SBM

Cultivating our roots, harvesting progress

SBM Bank (Mauritius) Ltd | Integrated Annual Report 2023

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.

Dear Shareholder and Valued Partners,

The Directors of SBM Bank (Mauritius) Ltd ('SBM Bank' or the 'Bank') are pleased to present the Integrated Annual Report for the year ended 31 December 2023.

The Board of Directors confirms, to the best of its belief, that the Integrated Annual Report addresses the relevant material matters that impact the performance of the Bank in a fair and transparent manner.

The Board approved and authorised the publication of the SBM Bank (Mauritius) Ltd Integrated Annual Report 2023 on 06 May 2024.

Visvanaden Soondram
Chairman
SBM Bank (Mauritius) Ltd

Premchand Mungar
Chief Executive
SBM Bank (Mauritius) Ltd

Advocating Positive and Purposeful Change

Retracing our journey

At its very beginning, SBM was set up as an institution to foster financial inclusion in the country by opening access to basic banking services across the island, particularly in rural regions. Over the years, SBM has played an influential role in supporting the socio-economic progress of Mauritius, through its dedicated financial solutions and active Corporate Social Responsibility (CSR) activities and proximity to its valued customers.

Purposive character of the Bank

Building on its achievements over its 50-year history, the Bank is committed to embarking on a renewed and dynamic growth trajectory over the short and medium terms. This will be in alignment with its aspirations to (i) entrench its position as a leading and competitive player within the banking and financial services industry; (ii) contribute to the healthy economic progress of the nation, alongside underpinning the credentials and repute of the Mauritian IFC; (iii) nurture active relationships with stakeholders and promote inclusive societies; and (iv) work towards a healthy natural environment.

Theme of our Integrated Annual Report

In line with the endorsed CSR philosophy, our Integrated Annual Report aims – through its holistic structure and substance – to showcase how the Bank is purposefully driving its Sustainability Agenda while strengthening its proximity with its multiple stakeholders. The report highlights how SBM Bank has lately embarked on an ambitious Sustainability Agenda and is strengthening its capabilities to deliver on its financial performance, business growth and sustainability objectives in an effective manner. It depicts how the Bank continues to care for and give back to its various stakeholders, thus reinforcing its positioning as a responsible organisation.

Reflecting on an Encouraging and Eventful Year for the Bank

Financial performance snapshot for FY 2023

Sustained revenue generation

Profit for the year
MUR **4.6** billion
+31.1%

Operating income
MUR **11.4** billion
+21.4%

Increased return on investment

Return on average shareholder's equity
19.5%
+281 bps

Return on average assets
1.7%
+39 bps

Sound financial ratios

Capital adequacy ratio
19.4%
+246 bps

Net NPL ratio
0.8%
-71 bps

Read more on our financial performance in the 'Financial Review' section on pages 248 to 256

Our significance and value creation

Contribution of the Bank to the Mauritian economy and society

National economy

~ 2.1% of total value added

~ 30% of banking sector value added

Tax payment to underpin national development goals

~ 2% of the country's corporate tax revenue

Job creation in support of nationwide social aspirations

~ 20% of banking sector employment

Wealth generated by the Bank

MUR 8.3 billion in FY 2023

Employees
MUR 2.3 billion
We deliver attractive salaries and benefits to our staff, while underpinning their welfare and career development

Shareholder and investor community
MUR 1.6 billion
We provide our shareholder with interesting returns

Government and regulators*
MUR 0.6 billion
We support the authorities by means of our tax payments and help to underpin the country's socio-economic development, notably through our CSR activities

Retention for growth
MUR 3.8 billion
Part of wealth created is retained to assist the Bank in fuelling its future growth ambitions

* includes the proportion of our CSR contribution remitted to the Mauritius Revenue Authority

Notes:

- *The figures above, which pertain to the year 2023, are only indicative and should be treated with caution insofar as they are high-level estimates produced for the purpose of this report.*
- *The ratios computed have been shaped up by certain assumptions made, while being subject to the availability of data.*

Read more on key insights and metrics reflecting our engagement in the 'Our stakeholder model and engagement' section on pages 76 to 99

In Retrospect: Celebrating our 50-year Journey towards Excellence

2023 has truly been a landmark year for SBM. To mark our 50th anniversary, we carried out several initiatives and organised various events as an expression of our gratitude towards our stakeholders for their contribution to our success. The following snapshots serve as a testament to these initiatives, which have helped to further improve our brand credentials as well as strengthen our ties with our customers and the Mauritian community at large.

1


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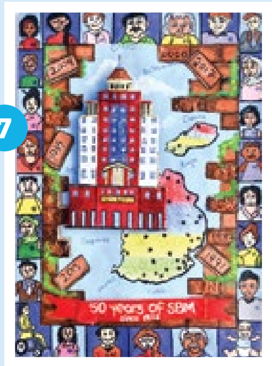

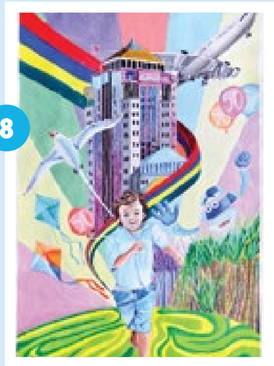

1, 2 & 3 Tower mapping

The highlight of SBM's 50^{th} anniversary celebrations was a unique video projection on two facades of the SBM Tower, accompanied by a laser show and music.

4 Commemorative postage stamp

In partnership with Mauritius Post Ltd, we issued a first day cover with a MUR 50 commemorative stamp featuring the iconic SBM Tower.

5 Employee loyalty

Several long-serving members of the SBM family were awarded a commemorative trophy during a staff gathering held at the SBM Tower as part of the 50^{th} anniversary celebrations.

6, 7 & 8 Through the eyes of the children

The prize-giving ceremony for the SBM Amigos Drawing/Painting Competition, on the theme '50 years of SBM', was held in May 2023 at the SBM Tower.

9 Paving the way towards a sustainable future

The unveiling of the SBM Group Sustainability Agenda marked a major step in our relentless commitment to creating a positive impact on the environment, society and the economy.

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Reflections from the Chairman

Dear Stakeholders,

On behalf of the Board of Directors, I am pleased to present to you the Integrated Annual Report of SBM Bank (Mauritius) Ltd for the financial year ended 31 December 2023 ('FY 2023').

Context

In this dynamic scenario with prevailing uncertainties in the economic environment, the Board emphasises the importance of reinforcing the Bank's resilience and maintaining a strategy grounded in prudent risk management. To support this objective, we engage in ongoing discussions and meetings with our Senior Management team to ensure that our strategic direction remains aligned with our overarching goals.

> ***The financial performance during FY 2023 validates the strategic approach undertaken by the Bank***

We remain steadfast in our commitment to navigating these uncertain times with optimism and determination, focusing on bolstering the socio-economic fundamentals of our country and contributing positively to its development trajectory.

Driven by its vision to be a trusted financial partner, the Bank continued to deliver strong returns for its shareholder during FY 2023, create a fulfilling experience for its stakeholders and support the betterment of the community. SBM Bank's financial performance, coupled with its proven resilience, demonstrates that the Bank is well-positioned to capitalise on opportunities in the coming years.

The Bank's total assets reached MUR 281.1 billion as at 31 December 2023 compared to MUR 269.1 billion as at 31 December 2022. It remains strongly capitalised with a CAR of 19.4%, a Tier 1 capital ratio of 17.9% and a capital base of MUR 24.0 billion. A profit after tax of MUR 4.6 billion was registered for the year ended 31 December 2023 compared to MUR 3.5 billion for FY 2022.

Towards a better tomorrow

The financial performance during FY 2023 validates the strategic approach undertaken by the Bank. With the guidance of the Board of Directors, the Bank accelerated its business development momentum which was galvanised by innovation and agility and further built its resilience by prudently broadening its revenue streams, expanding its balance sheets and reinforcing its financial soundness. This was possible through a cautious strategy focused on minimising risks while seizing opportunities.

Besides the financial components, other key anchors of the Board of SBM Bank's strategic approach are sustainability and inclusivity. The Bank adopted the SBM Group Sustainability Agenda which was unveiled in May 2023. This roadmap provides a clearly defined framework for a sustainable future. It facilitates the integration of environmental, social and governance (ESG) best practices while contributing to the fulfilment of the United Nations Sustainable Development Goals. The Bank has also joined the United Nations Global Compact, becoming one of over 17,000 participants across 160 countries. The Bank's commitment reflects its ongoing dedication to fostering integrity and building a sustainable future within a global network.

The strategy for SBM Bank has been laid out and clear performance targets for sales and operating profit margin growth for 2024 have been defined. If achieved, these would represent a sustainable performance. Similar stretching ambitions are being set for all new lines of business and the Bank's ESG targets and we are confident that Management will deliver against these objectives.

2023 also marked SBM's 50th anniversary. This momentous occasion commemorated five decades of unwavering commitment, innovation and dedication that have transformed the lives of many. It was also the perfect occasion for the Bank to renew its commitment to provide unparalleled services to customers and support its loyal partners and staff. A snapshot of the celebrations can be found on pages vi-vii.

Reflections from the Chairman *(cont'd)*

Outlook

Today, SBM Bank is well positioned to take advantage of considerable growth opportunities as we navigate an uncertain external environment in 2024. The Bank will continue to strengthen its fundamental pillars and proactively address trends that are poised to influence the banking industry in the years ahead.

The Board recognises that banking is changing and doing so rapidly with the growing use of digital technology. The Bank is pursuing its digital transformation strategy anchored on innovation to enable it to create a digital ecosystem that not only facilitates customers' evolving needs but also elevates their overall banking experiences. The aim is to reinforce our relationship with customers through the synergistic combination of a strong digital ecosystem and an enhanced face-to-face experience.

> ***Our philosophy is to foster a winning team spirit while investing in the wellbeing and skills of our employees***

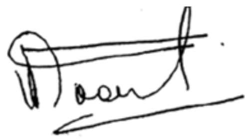
The Bank is committed to its status as an employer of choice and will continue to recruit, develop and retain a diverse and inclusive workplace. We know that when our workforce reflects the communities we serve, we can better fulfilll our clients' needs while also creating an environment where people want to perform their best. Our philosophy is to foster a winning team spirit while investing in the wellbeing and skills of our employees.

Our vision for the upcoming year remains unchanged. The Board of Directors will pursue its role to guide the Bank, serving as its vanguard amidst the complex landscape. We will also ensure that as the financial partner and advisor to its clients, the Bank remains focused on supporting them and protecting them against volatility and uncertainties. This collaboration will help develop the blueprint for the digital and sustainable economy of the future.

Thank you to our Directors and our Team

I would like to end by thanking all my Board colleagues for their contributions in 2023. The Board has responded efficiently to the issues that we have faced. The Board pursues its renewal process as we continue to attract the expertise and the experience essential to navigate the evolving banking landscape. We welcomed Mr Lawrence Eric Wong Tak Wan in October 2023 as Independent Director and Mr Premchand Mungar as the Bank's new Chief Executive and Executive Director in November 2023. We go forward in 2024 with the new Chief Executive and Executive Director and I am as optimistic for the future stewardship of the Bank as I am grateful for the contribution of those who held office before him.

I also wish to express my gratitude to our customers for their trust in the Bank. They are our 'raison-d'être' and one of our most important assets. Finally, I would like to thank all employees and our shareholder for their support and commitment through the last year and I look forward to what promises to be an exciting 2024 for SBM Bank.



Visvanaden Soondram
Chairman of the Board

Message from the Chief Executive

Dear Valued Partners,

As I reflect on the year 2023, when I joined SBM Bank (Mauritius) Ltd as Chief Executive, it imbues me with a sense of pride coupled with a feeling of commitment in forging the purposive character of the Bank. I indeed look forward to leading the SBM team with dedication, fostering a culture of excellence and innovation as we collectively navigate the evolving landscape of the banking industry.

The year 2023 was an important milestone in the history of SBM, as it celebrated its 50^{th} anniversary. This golden jubilee was not just a commemoration of our past, but also a time for introspection on our evolution as a pivotal entity in the country's banking industry. Throughout this journey, the Bank has actively participated in shaping the economic and financial landscape, while consistently emerging as a trusted and resilient pillar.

Whilst we witnessed significant global economic challenges during the year under review, including fluctuating markets and evolving regulatory landscapes, SBM Bank has not only remained resilient but also continued its substantial progress. We are dedicated to upholding world-class standards across all our service channels, as demonstrated by our ongoing branch renovation efforts. These renovations are integral to our overarching initiative to upgrade the banking experience. The ongoing renovation of our service units across Mauritius and Rodrigues stands as a testament to this vision as is the setting up of new service units, such as SBM Rivière Noire, which was inaugurated on 01 September 2023, bringing our current number of branches to 41.

Sustainability

A defining moment of 2023 has been the rollout of our robust and forward-thinking Sustainability Agenda. This agenda serves as our roadmap, seamlessly embedding sustainability principles into every aspect of our operations. However, we are only at the beginning of the implementation of this agenda and we need to intensify our efforts in favour of sustainable development to meet the targets defined in the United Nations Sustainable Development Goals.

As I am called upon to lead the Bank, I feel that it is important to look back on the Bank's origin, which was driven by the mission to bring banking services to underserved regions where traditional banking was absent. As a responsible partner, we put all our efforts to empower diverse communities financially, thus promoting inclusive growth. This heritage inspires us to continually innovate and expand our reach, ensuring that our impact remains positive and far-reaching.

> ***“The Bank has actively participated in shaping the economic and financial landscape, while consistently emerging as a trusted and resilient pillar”***

Digitalisation

Our steadfast commitment to the digital transformation of our banking services remains at the forefront of our priorities. Looking ahead, we are poised to continue advancing our digital strategy, aiming to provide our customers with an increasingly seamless banking experience. Our focus extends beyond online platforms, encompassing a comprehensive approach that prioritises customer-centricity across digital channels and in-person interactions. Our teams are busy working on a new mobile banking application to better suit current market needs and will also revamp our Internet Banking platform, which will be hosting a new range of features not only for retail customers, but also for SMEs and Corporates.

On this note, I would like to highlight a key achievement at the beginning of 2024, with SBM Bank becoming the first Mauritian bank to provide acquiring services for RuPay cards on its Point-of-Sale terminals. This enables us to provide a seamless experience to the increasing number of RuPay cardholders, which is nearing the 1 billion mark.

Message from the Chief Executive *(cont'd)*

Our efforts have been recognised during FY 2023, with several awards and accolades received by the Bank and 2024 was off to a good start when we secured the 'Market Leader' accreditation of Euromoney magazine in the Private Banking and Corporate Banking segments.

Employer of choice

In our journey to excel as an employer of choice, a significant focus in 2023 has been the recruitment and retention of high-calibre employees and this will continue. We firmly believe that the cornerstone of our success is our talented and dedicated human capital. To this end, we have intensified our efforts in reinforcing the skills of our team through various initiatives, including training programmes spearheaded by the SBM Academy, in collaboration with reputed local and international service providers.

Recognising the importance of physical and mental wellbeing in achieving professional excellence, we have also placed a strong emphasis on sports and wellness activities. In addition to having sports and wellness activities for our staff members at SBM Park and SBM Tower, we also organised several events for our staff members, such as a sports day at the Côte d'Or National Sports Complex and a wellness week comprising numerous workshops covering several topics such as mental health/stress management, cancer talks and nutrition, among others.

> *We are poised to continue advancing our digital strategy, aiming to provide our customers with an increasingly seamless banking experience*

Celebrating 50 years of excellence

To commemorate the 50th anniversary of SBM, we embarked on a year-long journey of engaging and innovative initiatives. This milestone was an opportunity to deepen our relation with our employees, customers, stakeholders and the wider community. Initiatives such as town halls and tower mapping underscored our enduring commitment to collaborative growth and mutual success.

Serving the community

We significantly bolstered our commitment to community development in 2023. We have sponsored several initiatives, targeting all age groups, particularly with a focus on youth, to participate in sports and wellness programmes. We took pride in sponsoring several NGOs, many of which are involved in community development projects through education and empowerment of vulnerable groups.

Furthermore, CSR being a cornerstone of our corporate ethos, SBM Bank, in collaboration with the SBM Foundation, has been an active agent in conducting impactful initiatives. Several teams from the Bank have actively engaged in diverse community-oriented projects and philanthropic endeavours.

These initiatives encompass areas such as education, healthcare, environmental sustainability and community development.

Strategic growth and performance

The financial results of 2023 were in accordance with the adaptive strategies implemented. Our focused approach yielded a profit after tax of MUR 4.6 billion for the financial year ended 31 December 2023, marking a significant 31.1% increase from 2022.

SBM Bank concluded 2023 with an operating income of MUR 11.4 billion, up by 21.4% from the previous year. This robust performance was driven by a 22.5% increase in net interest income and an 18.3% rise in non-interest income. Although non-interest expenses rose by 25.1%, the Bank's profit before credit loss grew by 18.5%, reaching MUR 6.2 billion in 2023.

As at 31 December 2023, our total assets amounted to MUR 281.1 billion, representing a MUR 12.0 billion increase from 31 December 2022. Net loans and advances saw a 3.7% growth, amounting to MUR 112.1 billion, while our deposits stood at MUR 240.9 billion. Investment securities made up 44.6% of our total asset base at the end of 2023.

By end of December 2023, shareholder's equity totalled MUR 25.7 billion. The Tier 1 capital ratio stood at 17.9% and the total Capital Adequacy Ratio (CAR) was 19.4%. The Bank fully respected the regulatory requirement of a Tier 1 capital ratio of 12.5% and a total CAR of 14.5%, which includes a 2.5% capital conservation buffer and a 2.0% loss absorbency requirement for domestic systemically important banks.

Moving forward

The ongoing global economic recovery from the challenges posed by the COVID-19 pandemic, Russia's invasion of Ukraine, the situation in Israel and the cost-of-living landscape exhibits continued resilience. The International Monetary Fund (IMF) forecasts global growth at 3.2%, with a simultaneous projection of global headline inflation declining to 5.9% in 2024.

On the domestic front, our national economic landscape is already in a state of stability, characterised by improvements in labour conditions and a downward trajectory in unemployment. Notably, headline inflation is anticipated, as per last analysis by the Central Bank, to reach 4.9% by the end of 2024.

Henceforth, we remain steadfast in fortifying our resilience and enhancing our value proposition, underpinned by a commitment to innovation and the strategic adoption of technology to adeptly navigate the evolving business landscape. Our dedication to our long-term vision and purpose will serve as the guiding thread throughout our various strategies, operations and initiatives. Concurrently, we will maintain a vigilant stance, continuously assessing the environment to proactively manage critical vulnerabilities.

Ending note

During the past 50 years of our existence, we have emerged as one of the most important banks in the economic and financial landscape. Our focus has been on serving our customers across all segments as we continuously found new ways to provide exceptional services to our customers, be it the creation of new sub-departments, recruitment of high-calibre employees, training of existing employees, while working closely with consultants and those who can help us navigate best in this ever-evolving environment.

Our ambitions remain firmly rooted in being at the forefront of the Mauritius International Financial Centre, seamlessly integrating sustainability into every facet of our operations and touchpoints. As we lead the way in financial services, our commitment to sustainable practices serves as a guiding principle, reflecting our vision for a future where responsible banking not only meets but exceeds the expectations of our stakeholders. At SBM Bank (Mauritius) Ltd, sustainability is a component of our identity as one of the leading banks in Mauritius.

Reflecting on the multitude of accomplishments and growth throughout 2023, I wish to express my gratitude to all stakeholders who have been a support to us in this remarkable journey. I take pride in the dedication and passion demonstrated by our team, who has risen to the occasion despite the challenging environment.

As we enter 2024, we renew our commitment to excellence and eagerly anticipate the next phase of our journey. Our dedication remains steadfast as we continue to provide unparalleled banking services and embrace opportunities that lie ahead.

In a gist, we shall maintain our mission to remain close to and to service our customers at grassroots level, while adapting to the evolving needs of the market and adopting new technologies and innovating to achieve service excellence for our clients, thus positioning SBM as a significant player of the Mauritius International Financial Centre.

Thank you for remaining part of this continued success.

Premchand Mungar
Chief Executive

Investing for tomorrow: delivering sound returns

Guided by our stakeholder commitment, we aim to pave the way for a prosperous tomorrow, while delivering sound returns to our valued shareholder and providers of capital

Our Reporting Universe and Philosophy

Our Reporting Universe and Philosophy

About our report

Introduction

Our Integrated Annual Report has been prepared in accordance with relevant rules, guidelines, standards and frameworks. The report has been based on the key principles set out by the International Integrated Reporting Council.

Purpose

The primary purpose of this report is to explain how SBM Bank creates sustainable value for the benefit of its multiple stakeholders, while tapping into opportunities met and managing the risks faced.

This report aims to provide our stakeholders with a holistic, balanced, transparent and concise depiction of the performance and positioning of the Bank, including its strategy and governance framework.

Scope and boundary

Scope: Operations and positioning of the Bank.

Period covered: From 01 January 2023 to 31 December 2023. Material events after this date and up to the approval of this report on 06 May 2024 are also catered for.

Navigation toolkit

Read more in this Report

Further details on our website

Embarking on an integrated reporting journey

Scope and purpose

SBM Bank has, during the course of last year, officially endorsed its Sustainability Agenda, which reflects its stakeholder engagement and its commitment to achieving a better and fairer world.

Against this backdrop and its wider-level ambitions, the Bank is, for the first time, producing its Integrated Annual Report, while adhering to the International Integrated Reporting Council Principles. We have set out to communicate our financial and non-financial progress in an increasingly holistic, structured and transparent manner, thus showing how we are fulfilling our purpose. Our report conveys a forward-looking perspective of our business, while demonstrating, amidst an evolving operating landscape, how value is created by means of a well-articulated business model.

In this spirit, the Bank is showing how it is impactfully engaging with its stakeholders, in line with their expectations, alongside harnessing its reputation as a resilient, dynamic and purpose-driven organisation.

Looking ahead, the Bank is committed to further improving the quality of its reporting, with expanding focus on integrated thinking, strategic value drivers and the creation of shared value.

Our Reporting Universe and Philosophy *(cont'd)*

Key principles

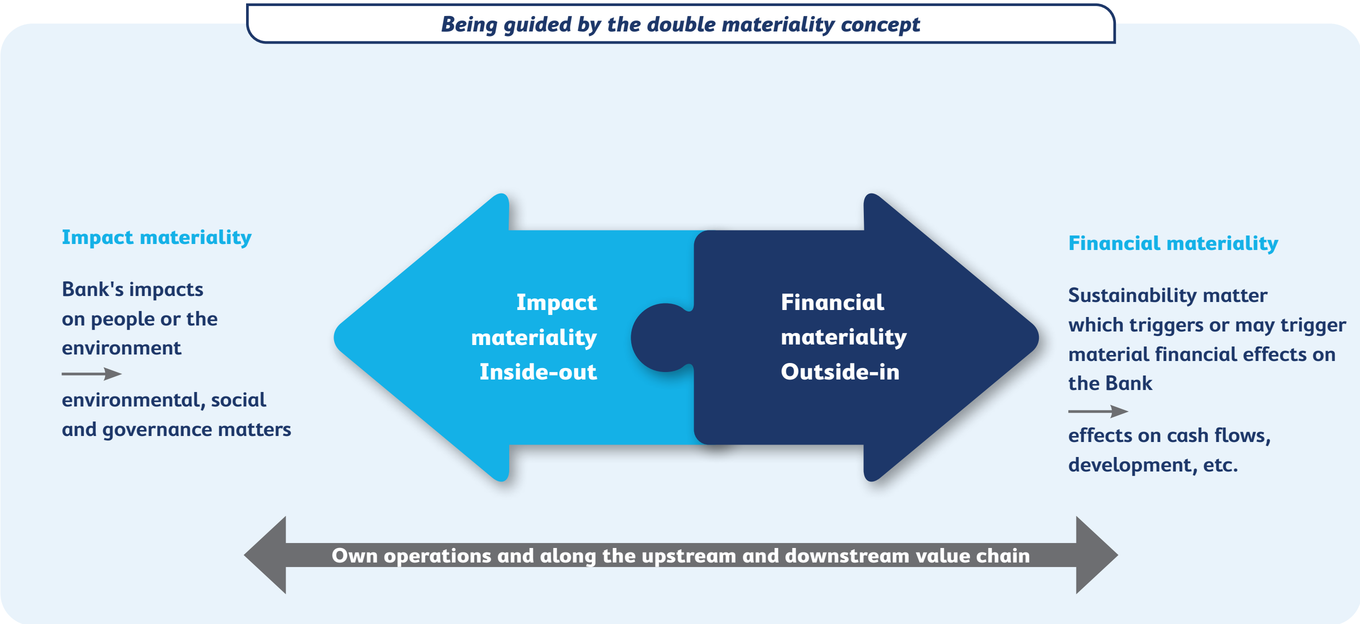
The principles guiding information contained in our Integrated Annual Report are as follows:

Determination of our material matters

Background

While serving as a basis to reflect the Bank's identity and to strengthen the strategy management process, information disclosed in our Integrated Annual Report is founded on our material matters.

We define material matters as those which can significantly affect our ability to achieve our organisational purpose as well as to create and preserve value for our stakeholders, over both the short and longer runs. These material matters are deemed important enough to help achieve the Bank's vision, mission, goals and strategies. We are dedicated to reassessing our material matters on a continuous basis to cater for the fast-changing economic, market and industry environments.



Our Reporting Universe and Philosophy *(cont'd)*

Process and underpinnings

Determination process

The determination of materiality by SBM Bank has been driven by a systematic and rigorous process, while being subject to proper appraisals and validations. Based on expert advice and guidance from the external Sustainability Specialist partner accompanying us on our journey, our material matters have been determined by means of a ranking and prioritisation exercise. The latter has encompassed comprehensive discussions with internal stakeholders across business segments, by means of workshops and brainstorming sessions, alongside bearing in mind the specificities and strategic directions of the Bank, stakeholder expectations, international best practices and industry benchmarks. While we have currently articulated a set of material matters, we are committed to anchoring these material matters as foundations for our strategising and strategy management exercises and processes, with regular and targeted reporting to be undertaken on the ongoing progress being realised by the Bank over time.

Identify the drivers

- Our mission and vision
- Our core values
- Our strategic focus areas
- Our risk appetite
- Stakeholders expectations
- Market and industry trends and imperatives
- Social, economic and environmental challenges

Prioritise the concepts

- Determine strategic risks and opportunities
- Engage with internal and external stakeholders
- Undertake peer review
- Assess, compare and contrast all potential matters in terms of significance and severity
- Discuss, validate and communicate internally

Articulate the strategy and targets

- Set underlying strategic directions and targets
- Define key performance management indicators

Endorsement of the Bank's material matters

Customer experience

Customer experience and satisfaction, supported by innovative channels as well as the ability to adapt to change and market demand by developing suitable products and services to enhance the customers' experience and meet their legitimate requirements, whilst being mindful of critical environmental, social and governance issues.

Purposive character of the Bank

Strategic endeavours of the Bank with a view to supporting the sound and inclusive economic growth and development of Mauritius, alongside boosting the country's positioning as an International Financial Centre of repute and substance; disseminating banking and financial services to everybody as well as promoting ready access to solutions by all customer segments, notably by individuals, entrepreneurs and SMEs in line with their growth ambitions.

Employee wellbeing

Employees feel valued, respected and derive meaning from performing their jobs in an environment where transparency and communication are promoted. Physical, emotional and mental wellbeing is prioritised through awareness and the establishment of relevant programmes and support systems.

Ethics, trust and transparency

The practice of consistently acting according to applicable rules and guidelines as well as values and moral principles; complying with the National Code of Corporate Governance and regulatory stipulations when undertaking market activities and/or dealing with potentially challenging subjects, such as environmental compliance, competitive behaviours and corporate social responsibility; the zero-tolerance policy and prevention of subjects such as bribery, discrimination, money laundering and the open disclosure of quality information that stakeholders can use to make choices; ensuring the protection of digital and physical data from any unauthorised use and allowing for disclosure in accordance with relevant jurisdiction requirements.

Diversity, equity and inclusion

Adhering to policies and programmes devised by external stakeholders to encourage representation and participation of groups of people with diverse backgrounds, experiences, skills and expertise, including the diversity of the Board, while also contributing to the social advancement of individuals in the community through the enhancement of opportunities and providing access to resources, especially for disadvantaged individuals; this includes SBM Foundation and SBM Academy programmes as well as Government initiatives.

Climate consciousness

Controlling and reducing the Bank's carbon footprint through the measurement, monitoring and management of tracked carbon emissions (direct, indirect and all other emissions associated with the Bank's activities) while, in the process, catering for ESG principles and foundations.

Our Reporting Universe and Philosophy *(cont'd)*

Creating long-term sustainable value in an integrated way

In line with our integrated reporting principles and while catering for our material matters, we interact, through various channels, with multiple stakeholders having a direct or indirect impact on our business.

This report sheds light on our regular stakeholder engagement, which enables us to deliver a coherent strategy that drives sustainable value creation on the basis of strong and trustworthy relationships. Towards this end, we demonstrate how we make judicious use of our forms of capital, in line with the categories defined by the International Integrated Reporting Council. Along the way, we seek to deliver on our prioritised UN Sustainable Development Goals (SDGs), through which we believe we can generate the most impactful value.

Leveraging our resources ...

Financial capital

Funds that are available for use by the Bank in the production of goods or provision of services, obtained through financing or generated through operations and investments

Manufactured capital

Matters and objects that are available for use by the Bank in the production of goods or provision of services, including buildings, machinery and equipment as well as infrastructures

Intellectual capital

Intangibles, including intellectual property (e.g. patents, copyrights and licences), organisational capital (e.g. tacit knowledge, systems, procedures and protocols) and the brand/reputation of the Bank

Human capital

Competencies, capabilities and experience of the Bank's employees, including their ability to understand, develop and implement its strategy as well as their motivations to innovate while leading, managing and collaborating

Social and relationship capital

Institutions and relationships established within and between each community, group of stakeholders and other networks towards enhancing individual and collective wellbeing, while promoting shared norms and values and protecting stakeholder interests

Natural capital

Renewable and non-renewable environmental stocks that provide goods and services in support of the current and future prosperity of the Bank, including air, water and land as well as relevant biodiversity structures and ecosystems

... to meet stakeholder expectations ...

Shareholder and investor community
Striving to generate sound and sustainable financial returns

Societies and communities
Promoting an inclusive and socially advanced nation

Customers
Delivering relevant financial solutions and services to our customers

Government and regulators
Doing the right business, the right way

Employees
Shaping a competent and engaged workforce that effectively meets customer needs

Suppliers and strategic partners
Leveraging networks and ecosystems to achieve our ambitions

... while adhering to the prioritised SDGs

Our Reporting Universe and Philosophy *(cont'd)*

Assurance and responsibility

Our reporting process for this Integrated Annual Report is guided by all applicable standards, principles, guidelines, laws and regulations including The Mauritius Companies Act 2001, Banking Act 2004, Financial Reporting Act 2004, Bank of Mauritius Guidelines, International Financial Reporting Standards (IFRS), The National Code of Corporate Governance for Mauritius (2016) and the International Integrated Reporting Framework. We also have an internal assurance model to ascertain that we provide reliable information throughout this Integrated Annual Report.

Deloitte, the Bank's External Auditor, has provided independent assurance on the Annual Financial Statements and the Corporate Governance Report and has expressed an unmodified audit opinion. The full content of the Integrated Annual Report has been reviewed by the External Auditor and Senior Management Team of SBM Bank (Mauritius) Ltd and, in line with related mandates, specific reports were also reviewed and recommended to the Board of Directors for approval by the Corporate Governance and Sustainability, Audit and Risk Management Committees.

The Board of Directors of SBM Bank (Mauritius) Ltd has reviewed and validated the Integrated Annual Report before its publication.

Your feedback matters

We welcome and value your feedback on our Integrated Annual Report.

Please write to us on **investor.relations@sbmgroup.mu**

Cultivating growth: empowering teams for excellence

Rooted in our commitment towards sustainable growth, we empower our employees to strive for excellence, alongside promoting their continuous engagement and wellbeing

Our Value Creation Story

Our Value Creation Story

Our Bank at a glance

Our identity

Established in June 1973 under the name of The State Commercial Bank Ltd, SBM Bank (Mauritius) Ltd is a leading banking institution in Mauritius. It is the mainstay of SBM Holdings Ltd, which is the third largest listed entity on The Stock Exchange of Mauritius.

During its journey, the Bank has paved its way to become one of the most influential banking institutions in Mauritius, with a major partaking in the country's socio-economic development via its participation in important projects and the active deployment of corporate sustainability initiatives in various fields.

Our salient features

Today, supported by its robust business model, the Bank provides comprehensive, innovative and tailored financial solutions that enable its customers to realise their ambitions. The Bank has always promoted customer proximity, while ensuring that it matches up with evolving market expectations.

The Bank has a workforce of around 1,790 employees, who remain focused on service excellence and building long-lasting relationships with all stakeholders. In this respect, the Bank serves around 552,150 customers across a wide range of segments, including Retail, Private Banking and Wealth Management, Microfinance, Small and Medium Enterprise (SME), Corporate, International Banking, Financial, Government and Non-Government Institutions. As a key growth enabler, the Bank has a wide physical presence and an extensive distribution network. It offers multi-channel capabilities to its clients through state-of-the-art branches and counters, the most extensive network of ATMs in the country, Internet and Mobile Banking solutions, e-Commerce gateways and other digital solutions such as Online Loan Application and Online Customer Onboarding, amongst others. These platforms and services allow the Bank's customers to benefit from seamless and secure banking experiences anywhere, anytime.

Our growth ambitions

Building on its journey so far, the Bank has set forward to embark on a renewed and reinforced growth momentum. It aspires to strengthen its position as a leading banking player as well as a major contributor to the sound, inclusive and sustained advancement of the Mauritian economy and society. It is committed to bolstering its capabilities to further improve customer service excellence, backed by digital innovations, while prudently and gradually diversifying its market footprint and revenues streams.

Key strategic focus areas

- **Increase domestic business market share across segments**
- **Grow international footprint steadily and prudently**
- **Build and solidify customer loyalty**
- **Promote sustainability**

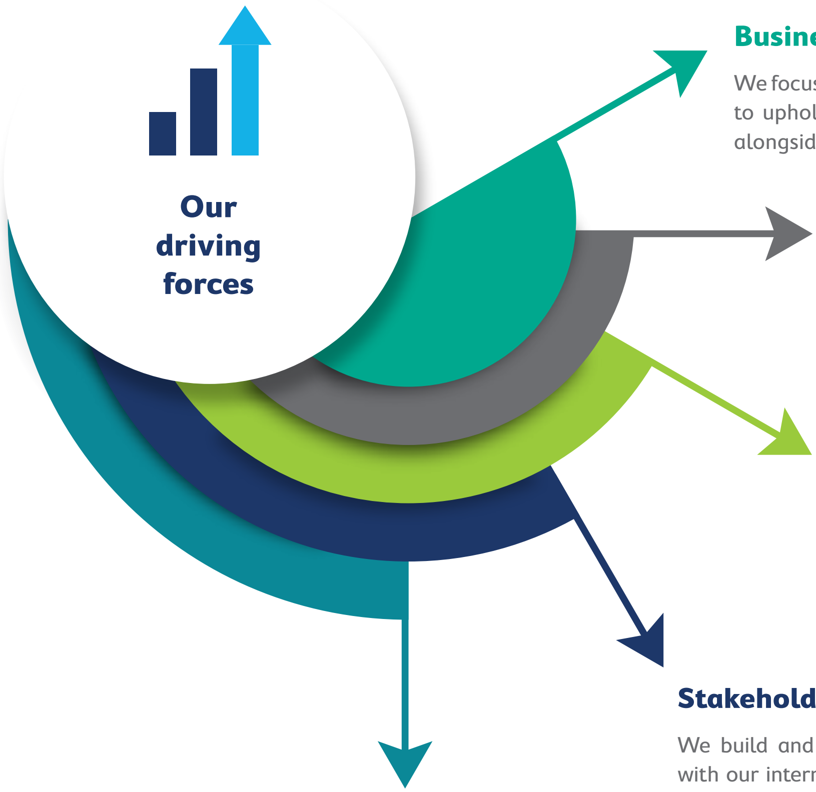
Our purpose and philosophy

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

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

- Customer centricity
- Trustworthiness
- Integrity
- Prudence
- Respect

Our Value Creation Story *(cont'd)*



Business growth

We focus on our strengths and competitive advantages to uphold our leading banking position in Mauritius, alongside seeking to increase our market footprint

Innovation and dynamism

We maintain our efforts to further strengthen our digital, technological and operational capabilities and readiness with a view to delivering increasingly seamless client experiences and solutions

Transition to net zero

We assist in creating sustainable, environment-friendly and inclusive economies and societies by reshaping our functioning and assisting our customers in their transformation endeavours

Stakeholder management

We build and nurture strong relationships with our internal and external stakeholders to deliver on our strategy, while we attempt to achieve sound, balanced and long-term value generation

Doing the right thing

We conduct our business in a responsible and ethical way. We think long-term and learning from our success and setbacks, in strict compliance with relevant laws, rules and regulations

Our differentiating highlights

Skilled and talented employees

We strongly believe in providing our employees with a stimulating, empowering, fair and inclusive environment to achieve their goals, alongside supporting our business objectives.

