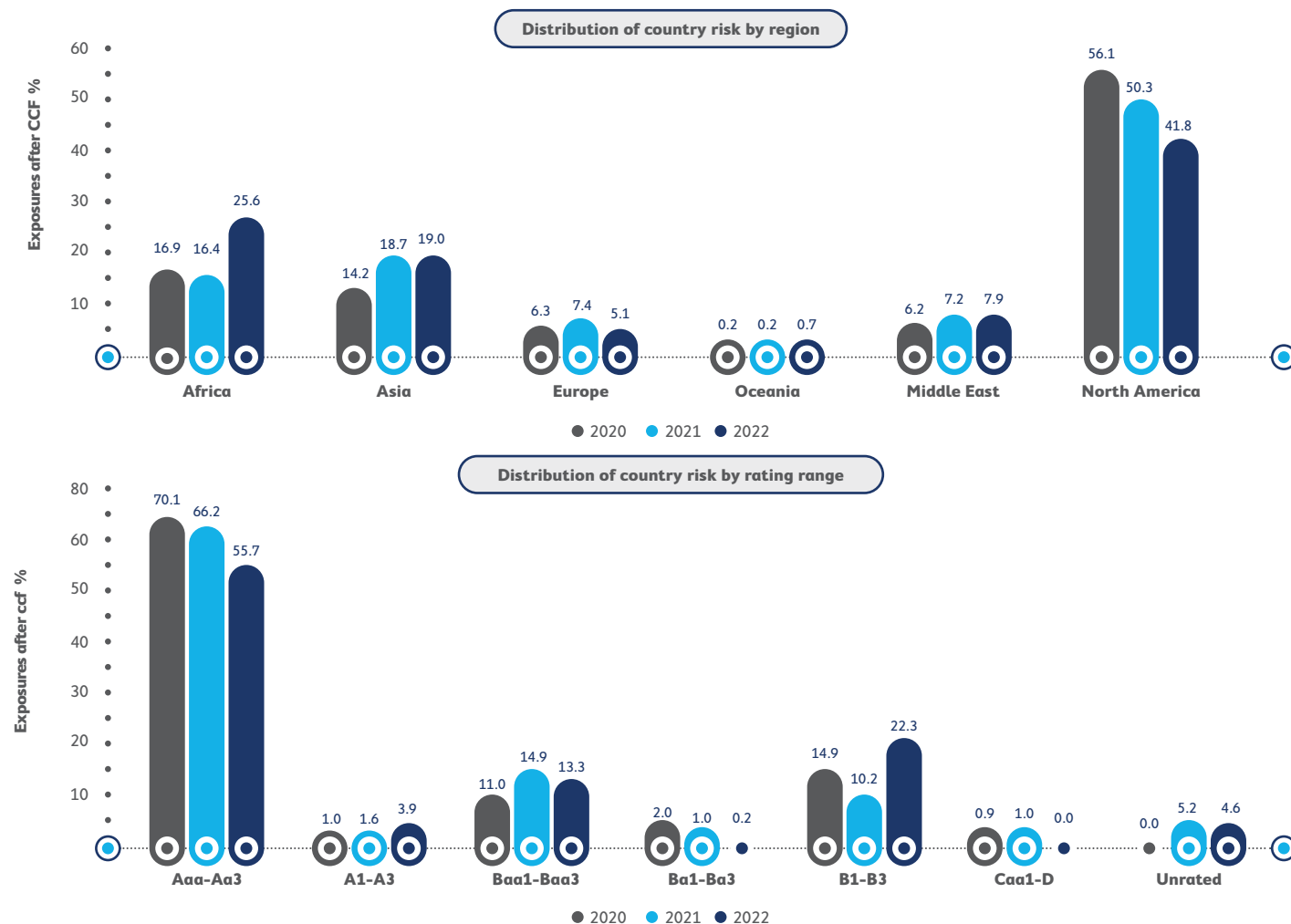
When the Bank engages in cross-border lending, it is exposed not only to counterparty credit risk but also to country risk.

Country risk is the risk of loss arising when political or economic conditions or events in a particular country reduce the ability of counterparties including the relevant sovereign to fulfil their financial obligations to the Bank.

At the Bank, country risk is managed within a country risk framework that includes limits setting for countries broken down into presence and non-presence countries, rating bands and targeted strategic countries. The limits are reviewed at least annually as part of the risk appetite in line with the strategy of the organisation and Bank Credit Risk Policy.

As at 31 December 2022, the Bank's credit equivalent exposure to cross-border lending accounted for 256.3% of the Bank Tier 1 Capital.

The following chart shows the distribution of exposure after credit conversion factor (CCF) for the Bank by region and rating range other than Mauritius as of 31 December 2022.

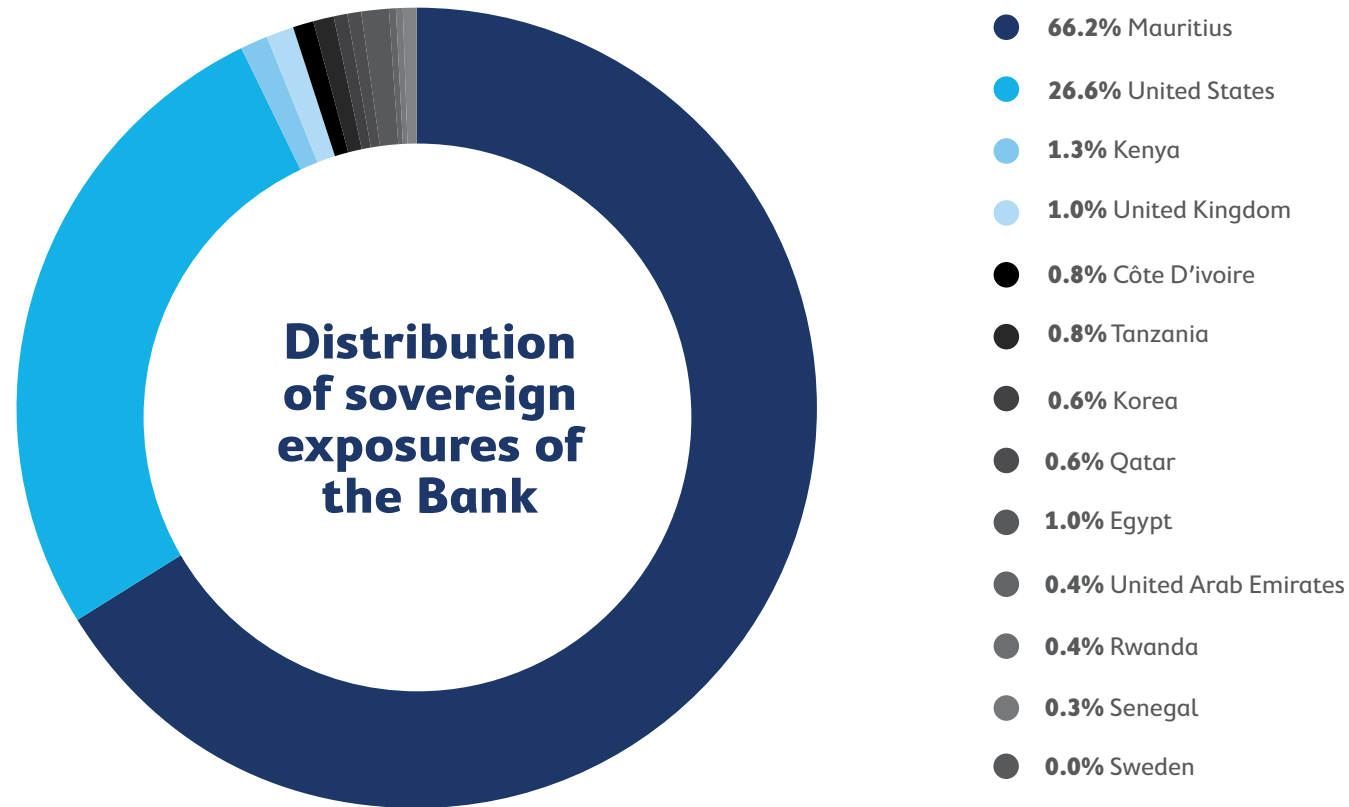


Risk Management Report (Cont'd)

Sovereign Risk

Sovereign risk relates to the risk of a particular Government becoming unwilling or not able to meet its credit obligations. The Bank holds a high exposure in Government of Mauritius securities that carry a zero-risk weight for capital allocation purposes under Basel II requirements and the BoM guidelines.

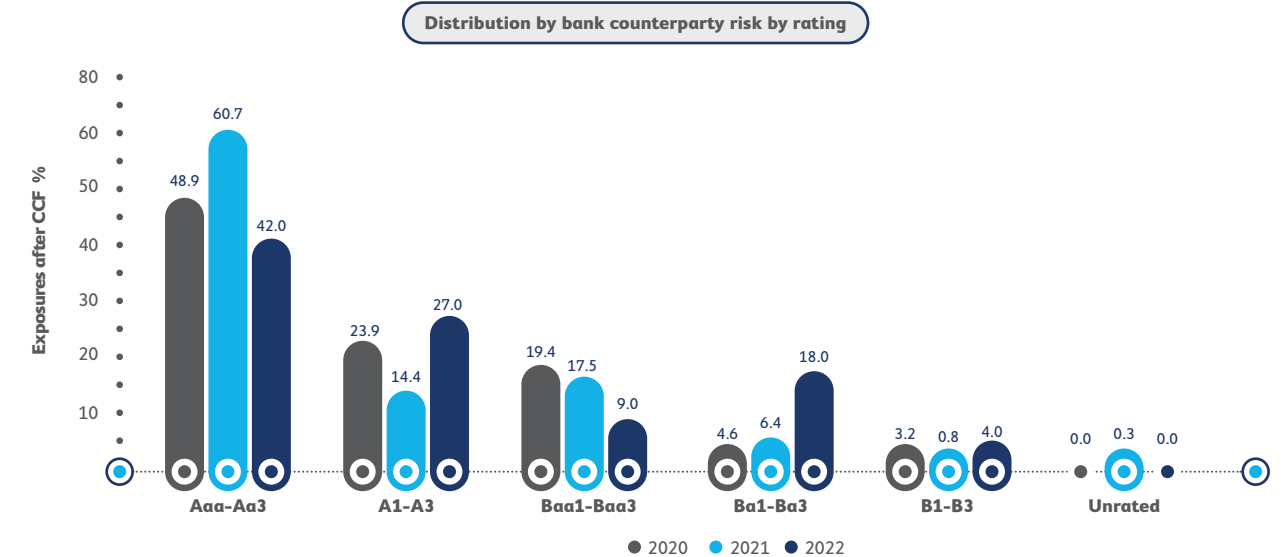
As at 31 December 2022, the total sovereign exposures accounted for 477.3% of Bank Tier 1 Capital of which total investments in Government of Mauritius securities aggregated USD 1,328.3M representing 316.2% of the Bank's Tier 1 Capital.



Bank Risk

The 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 letters of credit offered by its banking entities.

To mitigate the risk, the Bank has a Bank Risk Framework in place where limits to each individual bank are attributed based on the Bank's risk profile. The limits are also constrained by the counterparty's country limit and the regulatory limit on its single counterparty exposure. As at 31 December 2022, the bank counterparty credit equivalent exposure accounted for 95.5% of the Bank's Tier 1 Capital.

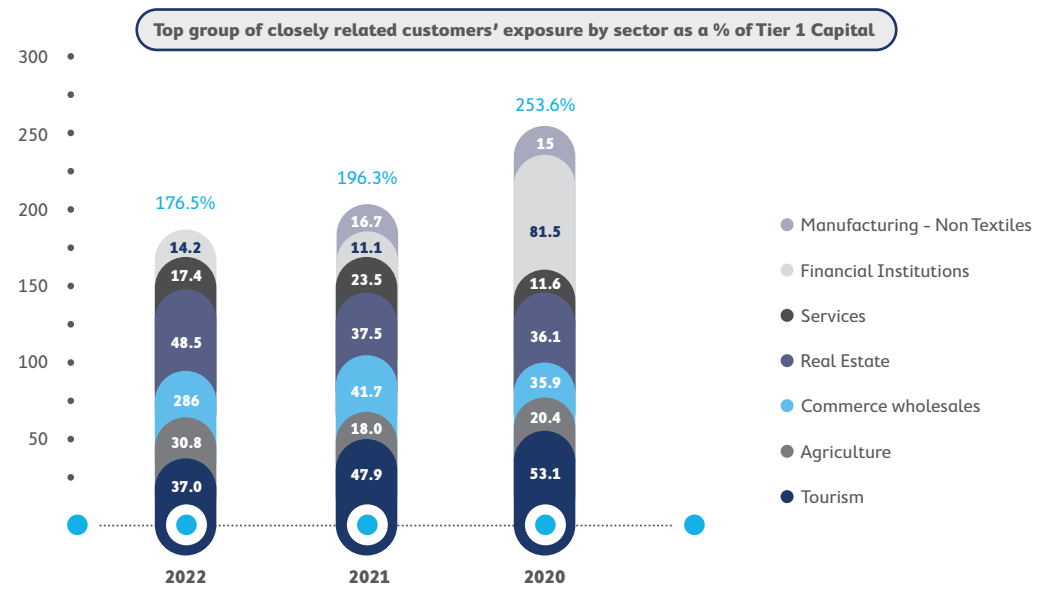


Counterparty Credit Risk

Counterparty credit concentration risk pertains to the risk of loss to the Bank as a result of excessive concentration of exposure on a single/ group of connected counterparties. The Bank has set prudential limits within the regulatory limits designed to restrain concentration to a single/group of connected counterparties as well as large exposures. For material concentrations, breaches and potential breaches are monitored by the Risk Management Committee.

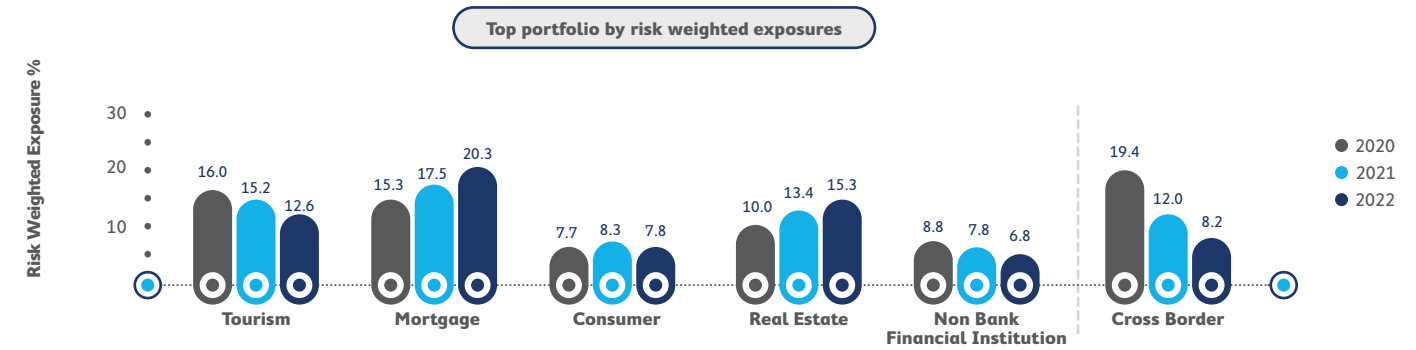
As at 31 December 2022, the credit concentration exposures were well within the regulatory limits.

Risk Management Report (Cont'd)



Portfolio Concentration

Portfolio concentration risk arises to over build up of exposure in a specific portfolio that would cause the Bank to encounter losses should the specific portfolio face any difficulty. 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.

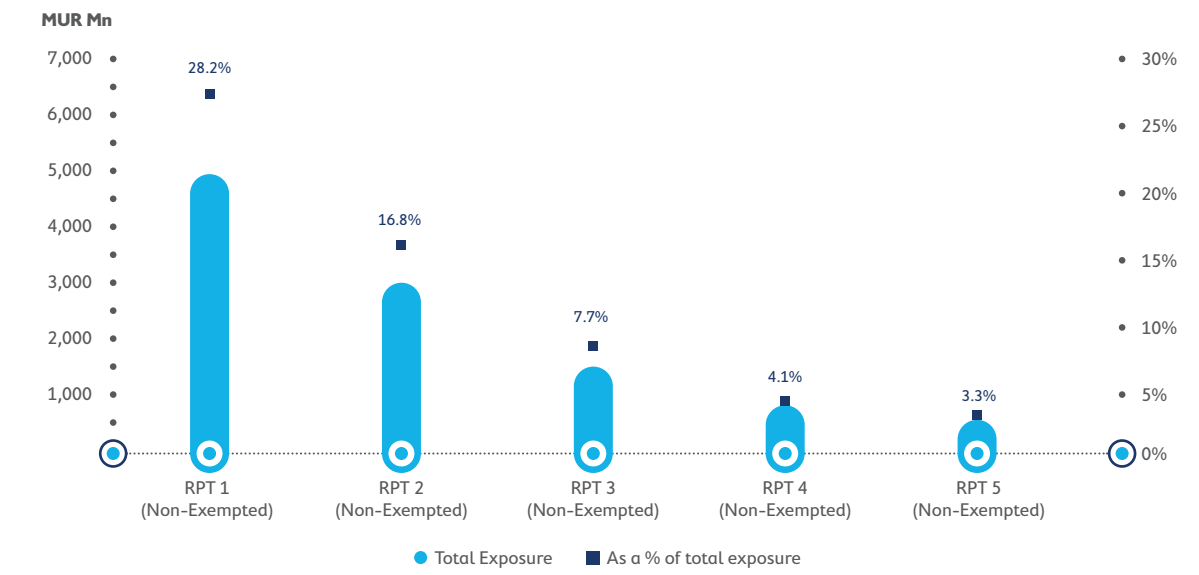


Related Party Transaction Risk

Related party exposures are defined as per the Bank of Mauritius Guideline on Related Party Transactions. Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. At the Bank, governance around all related party disclosures are duly followed and reporting is done at the Board level.

As at 31 December 2022, the aggregate non-exempted exposures to related parties represented 16.08% of the Bank's Tier 1 Capital, which is well within the regulatory limit of 60% for category 1 and within the regulatory limit of 150% for categories 1 and 2.

Top 5 related party exposure as a % of Tier 1 Capital is shown below:



Credit Quality

Credit quality, exposure to credit risk and the level of provisioning have high implications in relation to the Bank earnings volatility and capital adequacy. 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

At the Bank, recognition of expected credit losses (ECL) on all financial debt instruments held at amortised cost, Fair Value through Other Comprehensive Income (FVOCI), undrawn loan commitments and financial guarantee is determined in accordance to IFRS 9. ECL is computed as an unbiased, probability-weighted provision determined by evaluating a range of plausible outcomes, the time value of money and forward-looking information such as insights on customer behaviours or country specific macroeconomic variables.

A three-stage approach is used for the impairment calculation as follows:

- **Stage 1** reflects financial instruments that are not already credit-impaired after initial recognition
- **Stage 2** contains all financial instruments, that are not defaulted, but have experienced a significant increase in credit risk since initial recognition but still without objective evidence of impairment
- **Stage 3** consists of financial instruments of clients which are defaulted but not yet reached write-off. The Bank defines these financial assets as impaired, non-performing and defaulted.

Three main components are used in the ECL calculation are Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The Bank revalidates the IFRS9 parameters of its entities (i.e. PD, LGD and CCF- Credit Conversion Factor) at least on a yearly basis to ensure that updated economic outlook is incorporated through macroeconomic variables in our respective models.

The models are built on a regression basis and are segregated as shown below with three different scenarios considered for macroeconomic conditions.

PD	LGD	CCF
Sovereigns Financial Institutions Local Corporates Global Corporates SMEs Mortgage Personal Loan and Leases SBM Boost Credit Card and Overdraft	1 model with line of business and collateral as internal variables	Corporate Overdraft Corporate Credit Cards Retail Overdraft Retail Credit Cards

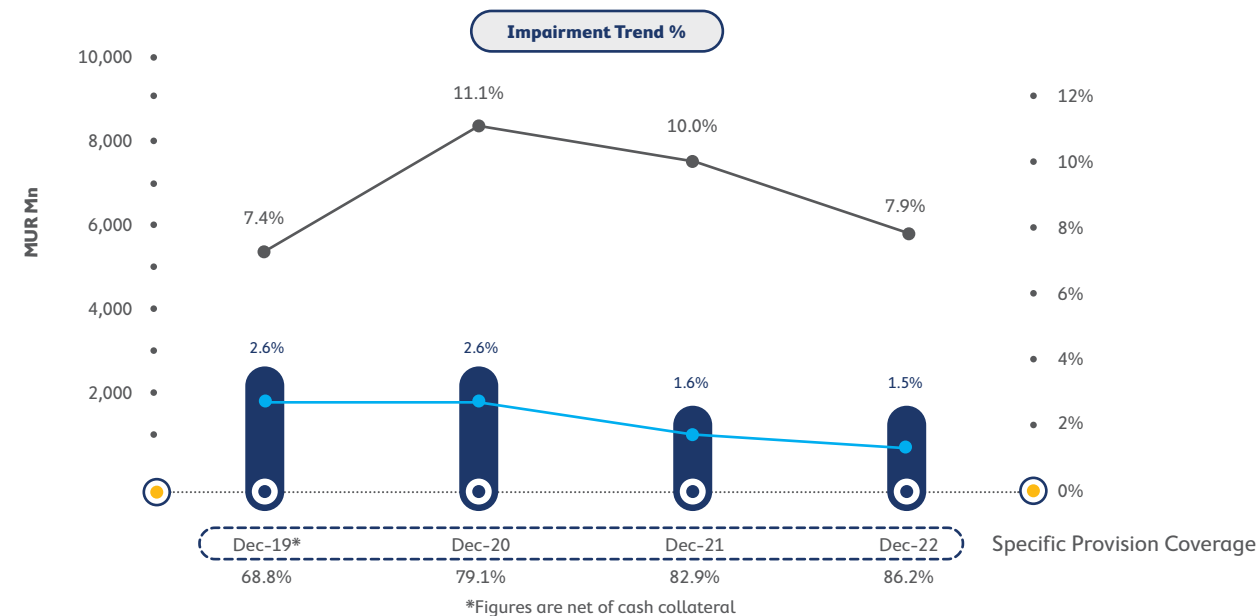
Over and above updated parameters, the Bank has also placed overlays on a prudential basis where appropriate to cater for conditions that were not fully reflected in its data set. The Bank has undertaken impairment assessment under different scenarios as part of the stress testing exercise on its client base to ensure that it is adequately provisioned and that necessary contingency plans are set up to meet any crisis situation.

In respect of adequate oversight, a Watchlist 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 as per IFRS9 principles. For FY 2022, the Bank has also considered last 12 months rescheduling as SICR criteria to move clients/accounts to Stage 2. Classification is done at client level for Corporates and SMEs and at account level for retail.

Impairment

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 ECL) under Stage 3. Impairment results are factored into management decision making, including but not limited to, business planning, risk appetite setting and portfolio management.

The Non-Performing Asset ratio has decreased to 7.9% in Dec'22 compared to 10.0% in Dec'21 mainly on account of write-off during the year. The Bank is continuously working on the recovery of its major defaulted clients.



● Net Impaired Advances (Impairment after specific provision) ● Net Non-performing loans to Net Loans (%) ● Gross Non-performing loans Gross Loans (%)

Risk Management Report (Cont'd)

Rescheduling

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

The Bank has worked together with its clients in accompanying them in their recovery journey post-pandemic, taking into consideration their updated cash flow forecasts.

As at 31 December 2022, total rescheduled facilities stood at 11.5% of the total funded loans and advances compared to 13.5% as at 31 December 2021.

Market Risk Management

Market Risk

Market risk is the risk of financial loss arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads. A typical transaction or position in financial instruments may be exposed to a number of different market risk factors. Market risks arise from both our trading and non-trading activities.

The Market Risk Management Policy sets our overall approach towards market risk management and robust internal control processes and systems that have been designed and implemented to support the market risk management approach. This Board-approved policy outlines the process and principles designed to properly identify, measure, monitor, manage and report market risk in order to minimise the risk of financial loss. The Board ensures compliance with this policy through the Assets & Liabilities Committee (ALCO) and approved prudential limits. The main objective is to manage and control market risk exposures while maintaining a market risk profile consistent with the Bank's risk appetite.

Market risk across the Bank encompasses the following primary categories; interest rate risk, foreign exchange risk and price risk. An overview of each of these sub-categories is provided below.

Interest Rate Risk

Interest rate risk is the exposure of the Bank's financial condition to the variability of interest rates due to re-pricing and/or 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, re-investment risk and option risk.

The Bank's primary interest rate risk management objective is to maximise 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 31 December 2022 is as follows:

	Impact of 200 bps Parallel Rate Change on NII		
	Dec-22	Dec-21	Dec-20
SBM Bank (Mauritius) Ltd	2.3%	8.3%	9.1%

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings the economic value of equity.

The management of interest rate is governed by applicable regulations and is influenced by the competitive environment in which the Bank operates. The governance framework is designed to ensure appropriate oversight of the Bank's market risk exposures.

Foreign Exchange Rate Risk

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

Our structural foreign exchange exposures are managed with the primary objective of ensuring, where practical, that our consolidated capital ratios are largely protected from the effect of changes in exchange rates. Transactional foreign exchange risk arises mainly from day-to-day transactions in the banking book generating profit and loss or fair value through other comprehensive income reserves in a currency other than the reporting currency of the Bank.

In order to effectively manage transactional foreign currency exposures, the Bank ensures that it operates within existing legislation and also within more conservative prudential limits approved by the Board, including the intraday/overnight open position limits (both aggregate and currency-wise). Stop loss limits have been implemented for trading strategies. 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.

Price Risk

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

Instruments in the trading book are re-valued periodically using market prices. Price risk is controlled by stop loss limits, open position limit per type of products, posting of collateral and daily netting with major counterparties. The Bank is exposed to risks in respect of both local and international quoted securities.

The trading portfolio is managed by the Financial Markets division, while the banking book is managed by the Assets and Liabilities Management (ALM) team. The Bank maintains a well-diversified portfolio comprising 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.

Risk Management Report (Cont'd)

Price Risk (Cont'd)

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 financial Instruments that derive its values from the performance of an underlying asset, indices or interest rates. 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.

Value at Risk (VaR)

The Bank utilises Value-at-Risk (VaR), a statistical risk measure, to estimate the potential loss from market movements. It is the standard methodology across the Bank for managing and controlling market risk and measures maximum expected loss with a certain confidence level over a given time.

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% 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 use of VaR is integrated into market risk management and calculated for all trading positions regardless of how we capitalise them.

The Bank also conducts backtesting to verify the predictiveness of the VaR model. Backtesting compares VaR calculated for positions at the close of each business day with the profit and loss (P&L) that arises from those positions on the following business day. Although a valuable guide to risk, VaR is used with awareness of its limitations e.g. past changes in market risk factors may not provide accurate predictions of future market movements, and the risk arising from adverse market events may not be considered.

Liquidity & Funding Risk Management

Liquidity Risk

Liquidity risk is defined as the risk of incurring losses resulting from the inability to meet payment obligations in a timely manner when they become due or from being unable to do so at a significant cost. This could cause the Bank to fail to meet regulatory and/or internal liquidity requirements, make repayments of principal or interest as they fall due or to support day-to-day business activities.

The Liquidity Risk Management Framework in place ensures that the guidance and controls are established to fulfil the entities, payment obligations at all times and liquidity and funding risks are managed within approved risk appetite when executing the Bank's strategy. The Framework considers relevant and significant drivers of liquidity risk both on-balance sheet and off-balance sheet.

The Bank has historically maintained a strong and well managed liquidity position as evidenced by its stable funding base and significant investments in liquid assets. The primary tools used 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 ALM Department. The Bank adopts a prudential approach in Liquidity risk management with the setup of internal liquidity gap limits based on the level of HQLAs and adoption of a more conservative LCR target. These are determined by ALCO and approved by the Board.

Liquidity risk stress testing is performed regularly using cash flow maturity mismatch analysis and covers adverse scenarios, including general market and stress scenarios. Stress tests assess our vulnerability when liability run-offs increase, asset rollovers increase and/ or liquid asset buffers decrease. In addition, ad-hoc stress tests may be performed as part of our recovery planning and ICAAP exercises.

Based on the stress testing results using both general portfolio assumptions and specific client-based scenarios, the liquidity position remains aligned with the approved risk appetite, aided by the stable source of deposits and adequate stock of HQLAs.

Liquidity Coverage Ratio (LCR)

The LCR is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30-day stress scenario. The ratio is defined as the amount of High-Quality Liquid Assets (HQLAs) that could be used to raise liquidity in a stressed scenario, measured against the total volume of net cash outflows, arising from both contractual and modelled exposures over a 30-day time horizon.

The LCR complements the internal stress testing framework. By maintaining a ratio consistently above the minimum regulatory requirements, the LCR seeks to ensure that the Bank holds adequate liquidity resources to mitigate a short-term liquidity stress.

The LCR for the Bank as at 31 December 2022, is shown in the table below:

	LCR		
	Dec-22	Dec-21	Dec-20
SBM Bank (Mauritius) Ltd	179.7%	187.9%	153.9%

The average stock of HQLA amounts to MUR 121 billion. The Bank's portfolio of HQLA is mostly comprised of the local sovereign securities, USD A-rated sovereign securities and USD Multilateral Development Banks (MDBs) bonds.

Funding Risk

The Bank has in place internal tools that allows it to monitor and manage longer term funding risk. The Bank entities maintain conservative deposit concentration limits to avoid undue reliance on a single entity as a funding source. The Bank also carries high level of core deposits which is adequate to mitigate the related liquidity and funding risk given a high degree of stickiness.

Risk Management Report (Cont'd)

Net Stable Funding Ratio (NSFR)

The Net Stable Funding Ratio (NSFR) is a prudential metric for assessing a bank's structural funding profile. It aims to improve the resiliency of banks by promoting long term funding stability. The ratio is defined as the amount of Available Stable Funding (the portion of capital and liabilities expected to be a stable source of funding), relative to the amount of Required Stable Funding (a function of the liquidity characteristics of various assets held).

The below table depicts the Bank's NSFR as at 31 December 2022.

	NSFR		
	Dec-22	Dec-21	Dec-20
SBM Bank (Mauritius) Ltd	141.7%	134.6%	122.4%

Operational Risk Management

Operational Risk

Operational risk is inherent in our business activities and may arise from inadequate or failed internal processes, people, systems, or from external events. The Bank's objective is to keep operational risk in line with the defined risk appetite level, taking into account the markets we operate in, the characteristics of the businesses as well as our economic and regulatory environment. Our philosophy is that all employees across the Bank are responsible for risk identification and this is reinforced by regular training and awareness campaigns.

The Bank's Operational Risk Management Framework (ORMF) sets our overall approach for managing operational risk in a structured, systematic and consistent manner whilst keeping pace with emerging risks. The framework consists of interrelated tools and processes that are used to identify, assess, measure, monitor and mitigate the Bank's operational risks. It aims to provide a comprehensive, risk-based approach to managing the Bank's significant operational risks.

The framework's main components include the Bank's approach to setting and adhering to risk appetite, the risk and control taxonomies, risk management processes and tools such as incident database, risk control self-assessment (RCSA), key risk indicators (KRIs) and the operational risk capital models among others. Other instruments are used to analyse and manage operational risk, such as the assessment of new products and services and transformation initiatives, business continuity plans (BCP), recommendations from internal and external auditors and Bank supervisors.