1,790

Wide-ranging customer base

Our growth story is built on a diverse and widening customer base across the markets in which we are present, underpinned by our customised and appealing value proposition.

~552,150
Total customers

~159,900
Internet Banking customers

~116,630
SMS Banking customers

~540,350
e-Commerce users

Innovative and extensive channels

We serve our valued customers by means of tailored delivery and digital channels, while we seek to continuously strengthen the quality, reach and extensiveness of our various platforms.

45
branches and counters

137
ATMs

4,233
POS terminals

Prominent local stock profile

The Bank is the mainstay of SBM Holdings Ltd. The latter has a sound stock profile, which testifies to its favourable positioning and growth prospects.

Third largest
listing on the Stock Exchange of Mauritius

MUR 13.8 billion
market capitalisation

18,042
shareholders

Our Value Creation Story *(cont'd)*

Our credentials and accolades

Among the leading banks in Mauritius

Market share

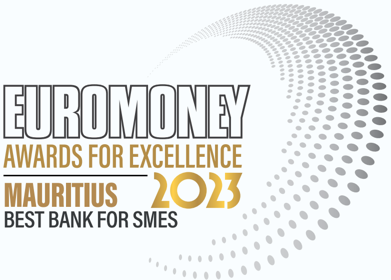
Highest market share in mortgage	**~ 38%**
Total domestic loans	**~ 28%**
Total rupee deposits	**~ 24%**

Rated Ba1 by Moody's Investors Service

Awards and recognitions

Best Bank for SMEs in Mauritius

Euromoney Awards for Excellence 2023



Best SME Bank in Mauritius

The Asian Banker Global Middle East and Africa Awards 2023

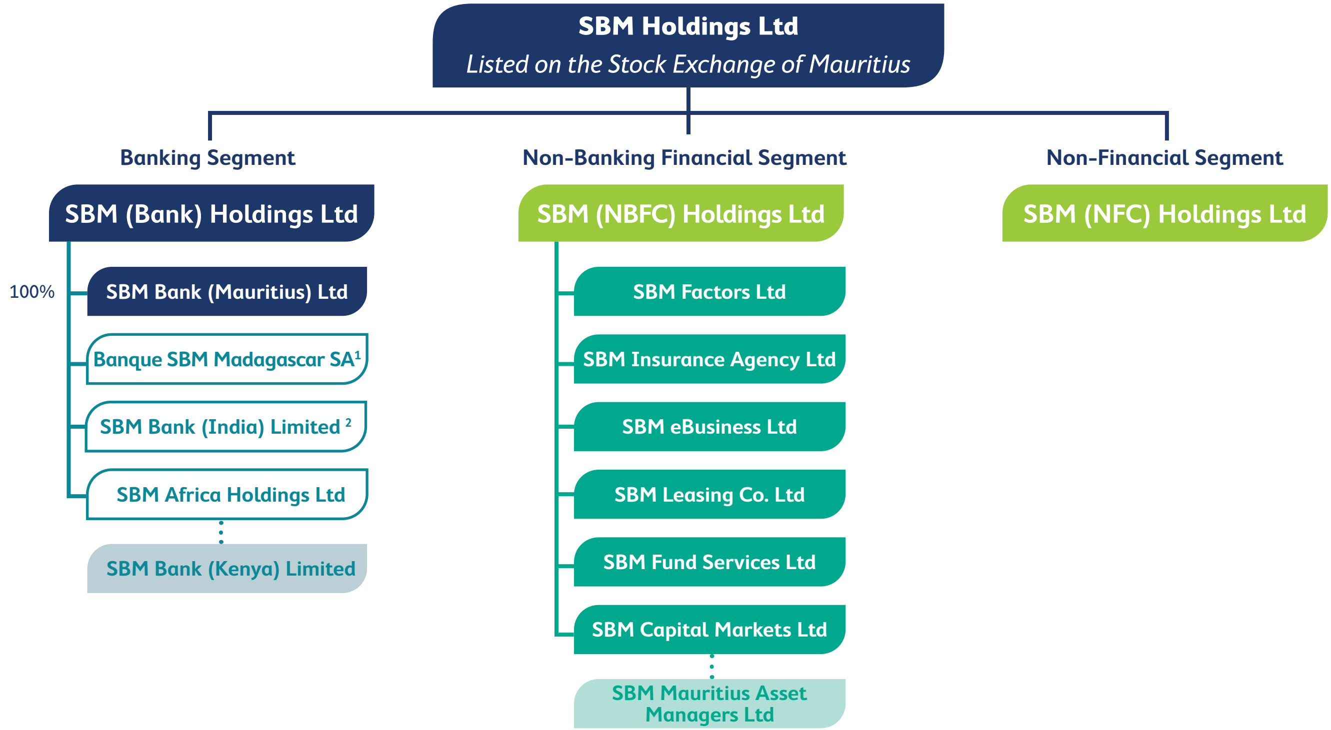
Market Leader in Mauritius for Corporate Banking and Private Banking

Euromoney Market Leaders 2023

Our operating paradigm

SBM Group Structure

SBM Bank (Maurtius) Ltd is wholly owned by SBM (Bank) Holdings Ltd and is ultimately owned by SBM Holdings Ltd, which is listed on the Official Market of the Stock Exchange of Mauritius. While being well anchored in the Mauritian landscape, the SBM Group, which acts as a full-fledged financial services player, also operates in India, Kenya and Madagascar. In adherence with regulatory rules, SBM Bank (Mauritius) Ltd conducts its business as per its risk appetite and strategic intents, alongside forging synergies, as far as relevant, with the other local and foreign operating entities of the Group.



Notes:

1 Banque SBM Madagascar SA

- SBM (Bank) Holdings Ltd - 99.99%
- SBM Capital Markets Ltd, SBM Fund Services Ltd & SBM Mauritius Asset Managers Ltd hold 1 share each (total of 0.01%)

2 SBM Bank (India) Limited

- SBM (Bank) Holdings Ltd - 99.99%
- SBM Overseas One Ltd, SBM Overseas Two Ltd, SBM Overseas Three Ltd, SBM Overseas Four Ltd, SBM Overseas Five Ltd & SBM Overseas Six Ltd hold 1 share each (total of 0.01%)

SBM 3S Ltd

- SBM Holdings Ltd - 100%

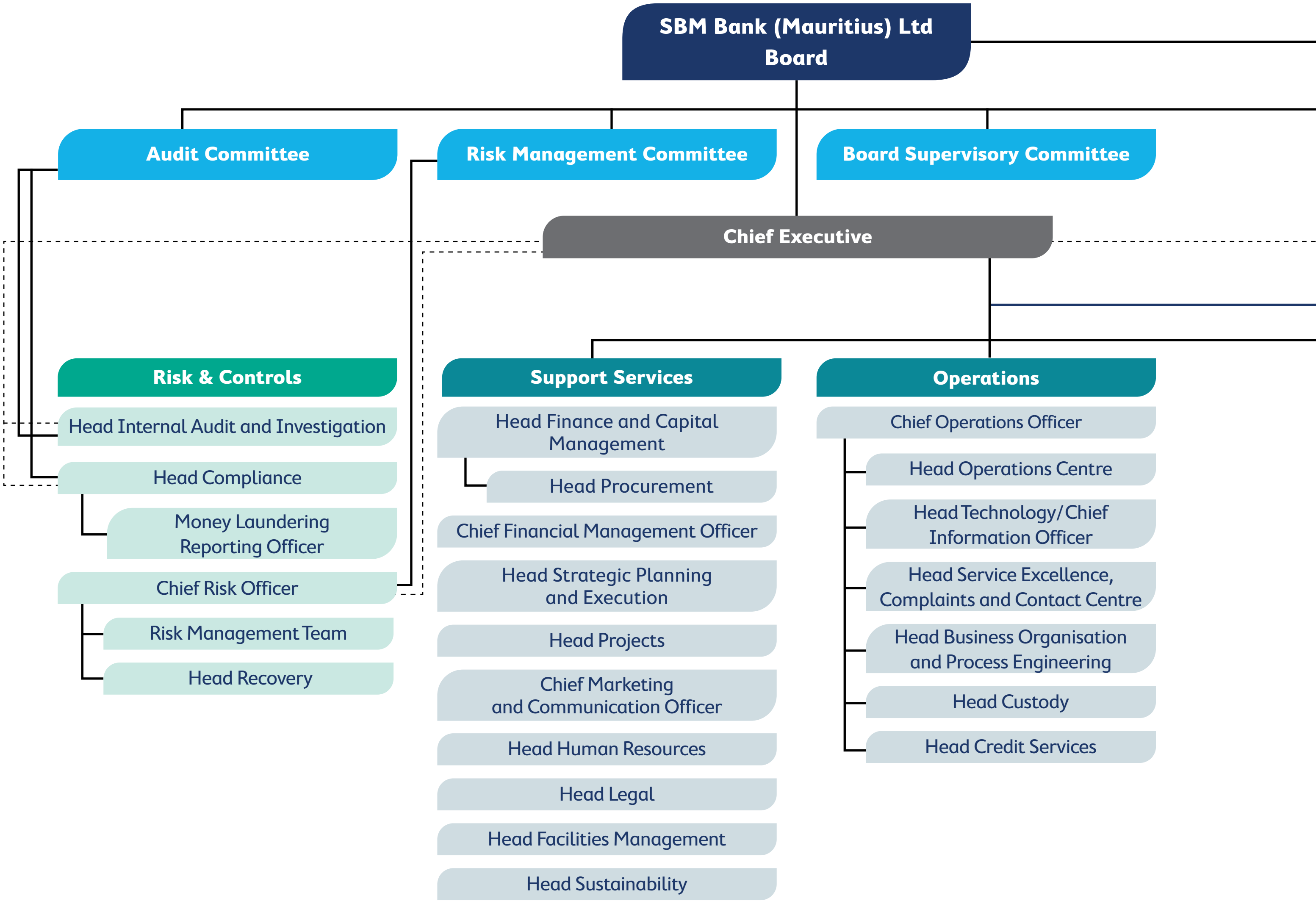
SBM Africa Equity Fund Ltd

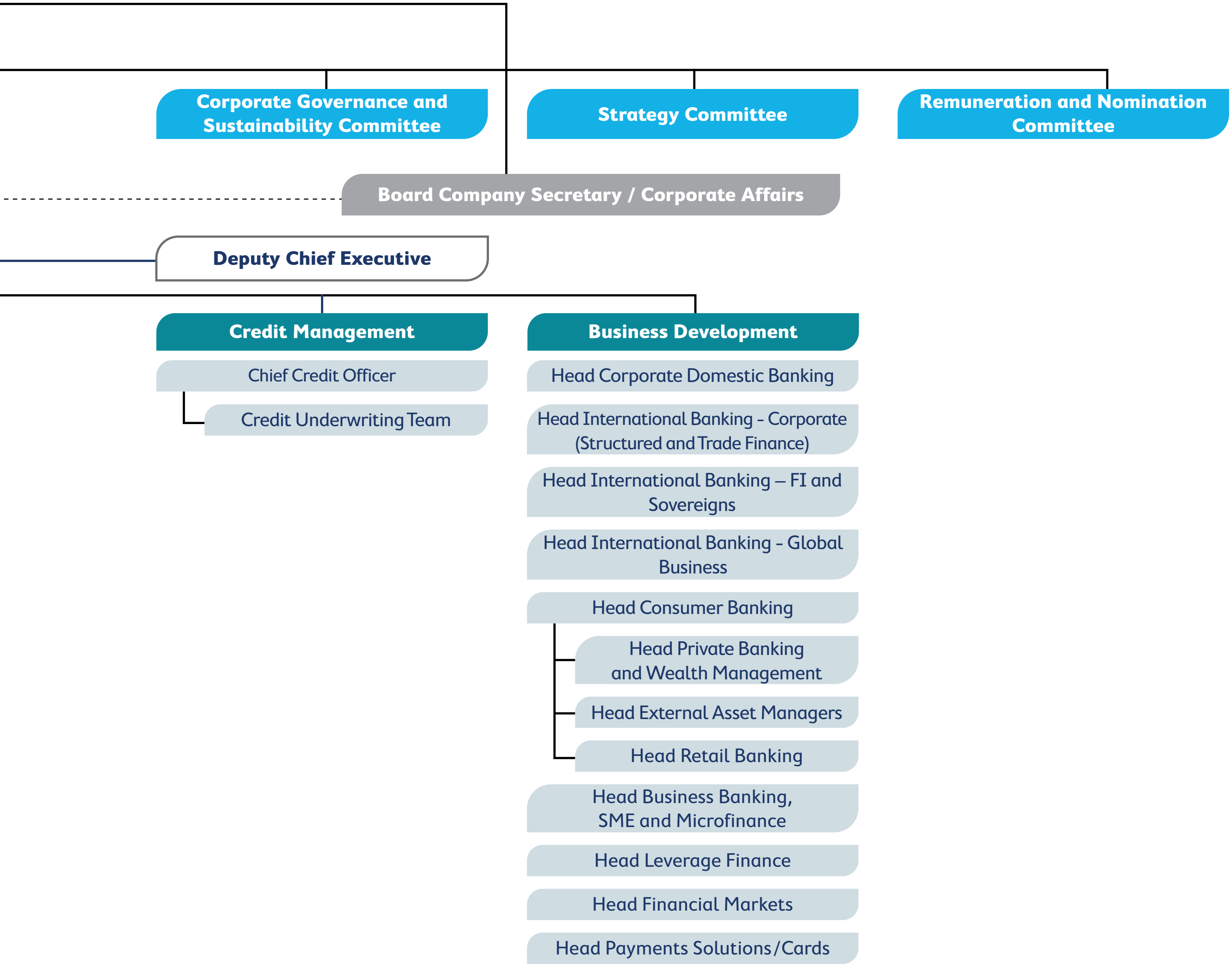
- SBM Holdings Ltd - 100% (Class B participating redeemable shares)

In process of winding up:

- SBM Bank Representative Office, Yangon Myanmar
- SBM Maharaja Fund

Organisation Structure




Corporate Governance and Sustainability Committee
Strategy Committee
Remuneration and Nomination Committee
Board Company Secretary / Corporate Affairs
Deputy Chief Executive
Credit Management
Chief Credit Officer
Credit Underwriting Team
Business Development
Head Corporate Domestic Banking
Head International Banking - Corporate (Structured and Trade Finance)
Head International Banking – FI and Sovereigns
Head International Banking - Global Business
Head Consumer Banking
Head Private Banking and Wealth Management
Head External Asset Managers
Head Retail Banking
Head Business Banking, SME and Microfinance
Head Leverage Finance
Head Financial Markets
Head Payments Solutions/Cards

Leadership Team

Senior Management	Mr Premchand MUNGAR	Chief Executive
	Mrs Rita Devi PERSAND GUJADHUR	Chief Financial Management Officer
	Mrs Veronique LIM HOYE YEE	Chief Credit Officer
	Mr Nadim IMRIT	Chief Risk Officer
	Mr Sanjaiye RAWOTEEA	Head Consumer Banking
	Mr Teddy Kian Lim ALING	Head Finance and Capital Management
	Ms Deorani KHELAWON	Head Operations Centre
	Mr Deeagarajen Manogaren SOONDRAM	Head Strategic Planning and Execution
	Mrs Anju ISSUR	Head Financial Markets
	Mr Rajnish LUTCHMAH	Head Corporate Domestic Banking
	Mrs Dimple BHUDOYE	Head International Banking - Corporate (Structured and Trade Finance)

Other key Members of Management	Mr Percy PHILIPS	Head Retail Banking
	Mr Dharmendranath (Darmen) HURKOO	Head Business Banking, SME and Microfinance
	Mrs Sarika Devi JANGI-JUGNAUTH	Head International Banking - FI and Sovereigns
	Mr Yogendra APPADOO	Head International Banking - Global Business
	Mr Norman Dean Thia Kim Luck FON SING	Head Leverage Finance
	Mr Ashley SEEBORUTH	Head Payment Solutions/Cards
	Mrs Ragini GOWRISUNKUR	Head Custody
	Mr Christophe Bernard PANHARD	Head External Asset Managers
	Mrs Linita Jyoti Sharma KIM CURRUN	Head Service Excellence
	Mr Ragnish GUJJALU	Head Projects
	Mr Ashwin Kumar RAMPHUL	Chief Information Officer
	Mr Neelesh Sharma SAWOKY	Head Internal Audit and Investigation
	Mrs Latasha BISSESSUR	Head Compliance
	Mr Ravi GUNESS	Senior Officer, Recovery

Note: *The above list is as at 31 December 2023.*

Board of Directors

Non-Independent Non-Executive Directors

Mr Visvanaden SOONDRAM *(Chairman)*

Mr Jean Paul Emmanuel AROUFF

Mr Raoul GUFFLET

Mr Muhammad Azeem SALEHMOHAMED

Independent Non-Executive Directors

Mrs Imalambaal KICHENIN

Mr Lawrence Eric WONG TAK WAN

Mr Rajcoomar RAMPERTAB, CSK

Ms Oumila SIBARTIE

Mr Ranapartab TACOURI, GCSK

Executive Director

Mr Premchand MUNGAR

Secretary to the Board

Ms Preshnee RAMCHURN

Board Committees Composition

Audit Committee	**Corporate Governance and Sustainability Committee**	**Remuneration and Nomination Committee**
Mrs Imalambaal KICHENIN *(Chairperson)*	Mr Jean Paul Emmanuel AROUFF *(Chairman)*	Mr Rajcoomar RAMPERTAB, CSK *(Chairman)*
Mr Rajcoomar RAMPERTAB, CSK	Mr Premchand MUNGAR	Mr Jean Paul Emmanuel AROUFF
Ms Oumila SIBARTIE	Mr Muhammad Azeem SALEHMOHAMED	Mrs Imalambaal KICHENIN
	Ms Oumila SIBARTIE	Mr Premchand MUNGAR
		Ms Oumila SIBARTIE
Risk Management Committee	**Strategy Committee**	**Board Supervisory Committee**
Mr Ranapartab TACOURI, GCSK *(Chairman)*	Mr Muhammad Azeem SALEHMOHAMED *(Chairman)*	Mr Visvanaden SOONDRAM *(Chairman)*
Mr Raoul GUFFLET	Mr Jean Paul Emmanuel AROUFF	Mr Raoul GUFFLET
Mr Premchand MUNGAR	Mrs Imalambaal KICHENIN	Mr Premchand MUNGAR
Mr Muhammad Azeem SALEHMOHAMED	Mr Raoul GUFFLET	Ms Oumila SIBARTIE
Mr Lawrence Eric WONG TAK WAN	Mr Premchand MUNGAR	Mr Ranapartab TACOURI, GCSK

Board of Directors

From left to right:

Mr Visvanaden SOONDRAM *(Chairman)*, Mr Jean Paul Emmanuel AROUFF, Mrs Imalambaal KICHENIN, Mr Raoul GUFFLET, Mr Rajcoomar RAMPERTAB, *CSK*

From left to right:

Mr Muhammad Azeem SALEHMOHAMED, Mr Ranapartab TACOURI, *GCSK*, Ms Oumila SIBARTIE, Mr Lawrence Eric WONG TAK WAN, Mr Premchand MUNGAR *(Also, the Chief Executive)*

Board of Directors Profile

Mr Visvanaden SOONDRAM

Chairman of the Board

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

Qualifications

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

Committee key

- A — Audit Committee
- CG — Corporate Governance and Sustainability Committee
- RN — Remuneration and Nomination Committee
- BS — Board Supervisory Committee
- RM — Risk Management Committee
- S — Strategy Committee
- Chair of the Committee

Mr Jean Paul Emmanuel AROUFF

Non-Executive Director

Date of appointment: July 2020

Qualifications

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

Landscope (Mauritius) Ltd

CG RN S

Board of Directors Profile *(cont'd)*

Mr Raoul GUFFLET

Non-Executive Director
(Also, Group CEO of SBM Holdings Ltd)

Date of appointment: July 2021

Qualifications and Memberships

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 over three decades in the banking and financial sector, through which he has gathered an extensive knowledge of the banking sector and financial markets. He started his career as a strategic consultant in the field of restructuring and corporate advisory at PwC in France, Eastern Europe and Africa. He has been involved in several studies which were jointly conducted with the World Bank and the European Bank for Reconstruction and Development of financial institutions, both in developed and transitional economies.

Prior to joining SBM Group, he was the Deputy Chief Executive Officer of a renowned bank in Mauritius and served as Director of its entities across Africa and the Indian Ocean. He spearheaded the transformation of most of its business lines, aligning them with best international standards as well as with new digital, regulatory and compliance international practices. He has also been instrumental in developing that institution's Corporate and Institutional Banking arm and led the creation of its franchise in the Structured Finance and Commodities spectrum in the African continent.

As a firm believer in ESG principles for responsible banking and finance, he is committed to developing a sustainable banking and capital market philosophy, which is a prerequisite for unlocking shareholder value.

Directorship on other Entities

SBM Holdings Ltd

SBM (Bank) Holdings Ltd

SBM Bank (India) Limited

Banque SBM Madagascar SA

SBM Bank (Kenya) Limited

S RM BS

Committee key

A	Audit Committee	RM	Risk Management Committee
CG	Corporate Governance and Sustainability Committee	S	Strategy Committee
RN	Remuneration and Nomination Committee	●	Chair of the Committee
BS	Board Supervisory Committee		

Mrs Imalambaal KICHENIN

Independent Director

Date of appointment: March 2020

Qualifications and Memberships

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

JurisTax Asia Pvt

Union Sugar Estates (a listed company)

JurisTax Mena and other local and regional entities falling under JurisTax

A S RN

Board of Directors Profile *(cont'd)*

Mr Premchand MUNGAR

Chief Executive and Executive Director

Date of appointment: November 2023

Qualifications and Membership

MSc Finance and Financial Law SOAS - University of London, United Kingdom

Postgraduate professional practitioners course for attorney-at-law - Council of Legal Education (under the aegis of the Supreme Court of Mauritius), Mauritius

LLB (Hons) English Law and French Law - University of Mauritius in collaboration with the University of Birmingham (England) and Université d'Aix Marseille (France), Mauritius

LEAD programme - Stanford Graduate School of Business, Stanford University, United States

10th Autumn Course on International Finance - Waseda University, Japan

16th Summer School for International Financial Law - St Catherine's College, University of Oxford, England

Member of the Law Society of Mauritius

Alumnus of the University of London

Member of the Centre for Financial and Management Studies (CeFiMS) at SOAS

Honored member of the International WHO's WHO Society of Professionals

Background and Experience

Mr Premchand Mungar is a seasoned banking professional with a proven track record of leadership and strategic management. Currently serving as the CE of SBM Bank (Mauritius) Ltd ("SBMBM") since November 2023 , he has garnered extensive experience in the financial sector, particularly in Mauritius and on the African Continent. His insights and contributions to various entities he has been part of, reflect his deep understanding of the regulatory landscape and his commitment to upholding industry standards and best practices. Mr Mungar started his career in the banking sector within the SBM Group in 1979 whereby he has held several senior positions. He also served as the Chief Executive and Executive Director of MauBank Limited from 2018 to 2023. His past experiences also include positions such as Senior Advisor and General Counsel & Senior Director, amongst other leading roles at the Eastern & Southern African Trade & Development Bank (TDB). Mr Mungar also serves as an Independent Non-Executive Director on the Board of the Financial Services Commission ("FSC") since 2017 whereby he is the Chairman of the Audit & Risk Committee and a Board member of the Corporate Governance Committee of FSC since 2018. He is currently the Vice-Chairperson of the Mauritius Bankers' Association. During his career, Mr Mungar has been the privileged recipient of several accolades, including the TDB President's Excellence Award for recognition of the outstanding contribution to TDB.

Directorships on other entities

Financial Services Commission

Mauritius Bankers' Association

CG RN RM S BS

Committee key

A	Audit Committee	RM	Risk Management Committee
CG	Corporate Governance and Sustainability Committee	S	Strategy Committee
RN	Remuneration and Nomination Committee	●	Chair of the Committee
BS	Board Supervisory Committee		

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. He was an elected Member of the National Assembly of Mauritius from December 2014 to October 2019, serving as Parliamentary Private Secretary (PPS). In addition, he was a Member of the Parliamentary Committee of the ICAC from June 2015 to October 2019.

RN A

Board of Directors Profile *(cont'd)*

Mr Muhammad Azeem SALEHMOHAMED

Non-Executive Director

Date of appointment: July 2020

Qualifications

BA (Hons) Economics, Politics and International Studies

MA (Hons) in Public Policy and Management

Background and Experience

Mr Salehmohamed 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)

S CG RM

Committee key

- (A) Audit Committee
- (CG) Corporate Governance and Sustainability Committee
- (RN) Remuneration and Nomination Committee
- (BS) Board Supervisory Committee
- (RM) Risk Management Committee
- (S) Strategy Committee
- Chair of the Committee

Ms Oumila SIBARTIE

Independent Director

Date of appointment: August 2020

Qualifications and Memberships

Master's Degree in Economics (USA)

ACI Dealing Certificate (France)

International Certificate in Wealth and Investment Management (UK)

Certificate in Green & Sustainable Finance (UK)

Member of Chartered Institute of Securities & Investment (UK)

Member of the Chartered Banker Institute (UK)

Fellow Member of the Mauritius Institute of Directors

Background and Experience

Ms Sibartie is a woman leader and multi-faceted financial professional with over 25 years of global experience in the USA, UK and Africa. She is an internationally-certified Investment and Wealth Management professional and a specialist in Green and Sustainable Finance. Ms Sibartie has a range of expertise in the fields of investments, finance, accounting, corporate governance, business strategy, audit and risk management, corporate finance, fund and asset management, wealth management, financial planning, treasury, economic analysis, social impact assessment, financial process automation and professional training. She has a proven track record in the development of financial products and solutions for large corporates, global businesses, public organisations, investment banks, pension funds, asset managers, insurance companies and high net-worth individuals.

Directorship on other Entities

Lineage Investment Services Ltd

Warwyck Phoenix VCC

Island Life Assurance Co. Ltd

Saint Capital Fund

HV Holdings Ltd

A BS CG RN

Board of Directors Profile *(cont'd)*

Mr Ranapartab TACOURI, GCSK

Independent Director

Date of appointment: March 2020

Qualifications

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 BS

Committee key

A	Audit Committee	RM	Risk Management Committee
CG	Corporate Governance and Sustainability Committee	S	Strategy Committee
RN	Remuneration and Nomination Committee	●	Chair of the Committee
BS	Board Supervisory Committee		

Mr Lawrence Eric WONG TAK WAN

Independent Director

Date of appointment: October 2023

Qualifications

SEPA 2018 programme for African Leaders, Harvard Business School

MBA with specialisation in Marketing, University of Mauritius

Bachelor of Commerce with Accounting, Banking & Finance, La Trobe University, Australia

Background and Experience

Mr Lawrence Wong, founder and CEO of Aryze Company Ltd, has led the company's two-decade evolution from La Trobe Co. Ltd to a major player in Mauritius' FMCG sector.

Since 2001, Mr Wong's visionary leadership has driven Aryze's transformation, with ambitions to become a regional industry leader. A firm believer in local manufacturing, he invested in a cutting-edge facility in 2010 and remains a dedicated Board Member of the "Made in Moris" association.

Beyond business, Mr Wong's impact extends to sports, where he served as the President of the Mauritian Cycling Federation from 2015 to 2020, showcasing his commitment to both industry and community development. His entrepreneurial acumen is evident in every facet of his journey, marking him as a dynamic leader shaping the business landscape in the region.

Directorship on other Entities

Made in Moris (President)

Association of Mauritian Manufacturers

RM

Building bridges: partnering for mutual success

Our commitment to collaboration extends beyond customers, as we foster strong and trustworthy relationships with strategic partners and key ecosystems, while constructing solid bridges

Delivering Sustainable Value to our Stakeholders

Delivering Sustainable Value to our Stakeholders

Our operating environment

Our approach

The context

- Changing economic, market and industry environments, with pressures on the level and quality of credit demand in some instances, notwithstanding prompt response from the authorities
- Increasingly competitive and demanding market landscape across segments
- Heightened impact – in terms of both scope and depth – of contextual developments on our operations, our functioning as well as business development strategies and initiatives
- Increased linkages between the external landscape and the Bank's business model

Our responses

- Strategic positioning of the Bank in view of long-term value creation for its stakeholders, while underpinning the operational and financial resilience of our lines of business
- Systematic and effective monitoring of the operating environment, alongside critically appraising related risks and challenges as regard immediate and longer-term business imperatives
- Refinement of growth-enabling strategies and customer value proposition
- Reinforced market vigilance and customer proximity across business segments
- Bolstered capabilities in terms of people, process, technology and synergies

Our modus operandi

Reinforcement of operational, technological and human resource capabilities

While ascertaining and dissecting challenges and opportunities faced …

Economic climate → Industry requirements → Market trends

… the Bank is being led by its core purpose and guiding principles …

Material matters

- Customer experience
- Purposive character of the Bank
- Employee wellbeing
- Ethics, trust and transparency
- Diversity, equity and inclusion
- Climate consciousness

… in view of determining and articulating its strategic trajectories

- Sustained and diversified business
- Operational efficiency
- Responsible and caring organisation
- Financial soundness

Adopting a synergetic, collaborative and pragmatic perspective

Delivering Sustainable Value to our Stakeholders *(cont'd)*

The economic landscape

The global context

It is worth observing that, in spite of geopolitical uncertainties, global activity proved resilient in the second half of 2023, especially underpinned by stronger private and Government spending as well as increased labour force participation, improving supply chains and relatively cheaper energy and commodity prices. Looking ahead, global growth is, as per the IMF in its April 2024 World Economic Outlook, foreseen to stand at 3.2% in both 2024 and 2025. This prognosis is low by historical standards, on the back of persistently challenging conditions, including elevated central bank policy rates to combat inflation, the withdrawal of fiscal support amidst high debt weighing on economic activity, increasing geoeconomic fragmentation and low underlying productivity growth. Global headline inflation is anticipated to decline from an annual average rate of 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025 against the backdrop of unwinding supply-side issues and restrictive monetary policy, with advanced economies foreseen to return to their inflation targets sooner than emerging market and developing economies.

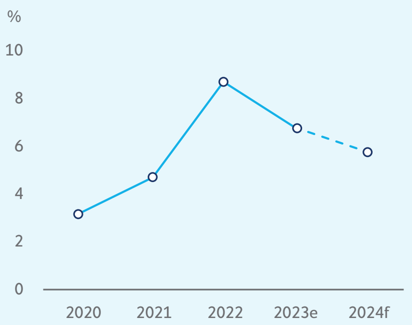
The Mauritian economy

As per official estimates, the Mauritian economy has, last year, upheld the general strength, stability and resilience of its growth impetus, while pursuing its broad-based progress. At the same time, macroeconomic challenges have prevailed in some areas. As per Statistics Mauritius, economic growth is estimated at 7.0% in 2023, driven by broad-based sectorial achievements and favourable investment trends. For 2024, real GDP growth is, notwithstanding the challenging international context, anticipated to remain favourable on the back of the expected good performances of various sectors, while public and private investment are likely to pursue their growth path. Encouragingly, it is worth noting that, in light of the economic recovery impetus, rising investment levels, the healing of labour market conditions and job creation measures put in place by the authorities, the unemployment rate has declined during the course of last year. With regard to headline inflation, it has embarked on a marked downward trend to reach 5.8% as at March 2024, amidst base effects, cooling commodity prices and the tightening of monetary policy. As per last analysis by the Central Bank, headline inflation is, barring major shocks, projected to retreat further to land at around 4.9% towards the end of 2024.

Global economy

Real GDP growth

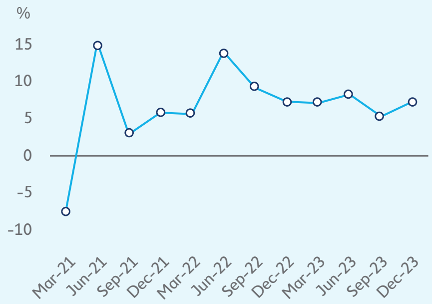
Inflation



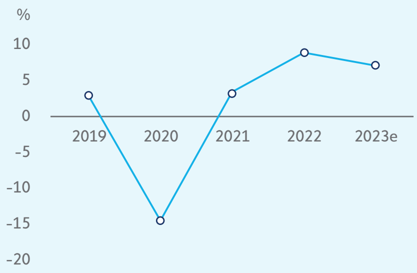
Source: IMF World Economic Outlook April 2024

Mauritian economy

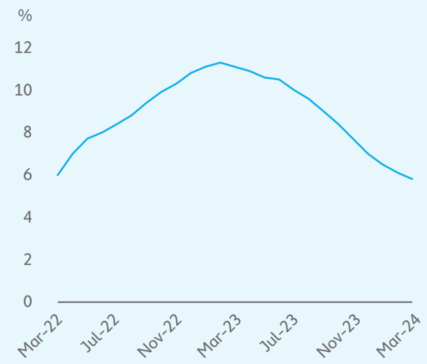
Real quarterly GDP growth (y-o-y)



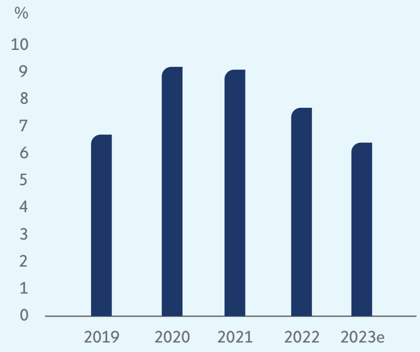
Real GDP growth



Headline inflation



Unemployment



Source: Statistics Mauritius

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Key influences on our operations and our responses

Transformation of society, evolution of customer needs and country-level imperatives

- Responding to the growing demand for increasingly convenient, accessible, personalised as well as rapidly delivered solutions, alongside fostering the systematic adaptation by business lines and entities to evolving customer needs, notably via seamless omni-channel solutions
- Remodelling our operations and value proposition in tune with observed demographic trends as well as the changing socio-economic and age profiles of our customer base
- Accompanying and guiding customers afflicted by challenging socio-economic conditions, while working cooperatively with the fiscal and monetary authorities to support economic recovery
- Promoting social advancement and inclusiveness by means of our financial solutions and dedicated sustainability initiatives, alongside underpinning the wellbeing of people
- Reshaping our internal operations and offering responsible and long-term client solutions towards meeting environmental needs and the United Nations Sustainable Development Goals, alongside tapping into business opportunities linked to sustainability initiatives

Competitive trends and industry dynamics

- Adapting to a new environment whereby our competitors across markets are systematically enriching their financial solutions and spearheading their business diversification thrusts
- Dealing with competitive pressures associated with new industry entrants, including Fintech and Big Tech disruptors and other players across the financial services industry
- Focusing on the right promotional and communication channels, in line with the ubiquitous nature of social media and the changing profiles of the customer base, alongside moving in a fast and pragmatic way to preserve the Bank's reputation and brand image
- Embracing innovation as well as emerging technological platforms and systems to drive operational efficiencies, reshape interactions with stakeholders and provide superior client experiences in a landscape marked by a rising rate of digital adoption
- Tackling the growing volume, intensity and sophistication of cyber-attacks, backed by the endorsement of appropriate risk management frameworks, policies and processes

Increasingly demanding requirements in terms of compliance and regulations

- Coping with the ever more exigent nature of local and international norms, codes and standards of operation insofar as they impact strategic orientations and business decisions
- Thriving in a legal and regulatory environment which is triggering a growing range of requirements and policies that have an impact on our business model, internal operations, value proposition, support to the real sector, capital and liquidity management

Exigencies linked to rapidly occurring climate change and sustainability imperatives

- Identifying risks, challenges and opportunities associated with climate change, alongside adopting an integrated approach towards developments taking place in the sustainability field
- Building further resilience and flexibility in our operations and accompanying our customers across markets, in line with their growth ambitions and the nature of challenges faced
- Supporting our customers in their endeavours to embrace more sustainable consumption and production models as well as incurring climate-resilient investments
- Gradually strengthening our Environmental, Social and Governance (ESG) standards, policies and processes as well as our value proposition and information disclosures vis-à-vis external stakeholders
- Meeting societal and community expectations for social and environmental progress
- Embedding climate risk management within our underlying business model

Evolving operational realities and employee requirements

- Strengthening internal productivity and operational efficiency levels in a fast-changing landscape which lays increasing emphasis on cost rationalisation and resource optimisation, a leaner and more agile operating model, forging of partnerships and synergies with key partners within the ecosystem, review of organisational structures and advanced analytics, among others
- Boosting employees' engagement and productivity amidst a highly competitive industry
- Recruiting people with diverse, adaptable, innovative, agile and digitally-enabled skills, expertise and leadership abilities in order to remain relevant in a changing banking and financial services landscape, alongside growing and retaining top talents across segments
- Creating an appropriate environment that facilitates the dissemination and adoption of flexible working arrangements and remote working practices, while reflecting on the Bank's business imperatives and the demands of the economic and sanitary environment
- Pursuing the agenda to foster the safety and wellbeing of employees

Key strategic directions

Our philosophy

Fundamentally, SBM Bank is committed to achieving sound and sustained growth in its business activities across all segments, supported by its dependable operating model and financial resilience. Its strategic direction is founded on a clear and coherent view of what it seeks to achieve and the markets to be explored and tapped into. Specifically, the Bank is geared towards adopting world-class standards in every area of its business, is focused on putting customers first in everything that it does and is dedicated to remaining prudent when taking risks with depositors' funds, backed by continuous adherence to the highest ethical and corporate governance standards.

Long term value creation for multiple stakeholders

Critical enablers

- Delivering differentiated customer experiences
- Advocating responsible, ethical and safe business operations
- Capitalising on our people's potential
- Putting sustainability at the heart of our activities

Customer engagement

- Broad
- Safe
- Convenient
- Loyal
- Personalised

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Our main focus areas

Capitalising on sustained progress achieved …

Pioneering diversity and financial inclusion for the last 50 years by serving the Mauritian market at large, the Bank has set out to anchor its business model on ambitious, yet prudent, foundations, while making allowance for the risks and exigencies associated with the fast-changing operating landscape. With the dedication to further strengthen its growth across different segments, the Bank strives to achieve higher operational efficiencies, alongside delivering long-term sustainable value and attractive propositions to its customers.

… the Bank is dedicated to continuously strengthening its strategic pathways …

In line with the directions and appetite approved by the Board of Directors, the Bank is committed to continuously refine its strategic pathways in light of the evolving operating context. The aim is to define and nurture a clear and coherent view of where it wants to go and what are the means to achieve its objectives. The Bank's strategic objectives will be the main drivers in its journey to perpetually enhance customer experiences, promote financial inclusion and deliver a diversified product portfolio for its clients, alongside adhering to governance and risk management frameworks.

… alongside supporting the interests and development of its business segments …

While promoting its endeavours, the Bank is conscious that its growth is inextricably linked to the local and global economic conditions, thus calling for an informed and methodological approach in ascertaining its business needs and requirements. Along the way, the Bank aims to foster fruitful internal synergies and forge effective collaborations for the ultimate benefit of its business segments and its clients.

… underpinned by solid enablers and capabilities

Guided by its clear strategic objectives and focused execution, the Bank aims to provide its customers with exceptional banking experiences and drive economic development. The Bank will continuously reinforce its human, physical and technological capabilities in view of promoting efficiency and customer service excellence. Towards these ends, it will pursue its digital transformation and work towards cost optimisation. Judicious capital management is also key to spurring our growth agenda.

Guided by our strategic purpose …

Material matters

- Customer experience
- Purposive character of the Bank
- Employee wellbeing
- Ethics, trust and transparency
- Diversity, equity and inclusion
- Climate consciousness

… we seek to foster a resilient and value creating organisation …

- Promote a resilient and diversified organisation, amidst a fast-changing operating landscape
- Continuously reinforce the financial soundness of the Bank, while making sure strategic objectives embed a higher standard of operational performance and demonstrate measurable progress to stakeholders
- Achieve a leaner, digitally-enabled and increasingly dynamic organisation, in alignment with market and industry trends and rapidly-evolving customers needs
- Embed sustainability as a game-changer, while working towards sound and inclusive progress
- Enhance the strategic image, reputation and credentials of the Bank in the marketplace

… with emphasis on our main strategic orientations …

- Increase domestic business market share across segments
- Grow international footprint steadily and prudently
- Build and solidify customer loyalty
- Promote sustainability

… underpinned by key enablers for healthy growth

- Governance, risk and compliance
- Strategic human resource and talent management
- Technology and innovation
- Strategic communications and marketing
- Branding and culture
- Sustainable banking practices
- Cross-functional collaboration

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Our value creation model

The availability and quality of our inputs ...

Financial capital

Our diversified and balanced portfolio – underpinned by a pragmatic risk appetite, reinforced capabilities and a focused resource allocation framework – provides us with the necessary resilience, impetus and malleability to manage change, tackle uncertainty and generate business growth

Manufactured capital

Our wide-ranging branch network, diversified delivery channels, improving digital foundations and simplified systems architectures allow us to boost employee experiences, reinforce operational efficiency levels and enrich the quality of client experiences

Intellectual capital

We leverage our strong credentials, impactful brand and dependable customer value propositions to deliver superior outcomes to our stakeholders, supported by our broad scale and reach in Mauritius

Human capital

Our skilled, engaged and client-centric employee base enables us to deliver on our strategic and business development objectives in a prompt and effective manner, while we continue to undertake training and incur investments to shape up the capabilities of our people

Social and relationship capital

Our trustworthy stakeholder relationship model and strategic collaborations allow us to achieve our growth ambitions, while streamlining our decision-making process, optimising our costs and deepening our client engagements

Natural capital

With the social, economic and environment wellbeing of Mauritius and its people in mind, we ensure that our business strategies and operational initiatives are aligned with our strategy to foster nationwide development goals

... enable us to undertake value-adding activities ...

Guided by our material matters

- Customer experience
- Purposive character of the Bank
- Employee wellbeing
- Ethics, trust and transparency
- Diversity, equity and inclusion
- Climate consciousness

Fulfilling our purpose and strategy

- Tap into market opportunities
- Confront and mitigate risks faced
- Manage ecosystems and stakeholder aspirations

Managing external influences

- Reputation and goodwill
- Economic climate
- Market competitiveness
- Industry imperatives
- Regulatory and compliance rules and regulations

Strategic value drivers

- Operational efficiency
- Bank-wide synergies
- Efficient decision-making
- Socio-economic progress
- People and culture
- Customer promise

… thus, generating financial outputs …

Profit after tax
MUR 4.6 billion

Overall loan book
MUR 119.1 billion

Total deposits
MUR 240.9 billion

… and producing positive stakeholder outcomes

Stakeholder	Outcomes
Shareholder and investor community	• Dividend paid to shareholder • Sizeable market capitalisation of SBM Holdings Ltd
Customers	• Customers served through our solutions, channels and digital capabilities • Close and life-long relationship with clients, with innovative solutions • Appealing brand value among banking peers
Employees	• Payment to employees in the form of salaries and benefits • A diverse, inclusive and future-ready employee profile • Career progression and skill development programmes
Societies and communities	• Social projects financed by the SBM Foundation • Contribution to the UN Sustainable Development Goals • Promotion of sustainable habits and initiatives by internal and external stakeholders
Government and regulators	• Strict adherence to regulatory requirements • Solid risk management and control systems • Support to national socio-economic progress
Suppliers and strategic partners	• Open, transparent and consistent tendering process • Accurate and on-time payments • Sustainable relationships

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Our strategic planning process

The strategic planning process serves as the building block for leading and guiding the Bank's strategic endeavours. In its quest to serve and build a strong bond with its clients, the Bank relies on its strategic objectives to create unique value propositions for the different segments served. The Bank has a clearly articulated structure and a series of processes which underpin the formulation, execution and review of strategy with the aim of navigating the operating landscape of the financial services industry and optimising financial performance while also strengthening the resilience against uncertainties. While the Board is the governing body, the Bank crafts its strategy for sustainable growth as per its own specificities and resource levels, in alignment with the directions set by the Group, but also importantly with industry best practices, regulatory requirements and the expectations of a diverse range of stakeholders.

The strategic planning process is a year-round and multi-faceted journey which goes through various layers, thus forming an integral part of the Bank's decision-making. The Board sets the strategic direction for the Bank and monitors progress towards broad-based strategy implementation via its sub-committees, e.g. Strategy Committee and Management Forums. The approval of the strategic plan by the Board is the culmination of a consultative process, which is enriched insights from internal stakeholders and recommendations from the Strategy Committee. The latter engages in thorough discussions with the Management team, which conducts appropriate analysis and presents strategic options, thus ensuring that decisions are not only Board-approved, but are also grounded in analysis and strategic foresight.

The gist of the overall strategic planning process is illustrated as follows:

Key stages	Involves ...	Concludes into ...
1 Strategic analysis	• Comprehensive SWOT analysis • Recent performance analysis • Internal capabilities and resources • Gap analysis • Economic climate, market trends, competitor landscape and regulatory dynamics • Key challenges, risks and opportunities	Presentation by Management to the Strategy Committee
2 Strategy choice and formulation	• Strategic options based on strategic analysis exercise • Strategic priorities aligned with organisational goals • Breakdown of organisational plan into Business Unit plans	Vision, risk appetite and strategic directions via facilitated workshops/retreats involving Management
3 Strategy validation	• Input from key stakeholders • Elaboration of chosen strategies • Alignment with long-term goals and risk tolerance	Approval of Strategic Plan and Budget at different internal stakeholder levels including, CE, Management Forums, Strategy Committee and Board
4 Strategy communication	• Clear narrative delivered to staff around common vision and objectives • Cascading down of strategy, using the Balanced Scorecard methodology, from organisational to Business Unit to individual objectives	Balanced Scorecards for business lines and employees
5 Strategy implementation	• Implementation plan with specific milestones and timelines • Mobilisation and allocation of resources • Progress monitoring and dealing with challenges	Implementation of strategic initiatives, identification and resolution of risks and issues
6 Strategy evaluation and review	• KPIs to measure achievements • Regular review of progress achieved • Periodic assessments to ensure relevance	Monthly reviews at Management level and Quarterly reviews at Strategy Committee Board/ Board Committee levels

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Overview of our sustainability agenda

Our historical journey

The creation of SBM stems from a powerful social reason: providing the Mauritian community access to banking, irrespective of wealth and culture, especially those in the remote rural areas. Since then, SBM has been on a growth journey, alongside generating value for the Mauritian economy and society. The philosophy of supporting the community while ensuring sustainable business growth has remained embedded in our operating model. In fact, since its inception, SBM has been continuously involved in Corporate Social Responsibility (CSR) activities. It has demonstrated its philosophy of implementing sound business practices and launching innovative products and services which promote financial inclusion. The Bank has assisted the communities in which it operates, thus helping to shape a better and more sustainable society.

Guiding principles

At SBM Bank, we recognise that the success of our organisation depends on the economic, social and environmental consequences of our actions and operations. We believe that, as a responsible corporate citizen, it is our duty to endorse sustainable actions to maintain a sound operational and financial performance, while creating value for our stakeholders. Over the years, our endeavour to craft a sustainable business has led us to build a strong and diversified institution, supported by the adoption of good corporate governance principles and practices. In fact, the Bank strongly believes in promoting the judicious use of natural resources in view of protecting and preserving the environment, alongside adopting initiatives to optimise its ecological footprint.

Engaging with stakeholders

Partnering with stakeholders who share our values, have an interest in our business and look forward to forging a sustainable future, together, is of utmost importance to us in view of our ambition to making a difference, both as a corporate citizen and social partner. Our active and well-calibrated stakeholder management model allows us to build positive and long-lasting relationships that help us deliver on our business growth ambitions and sustainable development goals.

Articulation of our sustainability agenda

Promoting sustainability features as one of the core strategic orientations endorsed by the Bank, which demonstrates our commitment to promoting sustainable practices in our business activities and operations, alongside playing an influential role in supporting the sustained and healthy socio-economic development of Mauritius. Our sustainability strategy reflects our pledge to generate strong and sustainable returns for our various stakeholders, while driving economic transformation, acting as a socially responsible financial institution and protecting the natural environment. Importantly, whereas its sustainability endeavours and framework are influenced by its own specificities, growth aspirations and market dynamics, the Bank is, fundamentally, guided by the SBM Group Sustainability Agenda. The latter is founded on 3 core pillars of engagement, which are Sustainable Business, Responsible Organisation and Inclusive Communities, alongside being underpinned by 13 accompanying commitments. The objective is to have a coherent and consistent approach across the Group's operating entities and to focus efforts on where we can make a difference for SBM, our stakeholders as well as the country and society at large. The Agenda has been designed to define what the organisation stands for and how decisions are made. The Agenda was approved by the Board of SBM Holdings Ltd in October 2022, before being endorsed by the Board of SBM Bank (Mauritius) Ltd.

The SBM Group Sustainability Agenda expresses the type of organisation the Group is and wants to be as well as its unique role in shaping a defining vision for Mauritius and the economies where it operates. The approach to sustainability is targeted and collaborative, while addressing the critical and emerging ESG issues which impact the Group and the communities served. SBM Group recognises the opportunity to positively contribute to all 17 United Nations Sustainable Development Goals (UN SDGs). However, it has prioritised 12 SDGs which have the highest materiality to its business and key stakeholders. With the purpose of creating value for stakeholders and the society firmly in mind, the UN SDGs provide a sound framework for identifying how SBM Group can play a more active role in the sustainable development of its presence countries. The UN SDGs help to define how, through its business, resources and skills, the Group responds to environmental and societal challenges, while also taking into account country specifics and adhering to regulatory guidelines.

Read more on our various sustainability initiatives in the 'Implementation of our sustainability strategy' section on pages 106 to 121

Our pillars and commitments

The Group Sustainability Agenda reflects its mission, core values and the deep-rooted philosophy of SBM of driving positive impact for the society and economy.

Pillar 1
Sustainable business

To promote greater social and environmental responsibility

1. Sustainable financing
2. Sustainable consumption and production
3. Entrepreneurship
4. Climate change mitigation and adaptation

7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Customers
Suppliers and strategic partners
Shareholders, debt holders and investor community
Governments and regulators

Pillar 2
Responsible organisation

To conduct our activities with integrity

5. Corporate governance
6. Ethical and compliant business practices
7. Employee wellbeing and talent management
8. Environmental consciousness

5 GENDER EQUALITY
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Customers
Employees
Suppliers and strategic partners
Shareholders, debt holders and investor community
Governments and regulators

Pillar 3
Inclusive communities

To foster inclusion, diversity and equality

9. Poverty alleviation
10. Social and gender equity
11. Education for empowerment
12. Good health and wellbeing
13. Cultural diversity and vibrancy

Societies and communities
Employees

1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
10 REDUCED INEQUALITIES

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Pillar 1: Sustainable business

To promote greater social and environmental responsibility

What we mean

SBM, at its core, is a financial institution. Hence, SBM engages to promote long-term prosperity by financing sustainable development, delivering value to all stakeholder groups and creating a positive economic, social and environmental impact.

Commitments | SDGs | Stakeholders

Commitment 1: Sustainable financing

- Enhance and develop green and sustainable financing offerings that drive positive social, environmental and economic impact
- Finance projects that promote long term sustainable development of the economy

Stakeholders: Shareholders, debt holders and investor community; Suppliers and strategic partners

Commitment 2: Sustainable consumption and production

- Promote digital products and services to foster safe and inclusive banking
- Leverage technology to enable customers to better understand and manage their own financial behaviours
- Enhance awareness among our customers for responsible use of financial products

Stakeholders: Shareholders, debt holders and investor community; Suppliers and strategic partners; Customers

Commitment 3: Entrepreneurship

- Support local ingenuity through targeted financial solutions
- Promote financial literacy to empower entrepreneurs
- Facilitate dialogues with market players for a sustainable growth

Stakeholders: Suppliers and strategic partners; Customers

Commitment 4: Climate change mitigation and adaptation

- Comply with regulatory and legal requirements regarding climate risk
- Establish internal process and build capacity to reduce carbon emissions
- Enhance awareness among customers and employees on climate change

Stakeholders: Customers; Governments and regulators; Shareholders, debt holders and investor community; Suppliers and strategic partners

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Pillar 2: Responsible organisation

To conduct our activities with integrity

What we mean

SBM is commited to upholding the principles of integrity, clarity and transparency in all its activities. In other words, SBM fosters a culture of ethics by ensuring decisions are in the interest of our customers, create economic value and are systematically responsible.

Commitments	SDGs	Stakeholders
Commitment 5: Corporate governance • Establish strong governance structure and framework to promote a culture of accountability and ethical conduct • Support the Board of Directors to have oversight of efforts to ensure responsible business practices	8 DECENT WORK AND ECONOMIC GROWTH 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Governments and regulators Shareholders, debt holders and investor community Employees
Commitment 6: Ethical and compliant business practices • Comply with all applicable laws and regulations in jurisdictions where SBM operates • Monitor and respond to emerging regulatory obligations while continually creating awareness amongst employees and customers • Establish robust data protection procedures to ensure data is protected during its full lifecycle	8 DECENT WORK AND ECONOMIC GROWTH 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Customers Suppliers and strategic partners Governments and regulators Employees
Commitment 7: Employee wellbeing and talent management • Attract and retain talent, in line with the Group's strategic orientations • Support meaningful career for our employees through capacity building • Provide a caring environment which fosters a purpose-driven and value-led culture	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	Governments and regulators Employees
Commitment 8: Environmental consciousness • Establish responsible internal practices and processes to reduce the carbon footprint of our operations • Incorporate smart energy management systems to enhance energy efficiency and measurement	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Employees Suppliers and strategic partners

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Pillar 3: Inclusive communities

To foster inclusion, diversity and equality

What we mean

SBM thrives in building an inclusive business, by driving and supporting initiatives which provide access to decent living, promote good health and wellbeing and which support reduced inequalities.

Commitments	SDGs	Stakeholders
Commitment 9: Poverty alleviation • Support vulnerable groups through initiatives that reduce poverty and foster inclusive growth	1 NO POVERTY 2 ZERO HUNGER 10 REDUCED INEQUALITIES	Societies and communities Employees
Commitment 10: Social and gender equity • Promote equal opportunities for all and support in building an inclusive and equitable society • Promote women empowerment	5 GENDER EQUALITY 10 REDUCED INEQUALITIES	Societies and communities Employees
Commitment 11: Education for empowerment • Provide tools and technology to vulnerable groups to improve their access to education	4 QUALITY EDUCATION 10 REDUCED INEQUALITIES	Societies and communities Employees
Commitment 12: Good health and wellbeing • Design and support programmes and practices to promote good health • Support people with disabilities	3 GOOD HEALTH AND WELL-BEING 10 REDUCED INEQUALITIES	Societies and communities Employees
Commitment 13: Cultural diversity and vibrancy • Celebrate cultural diversity • Promote local art and culture	10 REDUCED INEQUALITIES	Societies and communities Employees

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Our strategic execution journey

Key realisations

While facing up to the challenges emanating from the operating landscape, the Bank has made further progress against its strategic objectives and upheld its financial soundness. Towards those ends, the Bank has capitalised on its healthy and flexible business model, alongside continuously enriching its value proposition and strengthened customer proximity. Initiatives put in place have helped to further turn around the Bank, alongside reinforcing its growth foundations.

The Bank has embarked on a series of strategic initiatives, with a focus on bolstering human capital as well as gearing up its capabilities and credentials in support of sound and sustained business growth. Strengthened corporate governance has remained high on the agenda, with a key development being the appointment of a new Chief Executive for SBM Bank (Mauritius) Ltd.

The following sections demonstrate the Bank's specific initiatives and achievements during the period under review. In addition to depicting how we are attending to the needs of our various stakeholders in line with their expectations, emphasis is laid on both our business and sustainability endeavours.

Our stakeholder model and engagement

Our approach

Since financial institutions play a systematic role in the society, our stakeholders expect that these generate value, while supporting sustainable development and growth. Basically, the Bank engages with its stakeholders to understand and respond to their expectations and concerns, thus garnering valuable insights to shape up its priorities and strategies. We are continuously adapting to changing operating environments and delivering relevant solutions and tailored support to address the needs and requirements of our stakeholders. While boosting our financial numbers, we also seek to adopt behaviours and initiatives that are material for generating long-term and meaningful value.

Our engagement process

1. Reflect on our material matters
2. Appraise our internal and external operating environments
3. Define stakeholder groups and their expectations
4. Undertake stakeholder prioritisation
5. Determine engagement objectives, platforms and channels
6. Mobilise and allocate resources to meet stakeholder requirements
7. Execute our plans and achieve meaningful outcomes
8. Review our material matters and stakeholder engagement priorities on a regular basis

Our strategic value drivers

- Quality and adaptability of our stakeholder relationships
- Listening and reacting to stakeholder feedback and queries
- Open and constructive dialogues with actual and potential stakeholders
- Informed and pragmatic stakeholder prioritisation and selection
- Capitalising on effective communication channels and platforms
- Regular engagements, discussions and information sharing

Creating value for our shareholder and investor community

Our philosophy

- We seek to optimise our engagement with our ultimate shareholder – i.e. SBM Holdings Ltd – credit rating agencies and the broad-based investor community, with a view to underpinning the Bank's growth ambitions.
- We aim to promote the long-term shareholder value of the Group by boosting our franchise, strengthening our revenue base and upholding solid financial ratios.

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Creating value for our shareholder and investor community

Main capitals impacted

Financial

Intellectual

Social and relationship

Natural

Main SDGs impacted

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Main material matters impacted

Purposive character of the Bank

Ethics, trust and transparency

Diversity, equity and inclusion

Climate consciousness

Reference metrics

Ba1
Credit rating assigned by Moody's Investors Service to SBM Bank (Mauritius) Ltd

SBM Holdings Ltd

18,042
Individual and institutional investors

3,037,402,230
Issued shares

4.4%
Dividend yield

The context

Key trends observed

- Increasingly knowledgeable and exigent investor community
- Stringent scorecard and methodology used by rating agencies
- Competitive markets while acceding to externally-sourced funds
- Investors focused on the diversification of their investments

Opportunities and challenges

- Working towards retrieving an investment-grade credit rating for SBM Bank (Mauritius) Ltd
- Telling an increasingly appealing growth story to stakeholders
- Sustaining our financial performance to propel our brand equity, while navigating a demanding investment environment and challenging economic conditions

Taking stock of stakeholder expectations

- Sound and sustainable return on investment
- Reinforced governance, risk management and compliance frameworks
- Adoption of ethical and responsible behaviours and business conduct
- Transparent and regular stakeholder reporting and communication channels
- Access to key Bank representatives where appropriate

Delivering Sustainable Value to our Stakeholders *(cont'd)*

The Bank's engagement

Frequency of dialogue and modes of engagement

- *Regular and well-timed interactions, as per stakeholder requirements*
- *Ad hoc discussions and engagements, depending on the context*

- Regular engagements with SBM Holdings Ltd on topical matters
- Regular and close interactions with credit rating agencies
- Management Statement to shed light on the Bank's financial results
- Integrated Annual Report to depict our positioning and performance
- Press releases and corporate announcements
- Discussions with correspondent banks and foreign investors
- Ad hoc meetings

Overview of our main endeavours during the period under review

- Improved core earnings on the back of sharpened competitive edge and capacity building
- Close and regular interactions and information sharing with Moody's Investors Service to lay emphasis on the Bank's financial and strategic progress in our attempt to retrieve its investment-grade credit rating status
- Balance between shareholder returns and retained earnings to support growth initiatives
- Discussions with investors to demonstrate the resilience and prospects of the Bank
- Initiatives to bolster the Bank's capital position and comply with regulatory guidelines
- Participation of Senior Management in conferences and roadshows

Read more in the 'Investor Relations' section on our website

Creating value for our customers

Our philosophy

- We help our customers achieve their financial and personal goals, thus assisting them in improving their wellbeing and underpinning their growth ambitions over time.
- We aim to make our financial solutions simpler and safer for our customers, while improving their experiences, focusing on digitalisation and investing in our capabilities and technology.

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Creating value for our customers

Main capitals impacted

- Financial
- Manufactured
- Intellectual
- Social and relationship
- Natural

Main SDGs impacted

- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10 REDUCED INEQUALITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION

Main material matters impacted

- Customer experience
- Purposive character of the Bank
- Ethics, trust and transparency
- Diversity, equity and inclusion
- Climate consciousness

Reference metrics

MUR 119.1 billion Overall loan book	**~28%** Market share for credit to the Mauritian economy	**137** Number of ATMs
4,233 Number of POS terminals	**26** Number of branches renovated since 2021	**98.97%** Customer complaints resolved

The context

Key trends observed

- Demand for credit being subject to challenging and unsteady market conditions
- Banking operators focused on upholding financial soundness while expanding market shares
- Heightened competitive pressures from non-traditional non-banking operators

Opportunities and challenges

- Broadening range of individual, corporate and institutional customers to be served, in the wake of growing business/investment activities and the increasing sophistication of the economy
- Demand for increasingly personalised and accessible solutions by customers
- Imperative need to tackle cyber-security risks and promote effective data protection

Taking stock of stakeholder expectations

- Innovative and differentiated products and services
- Digitally-powered channels, platforms and services
- Prompt, seamless and convenient experiences
- Accessible and reliable touchpoints and channels
- Competitive and predictable pricing
- Protection from fraud and cyber-security risks
- Prompt management of customer complaints
- Reduction in client waiting times

The Bank's engagement

Frequency of dialogue and modes of engagement

- *Everyday interactions, as per stakeholder requirements*
- *Regular undertakings to boost customer relationship management*
- *Ad hoc discussions and engagements, depending on the context*

- Dedicated team of professionals for Relationship Management
- Branches and digital channels
- Media and marketing/communication campaigns
- Agile working practices and prompt decision-making processes
- Customer care and complaints management

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Overview of our main endeavours during the period under review

- Helping householders to prosper and businesses to establish their operations and grow by means of tailored solutions and continuous guidance, complemented by fair pricing
- Tailored assistance provided to individual and corporate clients facing hardships and challenges
- Enabling clients to protect and grow their wealth, while trading, investing and transacting
- Renovation of branches and delivery channels assisted by higher operational efficiency
- Review and reshaping of product offerings and value propositions to foster alignment with evolving customer needs, alongside bolstering endeavours meant to build and solidify customer loyalty
- Continuous improvement of customer satisfaction levels, spurred by the improved quality and convenience of services
- Connecting clients to national and international engines of growth, trade and innovation
- Sustained focus on timely and effective customer complaints management
- Accompanying clients in their sustainability journeys, while encouraging the financing of environment-friendly projects and renewable energy undertakings, thus contributing to moves aimed at stimulating responsible business practices and activities at national level
- Delivery of regular, detailed and transparent information on our products and services to customers by means of the press, social media as well as other reporting and communication channels
- Anchoring client acquisition on collaborations and synergies with business partners

Read more on our customer excellence initiatives in the 'Overview of the Bank's business initiatives and achievements' section on page 100 to 105

Read more on products and services offered by SBM Bank on our website

Creating value for our employees

Our philosophy

- We offer a competitive employee value proposition, while supporting the Bank's interests.
- We are dedicated to investing in our people and creating a conducive workplace.

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Creating value for our employees

Main capitals impacted

Human

Intellectual

Social and relationship

Natural

Main SDGs impacted

1 NO POVERTY

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Main material matters impacted

Employee wellbeing

Ethics, trust and transparency

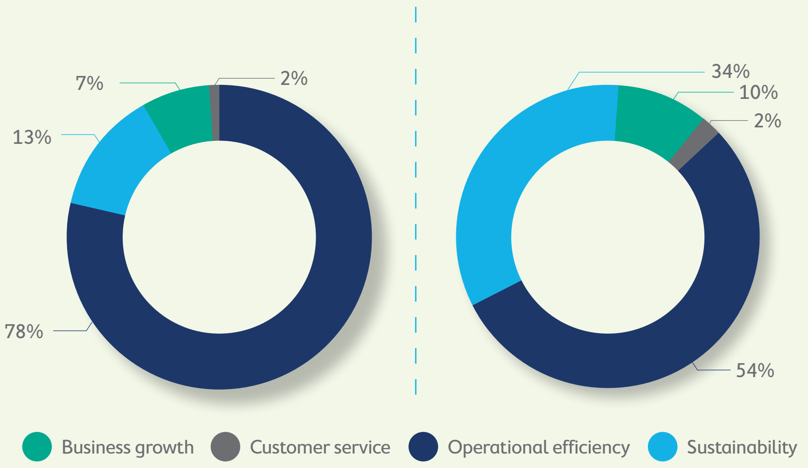
Diversity, equity and inclusion

Reference metrics

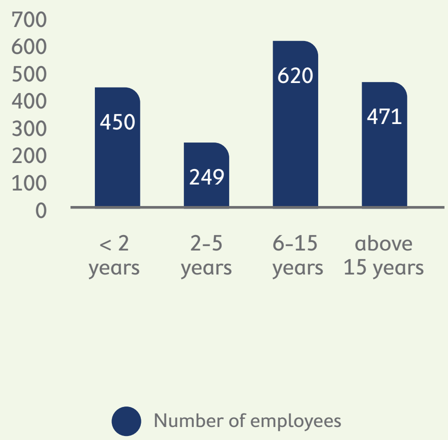
1,790 Total employees	**~64%** Female employees
94.0% Employee retention rate	**9.0%** Employee turnover rate

35,840
Training hours

MUR 22.8 million
Training cost



Length of service



The context

Key trends

- Employees increasingly looking for flexible and agile working conditions
- Talent development and coaching viewed as key to thrive in a fast-changing world
- Industries and financial institutions competing for the best human resource talents

Opportunities and challenges

- Need for constantly reviewing and aligning employee remuneration with industry trends, market dynamics and business growth considerations
- Keeping a vigilant eye on the competitive environment so as to retain and nurture talents
- Ensuring that employee skills are constantly re-assessed and strengthened in view of the changing demands of the financial services sector and efficiency purposes

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Taking stock of stakeholder expectations

- Opportunities for career and personal development
- Safe, healthy and stimulating workplace
- Appropriate remuneration and benefits
- Adherence to principles of meritocracy and fairness

The Bank's engagement

Frequency of dialogue and modes of engagement

- *Everyday exchanges and communications, as per needs and exigencies*
- *Regular and ad hoc discussions and engagements, depending on the context*

- Regular interactions with Management and HR Partners
- Training and development resources and facilities
- Internal communications
- Surveys and workshops
- Performance appraisals
- Staff welfare activities
- Cultural events

Overview of our main endeavours during the period under review

- Bolstering staff engagement and empowerment, while protecting the Bank
- Pursuing efforts aimed at attracting, developing and retaining the best talents on the market
- Creating healthy workplace experiences, backed by the availability of relevant tools and facilities, with fair and equitable treatment to all employees
- Focusing on dynamic and considerate working hours, to underpin employee safety and welfare
- Instilling a high-performance culture, in support of strategic and business growth imperatives
- Promoting talent management by supporting the ongoing capacity development of employees in terms of technical and professional skills and soft aptitudes, under the aegis of the SBM Academy
- Offering fair and competitive remuneration and benefits to staff, in line with industry standards
- Adopting a robust performance appraisal system, as a basis for rewards and recognition
- Promoting key concepts such as leadership, change management, succession planning and self-development
- Supporting the wellbeing of employees through dedicated programmes and sports activities

Read more on our human resource engagement in the 'Implementation of our sustainability strategy' section on pages 113 to 114

Creating value for societies and communities

Our philosophy

- We contribute towards achieving increasingly healthy and inclusive societies and communities, while helping to safeguard the natural environment and promote sustainable behaviours.
- We collaborate with social and public sector partners to help them in endeavours aimed at achieving a higher quality of life, anchored on equitable and fair opportunities to prosper.

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Creating value for societies and communities

Main capitals impacted

Manufactured

Intellectual

Social and relationship

Natural

Main SDGs impacted

1 NO POVERTY

2 ZERO HUNGER

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

7 AFFORDABLE AND CLEAN ENERGY

10 REDUCED INEQUALITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Main material matters impacted

Ethics, trust and transparency

Diversity, equity and inclusion

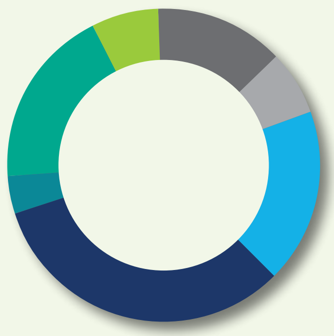
Climate consciousness

Reference metrics

Spending by SBM Foundation on CSR projects

MUR 27.6 million
Total amount disbursed

25
NGOs funded for specific projects



Learning through play: making use of sports, music and culture as a learning tool for getting out of poverty
13.2%

Women empowerment and childcare
6.9%

Provision of educational facilities to disabled children
17.8%

Admin and staff initiatives
6.8%

Scholarship Scheme
18.7%

Environment
4.0%

Provision of educational facilities to out-of-school youth
32.6%

The context

Key trends

- Social and environmental welfare and progress taking centre stage in the strategic planning, policy making and decisional stages, as both public and private stakeholders further stress on the importance of fostering responsible, inclusive and environment-friendly economic growth
- Stakeholders looking for customised and continuous CSR support, as well as the necessary flexibility to cater for their evolving needs and exigencies

Opportunities and challenges

- Becoming an increasingly impactful, responsible and sustainable Bank
- Allocating ample resources to meet social and environmental needs
- Making sense of and responding to mounting climate change risks
- Focusing energies on major topics of interest, including human rights, gender equity, biodiversity, poverty alleviation, education for empowerment and social mobility

Taking stock of stakeholder expectations

- Community development and social welfare objectives of the authorities
- Need for individuals and families to move up the social ladder
- Promotion of eco-friendly behaviours and environment sustainability
- Empowerment of NGOs and social partners to fulfill their roles and responsibilities
- Fostering cultural vibrancy, in support of more fulfilling living standards

Delivering Sustainable Value to our Stakeholders *(cont'd)*

The Bank's engagement

Frequency of dialogue and modes of engagement

- *Systematic exchanges and connections, in line with needs conveyed to us*
- *Ongoing and ad hoc discussions and engagements*

- Well-defined CSR framework, policies and programmes
- Partnerships with NGOs, suppliers and public sector entities
- Staff support to the efficient conduct of CSR activities
- Sponsorships to promote noble causes
- Consultative workshops and awareness sessions
- Coverage in the press and social media
- Regular progress reviews and monitoring

Overview of our main endeavours during the period under review

- Executing the core pillars and the key commitments of the SBM Group Sustainability Agenda
- Supporting nationwide priorities in favour of sound and inclusive growth, by means of products and services, community service as well as our own resource and supply chain management
- Implementing high-impact CSR activities to support the vulnerable groups and foster social progress, while focusing on women empowerment, educational achievements and poverty alleviation, under the aegis of the SBM Foundation and backed by staff volunteering activities
- Delivering financial products and services that have meaningful social and environmental impacts
- Boosting financial literacy and inclusion vis-à-vis the low-income and vulnerable groups of society and delivering dedicated products and services to specific customers groups (e.g. entrepreneurs, self-employed, SMEs and the local industry) to help them achieve their ambitions
- Supporting nationwide initiatives in favour of a low-carbon, resource-efficient and climate-compatible Mauritian economy, alongside supporting unfolding of renewable energy projects
- Reinforcing controls and policies to manage climate risks and support our customers
- Adherence to recognised standards to underpin responsible business conduct and sustainable development imperatives – SBM Bank (Mauritius) Ltd is signatory to the UN Global Compact; SBM Holdings Ltd adheres to the Diversity, Equity and Inclusion Charter, which reflects its commitment to the National Committee on Corporate Governance

Read more on our social inclusiveness endeavours in the 'Implementation of our sustainability strategy' section on pages 106 to 121

Creating value for Government and regulators

Our philosophy

- We aim to maintain strong, regular and transparent dialogue and discussions with the authorities and regulatory bodies to support our business agenda and accompany endeavours aimed at upholding the trustworthy functioning and resilience of the banking and financial systems.

- We aspire to align our strategic intents with the country's vision and ambitions, in view of underpinning or catalysing sound and sustained socio-economic progress.