The governance of our operational risks follows the 3 Lines of Defence (3LOD) model of the Bank which provides clear ownership and accountability for managing risk in a structured and systematic manner and keeping pace with the current and emerging risks. Each business area and function (i.e 1st LOD) is responsible for its risks and the provision of adequate resources and procedures for the management of those risks. They are supported by the designated 2nd LOD functions responsible for independent risk and compliance oversight, methodologies, tools and reporting within their areas as well as working with management on non-financial risk issues that arise. The Internal Audit function constitutes the third line of defence in the system of internal control. It provides an independent assurance to the board of directors and senior management on the quality and effectiveness of a bank's internal control, risk management and governance systems and processes, thereby helping the board and senior management protect their organisation and its reputation.

Key, significant and trending operational risk themes are discussed in governance forums where appropriate, including risk themes that may emerge due to significant internal or external events and any corresponding tactical or strategic control enhancements that may be required in order to maintain adequate internal controls in response to such events.

Over the past year, the Bank witnessed significant enhancements in managing its operational risk with several initiatives undertaken such as a reduction in operational losses reported, review and updating of its framework, deeper analysis of root causes and lessons learned sharing across entities, provision of adequate and dedicated training from employees to Directors, enhancing working arrangements and communication with business lines through the implementation of Business Risk Coordinators in the 1st Line and driving a strong risk culture across the Bank.

To contain operational risk within the agreed risk appetite and comply with regulatory requirements, the following principles are key to the ORMF:

- Data protection in compliance with internal policies and laws
- Segregation of the roles and responsibilities of the three lines of defence
- Reporting of key risk metrics to Senior Management and the Board
- Formulation and Board Approval of Policies & Risk Appetite Statement (RAS)
- Strong Risk Culture driven by the Board and Senior Management

Fraud Risk

The dynamic nature of our operations, with the transformation and digitisation of the business being more prominent in some jurisdictions, has given rise to new risks and threats such as credit card frauds and more payment scams. To mitigate these risks, we reviewed and enhanced our control mechanisms such as stronger customer authentication processes, enhanced due diligence on both on-boarding or processing of instructions, strengthened online banking transaction verification and also invested in tools for better detection of suspicious activity.

As such, fraud risk is the risk of unexpected financial, material or reputational loss as the result of fraudulent actions of persons internal or external to the organisation.

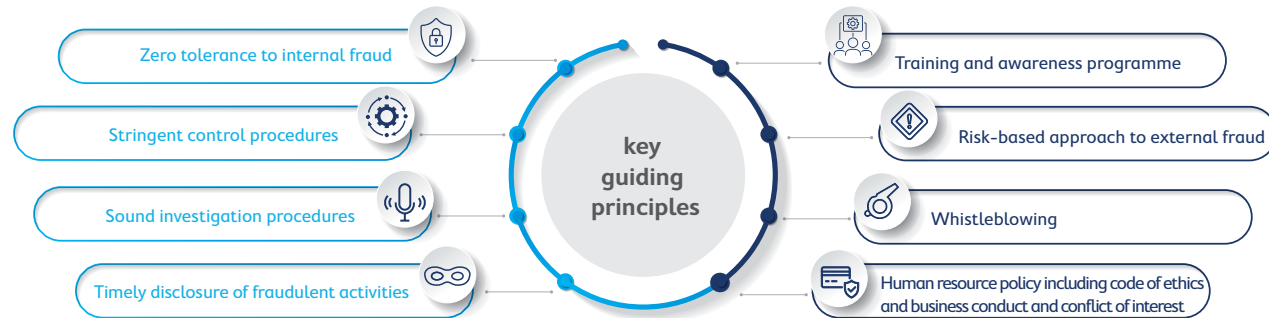
The Bank fosters honesty and integrity in all its operations which is reinforced by continuous training and awareness campaigns. Directors, Management and staff are expected to lead by example in adhering to policies, procedures and practices. Equally, customers, service providers, suppliers and contractors are expected to act with integrity and without intent to commit fraud against the Bank.

Risk Management Report (Cont'd)

Operational Risk Management (Cont'd)

Fraud Risk (Cont'd)

The Bank continuously reviews the effectiveness of its Board-approved Fraud Management Policy which is built around four major pillars namely Prevention, Detection, Mitigation and Response and operates within the following key guiding principles.



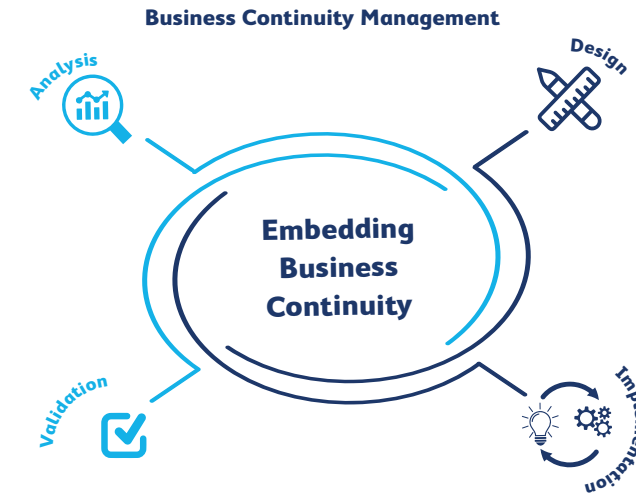
An established governance process is in place at the Bank where all potential fraud cases are given their due attention and investigated by independent teams usually sitting within Internal Audit department. Material outcomes are reported at relevant risk committees where appropriate actions are taken against offenders and mitigating controls are strengthened.

Business Continuity Management

The Bank operates in a highly competitive market, with customers and clients that expect consistent and smooth business processes. Whether arising through failures of technology systems, closure of offices/branch networks or services provided by third parties, the loss of or disruption to business processing is a material inherent risk within the Bank. Failure to build resilience and recovery capabilities into business processes or into the services on which the Bank's business processes depend, may result in significant customer detriment, losses incurred by the Bank's customers and reputational damage.

Over the past year, the Bank has continuously worked on strengthening its resiliency and enhancing its Business Continuity Management (BCM) Framework. The comprehensive Bank BCM Framework reflects the strategy, objectives and dynamic operating environment of the organisation and also caters for outsourced activities when addressing resilience and recovery challenges. There is also a dedicated Crisis Management Team (CMT) at the Bank consisting of senior executives with the responsibility of being the central command during a crisis.

The framework is further supported by a BCM programme in place where priorities have been identified with potential solutions detailed. The BCM programme which include training and awareness sessions, extensive simulations, testing and drills including conducting regular Disaster Recovery simulations, ensures that contingency plans and procedures remain effective and that the organisation can resume critical activities within the briefest delay possible in the event of disruption.



The goal of the BCM lifecycle is the continuous improvement of the Bank's business continuity management capabilities and readiness. It ensures that lessons learned are integrated into prevention, mitigation, planning, training, and future validation activities.

Cyber Security Risk

Cybersecurity risks relate to the loss of confidentiality, integrity, or availability of information, data, or information/control systems and reflect the potential adverse impacts to organisational operations (i.e., mission, functions, image, or reputation) and assets, data, staff, collaborating organisations, partners, customers, and industry.

The Bank continues to recognise the cyber risks as the important risk trait and has enhanced the risk management framework to cater for the elevated cyber and technology risks. Threat vectors are becoming more and more sophisticated and organised; in this regard, the Bank has adopted a risk-based approach in deploying the controls in line with the established standards, industry guidelines and regulator's mandates.

In the quest of achieving resilience towards cyber security risks the Bank has invested in modernising the arsenal of detective, preventive, and reactive controls to cater for the cyber risks and the aftermath impacts. The Bank has adopted defense in-depth methodology in modernising its technical and operation controls framework complemented by stringent Governance framework (policies, procedures and standards).

An independent security assurance program has become an integral part of the risk management practices and these continuous engagements with established service providers and technology partners are supporting the Bank in early detection of any potential vulnerabilities and their impacts. In addition, the internal teams acting as a second layer of defence continue to monitor the tactical and strategic threat adversaries, their impacts on the Bank and our response capabilities, the focus has been towards early detection and early response.

Risk Management Report (Cont'd)

Operational Risk Management (Cont'd)

Third Party Risk

The Bank depends on suppliers for the provision of many of its services and in the development of systems and technology. Whilst the Bank relies on suppliers, it remains fully accountable to its clients for risks arising from the actions of suppliers.

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

With the evolving nature of the banking business, the use of and dependence upon third parties in the sector has increased steadily in support of our business and operations, requiring a corresponding increase in capabilities to manage them. Moreover, regulatory requirements in relation to third parties have more stringent to ensure financial stability in the market.

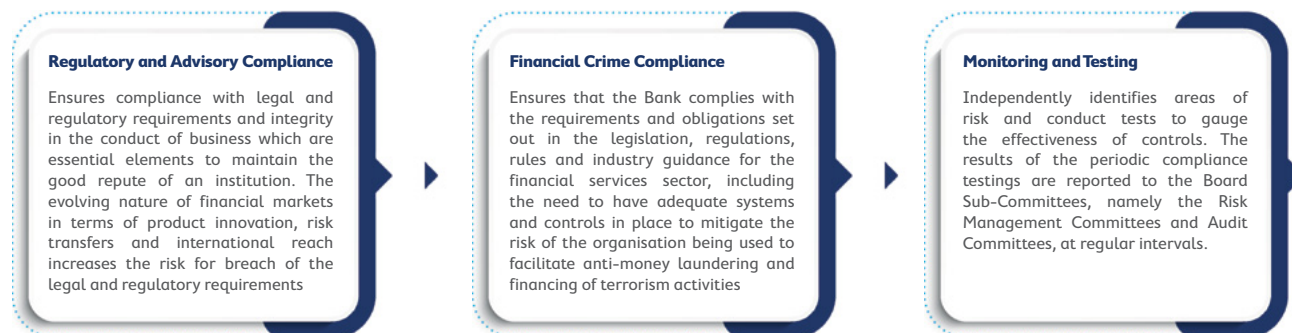
The Bank continues to enhance its methodologies and tools to monitor third parties to further minimise related risks, enhance the internal control environment and improve our infrastructure. The Outsourcing policy caters for

- proper due diligence criteria are in place for selecting vendors
- robust contractual and service agreements with service providers
- periodic assessment of vendors effectiveness and conduct in the delivery of contracted services
- Bank's integrity by ensuring the service provider has adequate confidentiality and data protection processes in place

Compliance Risk

Compliance risk refers to the risk of the Bank not being able to successfully conduct business because of any failure to comply with laws, regulatory requirements, industry codes or standards of business and professional conduct applicable to the financial sector. This includes, in particular, laws and regulations applicable to the licensing and conducting of banking or other financial businesses, financial crime such as anti-money laundering (AML) and countering the financing of terrorism (CFT), fraud and bribery/ corruption.

Compliance risks are further split into sub risk categories:



Governance and Oversight

The Compliance function is independent from any commercial, administrative or control function within the organisation. The Compliance department has a formal status with the appropriate standing, authority and independence within the organisation and ensures a co-operative working relationship between the compliance function and business units allowing for the early identification and management of compliance risks.

Compliance as an independent second line function is designed to help prevent, detect and manage breaches of applicable laws, rules, regulations and procedures through the following:

- Regulatory Framework
- Risk Identification, Risk Assessment, Risk Mitigation and Risk Monitoring
- Training and Awareness sessions
- Reporting

All activities that the Bank engages in are designed to comply with the applicable laws and regulations in the countries in which we operate. Our Compliance controls and surveillance processes, as well as other internal control processes that are aimed at ensuring the proper conduct of our businesses and services as well at preventing market abuse, insider dealing, and conduct breaches, are from time to time subject to regulatory reviews and/or inquiries in the jurisdictions in which they operate.

Moreover, our anti-money laundering (AML) and know-your client (KYC) processes and controls aimed at preventing misuse of our products and services to commit financial crime, and continue to be subject to regulatory reviews, investigations, and enforcement actions in several jurisdictions. The Bank continually seeks to enhance the efficacy of its internal control environment and improve its infrastructure to revised regulatory requirements and to close gaps identified by us and/or by regulators.

Compliance Risk and the risk of non-compliance with laws and regulations resulting from failed processes and controls are overseen by the Board Risk Committee and Board Audit Committee. The oversight of Compliance Risk is delegated to the Audit Committee. There is also an administrative line of reporting by the Head of Compliance to the Acting Chief Executive Officer underlining their independence in discharging their duties.

Over the past year, the Bank reinforced its compliance agendas, specifically AML/CFT and sanctions frameworks, supported by dedicated training programmes for staffs and the reinforcement of relevant policies as well as introduction of new policies and standards. The Bank has also been proactive in adopting the various new and revised guidelines issued by the different Regulators with numerous compliance related frameworks, policies and standards being implemented especially in the areas of AML/CFT thus maintaining a serene compliant environment.

Risk Management Report (Cont'd)

Operational Risk Management (Cont'd)

Governance and Oversight (Cont'd)

Several initiatives were also taken by the Compliance team among which;

- Annual reviews based on a risk-based approach were conducted and any identified issues are highlighted and tracked to satisfactory closure
- Setting up of a comprehensive Regulatory Universe aiding to better identify compliance risks
- Fostering close working relationships with regulatory and supervisory bodies
- Significant improvements made to Compliance Risk Framework with additional policies and standards put in place e.g., FCC Risk Appetite Framework, FCC Risk Register and Customer Review Manual among others
- Holding multiple engagement and work sessions to disseminate information and guidance fostering a strong compliance culture across the Bank
- Improving approach in conducting the Enterprise-Wide Risk Assessment (EWRA) more efficiently
- Conducting and equally attending various training sessions and awareness campaigns thus allowing all relevant stakeholders to be kept abreast of new developments and focus areas

Over the past year, the Bank adopted the reviewed Group Whistleblowing Policy, taking into account the specific local regulatory requirements. This process allows any employee to report in confidence and without the risk of any retaliation, victimisation, discrimination or disadvantage, any malpractices or impropriety that they are aware of or may have encountered.

Data protection

The 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 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 European based customers or clients.

Across the different jurisdictions of our operations, the Data Protection Act and GDPR framework have been embedded in our laws and regulations and we have further strengthened our data privacy framework to manage our stakeholders' expectations.

Reputational Risk

The perceptions, opinions and beliefs that the Bank's stakeholders hold based on their experience or expectations of the organisation defines its reputation.

Reputational Risk arises from the negative perception on the part of customers, counterparties, shareholders, investors, debt holders, market analysts, regulator or other relevant parties that can adversely affect the organisation's brand, its market value, its ability to maintain existing or establish new business relationship and its continued access to sources of funding.

Matters that may entail reputational risks to the entities are actively discussed before arriving at a decision to prevent reputational damage. Ethics & Integrity, cybersecurity and products & services are the drivers that remain the most prevalent to impact Reputational Risks in the organisation.

The above mechanism allows the identification and assessment of reputational risks from both a strategic and operational standpoint. Reputational risks are continuously monitored and reported to the Board Risk Management Committee as we understand that a poorly managed reputation may have transmissible consequences on the organisation and the market.

Emerging Risks

The Bank continues to build on its strong foundation with solid risk fundamentals and it continues to scan the horizon for emerging risks and collaborate with both internal and external partners to proactively mitigate risks as they are identified.

Main focus areas are:

Climate Risk

Climate is the biggest emerging risk facing the world / humanity. In this uncertain environment, extreme weather events continue to affect countries (physical risk) and the world moves towards establishing a lower-carbon economy (transition risk). Banks are under rising regulatory pressure to implement measures to protect themselves from the impact of climate change and to align with the global sustainability agenda.

However, this has become more than a regulatory imperative. The banking industry is acting on two fronts:

- Understanding and assessing the impact of climate change on its strategy and operations
- Helping customers navigate this complex issue and move towards a greener financing

We are aware that failure to act now will have serious repercussions on the whole society. Hence, we have set up a team at the Bank for the development of a Climate Risk framework and Governance Structure and to define our Climate and Environmental risk strategy.

Risk Management Report (Cont'd)

Emerging Risks (Cont'd)

Technology and CyberSecurity

Cybersecurity risks relate to the loss of confidentiality, integrity, or availability of information, data, or information/control systems and reflect the potential adverse impacts to organizational operations (i.e., mission, functions, image, or reputation) and assets, data, staff, collaborating organisations, partners, customers, and industry.

The Bank continues to recognise the cyber risks as the important risk trait and has enhanced the risk management framework to cater for the elevated cyber and technology risks. Threat vectors are becoming more and more sophisticated and organised, the Bank has adopted a risk-based approach in deploying the controls in line with the established standards, industry guidelines and regulator’s mandates.

In the quest of achieving resilience towards cyber security risks, the Bank has invested in modernising the arsenal of detective, preventive, and reactive controls to cater for the cyber risks and the aftermath impacts. The Bank has adopted defence in depth methodology in modernising its technical and operation controls framework complemented by stringent Governance framework (Policies, Procedures, and standards).

An independent security assurance program has become an integral part of the risk management practices and these continuous engagements with established service providers and technology partners are supporting the Bank in early detection of any potential vulnerability and their impacts. In addition, the internal teams acting as a second layer of defence continue to monitor the tactical and strategic threat adversaries, their impacts on the Bank and our response capabilities, the focus has been towards early detection and early response.

Information Technology

SBM’s operations are technology intensive. Its platforms are currently hosted and managed by our offshore IT strategic partner. The Bank acknowledges the risks associated with this kind of outsourcing arrangements with regards to data protection, system performance, service delivery and time to market new products and has taken mitigating actions in terms of reinforcing controls and governance measures.

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

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

We are continuously monitoring developments in new technologies and the digitisation trend which are capable of disrupting our ability to adapt to the evolving customer demand. Digitisation has become one of the priorities of the Bank and we are on the outlook to ensure that associated risks are identified and managed.

Capital Management

SBM proactively manages its capital to meet the expectations of key stakeholders such as regulators, shareholders, investors, rating agencies and analysts whilst ensuring that the returns on capital commensurate with risks undertaken by respective business units.

The Bank has always held capital in excess of regulatory requirements and it intends to perpetuate this philosophy to ensure that it continues to remain well capitalised. Accordingly, a minimum capital adequacy ratio of 2.0% above the minimum regulatory requirements is targeted.

In view of maintaining its sound capitalisation both from an economic and regulatory perspective, SBM continuously monitors and adjusts its overall capital demand and supply at all times and from all perspectives.

The objectives are to:

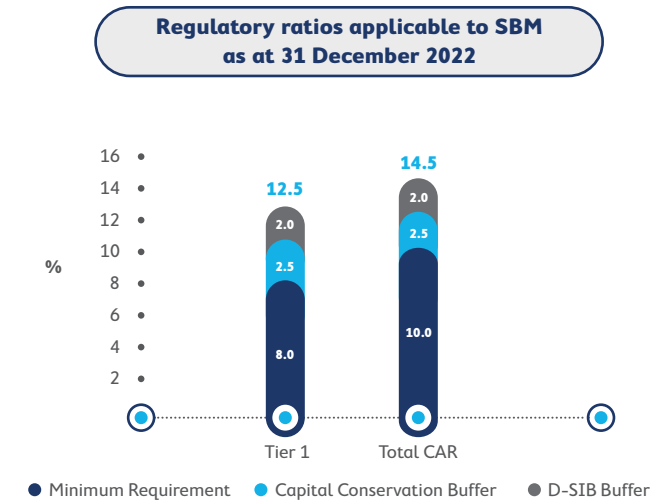
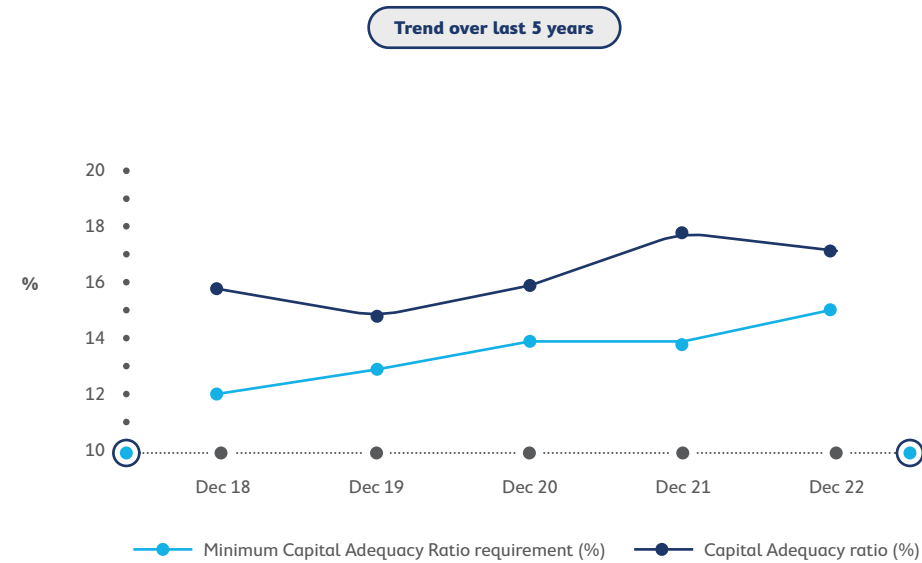
- Maintain capital ratios at levels sufficiently above the regulatory minimum requirements;
- Support the Bank’s credit ratings;
- Deploy capital efficiently to businesses and optimise returns on capital; and
- Remain flexible to capitalise on future opportunities.

During the financial year 2022, the Bank continued to prioritise capital and liquidity preservation while anticipating a gradual pick-up in the economy in the aftermath of the global pandemic and the ramifications of the ongoing Russia-Ukraine war.

Evolution of Capital Adequacy ratios over the last five years

	Dec-2018	Dec-2019	Dec-2020	Dec-2021	Dec-2022
Tier 1 ratio (%)	13.7	13.1	14.3	15.7	15.3
Capital Adequacy Ratio (%)	15.3	14.8	15.9	17.3	16.9

Risk Management Report (Cont'd)



Regulatory Requirement

The Bank of Mauritius (BOM) embarked on a phased implementation of Basel III Capital Standards in Mauritius since July 2014 with measures aiming to improve the banking sector’s ability to absorb shocks arising from financial and economic stress, improve risk management and governance and to strengthen banks’ transparency and disclosures. To that effect, the BOM has issued guidelines and reporting requirements to commercial banks.

The capital-to-risk weighted assets ratio determines whether a bank has sufficient capital or not to absorb any losses before becoming insolvent. It is important for a bank to monitor this ratio and adhere to regulatory requirements to protect its clients and the larger economy as a whole.

The BOM requires all banks licensed under the Banking Act 2004 to meet minimum requirements related to risk-weighted assets of 9.0%, 10.5% and 12.5% for Common Equity Tier 1 (CET 1), Tier 1 and Total Capital ratios, respectively. This includes a Capital Conservation Buffer (CCB) of 2.5% which has been fully phased in since 01 April 2022.

Furthermore, in compliance with the ‘Guideline for dealing with Domestic-Systemically Important Banks (D-SIB)’ and the yearly assessment carried out by the BOM, taking into consideration the five indicators, namely size, exposure to large groups, interconnectedness, complexity and substitutability, SBM is subject to an additional buffer of 2.0% based on its systemic importance in the local economy.

As at year end 2022, the Bank remains well capitalised with a total capital ratio of 16.9% or 2.4% above the minimum regulatory requirement.

Capital Structure

For computation of its regulatory capital (capital base), SBM complies with the BOM’s Guideline on Scope of Application of Basel III and Eligible Capital which came into effect in July 2014.

Total regulatory capital consists of the sum of the following elements:

(a) Tier 1 capital which comprises:

- (i) Common Equity Tier 1
- (ii) Additional Tier 1 Capital

(b) Tier 2 Capital

For each of the three components above, the BOM has defined a single set of criteria that the instruments are required to meet before they can be included in the relevant category.

All components of capital provide support for banking operations and protect depositors.

Risk Management Report (Cont'd)

Capital Position

SBM's capital position remains robust with high quality capital levels which position it well for future business growth and opportunities.

The capital is in the form of:

- (a) **Common Equity Tier 1 (CET 1)** which is permanent and has the highest loss absorption capability on a going concern basis. The common equity capital of the Bank consists primarily of common shareholders' equity (ordinary share capital, reserves and retained profits) net of prescribed regulatory adjustments or deductions. These regulatory deductions include intangible assets (net of deferred tax liabilities) and deferred tax assets.

CET 1/Tier 1 capital, representing 90.7% of the aggregate capital base, rose by 8.9% to MUR 18.4 billion, primarily from the good performance of the Bank with net profits of MUR 3.5 billion.

The increase of MUR 1.5 billion from the prior year is due primarily to:

- MUR 3.5 billion growth from internally generated capital
- MUR 1.2 billion from capital injection by SBM (Bank) Holdings Ltd

Partly offset by:

- MUR 1.4 billion revaluation loss on Investments in securities at FVOCI
- MUR 2.2 billion dividend payment to Parent Company

- (b) **Tier 2 capital** which can absorb losses in the event of a winding-up consist of general provision and revaluation reserves of fixed assets.

Tier 2 capital increased by 6.6% to MUR 1.9 billion, with its share representing 9.3% of the capital base.

As such, the capital base of the Bank increased by MUR 1.6 billion to MUR 20.3 billion as at end-December 2022.

Capital Position of the Bank as at 31 December 2020, 2021 and 2022:

FIGURES IN MUR' MILLION

Capital Base

	Dec-2022	Dec-2021	Dec-2020
Share Capital	13,454	12,254	12,254
Retained Earnings	8,029	6,675	4,596
Accumulated other comprehensive income and other disclosed reserves	(1,014)	338	1,590
Common Equity Tier 1 Capital (CET 1) before regulatory adjustments	20,469	19,267	18,440
Regulatory Adjustments			
Goodwill and Intangible Assets	(1,519)	(1,817)	(2,145)
Deferred Tax Assets	(511)	(518)	(497)
Common Equity Tier 1 Capital (CET 1)	18,439	16,932	15,798
Additional Tier 1 (AT 1)	-	-	-
Tier 1 capital (T1 = CET1 + AT1)	18,439	16,932	15,798
Other Reserves (45% of surplus arising from Rev of Land & Buildings)	543	565	586
Portfolio Provision or ECL (restricted to 1.25% of credit RWA)	1,343	1,204	1,251
Tier 2 Capital	1,886	1,769	1,837
TOTAL CAPITAL BASE	20,325	18,701	17,635

Risk-weighted assets

Risk-weighted assets (RWAs) are used to determine the minimum amount of capital a bank must hold in relation to the risk profile of its lending activities and other assets. This is done in order to assess the financial strength of a financial institution. RWAs represent the Bank's exposures to credit, market and operational risks.

The risk-weighted assets of the Bank are being prudently managed in view of the Bank's cautious approach in selecting high quality assets in the loan market.

Risk Management Report (Cont'd)

Risk-weighted assets (Cont'd)

For the financial year ended December 2022, the Bank witnessed an increase of 11.5% in total RWAs, reaching MUR 120.4 billion in comparison to MUR 107.9 billion for the financial year ended 2021. This was primarily due to organic growth from across the Bank's lines of business and demonstrates that business activities are gradually picking up since the end of the COVID-19 pandemic.

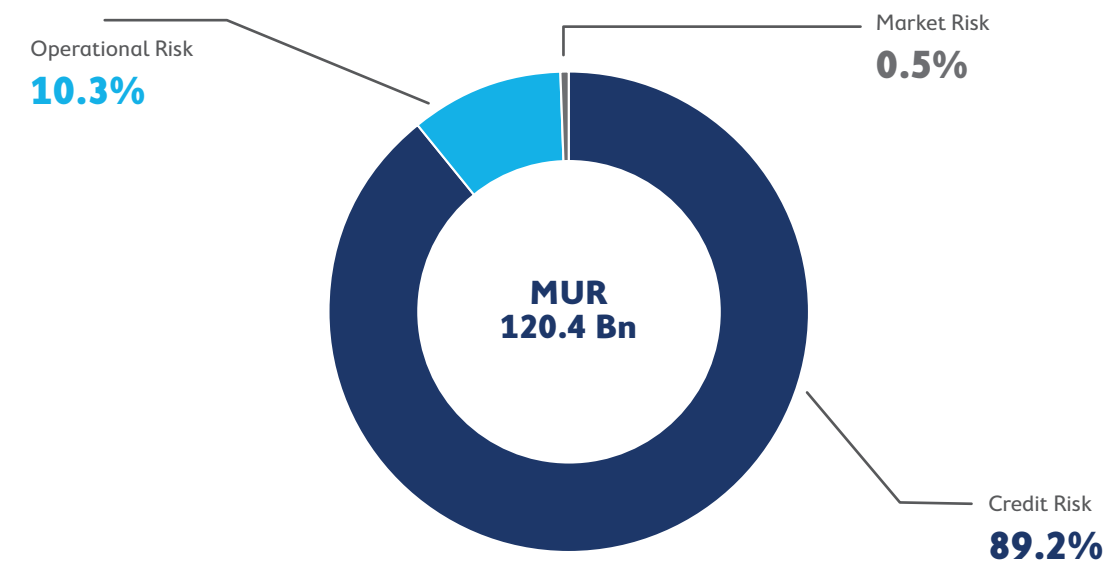
Risk Weighted Assets of the Bank as at 31 December 2020, 2021 and 2022:

FIGURES IN MUR' MILLION

	Dec-2022	Dec-2021	Dec-2020
Credit Risk (Note A)	107,419	96,340	100,118
On-balance sheet assets	98,596	89,254	93,843
Off-balance sheet exposures	8,823	7,086	6,275
Market Risk (Note B)	598	731	646
Aggregate net open foreign exchange position	463	616	376
Capital charge for trading book position exceeding 5% or more of its total assets	135	115	270
Operational Risk (Note C)	12,343	10,857	9,890
TOTAL RWAs	120,360	107,928	110,654

Risk-Weighted Assets by type of risk

Amongst the various risk types the Bank engages in, credit risk continues to attract the largest regulatory capital requirement and as at year end 2022 accounted for around 89.2% of total risk of the Bank, nearly same as last year.



(A) Risk-weighted assets for Credit risk

The Bank measures the credit risk capital requirements by applying appropriate risk weights to both on-balance and off-balance sheet exposures in line with the following guidelines :

BOM Guidelines Used

- Guideline on Scope of Application of Basel III and Eligible Capital
- Guideline on Standardised Approach to Credit Risk
- Guideline on the Recognition and Use of External Credit Assessment Institutions

Risk Management Report (Cont'd)

(A) Risk-weighted assets for credit risk (Cont'd)

Under the Standardised Approach, standardised risk weights are assigned to exposures and RWAs are calculated as the product of these risk weights and the exposure amount. The risk weights are based on the credit assessments of external rating agencies and are determined according to the category of borrowers, namely sovereign, bank, corporate, and others, with each category of borrower having a specific risk weight structure. Exposures are risk-weighted net of specific provisions.

For certain exposure classes, SBM uses the International ratings of Standard & Poor's, Moody's Investors Service and Fitch Ratings which are recognised by the BOM. In addition, some financial obligations subscribed by the Bank in favour of domestic corporate customers have also been rated by CARE Ratings (Africa) Private Ltd (CRAF), with capital relief being applicable on investment-grade ratings.

The following tables provide end-of-year figures for both on-balance sheet and off-balance sheet assets after credit mitigation:

The RWA for on-balance sheet increased by 10.5% compared to the previous year.