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Creating value for Government and regulators

Main capitals impacted

- Financial
- Intellectual
- Social and relationship
- Natural

Main SDGs impacted

- 5 GENDER EQUALITY
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10 REDUCED INEQUALITIES
- 13 CLIMATE ACTION
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Main material matters impacted

- Purposive character of the Bank
- Ethics, trust and transparency
- Diversity, equity and inclusion
- Climate consciousness

Reference metrics

~17%
Domestic loans as a share of GDP at market prices

~4,090
Number of reports delivered to the Bank of Mauritius

Mortgage (Domestic)

MUR 43.0 billion
Total

~38%
Market share

The context

Key trends

- Progressive economic recovery being observed in Mauritius, amidst challenges
- Development of new sectors offering appealing avenues for business growth
- Increasingly demanding legal, regulatory and compliance landscapes

Opportunities and challenges

- Ongoing initiatives to spur national investment and sectorial growth
- Growth avenues linked to the development of the Mauritian IFC
- Pressures on the operating and financial costs of corporate clients

Taking stock of stakeholder expectations

- Sound and sustained economic growth and prosperity
- Sustained dependability of the Mauritian IFC
- Compliance with national laws and regulatory stipulations
- Comfortable capital and liquidity positions
- Healthy and competitive markets and industries
- Stable and resilient banking and financial systems
- Contribution to financial inclusion and literacy
- Array of financial solutions to support local industries
- Participation in nationwide debates on financial sectors

Delivering Sustainable Value to our Stakeholders *(cont'd)*

The Bank's engagement

Frequency of dialogue and modes of engagement

- *Frequent interactions, as per rules, stipulations and expectations*
- *Regular discussions, as per regulatory agenda*

- Filing of returns and reports with the regulators
- Visits and inspections by regulatory authorities
- Regular and ad hoc discussions with the authorities and regulators
- Trilateral and Supervisory College meetings with the Bank of Mauritius
- Participation in the working committees set by the regulatory authorities
- Discussions involving the Mauritius Bankers Association
- Attendance to conferences and workshops

Overview of our main endeavours during the period under review

- Partaking in nationwide initiatives aimed at maintaining and strengthening the economic growth and momentum of Mauritius, with focus on financing endeavours that play a key role in boosting the performances and maturity development of the country's primary, secondary and tertiary sectors
- Helping to promote the sustained credibility, image and competitiveness of the Mauritian IFC as a gateway for facilitating and enabling trade and investment into Africa, by delivering tailored solutions to key business players and investment operators
- Accompanying the business community and public sector in their restructuring and growth-inducing initiatives as they seek to adjust to a volatile and demanding operating environment
- Underpinning the perennity, soundness and resilience of the Bank's operations by ensuring that it is well-equipped to submit regulatory reports in a timely manner and effectively responds to regulatory rules and guidelines, while ensuring compliance with applicable norms and standards
- Adherence to operational and business-related policies and processes as well as governance and risk management frameworks as advocated by the authorities and regulatory bodies
- Engaging in regular conversations with the authorities and regulators on a broad range of topics; discussing about policies and regulations that are likely to have non-negligible impacts on our functioning and operations, with a view, notably, to (i) understanding the implications thereof, alongside ensuring that the interests of our customers are safeguarded; and (ii) contributing to the reinforcement of the legal and regulatory landscapes in support of healthy financial sectors
- Propelling thought leadership, especially through interviews, social media posts and the organisation's flagship publication, i.e. SBM Insights, which delves on economic analyses and outlooks

Read more on our controls and frameworks to abide by legal and regulatory stipulations in the 'Risk Management Report' section on pages 198 to 243

Creating value for suppliers and strategic partners

Our philosophy

- We thoughtfully engage with suppliers and partners while undertaking our business endeavours.
- We provide fair and reasonable contract terms and engage in responsible procurement practices.

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Creating value for suppliers and strategic partners

Main capitals impacted

Financial

Manufactured

Intellectual

Social and relationship

Natural

Main SDGs impacted

Main material matters impacted

Ethics, trust and transparency

Diversity, equity and inclusion

Climate consciousness

The context

Taking stock of stakeholder expectations

- Fair, reasonable contract terms and ethical practices
- Timely payment and renewal of contract

The Bank's engagement

Frequency of dialogue and modes of engagement

- *Frequency of interactions depending on projects and undertakings unfolding*
- *Ad hoc engagements, in line with strategic objectives and internal policies*

- Expressions of interest
- Procurement process
- Contract management and renewal
- Meetings and working sessions
- Incident handling and escalation

Overview of our main endeavours during the period under review

- Maintaining fair and responsible procurement practices and aligning with best standards
- Monitoring of approval limits with a view to exercising appropriate control and governance
- Maintaining debriefs with regard to tenders to align expectations and provide fair practices to all bid participants

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Overview of the Bank's business initiatives and achievements

Key highlights

- Upholding of the Bank's position as a leading banking player in Mauritius, with noticeable contribution to the country's socio-economic development and active support to stakeholders
- Further progress realised in terms of market diversification and financial soundness
- Customer service excellence maintained, backed by multiple delivery channels

Strategic initiatives and key enablers

Salient observations

With the dedicated efforts and resolve of all its employees and stakeholders, the Bank has maintained its position as a leading operator in the domestic financial services industry, supported by its sustained growth momentum and diversification endeavours across business segments. It upheld the depth and quality of its involvement vis-à-vis individual and corporate customers, on both the assets and liabilities sides and remained committed to ensuring that they enjoy a seamless banking experience, anywhere and anytime. Concurrently, important positions were fulfilled across key functions of the Bank such as Corporate Domestic Banking, Privilege Banking and International Banking. In terms of capacity building, it is also worth noting that further progress was achieved in terms of the Bank's job grading and evaluation exercise, the bolstering of risk management policies and the improvement of operational efficiency levels, as notably supported by the review of specific business operations and functions, especially on the corporate front. In addition to business initiatives deployed by the Bank's traditional retail and corporate segments, the Financial Markets Division also contributed to the bottom-line performance by means of its endeavours across the money and forex markets, helped by human capital reinforcements and internal synergies. Importantly, the Bank remained a prominent player in the cards and payments segment, benefitting from customised products and growing business volumes.

In general, the Bank's initiatives stand as a testament to its unwavering commitment to delivering services that not only meet but exceed market expectations. Its achievements have been reflected through various awards and accolades received during the period under review. For instance, the Bank has been attributed the Market Leader distinction by Euromoney magazine for the 'Private Banking' and 'Corporate Banking' segments. These prestigious distinctions reflect the culmination of the Bank's commitment to excellence, strategic measures deployed and the staunch dedication to its customers. They place the Bank at the forefront of the financial services industry, thus underscoring its impact and industry leadership. In the same vein, the Bank preserved its prominent domestic market shares, which stood at around 38% and 23% as regard mortgage and corporate banking respectively as at December 2023.

Domestic involvement across segments

Despite a challenging operating environment, the Bank undertook the disciplined execution of its domestic strategic intents, thus reinforcing and diversifying its involvement in the Mauritian socio-economic landscape. Along the way, it closely monitored impacted files, while offering adapted and debt restructuring solutions to customers where need be. In line with its modernisation strategy and leveraging committed investments, the Bank uplifted its branch network. During 2023, two more branches were renovated and one new branch was inaugurated in Rivière Noire. The Bank's branch renovation features amongst the initiatives which reflect its endeavour to continuously improve its touchpoints and customer walk-in experiences. Furthermore, to accompany retail clients, the Bank improved its mortgage value proposition, as gauged by the extension of the loan tenor and the review of loan pricing and marketing campaigns. In the same vein, a Special Home Loan campaign for Mauritian households having gross monthly income not exceeding MUR 100,000 and for loans not exceeding MUR 2 million was launched. Besides, to increasingly support customers in distress (i.e. those having financial difficulties in repaying their loans post the successive increases in interest rates on loans), a Financial Assistance Plan was deployed for households having gross monthly income not exceeding MUR 100,000, with key features of this facility including extension of loan tenor and reduced monthly repayments as well as discounted interest rate payments for a specific time period.

The SBM Chemin Grenier service unit was relocated to a more modern and convenient facility situated on the main road, a few metres away from its previous location

The Rivière Noire branch is the latest SBM service unit to open its doors, bringing the total number of branches currently operating across Mauritius and Rodrigues to 41

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Strategic initiatives and key enablers *(cont'd)*

It is also worth mentioning that the Bank has further deployed its Zero Interest Medical Loan Scheme to the domestic market. The loan is a special scheme which has been designed in collaboration with the Ministry of Health and Wellness as well as selected private hospitals, with the objective to provide relief, on favourable terms and conditions, to citizens of Mauritius undergoing treatment. As another key undertaking, the Bank has reinforced its focus on eco-friendly banking, as testified by the launch of the SBM Auto Lease campaign, which is a tailored leasing facility for Mauritian residents seeking to buy an electric or hybrid vehicle. Designed for two specific segments, namely retail and SME banking, the facility further reflects the Bank's commitment to help the country's transition to a low-carbon economy, with focus on sustainable and environmentally-responsible development.

True to its purpose as an institution that has consistently contributed to the socio-economic development of the country, SBM Bank has funded several major projects, notably the Royal Green Wellness Village, a luxury residential project specialising in healthcare for the elderly

Tribecca Mall, one of the latest high-end commercial centres in Mauritius offering a plethora of international brands and entertainment venues, is yet another leading property development project financed by SBM Bank

As for the Private Banking and Wealth Management division, it continued to reinforce its human resource capabilities, boost market credentials and promote its visibility through networking events, alongside reducing the turnaround time when onboarding new clients. On this front, it is, on overall, worth noting that the Bank has revised its client onboarding criteria and engaged into a rebranding exercise to comply with the evolving Bank of Mauritius guidelines. A new External Asset Managers department was set up, while customer service quality was enhanced and the value proposition was refined and, in some instances, restructured. The Bank launched the SBM Visa Infinite Credit Card, which is an exclusive premium card offering distinctive benefits and lifestyle privileges.

While being firmly dedicated to supporting and accompanying the local economy and entrepreneurs, the Bank has sustained its support to SMEs and micro enterprises, with emphasis on restructuring its internal operations as well as delivering an innovative and tailored range of products and services to accompany clients in their development journeys. As a key move, the Bank introduced Special Agriculture Schemes, with attractive features and benefits for farmers, plantation owners and agri-entrepreneurs. The solutions offered consist of Agricultural Crop Loan, Agricultural Term Loan and Agricultural Mechanism Loan. To better serve targeted markets, it is worth underscoring that the Bank (i) capitalised on a revisited team structure, the recruitment of additional staff and continuous upskilling; (ii) boosted its customer proximity across regions, as gauged by the decentralisation of its services and the setting up of dedicated SME desks and hubs across the network of branches situated in different regions of Mauritius and Rodrigues, with innovations brought about being welcomed by clients; and (iii) improved its operational efficiency levels, by means notably of the judicious allocation of portfolios to Relationship Managers in view of providing increasingly personalised services. In the same vein, the client turnaround time has witnessed major improvements, whereby the account opening process has been streamlined and credit facilities are being processed and approved within around two weeks as compared to an average of some two months previously. Overall, to realise its business development ambitions, the Bank actively participated in fairs, campaigns and workshops to meet and discuss with current and potential clients, while achieving greater market visibility and awareness with respect to the panoply of financial solutions that it has in store to respond to customer requirements. Reflecting initiatives unleashed, the Bank has received two awards with respect to its innovative SME approach, namely the Best Bank for SMEs in Mauritius - Euromoney Awards for Excellence 2023 and Best SME Bank in Mauritius - The Asian Banker Global Middle East and Africa Awards 2023.

As for the Corporate Banking department, it underwent substantial transformations to support its strategic ambitions, characterised by the establishment of new sub-divisions – notably the Business Banking segment to look after Corporate Domestic entities having an annual turnover of up to MUR 500 million – and the enhancement of offerings to align with and meet the evolving needs of customers. In support of its objectives, the Bank reinforced its market presence and customer proximity. Corporate domestic clients were invited to key events, namely Golf event, Sustainability event and the 50th Anniversary celebrations, thus further strengthening the Bank's relationships with its long-standing and loyal clients and other stakeholders.

Steady and prudent growth of international footprint

During the period under review, the Bank pursued its efforts in the wake of its objective to thoughtfully, gradually and effectively re-ignite its international business. In this spirit, by setting priorities which are consistent with the Bank's espoused strategic directions and its values of prudence and customer centricity, the Bank has set out to review its risk appetite and its country limits, alongside being guided by strengthened policies and procedures to support sound business involvement across markets and geographies. With the strategic objective of growing its international footprint steadily and prudently, added focus has been put towards building appropriate capacity in terms of human resource and operational expertise, as substantiated by the recruitment of key capabilities along with the restructuring of the teams and the planned set up of a Middle Office for better task segregation and monitoring.

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Strategic initiatives and key enablers *(cont'd)*

Building and solidifying customer loyalty

The launch of the SBM Visa Infinite credit card was one of several initiatives launched in 2023 for the private banking/wealth management segment

While the Bank remains dedicated towards acting in its clients' best interests, it also aims to build trust through its adapted solutions, active client engagement and regular customer feedback surveys, alongside making allowance for the increasingly sophisticated market needs. Customer centricity, being a core value, sets the standards by which the Bank prioritises decisions about all touch points, alongside improving the convenience of financial solutions offered and continuously hearing the voice of customers through regular surveys. As highlighted above, the Bank's branch renovation features amongst the initiatives that reflect its endeavour to provide a comprehensive range of digital services and a full suite of banking solutions to its customers. The efforts made by the Bank to enhance customer experience is illustrated by the year-on-year increase in its Customer Satisfaction Index. With the Information Age being the main driver of evolving customer behaviours, focus was laid on IT transformation to pave the way for the appropriate organisational structure, processes, tools and channels that would allow the Bank to achieve its aspirations. The Bank set out to strengthen its IT ecosystem and lay the foundations of its digital journey, while engaging in specific endeavours aimed at achieving business simplification and transformation, creating business-enabling platforms, fostering cost optimisation and addressing end-of-life issues. It is focusing on revamping its digital platforms by replacing its current Internet Banking and Mobile Banking solutions with upmarket offerings, along with introducing more attractive experiences covering customer journeys, credit journeys and payment journeys. Lately, SBM Bank (Mauritius) Ltd became the first Mauritian bank to accept RuPay card payments – a payment system launched in 2014 by the National Payments Corporation of India – at its terminals, thus marking a major advancement in the field of payment processing. The Bank has one of the largest networks of payment terminals across the country, including major shopping centres and hotels, thus enabling RuPay cardholders to make their payments with ease when travelling in Mauritius.

Promoting sustainability

In line with the SBM Group Sustainability Agenda, the Bank has resolutely set forward to build the necessary expertise and capabilities to fulfill its role and responsibilities as a responsible and caring organisation. In addition to internal initiatives to foster sound and environmentally-friendly operations, the Bank has supported customers in their sustainable and renewable energy projects, alongside boosting business interactions with external stakeholders and institutions with a view to underpinning its growth endeavours and learning about best practices. The Bank also takes pride in the positive impacts that it brings to the society and community through CSR events conducted throughout the year.

CSR activity at Angel Special School and Welfare Association

Looking ahead

Despite the challenging economic and market environments, the Bank will pursue efforts aimed at embarking onto a renewed and strengthened growth trajectory, alongside reinforcing its commitment to support the socio-economic progress of Mauritius. It will maintain the disciplined execution of its strategy and seek to preserve its financial soundness, with an eye on the quality of its asset book. Overall, Management has devised a three-year plan, with the underlying focus areas being to (i) increase domestic market share across segments; (ii) grow international footprint steadily and prudently; (iii) build and solidify customer loyalty; and (iv) promote sustainability. While focusing on sustainable growth by means of enhanced relationships with its customers and its ability to fulfill client banking needs throughout the various stages of their lives and business development journeys, the Bank will tap into appealing business opportunities and further transform the way it functions. Customer service and visibility will continue to be enhanced through additional branch renovations, innovations on the technological and digital fronts, process reengineering for operational efficiency, continuous customer feedback surveys as well as active presence and participation in the media and public space. While further consolidating and strengthening its foothold in the domestic markets along with closely monitoring problem files, the Bank is intent on further diversifying its revenue streams through unique value propositions for emerging sub-segments, notably Business Banking and External Assets Managers. It will gradually, prudently and thoughtfully execute its international banking strategies on the basis of a selective market development approach, backed by bolstered capabilities and a fitting risk appetite. The Bank will remain dedicated to continually evolve its capabilities, to ultimately provide a simple and safe customer journey, driven by data management and continued emphasis on cautious monitoring of operating costs. As a major endeavour, the Bank will move forward to fill in important Management positions as it further bolsters its capabilities, alongside attracting, developing and retaining key talents across different areas. Prominently also, the Bank will increasingly embrace key sustainability principles across its internal operations, business development initiatives as well as its risk management framework and practices, with due emphasis laid on the adoption of ESG principles.

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Implementation of our sustainability strategy

Background

As highlighted earlier in this report, the SBM Group has formally launched its Sustainability Agenda in 2023. Against this backdrop and building on its various achievements spanning decades, notably on the CSR front, SBM Bank (Mauritius) Ltd has, during the year, promoted sustainability as a key pillar of its strategic orientations, while formulating short to medium term strategic intents and roadmaps. This engagement has, in parallel, been communicated on the social media pages of SBM and through internal communication to employees. Importantly, the Bank has financed green projects shaping up the socio-economic landscape, notably those relating to clean and renewable energy. Through its operations, the Bank has, amongst priorities, laid emphasis on climate risk management, while adhering to regulatory stipulations. Regarding our CSR activities, they have been spearheaded by the SBM Foundation. Reflecting our sustainable business model, initiatives have been rolled out to attract and retain talents, alongside fostering the engagement and empowerment of employees. In this journey, the Bank, as well as other Group entities, are being guided by an external Sustainability Specialist Partner, which is accompanying the organisation in envisioning and articulating their relevant strategies and foundations. Through this ongoing engagement, the Bank has, thus far, benefitted from strategic guidance and dedicated training being delivered on sustainability-related topics and aspects, while (i) workshops have been conducted on key sustainability imperatives; and (ii) ongoing discussions are being held in relation to important focus areas such as materiality assessment and sustainability strategy, roadmap and governance structure, capacity building as well as reporting and communication.

As we move along and undertake our activities, we recognise that there is further progress to be made with respect to the clear, coherent and up-to-date envisioning, articulation and execution of our Sustainability Agenda, but we are completely committed to gradually achieving our set ambitions over the short to medium term. Indeed, over the coming years, we will aim at increasing our momentum and we will continue to be transparent about our initiatives and achievements. Towards these ends, we will further reinforce capabilities in specific areas, alongside being assisted by subject matter experts.

Enabling foundations and mechanisms

The Bank has anchored its activities on solid structures and foundations. As a major consideration, our corporate governance approach ensures that we operate in the best interests of our stakeholders, while embedding sustainability throughout the Bank. Indeed, while this remains work-in-progress, a fitting governance framework and a conducive operating model have been put in place to ensure proper oversight and guidance as well as to bring alignment and synergies across business lines and functions with regard to sustainability initiatives. In fact, during the year, the Bank's governance set-up, policies and procedures as well as its relevant operating paradigms have, in some respects, been enhanced/strengthened with a view to further promoting a culture of sustainability and ethics. Of note, a Corporate Governance and Sustainability Committee is in place at SBM Bank (Mauritius) Ltd. In another respect, training programmes – notably to the attention of Senior Management and Directors – have been conducted with a view to promoting informed knowledge and dissection of sustainability-related matters, while participation in conferences and seminars have helped the Bank in keeping pace with ongoing trends.

Corporate Governance and Sustainability Committee

Amongst its core functions, the Committee oversees the implementation of the Bank's Sustainability Agenda as approved by the Board, while receiving regular updates and reports from Management and the Strategy team on the Bank's performance against the sustainability agenda and targets. Besides, the Committee ensures that both itself and the Board are kept up to date of any regulatory changes in relation to sustainability which may impact the business of the Bank and its Sustainability Agenda.

Read more on our governance frameworks and practices in the 'Corporate Governance Report' section at pages 126 to 192

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Enabling foundations and mechanisms *(cont'd)*

Group Sustainability Forum

The Group Sustainability Forum is a Functional Forum which is chaired by the Group Chief Sustainability Officer. It comprises members overseeing sustainability in their respective operating entity. The primary objectives of the Forum are to (i) ensure alignment and a consistent approach to the execution of the Group Sustainability Agenda; and (ii) promote regular dialogue with stakeholders on sustainability and Environment, Social and Governance (ESG) matters. The Forum assists the Corporate Governance, Conduct Review & Sustainability Committee – a sub-committee of the Board of SBM Holdings Ltd – in discharging its duties relating to the implementation of the Group Sustainability Agenda and the related strategies. It has an important role to play as regard information sharing and encouraging constructive discussions for the ultimate benefit and progress of the operating entities and SBM Holdings Ltd.

Adherence to international norms and standards

The Bank has signed and publicly committed to international sustainability principles, as it sets out to convey its underlying directions, reinforce its vision and intent around sustainability, improve the transparency and comprehensiveness of its reporting and disclosures, further enhance its credibility and reputation on the subject matter and promote structured peer learning and knowledge sharing.

Last year, SBM Holdings Ltd has, as a responsible organisation committed to endorsing sustainable actions, signed the Diversity, Equity and Inclusion (DEI) Charter championed by the National Committee on Corporate Governance (NCCG). Of note, data, commitments and metrics relate to the Group's Mauritius-based entities, including SBM Bank (Mauritius) Ltd. By pledging allegiance to this Charter, organisations are underlining their internal objectives and commitment to sharing their progress towards these targets on an annual basis with the NCCG. Our endorsement of the DEI Charter underscores SBM's continued efforts to assess and enhance diversity, equity and inclusion across all levels of the organisation. By putting in practice the DEI Charter, SBM is not only aligning itself with societal expectations, but is also better positioned to cater for its diverse customer base, stimulate innovation and financial prosperity and attract top-tier talent, while adhering to laws and regulations.

Moreover, SBM Bank (Mauritius) Ltd has become an official participant of the United Nations Global Compact. As part of a global network comprising more than 17,000 participants in across 160 countries, this involvement signifies our continued endeavour to promote a culture of integrity and construct a sustainable future. The aim is to uphold the ten principles outlined by the UN Global Compact, which are encompassed in the following areas: Human Rights, Labour, Environment and Anti-Corruption. By this means, we are looking forward to making the UN Global Compact and its principles part of the strategy, culture and day-to-day operations of the Bank.

The Ten Principles of the United Nations Global Compact

Human Rights

Principle 1:

Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2:

Make sure that they are not complicit in human rights abuses.

Labour

Principle 3:

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4:

The elimination of all forms of forced and compulsory labour;

Principle 5:

The effective abolition of child labour; and

Principle 6:

The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7:

Businesses should support a precautionary approach to environmental challenges;

Principle 8:

Undertake initiatives to promote greater environmental responsibility; and

Principle 9:

Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10:

Businesses should work against corruption in all its forms, including extortion and bribery.

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Overview of specific initiatives

Pillar 1: Sustainable business

To promote greater social and environmental responsibility

- The Bank has pursued the delivery of dedicated sustainability-linked products, notably the SBM Eco Auto Lease which caters for the demand for electric and hybrid vehicles. The Bank has deployed the SBM Eco Loan, which offers a series of financing solutions that enable individuals, SMEs and corporates to invest in eco-friendly equipment and technology in support of their commitment to sustainability. This loan is geared towards financing projects promoting climate change mitigation or adaptation (see table below). This is in line with the Bank's endeavours to strive to make a change towards a greener environment and a better future for the next generations.

- As mentioned before in this report, the Bank has, in view of its initiatives aimed at accompanying SMEs and fostering a healthy national economic paradigm, launched Special Agriculture Schemes, consisting of Agricultural Crop Loan, Agricultural Term Loan and Agricultural Mechanisation Loan.

Climate mitigation projects	Climate adaptation projects
• Renewable energies: solar PV, wind farm, hydro, biomass • Investment in energy efficiency projects • Investments in green buildings with technologies/solutions to reduce energy consumption: LED lamps, occupancy sensors, efficient air conditioning systems • Electric mobility	• Water savings: rainwater harvesting or any investment in technologies that reduces water consumption • Investment in energy efficiency projects • Sustainable agriculture: Classic, tunnel or tropic greenhouse, micro-irrigation or drip irrigation, resilient varieties, use of technology, etc. • Coastal zone protection and rehabilitation • Thermal insulation (using bio/plant-based materials, green roofs, etc.) • Treatment of wastewater and effluents • Investments in green buildings with resilient solutions (with regards to treatment on water management, resilience against strong winds, risk of flooding, extreme temperatures, etc)

Pillar 2: Responsible organisation

To conduct our activities with integrity

- In alignment with regulatory requirements and international standards, the Bank has set forward to protect itself from and manage the impact of climate change while supporting sound business activities, backed by fitting risk controls and the review of its operating paradigm.

Responding to and managing climate change

Following the release of the Bank of Mauritius Guideline for Climate-related and Environmental Financial Risk Management in April 2022, the Bank's Climate-related, Environmental and Social Risk Policy (CES Policy) has been revamped to incorporate elements of climate-related and environmental risks. The Bank revised its Risk Appetite Statement to integrate climate-related risks in addition to the pre-existing components on environmental and social risks. A high-level materiality assessment was performed on climate-related risks. The Bank currently monitors, year-on-year, its energy, paper usage and water footprints. With a firm dedication to adhering to the requirements of the regulator, the Bank has initiated its Greenhouse Gas (GHG) accounting exercise and has performed a Financed Emissions exercise on its Corporate Book by using the Partnership for Carbon Accounting Financials (PCAF) methodology. To garner a deeper understanding of its resilience against climate-related and environmental financial risks, the Bank has started to engage into and explore climate scenario analysis, particularly climate stress testing.

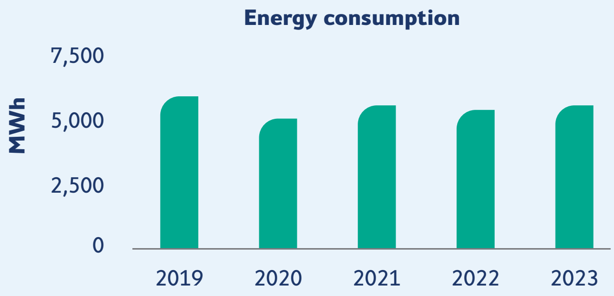
- The Bank pursued efforts aimed to promoting sound and environmental-friendly operations. It took initiatives to automate and streamline processes, while encouraging paperless transactions and encouraging clients to use alternate channels, ranging from transfers to e-statements.

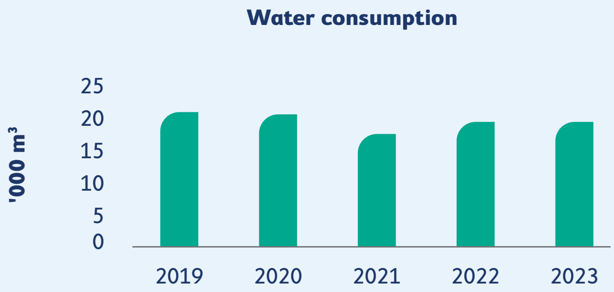
Internal sustainability and environmental commitments and initiatives

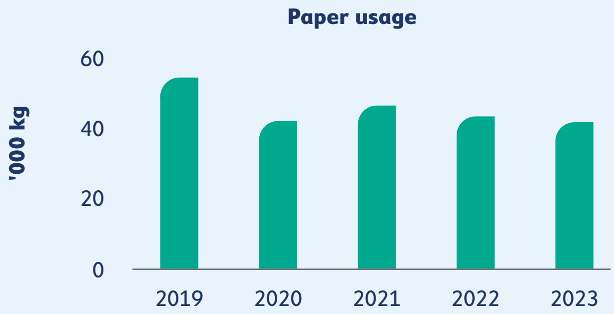
The Bank's approach to environmental sustainability is to be on the constant look-out for new ways to be more sustainable and environmentally friendly. This can be illustrated in the way the Bank uses its resources, such as paper, electricity, water, etc. The Bank is currently renovating its branches, using the most recent technology and energy-saving materials such as motion sensors, LED dimmable lights, natural lighting, re-engineering opportunities and the use of efficient equipment like inverter air conditioning, in an effort to reduce the amount of electricity consumed. Employees are being encouraged to consume less paper by promoting digital means of communication and information consumption. Visitors to SBM Park are also helping us to reduce our usage by bringing their own reusable water bottles instead of using single-use plastic ones. We constantly educate our staff about the need to use less paper and we are working to implement a paperless strategy that will reduce our carbon footprint. Outdated paper disposal is something that recycling companies frequently manage effortlessly to save energy, lessen pollution and protect the environment.

Delivering Sustainable Value to our Stakeholders *(cont'd)*

Pillar 2: Responsible organisation *(cont'd)*







- The Bank remained committed to promoting talent management, with focus on the professional advancement, skills upgrading and engagement of its employees. It strived to develop a positive work environment and improve the wellbeing, interests and safety of its staff. Various activities were organised for employees, such as Yoga, Tai Chi and Zumba sessions as well as Sports Day.

Fostering the wellbeing, health and safety of employees and a conducive work environment

In its ever-evolving landscape, the Bank's most valuable asset continues to be its people. In 2023, the Human Resources Division (HRD) played a pivotal role in fostering a dynamic and inclusive workplace environment where employees can thrive. Attracting and retaining top talent has remained a strategic priority for our organisation. Throughout the year, the HRD has implemented innovative recruitment strategies, leveraging technology to identify and bring on board exceptional individuals as well as meeting business requirements in terms of talent pipeline.

The HRD has also implemented various initiatives to enhance employee engagement, ranging from celebrating the employee to wellness and sports activities. Recognising the importance of employee wellbeing, a culture that prioritises the holistic health of the workforce was encouraged. A positive and engaged workforce is crucial for sustained success. Recognising and upholding the contribution of its employees, the Bank celebrated the International Women's Day in 2023. A mosaic of our lady employees at all levels was also published on social media to convey the contribution and importance of women in our workplace.

2023 has been a special year and we went back to the roots, while SBM celebrated its 50th Anniversary with immense pride and gratitude, with its human capital, past and present, being at the heart of this historical milestone. The Bank also excelled on the sports front, securing podium positions in different activities. Moreover, our commitment to excellence is reflected in our performance management system. The HRD worked closely with the Leadership team to align individual and organisational goals, providing constructive feedback and recognition. This approach not only enhances individual performance, but also contributes to the overall success of the organisation. As we navigate the challenges and opportunities of the coming year, the HRD remains dedicated to fostering a workplace culture that attracts, develops and retains exceptional talent. The Bank is confident that ongoing initiatives will contribute to its long-term success by ensuring that its people are motivated, engaged and well-equipped to drive innovation and excellence in their respective roles.

Furthermore, Health and Safety has always been a fundamental part and a top priority at SBM, with the interests of employees, customers and other stakeholders in mind. In 2023, the following activities and events were conducted:

- Safety and Health Committees as planned
- Internal communications issued on a regular basis to advise employees on various health and safety matters
- Inductions carried out with all new recruits to raise awareness on health and safety at work
- Health and safety inspections of all SBM Service units, including at SBM Tower and in Rodrigues
- Fire drills in all our Service Units and SBM Tower
- Implementation of wellness activities such as Tai Chi and Zumba
- Provision of the services of a Company Doctor
- Training of first aiders and fire wardens
- Pink October – Breast Cancer Awareness sessions

Delivering Sustainable Value to our Stakeholders *(cont'd)*

In addition to the above, the Health and Safety team has overseen, where need be, the existing health and safety protocols implemented by the Bank, including policies, procedures, training programmes and emergency response plans. The team continuously performed the identification and evaluation of potential hazards within all the Bank's sites, including physical risks such as ergonomic hazards, slips, trips and falls. Moreover, assessment of the Bank's adherence to relevant health and safety regulations, standards and guidelines – as set forth by regulatory bodies, such as Occupational Safety and Health Administration (OSHA) or other local authorities – is performed on a regular basis.

Key strategic thrusts and undertakings of the SBM Academy

While assisting in terms of training envisioning, design, administration, facilitation and execution, the key mission of the SBM Academy is to collaborate with internal stakeholders to help them achieve their strategic objectives and goals in terms of talent development. It aims to design and facilitate customised training solutions of international standards that create value added experience for internal stakeholders. Towards this end, the main strategic goals are as follows: (i) establish continuous improvement in the training programmes to develop leaders capable of managing complex challenges faced by businesses and the society; (ii) empower women and develop female Executive Talent; (iii) promote training programmes on mental health, wellness and healthy lifestyles; and (iv) deliver environment-conscious training, notably with respect to green financing, waste management, etc.

During the year under review, the SBM Academy focused on specific endeavours involving employees at various echelons of the organisation as we embark on an important journey of transformational change (notably on the technological and human resource fronts), supported by training needs analysis conducted in relation to set strategic pillars and business development aspirations. It organised induction courses and tailored training programmes, delivered by both internal and external subject matter experts, for Board Directors, with focus on topics that inter alia pertain to (i) creating resilience through governance; (ii) driving sustainability from the Boardroom; (iii) cybercrime prevention; and (iv) Anti-Money Laundering and sanctions. In the same vein, various training programmes were scheduled for Senior Management and other staff with a view to delving and sharing knowledge on key topics of significant interest to the organisation. Online courses and tests were organised through GIEOM, including mandatory trainings as well as training associated with AML/CFT, cyber-security awareness and fraud awareness. Moreover, a Leadership Development Programme has been designed and put in place towards cultivating a pipeline of capable leaders who can drive growth and navigate challenges. Of note, SBM Bank (Mauritius) Ltd launched the SBM Talent Finder 2023, which is a customised training and internship programme that provides young candidates with expert monitoring in all banking-related fields, while providing them with the fundamental tools to embark on a successful professional journey. In this respect, the SBM Academy helped to design, execute and manage the overall programme, alongside conducting a formal evaluation of applicants and eventually defining career progression plans for selected candidates.

Pillar 3: Inclusive communities

To foster inclusion, diversity and equality

- By means of its dedicated financial solutions and schemes to the retail and corporate segments, the Bank has moved forward to support households and businesses in their endeavours, with focus on helping them navigate difficult times and on supporting financial inclusion in the country.
- The Bank has launched a Special Package for 18-year-olds, with tailored solutions comprising (i) an SBM All-In-One account packed with other benefits; (ii) discounted facilities for pursuing an academic career; (iii) the opportunity to enrol in an intensive workshop designed to increase the potential to better manage or to start a successful business; and (iv) an attractive microfinance offer to kick-start a business, with discounted interest rates and zero processing fee.
- Various CSR activities were organised by business segments with the close collaboration of the SBM Foundation. Besides, staff provided assistance in the organisation of national cultural events and programmes as well as in the conduct of blood donation activities.
- As a staunch advocate of the development of sports, the Bank has always been at the forefront of sponsoring the country's athletes. It sponsored the Club Maurice for the 11th Indian Ocean Island Games that were held in 2023 and has been the gold sponsor of Club Maurice for the 2024 African Games that took place in Ghana in March 2024.

Read more on the Bank's dedicated financial solutions in the 'Overview of the Bank's business initiatives and achievements' section on pages 100 to 105

SBM Foundation

Positioning of the SBM Foundation in Mauritius and its key activities

Introduction

The SBM Foundation, which was set up in 2016, drives the Corporate Social Responsibility (CSR) agenda within the SBM Group. The strategy revolves around supporting high-impact sustainable projects which are targeted at needy and vulnerable groups, with focus on education and empowerment, providing tools, promoting employability and combating social ills with a view to alleviating poverty. The purpose of the SBM Foundation revolves around the following:

(a) Alleviation of poverty

(b) Advancement of education of vulnerable groups

(c) Provision of scholarships to bright and needy students

(d) Education of school dropouts and/or low achievers

(e) Protection of the environment

Overall, the CSR initiatives are spread into three main categories, namely (i) the SBM Scholarship Scheme; (ii) funding of projects from NGO partners (notably in the field of education and empowerment); and (iii) SBM staff involvement initiatives. As a general rule, our NGO partners should have a legal status and be operating on a non-profit making basis along with a proven track record of activities with sound financial management and good governance. There is also an exclusion policy, which pertains to political parties or bodies, religious organisations, sponsorship to individuals, medical research and medical charities, academic research, overseas travel and student exchange programmes and Charity dinners amongst others. The Foundation operates in a transparent and independent manner in the pursuance of its set objectives. Moreover, the SBM Foundation is convinced that education is a very important means of empowerment for citizens to become active participants in the transformation of the society and that education is an essential path to get out of poverty. In this context, emphasis has been laid on the organisation’s unique SBM Scholarship Scheme for bright and needy students.

I The SBM Scholarship Scheme for bright and needy students

The SBM Scholarship Scheme was set up in 2010 with the aim to provide bright students from low-income households with the opportunity to pursue further studies and, thus, be in a position to aspire for a brighter future. The SBM Scholarship Scheme is the flagship CSR initiative of the Group. We are the largest single provider of scholarships in the Republic of Mauritius. To date, we have allocated more than 2,600 scholarships (including some 60 students from Rodrigues Island). The scholarship covers full-time undergraduate courses in Higher Education Commission (HEC) recognised institutions in Mauritius as well as vocational courses run at any of the Mauritius Institute of Training and Development (MITD) Centres.

Delivering Sustainable Value to our Stakeholders *(cont'd)*

II Funding of projects from NGOs (in the field of education and empowerment)

The SBM Foundation recognises the importance of NGOs and, as such, it has provided funding and assistance to projects run by various social partners across the following themes:

A Learning through Play: Making use of Sports, Music and Culture as a learning tool for getting out of poverty

B Women Empowerment and Childcare

C Provision of Educational facilities to Disabled children

D Provision of Educational facilities to out-of-school Youth

E Environment (added recently in line with the endorsed Sustainability Agenda)

A. Learning through Play: Making use of sports, music and culture as a learning tool for getting out of poverty

Projects under this category make use of an area of interest to the child (e.g. sports or music) as a pedagogical tool to impart knowledge. The concept is based on 'learning through play'. In addition, an educational support system can be added to this concept to ensure follow-up of academic results at school as well as a social support system to the family members. The SBM Foundation supports several projects for nearly 750 children.

B. Women Empowerment and Childcare

Under this category, the SBM Foundation supports some 200 children aged between 3 months and 3 years by promoting kindergarten projects emanating from various NGOs, with a view to providing childcare services to infants and toddlers while promoting the employability of mothers. Young mothers, especially those with low skills from poor families, are unable to undertake paid employment as the cost of a nursery is not proportionate to their expected income. With a view to breaking the vicious cycle of poverty, qualified nursery facilities are being provided free of charge, thus enabling mothers to undertake paid employment and support their family financially. In addition and as agreed by professionals, providing quality care at a younger age has a positive incidence on the educational possibilities of the child. Working with parents as from an early age enables the building of trust, which helps to tackle and solve social issues along with prompting educational follow-up in the long term.

C. Provision of Educational facilities to Disabled children

The provision of education to disabled children has its own specificities. Our support caters mainly for the provision of professional services such as Occupational Therapists, Physiotherapists and/or Psychologists, bearing in mind the current gaps in the disability sector with regard to such services. We presently support more than 1,500 children through 10 NGOs. We also expect that such support would help the NGOs to deliver relatively higher level of services.

D. Provision of Educational facilities to out-of-school Youth

The youth represent the future of the country. We believe that there is a need to support the out-of-school children, in addition to the scholarships provided to the vocational sector through the MITD. Therefore, the SBM Group has moved one step further to support associations feeding students to these centres. We support 5 different NGOs (catering for a network of 17 such schools), which are all working towards providing education to nearly 1,400 out-of-school children. This support ensures a consistent approach in the pedagogical process through their umbrella organisation. Interestingly, in one of the projects, the attendance rate has risen from below 35% to over 85%. At the end of the educational cycle, these students have the opportunity to pursue further studies through our Scholarship Scheme.

E. Environment

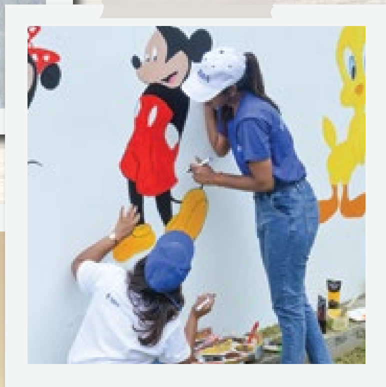
In line with our Sustainability Agenda, the SBM Foundation also has a soft corner for environmental protection. Through one of our NGO partners, we are providing training in bio-farming to help women get out of poverty. This NGO is running backyard/kitchen gardening programmes for women from underprivileged regions. This project adopts a holistic approach and goes beyond the environmental aspect and, while partly addressing the food security issue, also cuts across our other pillars, including the empowerment of women from vulnerable backgrounds.

III SBM Staff involvement initiatives

As part of its strategy, SBM encourages its employees to share their time and skills with the local underprivileged communities. Seven such community services and volunteer activities have been organised by staff members in 2023. This approach promotes and encourages staff involvement in social activities, while helping them to become even better and more responsible individuals.

Our CSR and Sustainability Commitment

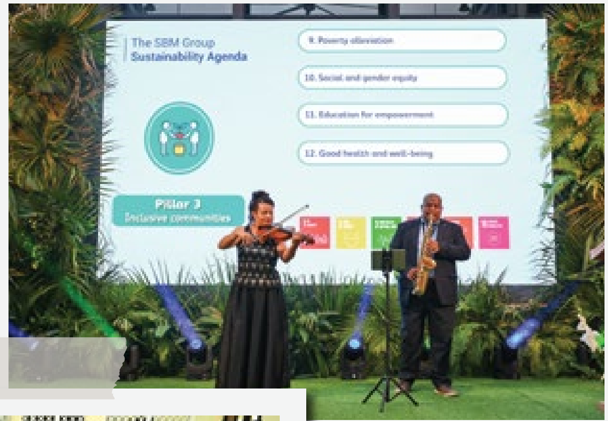
During FY 2023, we rolled out several initiatives, including the launch of the SBM Group Sustainability Agenda. These snapshots tell the story of our commitment to social responsibility, woven with passion and purpose; from empowering communities to embracing sustainability, they illustrate the impact of our collective efforts.



Embellishment of the walls and green area at the Angel Special School and Welfare Association (Mauritius)

Awareness campaign on cancer for SBM staff in Mauritius during Pink October

Recreational day for the beneficiaries of the Southern Handicapped Association (Mauritius)



On 31st May 2023, we launched our Sustainability Agenda, representing a major step in our relentless commitment to creating a positive impact on the environment, society and the economy

End of year celebration at Human Service Trust

Navigating success: championing ethics, integrity and compliance in business

In our voyage towards healthy progress, our operations and activities are anchored on our ethics and integrity, thus embodying our role as a responsible financial institution

Corporate Governance Report

Corporate Governance Report

Report from the Chairman of the Corporate Governance and Sustainability Committee

Dear Shareholder and Valued Partners,

I am pleased to present our Corporate Governance Report for the financial year 2023. The Board remains committed to maintaining effective corporate governance and integrity, enabling us to deliver our strategy for the long-term benefit of our stakeholders.

As a public interest entity, 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 2023, 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 the shareholder to assess the Bank's position, performance and strategy. During the year 2023, the mandate of the Committee has been reviewed to include the oversight of the implementation of the sustainability framework. Six material matters have been defined to create value in an integrated, holistic and transparent manner.

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

Jean Paul Emmanuel Arouff

Chairman

Corporate Governance and Sustainability 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:

Corporate Governance Report *(cont'd)*

Principle One: Governance Structure

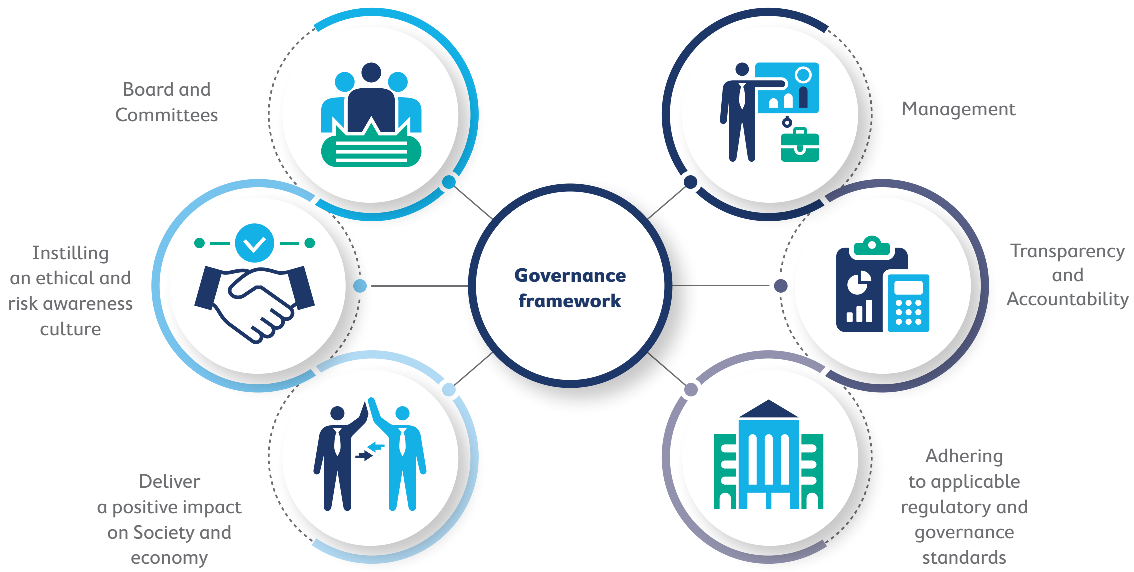
Our Governance Philosophy and Framework

Governance framework

SBM Bank (Mauritius) Ltd defined as "the Bank" is committed to adopting strong, effective and regularly reviewed and reinforced corporate governance frameworks and practices, which are based on a set of values, policies, processes and behaviours that promote responsible and competitive business activities, alongside preserving stakeholder interests for now and the future.

The Bank operates within the Board approved governance framework, which outlines the mechanisms for the Bank to implement robust practices and provides clear direction for decision-making across all disciplines. The Bank's corporate governance framework contributes to the development and delivery of our strategy through a continuing programme of work. The Board recognises that engagement with its stakeholders is key to achieving the strategy and long-term objectives of the Bank. The engagement with the stakeholders is covered under the "Delivering sustainable value to our stakeholders" section of this Integrated Annual Report 2023.

As a public interest entity, the Board of Directors strives to be as transparent in its disclosures and in its reporting. The Board continues to be guided in its approach to corporate governance by the National Code of Corporate Governance for Mauritius (2016). The Board has ensured that the corporate governance disclosures, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholder to assess the Bank's position, performance and strategy.



Positioning of the Board

The Board of Directors of SBM Bank (Mauritius) Ltd aims to promote the short and long-term success and sustainability of the business as well as its brand equity, while delivering meaningful and sustainable value to stakeholders. It seeks to propel accountability and it determines the Bank's strategic direction, thus paving the way for a high-performance culture, transparent and ethical business conduct, effective controls and diligent resource allocation. While continuously reviewing the Bank's corporate governance practices in alignment with changing industry codes and requirements, market trends and stakeholder expectations, the Board has put in place a Code of Ethics as it commits to promote a culture of mutual respect and ethical behaviour.

The Board has the ultimate responsibility for the establishment of the Bank's strategy and the delivery of that strategy by the Chief Executive supported by the Bank's Executive Forum and the Management/Leadership Team. Whilst key decision matters are reserved for Board's approval as set out in the Board Charter which is reviewed periodically, the Board also delegates the Bank's operational matters to Management.

The Board operates within a clearly defined governance framework, which allows the delegation of its powers and setting up of the 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.

Read more on the Code of Ethics and Business Conduct on the Bank's website

Corporate Governance Report *(cont'd)*

Board and Committees structure

The Board must act with integrity and is collectively responsible for establishing the Bank's purposes, values and strategy. The Board discharges its responsibilities directly or, in order to assist it in carrying out its functions of ensuring effective oversight and stewardship, delegates specific responsibilities to its Committees.

At the Bank level, six Committees have been established by the Board to monitor and review the formal arrangements as set by the Board.

Each Committee has a defined mandate as set out in its terms of reference setting out the roles, responsibilities, scope of authority and composition. The Chairman of each Committee reports on its activities at each quarterly Board meeting.

The following Committees of the Bank were operational during the year 2023:

The Terms of Reference ("TOR") of each Committee provides clarity on the role, responsibilities, scope of authority and composition.

The Board Charter along with the terms of reference are reviewed by the Board on a regular basis.

Read more on the Corporate Governance page on the Bank's website

Our Board Governance Structure

Our well-established structured framework comprising of the Board, its Committees, the Management team and Support functions, enables the Bank and our Directors to work effectively as described below:

Shareholder and other stakeholders

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

Audit Committee
Read more on page 154 of Integrated Annual Report.

Corporate Governance and Sustainability Committee
Read more on page 156 of Integrated Annual Report.

Remuneration and Nomination Committee
Read more on page 158 of Integrated Annual Report.

Risk Management Committee
Read more on page 160 of Integrated Annual Report.

Strategy Committee
Read more on page 162 of Integrated Annual Report.

Board Supervisory Committee
Read more on page 164 of Integrated Annual Report.

Advisory and Support

Risk Management Forums

Three Risk Forums, namely Credit Portfolio & Monitoring Forum, Asset and Liability Forum and Operational Risk & Compliance Forum. They are responsible for the oversight and monitoring of the various risk areas within the business.

Shared Services

The Bank also provides shared services to the holding entity of the Bank 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.

Service-Level Agreements in place provide assurance these are of appropriate quality.

Management Governance

Chief Executive

Responsible for leading and managing the Bank and accountable to the Board for the financial and operational performance of the Bank and for the development of the Bank's strategy and leading to its implementation.

Executive Forum

Being the principal Forum of the Bank meeting on a weekly basis, the Executive Forum is responsible for managing the business, day-to-day operational decisions and delivering the strategy set by the Board except credit sanctioning matters. Sub-Forums have also been set up to assist in discharge of its responsibilities.

Management Credit Forum

Principal credit sanctioning authority of the Bank having as mandate to review and sanction credit proposals in line with the Credit Policy of the Bank. Constituted of Senior Management and meets on a bi-weekly to discharge its responsibilities.

Corporate Governance Report *(cont'd)*

Board and Committees structure *(cont'd)*

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.

Read more on the Corporate Governance page on the Bank's website.

The Key Governance Positions as reviewed and approved by the Board are set out below:

Directors of the Board

The Board is responsible for the overall leadership of the Bank, performance and governance oversight.

A formal schedule of matters which are reserved solely for its approval, whilst operational matters are delegated to the Management Team.

The key responsibilities of the Directors of the Board are:

Accuracy of Financial Information

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

Reporting to shareholder

Report to shareholder on business performance and ascertain their views.

Compliance with legal and regulatory requirements

Assume responsibility for meeting all legal and regulatory requirements.

Development of the Bank's Strategy

Bring effective contribution to the Bank's Strategy.

Decision-making process

Participate in the Board decision-making process and constructively challenge as required.

Implementation of the Bank's Strategy

Ensure that the Strategy approved by the Board is being implemented.

Supervision

Oversee governance environment including thorough oversight delegated to Board Committees.

Internal control

Ensure that there is a robust system of internal control in place so as to monitor and understand the risk environment in which the Bank operates.

Succession planning

Implement the Board's succession planning for its Directors and Senior Management Team.

Primary duties

Be bound by the fiduciary duty and duty of skills and care.

Sharing of experience

Bring experience to the Board decision-making process.

Assistance to the Executive Management Team

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.

Chairman of the Board

The Board is headed by the Chairman and there is clear separation of responsibilities between the leadership of the Board and the Executives responsible for managing the day-to-day affairs of the Bank. The Board notes that the Chairman plays an instrumental role in developing the business and vision of the Bank.

The key responsibilities of the Chairman of the Board are:

Running of the Board

Ensures that the Board functions effectively.

Agenda

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

Sharing of Information

Ensures that all Directors receive sufficient information in order to be able to make well informed decisions.

Functioning of Board Committees

Reviews composition of Board Committees and ensures that each Committee functions effectively.

Teamwork

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

Directors' Development

Ensures that there is proper induction of new Directors and their continuing development, as well as Board Evaluations (through the Corporate Governance and Sustainability Committee) and succession planning (through the Remuneration and Nomination Committee).

Meeting of shareholder

Chairs annual and special meetings of shareholder.

Calls special meetings, where required.

Directors' Performance

Ensures that an annual Board evaluation exercise and evaluation of individual Directors' performance is carried out.

Maintain good working relationships

Maintains a close working relationship with the Chief Executive and other key senior staff.

Communication

Ensures there is effective communication with shareholder.

Corporate Governance Report *(cont'd)*

Board and Committees structure *(cont'd)*

Key Governance Positions *(cont'd)*

Chief Executive ("CE")

The CE engages with material stakeholders including clients, regulators and employees on an on-going basis. The CE is responsible for driving and executing the Bank's strategic plans with a view to create shareholder value. The CE also shoulders the responsibility for the execution of the day-to-day affairs of the Bank in line with the Bank of Mauritius Guideline on Corporate Governance.

The CE has the following key responsibilities:

Day-to-day operations

Manages the day-to-day operations of the Bank.

Strategy Implementation

Implements strategy as approved by the Board of Directors.

Compliance with standards

Promotes and conducts the affairs of the Bank with the highest standards of integrity, probity and corporate governance, in accordance with the strategy and within the budgets approved by the Board.

Teamwork

Works in conjunction with the Chairperson on strategic issues.

Guidance

Provides leadership and guidance to Senior Management Team.

Leadership

Chairs 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

Acts as an intermediary between the Board and Management.

Communication

Communicates effectively with shareholder, employees, Government authorities, other stakeholders and the public.

Risk monitoring and assessment

Assess the principal risks of the Bank and ensures that they are being monitored and managed mainly through a sound and robust internal control system.

Chairman of the Corporate Governance and Sustainability Committee

The Chairman of the Corporate Governance and Sustainability Committee ensures that the Bank's arrangements are consistent with the highest corporate standards.

The key responsibilities of the Chairman of the Corporate Governance and Sustainability Committee are as follows:

Teamwork

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

Guidance

Provides expertise in the areas of corporate governance and ethical conduct.

Compliance with standards

Ensures the Board is up to date with global and national good governance standards.

Training

Ensures that the Board receives regular and ongoing training and development.

Report

Oversees the production of the Bank's annual report each year.

Evaluation

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

Adherence to the standards

Ensures 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

Ensures that an update of each Corporate Governance and Sustainability Committee meeting is presented to the Board.

Corporate Governance Report *(cont'd)*

Board and Committees structure *(cont'd)*

Key Governance Positions *(cont'd)*

Company Secretary

The Company Secretary advises the Chairman and the Board on matters relating to governance and ensures good information flow and that comprehensive practical support is provided to Directors.

The key responsibilities of the Company Secretary are as follows:

Guidance

To provide the Board with guidance on its duties, responsibilities and powers.

Compliance with laws

To carry out statutory filings.

Documentation

To ensure that minutes of all meetings of shareholder 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.

Leadership Team

The Leadership Team is responsible for managing the business, day-to-day operational decisions and delivering the strategy set by the Board.

Authority has been delegated by the Board to the Chief Executive to manage the Bank within the framework laid out by the Board of Directors. During the year 2023, following the exit of Mr Anoop Kumar NILAMBER (former CE) in February 2023, Mr Sanjaiye RAWOTEEA officiated as the Bank's CE in an actingship capacity (Acting CE) until the appointment of a new CE namely Mr Premchand MUNGAR in November 2023.

In view of assisting the CE in managing the Bank's affairs, various Management Forums have been constituted to deliberate on key matters for an informed decision-making process as detailed under the Governance structure. The key Management Forums are:

Executive Forum

The Executive Forum comprises of key members of the Senior Management with key mandates:

- Execution of the Bank's strategy, operational plans, policies, procedures and budget
- Monitoring of operations and financial performance
- Monitoring competitive forces in each area of operations
- To take major operational decisions

Credit Forums

- Two Credit Forums have been established at Management level to review and approve the credit applications/requests in line with the delegated authority as set out in the Board-approved Credit Policies The Forums are:
  1. Management Credit Forum
  2. CUT Forum

Risk Management Forums

- Three Forums are in place for the oversight and monitoring of the various risks faced by the Bank
- These Forums which are under the purview of the Risk Management function are:
  1. Credit Portfolio & Monitoring Forum
  2. Operational Risk & Compliance Forum
  3. Asset & Liability Forum

Executive Forum

As the principal Management Forum of the Bank, the Executive Forum supports the Chief Executive in the successful implementation of the Bank's strategy and for the operational performance of the Bank.

The Executive Forum also provides organisational direction on behalf of the Board and advises the Board on decisions and key 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.

Some key changes to the composition of the Executive Forum were made during 2023 to bring together the right balance of skills and experience to lead the execution of the Bank's strategy and to deliver for our stakeholders.

The profiles of the Members of the Executive Forum as at 31 December 2023 are provided here:

Mr Premchand MUNGAR

Chief Executive

Mr Premchand Mungar is a seasoned banking professional with a proven track record of leadership and strategic management.

Currently serving as the CE of SBM Bank (Mauritius) Ltd ("SBMBM") since November 2023, he has garnered extensive experience in the financial sector, particularly in Mauritius and on the African Continent. His insights and contributions to various entities he has been part of, reflect his deep understanding of the regulatory landscape and his commitment to upholding industry standards and best practices.

Mr Mungar started his career in the banking sector within the SBM Group in 1979 whereby he has held several senior positions. He also served as the Chief Executive and Executive Director of MauBank Limited from 2018 to 2023. His past experiences also include positions such as Senior Advisor and General Counsel & Senior Director, amongst other leading roles at the Eastern & Southern African Trade & Development Bank (TDB).

Mr Mungar also serves as an Independent Non-Executive Director on the Board of the Financial Services Commission ("FSC") since 2017 whereby he is the Chairman of the Audit & Risk Committee and a Board member of the Corporate Governance Committee of FSC since 2018. He is currently the Vice-Chairperson of the Mauritius Bankers' Association.

During his career, Mr Mungar has been the privileged recipient of several accolades, including the TDB President's Excellence Award for recognition of the outstanding contribution to TDB.

Mrs Rita Devi PERSAND GUJADHUR

Chief Financial Management Officer

Mrs Rita Gujadhur is a seasoned banker with a long career spanning over 35 years at SBM. She joined the Trade Finance Department in 1988, where she spent 9 years and acquired a full insight of the trade finance operations before moving to the International Banking Division. She has from then on assumed various positions of increasing responsibilities within the Bank and at Holdings level as Head of Value-Based Performance Management, Head of Operations Centre & Trade Finance, Head of Strategy & Data Analytics and Group Head Financial Management. She currently assumes the function of Chief Financial Management Officer at both SBM Bank (Mauritius) Ltd and SBM Holdings Ltd.

Mrs Gujadhur has been an active member in various key forums such as the Operational Risk Forum, the Management Credit Forum, the Portfolio Credit Forum, the Asset and Liability Management Committee and the Group Executive Forum. She has also been involved in the implementation of major IT projects within the Bank.

Mrs Gujadhur holds an MBA from the Edinburgh Business School, Heriot-Watt University, UK and a Diploma in Business Management from the Surrey European Management School, University of Surrey, UK.

Mrs Veronique LIM HOYE YEE

Chief Credit Officer

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

Mrs Lim Hoye Yee holds a B.Sc. (Hons) in Economics and Accounting,and M.Sc. in Economics and Finance from the University of Bristol, UK. She also attended the Leadership Excellence through Awareness and Practice (LEAP) Programme – INSEAD, FRANCE. She is also a CFA Charterholder of the CFA Institute.

Corporate Governance Report *(cont'd)*

Executive Forum *(cont'd)*

Mr Sanjaiye RAWOTEEA

Head of Consumer Banking

Mr Sanjaiye Rawoteea is the Head of Consumer Banking 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.

In his capacity as Head of Consumer Banking, he oversees the Private Banking & Wealth Management and Retail Banking Divisions of the Bank. Mr Rawoteea is a graduate and an alumnus of the Harvard Business School, holds an MBA from the Management College of Southern Africa as well as a Bachelor of Commerce from the University of Natal, South Africa.

Mr Rawoteea also served as Acting Chief Executive and Executive Director of SBM Bank (Mauritius) Ltd in 2023.

Mrs Anju ISSUR

Head of Financial Markets

Mrs Anju Issur is a seasoned banker with more than 15 years of experience in Financial Markets. She joined SBM in 2017 and heads the Financial Markets Division. Passionate about her job and taking new challenges, she actively contributes to setting the strategy of the Financial Markets Division and in driving its execution in line with the Bank's overall strategy. Mrs Issur leads two main activities namely Global Markets activities that encompass Financial Markets Sales and Trading of Financial Instruments and secondly Treasury Markets activities. She contributes to the creation and delivery of sustainable shareholder's value.

Mrs Issur holds an Executive MBA at the prestigious HEC Paris. She also holds an MSc in Global Banking & Finance from the European Business School, London, UK and a BSc in Economics & Finance from the Royal Melbourne Institute of Technology (RMIT) University, Australia.

Mr Rajnish LUTCHMAH

Head of Corporate Domestic Banking

Mr Rajnish Lutchmah is a long-serving executive of SBM Bank (Mauritius) Ltd. With a career spanning four decades, he has held several middle-management and senior positions within the Bank, which he joined back in 1984. He has been, among others, Relationship Manager, Branch Manager and Head of Marketing before joining the Corporate Domestic Banking Division as Portfolio Lead/Team Leader. He had a short stint as Head of Credit Underwriting at the end of 2022 before his appointment as Head of Corporate Domestic Banking in 2023.

Mr Lutchmah holds a BCOM from the IGNOU, India and has attended several executive banking programmes at the National Institute of Bank Management in Pune, India.

Mrs Dimple BHUDOYE

Head of International Banking – Corporate (Structured and Trade Finance)

Mrs Dimple Bhudoye is an experienced professional in the field of banking, having successfully managed different portfolios of corporate clients, both local and international. Before joining SBM, she held the position of Team Leader within the Corporate and Institutional Banking Division of a leading bank where she had the responsibility to oversee a team of professionals handling regional and international exposures whilst spearheading the bank's expansion plans into Africa and beyond. Her responsibilities included structuring and advisory services to clients, leading negotiations in key transactions as well as developing and managing partnerships with strategic external stakeholders and coaching and guiding team members, among others.

Mrs Bhudoye holds a Bachelor (Hons) of Laws (LLB) and a Master's (Hons) in International Commercial Law (LLM) from the University of Kent.

Corporate Governance Report *(cont'd)*

Principle Two: The structure of the Board and its Committees

Main stakeholders impacted

- Shareholder and investor community
- Employees
- Societies and communities
- Government and regulators

Main capitals impacted

- Financial
- Intellectual
- Human
- Social and relationship

Main material matters impacted

- Purposive character of the Bank
- Ethics, trust and transparency
- Climate consciousness

Board Composition

As stipulated in its Charter, the Board shall consist of an appropriate balance of Executive, Non-Executive and Independent directors. The number of Directors allowed to sit on the Board shall comply with the requirements of the Bank of Mauritius and of the Bank's Constitution. The Board, assisted by the Remuneration and Nomination Committee, regularly reviews its size and composition and that of its Committees.

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 directorship 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 review of the continuing independence and commitment of the Directors is assessed by taking into consideration, *inter alia*, the independence criteria provided in the Bank of Mauritius Guideline on Corporate Governance and the Code. The Board believes that independent Directors exercise objective judgement hence the review is done periodically.

As at 31 December 2023, the Board comprised of 10 Members with a broad mix of knowledge, skills and experience. The Members are either Executive Directors or Non-Executive Directors of the Bank in line with the requirements of the Code. More details on the Directors are available on pages 37 to 49 of the Integrated Annual Report.

Changes at Board level

There have been some changes at the level of the Board during the year 2023 and these are:

- Messrs. Roodesh MUTTYLALL, Eric LEAL, Anoop NILAMBER and Coomarah CHENGAN served the Board as Directors till 05 January 2023, 09 January 2023, 07 February 2023 and 04 July 2023 respectively.
- Mr Sanjaiye RAWOTEEA has been a Board member for the period starting from 17 March 2023 to 22 November 2023.
- Mr Lawrence Eric WONG TAK WAN has been appointed as a Director on 25 October 2023.
- Mr Premchand MUNGAR has been appointed as the Chief Executive and a Board Member on 22 November 2023.

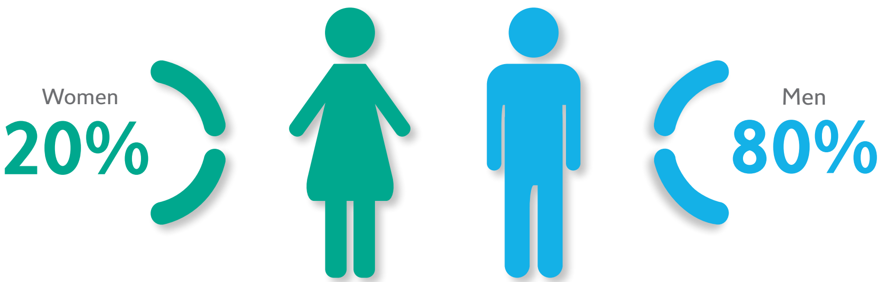
Corporate Governance Report *(cont'd)*

Diversity on the Board

Gender Diversity - one key element to be considered at the level of Board. The principle of good governance encourages for a favourable gender balance on the board of companies.

At SBM, this principle is adhered to whereby two women Directors namely Mrs Imalambaal KICHENIN and Ms Oumila SIBARTIE, sit on the Board. Mrs KICHENIN is also the Chairperson of the Audit Committee and sits on various committees alike Ms SIBARTIE. The gender diversity on the SBM Board is hereby illustrated by the chart below:

Board Diversity statistics



Executive Representative - achieved through the appointment of Executive Director(s) on the Board. As per the Code of Corporate Governance, all boards should have a strong executive management presence.

At SBM, 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. In line with the Bank's Constitution, the Chief Executive of the Bank is an ex-officio member of the Board.

During the year, Mr Sanjaiye RAWOTEEA officiated as the Bank's Chief Executive in an acting capacity following the departure of Mr Anoop Kumar NILAMBER on 07 February 2023. Mr RAWOTEEA's actingship ended following the appointment of a new Chief Executive on 22 November 2023. Mr Premchand MUNGAR is the current Chief Executive of the Bank and a member of the Board as well as the Committees (except the Audit Committee).

Mr Premchand MUNGAR, in his capacity as Chief Executive of the Bank, is involved in the day-to-day affairs of the Bank. Since he has appropriate visibility on the functioning of the Bank, Mr MUNGAR provides his views and suggestions on how to improve the Bank's performance when he sits on the Board and the Committees. The Chief Executive is supported by the Members of the Senior Management Team.

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:

Corporate Governance Report *(cont'd)*

Meetings of the Board and its Committees

Preparation for the meetings

The Board, through its Committees, discharges its responsibilities through a formal programme/agenda of meetings, drafted by the Chairman of the Board with the assistance of the Company Secretary. This facilitates effective decision-making and aids the Board's oversight and awareness of business performance and routine good governance practices operated by the Bank.

The frequency of meetings is set in a way to ensure timely consideration of key issues while also allowing Directors to attend and participate in person. In case the physical presence of Directors is not possible, they are allowed to participate to the deliberations via audio conference. The Directors are encouraged to attend maximum meetings scheduled for the Bank. If ever they are unable to do so, they should formally notify the Chairman and/or the Company Secretary. The replacement of the Directors by their alternates in Meetings is generally discouraged at the Bank.

Of note, the programme of meetings remains sufficiently flexible to include new topics and/or call upon additional meetings to effectively respond to new business needs.

All materials for the Meetings are prepared to focus on the areas key to the delivery of the Bank's purpose, vision and strategy. For example, some papers are prepared based on the Bank's oversight of strengthening its fundamental business elements, its growth-based performance ambitions and its priorities in pursuit of the Bank's strategy amongst others. Of note, the Board focus areas for the year 2023 have been provided on page 148 of the Corporate Governance report.

Once the materials for the Meetings are finalised, they are uploaded onto a secured portal in a timely manner to enable the Directors to navigate through same efficiently and help them during the discussions and so as to make informed decisions at the meetings.

Members of Senior Management team, advisors and/or other experts are also invited to attend Meetings to discuss on specific topics 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).

During the meetings

In accordance with the Board Charter, the Chairman presides over the meetings while challenging Management's thinking and proposals and, fostering open and constructive debates with the objective of maximising participation and upholding the quality of decision-making. The Company Secretary attends the meetings and prepares minutes to record deliberations and decisions taken.

After the meetings

Decisions and action points are released to the Chief Executive and/or concerned Members of Management where applicable, for their further actions.

Corporate Governance Report *(cont'd)*

Board focus areas

A summary of the main undertakings of the Board during the financial year is provided below:

Governance and Risk

- Received and discussed reports from Chairpersons of Board Committees
- Received reports from the Group Chief Executive Officer
- Considered Related Party transactions in line with regulatory requirements
- Received and discussed independent opinions and reports from control and assurance functions
- Approved the implementation of the New Organisation structure of the Bank
- Reviewed the Terms of Reference and Composition of the Board Committees in light of new developments, including changes in regulatory guidelines
- Discussed the composition of the Board and its Committees, including succession planning
- Identified and considered the appointment of qualified candidates for key positions within the Bank
- Assessed that the Annual report was considered fair, balanced and understandable
- Reviewed the preparation and approved the notice of the Annual General Meeting
- Considered observations and agreed actions arising from the Board evaluation exercise
- Considered the mechanism for implementation of the Bank's Sustainability ambition
- Reviewed and approved the policies of the Bank
- Undertook remediation exercises, including the reinforcement of the Bank's Risk Management framework
- Considered various employee-related initiatives with a view to increasing employee engagement and motivation, such as the Employee Benefit Scheme, salary increments and performance bonus
- Approved training plan for Directors
- Reviewed the Composition and mandates of the principle Management Forums of the Bank

Strategy

- Reviewed the performance of the Bank against key performance indicators
- Contributed to the consolidation of the Bank's domestic positioning across the different market segments it served
- Considered Management's proposals regarding digitalisation initiatives
- Endorsed and approved the Bank's medium-term Strategy plan
- Approved the implementation of a new business line, namely External Asset Managers
- Approved/reviewed major projects initiatives with a view to enhancing internal processes and customer experience, as well as improving the Bank's turnaround time

Corporate Governance Report *(cont'd)*

Board focus areas *(cont'd)*

Finance

- Discussed reports provided by the Head of Finance on financial reporting and performance, thereby providing the opportunity for the Board to provide its inputs and challenge where necessary
- Approved quarterly results and audited financial statements of the Bank for the year 2023
- Received reports from the External Auditors
- Reviewed and recommended the reappointment of Deloitte as the Statutory Auditors for the Bank to the shareholder
- Monitored the Bank's financial performance and financial results as well as approved the dividend payment
- Considered proposals on provision of non-audit services by External Auditors
- Considered proposal on the initiatives planned to commemorate the Bank's 50th Anniversary

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. Detailed analyses were made by Management and their recommendations were provided in the Board papers, thereby allowing for informed decision-making.

Board attendance

There were 22 meetings of the Board during the year.

Two Directors namely Messrs Roodesh MUTTYLALL and Eric LEAL ceased to be Members of the Board at the start of the year 2023 and therefore, they did not attend any of the 22 Board meetings.

The table below shows the attendance of the Executive Director, Independent Non-Executive Directors and Non-Independent Non-Executive Directors who served on the Board of the Company for the financial year 2023:

Directors	Independent	Board member since	Meeting attendance
Mr Visvanaden SOONDRAM *(Chairman of the Board)*	No	July 2020	22/22
Mr Jean Paul Emmanuel AROUFF	No	July 2020	16/22
Mr Coomarah CHENGAN[1]	Yes	August 2020	10/12
Mr Raoul GUFFLET[4]	No	July 2021	20/22
Mrs Imalambaal KICHENIN	Yes	March 2020	15/22
Mr Anoop Kumar NILAMBER[2] *(Director till 07 February 2023)*	No	July 2021	5/5
Mr Rajcoomar RAMPERTAB, CSK	Yes	March 2020	21/22
Mr Muhammad Azeem SALEHMOHAMED	No	July 2020	20/22
Ms Oumila SIBARTIE	Yes	August 2020	22/22
Mr Ranapartab TACOURI, GCSK	Yes	March 2020	22/22
Mr Sanjaiye RAWOTEEA[3] *(Director from 17 March 2023 till 22 November 2023)*	No	March 2023	14/14
Mr Premchand MUNGAR *(Director as from 22 November 2023)*	No	November 2023	3/3
Mr Lawrence Eric WONG TAK WAN *(Director as from 25 October 2023)*	Yes	October 2023	5/5

Secretary to the Board: Ms Preshnee RAMCHURN

Notes:

1. *Mr Coomarah CHENGAN ceased to be a Member effective from 04 July 2023.*
2. *Mr Anoop Kumar NILAMBER ceased to be a Member effective from 07 February 2023.*
3. *Mr Sanjaiye RAWOTEEA ceased to be a Member effective from 22 November 2023.*
4. *Mr Raoul Gufflet is also the CEO of SBM Holdings Ltd ("Group CEO").*

Corporate Governance Report *(cont'd)*

Board Committees

The Board has established various Committees to assist in fulfilling its oversight of the affairs of the Bank and other responsibilities while providing dedicated focus on specific areas.

Each Committee has its own terms of reference, as approved by the Board and reviewed as required, which sets inter alia, its roles, responsibilities, composition and meeting requirements. The Chairpersons of the Committees should report on their activities at each quarterly Board meeting.

The 6 Committees of the Board are:

Full details of the mandate, composition and focus areas of the 6 Board committees for the financial year 2023 are set out in the Board-approved Terms of Reference.