Risk - Weighted on-balance sheet assets

FIGURES IN MUR' MILLION

	Dec-2022			Dec-2021	Dec-2020
	Amount	Weight(%)	Weighted Assets	Weighted Assets	Weighted Assets
Cash Items	2,528	0-20	1	1	1
Claims on Sovereigns	77,419	0-100	4,086	4,448	4,965
Claims on Central Banks	49,576	0	-	-	-
Claims on Banks	18,001	0-100	5,135	4,124	6,697
Claims on Non-Central Government Public Sectors Entities	4,825	50-100	2,585	341	41
Claims on Corporates	61,590	20-150	56,599	54,589	57,370
Claims on Retail Segment	16,214	75	12,160	9,904	9,415
Claims Secured by Residential Property	31,876	35-125	12,047	10,174	9,098
Past Due Claims	1,667	50-150	1,171	1,077	1,940
Fixed Assets/Other Assets	4,803	100	4,812	4,596	4,316
TOTAL ON-BALANCE SHEET RWAs	268,499		98,596	89,254	93,843

In terms of the risk profile of on-balance sheet assets, the zero % or 'risk free' assets, principally Government and BOM securities, represented a share of 49.7% while assets under the 100% risk-weight bucket, consisting mainly of loans and advances, constituted 22.1% of on-balance sheet assets. Assets with risk weights ranging from 20% to 75% accounted for 26.5% while the remaining 1.7% pertained to risk weights above 100%.

The total non-market-related off-balance sheet RWA increased significantly by MUR 1.7 billion to MUR 8.1 billion compared to the previous year, mainly on account of substantial guarantees issued during the year.

Non-Market-related Off-Balance Sheet Credit Exposures

FIGURES IN MUR' MILLION

	Dec-2022				Dec-2021	Dec-2020
	Notional Amount	Credit Conversion Factor(%)	Credit Equivalent Amount	Weight(%)	Weighted Assets	Weighted Assets
Direct Credit Substitutes	1,952	100	1,952	0-100	1,893	1,475
Transaction - Related Contingent Items	9,790	50	4,895	0-100	4,659	3,019
Trade - Related Contingencies	1,362	20-100	507	0-100	444	227
Other - Commitments	14,946	0-50	1,642	35-100	1,146	949
TOTAL OFF-BALANCE SHEET RWAs	28,052		8,996		8,142	5,533

The total market-related off-balance sheet RWA increased slightly by MUR 28 million to MUR 681 million compared to the previous year.

Market-related Off-Balance Sheet Credit Exposures

FIGURES IN MUR' MILLION

	Dec-2022					Dec-2021	Dec-2020
	Notional Principal Amount	Credit Conversion Factor(%)	Potential Future Exposure	Current Exposure	Credit Equivalent Amount	Weighted Assets	Weighted Assets
Interest Rate Contracts	3,133	0-1.5	28	-	28	24	135
Foreign Exchange Contracts	13,179	1-5.0	193	318	512	441	296
Equity Contracts	2,006	6-8.0	155	46	201	131	129
Other Commodity Contracts	-	-	-	-	-	-	199
Credit Derivative Contracts	-	-	-	-	-	-	40
Other Market-Related Contracts	1,077	10-12.0	118	9	127	85	94
TOTAL MARKET RWAs	19,395		494	374	868	681	743

	Dec-2022	Dec-2021	Dec-2020
TOTAL CREDIT RWAs	107,419	96,340	100,118

Risk Management Report (Cont'd)

(B) Risk-weighted assets for Market risk

Market risk is the risk that the Bank's earnings, capital or business objectives will be adversely impacted by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads.

For computation of capital on market risk, the Bank adheres to the Standardised Approach as outlined in the BOM's Guideline on Measurement and Management of Market Risk.

Aggregate Net Open Foreign Exchange Position

The RWA calculation includes the foreign exchange open position risk of the banking and trading book.

FIGURES IN MUR' MILLION	Dec-2022	Dec-2021	Dec-2020
Aggregate net open foreign exchange position	463	616	376

Capital charge for trading book position

As per the Standardised Approach, a bank is required to hold additional capital whenever its overall trading book position activities exceeds 5% of total assets. As at end of December 2022, the Bank prudently allocated an additional capital charge of MUR 135 million though the trading book significance level was below five per cent.

(C) Operational Risk Capital

Operational risk is an inherent risk in the ordinary course of business activity. It is the risk of incurring a loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences.

For the calculation of operational risk capital, SBM applies the Alternative Standardised Approach as per the BOM's Guideline on Operational Risk Management and Capital Adequacy Determination.

The table below sets out the weighted risk assets for Operational Risk:

FIGURES IN MUR' MILLION	Dec-2022	Dec-2021	Dec-2020
RWAs for Operational Risk	12,343	10,857	9,890

In line with growth in business volumes, capital charge for Operational Risk as at end of December 2022 has increased by 13.7% from the previous year.

Leverage Ratio

An underlying cause of the Great Financial Crisis was the build-up of excessive on and off-balance sheet leverage in the banking system. In many cases, banks built up excessive leverage while maintaining seemingly strong risk-based capital ratios. The ensuing deleveraging process at the height of the crisis created a vicious circle of losses and reduced availability of credit in the real economy.

The Basel Committee on Banking Supervision (BCBS) introduced a leverage ratio in Basel III to act as a credible supplementary measure to the risk-based capital requirements.

The leverage ratio is used to capture the amount of debt the bank has relative to its Tier 1 capital. The ratio is calculated as Tier 1 qualifying capital divided by on and off-balance sheet exposures, as defined by the BCBS.

The Bank's leverage ratio was 6.4% as at 31 December 2022 compared with BCBS minimum requirement of 3%.

Compliance

The Bank has complied with all the regulatory capital related requirements throughout the year. The capital adequacy ratio remained above the BOM's prescribed limit with an average of 16.9% for the financial year 2022 despite uncertainties in the operating environment.



“I am leaving with a heavy heart...”

I joined SBM in 1979, my first job after school. I was assigned to Customer Care at the Bank’s headquarters, which was then in the Treasury Building. Like a bee, I moved from department to department - from standing order processing to documentation, from the cashier’s position (at the Rivière du Rempart Branch) to the loan, then to the foreign exchange departments, to verification and settlement - before I finally settled here, at SBM’s HQ, just a few yards away from where I started my career. I have always done my job with passion, and it is with a twinge of sadness that I retired at the end of March as SBM has been my whole life, a kind of second family that I will probably miss a lot. On a positive note though, I will be able to spend more time with my children and grandchildren.

Atmada Ramhota
Head of the Treasury Back Office



Key Financial Highlights and **Financial Review**

Key Financial Highlights

For the year ended 31 December 2022

	December 2022	December 2021	December 2020
Shareholder's equity (MUR million)	21,704	20,583	19,796
Capital adequacy ratio (%)	16.9	17.3	15.9
Tier 1 Capital adequacy ratio (%)	15.3	15.7	14.3
Profit before income tax (MUR million)	4,027	2,538	1,747
Profit for the year (MUR million)	3,528	2,090	1,454
Return on average assets (%) ^a	1.3	0.8	0.7
Return on average risk-weighted assets (%) ^a	3.1	1.9	1.3
Return on average shareholder's equity (%) ^a	16.7	10.4	7.7
Return on average Tier 1 capital (%) ^a	19.9	12.8	9.8
Credit deposit ratio (%)	50.0	45.3	58.1
Cost to income (%)	44.6	43.2	35.3
Gross impaired advances to gross advances (%)	7.9	10.0	11.2
Net impaired advances to net advances (%)	1.5	1.6	2.6

^aAverages are calculated using year-end balances.

Key Financial Highlights

For the year ended 31 December 2022

	December 2022	December 2021	December 2020
Statement of profit or loss (MUR million)			
Interest income	8,200	6,661	7,227
Interest expense	1,270	944	1,497
Net interest income	6,930	5,717	5,730
Non interest income	2,454	2,888	2,937
Operating income	9,384	8,606	8,667
Non interest expense	4,187	3,720	3,057
Depreciation and amortisation	686	624	646
Net impairment loss on financial assets	1,170	2,348	3,863
Profit before income tax and net impairment loss on financial assets	5,197	4,886	5,610
Profit before income tax	4,027	2,538	1,747
Profit for the year	3,528	2,090	1,454
Statement of financial position (MUR million)			
Total assets	269,074	276,573	228,968
Gross loans and advances to non-bank customers	118,545	109,370	110,476
Deposits from non-bank customers	236,885	241,529	190,004
Shareholder's equity	21,704	20,583	19,796
Tier 1 capital	18,439	16,932	15,797
Risk-weighted assets	120,360	107,929	110,654
Performance ratios (%)			
Capital adequacy ratio	16.9	17.3	15.9
Tier 1 Capital adequacy ratio	15.3	15.7	14.3
Profit before income tax / average risk-weighted assets ^a	3.5	2.3	1.6
Profit before income tax / average assets ^a	1.5	1.0	0.8
Profit before income tax / average shareholder's equity ^a	19.0	12.6	9.2
Profit before income tax / average Tier 1 capital ^a	22.8	15.5	11.8
Return on average risk-weighted assets ^a	3.1	1.9	1.3
Return on average assets ^a	1.3	0.8	0.7
Return on average shareholder's equity ^a	16.7	10.4	7.7
Return on average Tier 1 capital ^a	19.9	12.8	9.8
Efficiency ratios (%)			
Cost to income	44.6	43.2	35.3
Asset quality ratios (%)			
Gross impaired advances to gross advances	7.9	10.0	11.2
Net impaired advances to net advances	1.5	1.6	2.6
Other key data			
Number of employees	1,683	1,568	1,520
Number of service units	44	44	44

^aAverages are calculated using year-end balances.

Financial Review

For the year ended 31 December 2022

Results

The global economy continues to be characterised by challenges amidst high price pressures due to the ongoing geopolitical conflict and slower growth momentum stemming from rapid global monetary tightening in advanced economies. The Mauritian economy was not spared from such pressures however it continues to recover.

The Bank was also not spared by the high inflationary pressures but its strong fundamentals namely its 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 has enabled the Bank to keep its growth momentum.

The Bank has been resilient and generated a remarkable profit after tax of MUR 3,527.9 million compared to MUR 2,090.2 million for FY 2021 with a growth of 21.2% in Net Interest Income and 9.1% in Operating Income.

The Bank recorded a profit before net impairment loss on financial assets of MUR 5,197.3 million compared to MUR 4,885.9 million for 2021. Significantly lower impairment charges of MUR 1,170.3 million and a very comfortable provision coverage ratio of 82.6% reflects the Bank's ongoing commitment to address its bad loans.

Revenue growth

Operating income for 2022 grew by 9.0% to reach MUR 9.38 billion (MUR 8.6 billion in 2021) with the main contributors being (i) Net Interest Income, (ii) Non-Interest Income comprising mainly fees and commissions, income from card business and (iii) net trading income representing gain on sale of securities and gain on dealings in financial instruments and foreign currency dealings.

Net Interest Income

Interest rates remained at relatively low levels for nearly two years. To contain the negative effects associated with a high inflationary environment, the Bank of Mauritius has embarked on a normalisation process whereby the Key Rate was reviewed from 1.85% in 2021 to 4.50% as at the reporting date. The Key Rate was reviewed five times during FY 2022, and this has helped the Bank to increase its net interest income to MUR 6.9 billion for the year under review. This has also been possible with the growth in advances being disbursed by the Bank.

Interest income from loans and advances to non-bank customers stood at MUR 5.4 billion and experienced the highest growth under the component of total interest income due to several increases in prime lending rate during FY 2022. Interest on loans and advances remains the main source of interest income for the Bank.

An increase was also noted in interest income from investment securities by MUR 682.5 million mainly from the amortised cost category, which was higher by 56.5%. However, interest income from derivatives witnessed a decrease of MUR 81.1 million (43.7%).

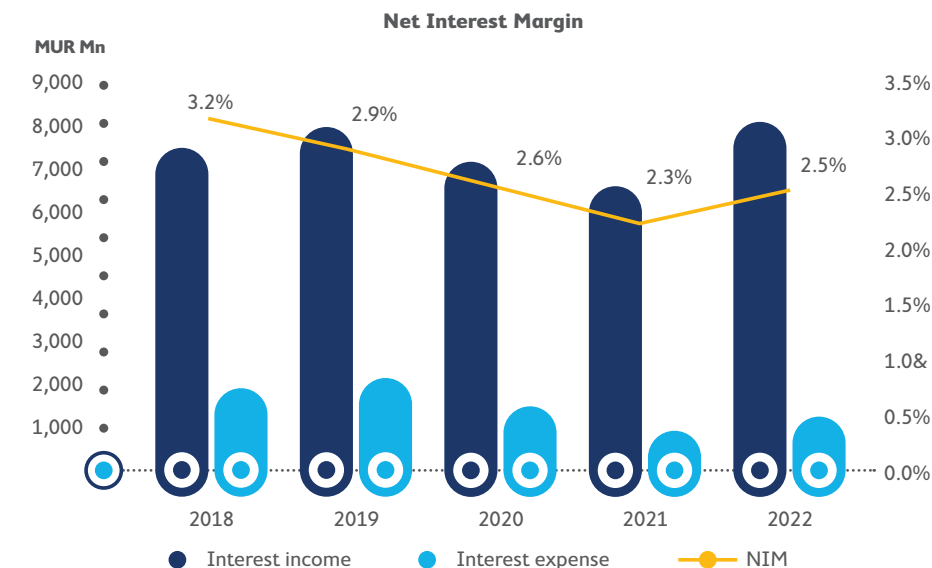
On the interest expense side, an increase of 34.6% was noted, emanating mainly from deposits which were impacted by the increase in savings rate locally and rates in the US while a decrease is noted on interest expense on borrowings as the Bank placed less reliance thereon.

Financial Review

For the year ended 31 December 2022

Net Interest Income (cont'd)

Net interest margin increased from 2.3% in 2021 to 2.5% for the year ended 31 December 2022.



Non-Interest Income

As shown in the table below, non-interest income decreased by 15.0%, from MUR 2,888.5 million in 2021 to MUR 2,454.2 million for the year ended 31 December 2022.

	Year Dec-22	Year Dec-21	Year Dec-20	Variance	
	MUR' Million	MUR' Million	MUR' Million	MUR' Million	%
Net fee and commission income	776.6	719.1	575.4	57.5	8.0
Card income including e-Commerce income	419.7	357.5	359.3	62.2	17.4
Net trading income from:					
Profit arising from dealings in foreign currencies	1,099.8	863.9	469.5	235.9	27.3
Interest rate instruments	16.4	27.5	147.0	(11.1)	(40.5)
Fair value movements on debt securities measured at FVTPL	113.6	81.0	211.1	32.6	40.3
Gains/(losses) on financial assets at FVTPL	(24.3)	228.1	(29.2)	(252.4)	(110.7)
Gain on sale of financial instruments	34.9	588.1	1,203.0	(553.2)	(94.1)
Other	17.5	23.3	0.9	(5.8)	(24.9)
	2,454.2	2,888.5	2,936.9	(434.3)	(15.0)

Financial Review

For the year ended 31 December 2022

Non-Interest Income (cont'd)

The components of non-interest income which contributed positively in 2022 are: net fee and commission income; card income; and profit arising from dealings in foreign currencies.

The main contributor of non-interest income for FY 2022 is net trading income whereby profits from dealings in foreign currencies stood at MUR 1.1 billion, higher by MUR 235.9 million compared to FY 2021, followed by an increase of MUR 57.5 million and MUR 62.2 million in Net fees and commission income and card income, respectively.

Profits from dealings in foreign currencies has been high due to the strong demand in the post COVID period. Revaluation gains from debt securities measured at fair value through profit or loss also witnessed an increase of MUR 32.6 million for the year under review compared to the previous year due to higher gains on the sale of government bonds.

Card income grew by MUR 62.2 million from MUR 357.5 million for 2021 to MUR 419.7 million for 2022 mostly due to higher volume of transactions as economic activity continued to gain momentum.

However, a decrease is noted for the other contributors of non-interest income like losses on financial assets at fair value through profit or loss and net gains on the derecognition of financial assets measured at FVOCI as the Bank recorded MUR 588.1 million as net gains on the sale of securities in 2021 compared to only MUR 34.9 million for the year under review.

The ratio of non-interest income to average assets stood at 0.9% for the year under review against 1.1% for 2021. Non-interest income as a percentage of operating income also decreased from 33.6% in 2021 to 26.2% in 2022 following the decrease in non-interest income and increase in operating income.

Non-Interest Expense

The table below shows the components of operating expenses.

	Year Dec-22	Year Dec-21	Year Dec-20	Variance	
	MUR' Million	MUR' Million	MUR' Million	MUR' Million	%
Personnel costs	2,014.0	1,748.2	1,402.2	265.8	15.2
Property costs (including depreciation)	385.5	337.5	298.4	48.0	14.2
System costs (including depreciation and amortisation)	1,114.4	996.2	1,000.9	118.2	11.9
Other expenses	673.0	637.9	355.5	35.1	5.5
	4,186.9	3,719.8	3,057.0	467.1	12.7

Non-interest expenses witnessed an increase of MUR 467.1 million for the year ended 31 December 2022 compared to FY 2021, resulting in a rise in the cost to income ratio at 44.6% compared to 43.2% for the previous 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 remaining an Employer of Choice. The Bank reported personnel costs of MUR 2,014.0 million for the year 2022 compared to MUR 1,748.2 million for 2021, which represented an increase of 15.2%. In line with the introduction of the Finance (Miscellaneous Provisions) Act 2022 in August 2022, the retirement gratuity formula changed from 15/26 to 15/22 for employees working 5-day weeks. Following this amendment, the Bank has prudently recognised a provision of MUR 126.6 million in respect of residual retirement gratuities in profit or loss for 2022.

Financial Review

For the year ended 31 December 2022

Non-Interest Expense (cont'd)

Other non-interest expenses also are on the high side mainly due to higher IT costs following the US dollars appreciation and higher level of USD denominated prices from our main suppliers. A higher depreciation charge was also noted further to the capitalisation of the ongoing branch renovation project.

Credit loss expense on financial assets

Total credit loss expenses recognised for 2022 amounted to MUR 1.2 billion, which included mostly additional impairment charge for the segment B impaired book in addition to stage 1 and stage 2 Expected Credit Losses (ECL) provisions. The charge for 2022 is significantly lower by MUR 1.2 billion over 2021 and had a positive impact to the bottom line.

Statement of Financial position

Loans and advances to non-bank customers

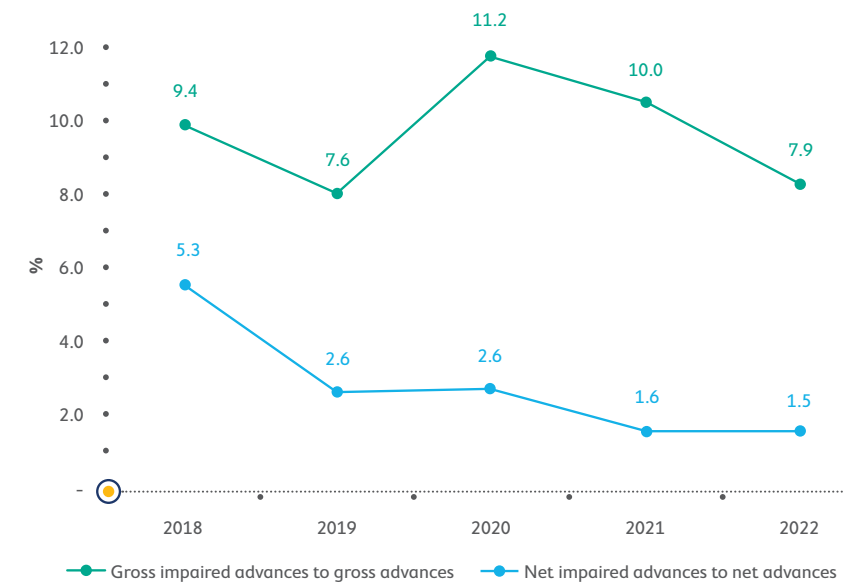
Gross loans and advances increased by MUR 9.2 billion or 8.4% to reach MUR 118.5 billion as at 31 December 2022 against MUR 109.4 billion at 31 December 2021. Segment A advances reported an increase of MUR 15.2 billion, from MUR 86.7 billion as at 31 December 2021 to MUR 101.9 billion as at 31 December 2022, which reflects the Bank's ability to grow its business domestically despite a very competitive environment. The increase emanates from both the retail (mainly mortgage) and corporate segment of MUR 5.7 billion and MUR 9.5 billion respectively. Vis-à-vis the market, it is worth noting that the Bank captured MUR 7.3 billion of the growth of MUR 17.2 billion of the banking sector on the mortgage side.

Net loans and advances stood at MUR 108.1 billion compared to MUR 97.9 billion for 2021 with total outstanding provisions of MUR 10.4 billion at the reporting date. A breakdown of the credit portfolio by economic sectors and level of provisions held has been disclosed in Note 8 of the Financial Statements while segmental advances and provisions are available in Note 40.

Credit quality

Impaired advances stood at MUR 9.4 billion as at 31 December 2022, compared to MUR 10.9 billion as at 31 December 2021. The Bank wrote off advances amounting to MUR 2.3 billion during the year under review (2021: MUR 2.4 billion). Given the written off loans were fully provided, the provision coverage ratio has dropped to 82.6% as expected against 85.9% as at 31 December 2021. The remaining portion is adequately secured by collaterals, and suitably discounted to reflect prevailing market conditions and expected time of recovery.

An improvement in both the gross impaired advances to gross advances ratio and net impairment ratio is seen as at 31 December 2022, from 10.0% and 1.6% to 7.9% and 1.5%, respectively.



Financial Review

For the year ended 31 December 2022

Investment Securities, Placements and cash & cash equivalents

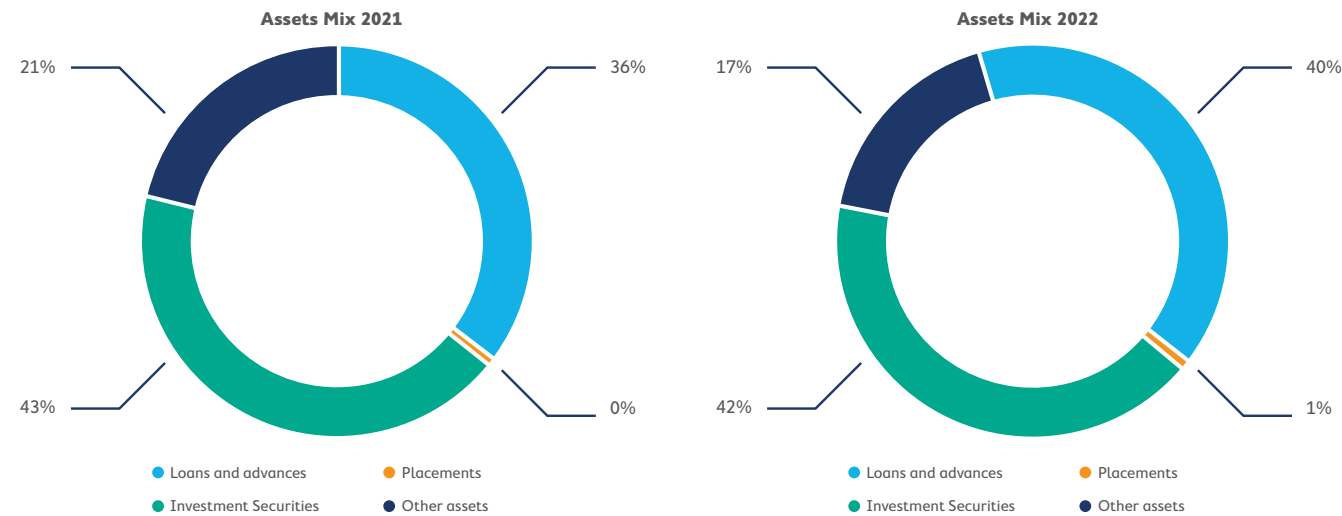
The Bank continues to deploy its liquidity surplus into fixed income gilt-edged securities, foreign bank bonds and corporate bonds. Investment securities before credit loss moved downward by MUR 6.4 billion over 31 December 2021 but still represents 42.0% of the total balance sheet size of the Bank. As at 31 December 2022, financial assets classified at amortised cost increased from MUR 51.7 billion as at 31 December 2021 to MUR 70.2 billion, representing an increase of MUR 18.5 billion or 35.9% while those classified at Fair Value Through Other Comprehensive Income (FVTOCI) witnessed a decrease of MUR 25.4 billion to reach MUR 34.2 billion (2021: MUR 59.6 billion) as at 31 December 2022.

Cash & cash equivalents decreased to MUR 26.5 billion at December 2022 from MUR 40.3 billion as at December 2021, with unrestricted balance with the central bank amounting to MUR 19.8 billion at the reporting date (2021: MUR 35.8 billion).

Gross loans and placements with banks amounted to MUR 1.2 billion as at 31 December 2022 compared to MUR 843.1 million as at 31 December 2021.

Other Bank Assets

Other assets of the balance sheet increased by MUR 2.2 billion, mainly from mandatory balance with central bank.



Deposits and Borrowings

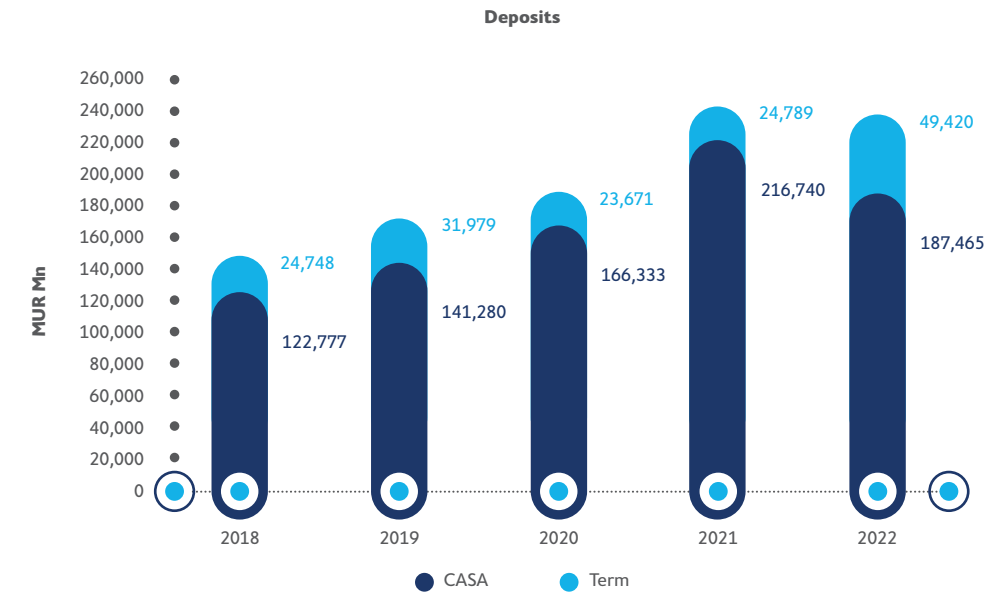
Total deposits from non-bank customers experienced a drop of 1.9% during the year under review from MUR 241.5 billion as at December 2021 to MUR 236.9 billion as at 31 December 2022 due to outflow of hot money attributable to the corporate segment B business. This decrease is attributable to CASA deposits which decreased from MUR 216.7 billion as at 31 December 2021 to MUR 187.5 billion as at 31 December 2022. However, CASA deposits remained the core deposits for the Bank and accounted for 79.1% of total deposits as at 31 December 2022 (2021: 89.7%).

Financial Review

For the year ended 31 December 2022

Deposits and Borrowings (cont'd)

On the other hand, term deposits doubled to reach MUR 49.4 billion as at 31 December 2022 over MUR 24.8 billion as at 31 December 2021. FCY deposits made up 43.6% of total deposits as at 31 December 2022 (2021: 50.0%).



Other Borrowed Funds

The Bank placed less reliance on borrowings during financial year 2022. The balance of borrowed funds as at 31 December 2022 stood at MUR 757.8 million compared to MUR 5.3 billion as at 31 December 2021.

Shareholder's Fund

The Bank remains well capitalised with a Capital Adequacy Ratio of 16.9%, from 17.3% as at 31 December 2021 and Tier 1 capital to risk-weighted assets ratio to 15.3% as at 31 December 2022 (2021: 15.7%). Both capital ratios are above the minimum regulatory requirement for Domestic-Systemically Important Banks.

Shareholder's equity stood at MUR 21.7 billion as at 31 December 2022 compared to MUR 20.6 billion as at 31 December 2021 and common equity Tier 1 capital stood at MUR 18.4 billion (2021: MUR 16.9 billion).

Return on average shareholder's equity has increased from 10.4% in 2021 to 16.7% for 2022.

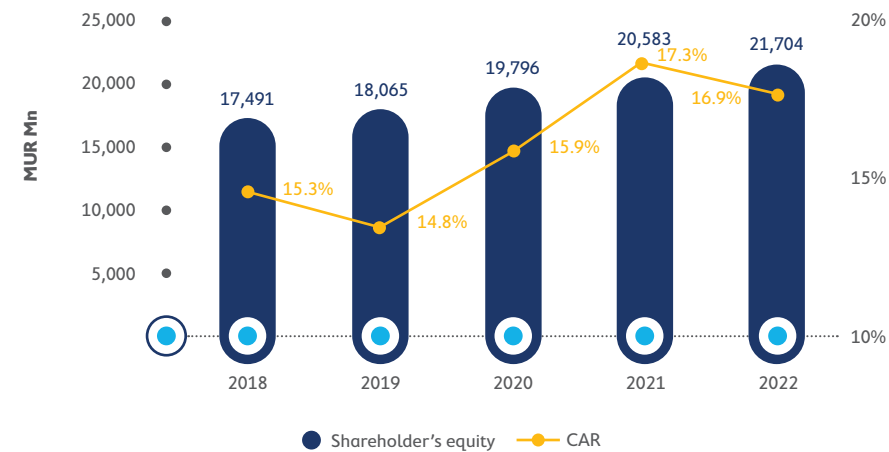
Financial Review

For the year ended 31 December 2022

Shareholder's Fund (cont'd)

We remain a key contributor to the Group with a profit after tax of MUR 3.5 billion and have paid MUR 2.2 billion in terms of dividend to our parent entity in 2022 whilst receiving a capital contribution of MUR 1.2 billion.