Corporate Governance Report *(cont'd)*

Audit Committee ("AC")

Composition

The AC continues to be composed solely of independent Non-Executive Directors, all with sufficient financial experience, commercial acumen and sector knowledge to fulfill their responsibilities.

During the year under review, there have been some changes in the composition of the AC whereby Mr Coomarah CHENGAN has been replaced by Mr Rajcoomar RAMPERTAB, CSK. The changes have been reflected in the table below.

Mandate

The Committee assists the Board on matters relating to the preparation of accurate financial statements in compliance with the applicable legal requirements and accounting standards and the monitoring of internal control processes and Compliance functions along with their respective annual plan of action.

More information on the AC's roles and responsibilities are set out in its terms of reference, which has been approved by the Board and is reviewed annually by the Committee.

Meetings

During the year under review, the AC members have met 7 times. The attendance of the AC Members at the Meetings has been provided hereunder.

Members	Independent	Committee member since	Meeting Attendance
Mrs Imalambaal KICHENIN *(Chairperson)*	Yes	March 2020	7/7
Ms Oumila SIBARTIE	Yes	September 2021	7/7
Mr Coomarah CHENGAN[1]	Yes	March 2023	3/3
Mr Rajcoomar RAMPERTAB, CSK	Yes	August 2023	4/4

Secretary to the Committee: Ms Preshnee RAMCHURN

Notes:

1. *Mr Coomarah CHENGAN ceased to be a Member effective from 04 July 2023.*

In addition to the Committee members, AC meetings are also attended by the External Auditors and members of the Senior Management, as and when required. To ensure assurance and transparency, the Committee holds secluded sessions with the External Auditors, Head of Internal Audit and Investigations, as well as the Head of Compliance in the absence of Management when required.

Read more on the Corporate Governance page on the Bank's website.

Key focus areas in FY 2023

- Recommended to the Board for approval the quarterly, half yearly and full year financial statements.
- Reviewed the effectiveness of the Auditor and was satisfied that the services provided, remained effective, objective and fit for purpose.
- Held meetings with the Auditor without Management present to provide an appropriate forum for issues to be raised.
- Considered the reports from Deloitte, the External Auditors and any concerns raised.
- Considered the Audit plans of the External Auditors.
- Recommended to the Board the re-appointment of Deloitte, as Statutory Auditors for the financial year 2023.
- Recommended to the Board the proposal on Dividend for the year ended 31 December 2022.
- Recommended to the Board the appointment of External Auditors for provision of non-audit services.
- Received quarterly updates on the effectiveness of controls.
- Received the plans, reports and recommendations from the Internal Audit function.
- Considered the Compliance plan, reports and recommendations.
- Sought comfort from the Internal Audit function and Compliance division on various areas, including internal control.
- Reviewed the Financial section of the Annual Report 2022.

Corporate Governance Report *(cont'd)*

Corporate Governance and Sustainability Committee ("CGSC")

Composition

In March 2023, the Board has resolved to rename the "Corporate Governance and Conduct Review Committee" as "Corporate Governance Committee". The rationale behind the change of name was because "conduct review" no longer fell under the mandate of this Committee following the revised guidelines of the Bank of Mauritius on related party transactions.

During the same year, in November 2023, the Committee was mandated to also oversee the implementation of the Bank's Sustainability Agenda. The Committee was therefore renamed as the "Corporate Governance and Sustainability Committee" ("CGSC"), thereby also aligning with the Bank's ultimate parent company regarding the governance structure on sustainability manners.

The Committee is composed of a majority of Non-Executive Directors. During the year, there have been 2 changes in the Committee's composition as stated in the table below.

Mandate

During the course of the year, the roles and responsibilities of the CGSC have been reviewed whereby the CGSC also overviews the implementation of the SBM Sustainability Agenda as approved by the Board, as well as receives regular updates and reports from Management/Strategy team on the Bank's performance against the sustainability agenda and targets, amongst others.

The Committee continues to advise the Board on all aspects of corporate governance and recommend the adoption of best practices in accordance with the Code.

More information on the CGSC's roles and responsibilities are set out in its terms of reference, which have been approved by the Board and are reviewed annually by the Committee.

Read more on the Corporate Governance page on the Bank's website.

Meetings

There were 4 CGSC meetings during the year. The attendance of the CGSC Members at the Meetings has been provided below.

Members	Independent	Committee member since	Meeting attendance
Mr Jean Paul Emmanuel AROUFF *(Chairman)*	No	June 2022	4/4
Mr Coomarah CHENGAN[1]	Yes	September 2020	2/2
Mr Muhammad Azeem SALEHMOHAMED	No	June 2022	3/4
Ms Oumila SIBARTIE	Yes	September 2021	4/4
Mr Sanjaiye RAWOTEEA[2]	No	March 2023	4/4
Mr Premchand MUNGAR[3]	No	November 2023	-

Secretary to the Committee: Ms Preshnee RAMCHURN

Notes:

1. *Mr Coomarah CHENGAN ceased to be a Member effective from 04 July 2023.*
2. *Mr Sanjaiye RAWOTEEA ceased to be a Member effective from 22 November 2023.*
3. *Mr Premchand MUNGAR has been appointed as a Member effective from 22 November 2023.*

The Chairman of the Committee reports to the Board after each quarterly CGSG meeting and accordingly makes recommendations to the Board for its consideration and final approval.

Key focus areas in FY 2023

- Recommended to the Board the Annual Report 2022.
- Reviewed the Key Governance positions.
- Considered the Board Evaluation exercise.
- Sought comfort from the Compliance division for matters concerning Conflict of Interest and Gift Disclosures.
- Received quarterly updates from the Complaints division.
- Recommended to the Board the Directors' Training plan for the financial year 2023.
- Oversaw the implementation of the SBM Sustainability Agenda.

Corporate Governance Report *(cont'd)*

Remuneration and Nomination Committee ("REMCO")

Composition

The REMCO is composed of a majority of independent Non-Executive Directors. Like other Committees, there have been some changes in the REMCO's composition during the year as highlighted below.

Mandate

The REMCO is delegated with the authority from the Board to establish an independent role to determine and make recommendation to the remuneration policy and practices, including the payment of salary packages, bonuses and retention schemes of Executive Director and Senior Management, for approval by the Board.

The Committee ensures that all Employees, Executive and Non-Executive Directors are appropriately remunerated in accordance with the Bank's strategy/policy.

More information on the REMCO's roles and responsibilities are set out in its terms of reference, which has been approved by the Board and is reviewed annually by the Committee.

Read more on the Corporate Governance page on the Bank's website.

Meetings

During the year, there was a total of 9 REMCO meetings. The attendance of the REMCO Members at the Meetings has been provided hereunder:

Member	Independent	Committee member since	Meeting attendance
Mr Rajcoomar RAMPERTAB, CSK *(Chairman)*	Yes	March 2020	9/9
Mr Jean Paul Emmanuel AROUFF	No	September 2020	6/9
Mrs Imalambaal KICHENIN	Yes	March 2020	5/9
Ms Oumila SIBARTIE	Yes	February 2021	9/9
Mr Sanjaiye RAWOTEEA[1]	No	March 2023	8/8
Mr Premchand MUNGAR[2]	No	November 2023	1/1

Secretary to the Committee: Ms Preshnee RAMCHURN

Notes:

1 *Mr Sanjaiye RAWOTEEA ceased to be a Member effective from 22 November 2023.*

2 *Mr Premchand MUNGAR has been appointed as a Member effective from 22 November 2023.*

The Chairman of the Committee reports to the Board following each quarterly REMCO meeting and accordingly makes recommendations to the Board for its consideration and final approval.

Key focus areas in FY 2023

- Reviewed the remuneration policy and human resources related policies of the Bank.
- Reviewed and recommended performance-based remuneration by reference to the Bank's goals and objectives of staff.
- Reviewed on an on-going basis current Directors' performances and attendances at Board and Committee meetings.
- Identified the best candidates for Board membership and for key Senior Members of Management such as the Chief Executive, Chief Risk Officer, amongst others.
- Recommended the recruitment and/or promotion and/or transfer and/or review of grade of Senior Officers and above.
- Recommended the remuneration, benefits and other terms and conditions of employment of staff.
- Recommended the implementation of the new Organisation structure of the Bank.

Corporate Governance Report *(cont'd)*

Risk Management Committee ("RMC")

Composition

The RMC is composed of a majority of Non-Executive Directors with a reasonable number being familiar with risk management together with the Chief Executive.

During the year 2023, there were 2 changes in the composition of the RMC whereby Mr Sanjaiye RAWOTEEA has been replaced by Mr Premchand MUNGAR and Mr Lawrence WONG TAK WAN has been appointed as additional Member.

Roles and responsibilities

The Board has mandated the RMC to supervise the Bank's overall current and future risk appetite, oversee the senior management's implementation of the risk appetite framework and reporting on the state of risk.

The Committee assists the Board in fulfilling its responsibility with respect to (i) oversight of the Bank's risk management framework, including policies and practices in managing credit, market, operational, legal, compliance and other risks and (ii) oversight of the Bank's policies and practices related to funding risk, liquidity risk and price risk which are significant components of market risk and risk pertaining to capital management. The Committee has fulfilled its responsibilities through quarterly meetings and by receiving independent reports from the Chief Risk Officer. It has ensured that the Chief Risk Officer is independent of Executive Management.

More information on the RMC's roles and responsibilities are set out in its terms of reference, which has been approved by the Board and is reviewed annually by the Committee.

Read more on the Corporate Governance page on the Bank's website.

Meetings

During the year, there was a total of 6 RMC meetings. The attendance of the RMC Members at the Meetings has been provided in the table which follows.

The Chief Risk Officer is called upon to attend all or part of any RMC meeting to discuss the reports presented at the Meetings and/or if the Members have any queries pertaining to Risk matters of the Bank.

Members	Independent	Committee member since	Meeting attendance
Mr Ranapartab TACOURI, GCSK *(Chairman)*	Yes	November 2021	6/6
Mr Raoul GUFFLET	No	July 2021	6/6
Mr Rajcoomar RAMPERTAB, CSK[1]	Yes	January 2023	3/3
Mr Sanjaiye RAWOTEEA[2]	No	March 2023	5/5
Mr Muhammad Azeem SALEHMOHAMED	No	September 2020	5/6
Mr Premchand MUNGAR[3]	No	November 2023	1/1
Mr Lawrence Eric WONG TAK WAN[4]	Yes	November 2023	1/1

Secretary to the Committee: Mrs Bharti Bolah-Chowtee (till March 2023)
Ms Preshnee RAMCHURN (since April 2023)

Notes:

1. *Mr Rajcoomar RAMPERTAB, CSK ceased to be a Member effective from 01 August 2023.*
2. *Mr Sanjaiye RAWOTEEA ceased to be a Member effective from 22 November 2023.*
3. *Mr Premchand MUNGAR has been appointed as a Member effective from 22 November 2023.*
4. *Mr Lawrence Eric WONG TAK WAN has been appointed as a Member effective from 10 November 2023.*

The Chairman of the RMC reports to the Board following quarterly RMC meetings and accordingly makes recommendations to the Board for its consideration and final approval.

Key focus areas in FY 2023

- Oversaw the development of a solid and effective risk management framework for the Bank by implementing rigorous internal processes and controls in terms of people, systems, policies and reporting.
- Received quarterly reports and recommendations (where required) from the Chief Risk Officer on the implementation and effectiveness of the Bank's risk management framework and risk appetite.
- Established and reviewed the adequacy of risk management control techniques and methodologies and monitored their effectiveness, particularly in the areas of credit, market, liquidity and operational risks.
- Reviewed the principal risks, including but not limited to credit, market, liquidity, operational, legal, compliance (including AML/CFT risk) and reputational risk and the actions taken to mitigate these risks.
- Ensured that the Chief Risk Officer, amongst other things, provides assurance that the oversight of risk management is independent from operational management and is adequately resourced with proper visibility.
- Recommended the implementation of 'External Asset Managers Desk' as a new business line under the Private Banking & Wealth Management division.

Corporate Governance Report *(cont'd)*

Strategy Committee

Composition

The Strategy Committee is composed of a majority of Non-Executive Directors.

Like other Committees, a review of the composition of the Strategy Committee was done during the year. This has been reflected in the table below.

Roles and responsibilities

The Committee is responsible for ensuring that the Bank's strategy remains relevant and responsive to changes in business conditions. It also monitors key performance targets set in line with the strategy.

More information on the Strategy Committee's roles and responsibilities are set out in its terms of reference, which has been approved by the Board and is reviewed annually by the Committee.

Read more on the Corporate Governance page on the Bank's website.

Meetings

During the year, there was a total of 5 Strategy Committee meetings. The attendance of the Members at the Meetings has been provided in the table below.

The Committee may invite the Members of Senior Management, including the Head of Strategy and Business Development, as may be required, to attend all or part of any Strategy Committee meeting as and when appropriate and necessary.

Members	Independent	Committee member since	Meeting attendance
Mr Muhammad Azeem SALEHMOHAMED *(Chairman)*	No	September 2020	5/5
Mr Jean Paul Emmanuel AROUFF	No	August 2020	5/5
Mr Coomarah CHENGAN[1]	Yes	February 2021	2/2
Mrs Imalambaal KICHENIN	Yes	March 2020	4/5
Mr Raoul GUFFLET	No	January 2023	4/5
Mr Sanjaiye RAWOTEEA[2]	No	March 2023	4/4
Mr Premchand MUNGAR[3]	No	November 2023	1/1

Secretary to the Committee: Ms Preshnee RAMCHURN

Notes:

1. *Mr Coomarah CHENGAN has ceased to be a Member effective 04 July 2023.*
2. *Mr Sanjaiye RAWOTEEA ceased to be a Member effective from 22 November 2023.*
3. *Mr Premchand MUNGAR has been appointed as Member effective from 22 November 2023.*

The Chairman reports to the Board following each Strategy Committee meeting and accordingly makes recommendations to the Board for its consideration and final approval.

Key focus areas in FY 2023

- Focused on the performance of the Bank and lines of business against set KPIs and targets.
- Reviewed the annual business plan, budget and capital structure of the Bank before onward submission to the Board for approval.
- Reviewed the Organisation Structure of the Bank encompassing all the functions within a defined timeframe.
- Discussed and recommended for Board's approval the initiatives planned by Management for the Bank's 50th Anniversary.

Corporate Governance Report *(cont'd)*

Board Supervisory Committee ("BSC")

Composition

The Committee is composed of a majority of Non-Executive Directors. The Chairman of the Board and the Chief Executive are members of the Committee.

The BSC composition has also been amended to reflect the change of the Chief Executive which happened during the year. The change has been highlighted in the following table.

Roles and Responsibilities

The Board has mandated the BSC to, inter alia, oversee the overall management of the Company and to ascertain that the body charged with executive management exercises its decision-making powers appropriately and within the confinements of the Bank's strategies and its general internal policies.

The Committee has ensured oversight on the overall affairs. Since the Non-Executive Directors cannot be associated with the day-to-day activities of the Bank, the Committee has fulfilled its mandate regarding proper oversight on the overall affairs of the Bank through independent report from the control functions on a periodic basis. The Heads of Control Functions make independent assessment and analysis of all issues being observed and report to the Board/Committee. The Committee deliberates at every meeting and instructs Management to address control weaknesses identified by the assurance/control functions.

More information on the BSC's roles and responsibilities are set out in its terms of reference, which has been approved by the Board and is reviewed annually by the Committee.

Read more on the Corporate Governance page on the Bank's website.

Meetings

During the year, there was a total of 5 BSC meetings. The attendance of the Members at the Meetings has been provided in the following table.

The Chief Risk Officer, the Head of Compliance, the Head of Service Excellence and the Head of Procurement attend part of any BSC meeting for their respective papers.

Members	Independent	Committee member since	Meeting attendance
Mr Visvanaden SOONDRAM *(Chairman)*	No	April 2021	5/5
Mr Raoul GUFFLET	No	July 2021	5/5
Mr Anoop Kumar NILAMBER[1]	No	July 2021	1/1
Ms Oumila SIBARTIE	Yes	April 2021	5/5
Mr Ranapartab TACOURI, GCSK	Yes	April 2021	5/5
Mr Sanjaiye RAWOTEEA[2]	No	March 2023	3/3
Mr Premchand MUNGAR[3]	No	November 2023	1/1

Secretary to the Committee: Ms Preshnee RAMCHURN

Notes:

1. *Mr Anoop Kumar NILAMBER ceased to be a Member effective 07 February 2023.*
2. *Mr Sanjaiye RAWOTEEA ceased to be a Member effective from 22 November 2023.*
3. *Mr Premchand MUNGAR has been appointed as Member effective from 22 November 2023.*

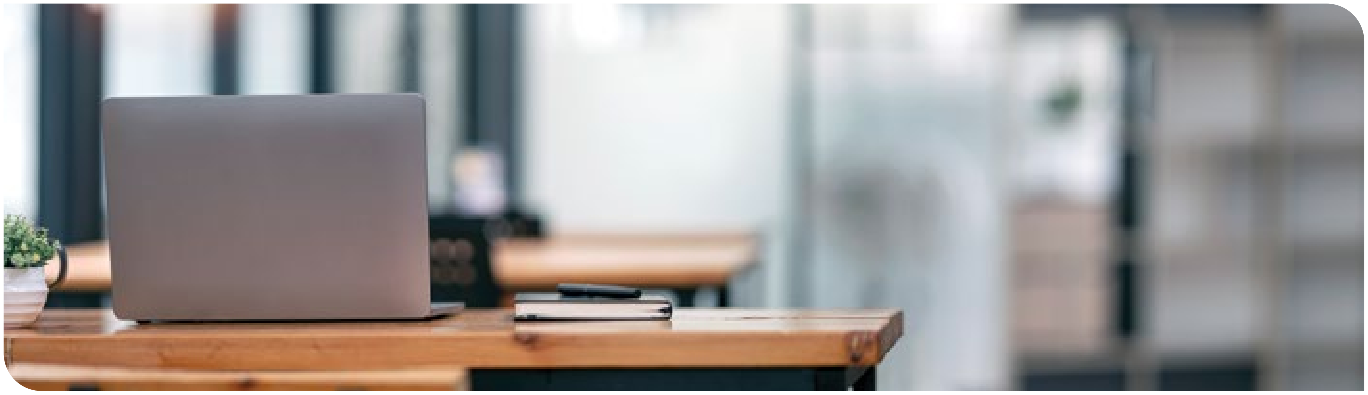
The Chairman reports to the Board on matters considered by the BSC and accordingly makes recommendations to the Board for its consideration and final approval.

Key focus areas in FY 2023

- Sought Assurance from Risk Management and Compliance teams that Senior executives are managing the Bank in accordance with the Company's procedures and set policies.
- Reviewed major credit risk issues and large credit exposures.
- Oversaw that the management and control of the Bank's administration and operations are satisfactory and that appropriate procedures have been established.
- Considered the second line of defence's proposal for the implementation of Board-approved policies.

Corporate Governance Report *(cont'd)*

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. More details on the responsibilities of the Company Secretary are available on page 136 of the Integrated Annual Report.

Since 2017, two Company Secretaries were appointed to assist the Board and its Committees. While there was previously a need to have 2 Company Secretaries at the level of the Bank following the change in frequency of the meetings of one of the Board Sub-Committees from 'monthly' to 'weekly'; the Board re-assessed and eventually resolved during the course of the year 2023 that, given the current Board/ Committee meeting schedules and operational structure, coupled with the fact that there was no Board or Committee meetings being held on a weekly basis since February 2021, the responsibilities of the Company Secretary could be undertaken by one person. Accordingly, the Board is being supported by only one Company Secretary namely Ms Preshnee RAMCHURN, effective since April 2023. Mrs Bharti BOLAH-CHOWTEE acted as Secretary to the Board and some of its Sub-Committees from April 2019 till March 2023.

Profile of the Company Secretary

Ms Preshnee RAMCHURN is the Governance Lead and 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 the Risk Management function of the Bank and one of the Big 4 accounting firms.

Besides her role as Secretary to the Board since 2017, Ms Ramchurn also oversees the Corporate Affairs division of the Bank and acts as Secretary to the 6 Sub-Committees of the Board. As Governance Lead, she plays an important role in the applications of good governance principles at the level of the Board.

Ms Ramchurn is a Senior Officer of the Bank as well as a Member of the Chartered Governance Institute UK & Ireland (CGI) and a Member of the Mauritius Institute of Directors (MIoD). She has a direct reporting line to the Board (through the Chairman) and also reports administratively to the Chief Executive of the Bank.

Corporate Governance Report *(cont'd)*

Principle Three: Director Appointment Procedures

Main stakeholders impacted

- Shareholder and investor community
- Government and regulators

Main capitals impacted

- Social and relationship
- Intellectual

Main material matters impacted

- Ethics, trust and transparency
- Diversity, equity and inclusion

The Board has a formal and transparent process in place for the nomination and appointment of Directors. The Board is supported by the Remuneration and Nomination Committee, which is responsible, amongst others, for reviewing the organisational structure, Board size and composition along with identifying eligible candidates for directorship on the Board of the Bank. In so doing, it seeks to promote a diverse Board membership in terms of skills, knowledge and experience.

Criteria to be met for Directors' appointment

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

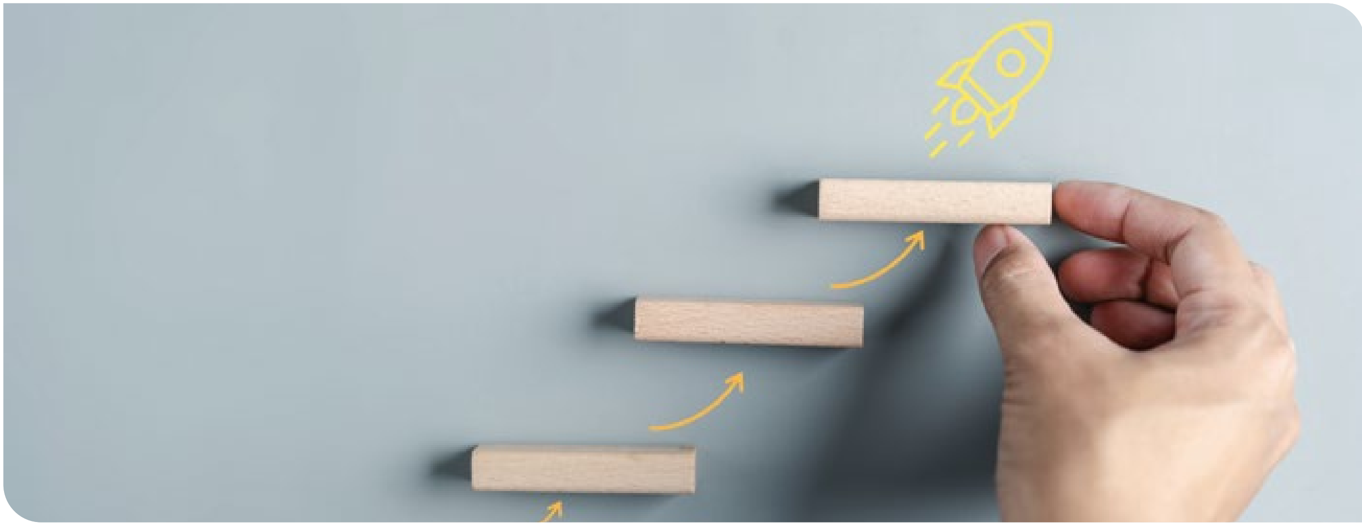
- Skills, knowledge and expertise
- Time commitment
- Independence of judgement and mind
- Conflicts of interest
- Board diversity in terms of age and gender
- Balance of the Board in terms of composition (Executive, Non-Executive, Independent)

The Remuneration and 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:

1. Identifying the needs of the Board
2. Searching of potential candidates
3. REMCO assess and makes recommendations
4. Board Approval and Regulatory Approval
5. Election/RE-election at AGM
6. Swearing of Oath of Confidentiality
7. Issuance of appointment letter
8. Statutory filing
9. Tailored induction programme

Corporate Governance Report *(cont'd)*

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. During the year 2023, the REMCO and the Board took the necessary steps to onboard one additional Independent Non-Executive Director on the Board of the Bank, namely Mr Lawrence Eric WONG TAK WAN. This ensured, *inter alia*, that there was proper balance in terms of independent Directors on the Board.

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 and Head of Human Resources.

The Bank identifies and supports 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.

As per the usual process, Management evaluates 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 are also reviewed by the REMCO and Board through the relevant updates provided by Management on a periodic basis. At the beginning of the year, REMCO and Board had approved a new Organisational Chart of the Bank whereby some new positions were created, internal movement/promotions had to be considered and where applicable, some external candidates were to be recruited. In view of implementing the new Organisational Chart of the Bank, REMCO and the Board had ensured key vacancies are filled within a defined timeline. Some positions had been restyled and/or filled during the course of the current year as hereunder, just to name a few:

- Chief Executive
- Chief Risk Officer
- Chief Credit Officer
- Head of Corporate Domestic Banking
- Head of Trading within Financial Markets Division
- Head of External Assets Managers
- Head of Payment solutions/cards
- Head of International Banking – Corporate (Structured and Trade Finance)
- Chief Financial Management Officer
- Head of Leverage Finance
- Head of Business Banking, SME and Microfinance

The new Organisation Structure of the Bank has been put in place to ensure proper resources are available to meet the Bank's objectives and set strategy.

Also, 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.

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.

Corporate Governance Report *(cont'd)*

Principle Four: Directors' Duties, Remuneration and Performance

Main stakeholders impacted

- Shareholder and investor community
- Customers
- Government and regulators

Main capitals impacted

- Financial
- Manufactured
- Social and relationship
- Intellectual

Main material matters impacted

- Purposive character of the Bank
- Ethics, trust and transparency
- Diversity, equity and inclusion

Board Orientation

Each newly appointed Director receives an induction and orientation upon joining the Board, covering inter alia, their legal duties and responsibilities as a Director of a Banking entity and the Bank's corporate governance structure.

The emphasis is in ensuring that the induction allows the newly appointed Director to get acquainted with the banking operations and help them to develop on a quick understanding of the Bank's operations, opportunities and challenges. This induction process ensures the creation of a well informed and competent Board.

Directors Induction

At the Bank level, the Directors' training/development programme falls under the responsibility of the Chairman of the Corporate Governance and Sustainability Committee, assisted by the Company Secretary and the SBM Academy who altogether ensure that the Members of the Board and its Committees:

1. Receive training on crucial matters
2. Participate in sessions to further consolidate their knowledge in the Banking sector
3. Be made aware of current and emerging issues relevant to the Banking sector and its operations

Directors induction

Upon joining the Board, the new Directors benefit from an induction programme aimed at deepening their understanding of the Bank's operations, environment and markets in which it operates

As part of the Bank's induction programme, a Directors' Induction Handbook, formal briefings and introductory sessions with Board Members, Senior Management, Auditors and Regulators (as applicable) are provided to / arranged for all newly appointed Director(s)

Corporate Governance Report *(cont'd)*

Continuous Development Programme

With the constant changing environment in which the Bank operates, it is important that the Board maintains a good working knowledge of the Banking industry in which it operates, as well as keeping updated of the recent and upcoming developments in the wider legal and regulatory environment. The Directors are committed to their own ongoing professional development.

The Company Secretary along with the SBM Academy, assists the Chairmen of the Board and the Corporate Governance and Sustainability Committee in developing a training plan for all Board Members based on the current needs and evolving landscape of the Banking industry. These training programmes are facilitated by both internal and external subject matter experts.

During the FY 2023, focus for the training were as follows:

Training Title	Training Category	No of Training Hours
Creating Resilience through Governance	Governance	7
Driving Sustainability from the Boardroom	Sustainability	3.5
Cybercrime Prevention_Board Responsibilities	Risk Management and Cyber-security Training	3.5
Board Updates on AML, Sanctions, ABC & Others	Compliance Training	3.5
Dynamics of Board	Directors' Responsibilities	3.5

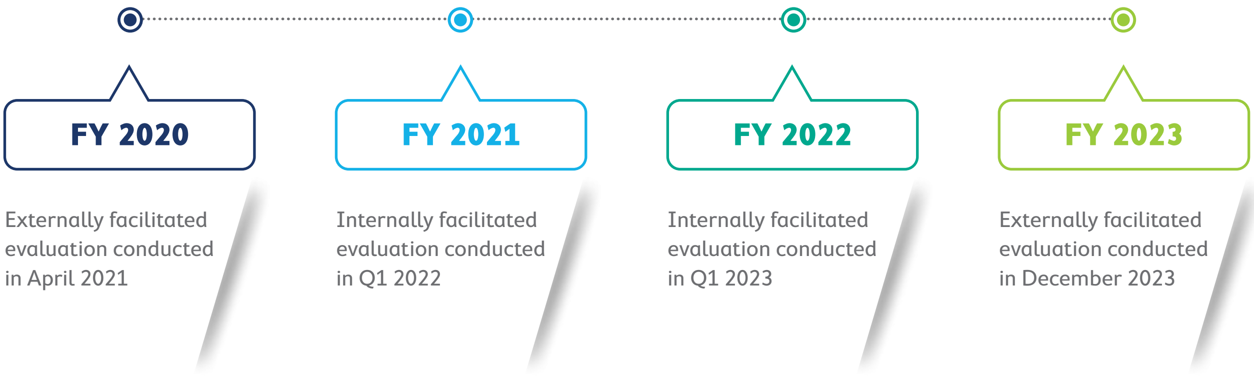
Board Effectiveness

The Board, through the Corporate Governance and Sustainability Committees, is committed to an independent evaluation of its own effectiveness and that of its Committees and individual Directors periodically.

In line with the Code's recommendations, the Bank ensures that the Board evaluation exercise is externally facilitated every three years. While an internally facilitated performance evaluation of the Board and Committees was conducted in 2023, Value Alpha Limited, a UK-based consultancy specialising in board evaluation has been retained to conduct the board evaluation for FY 2023.

The feedback from the 2023 Board effectiveness was positive whilst some specific development areas were identified requiring board attention on improving same. Following the findings and recommendations of this external review, an action plan tracker is being devised to track until closure of the issues identified and recommended for improvement. Below is an overview of the details which would be covered in the tracker:

The below diagram shows the performance evaluation conducted by for the financial years 2020 to 2023:



Corporate Governance Report *(cont'd)*

Workforce practices

The Board has approved an HR policy which covers, inter alia, the impact on the workforce and drives staff behaviour. All policies are assessed by all concerned stakeholders to ensure that they support the Bank's purpose and reflect on its values.

Code of Ethics

Our ability to achieve our purpose depends on our reputation as a trusted Bank. In turn, our reputation rests on the ethics and values that shape the culture and conduct of our people.

The Bank has a Board-approved Code of Ethics outlining 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 and both Directors and staff are made aware of this Code and the consequences of non-compliance. The Board, through the control functions regularly monitors and evaluates compliance with this Code.

Read more on the Code of Ethics and Business Conduct on the Bank's website

Conflicts of Interest

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

As a Non-Executive Director could have other business interest and directorships outside the Bank, his/her independence could be impacted if the latter has a potential conflict of Interest.

To that effect, the Bank has put in place a Conflict of Interest Policy 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. As such, the Directors are advised to declare their interest to the Board and/or Company Secretary. Details of these conflicts are recorded in the Interest Register maintained by the Company Secretary, a copy of which is available upon written request to the Company Secretary.

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

Details of the conflicts of interest declared by the staff members are recorded in the Interest Register maintained by the Head of Compliance. Reporting on how these potential conflicts have been managed, is made to the Corporate Governance and Sustainability Committee on a periodic basis by the Head of Compliance. Due to sensitive information contained in the abovementioned policy, same has not been published on the Bank's website.

Remuneration

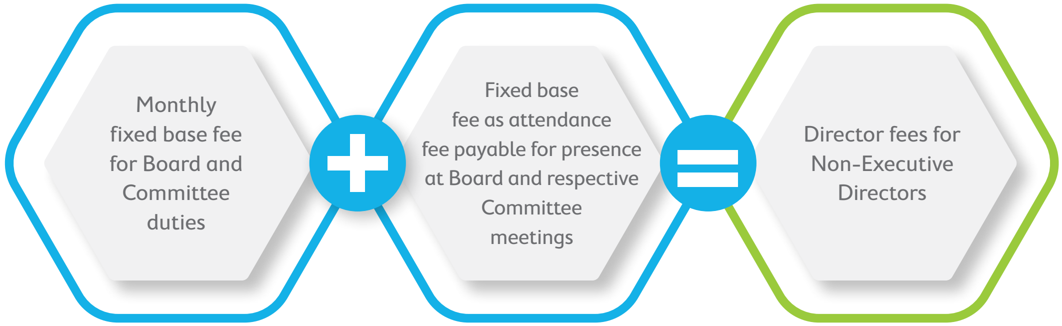
Effective governance is essential in ensuring that the remuneration process is fair and supports the Bank's strategy. In designing the compensation structure, the Bank seeks to ensure that the level and mix of remuneration is competitive, relevant and suitable.

Remuneration of Non-Executive Directors

The Bank's remuneration philosophy for the remuneration of Non-Executive Directors is as hereunder:

- In designing the remuneration structure, the Board of Directors ensures that remuneration of each Director is in line with the market practices, that the level and mix of remuneration is competitive, relevant, suitable and compensate Directors for their efforts considering their scope of work and attendance at Board Meetings.

- The remuneration of Directors is made in accordance with the fee schedule approved by the Bank's shareholder. The remuneration structure for Non-Executive Directors of the Board consists of:



- 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 SBM Group.

Corporate Governance Report *(cont'd)*

Renumeration *(cont'd)*

Remuneration of Non-Executive Directors *(cont'd)*

Remuneration and benefits received by the Non-Executive Directors during the financial year 2023 were as follows:

Non-Executive Directors	Jan 2023 to Dec 2023 (MUR)*
Mrs Imalambaal KICHENIN	1,530,000
Mr Rajcoomar RAMPERTAB, CSK	1,325,000
Mr Ranapartab TACOURI, GCSK	1,355,000
Mr Jean Paul Emmanuel AROUFF	1,470,000
Mr Muhammad Azeem SALEHMOHAMED	1,515,000
Mr Visvanaden SOONDRAM	1,950,000
Ms Oumila SIBARTIE	1,620,000
Mr Lawrence Eric WONG TAK WAN	120,000
Mr Coomarah CHENGAN	645,000
Total	**11,530,000**

**includes the fixed monthly fee and attendance fee*

Non-Executive Directors have not received any remuneration in the form of share option or bonuses associated with organisational performance during the financial year 2023.

Remuneration for Executive Director

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

The remuneration structure for Executive Management consists of a basic salary, variable bonus and other benefits. The Executive Director does not receive directors' fees. No executive director or prescribed officer is involved in deciding their own remuneration. Instead, the Board, through the Remuneration and Nomination Committee, oversees the remuneration packages of the Senior Management team.

The Chief Executive of the Bank is an ex-officio member of the Board in line with the Constitution. The following individuals had served the Board as Executive Directors during 2023:

Name of Executive Director	Period of directorship
Mr Anoop Kumar NILAMBER	01 July 2021 to 07 February 2023
Mr Sanjaiye RAWOTEEA	17 March 2023 to 22 November 2023
Mr Premchand MUNGAR	22 November 2023 till date

The total gross emolument received by the Senior Executives during their tenure as Executive Director, for the financial year 2023 was MUR 20,323,456.

The below table sets out a comparative analysis of the total remunerations received by the Directors:

Remuneration	Year 2023 (MUR)	Year 2022 (MUR)
Non-Executive Directors	11,530,000	13,525,000
Executive Directors	20,323,456	21,145,941

Directors & Officers Liability

The Bank has subscribed to a comprehensive Directors & Officers Liability Insurance policy protecting both individuals and the insured entity. The insurance 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.

Corporate Governance Report *(cont'd)*

Information Technology (IT) Governance

The primary objective of IT function during the past year has been to balance the need to support the Business Operations, comply with the reviewed and new regulatory guidelines, remediate the End of Support Life (EOSL) equipment as well as focus on digitalisation.

Critical processes within IT function have been reviewed to ensure that all concerned stakeholders are onboarded as part of daily operations and new initiatives.

With the release of the new Bank of Mauritius Guideline on Cyber and Technology Risk Management, a detailed impact assessment was conducted by concerned stakeholders and a plan of action was established to remediate any identified gaps. The Board has requested Management to ensure proper implementation of the Guideline by the set timeline.

Any new request for approvals for IT function will follow the normal process which includes proper and thorough assessment by the Chief Information Officer and consideration by the Procurement Forum, the Executive Forum and/or the Board, as might be applicable.