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



Financial Review

For the year ended 31 December 2022

Performance against objectives

INDICATOR	TARGET FOR 2022	PERFORMANCE 2022	TARGET FOR 2023
Return on Average Assets (ROA)	To reach at least 1%.	With the increasing business volumes in a rising interest rates environment, a higher operating income was achieved coupled with lower impairment charges which led to an improved ROA to 1.3%, representing a growth of around 50bps over FY 2021.	While it is expected that the operating environment will remain highly competitive, it is expected that ROA will be stable at 1.3%.
Return on Average Equity (ROE)	To achieve a minimum of 12%.	For the same reasons as stated above, ROE has moved up by 6.3% from last year and stood at 16.7%.	ROE is predicted to remain above 15%.
Operating Income	Net interest income is expected to grow through increased business volumes with focus on growing fee-based income.	Operating income of MUR 9.4 billion for 2022, a hike of 9.0% compared to the previous year, with higher net interest income and fee and commission income.	The Bank will keep its focus on growing the loan books mostly relating to the domestic segment which will boost up interest income coupled with increasing interest rates. Treasury income and fees and commission income will be again the major contributors in non-interest income with a two-digit growth rate.
Operating Expenses	Operating expenses are expected to grow with the continued investment in capacity building.	Following the continuous investment in human capacity and technology, Operating expenses grew by 12.7%.	Operating expenses are likely to grow reasonably with new projects in 2023.
Cost to Income ratio (CI)	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.	The CI ratio stood at 44.6%.	CI ratio to be contained around 50%.
Gross Advances	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.	The Bank grew its overall loans and advances to non-bank customers by around 10.2% mainly driven by retail segment and domestic corporate segment.	Expanding and diversifying the domestic loan book while coping with the challenging economic context and growing the international business in a prudent manner will contribute to a double-digit growth in the loan book.
Deposits from non-bank customers	Expecting to keep a year-on-year growth of at least 5% with focus on CASA deposits both in local and foreign currency.	A drop of 1.9% over the previous year following outflows of hot money deposits.	Expecting to keep a year-on-year growth of at least 10% with emphasis laid on growing and maintaining the mix in the low-cost CASA.
Assets Quality	Gross Impaired ratio is expected to improve.	As expected, Gross Impaired ratio improved to 7.9% with a coverage ratio of 82.6%.	Gross Impaired ratio is expected to improve.
Capital Management	The Bank shall continue to maintain its capital adequacy ratio (CAR) at the optimum level and always ensure adherence to regulatory requirements.	The Bank's CAR ratio and Tier 1 ratio stood at 16.9% and 15.3%, respectively, which are above the prescribed minimum requirements.	The capital adequacy ratios are expected to remain above regulatory requirements.



“Rose Bobois’ relationship with SBM is the fruit of a close collaboration.”

When I took over my father’s rattan furniture business, Rose Bobois, my main objective was to restructure the company with the goal of providing innovative and increasingly personalised products. It was essential to adapt to the changing needs of the market where competition had become fiercer. As such, the first step I made was to choose SBM as Rose Bobois’ banking partner. Today, we are fully satisfied with the services being offered to us by SBM. Always attentive to our needs, SBM has provided us with trade finance solutions as well as other financing solutions. I have always liked to be a little ahead of the market and SBM’s support has enabled us to remain proactive in our business.

Japhet Adélisse
General Manager of Rose Bobois
Belle Rose, Quatre Bornes



Statement of **Responsibility**

Statement of Directors' Responsibility

For the year ended 31 December 2022

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

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

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

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

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

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

Statement of Directors' Responsibility

For the year ended 31 December 2022

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 2022 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 189 to 196.



Sanjaiye Rawoteea
Acting Chief Executive Officer

27 March 2023



Imalambaal Kichenin
Chairperson, Audit Committee



Visvanaden Soondram
Chairman, Board

Statement of Management's Responsibility for financial reporting

For the year ended 31 December 2022

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, procedure manuals and guidelines of the Bank of Mauritius throughout the Bank.

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

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

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

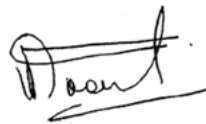
The Bank's external auditors, Deloitte, have full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.



Sanjaiye Rawoteea
Acting Chief Executive Officer



Imalambaal Kichenin
Chairperson, Audit Committee



Visvanaden Soondram
Chairman, Board

27 March 2023





Independent Auditor's Report

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 199 to 333, which comprise the statement of financial position as at 31 December 2022, 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 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Banking Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of 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.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses – Financial assets which are not credit impaired	
<p>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:</p> <ul style="list-style-type: none"> Model estimations – the Bank has used a statistical model to estimate ECLs depending on type of portfolio which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loan portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. Determining the criteria for significant increase in credit risk ('SICR') and identifying SICR– These criteria are highly judgemental and can impact the ECL materially where facilities have maturity of greater than 12 months. Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro-economic forecasts. The macroeconomic forecasts are estimates of future economic conditions. 	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> 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; Evaluating controls over model monitoring and validation; Using specialist team in performing certain procedures in relation to model validation; Verifying the historical data used in determination of PD in the models; Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology; Assessing the appropriateness of the macroeconomic forecasts used; Assessing the reasonableness of the qualitative adjustments (overlays) applied by management for events not captured by the ECL models;

Key audit matters (Cont'd)

Key audit matter (Cont'd)	How our audit addressed the key audit matter
Provision for expected credit losses – Financial assets which are not credit impaired (Cont'd)	
<ul style="list-style-type: none"> Economic scenarios – the Bank has used a range of future economic conditions in light of the global pandemic of COVID-19. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment. Qualitative adjustments - Adjustments to the model-driven ECL results are accounted by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts. <p>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.</p> <p>The details of the policies and processes followed for the determination of ECL are disclosed in Note 37 to the financial statements.</p>	<ul style="list-style-type: none"> Independently assessing probability of default, loss given default and exposure at default assumptions; Testing the accuracy and completeness of ECL by reperformance; and Assessing whether the disclosures are in accordance with the requirements of IFRS 9.

Key audit matters (Cont'd)

Key audit matter (Cont'd)	How our audit addressed the key audit matter
Provision for expected credit losses – Credit impaired assets	
<p>Provision for expected credit losses on credit-impaired loans and advances to non-bank customers and memorandum items at 31 December 2022 amount to MUR 7,897 million and the charge to profit or loss for the year amount to MUR 678 million.</p> <p>The use of assumptions for the measurement of provision for expected credit losses is subjective due to the level of judgement applied by Management.</p> <p>Changes in the assumptions and the methodology applied may have a major impact on the measurement of allowance for credit impairment.</p> <p>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.</p> <p>The most significant judgements / matters are:</p> <ul style="list-style-type: none"> whether impairment events have occurred; valuation of collateral and future cash flows; and management judgements and assumptions used <p>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.</p>	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> Obtaining audit evidence in respect of key controls over the processes for identification of impairment events, impaired assets and impairment assessment; 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; Challenging the methodologies applied by using our industry knowledge and experience; Obtaining audit evidence of management judgements and assumptions, especially focusing on the consistency of the approach; 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; Testing the accuracy and completeness of allowance for credit impairment by reperformance; and 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 and Supplementary information as required by Bank of Mauritius 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.

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.

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.

Financial Reporting Act 2002

Corporate Governance Report

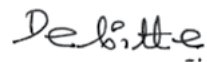
Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate 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.

Banking Act 2004

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

Use of this report

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



Deloitte
Chartered Accountants

27 March 2023



R. Srinivasa Sankar, FCA
Licensed by FRC





Financial Statements

Statement of Financial Position

as at 31 December 2022

Notes	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
ASSETS			
Cash and cash equivalents	5	26,534,212	40,281,422
Mandatory balances with central bank		13,316,978	11,203,833
Loans to and placements with banks	6	1,221,415	837,970
Derivative financial instruments	7	637,903	579,946
Loans and advances to non-bank customers	8	108,118,967	97,916,200
Investment securities	9	113,044,546	119,399,335
Property and equipment	10	3,134,713	3,019,187
Right-of-use assets	11	234,150	212,037
Intangible assets	12	1,518,510	1,816,509
Deferred tax assets	18d	511,001	518,443
Other assets	13	801,351	787,947
Total assets		269,073,746	276,572,829
LIABILITIES			
Deposits from banks	15	1,757,243	1,481,854
Deposits from non-bank customers	16	236,885,327	241,528,828
Other borrowed funds	17	757,808	5,275,400
Derivative financial instruments	7	574,694	565,655
Lease liability	11	189,756	184,665
Current tax liabilities	18a	411,835	307,887
Pension liability	14	549,107	395,928
Other liabilities	19	6,244,460	6,249,910
Total liabilities		247,370,230	255,990,127
SHAREHOLDER'S EQUITY			
Stated capital	20	400,000	400,000
Capital contribution	20	13,054,011	11,854,011
Retained earnings		8,028,574	6,675,006
Other reserves	38	220,931	1,653,685
Total equity		21,703,516	19,796,431
Total liabilities and equity		269,073,746	228,967,690


Approved by the Board of Directors and authorised for issue on 27 March 2023.



Sanjaiye Rawoteea
Acting Chief Executive Officer



Imalambaal Kichenin
Chairperson, Audit Committee



Visvanaden Soondram
Chairman, Board

The notes on pages 205 to 333 form an integral part of these financial statements.

Statement of Profit or Loss

For the year ended 31 December 2022

Notes	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Continuing Operations			
Interest income using the effective interest method		8,062,262	6,458,236
Other interest income		137,868	202,837
Interest expense using the effective interest method		(1,099,822)	(548,130)
Other interest expense		(170,299)	(395,716)
Net interest income	25	6,930,009	5,717,227
Fee and commission income		1,261,493	1,130,243
Fee and commission expense		(65,224)	(53,630)
Net fee and commission income	26	1,196,269	1,076,613
Other income			
Net trading income	27	1,229,832	972,356
Net (losses)/gains from financial assets at fair value through profit or loss	28	(24,334)	228,083
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	29	34,914	588,098
Other operating income		17,497	23,304
		1,257,909	1,811,841
Non-interest income		2,454,178	2,888,454
Operating income		9,384,187	8,605,681
Personnel expenses	30	(2,013,950)	(1,748,224)
Depreciation of property and equipment	10	(195,532)	(149,112)
Depreciation of right-of-use assets	11	(71,319)	(64,107)
Amortisation of intangible assets	12	(419,552)	(411,081)
Other expenses	31	(1,486,545)	(1,347,241)
Non-interest expense		(4,186,898)	(3,719,765)
Profit before credit loss expense		5,197,289	4,885,916
Credit loss expense on financial assets and memorandum items	32	(1,170,348)	(2,347,518)
Profit before income tax		4,026,941	2,538,398
Tax expense	18b	(499,001)	(448,211)
Profit for the year		3,527,940	2,090,187

The notes on pages 205 to 333 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2022

Notes	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Profit for the year	3,527,940	2,090,187	1,453,914
Other comprehensive income :			
Items that will not be reclassified to profit or loss:			
Increase in revaluation of property	10	-	754
Remeasurement of defined benefit pension plan	14	366,917	(734,415)
Deferred tax on remeasurement of defined benefit pension plan	18d	1,662	51,409
Revaluation gains on equity instruments measured at FVTOCI	9	1,531	997
	(20,549)	341,637	(681,255)
Items that may be reclassified subsequently to profit or loss:			
Investment securities measured at FVTOCI (Debt instruments)			
Movement in fair value during the year	(1,318,535)	(663,969)	2,161,068
Reclassification of losses included in profit or loss on derecognition	(34,914)	(588,098)	(1,203,006)
Loss allowance relating to debt instruments held at FVTOCI	(33,128)	6,514	475
	(1,386,577)	(1,245,553)	958,537
Total other comprehensive (loss) / income	(1,407,126)	(903,916)	277,282
Total comprehensive income for the year	2,120,814	1,186,271	1,731,196

The notes on pages 205 to 333 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2022

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 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	-	-	(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
At 01 January 2022	400,000	11,854,011	6,675,006	400,000	(2,214)	1,255,899	20,582,702
Profit for the year	-	-	3,527,940	-	-	-	3,527,940
Other comprehensive income / (loss) for the year	-	-	(22,080)	-	(1,385,046)	-	(1,407,126)
Total comprehensive income / (loss) for the year	-	-	3,505,860	-	(1,385,046)	-	2,120,814
Capital contribution received during the year	-	1,200,000	-	-	-	-	1,200,000
Revaluation surplus realised on depreciation	-	-	47,708	-	-	(47,708)	-
Cash dividend	-	-	(2,200,000)	-	-	-	(2,200,000)
At 31 December 2022	400,000	13,054,011	8,028,574	400,000	(1,387,260)	1,208,191	21,703,516

The notes on pages 205 to 333 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2022

Notes	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Net cash (used in) / generated from operating activities	33 (7,675,010)	30,508,554	695,238
Investing activities			
Acquisition of property and equipment	10 (312,781)	(586,863)	(132,829)
Acquisition of intangible assets	12 (144,167)	(88,593)	(83,489)
Disposal of property and equipment	1,454	-	1,329
Acquisition of equity investments	9 -	(2,057)	-
Net cash used in investing activities	(455,494)	(677,513)	(214,989)
Financing activities			
Repayment of principal portion of lease liabilities	(100,428)	(82,610)	(66,227)
Net change in other borrowed funds	(4,517,592)	(5,810,551)	945,736
Capital contribution received during the year	20 1,200,000	-	-
Dividend paid on ordinary shares	21 (2,200,000)	(400,000)	-
Net cash (used in) / generated from financing activities	(5,618,020)	(6,293,161)	879,509
Net change in cash and cash equivalents	(13,748,524)	23,537,880	1,359,758
Expected credit loss on cash and cash equivalents	1,314	(5,793)	2,678
Cash and cash equivalents at start of year	5 40,281,422	16,749,335	15,386,899
Cash and cash equivalents at end of year	5 26,534,212	40,281,422	16,749,335

The notes on pages 205 to 333 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2022

1. 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.

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 2022.

(a) New and revised IFRSs and IFRICs

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

IAS 16 Property, Plant and Equipment - Amendments prohibiting a Bank from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Bank is preparing the asset for its intended use

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous

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)

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

IAS 1 Presentation of Financial Statements - Amendments regarding classification of liabilities (effective 01 January 2024)

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

IAS 1 Presentation of Financial Statements - Amendments regarding the classification of debt with covenants (effective 01 January 2024)

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)

IFRS 16 Leases - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions (effective 01 January 2024)

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.

Notes to the Financial Statements

For the year ended 31 December 2022

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 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.

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.

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 where 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 note 39.

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 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.

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d Recognition of income and expenses (cont'd)

(i) Net interest income (cont'd)

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 from 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.

Notes to the Financial Statements

For the year ended 31 December 2022

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 becomes 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

For all financial assets, the amount presented on the statements of financial position represents 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;

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e Financial instruments (cont'd)

Financial assets (cont'd)

- 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.

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 it manages its 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.

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e Financial instruments (cont'd)

Financial assets (cont'd)

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 its 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.

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).

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e Financial instruments (cont'd)

Equity instruments designated at FVTOCI (cont'd)

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.

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 statements of profit or loss and other comprehensive income. The premium received is recognised in the statements of profit or loss and other comprehensive income in 'Fees and commission income' on a straight-line basis over the life of the guarantee.

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e Financial instruments (cont'd)

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 non-bank 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.

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e Financial instruments (cont'd)

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 unlikelihood 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e Financial instruments (cont'd)

Definition of default (cont'd)

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 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.

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e Financial instruments (cont'd)

Significant increase in credit risk (SICR) (cont'd)

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.

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:

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e Financial instruments (cont'd)

Modification and derecognition of financial assets (cont'd)

- 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 derecognized, 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 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 assets, 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.

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e Financial instruments (cont'd)

Modification and derecognition of financial assets (cont'd)

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.

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 'credit loss expense on financial assets and memorandum items' in the statement of profit or loss.

Presentation of allowance for ECL in the statements of financial position

Loss allowances for ECLs are presented in the statements 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 statements 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.

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e Financial instruments (cont'd)

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 customers, 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.

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e Financial instruments (cont'd)

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.

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)(ii), 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.

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e Financial instruments (cont'd)

Hedge accounting (cont'd)

Fair value hedges (cont'd)

In accordance with its hedging strategy, the Bank matches the principal of the hedging instruments to the principal of the hedged items, including prepayment expectations. The Bank uses pay fixed/receive floating interest rate swaps to hedge its fixed rate debt instruments and pay floating/receive fixed interest rate swaps to hedge its fixed rate liabilities. The Bank applies only a micro fair value hedging strategy as set out under the relevant subheadings below.

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments.
- Different interest rate curves applied to discount the hedged items and hedging instruments.
- Derivatives used as hedging instruments having a non-nil fair value at the time of designation.
- The effect of changes in counterparties' credit risk on the fair values of hedging instruments or hedged item.

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the Statement of Profit or Loss in Net Trading Income. In addition, the cumulative change in the fair value of the hedged item attributable to the hedged risk is recognised in the Statement of Profit or Loss in Net Trading Income, and also recorded as part of the carrying value of the hedged item in the statement of financial position. 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.

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 statements of financial position. Income and expense will not be offset in the statements 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 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.

Notes to the Financial Statements

For the year ended 31 December 2022

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 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.

4.2 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 take into account qualitative and quantitative reasonable and supportable forward-looking information.

- Establishing groups in 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.

4.3 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.

Notes to the Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Estimates

4.4 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.

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.

4.5 Fair value of financial instruments

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

Notes to the Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Estimates (cont'd)

4.6 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.

4.7 Leases

The application of IFRS 16 requires significant judgement and certain key estimations. Critical judgements include determination of whether it is reasonable 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 is impaired.

4.8 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. Management considers that they have used their best estimates to value the retirement benefit obligation provisions. Actual results may be differ from their estimates.

4.9 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.

Notes to the Financial Statements

For the year ended 31 December 2022

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 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Cash in hand	1,895,584	1,961,952	2,016,619
Foreign currency notes and coins	627,363	763,171	524,835
Unrestricted balances with central bank ¹	19,806,824	35,790,264	10,536,120
Loans and placements with banks ²	692,729	-	-
Balances with banks	3,517,211	1,772,848	3,672,781
	26,539,711	40,288,235	16,750,355
Less: allowance for credit losses	(5,499)	(6,813)	(1,020)
	26,534,212	40,281,422	16,749,335

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.

An analysis of changes in the corresponding ECL allowances is, as follows:

	31 December 2022	31 December 2021	31 December 2020
	Stage 1	Stage 1	Stage 1
	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January	6,813	1,020	3,698
Net remeasurement of loss allowance	5,050	6,390	1,020
Assets repaid	(6,364)	(597)	(3,698)
ECL allowance as at 31 December	5,499	6,813	1,020

Notes to the Financial Statements

For the year ended 31 December 2022

6. LOANS TO AND PLACEMENTS WITH BANKS

At amortised cost

Loans to and placements with banks:

- in Mauritius
- outside Mauritius

Less: allowance for credit losses

Remaining term to maturity

- Up to 3 months
- Over 3 months and up to 6 months
- Over 6 months and up to 12 months
- Over 1 year and up to 2 years
- Over 2 years and up to 5 years

31 December 2022	31 December 2021	31 December 2020
MUR' 000	MUR' 000	MUR' 000
-	-	353,508
1,226,864	843,079	2,797,237
1,226,864	843,079	3,150,745
(5,449)	(5,109)	(20,358)
1,221,415	837,970	3,130,387
658,677	-	47,293
219,627	-	1,257,394
223,536	-	1,008,868
-	653,378	-
125,024	189,701	837,190
1,226,864	843,079	3,150,745

Notes to the Financial Statements

For the year ended 31 December 2022

6. LOANS TO AND PLACEMENTS WITH BANKS (CONT'D)

Credit loss allowance for loans to and placements with banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of credit loss allowances. Details of the Bank's internal grading system are explained in Note 37(b)(i).

	31 December 2022	31 December 2021	31 December 2020
	Stage 1 MUR' 000	Stage 1 MUR' 000	Stage 1 MUR' 000
Internal rating grade			
Performing			
High grade	-	189,701	-
Standard grade	658,677	653,378	2,807,724
Sub-standard grade	568,187	-	343,021
Total	1,226,864	843,079	3,150,745

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

	31 December 2022	31 December 2021	31 December 2020
	Stage 1 MUR'000	Stage 1 MUR'000	Stage 1 MUR'000
Gross carrying amount as at 01 January	843,079	3,150,745	5,199,057
Financial assets originated or purchased	443,381	-	2,698,297
Financial assets repaid (excluding write offs)	(55,181)	(2,371,933)	(4,768,978)
Foreign exchange adjustments	(4,415)	64,267	22,369
Gross carrying amount as at 31 December	1,226,864	843,079	3,150,745
	Stage 1 MUR'000	Stage 1 MUR'000	Stage 1 MUR'000
ECL allowance as at 01 January	5,109	20,358	24,969
Net remeasurement of loss allowance	3,911	-	18,004
Assets repaid (excluding write offs)	(3,571)	(15,249)	(22,615)
ECL allowance as at 31 December	5,449	5,109	20,358

Notes to the Financial Statements

For the year ended 31 December 2022

7. DERIVATIVE FINANCIAL INSTRUMENTS

Assets

Derivative assets

Liabilities

Derivative liabilities

The fair values of derivative instruments are further analysed as follows:

31 December 2022

Derivatives held for trading

Foreign exchange contracts*

Cross currency swaps

Other derivative contracts

Derivatives used as Micro fair value hedges

Interest rate swap contracts

31 December 2021

Derivatives held for trading

Foreign exchange contracts*

Cross currency swaps

Other derivative contracts

Derivatives used as Micro fair value hedges

Interest rate swap contracts

31 December 2020

Derivatives held for trading

Foreign exchange contracts*

Cross currency swaps

Other derivative contracts

Derivatives held for risk management purposes

Foreign exchange contracts

Derivatives used as Micro fair value hedges

Interest rate swap contracts

31 December 2022	31 December 2021	31 December 2020
MUR' 000	MUR' 000	MUR' 000
637,903	579,946	774,785
574,694	565,655	1,165,271

Notional Principal Amount	Fair Values	
	Assets	Liabilities
MUR' 000	MUR' 000	MUR' 000
13,359,465	157,190	(197,523)
2,455,913	269,724	(238,895)
3,434,114	99,410	(99,410)
2,842,932	111,579	(38,866)
22,092,424	637,903	(574,694)

10,539,939	52,005	(30,883)
2,917,055	204,110	(208,317)
2,728,546	199,196	(198,081)
4,901,874	124,635	(128,374)
21,087,414	579,946	(565,655)

12,755,594	153,479	(127,784)
3,622,605	116,425	(163,384)
7,178,309	377,258	(296,493)
4,844,566	145	-
19,241,246	127,478	(577,610)
47,642,320	774,785	(1,165,271)

* Foreign exchange contracts include forward and spot contracts.

Notes to the Financial Statements

For the year ended 31 December 2022

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
<i>At amortised cost</i>			
Governments	72,232	9,713	7,705
Retail customers	50,035,838	45,490,284	41,305,180
- Credit cards	514,736	492,464	510,114
- Mortgages	37,921,052	30,632,959	27,555,755
- Other retail loans	11,600,050	14,364,861	13,239,311
Corporate customers	57,731,114	49,225,351	48,912,236
Entities outside Mauritius	10,706,252	14,644,923	20,250,460
	118,545,436	109,370,271	110,475,581
Less credit loss allowance	(10,426,469)	(11,454,071)	(11,437,054)
	108,118,967	97,916,200	99,038,527
a Remaining term to maturity			
Up to 3 months	12,345,257	9,221,841	8,500,152
Over 3 months and up to 6 months	4,134,680	2,638,419	3,507,260
Over 6 months and up to 12 months	10,253,390	5,850,802	5,475,686
Over 1 year and up to 2 years	5,104,972	4,605,809	9,894,847
Over 2 years and up to 5 years	22,430,310	20,948,455	18,563,563
Over 5 years	64,276,827	66,104,945	64,534,073
	118,545,436	109,370,271	110,475,581

Out of the MUR 118.55 billion, there is an amount of MUR 337.92 million (2021: MUR 4.63 billion and 2020: MUR 6.21 billion) relating to loans where fair value hedge accounting has been applied. Refer to note 37(d)(ii) for more details.

Notes to the Financial Statements

For the year ended 31 December 2022

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

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 earned by the Bank during the year is MUR 91.09 million (2021: MUR 75.53 million and 2020: MUR 69.26 million).

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 2022				
Gross investment in finance leases	524,401	1,318,366	147,381	1,990,148
Less: Unearned finance income	(112,985)	(189,935)	(7,878)	(310,798)
Present value of minimum lease payments	411,416	1,128,431	139,503	1,679,350
Credit loss expense				(35,444)
Net investment in finance lease				1,643,906
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 lease				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 lease				1,459,615

Finance lease contracts give the lessees the option to purchase the assets for a residual value at the termination of the lease arrangements. The term of lease contracts generally ranges from five to seven years. Finance leases are secured mainly by charges on the leased assets and / or corporate / personal guarantees.

Notes to the Financial Statements

For the year ended 31 December 2022

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

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 2022:

Internal rating grade

Performing

High grade	28,515,292	20,895,731	-	49,411,023
Standard grade	13,747,253	15,671,147	-	29,418,400
Sub-standard grade	4,370,122	22,634,413	-	27,004,535
Past due but not impaired	-	3,351,123	-	3,351,123

Non-performing

Individually impaired

	-	-	9,360,355	9,360,355
Total	46,632,667	62,552,414	9,360,355	118,545,436

At 31 December 2021:

Internal rating grade

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:

Internal rating grade

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

Notes to the Financial Statements

For the year ended 31 December 2022

8. 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 2022:

Gross carrying amount as at 01 January 2022

Financial assets originated or purchased
Assets derecognised or repaid (excluding write offs)

Transfers to Stage 1

Transfers to Stage 2

Transfers to Stage 3

Amounts written off

Foreign exchange adjustments

Gross carrying amount as at 31 December 2022

Stage 1	Stage 2	Stage 3	Total
MUR' 000	MUR' 000	MUR' 000	MUR' 000
70,062,363	28,424,554	10,883,354	109,370,271
14,006,323	24,203,453	-	38,209,776
(19,033,989)	(7,270,749)	135,548	(26,169,190)
1,573,566	(1,536,158)	(37,408)	-
(19,748,949)	19,844,171	(95,222)	-
(160,479)	(539,191)	699,670	-
-	-	(2,286,067)	(2,286,067)
(66,168)	(573,666)	60,480	(579,354)
46,632,667	62,552,414	9,360,355	118,545,436

Notes to the Financial Statements

For the year ended 31 December 2022

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 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total 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 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total 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

An analysis of changes in the ECL allowances is as follows:

At 31 December 2022:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 01 January 2022	651,183	1,455,012	9,347,876	11,454,071
Allowance on new financial assets	50,917	361,407	-	412,324
Assets derecognised or repaid (excluding write offs)	(110,177)	(93,272)	(483,713)	(687,162)
Transfers to Stage 1	86,328	(86,193)	(135)	-
Transfers to Stage 2	(174,629)	175,996	(1,367)	-
Transfers to Stage 3	(3,296)	(14,831)	18,127	-
Net remeasurement of loss allowance	(287,349)	683,853	1,136,799	1,533,303
Amounts written off	-	-	(2,286,067)	(2,286,067)
ECL allowance as at 31 December 2022	212,977	2,481,972	7,731,520	10,426,469

Notes to the Financial Statements

For the year ended 31 December 2022

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

At 31 December 2021:

	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total 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 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total 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

Notes to the Financial Statements

For the year ended 31 December 2022

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

d Credit loss allowances on loans and advances by industry sectors

At 31 December 2022:

	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	3,269,559	930,393	581,525	187,457	768,982
Manufacturing	3,932,153	160,403	152,500	11,900	164,400
of which EPZ	1,507,956	6,092	6,092	1,277	7,369
Tourism	12,313,984	202,333	120,575	875,028	995,603
Transport	1,864,917	32,770	28,752	214,364	243,116
Construction	13,770,186	980,197	712,744	386,808	1,099,552
Financial and business services	5,786,037	72,046	72,039	124,746	196,785
Traders	9,392,470	4,247,813	3,635,750	65,902	3,701,652
Personal	48,285,622	1,071,134	814,217	384,903	1,199,120
of which credit cards	514,736	39,774	41,158	5,099	46,257
Professional	128,022	83,292	83,292	639	83,931
Global Business Licence holders	4,696,272	1,349,247	1,355,990	319,705	1,675,695
Others	15,106,214	230,727	174,136	123,497	297,633
	118,545,436	9,360,355	7,731,520	2,694,949	10,426,469

Notes to the Financial Statements

For the year ended 31 December 2022

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS (CONT'D)

d Credit loss allowances on loans and advances by industry sectors (cont'd)

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 2022

9. INVESTMENT SECURITIES

Remaining term to maturity

At 31 December 2022:	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									
<i>Trading investments:</i>									
Government bonds and treasury notes	-	-	-	-	5,101,646	70,459	271,101	-	5,443,206
Treasury bills	30,622	188,869	39,220	1,298,525	-	-	-	-	1,557,236
Bank of Mauritius bills / bonds	198,040	-	290,442	169,023	-	-	-	-	657,505
<i>Other investments:</i>									
Investment in mutual funds	-	-	-	-	-	-	-	1,022,515	1,022,515
	228,662	188,869	329,662	1,467,548	5,101,646	70,459	271,101	1,022,515	8,680,462
(b) Debt securities measured at FVTOCI									
Government bonds	4,419	506,791	1,259,551	1,084,914	1,033,638	3,308,039	2,525,521	-	9,722,873
Treasury bills	2,486,605	970,202	1,116,726	-	-	-	-	-	4,573,533
Bank of Mauritius bills / bonds	950,742	195,719	96,648	-	-	-	-	-	1,243,109
Bank bonds	1,745,412	1,531,309	2,377,725	757,744	2,757,271	641,394	-	-	9,810,855
Corporate bonds	726,629	-	952,126	-	2,603,026	2,576,072	1,968,748	-	8,826,601
	5,913,807	3,204,021	5,802,776	1,842,658	6,393,935	6,525,505	4,494,269	-	34,176,971
(c) Debt securities measured at amortised cost									
Government bonds and treasury notes	-	403,593	105,063	1,140,600	5,992,628	20,027,992	20,581,250	-	48,251,126
Treasury bills	2,618,363	1,090,890	1,080,704	-	-	-	-	-	4,789,957
Bank of Mauritius bills / notes	202,910	-	3,027,776	-	504,305	4,966,719	4,982,773	-	13,684,483
Bank bonds	-	-	-	-	417,898	132,409	85,938	-	636,245
Corporate bonds	-	-	-	-	-	1,344,873	1,498,450	-	2,843,323
	2,821,273	1,494,483	4,213,543	1,140,600	6,914,831	26,471,993	27,148,411	-	70,205,134
(d) Equity securities designated at FVTOCI									
Equity shares of companies:									
- Equity investments	-	-	-	-	-	-	-	8,400	8,400
	-	-	-	-	-	-	-	8,400	8,400
Total investment securities	8,963,742	4,887,373	10,345,981	4,450,806	18,410,412	33,067,957	31,913,781	1,030,915	113,070,967
Less: allowance for credit losses									(26,421)
									113,044,546

Notes to the Financial Statements

For the year ended 31 December 2022

9. INVESTMENT SECURITIES (CONT'D)

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									
<i>Trading investments:</i>									
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
<i>Other investments:</i>									
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) 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	-	557	172,780	-	3,231,062	5,471,076	4,979,621	-	13,855,096
Bank bonds	114,167	-	-	-	-	551,616	84,932	-	750,715
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
(d) Equity securities designated at FVTOCI									
Equity shares of companies:									
- Equity investments	-	-	-	-	-	-	-	6,869	6,869
	-	-	-	-	-	-	-	6,869	6,869
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

Notes to the Financial Statements

For the year ended 31 December 2022

9. INVESTMENT SECURITIES (CONT'D)

Remaining term to maturity

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) 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
(d) Equity securities designated at FVTOCI									
Equity shares of companies:									
- Equity investments	-	-	-	-	-	-	-	4,408	4,408
	-	-	-	-	-	-	-	4,408	4,408
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

Investment securities analyzed as follows:

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
- Debt securities	113,036,146	119,392,466	93,333,638
- Equity securities	8,400	6,869	4,408
	113,044,546	119,399,335	93,338,046

Notes to the Financial Statements

For the year ended 31 December 2022

9. INVESTMENT SECURITIES (CONT'D)

The tables below show the Bank's debt instruments at amortised cost and those measured at FVTOCI by credit risk, based on the Bank's internal credit rating system and year-end stage classification.