Several initiatives were implemented by IT function during last year, at the same time maintaining systems stability. Three main initiatives which kick-started in 2023 revolve around a new Mobile/Internet Banking application Platform for customers, remediate the EOSL equipment across the Bank and relocate our Data Centres for better availability and resiliency:

Digital Channels	As part of our transformation journey for the new Digital offerings to the customers, the Bank is focusing on its Digital Channels to offer a more efficient and attractive experience on key areas such as Customer Journey, Credit Journey and Payment Journey.
EOSL Remediation	Several IT Assets in India have reached EOSL and require remediation to avoid risks of business disruptions. This impacts the whole IT Landscape and eventually the service to be provided to Business Operations. Hence, SBM has continuously invested to ensure that our IT assets in India are upgraded to the latest versions.
Data Centre Relocation	As part of our IT Transformation to provide a more robust and resilient infrastructure, the local Data Centre and Disaster Recovery centre initially located within the Bank's premises will now be shifted to reputable local Data Centre Providers for enhanced capabilities in terms of requirements and growth as well as high availability. The Disaster Recovery Relocation has already been completed and Data Centre Relocation is currently in progress.

The focus of IT throughout the year will be to ensure successful implementation of the above critical initiatives as well as support the Bank in providing required services to its customers, at the same time complying with all the regulatory frameworks.

Principle Five: Risk Governance and Internal control

Main stakeholders impacted

- Customers
- Employees
- Suppliers and strategic partners
- Government and regulators

Main capitals impacted

- Financial
- Human
- Social and relationship

Main material matters impacted

- Purposive character of the Bank
- Ethics, trust and transparency

Risk Management & Internal Control

Risk Management & Internal Control is key to the success of the Bank. 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 approved policies. The Board is also supported by the Audit Committee and the Risk Management Committee to have an assurance on the effectiveness of internal control systems across the Bank. Further details on the management of risk are given in the Risk Management Report.

Risk Management

Risk management is crucial for the smooth running of the affairs of the Bank. It is integrated into the culture of the Bank through commitment by the Board and Senior Management. Risk Management aims at protecting and adding value to the Bank and its stakeholders by supporting the Bank’s objectives.

Risk Management Committee

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

Risk Management Function

- The Bank 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 Chief Risk Officer (CRO) has direct access to the Chairman of the Risk Management Committee without impediment.
- The risk management function is subject to 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.

Corporate Governance Report *(cont'd)*

Risk Management & Internal Control *(cont'd)*

Internal Control

The Board is supported by its different Committees to have assistance on the effectiveness of the internal control system across the Bank.

a. Audit Committee and Risk Management Committee

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

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

b. Assurance functions

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.

1st Line of defence

Management has the primary responsibility to own and manage risks associated with day-to-day operational activities. Other accountabilities assumed by the first line include implementing corrective actions to address process and control deficiencies.

2nd Line of defence

Risk Management

The Risk Management function facilitates and monitors the implementation of effective risk management practices by Management and assist business units in defining the risk exposure and reporting adequate risk-related information throughout the Bank.

Compliance

Compliance function monitors various specific risks such as non-compliance with applicable laws and regulations. It also carries out periodic assurance reviews.

3rd Line of defence

Internal audit provides the Audit Committee and Senior management with comprehensive assurance based on the highest level of independence and objectivity within the Bank. Internal audit provides assurance on the effectiveness of governance, risk management and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives.

The Board is assisted in its responsibilities by the Audit Committee which oversees the effectiveness of the Bank's internal control systems. Processes are in place to monitor the effectiveness of internal control, identify and report any significant issues and ensure that timely and appropriate corrective actions are taken.

The Audit Committee, reviews both internal and external audit reports on systems, controls and governance processes in place to manage those risks. The Audit Committee also periodically evaluates the findings following compliance reviews undertaken by Compliance Division of the Bank.

Through regular audits, the internal control system is evaluated with respect to the risk environment. Deviations in policies and non-performance of internal controls are duly reported and discussed at both Management and Audit Committee levels. Corrective actions are taken and regular follow ups made by Internal Audit until complete resolution. 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.

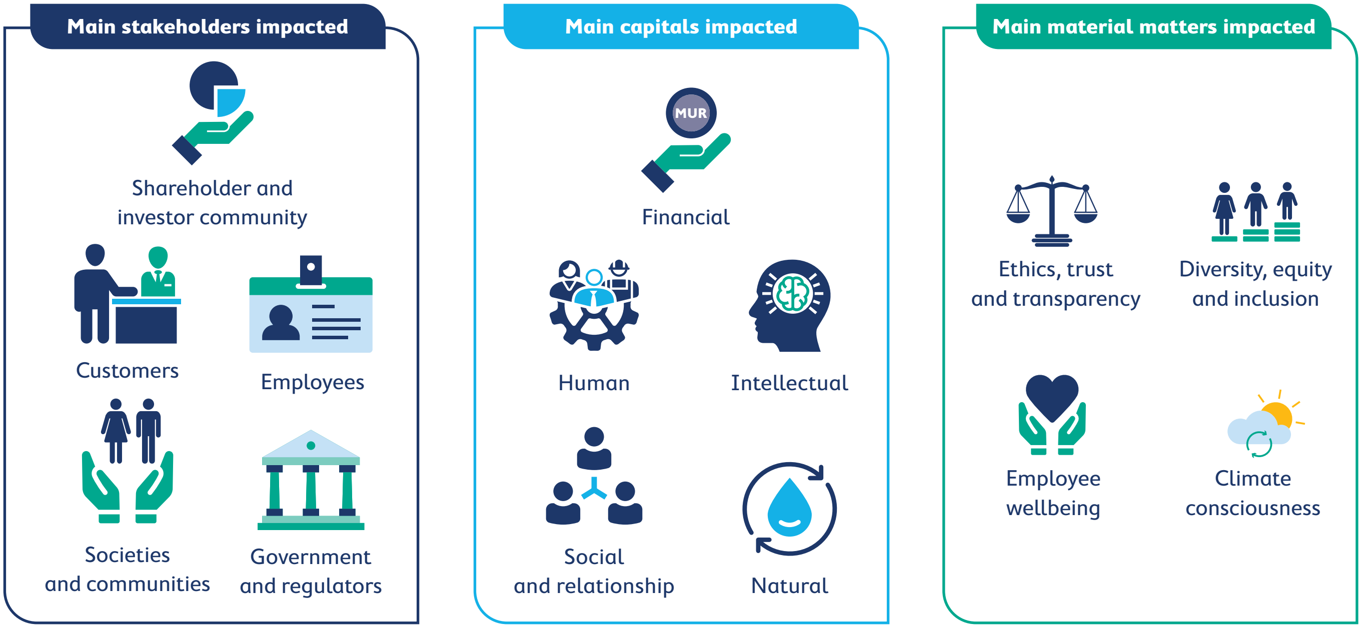
In accordance with the the BoM Guideline on Maintenance of Accounting and other Records and Internal Control Systems, the external auditor examined the internal control systems of the Bank, which they concluded were effective.

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

The Bank is committed to the highest possible standards of openness, integrity and accountability. In line with this commitment, the Bank approved its Whistleblowing Policy, whereby an effective reporting process is established for use by employees, customers, suppliers, contractors, outsourced service providers etc, in strict confidence, without the risk of subsequent retaliation, victimisation, discrimination or disadvantage. The Whistleblowing Policy was designed in such a way to assist employees who have concerns about any aspect which involves malpractices or unethical issues, to come forward and voice out those concerns in writing. Depending on the nature of the concern, it will be investigated by the Internal Audit and Investigation Division.

Corporate Governance Report *(cont'd)*

Principle Six: Reporting with Integrity



Financial matters

The Directors affirm their responsibility for the preparation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, Financial Reporting Act 2004, the Banking Act 2004 and applicable Bank of Mauritius Guidelines. 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 also ensure that the financial statements are free from errors and material misstatements. The Financial Review is set out on pages 248 to 256 of the Integrated Annual Report.

Non-Financial matters

The Bank's reporting non-financial matters, including the details on human resources, environmental, health & safety, corporate social responsibility initiatives, projects of social partners/NGOs, amongst others have been covered in the "Delivering Sustainable Value to our Stakeholders" section of the Integrated Annual Report.

Corporate Governance Report *(cont'd)*

Principle Seven: Audit

Main stakeholders impacted

Shareholder and investor community

Government and regulators

Main capitals impacted

Financial

Intellectual

Main material matters impacted

Purposive character of the Bank

Ethics, trust and transparency

External Audit

In line with the requirements of the Banking Act 2004, the Bank had a rotation of Auditors in the financial year beginning 01 January 2020 and Deloitte was appointed as the new auditors through a tendering process. Deloitte was reappointed by the Bank's shareholder and have continued to serve as the Bank'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, 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 discussed on the financial statements of the Bank and the new accounting principles adopted along with the audit-related issues.

Whenever the external auditor is called upon to provide non-audit services, the auditor's objectivity and independence are assessed. The safeguards are in place to ensure that the non-audit services are carried out by different partners with different teams.

Auditors' fees and fees for other services

		2023	2022	2021	2020
		MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Auditors' fees and fees for other services	SBM Bank (Mauritius) Ltd	Deloitte	Deloitte	Deloitte	Deloitte
	Statutory Audits and quarterly reviews	17,883	11,235	10,120	11,874
	Other services	428	972	3,007	9,878

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

Internal Audit & Investigation

The Internal Audit and Investigation Division at the Bank provides independent, objective assurance and consulting activity designed to add value and improve the Bank's operations. It helps the Bank to 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.

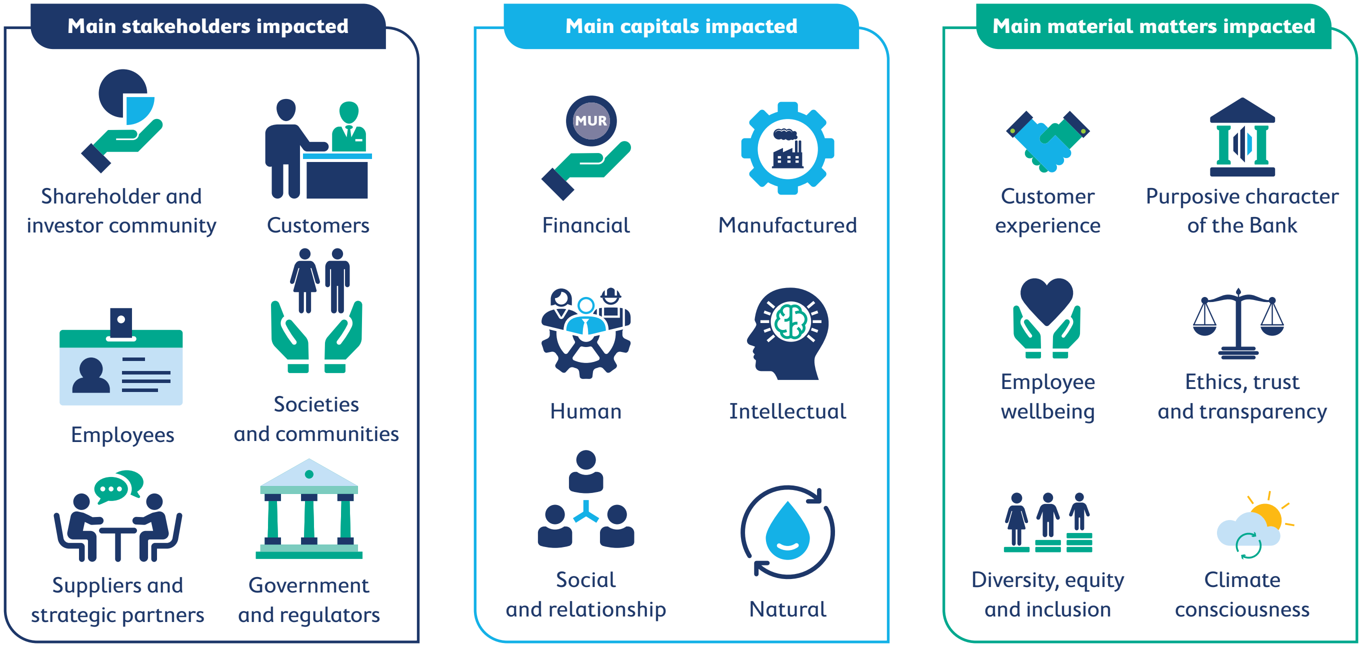
The Head of Internal Audit & Investigation has regular meetings with the Chairperson of the Audit Committee, in the absence of Management representatives, thereby further establishing Internal Auditor's independence. Moreover, in order to maintain objectivity, Internal Audit is not involved or responsible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

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 finally the (5) Investigation Cluster. Each cluster is supervised by an Audit Lead or Senior Officer, 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 recognized certifications such as CIA, CFE or CISA.

The internal audit plan for FY 2023 was approved by the Audit Committee. At time of approval of the plan, the Head of Internal Audit & Investigation provided comfort to the Audit Committee that all audits would be conducted following a risk-based methodology which is in line with The Institute of Internal Auditors' and other global best practices. Quarterly reporting was made by the Head of Internal Audit & Investigation on the completed audits, covering the key findings, the identified control weaknesses and remedial measures and/or recommendations. All open items were discussed with Senior Management to ensure that the deficiencies were addressed and that Internal audit's recommendations have been acted upon. The services of external consultants are enlisted, if required. The Internal Audit team tracks all open items until closure and periodic reporting thereon were made at the level of the Audit Committee.

Corporate Governance Report *(cont'd)*

Principle Eight: Relations with Shareholder and Other Key Stakeholders



Given the scale of the Bank's operations, significant stakeholder engagements take place at all levels of the organisation. Managing stakeholder interests is an important focus for the Board and forms a key part of the Board's delegation of the day-to-day management of the business to the Senior Management Team.

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.

Our stakeholders, driving commerce and prosperity through our unique diversity

The Board spends significant time considering and engaging with, its key stakeholders to better understand their views and perspectives.

A summary of stakeholder interests can be found in the 'Delivering Sustainable Value to our Stakeholders' section across the pages identified below.

Shareholder and investor community

Read More on **page 77**

Customers

Read More on **page 81**

Employees

Read More on **page 85**

Societies and communities

Read More on **page 89**

Government and regulators

Read More on **page 93**

Suppliers and strategic partners

Read More on **page 97**

Corporate Governance Report *(cont'd)*

Statement of Compliance

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

Reporting Period: 1 January 2023 to 31 December 2023

We, the Directors of SBM Bank (Mauritius) Ltd, confirm that, to the best of our knowledge, the Company has compiled with all 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

Jean Paul Emmanuel Arouff
Chairman – Corporate Governance and Sustainability 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

Rising together: supporting communities and elevating lives

As we advance together, our dedication to community support and elevating lives underscores our commitment to sustainable progress, reflecting our ethos as a caring corporate citizen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Risk Management Report

Risk Management Report

Overview

The Bank recognises that the primary role of risk management is to help protect our customers, business, staff, shareholder and the communities that we serve, while ensuring we are able to support our strategy and provide sustainable growth.

We aim to use a comprehensive risk management approach across the Bank and across all risk types, underpinned by our culture and values. This is outlined in our Enterprise Risk Management Framework (ERMF) which includes the key principles and practices that we employ in managing material risks, both financial and non-financial.

The framework promotes risk awareness, fosters continuous monitoring and encourages a sound operational and strategic decision-making and escalation process. It also promotes a consistent approach to identifying, assessing, managing and reporting the risks we accept and incur in our activities, with clear accountabilities. We actively review and enhance our risk management framework ensuring that a holistic and coordinated approach is adopted across the Bank to proactively manage risk in sync with the dynamic operating environment.

All our employees are responsible for the management of risks with ultimate supervisory responsibility residing with the Board. Our risk appetite defines the level and types of risk that the Bank is prepared to seek, accept or tolerate in delivering its strategy.

Our risk management system is governed by a mandated Board and Management Committees with appropriate expertise. Management sets the risk appetite which is then approved by the Board. Limits are set to control risk appetite within which businesses are required to operate. Management and the Board then oversee the ongoing risk profile. Internal Audit provides independent assurance to the Board over the effectiveness of governance, risk management and control over current and evolving risks.

The Bank's frameworks, risk appetite, principles, policies, procedures, controls and reporting are regularly reviewed and updated to ensure they remain in line with regulations, law, corporate governance and industry best practices.

Key development for the year in review

During the FY 2023, the Bank actively managed the challenges of the operating context mainly in relation to macroeconomic uncertainties, rising geopolitical tensions, increased competition and regulatory requirements, cyber threats and other key risks described later in this section.

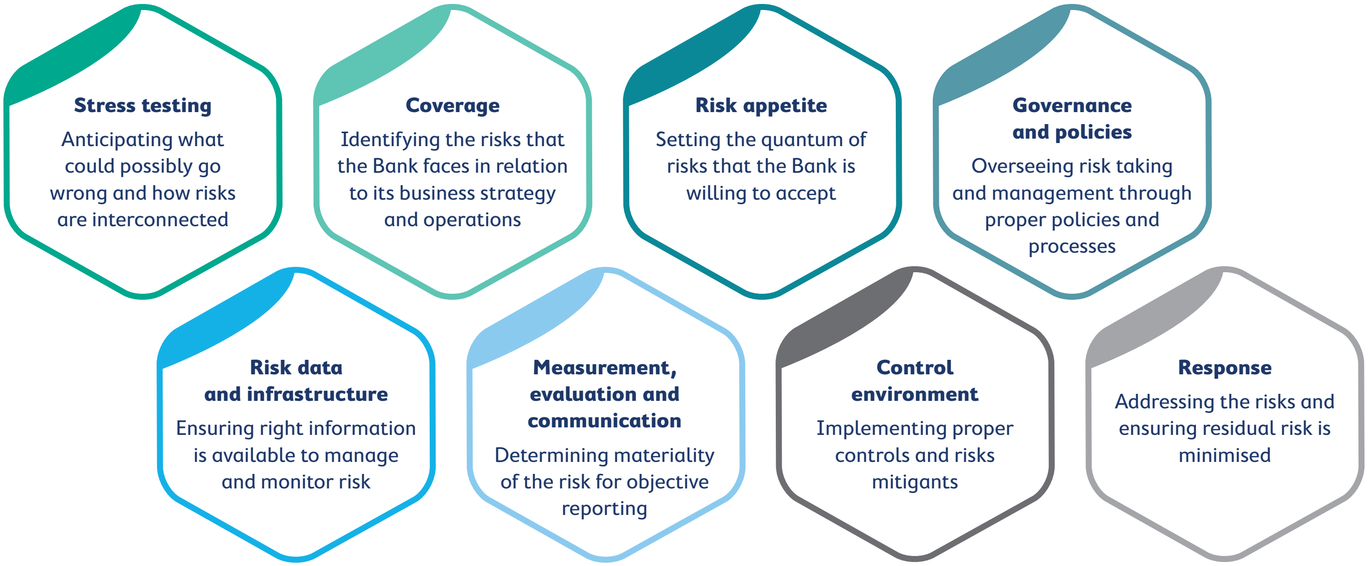
- Significant revisions made to reinforce the ERMF promoting a strong risk culture
- Implemented revised risk appetite framework to better manage and strengthen our controls with respect to concentration risks and cross-border exposures together with placing greater emphasis on emerging risks
- Notable progress in the adoption of climate risk management model and developed solutions to meet regulatory requirements with clearly defined roadmaps and oversight
- Reinforcement around the Compliance Framework, strengthening of the AML/CFT processes including our Enterprise-Wide Risk Assessment (EWRA) and fostering of stronger working relationship with regulatory body
- Improved accountability of first line of defence with redefined roles and responsibilities and alongside bolstering partnerships with the various functions in identifying opportunities, managing or mitigating risks
- Strengthened the credit risk management process through enhanced credit monitoring on large exposures in terms of quantitative and qualitative criteria to gauge early warning signals and ensure proper stage classification
- Continued to invest significantly in our information and cyber-security programs in order to strengthen our ability to anticipate, detect, defend against and recover from cyber attacks
- Ongoing investment in our systems and tools, upskilling our staff and delivery of targeted training and awareness sessions on the various aspects of risk management

Enterprise Risk Management Framework (ERMF)

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 the highest level principles for risk management by setting out standards, objectives and key responsibilities of different groups of employees of the Bank.

The ERMF, *inter alia*;

- sets out principal risks
- details requirements around ownership, transparency, accountability and independence
- defines the risk management process and sets out the activities, tools, techniques and the operating model to ensure effective management of material risks
- outlines clear lines of defence model with appropriate segregation of duties



The ERMF is complemented by frameworks, policies and standards which are mainly aligned to individual principal risks. We constantly evaluate the framework to ensure that it meets the challenges of the dynamic environment in which we operate, aligning with evolving regulatory requirements and industry best practices. Consequently, revisions were made in the ERMF in 2023 to place stronger emphasis on Climate Risk, Conduct Risk, Cyber Risk and Model Risk among others.

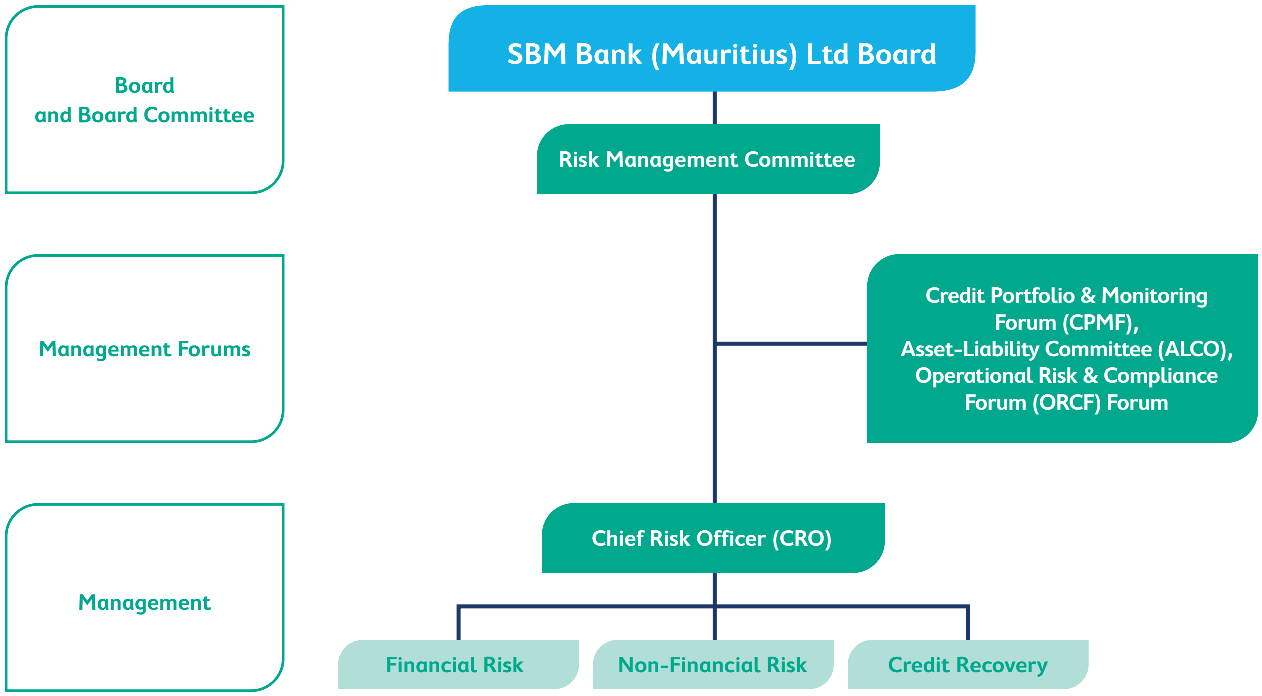
Risk governance and oversight

A robust governance framework is adopted by the Bank to ensure that material risks are adequately identified, measured, managed, monitored, escalated and reported.

Our governance structure aims at:

- facilitating effective and efficient decision-making on risks
- overseeing risk control
- managing and monitoring risks according to the risk appetite set by the Board of Directors

The illustration below captures the Board and Management level committees.



Risk Management Report *(cont'd)*

The Board has the fundamental responsibility for risk management and serves as the ultimate decision-making body for matters of strategic, financial, risk management, regulatory or reputational significance. Various Board Committees, as authorised by the Board, oversee specific responsibilities relating to risk management based on clearly defined terms of reference. The Board remains responsible for ensuring that the risks are adequately identified and effectively mitigated with escalations to the Board as required.

The Bank has an independent risk management team headed by the Chief Risk Officer (CRO), who reports on a monthly basis to its respective Management Forums and quarterly to its Board Risk Management Committee. The CRO has the responsibility for establishing a risk management framework with appropriate identification, measurement, monitoring, mitigation and reporting of both financial and non-financial risks and to promote a risk culture where accountabilities and responsibilities are clearly understood and internalised at all levels.

Three lines of defence

The Bank applies a three lines of defence model to its day-to-day activities for effective risk management and to reinforce a strong governance and control environment.

This 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 job roles and responsibilities.

First line of defence
(risk ownership)

identifies the risks, owns the risks and is responsible for identifying, recording, reporting and managing them in line with risk appetite and ensuring that the right controls and assessments are in place to mitigate them

Second line of defence
(risk oversight)

oversees the first line by setting limits, rules and constraints on their operations, consistent with the risk appetite

Third line of defence
(risk assurance)

provides independent assurance over the effectiveness of governance, risk management and controls over current, systemic and evolving risks

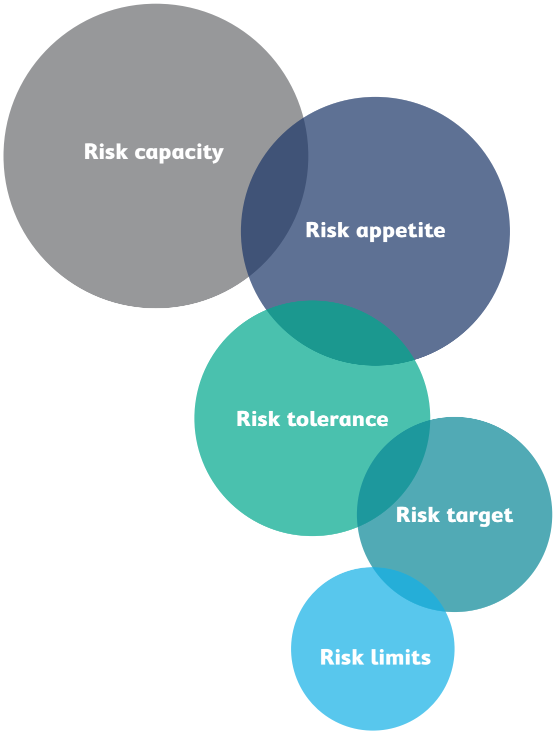
Risk appetite

Risk appetite may be interpreted as the level of risk which the Bank is prepared to accept in carrying out its activities. 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.

Effectively it specifies the overall level of risks that the Bank is willing to assume or avoid in order to achieve its long-term strategic ambitions and ensuring the stability of its financial position. In addition, bank-wide limits or tolerance levels exist for credit, market, liquidity and non-financial risks, all of which are specified in related documents, policies and instructions.

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 our Bank's strategy, business and regulatory environment and stakeholders' requirements.



Risk capacity: maximum level of risk that the Bank can support in pursuit of business objectives with the current level of resources

Risk appetite: aggregate level and type of risk the Bank is willing to assume to carry out its activities, balancing opportunities and threats

Risk tolerance: maximum level of risk the Bank is willing to tolerate for a specific risk category or particular initiative

Risk target: optimal level of risk an organisation wants to take in the pursuit of a specific goal

Risk limits: thresholds to monitor any deviation of actual risk exposures from desired optimum level

Risk Management Report *(cont'd)*

Stress testing

Stress testing is a key management tool within the Bank and is used to evaluate the sensitivity of the current and forward risk profile relative to different levels of risk appetite.

Stress testing supports several business processes, including:

- strategic and financial planning
- informing the setting of risk appetite and portfolio management at the Bank
- the internal capital adequacy assessment process (ICAAP), including capital planning and management and the setting of capital buffers
- liquidity planning and management
- identifying and proactively mitigating risks through actions such as reviewing and changing limits, limiting exposures and hedging

Stress testing is a core element in our risk appetite framework included in the 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 conducts 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 to support our 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 present 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 culture

Risk culture encompasses our general awareness, attitudes and behaviours towards risk, as well as how risk is managed across the Bank. Our risk culture allows us to consistently do the right business the right way to achieve our strategic ambitions as demonstrated by how the Bank identifies, escalates and manages risk matters. The risks we face constantly evolve and we must always look for ways to manage them as effectively as possible. While unfavourable outcomes will occur from time to time, a healthy risk culture means that we react quickly and transparently.

The Bank's risk culture provides guiding principles for the behaviours expected from its employees when managing risk, regardless of their positions, functions or locations. All employees must fully understand and take a holistic view of risks which could result from their actions, understand the consequences and manage them effectively against our set risk appetite. This expectation continues to be reinforced through mandatory training courses and risk related awareness campaigns for all Bank employees.

Credit risk management

The Bank is exposed to credit risk across all of its financial asset classes, however its principal exposure to credit risk arises on customer lending balances.

Credit risk is the risk of loss arising from the failure of obligors to meet their financial or contractual obligations when due. It comprises obligor risk, concentration risk and country risk and represents the largest source of risk exposure for the Bank. The principal sources of credit risk within the Bank arise from loans and advances, contingent liabilities, commitments, debt securities and derivatives to customers, financial institutions and sovereigns.

The process for credit risk identification, measurement and control is integrated into the Board-approved framework for credit risk appetite and governance. The Credit Risk Policy sets forth the principles by which the Bank should conduct its credit risk management activities and formulates the roles and responsibilities whereby credit risk is managed.

The credit risk framework incorporates the following core elements:

1. Counterparty and transaction assessments

Application of internal credit ratings probability of default (PD), assignment of loss given default (LGD), exposure at default (EAD) values in relation to counterparties and transactions

2. 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

3. 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

4. Risk mitigation

Active management of credit exposures using participations, collaterals, guarantees, insurance or hedging instruments among others

The credit risk management function sits as the second line of defence, providing oversight and independent challenge to key risk decisions taken by business and functions engaged in or supporting revenue generating activities. In addition, they ensure that credit exposures and credit decisions are controlled in accordance with the framework, policies and approved risk appetite.

Overview of the key parameters that govern the management of credit risk across the Bank.

Credit risk management

- Credit risk management policy
- Credit risk mitigation framework
- Credit rating model
- Parameter estimation
- Credit portfolio risk management
- Regulatory capital estimation

The credit risk team evaluates and assesses counterparties and clients to whom the Bank has credit exposures. For the majority of counterparties and clients, the team 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, SMEs to Retail.

The ratings for Corporates and SMEs are not based solely on financial ratios but also take into account subjective factors such as management quality, country risk, industry risk pertaining to the country of the exposure and any government support that the counterparty benefits. The Bank acknowledges the importance of robust parameters for sound and knowledgeable judgement and ensures that the models are frequently reviewed.

Across the Bank, the credit assessment and measurement process are distinct and segregated to demonstrate independence and integrity in the credit decision making process. There are various layers of credit approval authority across the Bank providing extra levels of control in the process.

Credit risk mitigation

The Bank adopts 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 credit policy sets out the principles of managing end-to-end credit process including credit initiation, credit assessment, documentation and monitoring for lending. The Bank also sets out standards for the eligibility, enforceability and effectiveness of credit risk mitigation arrangements. Potential credit losses are mitigated using a range of tools, such as collateral, netting agreements, credit insurance and guarantees. 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 to minimize risks 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 a 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 us to claim settlement from them in the event of default on the part of the counterparty.

2023 was a year of recovery and resilience. Elevated rates in advanced economies have caused liquidity and credit stress in some developing nations while European countries experienced subdued growth. Amidst this backdrop and escalating geopolitical tensions, Mauritius displayed its resilience and maintained its robust growth momentum with tourist arrivals recovering to near pre-covid levels and the real estate sector witnessing strong FDI inflows.

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.

As accelerated growth is expected in Sub-Saharan Africa in the medium term, the Bank has recalibrated its risk appetite on cross border lending. Robust risk policies and frameworks have been reviewed to responsibly increase exposure to selected markets going forward.

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

Country risk

The Bank's businesses may be affected by adverse economic, political, financial and regulatory uncertainty in countries where we have exposures.

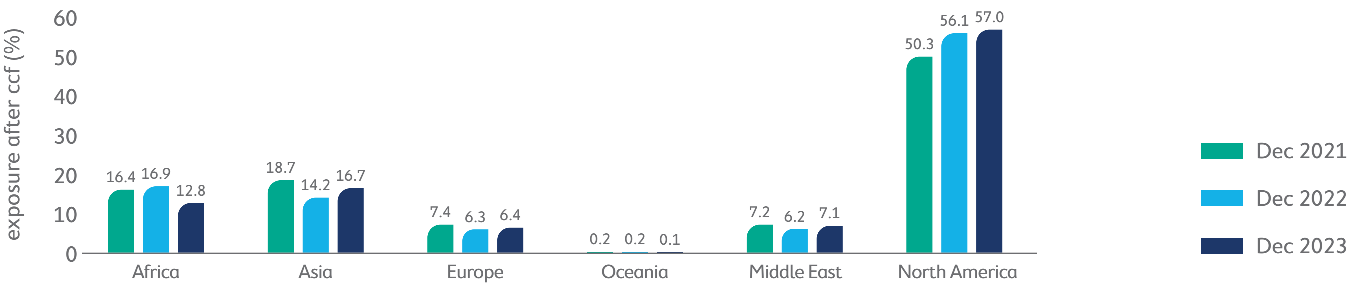
Country risk is the risk of loss arising when political or economic conditions or events in a particular country reduce the ability of counterparties including the relevant sovereign in that country to fulfill their financial obligations to the Bank.

This particular risk is managed via a comprehensive framework with adequate control processes that include limits setting for countries broken down into presence and non-presence countries, rating bands and targeted strategic countries, alongside ensuring adherence to regulatory guidelines. Countries to which we are exposed are reviewed annually as part of the risk appetite in line with the strategy of the Bank and the Bank's Credit Risk Management Policy. In addition, we constantly monitor various country risk events such as macroeconomic changes, sovereign creditworthiness deterioration and ad hoc occurrences, for e.g. social unrest, strikes, political developments, foreign exchange controls and nationalisation of assets, to name a few.

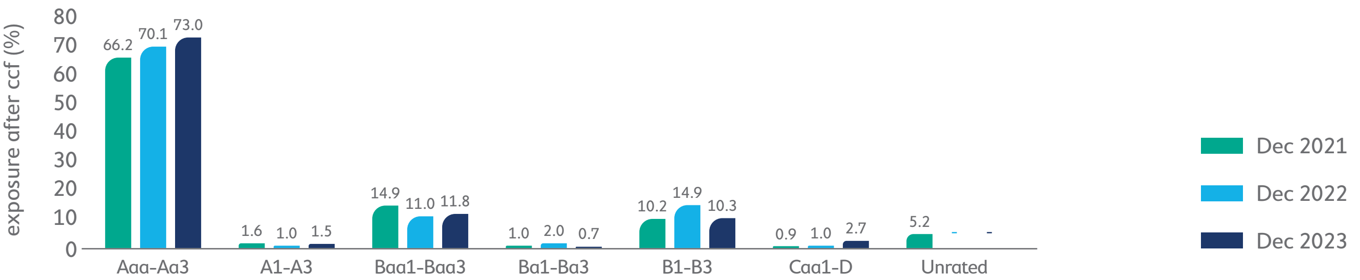
As at 31 December 2023, the Bank's credit equivalent exposure to cross-border lending accounted for 263.9% (2022: 256.3%) of the Bank's Tier 1 Capital.

The following charts show the distribution of exposure, other than Mauritius, after credit conversion factor (CCF) for the Bank by region and rating range as of 31 December 2023.

Distribution of Country risk by region



Distribution of Country risk by rating



Sovereign risk

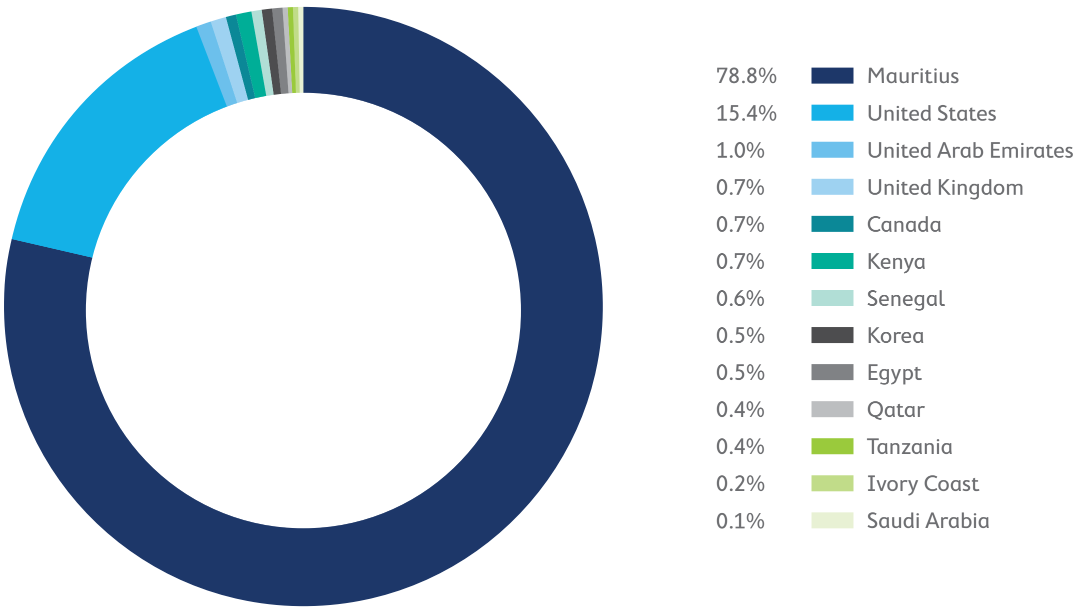
Sovereign risk relates to the risk of a particular government becoming unwilling or not able to meet its credit obligations. The Bank has significant exposure in sovereign HQLAs for liquidity management that carry a zero-risk weight for capital allocation purposes under Basel II requirements and the Bank of Mauritius (BoM) guidelines.