Debt investment securities at amortised cost	31 December 2022			31 December 2021	31 December 2020
	Stage 1 MUR' 000	Stage 2 MUR' 000	Total MUR' 000	Stage 1 MUR' 000	Stage 1 MUR' 000
High grade	14,143,607	-	14,143,607	277,860	256,365
Standard grade	54,394,187	505,140	54,899,327	50,224,355	32,517,383
Sub standard grade	1,162,200	-	1,162,200	1,167,896	1,073,560
Total gross carrying amount	69,699,994	505,140	70,205,134	51,670,111	33,847,308
Credit loss allowance	(24,208)	(2,213)	(26,421)	(27,884)	(38,520)
Carrying amount	69,675,786	502,927	70,178,713	51,642,227	33,808,788
Gross carrying amount as at 01 January	51,670,111	-	51,670,111	33,847,308	19,362,392
Transfers to stage 2	(100,346)	100,346	-	-	-
New financial assets acquired	31,086,160	404,794	31,490,954	23,268,987	34,578,025
Financial assets that have been repaid	(12,419,024)	-	(12,419,024)	(5,600,989)	(20,438,552)
Other movements	(536,907)	-	(536,907)	154,805	345,443
Gross carrying amount as at 31 December	69,699,994	505,140	70,205,134	51,670,111	33,847,308
ECL allowance as at 01 January	27,884	-	27,884	38,520	23,137
Transfers to stage 2	(31)	31	-	-	-
Net remeasurement of loss allowance	402	2,182	2,584	232	38,387
Assets derecognised or repaid (excluding write offs)	(4,047)	-	(4,047)	(10,868)	(23,004)
ECL allowance as at 31 December	24,208	2,213	26,421	27,884	38,520

Notes to the Financial Statements

For the year ended 31 December 2022

9. INVESTMENT SECURITIES (CONT'D)

Debt investment securities at FVTOCI

At 31 December 2022:

High grade
Standard grade
Sub standard grade

Carrying amount

At 31 December 2021:

High grade
Standard grade
Sub standard grade

Carrying amount

At 31 December 2020:

High grade
Standard grade
Sub standard grade

Carrying amount

At 31 December 2022:

ECL allowance as at 01 January 2022

Transfers to stage 2
Net remeasurement of loss allowance
Assets derecognised or repaid (excluding write offs)

ECL allowance as at 31 December 2022

	Stage 1 MUR' 000	Stage 2 MUR' 000	Total MUR' 000
High grade	16,755,090	-	16,755,090
Standard grade	15,728,826	822,791	16,551,617
Sub standard grade	-	870,264	870,264
Carrying amount	32,483,916	1,693,055	34,176,971

	Stage 1 MUR' 000	Stage 2 MUR' 000	Total MUR' 000
High grade	40,368,632	-	40,368,632
Standard grade	18,118,611	513,374	18,631,985
Sub standard grade	169,365	391,827	561,192
Carrying amount	58,656,608	905,201	59,561,809

	Stage 1 MUR' 000	Stage 2 MUR' 000	Total MUR' 000
High grade	29,755,220	-	29,755,220
Standard grade	18,994,724	154,550	19,149,274
Sub standard grade	1,010,898	259,854	1,270,752
Carrying amount	49,760,842	414,404	50,175,246

	Stage 1 MUR'000	Stage 2 MUR'000	Total MUR'000
ECL allowance as at 01 January 2022	12,080	48,217	60,297
Transfers to stage 2	(2,003)	2,003	-
Net remeasurement of loss allowance	(1,420)	19,791	18,371
Assets derecognised or repaid (excluding write offs)	(3,968)	(47,531)	(51,499)
ECL allowance as at 31 December 2022	4,689	22,480	27,169

Notes to the Financial Statements

For the year ended 31 December 2022

9. INVESTMENT SECURITIES (CONT'D)

Debt investment securities at FVTOCI (cont'd)

At 31 December 2021:

ECL allowance as at 01 January 2021

Transfers to stage 2
Net remeasurement of loss allowance
Assets derecognised or repaid (excluding write offs)

ECL allowance as at 31 December 2021

At 31 December 2020:

ECL allowance as at 01 January 2020

Transfers to stage 2
Net remeasurement of loss allowance
Assets derecognised or repaid (excluding write offs)

ECL allowance as at 31 December 2020

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

Carrying amount as at 01 January

Additions
Fair value movement

Carrying amount as at 31 December

	Stage 1 MUR'000	Stage 2 MUR'000	Total MUR'000
ECL allowance as at 01 January 2021	29,118	24,665	53,783
Transfers to stage 2	(664)	664	-
Net remeasurement of loss allowance	11,178	24,086	35,264
Assets derecognised or repaid (excluding write offs)	(27,552)	(1,198)	(28,750)
ECL allowance as at 31 December 2021	12,080	48,217	60,297

	Stage 1 MUR'000	Stage 2 MUR'000	Total MUR'000
ECL allowance as at 01 January 2020	53,308	-	53,308
Transfers to stage 2	(2,727)	2,727	-
Net remeasurement of loss allowance	23,082	21,938	45,020
Assets derecognised or repaid (excluding write offs)	(44,545)	-	(44,545)
ECL allowance as at 31 December 2020	29,118	24,665	53,783

	31 December 2022 MUR'000	31 December 2021 MUR'000	31 December 2020 MUR'000
Carrying amount as at 01 January	6,869	4,408	3,411
Additions	-	2,057	-
Fair value movement	1,531	404	997
Carrying amount as at 31 December	8,400	6,869	4,408

Notes to the Financial Statements

For the year ended 31 December 2022

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
Equipment, machinery, furniture, fittings and computer equipment (other tangible fixed assets)	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
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cost or Valuation					
At 01 January 2020	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
Additions	58,243	81,662	519,670	-	659,575
Disposals	-	-	(129,028)	-	(129,028)
At 31 December 2022	862,195	1,519,538	2,197,589	4,123	4,583,445

Notes to the Financial Statements

For the year ended 31 December 2022

10. PROPERTY AND EQUIPMENT (CONT'D)

	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total property and equipment
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accumulated Depreciation					
At 01 January 2020	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
Disposal	-	-	(127,306)	-	(127,306)
Charge for the year	13,972	60,452	120,359	750	195,533
At 31 December 2022	38,378	179,992	1,406,422	2,942	1,627,734
Net book value					
At 31 December 2022	823,817	1,339,546	791,167	1,181	2,955,711
Progress payments on tangible fixed assets					179,002
					3,134,713
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

Notes to the Financial Statements

For the year ended 31 December 2022

10. PROPERTY AND EQUIPMENT (CONT'D)

Other tangible fixed assets (included within Property and equipment) consist of equipment, furniture, fittings and computer equipment.

Details of the Bank's land and buildings and information about the fair value hierarchy are as follows:

	Fair value level	31 December 2022	31 December 2021	31 December 2020
		MUR' 000	MUR' 000	MUR' 000
Freehold land	Level 2	485,001	485,001	485,001
Freehold buildings	Level 3	338,816	294,545	306,260
Buildings on leasehold land	Level 3	1,339,546	1,318,336	1,376,057
		2,163,363	2,097,882	2,167,318

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 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	483,978	431,948	435,904
Buildings on leasehold land	384,571	316,700	330,067
	868,549	748,648	765,971

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. Management have assessed the fair value of the properties at 31 December 2022, 2021 and 2020 and the estimated fair value approximate the carrying value as at the reporting date. These assets have not been impaired during the years under review.

Notes to the Financial Statements

For the year ended 31 December 2022

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

Accounting policy

The Bank as lessee

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

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 of:

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

The lease liability is presented 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.

Notes to the Financial Statements

For the year ended 31 December 2022

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITY (CONT'D)

Accounting policy (Cont'd)

The Bank as lessee (Cont'd)

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.

	Land and buildings	Other tangible fixed assets	Total
	MUR' 000	MUR' 000	MUR' 000
Cost			
At 01 January 2020	195,047	102,062	297,109
Additions	27,594	38,189	65,783
Termination/Expiry	(23,285)	(8,733)	(32,018)
At 31 December 2020	199,356	131,518	330,874
Additions	20,216	2,714	22,930
Termination/Expiry	(10,473)	(121)	(10,594)
At 31 December 2021	209,099	134,111	343,210
Additions	94,084	710	94,794
Termination/Expiry	(11,168)	-	(11,168)
At 31 December 2022	292,015	134,821	426,836

Notes to the Financial Statements

For the year ended 31 December 2022

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITY (CONT'D)

Accumulated Depreciation

At 01 January 2020

Termination/Expiry

Charge for the year

At 31 December 2020

Termination/Expiry

Charge for the year

At 31 December 2021

Termination/Expiry

Charge for the year

At 31 December 2022

Net book value

At 31 December 2022

At 31 December 2021

At 31 December 2020

The following are the amounts recognised in profit or loss:

Depreciation expense on right-of-use assets

Interest expense on lease liability (Note 25)

Total amount recognised in profit or loss

Lease liability

At 01 January

Additions

Interest expense

Discontinuations

Payments

At 31 December

At 31 December 2022, the Bank does not have any commitment for short-term leases. There are no variable lease payment in the lease contracts of the Bank.

	Land and buildings	Other tangible fixed assets	Total
	MUR' 000	MUR' 000	MUR' 000
At 01 January 2020	28,180	21,761	49,941
Termination/Expiry	(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/Expiry	(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
Termination/Expiry	(9,806)	-	(9,806)
Charge for the year	39,084	32,235	71,319
At 31 December 2022	99,007	93,679	192,686
Net book value			
At 31 December 2021	193,008	41,142	234,150
At 31 December 2021	139,370	72,667	212,037
At 31 December 2020	156,181	99,422	255,603
31 December 2022	MUR' 000	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Depreciation expense on right-of-use assets	71,319	64,107	37,439
Interest expense on lease liability (Note 25)	12,087	13,144	13,761
Total amount recognised in profit or loss	83,406	77,251	51,200
Lease liability			
At 01 January	184,665	233,590	240,182
Additions	94,794	22,930	65,783
Interest expense	12,087	13,144	13,761
Discontinuations	(1,362)	(2,389)	(19,909)
Payments	(100,428)	(82,610)	(66,227)
At 31 December	189,756	184,665	233,590

Notes to the Financial Statements

For the year ended 31 December 2022

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITY (CONT'D)

Maturity analysis of lease liability are as follows:

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Up to 1 year	83,117	76,633	69,114
1 to 5 years	141,638	129,677	163,243
5 to 25 years	10,489	24,097	28,414
	235,244	230,407	260,771
Less unearned interest	(45,488)	(45,742)	(27,181)
	189,756	184,665	233,590
Further analysed into:			
Current	85,223	78,668	74,537
Non current	104,533	105,997	159,053
	189,756	184,665	233,590

The Bank does not face significant liquidity risk with regards to its lease liabilities. All the lease obligations are denominated in Mauritian Rupees.

Notes to the Financial Statements

For the year ended 31 December 2022

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.

Cost	Software	WIP Software	Intellectual Property	Total
	MUR' 000	(Note a)	(Note b)	
At 01 January 2020	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)
Transfer to expenses	(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)	-	-
Transfer to expenses	-	(6,283)	-	(6,283)
At 31 December 2021	4,054,117	76,512	284,917	4,415,546
Additions	2,410	141,757	-	144,167
Transfers	44,168	(44,168)	-	-
Transfer to expenses	-	(22,614)	-	(22,614)
At 31 December 2022	4,100,695	151,487	284,917	4,537,099

Notes to the Financial Statements

For the year ended 31 December 2022

12. INTANGIBLE ASSETS (CONT'D)

(b) Intellectual property rights (cont'd)

	Software MUR' 000	WIP Software (Note a) MUR' 000	Intellectual Property (Note b) MUR' 000	Total MUR' 000
Accumulated amortisation				
At 01 January 2020	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
Charge for the year	419,552	-	-	419,552
At 31 December 2022	2,733,672	-	284,917	3,018,589
Net book value				
At 31 December 2022	1,367,023	151,487	-	1,518,510
At 31 December 2021	1,739,997	76,512	-	1,816,509
At 31 December 2020	2,067,255	78,025	-	2,145,280

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 2022 MUR' 000	31 December 2021 MUR' 000	31 December 2020 MUR' 000
Accounts receivable ¹	487,393	530,884	525,888
Balances due in clearing	4,833	3,033	4,422
Prepayments	175,390	156,694	102,962
Others ²	133,735	97,336	73,617
	801,351	787,947	706,889

¹The accounts receivable are mainly transition accounts that will be cleared the following day and the impairment loss thereon is insignificant.

² Repossessed assets have been included under 'Others'. The Bank's policy is to dispose of such assets as soon as the market permits.

Notes to the Financial Statements

For the year ended 31 December 2022

14. PENSION LIABILITY

Accounting policy

(i) Defined benefit plan

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) Defined contribution plan

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.

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 2022 MUR' 000	31 December 2021 MUR' 000	31 December 2020 MUR' 000
Defined benefit pension plan (Note 14 (a))	356,412	303,844	577,568
Residual retirement gratuities (Note 14 (b))	192,695	92,084	146,514
	549,107	395,928	724,082

Notes to the Financial Statements

For the year ended 31 December 2022

14. PENSION LIABILITY (CONT'D)

(a) Defined benefit pension plan

The Bank provide final salary defined benefit (DB) plan to some of its employees ("eligible employees"), and the plan operate under the SBM Group Pension Fund (the "Fund") which is in existence since 1 July 1999. The plan provides for a pension at retirement and a benefit on death or disablement in service before retirement and is wholly funded. The Bank is the principal sponsor of the Fund and eligible employees are those who have joined the Bank prior to 31 December 2004. The assets of the Fund are managed by SBM Mauritius Asset Managers Ltd and administered by SICOM Ltd. There are other participating employers of the Fund (within the SBM Group) that allows them to pool their assets for investment purposes (group administration plans).

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.

Notes to the Financial Statements

For the year ended 31 December 2022

14. PENSION LIABILITY (CONT'D)

Present value of funded defined benefit obligation

Fair value of planned assets

Net liability arising from defined benefit obligation

Reconciliation of net defined benefit liability

Balance at start of the year

Amount recognised in statement of profit or loss

Amount recognised in other comprehensive income

Less employer contributions

Balance at end of the year

Components of amount recognised in statement of profit or loss

Current service cost

Net interest on net defined benefit liability

Total expense as above

Components of amount recognised in other comprehensive income

Return on plan assets (excluding amount included in net interest expense)

Liability experience loss

Liability gain due to change in demographic assumptions

Liability (gain)/loss due to change in financial assumptions

Total

Reconciliation of fair value of planned assets

Balance at start of the year

Interest income

Employer contributions

Benefits paid

Return on plan assets excluding interest income

Balance at end of the year

31 December 2022	31 December 2021	31 December 2020
MUR' 000	MUR' 000	MUR' 000
1,776,681	1,881,806	1,932,247
(1,420,269)	(1,577,962)	(1,354,679)
356,412	303,844	577,568
303,844	577,568	240,146
55,787	60,416	39,214
48,882	(288,714)	597,379
(52,101)	(45,426)	(299,171)
356,412	303,844	577,568
42,717	44,320	30,979
13,070	16,096	8,235
55,787	60,416	39,214
195,577	(201,702)	25,869
131,943	-	-
(1,198)	(7,141)	-
(277,440)	(79,871)	571,510
48,882	(288,714)	597,379
1,577,962	1,354,679	1,067,644
73,341	39,034	59,871
52,101	45,426	299,171
(87,558)	(62,879)	(46,138)
(195,577)	201,702	(25,869)
1,420,269	1,577,962	1,354,679

Notes to the Financial Statements

For the year ended 31 December 2022

14. PENSION LIABILITY (CONT'D)

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Reconciliation of present value of defined benefit obligation			
Balance at start of the year	1,881,806	1,932,247	1,307,790
Current service cost	42,717	44,320	30,979
Interest expense	86,411	55,130	68,106
Benefits paid	(87,558)	(62,879)	(46,138)
Liability experience loss	131,943	-	-
Liability gain due to change in demographic assumptions	(1,198)	(7,141)	-
Liability (gain)/loss due to change in financial assumptions	(277,440)	(79,871)	571,510
Balance at end of the year	1,776,681	1,881,806	1,932,247
	31 December 2022	31 December 2021	31 December 2020
	%	%	%
Allocation of planned assets at end of year			
Equity - Overseas quoted	35	36	26
Equity - Overseas unquoted	4	3	5
Equity - Local quoted	18	18	25
Equity - Local unquoted	8	4	5
Debt - Local quoted	10	10	6
Debt - Local unquoted	23	15	10
Cash and other	2	14	23
Total	100	100	100
Reporting entity's own transferable financial instruments	2.0	3.0	2.0

Notes to the Financial Statements

For the year ended 31 December 2022

14. PENSION LIABILITY (CONT'D)

Principal assumptions used at end of year

Discount rate	6.7	4.7	2.9
Rate of salary increases	6.9	5.2	2.6
Rate of pension increases	2.0	1.5	1.0
Average retirement age (ARA)			
Average life expectancy for:			
- Male at ARA	15.9	15.9	15.9
- Female at ARA	20	20	20

	31 December 2022	31 December 2021	31 December 2020
	%	%	%
Discount rate	6.7	4.7	2.9
Rate of salary increases	6.9	5.2	2.6
Rate of pension increases	2.0	1.5	1.0
Average retirement age (ARA)			
Average life expectancy for:			
- Male at ARA	15.9	15.9	15.9
- Female at ARA	20	20	20

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 2022.

Sensitivity analysis on defined benefit pension plan at end of year

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Increase due to 1% decrease in discount rate	256,337	301,089	347,804
Decrease due to 1% increase in discount rate	205,320	244,635	270,515

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.

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 48.78 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 13 years.

Notes to the Financial Statements

For the year ended 31 December 2022

14. PENSION LIABILITY (CONT'D)

(b) Residual retirement gratuities

The liability relates to residual retirement gratuities payable under the Workers' Rights Act 2019 and is unfunded.

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.

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 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Reconciliation of net defined benefit liability			
Balance at start of the year	92,084	146,514	93,859
Amount recognised in statement of profit or loss	126,631	24,530	(84,381)
Amount recognised in other comprehensive income	(25,140)	(78,203)	137,036
Less benefits paid	(880)	(757)	-
Balance at end of the year	192,695	92,084	146,514
Components of amount recognised in statement of profit or loss			
Service cost	21,376	21,623	6,590
Past service cost	97,225	(1,312)	(95,946)
Net interest on net defined benefit liability	8,030	4,219	4,975
Total expense as above	126,631	24,530	(84,381)
Components of amount recognised in other comprehensive income			
Liability experience loss	6,618	(20,972)	508
Liability gain due to change in demographic assumptions	(2,330)	(26,567)	-
Liability (gain)/loss due to change in financial assumptions	(29,428)	(30,664)	136,528
Total	(25,140)	(78,203)	137,036

Notes to the Financial Statements

For the year ended 31 December 2022

14. PENSION LIABILITY (CONT'D)

(b) Residual retirement gratuities (cont'd)

Reconciliation of present value of defined benefit obligation

Balance at start of the year			
Current service cost			
Interest expense			
Past service cost			
Other benefits paid			
Liability experience loss			
Liability gain due to change in demographic assumptions			
Liability loss / (gain) due to change in financial assumptions			

Balance at end of the year

Principal assumptions used at end of year

Discount rate			
Rate of salary increases			
Rate of pension increases			
Average retirement age (ARA) (years)			

Sensitivity Analysis on defined benefit obligation at end of year

Increase due to 1% decrease in discount rate			
Decrease due to 1% increase in discount rate			

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.

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 29.01 million for the next financial year and the weighted average duration of the defined benefit obligation is 14 years.

31 December 2022	31 December 2021	31 December 2020
MUR' 000	MUR' 000	MUR' 000
92,084	146,514	93,859
21,376	21,623	6,590
8,030	4,219	4,975
97,225	(1,312)	(95,946)
(880)	(757)	-
6,618	(20,972)	508
(2,330)	(26,567)	-
(29,428)	(30,664)	136,528
192,695	92,084	146,514
31 December 2022	31 December 2021	31 December 2020
%	%	%
6.7	4.7	2.9
6.9/7.0	5.2/6.0	5.0
2.0	1.5	0.0
60/65	60/65	60/65
MUR' 000	MUR' 000	MUR' 000
40,482	33,080	53,591
34,521	27,168	42,372

Notes to the Financial Statements

For the year ended 31 December 2022

14. PENSION LIABILITY (CONT'D)

(c) Defined contribution plan

As from 1 January 2005, the defined benefit plan has been closed to new entrants and all new entrants of the Bank joined a defined contribution plan operated under the SBM Group Defined Contribution Fund (DC Fund). The Bank is the principal employer of the DC Fund. The assets are managed by SBM Mauritius Asset Managers Ltd and administered by SICOM Ltd.

The Bank made a contribution amounting to MUR 115.37 million to SBM Group DC fund for employees under the defined contribution pension plan (2021: MUR 100.94 million and 2020: MUR 93.11 million).

15. DEPOSITS FROM BANKS

Demand deposits

31 December 2022	31 December 2021	31 December 2020
MUR' 000	MUR' 000	MUR' 000
1,757,243	1,481,854	1,119,661

16. DEPOSITS FROM NON-BANK CUSTOMERS

(i) Retail customers

Current accounts

Savings accounts

Time deposits with remaining term to maturity:

Up to 3 months

Over 3 months and up to 6 months

Over 6 months and up to 12 months

Over 1 year and up to 5 years

Over 5 years

Total time deposits

Total deposits from retail customers

31 December 2022	31 December 2021	31 December 2020
MUR' 000	MUR' 000	MUR' 000
27,955,352	26,005,661	22,451,904
70,710,281	67,926,002	60,358,474
2,219,532	1,826,819	1,780,870
1,060,322	1,278,193	1,290,770
1,950,941	1,465,255	1,690,778
2,585,987	2,500,142	2,379,546
9,240	10,178	11,106
7,826,022	7,080,587	7,153,070
106,491,655	101,012,250	89,963,448

Notes to the Financial Statements

For the year ended 31 December 2022

16. DEPOSITS FROM NON-BANK CUSTOMERS (CONT'D)

(ii) Corporate customers

Current accounts

Savings accounts

Time deposits with remaining term to maturity:

Up to 3 months

Over 3 months and up to 6 months

Over 6 months and up to 12 months

Over 1 year and up to 5 years

Over 5 years

Total time deposits

Total deposits from corporate customers

(iii) Government

Current accounts

Savings accounts

Time deposits with remaining term to maturity:

Up to 3 months

Over 3 months and up to 6 months

Over 6 months and up to 12 months

Over 1 year and up to 5 years

Over 5 years

Total time deposits

Total deposits from government

Total deposits from non-bank customers

31 December 2022	31 December 2021	31 December 2020
MUR' 000	MUR' 000	MUR' 000
74,488,085	104,793,111	68,352,249
4,475,182	3,463,515	4,041,778
18,312,617	8,902,072	9,234,684
11,567,009	2,394,308	1,604,487
2,442,734	1,221,083	2,287,062
2,773,652	1,481,318	260,557
170	-	-
35,096,182	13,998,781	13,386,790
114,059,449	122,255,407	85,780,817
6,592,814	10,252,546	7,742,294
3,243,286	4,299,087	3,386,221
65,703	126,022	501
1,607,635	1,600	126,702
4,014,432	3,304,794	3,004,187
810,353	277,000	100
-	122	-
6,498,123	3,709,538	3,131,490
16,334,223	18,261,171	14,260,005
236,885,327	241,528,828	190,004,270

Notes to the Financial Statements

For the year ended 31 December 2022

17. OTHER BORROWED FUNDS

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Borrowings from central banks	-	-	1,977,685
Borrowings from other financial institutions	757,808	916,692	3,139,542
Borrowings from banks			
- In Mauritius	-	4,358,708	3,956,990
- Abroad	-	-	2,011,734
	757,808	5,275,400	11,085,951
Remaining term to maturity			
Up to 3 months	-	4,358,708	2,041,212
Over 3 months and up to 6 months	-	-	3,049,797
Over 6 months and up to 12 months	-	58,427	989,158
Over 1 year and up to 5 years	259,724	364,644	4,520,261
Over 5 years	498,084	493,621	485,523
	757,808	5,275,400	11,085,951

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. The Bank remits 75% of the CSR contribution to the Director General of the MRA and 25% of the CSR contribution to an approved Fund. This contribution is recorded as part of income tax expense.

Bank levy

Every bank shall in every year be liable to pay the taxation authorities a special levy calculated at 5.5% where leviable income is less than or equal to MUR 1.2 billion or at 4.5% where leviable income is greater than MUR 1.2 billion. Leviable income applies to banking transactions of Segment A and is defined as the sum of net interest income and other income before deduction of expenses as per VAT act. The bank levy is treated as tax expense as per communique issued by BOM.

The Bank is taxed at 5% on the first MUR 1.5 billion of its chargeable income, at 15% of its chargeable income between MUR 1.5 billion and the base year income, and at 5% on the remainder, subject to meeting prescribed conditions laid down by the Income Tax Act for Banks in Mauritius.

Notes to the Financial Statements

For the year ended 31 December 2022

18. TAXATION (CONT'D)

18a. CURRENT TAX LIABILITIES

Current tax liabilities can be analysed as follows:

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
At 01 January	307,887	246,774	487,139
Income tax provision	163,744	205,954	239,812
Corporate Social Responsibility contribution	77,566	72,749	68,986
Bank levy payable	186,416	186,416	171,368
Underprovision in prior years	62,171	30,097	39,334
Paid during the year	(385,949)	(434,103)	(759,865)
	411,835	307,887	246,774
At 31 December			
	225,915	205,954	279,146

18b. TAX EXPENSE

The total tax expense can also be analysed as follows:

Income tax provision	225,915	205,954	279,146
Deferred tax (credit) / charge (Note 18d)	9,104	(47,004)	(226,412)
Corporate Social Responsibility contribution	77,566	72,749	68,986
Bank levy	186,416	216,512	171,368
	499,001	448,211	293,088

18c. TAX RECONCILIATION

Profit before tax from continuing operations	4,026,941	2,538,398	1,747,002
Tax on accounting profit at 7% (2021 and 2020:7%)	281,886	177,688	122,290
Underprovision in prior years	62,171	30,799	39,334
Non allowable expenses	10,648	64,622	(49,030)
Exempt income	(119,686)	(71,453)	(96,638)
Corporate Social Responsibility contribution	77,566	72,749	68,986
Special levy on banks	186,416	186,416	171,368
Tax rate differential	-	(12,610)	36,778
	499,001	448,211	293,088

Notes to the Financial Statements

For the year ended 31 December 2022

18. TAXATION (CONT'D)

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.

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 (2021 and 2020: 7% & 5%).

Notes to the Financial Statements

For the year ended 31 December 2022

18. TAXATION (CONT'D)

18d. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

	31 December 2022 MUR' 000	31 December 2021 MUR' 000	31 December 2020 MUR' 000
At 01 January	(518,443)	(497,123)	(219,302)
Charge/(credit) to profit or loss:			
- Movement for the year (Note 18b)	9,104	(47,004)	(226,412)
Charge/(credit) to other comprehensive income:			
- Remeasurement of retirement benefit obligations	(1,662)	25,684	(51,409)
At 31 December	(511,001)	(518,443)	(497,123)

	01 January 2020 MUR' 000	Charge/(credit) to profit or loss MUR' 000	Charge/(credit) to OCI MUR' 000	31 December 2020 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 MUR' 000	Charge/(credit) to profit or loss MUR' 000	Charge/(credit) to OCI MUR' 000	31 December 2021 MUR' 000
Deferred tax assets				
Allowances for credit impairment	(667,424)	(12,383)	-	(679,807)
Pension liability	(50,686)	(2,057)	25,684	(27,059)
Other provisions	(5,229)	(1,345)	-	(6,574)
	(723,339)	(15,785)	25,684	(713,440)
Deferred tax liabilities				
Accelerated capital allowances	142,376	(27,879)	-	114,497
Revaluation of property	83,840	(3,340)	-	80,500
Net deferred tax assets	(497,123)	(47,004)	25,684	(518,443)

Notes to the Financial Statements

For the year ended 31 December 2022

18. TAXATION (CONT'D)

18d. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

	01 January 2022	Charge/(credit) to profit or loss	Charge/(credit) to OCI	31 December 2022
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Deferred tax assets				
Allowances for credit impairment	(679,807)	46,823	-	(632,984)
Pension liability	(27,059)	(8,785)	(1,662)	(37,506)
Other provisions	(6,574)	(614)	-	(7,188)
	(713,440)	37,424	(1,662)	(677,678)
Deferred tax liabilities				
Accelerated capital allowances	114,497	(24,979)	-	89,518
Revaluation of property	80,500	(3,341)	-	77,159
Net deferred tax assets	(518,443)	9,104	(1,662)	(511,001)

19. OTHER LIABILITIES

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Balance due in clearing	2,600,663	3,074,532	2,198,673
Bills payable	385,082	273,795	190,709
Accruals for expenses	708,843	701,293	360,576
Accounts payable	1,244,663	856,087	576,059
Deferred income	53,500	35,118	50,734
Balances in transit	955,369	971,002	862,898
Others	41,654	41,923	14,029
ECL on memorandum items (Note 22)	254,686	296,160	337,982
	6,244,460	6,249,910	4,591,660

Notes to the Financial Statements

For the year ended 31 December 2022

20. STATED CAPITAL

Authorised, issued and paid up share capital

	Number' Million	MUR' 000
At 31 December 2022	40,000	400,000
At 31 December 2021	40,000	400,000
At 31 December 2020	40,000	400,000

Capital Contribution

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
At 01 January	11,854,011	11,854,011	11,854,011
Capital contribution received during the year	1,200,000	-	-
At 31 December	13,054,011	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.

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Cash dividend declared during the year:			
2022: 5.5 cents per share; 2021: 1 cent per share and 2020: Nil	2,200,000	400,000	-
Less dividend paid: 2022: 5.5 cents per share; 2021: 1 cent per share and 2020: Nil	(2,200,000)	(400,000)	-
Dividend payable	-	-	-

The dividends were paid to SBM (Bank) Holdings Ltd in June 2022.

Notes to the Financial Statements

For the year ended 31 December 2022

22. MEMORANDUM ITEMS

a Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers

Acceptances on account of customers
Guarantees on account of customers
Letters of credit and other obligations on account of customers

31 December 2022	31 December 2021	31 December 2020
MUR' 000	MUR' 000	MUR' 000
339,401	291,106	234,453
11,772,546	9,443,377	8,473,986
1,380,092	1,144,247	457,807
13,492,039	10,878,730	9,166,246
14,945,779	11,474,814	10,851,199
261,050	195,273	96,311
38,999	40,871	128,759
300,049	236,144	225,070
28,737,867	22,589,688	20,242,515

b Commitments

Undrawn credit facilities

c Others

Inward bills held for collection
Outward bills sent for collection

Total

Notes to the Financial Statements

For the year ended 31 December 2022

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 2022:

Internal rating grade

Performing

High grade
Standard grade
Sub-standard grade

Non-performing

Individually impaired

Total

At 31 December 2021:

Internal rating grade

Performing

High grade
Standard grade
Sub-standard grade

Non-performing

Individually impaired

Total

At 31 December 2020:

Internal rating grade

Performing

High grade
Standard grade
Sub-standard grade

Non-performing

Individually impaired

Total

Stage 1 MUR' 000	Stage 2 MUR' 000	Stage 3 MUR' 000	Total MUR' 000
10,638,198	1,743,379	-	12,381,577
8,435,829	2,736,095	-	11,171,924
2,815,164	2,203,749	-	5,018,913
-	-	165,453	165,453
21,889,191	6,683,223	165,453	28,737,867
Stage 1 MUR' 000	Stage 2 MUR' 000	Stage 3 MUR' 000	Total MUR' 000
8,779,688	-	-	8,779,688
4,992,002	639,980	-	5,631,982
6,594,789	1,422,495	-	8,017,284
-	-	160,734	160,734
20,366,479	2,062,475	160,734	22,589,688
Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
8,435,235	7,758	-	8,442,993
4,910,211	207,849	-	5,118,060
5,442,588	1,049,851	-	6,492,439
-	-	189,023	189,023
18,788,034	1,265,458	189,023	20,242,515

Details of the Bank's internal grading system are set out in note 37(b)(i).

Notes to the Financial Statements

For the year ended 31 December 2022

22. MEMORANDUM ITEMS (CONT'D)

An analysis of changes in the gross carrying amount is as follows:

At 31 December 2022:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 01 January 2022	20,366,479	2,062,475	160,734	22,589,688
Financial assets originated	14,136,767	2,593,386	24,544	16,754,697
Assets derecognised (excluding write offs)	(9,302,359)	(1,236,248)	(67,911)	(10,606,518)
Transfers to Stage 1	91,864	(91,864)	-	-
Transfers to Stage 2	(3,403,560)	3,415,358	(11,798)	-
Transfers to Stage 3	-	(59,884)	59,884	-
Gross carrying amount as at 31 December 2022	21,889,191	6,683,223	165,453	28,737,867
At 31 December 2021:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total 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 (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 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total 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 (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

An analysis of changes in the corresponding ECL allowances is, as follows:

At 31 December 2022:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 01 January 2022	82,472	56,125	157,563	296,160
Movement for the year	60,141	7,787	84,377	152,305
Assets derecognised (excluding write offs)	(68,326)	(48,915)	(76,538)	(193,779)
Transfers to Stage 1	1,592	(1,592)	-	-
Transfers to Stage 2	(853)	853	-	-
Transfers to Stage 3	-	(51)	51	-
At 31 December 2022	75,026	14,207	165,453	254,686

Notes to the Financial Statements

For the year ended 31 December 2022

22. MEMORANDUM ITEMS (CONT'D)

An analysis of changes in the corresponding ECL allowances is, as follows: (cont'd)

At 31 December 2021:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total 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 (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	-
ECL allowance as at 31 December 2021	82,472	56,125	157,563	296,160
At 31 December 2020:	Stage 1 MUR'000	Stage 2 MUR'000	Stage 3 MUR'000	Total 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 (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

Legal Claims

The Bank is subject to various legal claims from former employees and customers with claims totalling MUR 743.38 million (2021: MUR 746.91 million and 2020: MUR 724.8 million). Out of these, the Bank has made a provision of only MUR 70.89 million as at 31 December 2022 while for the remaining amount of MUR 672.49 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.

Notes to the Financial Statements

For the year ended 31 December 2022

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 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Bank of Mauritius Bonds / Government of Mauritius Bonds	-	4,076,830	6,555,000
Other investment securities	-	-	4,884,628
	-	4,076,830	11,439,628
<i>Analysed as:</i>			
- In Mauritius	-	4,076,830	6,555,000
- Overseas	-	-	4,884,628
	-	4,076,830	11,439,628
Approved and contracted for	467,208	253,694	85,901
Approved and not contracted for	355,433	219,578	175,288

24. CAPITAL COMMITMENTS

Approved and contracted for
Approved and not contracted for

Notes to the Financial Statements

For the year ended 31 December 2022

25. NET INTEREST INCOME

Interest Income using the effective interest method

Cash and cash equivalents
Loans to and placements with banks
Loans and advances to non-bank customers
Investment securities at amortised cost
Investment securities at FVTOCI

Other interest income

Investment securities measured at FVTPL
Derivatives held for risk management

Total interest income

Interest expense using the effective interest method

Deposits from customers
Other borrowed funds
Interest expense on lease liabilities (Note 11)
Other

Other interest expense

Derivatives held for risk management

Total interest expense

Net interest income

31 December 2022	31 December 2021	31 December 2020
MUR' 000	MUR' 000	MUR' 000
106,674	9,080	34,602
37,471	43,189	133,551
5,440,071	4,594,240	5,017,425
1,678,348	1,072,392	804,725
799,698	739,335	945,362
8,062,262	6,458,236	6,935,665
33,277	17,103	55,390
104,591	185,734	236,159
137,868	202,837	291,549
8,200,130	6,661,073	7,227,214
(1,060,306)	(446,505)	(780,638)
(24,531)	(88,451)	(266,058)
(12,087)	(13,144)	(13,761)
(2,898)	(30)	(1,746)
(1,099,822)	(548,130)	(1,062,203)
(170,299)	(395,716)	(434,831)
(170,299)	(395,716)	(434,831)
(1,270,121)	(943,846)	(1,497,034)
6,930,009	5,717,227	5,730,180

Notes to the Financial Statements

For the year ended 31 December 2022

26. NET FEE AND COMMISSION INCOME

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Fee and commission income			
Retail banking customer fees	341,687	310,341	274,620
Corporate banking customer fees	427,618	409,599	309,083
Card income	419,694	357,511	359,274
Other	72,494	52,792	28,373
Total fee and commission income	1,261,493	1,130,243	971,350
Fee and commission expense			
Interbank transaction fees	(32,838)	(32,446)	(21,922)
Other	(32,386)	(21,184)	(14,778)
Total fee and commission expense	(65,224)	(53,630)	(36,700)
Net fee and commission income	1,196,269	1,076,613	934,650

27. NET TRADING INCOME

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Profit arising on dealings in foreign currencies	1,099,853	863,851	469,488
Fair value movements on debt securities measured at FVTPL	113,588	80,957	211,096
Other interest rate instruments	16,391	27,548	146,967
	1,229,832	972,356	827,551

28. NET (LOSSES)/GAINS FROM FINANCIAL ASSETS MEASURED AT FVTPL

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Financial assets measured at FVTPL	(34,675)	57,629	30,083
Derivatives held for risk management purposes	10,341	170,454	(59,301)
	(24,334)	228,083	(29,218)

Notes to the Financial Statements

For the year ended 31 December 2022

29. NET GAINS ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FVTOCI

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Debt securities measured at FVTOCI	34,914	588,098	1,203,006

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:

- wages, salaries and social security contributions;
- paid annual leave and paid sick leave;
- bonuses; and
- 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:

- 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.
- as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

Refer to note 14 for accounting policy on defined benefit plans.

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Salaries	1,535,489	1,388,855	1,231,735
Other social security obligations	29,893	21,692	18,293
Contributions to pension plan	164,446	143,285	119,018
Defined benefit plan (Note 14 (a))	55,787	60,416	39,214
Residual retirement gratuities (Note 14 (b))	126,631	24,530	(84,381)
Staff welfare cost	69,194	50,018	39,301
Others	32,510	59,428	39,037
	2,013,950	1,748,224	1,402,217

Notes to the Financial Statements

For the year ended 31 December 2022

31. OTHER EXPENSES

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology cost	562,421	461,887	434,536
Utilities and telephone charges	51,075	52,390	51,373
Professional charges	202,433	187,733	128,186
Marketing costs	99,371	44,325	52,721
Rent, repairs, maintenance and security charges	199,452	187,428	125,158
Licence and other registration fees	29,592	26,233	24,083
Postage, courier and stationery costs	53,342	47,974	44,285
Insurance costs	56,895	53,371	42,994
Other*	231,964	285,900	105,759
	1,486,545	1,347,241	1,009,095

* Includes mainly other operational costs.

Notes to the Financial Statements

For the year ended 31 December 2022

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 2022:

Loans and advances to non-bank customers
Loans and placements with banks*
Debt instruments measured at amortised cost and FVTOCI**
Loan commitments
Off balance sheet items (Guarantees, Letters of credit, Acceptances)

Total credit loss expense under IFRS 9

Bad debts recovered

	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
	(438,206)	1,026,960	669,711	1,258,465
	(974)	-	-	(974)
	(11,067)	(23,524)	-	(34,591)
	752	-	-	752
	(8,198)	(41,918)	7,890	(42,226)
	(457,693)	961,518	677,601	1,181,426
				(11,078)
				1,170,348

At 31 December 2021:

Loans and advances to non-bank customers
Loans and placements with banks*
Debt instruments measured at amortised cost and FVTOCI**
Loan commitments
Off balance sheet items (Guarantees, Letters of credit, Acceptances)

Total credit loss expense under IFRS 9

Bad debts recovered

	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
	(60,567)	493,589	1,980,989	2,414,011
	(9,456)	-	-	(9,456)
	(27,674)	23,552	-	(4,122)
	9,580	-	-	9,580
	(11,018)	(52,774)	12,390	(51,402)
	(99,135)	464,367	1,993,379	2,358,611
				(11,093)
				2,347,518

At 31 December 2020:

Loans and advances to non-bank customers
Loans and placements with banks*
Debt instruments measured at amortised cost and FVTOCI**
Loan commitments
Off balance sheet items (Guarantees, Letters of credit, Acceptances)

Total credit loss expense under IFRS 9

Bad debts recovered

	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
	60,159	(701,173)	4,320,300	3,679,286
	(7,289)	-	-	(7,289)
	(8,808)	24,665	-	15,857
	(18,350)	-	-	(18,350)
	3,539	98,550	141,577	243,666
	29,251	(577,958)	4,461,877	3,913,170
				(50,098)
				3,863,072

*ECL movement for cash and cash equivalents is included under loans and placements with banks

**ECL movement for debt instruments measured at FVTOCI is included under debt instruments measured at amortised cost.

Notes to the Financial Statements

For the year ended 31 December 2022

33. NET CASH GENERATED FROM OPERATING ACTIVITIES

Notes	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Operating activities			
Profit for the year	3,527,940	2,090,187	1,453,914
Adjustments to determine net cash flows:			
Depreciation of property and equipment	10 195,532	149,112	150,225
Depreciation of right-of-use assets	11 71,319	64,107	37,439
Amortisation of intangible assets	12 419,552	411,081	457,997
Pension expense	182,418	84,946	(45,167)
Credit loss expense on financial assets	32 1,170,348	2,347,518	3,863,072
Net loss / (gain) on disposal of property and equipment	268	895	(734)
Tax expense	18b 499,001	448,211	293,088
Operating profit before working capital changes	6,066,378	5,596,057	6,209,834
Change in operating assets and liabilities			
Net change in derivative financial assets	(57,957)	194,839	114,516
Net change in loans to and placements with banks	(383,785)	2,307,666	2,048,312
Net change in loans and advances to non-bank customers	(11,450,154)	(1,280,589)	(3,677,294)
Net change in investment securities	5,004,334	(27,300,259)	(18,934,240)
Net change in mandatory balances with central bank	(2,113,145)	(1,454,449)	(423,378)
Net change in other assets	(13,404)	(81,059)	84,970
Net change in deposits from banks	275,389	362,193	190,304
Net change in deposits from non-bank customers	(4,643,501)	51,524,558	16,745,568
Net change in derivative financial liabilities	9,039	(599,616)	164,299
Net change in other liabilities	17,745	1,673,316	(1,067,788)
Income tax paid	18a (385,949)	(434,103)	(759,865)
Net cash (used in) / generated from operating activities	(7,675,010)	30,508,554	695,238

Notes to the Financial Statements

For the year ended 31 December 2022

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 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Tier 1 capital	18,439,397	16,932,308	15,797,392
Tier 2 capital	1,886,088	1,769,065	1,837,758
Eligible capital base	20,325,485	18,701,373	17,635,150
Risk weighted assets	120,360,386	107,928,694	110,653,895
Capital adequacy ratio (%)	16.89	17.33	15.94

Tier 1 Capital also known as going concern capital consists of shareholder's equity less revaluation of fixed assets and regulatory deductions such as intangible assets and deferred tax and Tier 2 Capital also known as the supplementary capital that provides loss absorption of a gone concern basis includes 45% revaluation reserves on fixed assets and allowances for credit losses (restricted to 1.25% of total credit risk weighted assets).

35. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors regard SBM Holdings Ltd, a company incorporated in Mauritius as its ultimate holding company and SBM (Bank) Holdings Ltd, a company incorporated in Mauritius as its immediate holding company. SBM Holdings Ltd is a public company, domiciled in Mauritius and listed on the Stock Exchange of Mauritius. The address of the registered office of both SBM Holdings Ltd and SBM (Bank) Holdings Ltd is SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

Notes to the Financial Statements

For the year ended 31 December 2022

36. RELATED PARTY DISCLOSURES

Accounting policy

For the purposes of these financial statements, parties are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank or exercise significant influence over the Bank in making financial and operating decisions, or vice versa, or if they and the Bank are subject to common control. Related parties may be individuals or other entities.

	Key management personnel including directors			Immediate holding company and fellow subsidiaries		
	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2022	31 Dec 2021	31 Dec 2020
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Credit facilities						
(i) Loans						
Balance at beginning of year	396,441	249,021	136,309	1,447,003	1,565,507	1,117,870
Loans of directors / entities who ceased to be related parties during the year	(11,113)	(916)	(58,891)	-	-	-
Existing loans of new related parties	73,346	30,458	39,694	-	-	447,637
Other net movements	(147,328)	117,878	131,909	(34,447)	(118,504)	-
Balance at end of year	311,346	396,441	249,021	1,412,556	1,447,003	1,565,507
(ii) Off-balance sheet obligations						
Balance at end of year	-	-	-	127,288	99,416	120,191
(b) Placements at end of year	-	-	-	548,037	50,616	46,223
(c) Derivative assets	-	-	-	-	109,214	35,507
(d) Receivables	-	-	-	63,141	139,250	159,096
(e) Deposits at end of year	243,207	176,476	238,137	905,784	581,895	814,437
(f) Borrowings at end of year	-	-	-	-	-	63,528
(g) Derivative liabilities	-	-	-	35,422	-	-
(h) Payables	-	-	-	31,980	47,158	11,787
(i) Interest income	13,262	7,243	6,841	35,164	30,846	31,174
(j) Interest expense	1,422	552	1,406	108	51	263
(k) Other income	18,279	423	186	21,987	26,543	2,887
(l) Emoluments	34,671	24,656	26,968	36,066	23,011	-

Short term benefits paid to key management personnel amounted to MUR 34.67 million at the reporting date (2021: MUR 24.66 million and 2020: MUR 26.97 million) and long term benefits was nil at the reporting date (2021 and 2020: nil).

Notes to the Financial Statements

For the year ended 31 December 2022

36. RELATED PARTY DISCLOSURES (CONT'D)

Related party transactions in relation to pension plans are as follows:

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Deposits at end of year	85,166	272,579	188,541
Other income	-	-	4
Contributions paid	171,162	161,360	132,322

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 2022, 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 2022, none of the facilities to related parties was non-performing (2021 & 2020: MUR Nil). In addition, For the year ended 31 December 2022 the Bank has not written off any amount owed by related party (2021 & 2020: MUR Nil).

Notes to the Financial Statements

For the year ended 31 December 2022

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 2022	31 December 2021	31 December 2020
		MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	Amortised Cost	26,534,212	40,281,422	16,749,335
Mandatory balances with central bank	Amortised Cost	13,316,978	11,203,833	9,749,384
Loans to and placements with banks	Amortised Cost	1,221,415	837,970	3,130,387
Derivative financial instruments	Fair value through P&L	637,903	579,946	774,785
Loans and advances to non-bank customers	Amortised cost	108,118,967	97,916,200	99,038,527
Investment securities	Amortised cost	70,178,713	51,642,227	33,808,788
Investment securities	Fair value through OCI	34,176,971	59,561,809	50,175,246
Investment securities	Fair value through P&L	8,680,462	8,188,430	9,349,604
Equity investments	Fair value through OCI	8,400	6,869	4,408
Other assets	Amortised Cost	546,213	535,827	533,302
Total financial assets		263,420,234	270,754,533	223,313,766
Financial liabilities				
Deposits from banks	Amortised Cost	1,757,243	1,481,854	1,119,661
Deposits from non-bank customers	Amortised Cost	236,885,327	241,528,828	190,004,270
Other borrowed funds	Amortised Cost	757,808	5,275,400	11,085,951
Derivative financial instruments	Fair value through P&L	574,694	565,655	1,165,271
Other liabilities	Amortised Cost	6,373,008	6,396,664	4,762,232
Total financial liabilities		246,348,080	255,248,401	208,137,385

An amount of MUR 255 million representing prepayments, accrued income and taxes have been excluded from other assets under the above section. (2021: MUR 252 million & 2020: MUR 174 million)

An amount of MUR 61 million representing advance commission and taxes have been excluded from other liabilities under the above section. (2021: MUR 38 million & 2020: MUR 63 million)

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

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.

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

	31 December 2022		31 December 2021		31 December 2020	
	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	26,534,212	26,534,212	40,281,422	40,281,422	16,749,335	16,749,335
Mandatory balances with central bank	13,316,978	13,316,978	11,203,833	11,203,833	9,749,384	9,749,384
Loans to and placements with banks	1,221,415	1,221,415	837,970	837,970	3,130,387	3,130,387
Derivative financial instruments	637,903	637,903	579,946	579,946	774,785	774,785
Loans and advances to non-bank customers	108,118,967	107,642,627	97,916,200	97,731,940	99,038,527	98,896,719
Investment securities	113,036,146	105,813,383	119,392,466	117,890,045	93,333,638	94,899,868
Equity investments	8,400	8,400	6,869	6,869	4,408	4,408
Other assets	546,213	546,213	535,827	535,827	533,302	533,302
	263,420,234	255,721,131	270,754,533	269,067,852	223,313,766	224,738,188
Financial liabilities						
Deposits from banks	1,757,243	1,757,243	1,481,854	1,481,854	1,119,661	1,119,661
Deposits from non-bank customers	236,885,327	236,747,157	241,528,828	241,544,814	190,004,270	190,032,028
Other borrowed funds	757,808	757,808	5,275,400	5,275,400	11,085,951	11,085,951
Derivative financial instruments	574,694	574,694	565,655	565,655	1,165,271	1,165,271
Other liabilities	6,373,008	6,373,008	6,396,664	6,396,664	4,762,232	4,762,232
	246,348,080	246,209,910	255,248,401	255,264,387	208,137,385	208,165,143

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

a (ii) Fair values

Accounting policy (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.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

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.

31 December 2022

Derivative financial assets

Investment securities mandatorily measured at FVTPL

Debt securities

Investments at FVTOCI

Debt securities

Equity investments

Total assets

Derivative financial liabilities

Total liabilities

Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
Level 1	Level 2	Level 3	
MUR' 000	MUR' 000	MUR' 000	MUR' 000
-	637,903	-	637,903
8,175,034	-	505,428	8,680,462
29,377,469	3,376,644	1,422,858	34,176,971
-	-	8,400	8,400
37,552,503	4,014,547	1,936,686	43,503,736
-	574,694	-	574,694
-	574,694	-	574,694

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

a (iii) Fair value measurement hierarchy (cont'd)

	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	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
31 December 2020				
Derivative financial assets	-	774,785	-	774,785
Investment securities mandatorily measured at FVTPL				
Debt securities	8,564,319	-	785,285	9,349,604
Investments at FVTOCI				
Debt securities	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

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

a (iii) Fair value measurement hierarchy (cont'd)

Reconciliation of level 3 assets:

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Balance at start of year	2,036,281	1,435,115	1,329,633
Additions	213,092	1,070,997	439,658
Disposals	(254,228)	(532,909)	(411,256)
Fair value movement	(63,629)	(16,653)	77,080
Foreign exchange adjustment	5,170	79,731	-
Balance at end of year	1,936,686	2,036,281	1,435,115

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.

Notes to the Financial Statements

For the year ended 31 December 2022

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 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Fund-based exposures:			
Cash and cash equivalents	24,016,765	37,563,112	14,208,901
Mandatory balances with central bank	13,316,978	11,203,833	9,749,384
Loans to and placements with banks	1,226,864	843,079	3,150,745
Derivative financial instruments	637,903	579,946	774,785
Loans and advances to non-bank customers	118,545,436	109,370,271	110,475,581
Investment securities	113,062,567	119,420,350	93,372,158
Other assets	546,213	535,827	533,302
	271,352,726	279,516,418	232,264,856
Non-fund based exposures:			
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	13,792,088	11,114,874	9,391,316
Credit commitments	14,945,779	11,474,814	10,851,199
	28,737,867	22,589,688	20,242,515

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 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Grades:			
1 to 3 - High Grade	62,577,303	49,976,367	16,904,833
4 to 6 - Standard	39,468,765	37,534,694	35,889,770
7 to 10 (including unrated) - Sub standard	34,375,004	30,434,971	58,146,344
	136,421,072	117,946,032	110,940,947

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 who have been defaulted to 10 on a prudent basis due to outdated financials. For non bank exposures, internal ratings are used except for some corporates which have external ratings.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

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 2022		31 December 2021		31 December 2020	
	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	9,103,310	714,511	14,804,598	703,996	25,441,261	353,714

(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.

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 recourse to external international providers of credit rating tool that grades our corporate and SME clients according to their degree of risk of default. The Bank also has internal acquisition scorecards for its retail facilities. 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.

Notes to the Financial Statements

For the year ended 31 December 2022

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
6-7	4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	Standard
8-9	5	B+ to B-	B1 to B3	B+ to B-	Sub-standard
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.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Credit risk assessment (cont'd)

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.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Credit risk assessment (cont'd)

1. Inputs, assumptions and techniques used in estimating ECL (cont'd)

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%.

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:

- Labour Force Survey: Employed persons
- Interest rates : Treasury bill rate
- International reserves - Official reserve assets
- Implicit Price Deflator: Government consumption
- Balance of payments: Direct investment - Assets
- National accounts : Real Gross Fixed Capital Formation
- Industrial production index: General index
- Terms of trade
- Interest Rates: 5-year government bond yield
- Stock Price Index
- National accounts : Real Gross Domestic Product
- Labour Force Survey: Employment - Total

In light of the high inflationary environment coupled with rising interest rates, SBM reviewed its ECL framework so as to cater for the higher level of uncertainty in markets, both local and across borders. Adjusting for forward looking information during this unprecedented event, the Bank had factored in post model adjustment to take into account the unlikelihood to pay criteria for clients where updated financials were not yet received. The adjustment was 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.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Credit risk assessment (cont'd)

Significant increase in credit risk

The Bank monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information. For the year under review, the Bank has also considered all reschedulement done over the last 12 months as criteria of significant increase in credit risk.

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:

- 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.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Credit risk assessment (cont'd)

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 on the next page.

(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 on the next page.

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 of 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 matrix using the Vasicek Transformation.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Credit risk assessment (cont'd)

3. Measurement of ECL (cont'd)

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.

Notes to the Financial Statements

For the year ended 31 December 2022

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.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Credit risk assessment (cont'd)

3. Measurement of ECL (cont'd)

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 for overdraft balances since limit are renewed on a yearly basis. For credit cards, an estimate of the behavioural lifetime is considered by segment (36 months for retail cards and 20 months for corporates and SME).

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.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Credit risk assessment (cont'd)

3. Measurement of ECL (cont'd)

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. 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Credit risk assessment (cont'd)

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(iii) 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 2022	31 December 2021	31 December 2020	Principal Type of collateral held
	MUR' 000	MUR' 000	MUR' 000	
Fund-based exposures:				
Cash and cash equivalents	24,016,765	37,563,112	14,208,901	Unsecured
Mandatory balances with central bank	13,316,978	11,203,833	9,749,384	Unsecured
Loans to and placements with banks	1,226,864	843,079	3,150,745	Unsecured
Derivative financial instruments	637,903	579,946	774,785	Unsecured
Loans and advances to non-bank customers	118,545,436	109,370,271	110,475,581	Residential/ Commercial property
Investment securities	113,062,567	119,420,350	93,372,158	Unsecured
Other assets	546,213	535,827	533,302	Unsecured
Non-fund based exposures:				
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	13,792,088	11,114,874	9,391,316	Residential property
Credit commitments	14,945,779	11,474,814	10,851,199	Unsecured

In addition to the collateral included in the table above, the Bank holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

There was no change in the Bank's collateral policy during the year.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(iv) Ageing of loans and advances:

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 2022		31 December 2021		31 December 2020	
	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	105,833,958	2,577,301	94,210,647	1,824,912	96,590,764	1,617,930
31-60 days	2,567,102	83,094	3,706,277	255,568	1,195,831	37,443
61-89 days	784,021	34,554	569,993	25,715	355,178	17,800
Total	109,185,081	2,694,949	98,486,917	2,106,195	98,141,773	1,673,173

(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 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Loans and advances (Note 8c)	9,360,355	10,883,354	12,333,808
Specific allowance held in respect of impaired advances (Note 8c)	7,731,520	9,347,876	9,763,881
Fair value of collaterals of impaired advances	1,866,487	1,795,128	2,951,380

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(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 2022	31 December 2021	31 December 2020
Portfolio	MUR' 000	MUR' 000	MUR' 000
Agriculture	5,703,996	2,843,509	3,227,632
Traders	7,911,107	9,227,334	8,042,135
Real estate	3,798,533	5,921,847	5,704,924
Transport	3,220,563	3,705,781	1,825,995
Tourism	6,842,347	7,564,459	8,389,473
Financial services	23,437,291	1,748,745	12,870,411
	50,913,837	31,011,675	40,060,570

(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 2022

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 2022	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial assets								
Cash and cash equivalents	26,539,711	-	-	-	-	-	(5,499)	26,534,212
Mandatory balances with central bank	4,450,785	239,742	388,770	584,194	135,483	7,518,004	-	13,316,978
Loans to and placements with banks	-	658,677	224,584	219,471	124,132	-	(5,449)	1,221,415
Derivative financial instruments	-	-	-	-	-	-	637,903	637,903
Loans and advances to non-bank customers	6,408,619	8,808,378	6,902,587	9,096,994	21,897,412	55,685,871	(680,894)	108,118,967
Investment securities	35,808,840	900,000	1,033,996	5,782,583	21,403,615	48,133,533	(26,421)	113,036,146
Equity investments	-	-	-	-	-	-	8,400	8,400
Other assets	-	-	-	-	-	-	546,213	546,213
	73,207,955	10,606,797	8,549,937	15,683,242	43,560,642	111,337,408	474,253	263,420,234
Financial liabilities								
Deposits from banks	1,757,243	-	-	-	-	-	-	1,757,243
Deposits from non-bank customers	35,668,380	9,935,103	15,460,308	12,930,460	4,771,942	158,119,134	-	236,885,327
Other borrowed funds	-	21,640	23,253	56,698	280,471	375,746	-	757,808
Derivative financial instruments	-	-	-	-	-	-	574,694	574,694
Other liabilities	-	-	-	-	-	-	6,373,008	6,373,008
	37,425,623	9,956,743	15,483,561	12,987,158	5,052,413	158,494,880	6,947,702	246,348,080
Total financial liabilities	37,425,623	9,956,743	15,483,561	12,987,158	5,052,413	158,494,880	6,947,702	246,348,080
Liquidity Gap	35,782,332	650,054	(6,933,624)	2,696,084	38,508,229	(47,157,472)	(6,473,449)	17,072,154

Non-maturity bucket includes ECL provisions, investment in shares having no maturity, non-performing loans whose maturity date have been exceeded, derivatives, other assets and liabilities with undetermined maturity dates.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2021								
<u>Financial assets</u>								
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	(21,014)	119,392,466
Equity investments	-	-	-	-	-	-	6,869	6,869
Other assets	-	-	-	-	-	-	535,827	535,827
	<u>92,596,877</u>	<u>9,506,001</u>	<u>11,809,969</u>	<u>12,546,214</u>	<u>37,769,361</u>	<u>105,383,032</u>	<u>1,149,949</u>	<u>270,754,533</u>
<u>Financial liabilities</u>								
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	-	-	-	-	-	-	6,396,664	6,396,664
Total financial liabilities	<u>30,882,722</u>	<u>14,705,261</u>	<u>4,178,974</u>	<u>8,568,573</u>	<u>3,783,670</u>	<u>186,166,882</u>	<u>6,962,319</u>	<u>255,248,401</u>
Liquidity Gap	<u>61,714,155</u>	<u>(5,199,260)</u>	<u>7,630,995</u>	<u>3,977,641</u>	<u>33,985,691</u>	<u>(80,783,850)</u>	<u>(5,812,370)</u>	<u>15,506,132</u>
31 December 2020								
<u>Financial assets</u>								
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	(38,521)	93,333,638
Equity investments	-	-	-	-	-	-	4,408	4,408
Other assets	-	-	-	-	-	-	533,302	533,302
	<u>57,429,184</u>	<u>6,492,393</u>	<u>12,607,008</u>	<u>15,777,911</u>	<u>43,048,041</u>	<u>86,173,144</u>	<u>1,786,085</u>	<u>223,313,766</u>

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37. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non-Maturity Bucket	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020 (cont'd)								
<u>Financial liabilities</u>								
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	-	-	-	-	-	-	4,762,232	4,762,232
Total financial liabilities	<u>24,323,135</u>	<u>12,039,287</u>	<u>5,358,923</u>	<u>9,801,636</u>	<u>5,896,717</u>	<u>144,790,184</u>	<u>5,927,503</u>	<u>208,137,385</u>
Liquidity Gap	<u>33,106,049</u>	<u>(5,546,894)</u>	<u>7,248,085</u>	<u>5,976,275</u>	<u>37,151,324</u>	<u>(58,617,040)</u>	<u>(4,141,418)</u>	<u>15,176,381</u>

(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
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Financial liabilities							
Deposits	189,204,725	21,277,357	14,129,137	8,151,642	4,771,941	1,107,768	238,642,570
Other borrowed funds	-	21,640	23,253	56,699	280,470	375,746	757,808
Derivative financial instruments	574,694	-	-	-	-	-	574,694
Other liabilities	6,373,008	-	-	-	-	-	6,373,008
31 December 2022	<u>196,152,427</u>	<u>21,298,997</u>	<u>14,152,390</u>	<u>8,208,341</u>	<u>5,052,411</u>	<u>1,483,514</u>	<u>246,348,080</u>
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	6,396,664	-	-	-	-	-	6,396,664
31 December 2021	<u>225,164,732</u>	<u>16,003,761</u>	<u>3,545,015</u>	<u>5,825,824</u>	<u>3,783,670</u>	<u>925,399</u>	<u>255,248,401</u>
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	4,762,232	-	-	-	-	-	4,762,232
31 December 2020	<u>173,356,785</u>	<u>14,760,756</u>	<u>5,158,002</u>	<u>7,717,730</u>	<u>5,896,717</u>	<u>1,247,395</u>	<u>208,137,385</u>

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.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk

The Bank's interest rate risk arises mostly from mismatches in the repricing of its assets and liabilities. The Bank uses an interest rate gap analysis to measure and monitor the interest rate risk. Prudential limits for currency wise gaps, expressed as a percentage of assets, have been set for specific time buckets and earnings at risk is calculated based on different shock scenarios across major currencies.

The table below analyses the Bank's interest rate risk exposure in terms of the remaining period to the next contractual repricing date or to the maturity date, whichever is the earlier. The 'up to 3 months' column includes the financial assets and liabilities which have floating rates of interest that do not reprice at set dates, but rather reprice whenever the underlying interest rate index changes.

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2022								
Assets								
Cash and cash equivalents	691,729	-	-	-	-	-	25,842,483	26,534,212
Mandatory balances with central bank	-	-	-	-	-	-	13,316,978	13,316,978
Loans to and placements with banks	1,002,014	219,471	-	-	-	-	(70)	1,221,415
Derivative financial instruments	-	-	-	-	-	-	637,903	637,903
Loans and advances to non-bank customers	109,717,700	2,436,869	1,355,287	687,159	777,865	4,129,890	(10,985,803)	108,118,967
Investment securities	13,046,125	4,927,465	14,919,619	18,230,435	31,482,502	31,244,078	(805,678)	113,044,546
Other assets	-	-	-	-	-	-	546,213	546,213
Total assets	124,457,568	7,583,805	16,274,906	18,917,594	32,260,367	35,373,968	28,552,026	263,420,234
Liabilities								
Deposits from banks	-	-	-	-	-	-	1,757,243	1,757,243
Deposits from non-bank customers	111,770,642	13,813,477	7,506,909	858,835	1,259,118	-	101,676,346	236,885,327
Other borrowed funds	756,194	-	-	-	-	-	1,614	757,808
Derivative financial instruments	-	-	-	-	-	-	574,694	574,694
Other liabilities	-	-	-	-	-	-	6,373,008	6,373,008
Total liabilities	112,526,836	13,813,477	7,506,909	858,835	1,259,118	-	110,382,905	246,348,080
On balance sheet interest rate sensitivity gap	11,930,732	(6,229,672)	8,767,997	18,058,759	31,001,249	35,373,968	(81,830,879)	17,072,154
Off balance sheet interest rate sensitivity gap	1,040,166	(997,413)	253,517	(677,223)	(581,723)	430,339	-	(532,337)
	12,970,898	(7,227,085)	9,021,514	17,381,536	30,419,526	35,804,307	(81,830,879)	16,539,817

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2021								
Assets								
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	-	-	-	-	-	-	6,396,664	6,396,664
Total liabilities	98,962,109	3,179,804	5,068,577	1,561,076	1,206,346	-	145,270,489	255,248,401
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	(102,868,114)	15,506,132
Off balance sheet interest rate sensitivity gap	2,743,860	(1,386,555)	3,144	(35,697)	(1,740,368)	294,143	-	(121,473)
	17,378,749	12,505,852	11,885,059	16,176,236	32,306,319	28,000,558	(102,868,114)	15,384,659

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2020								
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	-	-	-	-	-	-	4,762,232	4,762,232
Total liabilities	91,626,534	3,471,055	6,871,373	119,123	716,415	-	105,332,885	208,137,385
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	(80,803,593)	15,176,381
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	(80,803,593)	15,247,189

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 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Increase/(decrease) in profit	231,860	519,877	520,801

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

Interest rate benchmark reform

In 2022, the Bank has successfully completed the transition of a significant portion of its IBOR exposure to alternative benchmark interest rates. Following the progress made, the Bank is confident that it has the operational capability to process the remaining transitions (USD) to an alternative benchmark interest rate by the due date.

The IBOR reform exposes the Bank to various risks, which include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform;
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses;
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable;
- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available.

As from 01 January 2022, all new contracts are linked to an alternative benchmark rate.

Derivative financial instruments

The Bank holds derivatives for trading and risk management purposes. Some derivatives held for risk management purposes are designated in hedging relationships. These are governed by the International Swaps and Derivatives Association's (ISDA) fallback clauses which ensure all legacy trades will, on cessation of IBOR, follow the fallback clause provided in the protocol.

New Monetary Policy Framework

As part of the Bank of Mauritius's new monetary policy framework, the Key Repo Rate (KRR) has been discontinued and replaced by the 'Key Rate'. Since the Key Rate has been set at the same level of the KRR, there is no immediate financial impact for the bank. All loan contract linked to the KRR has already been converted to the new Key Rate. Corporate Bonds already have the required fallback clause to switch automatically to the successor of the KRR.

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(ii) Fair value hedges

	31 December 2022				31 December 2021	
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Carrying amount of hedged items	
	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000
Fixed rate corporate loans	349,608	-	-	11,692	4,629,903	-
Fixed rate debt instrument	1,111,311	-	-	66,498	1,102,733	-
Fixed rate non-bank deposits	-	-	-	-	-	-

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 2022		
	Notional Amount	Carrying Amount	
	MUR' 000	Assets MUR' 000	Liabilities MUR' 000
Interest rate swaps	1,377,620	97,148	-

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:

Hedged items	Hedging instruments	31 December 2022		
		Gain / (loss) attributable to the hedged risk		
		Hedged items	Hedging instruments	Hedge ineffectiveness
Micro fair value hedge relationships hedging assets				
Fixed rate corporate loans	Interest rate swaps	(11,692)	12,171	479
Fixed rate debt instrument	Interest rate swaps	(66,498)	84,977	18,479
Micro fair value hedge relationships hedging liabilities				
Fixed rate non-bank deposits	Interest rate swaps	-	-	-
Total micro fair value hedge relationship		(78,190)	97,148	18,958

Notes to the Financial Statements

For the year ended 31 December 2022

	31 December 2021		31 December 2020			
	Accumulated amount of fair value adjustments on the hedged items		Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000	Assets MUR' 000	Liabilities MUR' 000
	81,206	-	6,213,147	-	215,796	-
	-	3,761	2,398,849	-	21,439	-
	-	-	-	135,996	-	-

	31 December 2021			31 December 2020		
	Notional Amount	Carrying Amount		Notional Amount	Carrying Amount	
	MUR' 000	Assets MUR' 000	Liabilities MUR' 000	MUR' 000	Assets MUR' 000	Liabilities MUR' 000
	3,106,810	3,761	80,718	7,084,396	393	235,903

Hedged items	Hedging instruments	Hedge ineffectiveness	31 December 2021			31 December 2020		
			Gain / (loss) attributable to the hedged risk			Gain / (loss) attributable to the hedged risk		
			Hedged items	Hedging instruments	Hedge ineffectiveness	Hedged items	Hedging instruments	Hedge ineffectiveness
			81,206	(80,718)	488	215,796	(214,464)	1,332
			(3,761)	3,761	-	21,439	(21,439)	-
			-	-	-	-	393	393
			77,445	(76,957)	488	237,235	(235,510)	1,725

Notes to the Financial Statements

For the year ended 31 December 2022

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 2022:						
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	-	-	1,073,750	303,870	1,377,620
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

(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 2022								
Assets								
Cash and cash equivalents	3,105,427	20,990,017	1,170,358	851,249	16,274	3,741	397,146	26,534,212
Mandatory balances with central banks	12,013,258	814,966	114,069	349,620	-	-	25,065	13,316,978
Loans to and placements with banks	(5,449)	1,101,841	-	125,023	-	-	-	1,221,415
Derivative financial instruments	322,380	284,592	-	5,609	4,961	-	20,361	637,903
Loans and advances to non-bank customers	73,816,040	19,502,630	652,162	14,095,246	-	-	52,889	108,118,967
Investment securities	73,092,852	38,879,918	-	492,705	579,071	-	-	113,044,546
Other assets	451,790	23,956	772	70,332	-	-	(637)	546,213
Total monetary financial assets	162,796,298	81,597,920	1,937,361	15,989,784	600,306	3,741	494,824	263,420,234

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

31 December 2022 (cont'd)

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
Deposits from banks	772,056	862,879	23,763	95,891	-	-	2,654	1,757,243
Deposits from non-bank customers	134,590,952	82,590,036	3,341,559	15,409,141	-	218	953,421	236,885,327
Other borrowed funds	-	-	-	757,808	-	-	-	757,808
Derivative financial instruments	326,043	239,825	-	-	4,546	-	4,280	574,694
Other liabilities	3,227,988	2,498,539	53,693	533,136	(2,600)	(1)	62,253	6,373,008
Total monetary financial liabilities	138,917,039	86,191,279	3,419,015	16,795,976	1,946	217	1,022,608	246,348,080
On balance sheet position	23,879,259	(4,593,359)	(1,481,654)	(806,192)	598,360	3,524	(527,784)	17,072,154
Off balance sheet position	-	-	-	-	-	-	-	-
Net currency position	23,879,259	(4,593,359)	(1,481,654)	(806,192)	598,360	3,524	(527,784)	17,072,154

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 banks	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	2,874,775	3,226,245	42,646	210,544	(2,244)	-	44,698	6,396,664
Total monetary financial liabilities	125,373,570	106,540,098	3,572,879	18,572,310	21,438	11,601	1,156,505	255,248,401
On balance sheet position	19,695,307	(586,015)	(1,814,971)	(2,470,773)	1,572,348	3,043	(892,807)	15,506,132
Off balance sheet position	-	-	-	-	-	-	-	-
Net currency position	19,695,307	(586,015)	(1,814,971)	(2,470,773)	1,572,348	3,043	(892,807)	15,506,132

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

31 December 2020	MUR	USD	GBP	EURO	INR	KES	OTHER	TOTAL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	12,621,610	2,883,226	90,322	444,180	40,336	5,681	663,980	16,749,335
Mandatory balances with central banks	8,628,978	807,233	83,389	211,255	-	-	18,529	9,749,384
Loans to and placements with banks	333,150	2,553,203	-	244,034	-	-	-	3,130,387
Derivative financial instruments	279,262	431,138	1,571	10,327	42,797	-	9,690	774,785
Loans and advances to non-bank customers	61,012,694	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	2,423,749	(208,199)	(1,100,151)	4,051,967	(2,244)	-	(402,890)	4,762,232
Total monetary financial liabilities	110,706,223	76,682,059	1,471,879	18,367,967	31,886	36	877,335	208,137,385
On balance sheet position	27,651,048	(11,922,915)	(225,724)	(1,117,560)	687,723	5,645	98,160	15,176,381
Off balance sheet position	-	586,875	-	-	(586,875)	-	-	-
Net currency position	27,651,048	(11,336,040)	(225,724)	(1,117,560)	100,848	5,645	98,160	15,176,381

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, and the impact on the Bank's profit and equity.

Impact on profit after tax and equity

Change in currency by:	USD	GBP	EURO	INR	KES	OTHER
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2022						
5%	(229,668)	(74,083)	(40,310)	29,918	176	(26,389)
-5%	229,668	74,083	40,310	(29,918)	(176)	26,389
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)

Notes to the Financial Statements

For the year ended 31 December 2022

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

Value-at-Risk Analysis

The Bank uses Value-at-Risk (VAR) to estimate the potential foreign exchange loss arising from adverse movements in an ordinary market environment. To calculate VAR, the Bank uses the historical method which assumes that historical changes in market values are representative of future changes. The VAR is based on the previous 12 months data. The Bank calculates VAR using 10 days holding period and an expected tail-loss methodology, which approximates a 99% confidence level. This would mean that only once in every 100 trading days, the Bank would expect to incur losses greater than the VAR estimates, or about two to three times a year. The use of 10 days holding period and a one-year historical observation period are in line with the Basel II recommendation.

The Bank's VAR amounted to:

Minimum for the year
Maximum for the year
Year end

31 December 2022	31 December 2021	31 December 2020
MUR' 000	MUR' 000	MUR' 000
857	393	487
6,773	24,032	7,608
2,489	2,834	1,495

(iv) Equity price sensitivity 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.

Statement of other comprehensive income

31 December 2022	31 December 2021	31 December 2020
MUR' 000	MUR' 000	MUR' 000
420	343	220

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).

Notes to the Financial Statements

For the year ended 31 December 2022

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.

	31 December 2022	31 December 2021	31 December 2020
	MUR' 000	MUR' 000	MUR' 000
Statutory reserve	400,000	400,000	400,000
Fair value reserve on financial instruments	(1,387,260)	(2,214)	1,242,935
Property revaluation reserve	1,208,191	1,255,899	1,303,607
	220,931	1,653,685	2,946,542

Statutory reserve
Fair value reserve on financial instruments
Property revaluation reserve

Notes to the Financial Statements

For the year ended 31 December 2022

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

ASSETS

Cash and cash equivalents
Mandatory balances with central bank
Loans to and placements with banks
Derivative financial instruments
Loans and advances to non-bank customers
Investment securities
Property and equipment
Right-of-use assets
Intangible assets
Deferred tax assets
Other assets

Total assets

LIABILITIES

Deposits from banks
Deposits from non-bank customers
Other borrowed funds
Derivative financial instruments
Lease liability
Current tax liabilities
Pension liability
Other liabilities

Total liabilities

31 December 2022		
Current	Non current	Total
MUR' 000	MUR' 000	MUR' 000
26,534,212	-	26,534,212
13,316,978	-	13,316,978
1,097,499	123,916	1,221,415
265,003	372,900	637,903
23,892,819	84,226,148	108,118,967
28,647,902	84,396,644	113,044,546
-	3,134,713	3,134,713
-	234,150	234,150
-	1,518,510	1,518,510
-	511,001	511,001
801,351	-	801,351
94,555,764	174,517,982	269,073,746
1,757,243	-	1,757,243
230,705,925	6,179,402	236,885,327
-	757,808	757,808
273,869	300,825	574,694
85,223	104,533	189,756
411,835	-	411,835
-	549,107	549,107
6,244,460	-	6,244,460
239,478,555	7,891,675	247,370,230

Notes to the Financial Statements

For the year ended 31 December 2022

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D)

	31 December 2021		
	Current MUR' 000	Non current MUR' 000	Total MUR' 000
ASSETS			
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	41,349,967	78,049,368	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	111,409,906	165,162,923	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	4,417,135	858,265	5,275,400
Derivative financial instruments	113,857	451,798	565,655
Lease liability	78,668	105,997	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	249,909,379	6,080,748	255,990,127

Notes to the Financial Statements

For the year ended 31 December 2022

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONT'D)

	31 December 2020		
	Current MUR' 000	Non current 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	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

Notes to the Financial Statements

For the year ended 31 December 2022

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS

The Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure classified into Segment A and B. Segment B activity is essentially directed to the provision of international financial services that give rise to 'foreign source income'. Segment A activity relates to all banking business other than Segment B activity. Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner. Segmental reporting is based on the internal reports regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess their performance.

a. Statement of financial position

	Notes	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
		31-Dec 2022	31-Dec 2022	31-Dec 2022	31-Dec 2021	31-Dec 2021	31-Dec 2021	31-Dec 2020	31-Dec 2020	31-Dec 2020
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS										
Cash and cash equivalents	40k	22,494,134	4,040,078	26,534,212	38,509,049	1,772,373	40,281,422	13,077,341	3,671,994	16,749,335
Mandatory balances with central bank		13,316,978	-	13,316,978	11,203,833	-	11,203,833	9,749,384	-	9,749,384
Loans to and placements with banks	40l	-	1,221,415	1,221,415	-	837,970	837,970	353,501	2,776,886	3,130,387
Derivative financial instruments	40m	350,396	287,507	637,903	320,197	259,749	579,946	364,754	410,031	774,785
Loans and advances to non-bank customers	40n	97,448,393	10,670,574	108,118,967	82,691,374	15,224,826	97,916,200	78,359,930	20,678,597	99,038,527
Investment securities	40o	73,110,085	39,934,461	113,044,546	68,535,630	50,863,705	119,399,335	55,520,327	37,817,719	93,338,046
Property and equipment	40p	2,822,920	311,793	3,134,713	2,753,388	265,799	3,019,187	2,336,948	245,383	2,582,331
Right-of-use assets	40p	200,522	33,628	234,150	185,258	26,779	212,037	230,030	25,573	255,603
Intangible assets	40q	1,139,073	379,437	1,518,510	1,358,690	457,819	1,816,509	1,670,016	475,264	2,145,280
Deferred tax assets		154,955	356,046	511,001	162,397	356,046	518,443	85,158	411,965	497,123
Other assets	40r	725,810	75,541	801,351	709,164	78,783	787,947	674,650	32,239	706,889
Total assets		211,763,266	57,310,480	269,073,746	206,428,980	70,143,849	276,572,829	162,422,039	66,545,651	228,967,690
LIABILITIES										
Deposits from banks	40s	1,224,995	532,248	1,757,243	842,042	639,812	1,481,854	461,051	658,610	1,119,661
Deposits from non-bank customers	40t	153,485,382	83,399,945	236,885,327	143,668,449	97,860,379	241,528,828	124,286,264	65,718,006	190,004,270
Other borrowed funds	40u	-	757,808	757,808	4,358,708	916,692	5,275,400	5,934,675	5,151,276	11,085,951
Derivative financial instruments	40m	344,118	230,576	574,694	207,232	358,423	565,655	136,489	1,028,782	1,165,271
Lease liability		165,327	24,429	189,756	162,534	22,131	184,665	210,220	23,370	233,590
Current tax liabilities		401,737	10,098	411,835	297,788	10,099	307,887	204,507	42,267	246,774
Pension liability		518,890	30,217	549,107	354,182	41,746	395,928	665,922	58,160	724,082
Other liabilities	40v	3,201,248	3,043,212	6,244,460	2,855,795	3,394,115	6,249,910	2,306,240	2,285,420	4,591,660
Total liabilities		159,341,697	88,028,533	247,370,230	152,746,730	103,243,397	255,990,127	134,205,368	74,965,891	209,171,259
SHAREHOLDER'S EQUITY										
Stated capital				400,000			400,000			400,000
Capital contribution				13,054,011			11,854,011			11,854,011
Retained earnings				8,028,574			6,675,006			4,595,878
Other reserves				220,931			1,653,685			2,946,542
Total equity				21,703,516			20,582,702			19,796,431
Total liabilities and equity				269,073,746			276,572,829			228,967,690

Notes to the Financial Statements

For the year ended 31 December 2022

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

b. Statement of profit or loss

	Notes	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
		31-Dec 2022	31-Dec 2022	31-Dec 2022	31-Dec 2021	31-Dec 2021	31-Dec 2021	31-Dec 2020	31-Dec 2020	31-Dec 2020
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Continuing operations										
Interest income using the effective interest method		6,904,853	1,157,409	8,062,262	5,481,210	977,026	6,458,236	5,437,423	1,498,242	6,935,665
Other interest and similar income		123,827	14,041	137,868	124,221	78,616	202,837	154,253	137,296	291,549
Interest expense using the effective interest method		(839,785)	(260,037)	(1,099,822)	(411,168)	(136,962)	(548,130)	(763,069)	(299,134)	(1,062,203)
Other interest and similar expense		(78,789)	(91,510)	(170,299)	(80,055)	(315,661)	(395,716)	(79,218)	(355,613)	(434,831)
Net interest income	40c	6,110,106	819,903	6,930,009	5,114,208	603,019	5,717,227	4,749,389	980,791	5,730,180
Fee and commission income		1,055,052	206,441	1,261,493	917,203	213,040	1,130,243	716,555	254,795	971,350
Fee and commission expense		(5,516)	(59,708)	(65,224)	(14,564)	(39,066)	(53,630)	(6,305)	(30,395)	(36,700)
Net fee and commission income	40d	1,049,536	146,733	1,196,269	902,639	173,974	1,076,613	710,250	224,400	934,650
Other Income										
Net trading income	40e	1,039,362	190,470	1,229,832	749,939	222,417	972,356	842,898	(15,347)	827,551
Net (losses)/gains from financial assets at fair value through profit or loss	40f	-	(24,334)	(24,334)	-	228,083	228,083	(326)	(28,892)	(29,218)
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income		37,849	(2,935)	34,914	556,691	31,407	588,098	1,153,329	49,677	1,203,006
Other operating income		14,099	3,398	17,497	20,362	2,942	23,304	878	-	878
Non interest income		1,091,310	166,599	1,257,909	1,326,992	484,849	1,811,841	1,996,779	5,438	2,002,217
Operating income		2,140,846	313,332	2,454,178	2,229,631	658,823	2,888,454	2,707,029	229,838	2,936,867
Personnel expenses	40g	(1,705,473)	(308,477)	(2,013,950)	(1,467,261)	(280,963)	(1,748,224)	(1,179,832)	(222,385)	(1,402,217)
Depreciation of property and equipment		(173,864)	(21,668)	(195,532)	(132,960)	(16,152)	(149,112)	(135,950)	(14,275)	(150,225)
Depreciation of right-of-use assets		(62,137)	(9,182)	(71,319)	(56,424)	(7,683)	(64,107)	(33,693)	(3,746)	(37,439)
Amortisation of intangible assets		(314,715)	(104,837)	(419,552)	(307,476)	(103,605)	(411,081)	(356,533)	(101,464)	(457,997)
Other expenses	40h	(1,250,833)	(235,712)	(1,486,545)	(1,146,513)	(200,728)	(1,347,241)	(839,602)	(169,493)	(1,009,095)
Non-interest expense		(3,507,022)	(679,876)	(4,186,898)	(3,110,634)	(609,131)	(3,719,765)	(2,545,610)	(511,363)	(3,056,973)
Profit before net impairment loss		4,743,930	453,359	5,197,289	4,233,205	652,711	4,885,916	4,910,808	699,266	5,610,074
Credit loss expense on financial assets and memorandum items	40i	(659,388)	(510,960)	(1,170,348)	(1,073,921)	(1,273,597)	(2,347,518)	(1,181,366)	(2,681,706)	(3,863,072)
Profit before income tax		4,084,542	(57,601)	4,026,941	3,159,284	(620,886)	2,538,398	3,729,442	(1,982,440)	1,747,002
Tax expense	40j	(509,396)	10,395	(499,001)	(456,661)	8,450	(448,211)	(386,566)	93,478	(293,088)
Profit for the year		3,575,146	(47,206)	3,527,940	2,702,623	(612,436)	2,090,187	3,342,876	(1,888,962)	1,453,914

Notes to the Financial Statements

For the year ended 31 December 2022

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

c. Net interest income	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2022	31-Dec 2022	31-Dec 2022	31-Dec 2021	31-Dec 2021	31-Dec 2021	31-Dec 2020	31-Dec 2020	31-Dec 2020
	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	52,148	54,526	106,674	3,850	5,230	9,080	15,512	19,090	34,602
Loans to and placements with banks	5,496	31,975	37,471	4,269	38,920	43,189	36,076	97,475	133,551
Loans and advances to non-bank customers	4,829,983	610,088	5,440,071	3,896,934	697,306	4,594,240	3,982,769	1,034,656	5,017,425
Investment securities at amortised cost	1,410,815	267,533	1,678,348	995,717	76,675	1,072,392	726,173	78,552	804,725
Investment securities at FVTOCI	606,411	193,287	799,698	580,440	158,895	739,335	676,893	268,469	945,362
	6,904,853	1,157,409	8,062,262	5,481,210	977,026	6,458,236	5,437,423	1,498,242	6,935,665
Other interest and similar income									
Investment securities measured at FVTPL	28,400	4,877	33,277	15,906	1,197	17,103	29,871	25,519	55,390
Derivatives	95,427	9,164	104,591	108,315	77,419	185,734	124,382	111,777	236,159
	123,827	14,041	137,868	124,221	78,616	202,837	154,253	137,296	291,549
Total interest and similar income	7,028,680	1,171,450	8,200,130	5,605,431	1,055,642	6,661,073	5,591,676	1,635,538	7,227,214
Interest expense using the effective interest method									
Deposits from customers	(814,418)	(245,888)	(1,060,306)	(341,334)	(105,171)	(446,505)	(586,773)	(193,865)	(780,638)
Other borrowed funds	(14,836)	(9,695)	(24,531)	(58,265)	(30,186)	(88,451)	(162,535)	(103,523)	(266,058)
Lease finance charges	(10,531)	(1,556)	(12,087)	(11,569)	(1,575)	(13,144)	(13,761)	-	(13,761)
Other	-	(2,898)	(2,898)	-	(30)	(30)	-	(1,746)	(1,746)
	(839,785)	(260,037)	(1,099,822)	(411,168)	(136,962)	(548,130)	(763,069)	(299,134)	(1,062,203)
Other interest and similar expense									
Derivatives	(78,789)	(91,510)	(170,299)	(80,055)	(315,661)	(395,716)	(79,218)	(355,613)	(434,831)
Total interest and similar expense	(918,574)	(351,547)	(1,270,121)	(491,223)	(452,623)	(943,846)	(842,287)	(654,747)	(1,497,034)
Net interest income	6,110,106	819,903	6,930,009	5,114,208	603,019	5,717,227	4,749,389	980,791	5,730,180
d. Net fee and commission income									
Fee and commission income									
Retail banking customer fees	325,976	15,711	341,687	298,130	12,211	310,341	246,956	27,664	274,620
Corporate banking customer fees	276,853	150,765	427,618	242,945	166,654	409,599	176,409	132,674	309,083
Card income	418,628	1,066	419,694	354,265	3,246	357,511	280,931	78,343	359,274
Other income	33,595	38,899	72,494	21,863	30,929	52,792	12,259	16,114	28,373
Total fee and commission income	1,055,052	206,441	1,261,493	917,203	213,040	1,130,243	716,555	254,795	971,350

Notes to the Financial Statements

For the year ended 31 December 2022

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

d. Net fee and commission income (cont'd)	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2022	31-Dec 2022	31-Dec 2022	31-Dec 2021	31-Dec 2021	31-Dec 2021	31-Dec 2020	31-Dec 2020	31-Dec 2020
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fee and commission expense									
Interbank transaction fees	(1)	(32,837)	(32,838)	(4,712)	(27,734)	(32,446)	(3)	(21,919)	(21,922)
Other	(5,515)	(26,871)	(32,386)	(9,852)	(11,332)	(21,184)	(6,302)	(8,476)	(14,778)
Total fee and commission expense	(5,516)	(59,708)	(65,224)	(14,564)	(39,066)	(53,630)	(6,305)	(30,395)	(36,700)
Net fee and commission income	1,049,536	146,733	1,196,269	902,639	173,974	1,076,613	710,250	224,400	934,650
e. Net trading income									
Profit arising on dealings in foreign currencies	970,967	128,886	1,099,853	531,252	332,599	863,851	342,041	127,447	469,488
Fair value movements on debt securities measured at FVTPL	167,900	(54,312)	113,588	107,242	(26,285)	80,957	163,845	47,251	211,096
Other interest rate instruments	(99,505)	115,896	16,391	111,445	(83,897)	27,548	337,012	(190,045)	146,967
	1,039,362	190,470	1,229,832	749,939	222,417	972,356	842,898	(15,347)	827,551
f. Net (losses) / gains from financial assets at fair value through profit or loss									
Financial assets mandatorily measured at fair value through profit or loss	-	(34,675)	(34,675)	-	57,629	57,629	-	30,083	30,083
Financial assets designated at fair value through profit or loss	-	10,341	10,341	-	170,454	170,454	(326)	(58,975)	(59,301)
	-	(24,334)	(24,334)	-	228,083	228,083	(326)	(28,892)	(29,218)
g. Personnel expenses									
Wages and salaries	1,297,705	237,784	1,535,489	1,159,378	229,477	1,388,855	1,036,603	195,132	1,231,735
Other social security obligations	25,662	4,231	29,893	18,577	3,115	21,692	15,685	2,608	18,293
Contributions to pension plans	137,047	27,399	164,446	117,556	25,729	143,285	98,704	20,314	119,018
Increase in liability for defined benefit plans	51,057	4,730	55,787	55,413	5,003	60,416	36,064	3,150	39,214
Residual retirement gratuities	105,385	21,246	126,631	20,112	4,418	24,530	(77,603)	(6,778)	(84,381)
Staff welfare cost	62,322	6,872	69,194	44,709	5,309	50,018	35,696	3,605	39,301
Other	26,295	6,215	32,510	51,516	7,912	59,428	34,683	4,354	39,037
	1,705,473	308,477	2,013,950	1,467,261	280,963	1,748,224	1,179,832	222,385	1,402,217

Notes to the Financial Statements

For the year ended 31 December 2022

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

h. Other expenses	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2022	31-Dec 2022	31-Dec 2022	31-Dec 2021	31-Dec 2021	31-Dec 2021	31-Dec 2020	31-Dec 2020	31-Dec 2020
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology cost	439,919	122,502	562,421	358,871	103,016	461,887	333,625	100,911	434,536
Utilities and telephone charges	45,446	5,629	51,075	46,537	5,853	52,390	46,384	4,989	51,373
Professional charges	175,531	26,902	202,433	162,701	25,032	187,733	103,020	25,166	128,186
Marketing costs	86,169	13,202	99,371	38,203	6,122	44,325	46,109	6,612	52,721
Rent, repairs, maintenance and security charges	185,606	13,846	199,452	175,856	11,572	187,428	119,527	5,631	125,158
Licence and other registration fees	27,113	2,479	29,592	23,832	2,401	26,233	21,928	2,155	24,083
Postage, courier and stationery costs	51,966	1,376	53,342	45,928	2,046	47,974	42,040	2,245	44,285
Insurance costs	44,881	12,014	56,895	45,453	7,918	53,371	35,042	7,952	42,994
Other	194,202	37,762	231,964	249,132	36,768	285,900	91,927	13,832	105,759
	1,250,833	235,712	1,486,545	1,146,513	200,728	1,347,241	839,602	169,493	1,009,095
i. Credit loss expense on financial assets & memorandum items									
Portfolio and specific provisions	747,713	518,642	1,266,355	1,106,859	1,319,542	2,426,401	1,094,881	2,725,982	3,820,863
Recoveries of advances written off	(11,078)	-	(11,078)	(2,965)	(8,128)	(11,093)	(2,495)	(47,603)	(50,098)
Other	(77,247)	(7,682)	(84,929)	(29,973)	(37,817)	(67,790)	88,980	3,327	92,307
	659,388	510,960	1,170,348	1,073,921	1,273,597	2,347,518	1,181,366	2,681,706	3,863,072
<i>Of which:</i>									
<i>Credit exposure</i>	736,635	518,642	1,255,277	1,103,894	1,311,414	2,415,308	1,092,386	2,678,379	3,770,765
<i>Other financial assets</i>	(77,247)	(7,682)	(84,929)	(29,973)	(37,817)	(67,790)	88,980	3,327	92,307
	659,388	510,960	1,170,348	1,073,921	1,273,597	2,347,518	1,181,366	2,681,706	3,863,072
j. Tax expense									
Income tax expense	306,973	(81,058)	225,915	270,323	(64,369)	205,954	236,879	42,267	279,146
Deferred tax (income) / charge	(61,559)	70,663	9,104	(102,923)	55,919	(47,004)	(90,667)	(135,745)	(226,412)
Corporate Social Responsibility contribution	77,566	-	77,566	72,749	-	72,749	68,986	-	68,986
Bank levy	186,416	-	186,416	216,512	-	216,512	171,368	-	171,368
	509,396	(10,395)	499,001	456,661	(8,450)	448,211	386,566	(93,478)	293,088

Notes to the Financial Statements

For the year ended 31 December 2022

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

k. Cash and cash equivalents	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2022	31-Dec 2022	31-Dec 2022	31-Dec 2021	31-Dec 2021	31-Dec 2021	31-Dec 2020	31-Dec 2020	31-Dec 2020
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash in hand	1,895,584	-	1,895,584	1,961,952	-	1,961,952	2,016,619	-	2,016,619
Foreign currency notes and coins	627,363	-	627,363	763,171	-	763,171	524,835	-	524,835
Unrestricted balances with central banks ¹	19,806,824	-	19,806,824	35,790,264	-	35,790,264	10,536,120	-	10,536,120
Loans and placements with banks ²	165,117	527,612	692,729	-	-	-	-	-	-
Balances with banks	-	3,517,211	3,517,211	-	1,772,848	1,772,848	-	3,672,781	3,672,781
	22,494,888	4,044,823	26,539,711	38,515,387	1,772,848	40,288,235	13,077,574	3,672,781	16,750,355
Less: allowance for credit losses	(754)	(4,745)	(5,499)	(6,338)	(475)	(6,813)	(233)	(787)	(1,020)
	22,494,134	4,040,078	26,534,212	38,509,049	1,772,373	40,281,422	13,077,341	3,671,994	16,749,335
l. Loans to and placements with banks									
Loans to and placements with banks									
- in Mauritius	-	-	-	-	-	-	353,508	-	353,508
- outside Mauritius	-	1,226,864	1,226,864	-	843,079	843,079	-	2,797,237	2,797,237
	-	1,226,864	1,226,864	-	843,079	843,079	353,508	2,797,237	3,150,745
Less: allowance for credit losses	-	(5,449)	(5,449)	-	(5,109)	(5,109)	(7)	(20,351)	(20,358)
	-	1,221,415	1,221,415	-	837,970	837,970	353,501	2,776,886	3,130,387
Remaining term to maturity									
Up to 3 months	-	658,677	658,677	-	-	-	47,293	-	47,293
Over 3 months and up to 6 months	-	219,627	219,627	-	-	-	306,215	951,179	1,257,394
Over 6 months and up to 12 months	-	223,536	223,536	-	-	-	-	1,008,868	1,008,868
Over 1 year and up to 2 years	-	-	-	-	653,378	653,378	-	-	-
Over 2 years and up to 5 years	-	125,024	125,024	-	189,701	189,701	-	837,190	837,190
	-	1,226,864	1,226,864	-	843,079	843,079	353,508	2,797,237	3,150,745
m. Derivative financial instruments									
Derivative assets	350,396	287,507	637,903	320,197	259,749	579,946	364,754	410,031	774,785
Derivative liabilities	344,118	230,576	574,694	207,232	358,423	565,655	136,489	1,028,782	1,165,271

¹ Unrestricted balances with central banks represent amounts above the minimum cash reserve requirement.

² The balances above relate to loans and placements with banks having an original maturity of up to three months. Allowance for impairment losses relates only to stage 1.

Notes to the Financial Statements

For the year ended 31 December 2022

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY 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-Dec 2022	31-Dec 2022	31-Dec 2022	31-Dec 2021	31-Dec 2021	31-Dec 2021	31-Dec 2020	31-Dec 2020	31-Dec 2020
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Governments	72,232	-	72,232	9,713	-	9,713	7,705	-	7,705
Retail customers	48,857,504	1,178,334	50,035,838	43,120,555	2,369,729	45,490,284	39,221,070	2,084,110	41,305,180
Credit cards	505,116	9,620	514,736	487,962	4,502	492,464	509,230	884	510,114
Mortgages	37,086,006	835,046	37,921,052	29,920,268	712,691	30,632,959	26,917,282	638,473	27,555,755
Other retail loans	11,266,382	333,668	11,600,050	12,712,325	1,652,536	14,364,861	11,794,558	1,444,753	13,239,311
Corporate customers	53,034,842	4,696,272	57,731,114	43,587,558	5,637,793	49,225,351	42,430,454	6,481,782	48,912,236
Entities outside Mauritius	-	10,706,252	10,706,252	-	14,644,923	14,644,923	-	20,250,460	20,250,460
	101,964,578	16,580,858	118,545,436	86,717,826	22,652,445	109,370,271	81,659,229	28,816,352	110,475,581
Less allowance for credit impairment	(4,516,185)	(5,910,284)	(10,426,469)	(4,026,452)	(7,427,619)	(11,454,071)	(3,299,299)	(8,137,755)	(11,437,054)
	97,448,393	10,670,574	108,118,967	82,691,374	15,224,826	97,916,200	78,359,930	20,678,597	99,038,527
Remaining term to maturity:									
Up to 3 months	11,473,610	871,647	12,345,257	7,675,816	1,546,025	9,221,841	7,928,480	571,672	8,500,152
Over 3 months and up to 6 months	3,869,363	265,317	4,134,680	2,204,573	433,846	2,638,419	1,804,778	1,702,482	3,507,260
Over 6 months and up to 12 months	8,356,700	1,896,690	10,253,390	4,054,115	1,796,687	5,850,802	4,315,685	1,160,001	5,475,686
Over 1 year and up to 2 years	2,336,909	2,768,063	5,104,972	4,584,716	21,093	4,605,809	5,573,870	4,320,977	9,894,847
Over 2 years and up to 5 years	15,160,456	7,269,854	22,430,310	14,764,890	6,183,565	20,948,455	13,004,823	5,558,740	18,563,563
Over 5 years	60,767,540	3,509,287	64,276,827	53,433,716	12,671,229	66,104,945	49,031,593	15,502,480	64,534,073
	101,964,578	16,580,858	118,545,436	86,717,826	22,652,445	109,370,271	81,659,229	28,816,352	110,475,581

Notes to the Financial Statements

For the year ended 31 December 2022

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

n. Loans and advances to non-bank customers (Cont'd)

Credit loss allowances on loans and advances by industry sectors

Segment A	31-Dec-2022					31-Dec-21	31-Dec-20
	Gross amount of loans	Credit 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	2,351,306	12,140	7,617	187,457	195,074	28,873	23,437
Manufacturing	3,932,153	160,403	152,500	11,900	164,400	216,736	221,840
of which EPZ	1,507,956	6,092	6,092	1,277	7,369	24,023	7,998
Tourism	11,881,070	202,333	120,575	836,973	957,548	730,676	339,706
Transport	250,705	32,770	28,752	5,776	34,528	39,066	26,643
Construction	13,520,683	922,943	686,001	334,790	1,020,791	839,647	737,700
Financial and business services	4,903,050	72,046	72,039	56,425	128,464	85,423	32,975
Traders	5,627,272	485,442	450,037	65,902	515,939	524,670	402,275
Personal	47,118,839	993,500	759,767	379,546	1,139,313	1,285,022	1,102,148
of which credit cards	505,116	38,034	40,261	5,021	45,282	46,730	51,975
Professional	128,022	83,292	83,292	639	83,931	86,904	87,347
Others	12,251,478	230,727	174,136	102,061	276,197	189,435	325,228
Total	101,964,578	3,195,596	2,534,716	1,981,469	4,516,185	4,026,452	3,299,299
Segment B							
Agriculture and Fishing	918,253	918,253	573,908	-	573,908	484,174	342,970
Manufacturing	-	-	-	-	-	-	18,784
of which EPZ	-	-	-	-	-	-	18,784
Tourism	432,914	-	-	38,055	38,055	37,113	15,708
Transport	1,614,212	-	-	208,588	208,588	7,034	12,139
Construction	249,503	57,254	26,743	52,018	78,761	72,791	120,895
Financial and business services	882,987	-	-	68,321	68,321	40,069	669,389
Traders	3,765,198	3,762,371	3,185,713	-	3,185,713	5,240,398	4,219,738
Personal	1,166,783	77,634	54,450	5,357	59,807	81,603	100,613
of which credit cards	9,620	1,740	897	78	975	455	487
Global Business Licence holders	4,696,272	1,349,247	1,355,990	319,705	1,675,695	1,412,048	1,110,704
Others	2,854,736	-	-	21,436	21,436	52,389	1,526,815
Total	16,580,858	6,164,759	5,196,804	713,480	5,910,284	7,427,619	8,137,755

Notes to the Financial Statements

For the year ended 31 December 2022

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

o. Investment securities

Remaining term to maturity

Segment A	31-Dec-2022									31-Dec-21	31-Dec-20
	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											
Government bonds and treasury notes	-	-	-	-	-	70,459	-	-	70,459	989,753	706
Treasury bills	30,622	188,869	39,220	418,226	-	-	-	-	676,937	141,980	1,023,967
Bank of Mauritius bills / Bonds	198,040	-	290,442	169,023	-	-	-	-	657,505	663,800	4,340,511
	228,662	188,869	329,662	587,249	-	70,459	-	-	1,404,901	1,795,533	5,365,184
(b) Investment securities measured at FVTOCI											
Government bonds and treasury notes	-	154,578	-	663,807	908,795	3,308,039	2,525,521	-	7,560,740	8,611,327	7,692,656
Treasury bills	297,683	970,202	48,798	-	-	-	-	-	1,316,683	9,936	637,816
Bank of Mauritius bills / Bonds	950,742	195,719	96,648	-	-	-	-	-	1,243,109	1,256,578	4,369,223
Bank bonds	17,500	-	605	-	-	-	-	-	18,105	-	-
Corporate bonds	-	-	514,522	-	895,234	2,348,931	1,968,748	-	5,727,435	7,564,467	5,430,647
	1,265,925	1,320,499	660,573	663,807	1,804,029	5,656,970	4,494,269	-	15,866,072	17,442,308	18,130,342
(c) Investment securities at amortised cost											
Government bonds and treasury notes	-	48,169	105,063	1,140,600	1,912,674	15,850,491	20,263,191	-	39,320,188	35,342,631	18,475,681
Treasury bills	-	-	-	-	-	-	-	-	-	-	2,196,428
Bank of Mauritius bills / Bonds	202,910	-	3,027,776	-	504,305	4,966,719	4,982,773	-	13,684,483	13,855,096	11,353,331
Corporate bonds	-	-	-	-	-	1,344,873	1,498,450	-	2,843,323	100,346	-
	202,910	48,169	3,132,839	1,140,600	2,416,979	22,162,083	26,744,414	-	55,847,994	49,298,073	32,025,440
Total Segment A	1,697,497	1,557,537	4,123,074	2,391,656	4,221,008	27,889,512	31,238,683	-	73,118,967	68,535,914	55,520,966
Less: allowance for credit losses									(8,882)	(284)	(639)
									73,110,085	68,535,630	55,520,327

Notes to the Financial Statements

For the year ended 31 December 2022

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

o. Investment securities (Cont'd)

Segment B	31-Dec-2022									31-Dec-21	31-Dec-20
	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											
Government bonds and treasury notes	-	-	-	-	5,101,646	-	271,101	-	5,372,747	1,868,798	-
Treasury bills	-	-	-	880,299	-	-	-	-	880,299	2,392,037	2,628,290
Bank Bonds	-	-	-	-	-	-	-	-	-	85,250	-
Mutual Funds	-	-	-	-	-	-	-	1,022,515	1,022,515	2,046,812	1,356,130
	-	-	-	880,299	5,101,646	-	271,101	1,022,515	7,275,561	6,392,897	3,984,420
(b) Investment securities measured at FVTOCI											
Government bonds and treasury notes	4,419	352,213	1,259,551	421,107	124,843	-	-	-	2,162,133	7,496,704	5,733,830
Treasury bills	2,188,922	-	1,067,928	-	-	-	-	-	3,256,850	15,669,379	10,140,597
Bank bonds	1,727,912	1,531,309	2,377,120	757,744	2,757,271	641,394	-	-	9,792,750	16,322,457	14,919,068
Corporate Bonds	726,629	-	437,604	-	1,707,792	227,141	-	-	3,099,166	2,630,961	1,251,409
	4,647,882	1,883,522	5,142,203	1,178,851	4,589,906	868,535	-	-	18,310,899	42,119,501	32,044,904
(c) Investment securities measured at FVTOCI											
Equity shares of companies:											
- Other equity investments	-	-	-	-	-	-	-	8,400	8,400	6,869	4,408
	-	-	-	-	-	-	-	8,400	8,400	6,869	4,408
(d) Investment securities at amortised cost											
Government bonds and treasury notes	-	355,424	-	-	4,079,954	4,177,501	318,059	-	8,930,938	1,621,323	1,329,928
Treasury bills	2,618,363	1,090,890	1,080,704	-	-	-	-	-	4,789,957	-	-
Bank Bonds	-	-	-	-	417,898	132,409	85,938	-	636,245	750,715	491,940
	2,618,363	1,446,314	1,080,704	-	4,497,852	4,309,910	403,997	-	14,357,140	2,372,038	1,821,868
Total Segment B	7,266,245	3,329,836	6,222,907	2,059,150	14,189,404	5,178,445	675,098	1,030,915	39,952,000	50,891,305	37,855,600
Less: allowance for credit losses									(17,539)	(27,600)	(37,881)
									39,934,461	50,863,705	37,817,719
Total investment securities	8,963,742	4,887,373	10,345,981	4,450,806	18,410,412	33,067,957	31,913,781	1,030,915	113,070,967	119,427,219	93,376,566

Notes to the Financial Statements

For the year ended 31 December 2022

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

p. Property, equipment and right-of-use assets

	Freehold land and buildings	Leasehold buildings	Other tangible fixed assets	Motor vehicles	Right-of-use assets	Progress payments	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Net book value at 31 December 2022							
Segment A	807,476	1,136,150	713,599	961	200,522	164,734	3,023,442
Segment B	16,341	203,396	77,568	220	33,628	14,268	345,421
Total	823,817	1,339,546	791,167	1,181	234,150	179,002	3,368,863
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
Total	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
Total	791,261	1,376,057	387,013	2,756	255,603	25,244	2,837,934

q. Intangible assets

SOFTWARE

Net Book Value

	31-Dec 2022	31-Dec 2021	31-Dec 2020
	MUR' 000	MUR' 000	MUR' 000
Segment A	1,139,073	1,358,690	1,670,016
Segment B	379,437	457,819	475,264
Total	1,518,510	1,816,509	2,145,280

r. Other assets

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2022	31-Dec 2022	31-Dec 2022	31-Dec 2021	31-Dec 2021	31-Dec 2021	31-Dec 2020	31-Dec 2020	31-Dec 2020
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accounts receivable	454,174	33,219	487,393	510,333	20,551	530,884	529,237	(3,349)	525,888
Balances due in clearing	4,833	-	4,833	3,033	-	3,033	4,422	-	4,422
Prepayments	175,390	-	175,390	156,694	-	156,694	102,962	-	102,962
Others	91,413	42,322	133,735	39,104	58,232	97,336	38,029	35,588	73,617
Total	725,810	75,541	801,351	709,164	78,783	787,947	674,650	32,239	706,889

Notes to the Financial Statements

For the year ended 31 December 2022

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

s. Deposits from banks

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2022	31-Dec 2022	31-Dec 2022	31-Dec 2021	31-Dec 2021	31-Dec 2021	31-Dec 2020	31-Dec 2020	31-Dec 2020
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Demand deposits	1,224,995	532,248	1,757,243	842,042	639,812	1,481,854	461,051	658,610	1,119,661

t. Deposits from non-bank customers

(i) Retail customers

Current accounts	24,083,239	3,872,113	27,955,352	22,245,969	3,759,692	26,005,661	18,951,457	3,500,447	22,451,904
Savings accounts	68,884,908	1,825,373	70,710,281	66,274,062	1,651,940	67,926,002	58,982,201	1,376,273	60,358,474
Time deposits with remaining term to maturity:									
Up to 3 months	1,526,998	692,534	2,219,532	1,250,285	576,534	1,826,819	1,090,392	690,478	1,780,870
Over 3 months and up to 6 months	646,817	413,505	1,060,322	656,225	621,968	1,278,193	631,984	658,786	1,290,770
Over 6 months and up to 12 months	1,271,416	679,525	1,950,941	1,036,818	428,437	1,465,255	1,247,604	443,174	1,690,778
Over 1 year and up to 5 years	2,270,110	315,877	2,585,987	1,986,349	513,793	2,500,142	1,920,584	458,962	2,379,546
Over 5 years	9,180	60	9,240	10,118	60	10,178	11,045	61	11,106
Total time deposits	5,724,521	2,101,501	7,826,022	4,939,795	2,140,792	7,080,587	4,901,609	2,251,461	7,153,070
Total	98,692,668	7,798,987	106,491,655	93,459,826	7,552,424	101,012,250	82,835,267	7,128,181	89,963,448

(ii) Corporate customers

Current accounts	25,497,240	48,990,845	74,488,085	24,022,719	80,770,392	104,793,111	16,623,943	51,728,306	68,352,249
Savings accounts	4,475,182	-	4,475,182	3,463,515	-	3,463,515	4,041,778	-	4,041,778
Time deposits with remaining term to maturity:									
Up to 3 months	4,492,982	13,819,635	18,312,617	2,702,219	6,199,853	8,902,072	4,154,154	5,080,530	9,234,684
Over 3 months and up to 6 months	2,852,832	8,714,177	11,567,009	768,060	1,626,248	2,394,308	881,759	722,728	1,604,487
Over 6 months and up to 12 months	611,630	1,831,104	2,442,734	637,235	583,848	1,221,083	1,396,204	890,858	2,287,062
Over 1 year and up to 5 years	528,455	2,245,197	2,773,652	353,704	1,127,614	1,481,318	93,154	167,403	260,557
Over 5 years	170	-	170	-	-	-	-	-	-
Total time deposits	8,486,069	26,610,113	35,096,182	4,461,218	9,537,563	13,998,781	6,525,271	6,861,519	13,386,790
Total	38,458,491	75,600,958	114,059,449	31,947,452	90,307,955	122,255,407	27,190,992	58,589,825	85,780,817

Notes to the Financial Statements

For the year ended 31 December 2022

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

t. Deposits from non-bank customers (cont'd)	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2022	31-Dec 2022	31-Dec 2022	31-Dec 2021	31-Dec 2021	31-Dec 2021	31-Dec 2020	31-Dec 2020	31-Dec 2020
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(iii) Government									
Current accounts	6,592,814	-	6,592,814	10,252,546	-	10,252,546	7,742,294	-	7,742,294
Savings accounts	3,243,286	-	3,243,286	4,299,087	-	4,299,087	3,386,221	-	3,386,221
Time deposits with remaining term to maturity:									
Up to 3 months	65,703	-	65,703	126,022	-	126,022	501	-	501
Over 3 months and up to 6 months	1,607,635	-	1,607,635	1,600	-	1,600	126,702	-	126,702
Over 6 months and up to 12 months	4,014,432	-	4,014,432	3,304,794	-	3,304,794	3,004,187	-	3,004,187
Over 1 year and up to 5 years	810,353	-	810,353	277,000	-	277,000	100	-	100
Over 5 years	-	-	-	122	-	122	-	-	-
Total time deposits	6,498,123	-	6,498,123	3,709,538	-	3,709,538	3,131,490	-	3,131,490
	16,334,223	-	16,334,223	18,261,171	-	18,261,171	14,260,005	-	14,260,005
	153,485,382	83,399,945	236,885,327	143,668,449	97,860,379	241,528,828	124,286,264	65,718,006	190,004,270

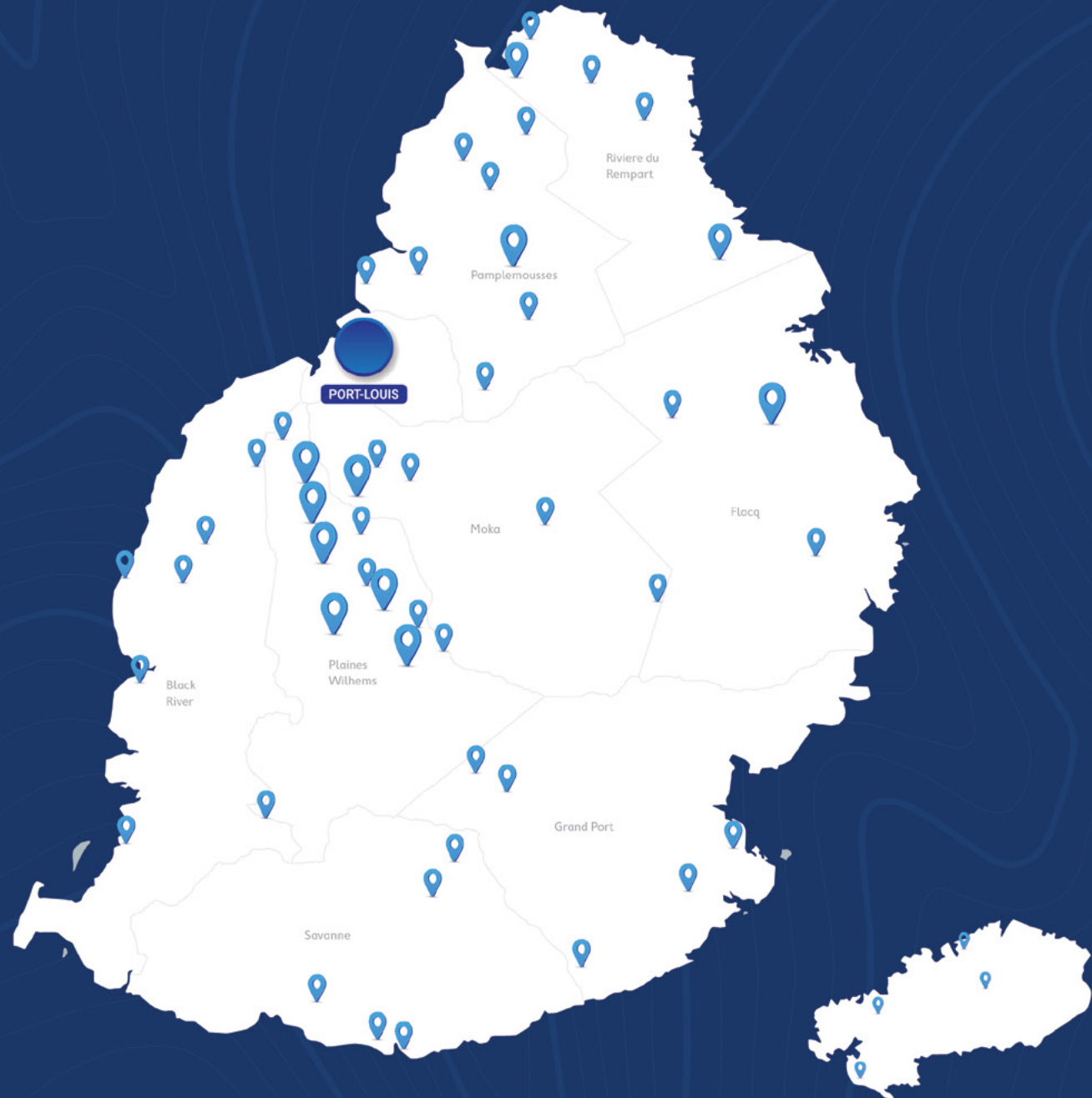
Notes to the Financial Statements

For the year ended 31 December 2022

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY 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 2022	31-Dec 2022	31-Dec 2022	31-Dec 2021	31-Dec 2021	31-Dec 2021	31-Dec 2020	31-Dec 2020	31-Dec 2020
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Borrowings from central bank	-	-	-	-	-	-	1,977,685	-	1,977,685
Borrowings from other financial institutions	-	757,808	757,808	-	916,692	916,692	-	3,139,542	3,139,542
Borrowings from banks in Mauritius	-	-	-	4,358,708	-	4,358,708	3,956,990	-	3,956,990
abroad	-	-	-	-	-	-	-	2,011,734	2,011,734
	-	757,808	757,808	4,358,708	916,692	5,275,400	5,934,675	5,151,276	11,085,951
v. Other liabilities									
Balance due in clearing	77,201	2,523,461	2,600,662	6,162	3,068,370	3,074,532	1,371	2,197,302	2,198,673
Bills payable	385,082	-	385,082	273,795	-	273,795	190,709	-	190,709
Accruals for expenses	708,843	-	708,843	701,293	-	701,293	360,576	-	360,576
Accounts payable	780,812	463,851	1,244,663	578,138	277,949	856,087	566,389	9,670	576,059
Deferred income	-	53,500	53,500	-	35,118	35,118	-	50,734	50,734
Balances in transit	955,369	-	955,369	971,002	-	971,002	862,898	-	862,898
Others	41,655	-	41,655	41,923	-	41,923	781	13,248	14,029
ECL on memorandum items	252,286	2,400	254,686	283,482	12,678	296,160	323,516	14,466	337,982
	3,201,248	3,043,212	6,244,460	2,855,795	3,394,115	6,249,910	2,306,240	2,285,420	4,591,660
w. Memorandum items									
a. <u>Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers</u>									
Acceptances on account of customers	235,978	103,423	339,401	271,263	19,843	291,106	234,453	-	234,453
Guarantees on account of customers	11,115,131	657,415	11,772,546	8,595,736	847,641	9,443,377	7,674,898	799,088	8,473,986
Letters of credit and other obligations on account of customers	1,373,675	6,417	1,380,092	1,076,673	67,574	1,144,247	453,153	4,654	457,807
	12,724,784	767,255	13,492,039	9,943,672	935,058	10,878,730	8,362,504	803,742	9,166,246
b. <u>Commitments</u>									
Undrawn credit facilities	14,680,724	265,055	14,945,779	11,137,465	337,349	11,474,814	10,395,104	456,095	10,851,199
	14,680,724	265,055	14,945,779	11,137,465	337,349	11,474,814	10,395,104	456,095	10,851,199

Our Presence in Mauritius & Rodrigues



Port Louis

- Bank of Mauritius Tower**, Sir William Newton Street
- Brabant Street**, Brabant Street
- Caudan Waterfront**, Caudan
- Emmanuel Anquetil Building**, Sir Seewoosagur Ramgoolam Street
- Kinoo Square**, Gare Du Nord
- London Way Pointe Aux Sables**, Pointe Aux Sables
- SBM Cassis**, Cassis
- SBM Labourdonnais**, Labourdonnais Street
- SBM Plaine Verte**, La Paix Square, Corner SSR And La Paix Streets
- SBM Pope Hennessy**, Pope Hennessy Street
- SBM Royal Street**, Royal Street
- SBM Tower**, 1 Queen Elizabeth II Avenue
- Telecom Tower**, Edith Cavell Street
- Victoria Urban Terminal Zone A**, Victoria Square
- Victoria Urban Terminal Zone B**, Victoria Square

Plaine Wilhems

- Belle Rose**, Royal Road
- Super U**, Royal Road
- Beau Bassin**
- Jumbo Express Windsor**, Royal Road
- SBM Beau Bassin**, Napier Broome Street
- Tangs Way**, 126 - 128 Royal Road
- Intermart Beau Bassin**, Royal Road
- Candos**
- SBM Candos**, Victoria Hospital
- Coromandel**
- Winner's Coromandel**, Morcellement Montreal
- Curepipe**
- Manhattan Shopping Centre**, Louis Pasteur Street
- SBM Curepipe**, Royal Road
- Winner's Forest Side**, Frederic Bonnefin
- So'flo**, Georges Guibert Street
- Ebene**
- SBM Ebene**, IBIZA Building, Wall Street
- Ebene Commercial Centre**
- Mesnil**
- SBM Mesnil**, Royal Road
- Quatre Bornes**
- Orchard Centre**, St Jean Avenue
- SBM Quatre Bornes**, 27 St Jean Avenue
- Roches Brunes**
- Winner's Roches Brunes**, Pigeot Avenue
- Rose Hill**
- Pirbhai Rose Hill**, Dr Maurice Cure Street
- SBM Rose Hill**, Cardinal Margeot Square
- SBM Stanley**, Hugnin Road
- Trianon**
- Tribeca Mall**
- La City Trianon**
- Vacoas-Phoenix**
- Glen Park Post Office**, Glen Park

- London Way**, Royal Road
- Phoenix Mall**, S Sivananda Avenue
- SBM Vacoas**, John Kennedy Avenue
- Winner's Vacoas**, Avenue Jules Keonig
- Vacoas Commercial Centre**, Corner Candos Vacoas Road B3 and Carreau Laliane Branch Road
- Le Valentina Mall**, Motorway M1
- Winner's St Paul**, Royal Road

Moka

- Montagne Blanche**
- SBM Montagne Blanche**, Royal Road
- Quartier Militaire**
- SBM Quartier Militaire**, Royal Road
- Reduit**
- SBM Reduit**, University Complex
- Bagatelle Mall**
- St Pierre**
- Les Allees D'Helvetia**, Royal Road
- SBM St Pierre**, L'Agrément

Pamplemousses

- Grand Bay**
- La Croisette Shopping Mall**
- SBM Grand Bay**, Royal Road
- Coeur de Ville Grand Bay**, Route de La Salette
- Fond du Sac**
- SBM Fond du Sac**, Royal Road
- Long Mountain**
- SBM Long Mountain**, Royal Road
- Morcellement Saint Andre**
- LOLO Hyper**, Royal Road
- Pamplemousses**
- Mahogany mall**, Beau Plan
- SBM Pamplemousses**, Royal Road
- SBM SSRNH**, SSRN Hospital
- Terre Rouge**
- Riche Terre Mall**, Riche Terre Road
- Winner's Terre Rouge**, Royal Road
- Tombeau Bay**
- Simla Way Supermarket**, Royal Road

Riviere du Rempart

- Goodlands**
- SBM Goodlands**, Royal Road
- Pereybere**
- Winner's Pereybere**, Royal Road
- Riviere du Rempart**
- Riverside Shopping Centre**, Royal Road
- SBM Riviere du Rempart**, Royal Road

Flacq

- Bel Air**
- SBM Bel Air**, Royal Road
- Flacq**
- Charles de Gaulles Street**
- SBM Flacq**, Flacq Retail Park
- Coeur de Ville Flacq**
- VIP Commercial Centre**

Lallmatie

- SBM Lallmatie**, Royal Road

Grand Port

- L'Escalier**
- SBM L'Escalier**, Royal Road
- Mahebourg**
- Bo'valon Mall**, Royal Road
- London Way Mahebourg**, Pointe D'Esny Road
- SBM Mahebourg**, Cnr Cent Gaulettes and Délices Streets
- Nouvelle France**
- SaveMart Nouvelle France**, Royal Road
- Rose Belle**
- Plaisance Shopping Village**, Royal Road
- SBM Rose Belle**, Royal Road
- Plaine Magnien**
- SSR International Airport**

Savanne

- Chemin Grenier**
- SBM Chemin Grenier**, Royal Road
- Grand Bois**
- SBM Grand Bois**, Royal Road
- Riviere des Anguilles**
- SBM Riviere des Anguilles**, Royal Road
- Souillac**
- Sabeka Electronics**, Royal Road
- Surinam**
- SBM Surinam**, Royal Road

Black River

- Bambous**
- SBM Bambous**, Royal Road
- Black River**
- London Way Tamarin**, Black River Road
- Cascavelle**
- Cascavelle Shopping Village**
- Flic en Flac**
- Le Flamboyant Complex**, Royal Road
- La Gaulette**
- Village Walk Shopping Centre**, Royal Road
- Tamarin**
- Palm Square**, La Mivoie

Rodrigues

- SBM La Ferme**, La Ferme
- SBM Mon Lubin**, Mon Lubin
- SBM Plaine Corail**, Plaine Corail
- SBM Port Mathurin**, Port Mathurin



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