We track and manage transactions with sovereign risk based on available information, such as reports by rating agencies. We monitor each country where we have cross-border and sovereign risk and also analyse events that could affect the country's political or institutional stability. This helps us set limits for transactions with sovereign risk.

As at 31 December 2023, total investments in Government of Mauritius securities aggregated MUR 98.3 million representing 444.1% of the Bank's Tier 1 Capital.

Total sovereign exposures accounted for 563.3% of Bank's Tier 1 Capital, of which sovereign exposures in SBM presence countries accounted for 3.7% of Bank's Tier 1 Capital.

Distribution of Sovereign exposure of the Bank



Risk Management Report *(cont'd)*

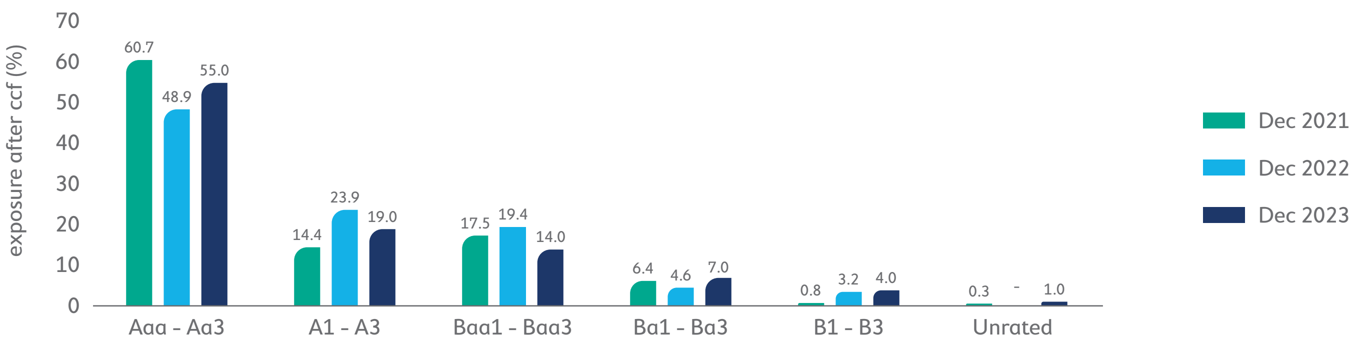
Bank risk

The Bank is exposed to bank risk - 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.

To mitigate the risk, the Bank has a Bank Risk Framework in place where limits to each individual banks are attributed based on the Bank's risk profile. The limits are also constrained by the respective counterparty's country limit and the regulatory limit on its single counterparty exposure.

As at 31 December 2023, bank counterparty credit equivalent exposure accounted for 124.0% of the Bank's Tier 1 Capital.

Distribution of Bank risk by rating



Counterparty credit concentration risk

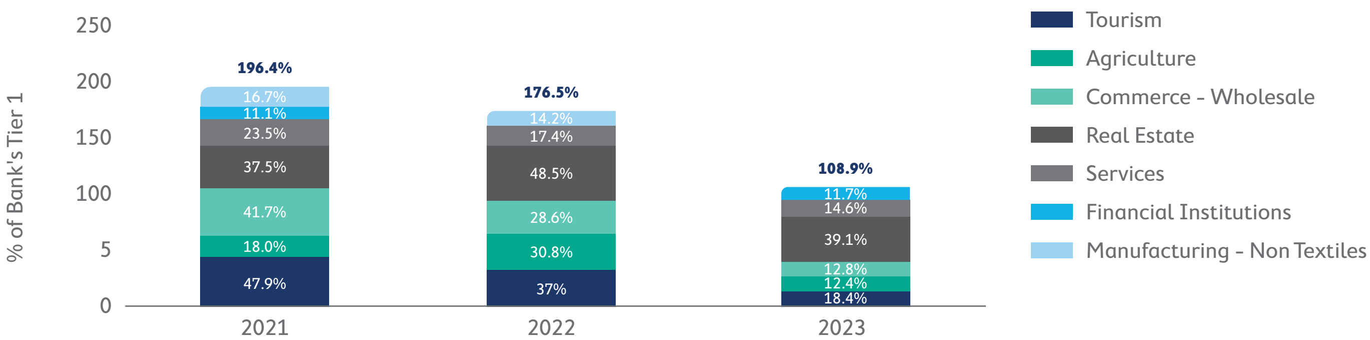
Counterparty credit concentration risk pertains to the risk of loss to the Bank as a result of excessive concentration of exposure arising from a single large exposure to a counterparty or a bank of connected counterparties, or from multiple exposures across the portfolio that are closely correlated.

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

Material concentrations, breaches and potential breaches are monitored by the Credit Portfolio and Monitoring Forum and reported to the Risk Management Committee.

As at 31 December 2023, the credit concentration exposures were well within the local regulator's regulatory limits.

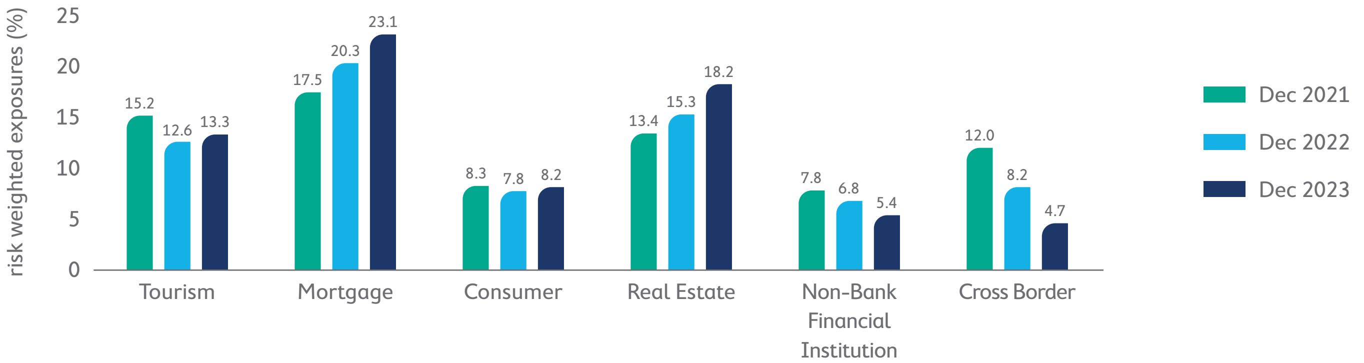
Top group of closely related customers' exposure by sector as a % of Bank's Tier 1 Capital



With respect to portfolio concentration, risk arises from over build-up exposure in a specific portfolio that would cause the Bank to encounter losses should the specific portfolio face 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 while adhering to the overall objectives.

For concentrations that are material, breaches and potential breaches are monitored by the Credit Portfolio and Monitoring Forum and reported to Risk Management Committee.

Top portfolio by risk weighted exposures



Expected credit loss

At the Bank level, recognition of expected credit losses (ECL) on all financial debt instruments held at amortised cost, Fair Value through Other Comprehensive Income (FVTOCI), undrawn loan commitments and financial guarantee is determined in accordance with 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.

Observed credit risk impairment since the initial recognition of the financial instrument

Risk category	Stage 1	Stage 2	Stage 3
Classification criteria	Financial instruments with no significant increase in risk since initial recognition.	Financial instruments with a significant credit risk increase since initial recognition but with no materialized impairment event.	Financial instruments with true signs of impairment as a result of one or more events resulting in a loss.
Provisions recognised	The impairment provision reflects expected credit losses from defaults over 12 months from the reporting date.	The impairment provision reflects expected losses from defaults over the financial instrument's residual life.	The impairment provision reflects expected losses from defaults over the financial instrument's residual life. In this stage, the calculation considers that loss events have already occured and, therefore, the only possible scenario is that they will materialize in losses.

Stage 1 (Performing) / Stage 2 (Underperforming) Stage 3 (Default)

Three main components are used in the ECL calculation being Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Bank revalidates the IFRS 9 parameters, i.e. PD, LGD and Credit Conversion Factor (CCF), 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
- Sovereigns
- Financial institutions
- Local corporates
- Global corporates
- SMEs
- Mortgage
- Personal loan and leases
- SBM Boost
- Credit card and overdraft

LGD
- One model with line of business and collateral as internal variables

CCF
- Corporate overdraft
- Corporate credit cards
- Retail overdraft
- Retail credit Cards

In addition to the revised parameters, the Bank has also placed overlays on a prudent basis where appropriate, to cater for conditions that were not fully reflected in our 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 we are adequately provisioned and that necessary contingency plans are set up to meet any crisis situation.

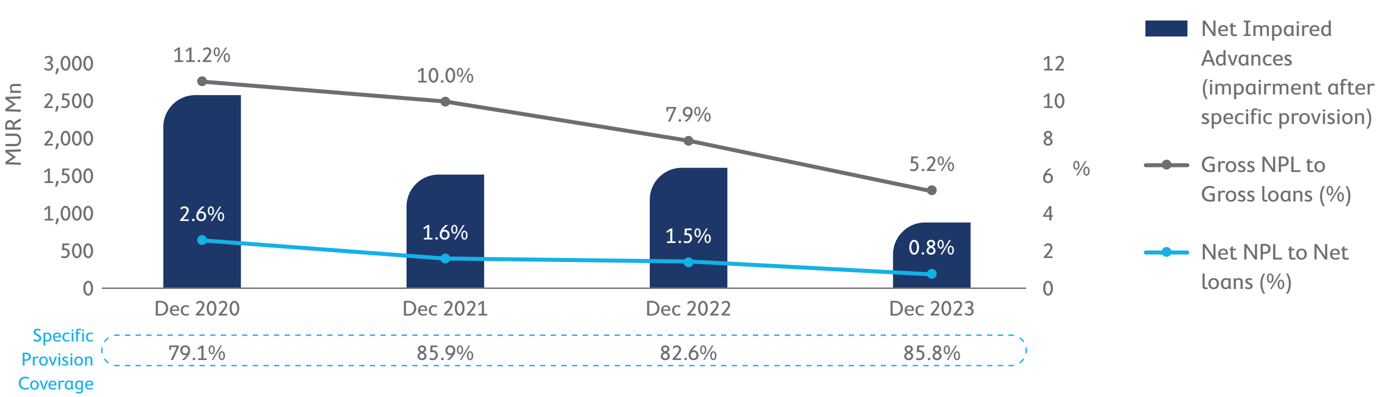
A Watchlist Review is held on a quarterly basis through the Credit Portfolio and Monitoring Forum with Senior Management representatives to review customer-wise exposures tagged as 'watch-list' under a detailed list of criteria enabling better control over these exposures to strengthen oversight. These exposures are further classified under 'Stage 2' where a lifetime Expected Credit Loss (ECL) is calculated as per IFRS 9 principles.

Credit impairment

The Bank adheres to the IFRS 9 principles and ensures proper classification of assets under Stage 3 (Non-Performing assets) through IFRS 9 criteria and maintains adequate provisions (lifetime Stage 3 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 advances ratio has decreased to 5.2% in December 2023 as compared to 7.9% in December 2022 mainly due to write-offs. The Bank is continuously working on the recovery of its major defaulted clients.

Impairment trend



Estimating the amount and timing of future recoveries involves significant judgement and the assessment of matters such as future economic conditions and the value of collaterals, for which there may not be a readily accessible market.

Reschedulement

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

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

As at 31 December 2023, total rescheduled facilities stood at 5.2% of the total funded advances as compared to 11.5% as at 31 December 2022.

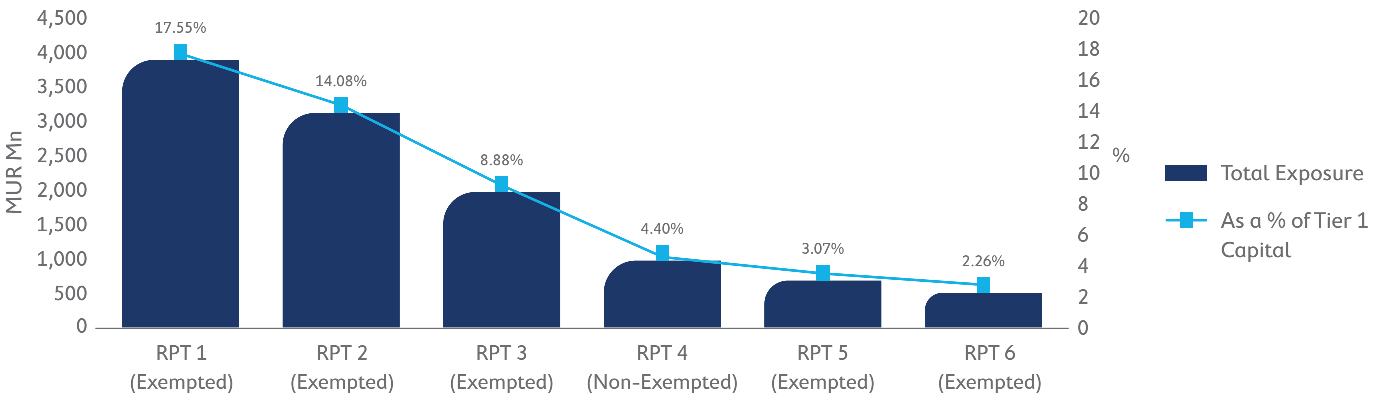
Related party transaction risk

Related party exposures are defined as per the Bank of Mauritius Guideline on Related Party Transactions (RPT). 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, or one other party controls both.

At the Bank, governance for all related party disclosures is duly followed and reporting is done at the Board level.

As at 31 December 2023, the aggregate non-exempted exposures to related parties represented 8.83% 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 as per the BoM definition on related party transactions.

Top 6 related party exposure as a % of Bank's Tier 1 Capital



Market risk management

Market risk is the risk of loss in on-balance sheet and off-balance sheet positions arising from movements in market prices due to unfavourable movement in market variables such as interest rate risk, foreign exchange risk, price risk, equity risk, volatility risk and credit spreads risk. The Bank is exposed to non-traded market risk through its banking activities and to traded market risk through its trading activities.

The management of market risk in the Bank is governed through a well-defined Board approved Market Risk Management Policy and Risk Appetite Statement. The Bank operates within the parameters of its market risk policy with defined processes supplemented by a range of Board approved limits and controls to mitigate market as well as funding and liquidity risks.

The limits are reviewed to reflect changes in risk appetite, business plans, portfolio composition and the market and economic environments. To ensure approved limits are not breached and that the Bank remains within its risk appetite, triggers have been set and are actively managed.

The Bank has an established governance structure for market risk that involves the Board, its Risk Management Committee and Assets and Liabilities Committee (ALCO), which has primary responsibility for the oversight of market risk in the Bank.

Market risk across encompasses the following primary categories: interest rate risk, foreign exchange risk and price risk.

Interest rate risk

Interest rate risk arises from the different repricing and/or maturity mismatches, changes in underlying rates and other characteristics of the Bank's assets and liabilities in the normal course of business.

Interest rate risk in the banking book refers to the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's non-trading portfolio positions. Changes in interest rates also affect the Bank's earnings by altering interest rate-sensitive income and expenses, thus affecting the Bank's Net Interest Income (NII).

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.

Interest rate risk *(cont'd)*

The impact on NII of a parallel change in interest rates is as follows:

Impact of 200 bps parallel rate change on NII

31 Dec 23	31 Dec 22	31 Dec 21
0.25%	2.32%	8.25%

Banking book-related market risk exposure principally involves managing the potential adverse effect 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 risk

Foreign exchange 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 operating entity.

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

Fluctuations in the market value of trading and non-trading positions resulting in adverse movements on the value of portfolios are controlled by stop loss limits, open position limits per type of products, posting of collateral and daily netting with major counterparties. The Bank is exposed to risks in respect of both local and international quoted securities.

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

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 and 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)

Value-at-Risk (VaR) is used 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.

Backtesting is another level of control which aids 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.

Whilst the VaR methodology is a valuable guide to risk, it is used with awareness of its limitations, e.g. calibrated to a certain confidence level, not being a dynamic measure of risk and past changes in market risk factors may not provide accurate predictions of future market movements.

Liquidity and funding risk management

Liquidity risk

Liquidity risk is defined as the risk that the Bank has insufficient financial resources to meet its commitments as they fall due or can only secure them at excessive cost. It represents its ability to fund increases in assets and meet financial obligations while complying with all statutory and regulatory requirements.

The Bank has an established liquidity risk management framework which comprises the liquidity policy, procedures and methodologies in place to ensure that the Bank is positioned to address its liquidity obligations at all times and to withstand a period of liquidity stress. Principal components of this framework are the Bank's Risk Appetite Statement and associated limits and the funding and liquidity policy, both of which are approved by the Board on the recommendation of ALCO.

The tools used to monitor and manage the risk are mainly the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR) and the Traditional Gap Analysis. 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.

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 Internal Liquidity Adequacy Assessment Process (ILAAP) 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 assesses the short-term resilience of our liquidity profile by making sure we have enough high-quality liquid assets to withstand a considerable market stress scenario for 30 calendar days.

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. We leverage from these stress test outcomes as tools to determine risk appetite and support business decision-making.

Based on Basel III norms, average LCR stood at 211% on a consolidated basis for FY 2023 (FY 2022: 179%) as against the regulatory threshold at 100%. The average stock of HQLA amounts to MUR124 billion for SBM Bank (Mauritius) Ltd. The Bank portfolio of HQLA is mostly comprised of the Mauritian sovereign securities, USD A-rated sovereign securities and USD Multilateral Development Banks (MDBs) bonds.

Funding risk

The Bank also benefits from internal tools that allow it to monitor and manage longer term funding risk. The Bank maintains 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.

Net stable funding ratio (NSFR)

The NSFR, measures long-term liquidity risk. It is the ratio of available stable funding to required stable funding. The NSFR seeks to ensure that the Bank maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities. 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). For the Bank, the ratio has remained above the prudential requirement.

Operational risk management

Operational risk

In accordance with the Basel framework, the Bank defines operational risk as the risk of loss due to inadequate or failed internal processes, people and systems or to external events.

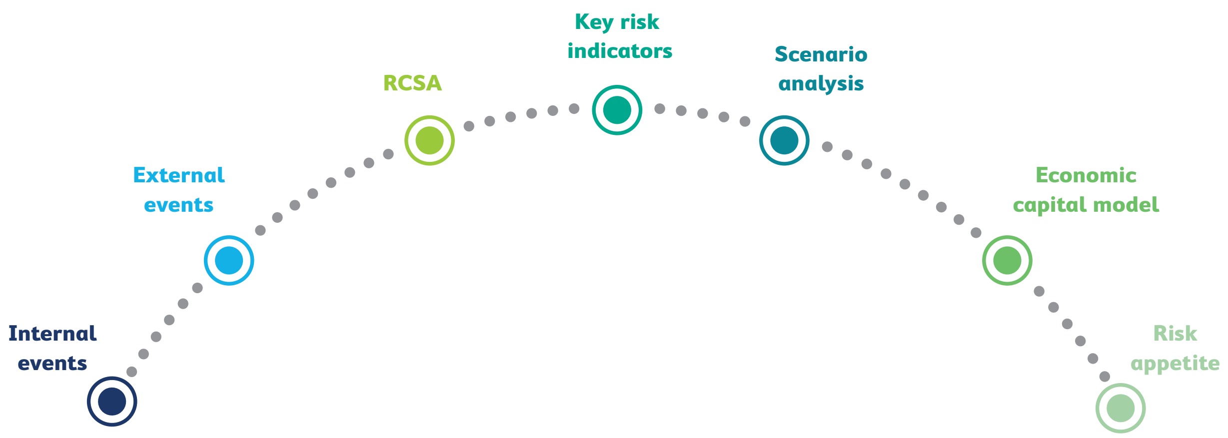
Operational risk is inherent in all products, activities, processes and systems and is generated in all business and support areas. All employees are responsible for managing and controlling the operational risks generated by their activities.

Our operational risk management and control model is based on a continuous process of identifying, evaluating and mitigating sources of risks, regardless of whether they have materialised or not. Throughout the application of this process, risk management priorities are established appropriately and controls are defined and executed to manage and mitigate the risk across the Bank.

Our operational risk model establishes the core components needed to manage and control operational risk properly according to advanced regulatory standards and best practices. The main components of the model include the Bank 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 supervisors.

The governance of our operational risks follows the 3 lines of defence (3 LOD) 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 main operational risk tools used at the Bank:



Operational risk *(cont'd)*

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

There have been major enhancements during the course of FY 2023 in respect of operational risk management with reduction in operational losses reported, initiatives around review and updating of its framework, deeper analysis of root causes and lessons learnt sharing, provision of tailored training and awareness programmes, enhancing working arrangements and communication across functions and driving a strong risk culture across the Bank.

Fraud risk

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 transformation and digitalisation of the business have given rise to new and evolving fraud risks and threats. To mitigate these risks, we reviewed and enhanced our monitoring and control mechanisms such as stronger customer authentication processes, enhanced due diligence on both client onboarding and processing of instructions, strengthened online banking transactions verifications and invested in tools for better detection of suspicious activities.

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

The Bank ensures the effectiveness of its fraud management built around four major pillars namely Prevention, Detection, Mitigation and Response on an ongoing basis and operates within the following key guiding principles:

All potential fraud events are given due attention and promptly investigated independently as per the established governance process which is in place at the Bank. Material outcomes are reported at relevant management, risk and audit committees and where appropriate, actions are taken against offenders and internal controls are strengthened.

Business continuity management

The Bank remains fully aware of the intricacies of operating in a highly competitive market where the various stakeholders expect consistent and smooth business processes. 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.

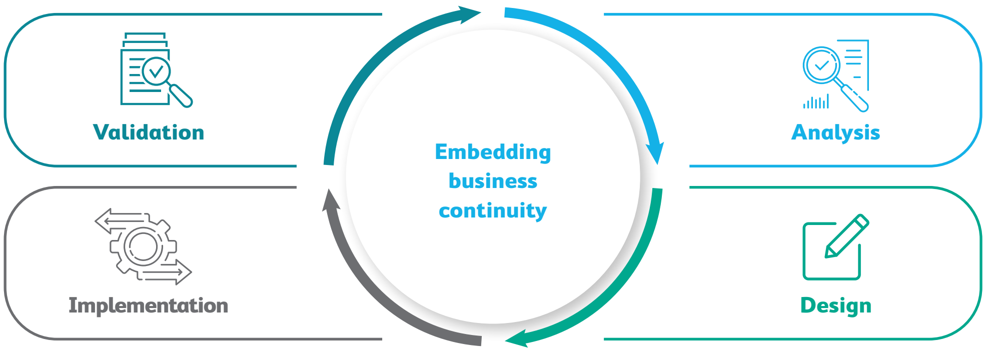
A comprehensive Business Continuity Management (BCM) Framework operates at the Bank which, reflects the strategy, objectives and dynamic operating environment of the organisation and also caters for outsourced activities when addressing resilience and recovery challenges. The framework is further supported by a BCM programme.

The BCM programme which is based on detailed action plans, training and awareness sessions, periodic tests and drills including conducting regular Disaster Recovery simulations, ensures that contingency plans and procedures remain effective and that the Bank can resume critical activities within the briefest delay possible in the event of disruption.

The Bank is firmly committed to maintaining a robust control environment according to the best standards in the banking industry. This allows us to reinforce our operational resilience against potential disruptive events, thus promoting the provision of services to our customers as well as systemic stability.

Its main objectives are:

- safeguarding staff safety in emergency situations
- fulfilling our obligations towards employees, customers, shareholder and other stakeholders
- complying with regulations
- minimising potential losses to the Bank as well as the impact on business activities
- protecting our brand image, credibility and trust



Business continuity management *(cont'd)*

One of the main objectives of the BCM lifecycle is to continuously improve the Bank's business continuity management capabilities and readiness. The Bank proactively identifies potential threats and their impact on operations and services with defined protocols and governance to provide an effective response.

Cyber-security and IT risk

Cyber-security Risk is the risk of loss of confidentiality, integrity, or availability of information, data, or information systems and reflect the potential adverse impacts to organisational operations (i.e., mission, functions, image, or reputation), assets, customers and other stakeholders and if these risks materialised can cause financial loss, disruption or damage to reputation and regulatory sanctions.

International conflicts and the sophistication of coordinated attacks by cybercriminals continue to produce a worsening threat landscape increasing the frequency and severity of cyber attacks that are impacting businesses, third parties, critical infrastructure and even government. Moreover, the increasing use of digital delivery channels to deliver financial services exposes the Bank to various vectors of attack.

Threat actors (individuals, organised crime rings and nation state sponsored) continue to target financial institutions to steal data, money or to disrupt operations. Within such operating context, cyber-security risk continues to be of primary concern for financial institutions and consequently we heightened our activity in terms of cyber-security initiatives to mitigate emerging threats.

Despite a demanding environment that is constantly changing, we are quickly adapting our business model and our technology to meet the new needs of our customers as well as new regulatory requirements. In this regard, we are transforming our business and operating model through our technology initiatives to deliver on our digital transformation journey and cyber risks and cyber-security forms an integral part of these initiatives.

The Bank operates within a sound governance process with Board approved framework which together with its respective policies and procedures are focused on safeguarding the Bank and its customers' information, ensuring the IT environment is secure and resilient in support of our business objectives.

Our goal is to make the Bank a cyber-resilient organisation that can quickly prevent, detect and respond to cyber attacks, by constantly improving our defences.

Third party risk

The Bank remains dependent 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 an organisation's employee and customer data, financial information and operations from the organisation’s supply-chain and other outside parties that provide products and/or services and have access to privileged systems.

During the year 2023, the Bank has strengthened its operating model and internal controls taking into account any changes in the regulatory requirements with the aim of adequately assessing and managing the risks in outsourcing and third-party agreements. We adopted a risk-based approach that focuses on those suppliers, that could increase the potential risk level in our operations and client services. Additionally, the Bank continued 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 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
- the Bank’s integrity by ensuring the service provider has adequate confidentiality and data protection processes in place

Climate risk

Banks are confronted with a new frontier of risks with the emergence of climate risk as a critical consideration, with the potential to impact financial stability and long-term profitability. Climate and environmental risk factors are considered transversal and are likely to have an impact on existing risk typologies such as credit, market, liquidity, operational, reputational and strategic, mainly. These risk factors include the physical effects of climate change and the transition to a low-carbon economy.

Physical risk

Refers to the direct impact of climate change on assets, economic activity, labour supply, communities, markets and investors. Banks assess physical risk by considering the following

Acute

More intense extreme weather events, such as droughts, hurricanes or floods

Chronic

Changes in rainfall patterns, extreme weather variability, average temperature rises, severe heatwaves and rising sea levels

These metrics help organisations to understand the potential for damage to physical infrastructure, disruption to supply chains and impact on borrowers' ability to repay loans.

Risk Management Report *(cont'd)*

Climate risk *(cont'd)*

Transition risk

Arises from the shift to a low-carbon economy, including policy and regulatory changes, technological advancements and changing consumer preferences. Considerations are given to:

Market sentiment	Changes in the supply and demand of certain commodities, products and services as they consider climate risk and opportunity, which could lead to reputational and other issues.
Policy action	Implementing carbon pricing mechanisms to reduce greenhouse gas emissions; using energy sources with lower emissions; adopting energy efficient; and promoting water efficiency solutions measures and more sustainable land use practices.
Technology	The need to build and innovate to support the transition to an energy efficient financial system with lower CO_2 emissions. This can have a significant impact on companies as new technology displaces obsolete systems and disrupts some components of the financial system as we know it.

These considerations help institutions to evaluate the financial implications of transitioning to a low-carbon economy, including potential asset stranding and changes in market demand for certain products and services.

Several steps have been adopted by the Bank in embedding the climate and environmental factors in our cross-cutting enterprise risk management processes and strategic endeavours to meet with the increasingly traction from the regulatory front.

In addition to enlisting a service provider for their specialist assistance with climate related risks, the Bank is satisfactorily implementing the requirements of the Guidelines on Climate-related and Environmental Financial Risk Management from our regulators with progress report being submitted, integrating sustainability considerations into our business strategy, revamping of climate risk related policies, revision of risk appetite, screening checklists deployed, increasing monitoring and oversight and enhancing disclosure practices and engaging with stakeholders, including regulators, industry peers and customers, to better understand their expectations and concerns.

Climate-related and environmental financial risks

The implementation of the Guideline on climate-related and environmental financial risk management released by the Bank of Mauritius in April 2022 is progressing and likewise, SBM Bank's experience and expertise in assessing and managing Climate-related and Environment risks and opportunities are likely to evolve in the short and long terms.

The Nationally Determined Contributions of Mauritius and Bank of Mauritius Guideline provide the foundation for us to develop and implement a Climate Risk Framework, Governance structure and the Climate and Environmental risk strategy.

Climate risk governance

Governance structure

SBM Bank has revised its Climate-related, Environmental & Social Risk Policy (CES Policy) to incorporate elements of climate-related and environmental risks in the credit process. The CES policy outlines the roles & responsibilities of the Board members, Senior Management and the first and second lines of defence. To permeate climate governance through all operations, SBM Bank has defined a roadmap for the short and medium terms. The setting up of a Sustainability Team forms a crucial part of the Bank’s roadmap in the short term.

Board of Directors roles and responsibilities

As aforementioned, the CES Policy of SBM Bank specifies the roles and responsibilities of the Board of Directors. For instance, the Board of Directors is required to periodically conduct reviews of the Bank's Strategy and Risk Management Frameworks with respect to climate-related and environmental risks. Moreover, to further equip the Board of Directors with the right tools to tackle the climate-related risks, training sessions will be conducted in Q2 2024.

Senior management roles and responsibilities

The CES Policy of SBM Bank equally outlines the Senior Management's roles and responsibilities with regards to climate-related and environmental matters. One of the roles of Senior Management is to develop and implement the climate-related and environmental financial risk management framework and policies.

The CES Policy of SBM Bank also covers the roles & responsibilities of the first line of defence and second line of defence in terms of climate-related and environmental risks.

Since climate change and its repercussions are dynamic in nature, the Bank has come up with a modular training kit to continuously upskill its First and Second Lines of Defence, Senior Management and Board members.

A first workshop was held in December 2023 with some members of the first and second line of defence with regards to Climate-related and Environmental Risk Management Fundamentals.

Risk Management Report *(cont'd)*

Climate risk strategy

Our commitment

It has become unambiguous that climate risk is one of the biggest emerging risks facing humanity. In this uncertain environment, extreme weather events continue to pose a threat to our planet (Physical risks) and presents new challenges and opportunities as the world moves towards a low-carbon economy (Transition risks). As the second largest bank in the country, we are determined to support the economy and our clients in this transition. Updating our risk management processes to adapt to the challenges posed by climate change is our key focus area.

Time horizons

The Bank shall implement the commitments by the Government as defined in the Nationally Determined Contributions of Mauritius in a phase manner classified as short, medium and long terms.

The foundation for establishing and defining the Climate-related strategy is dependent on the availability of data which adequately covers our data needs to analyse emissions and assess the physical and transition risks in our operation and portfolio. The quality and availability of Climate-related data continues to be a significant challenge.

In the absence of availability of data, the Bank has performed a prospective analysis of all the governmental and regulatory developments which are planned to come into force by year 2030.

In the forthcoming years, the next focus areas of the Bank would be to identify and set decarbonisation pathways whilst managing the risks and opportunities, including the quantification of business impact.

Business and strategy

SBM Bank is aware of how climate-related and environmental risks could significantly influence its financial planning process over various time horizons. In 2022, the Board of Directors committed to promote green energy, in line with the Nationally Determined Contributions ambition set out by the Government, endorsed the discontinuation of financing activities using coal after 2030.

Opportunities

We believe there are opportunities to finance a wide range of climate solutions, such as renewable energy, clean technology, water conservation and sustainable transportation. Since 2009, SBM Bank has been financing individuals and corporate projects involving affordable and clean energy that will ensure the transition to a low-carbon economy. SBM bank has played a key role in facilitating the financing of the Metro Express Project which demonstrates the Bank's commitment towards the transition to sustainable transportation.

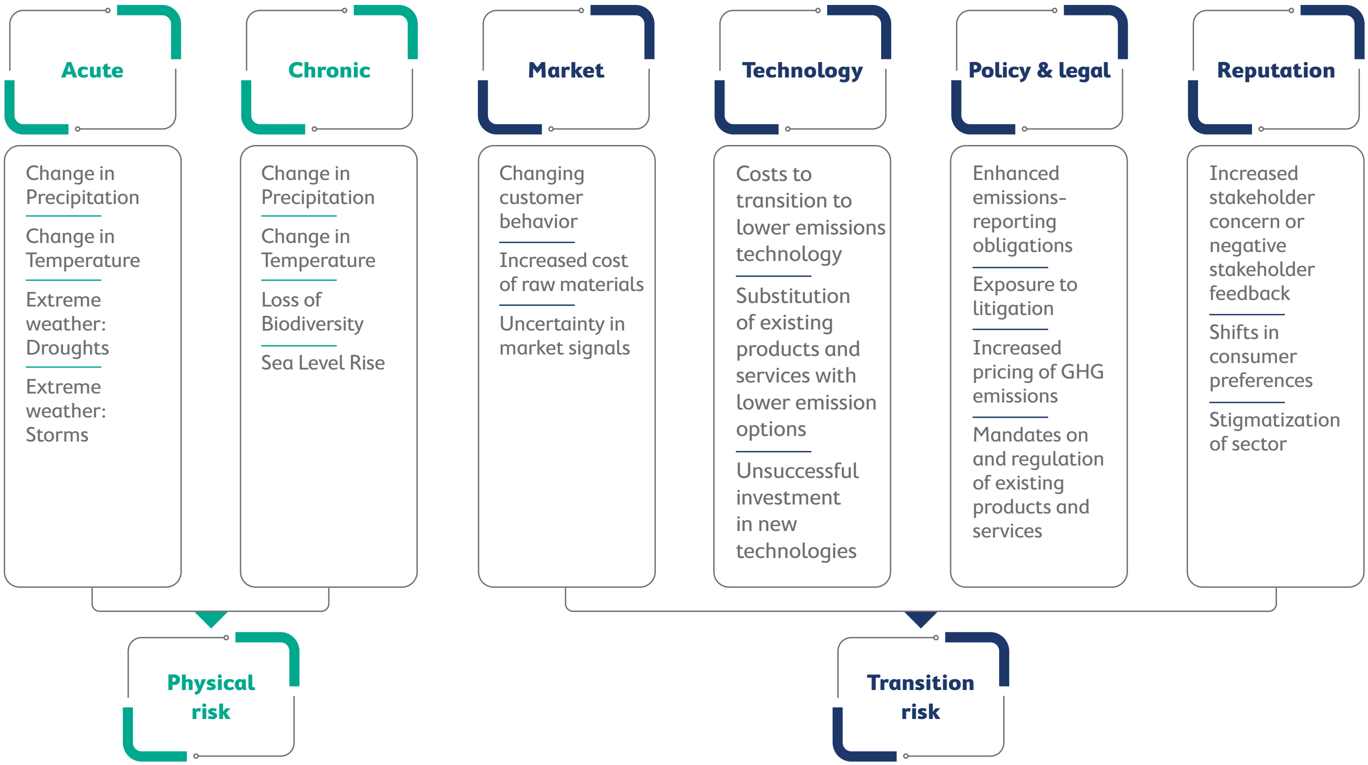
As part of SBM Bank's strategic approach, we are in the process of monitoring our main clients' progress with respect to their climate transition journey. We are also investigating Sustainable Financing offerings to further support our clients in their respective transition journeys.

Climate risk management

Risk identification

The Bank has conducted a qualitative sectoral analysis of the climate-related risks for the Mauritian jurisdiction given that the major exposure is within the Mauritius jurisdiction.

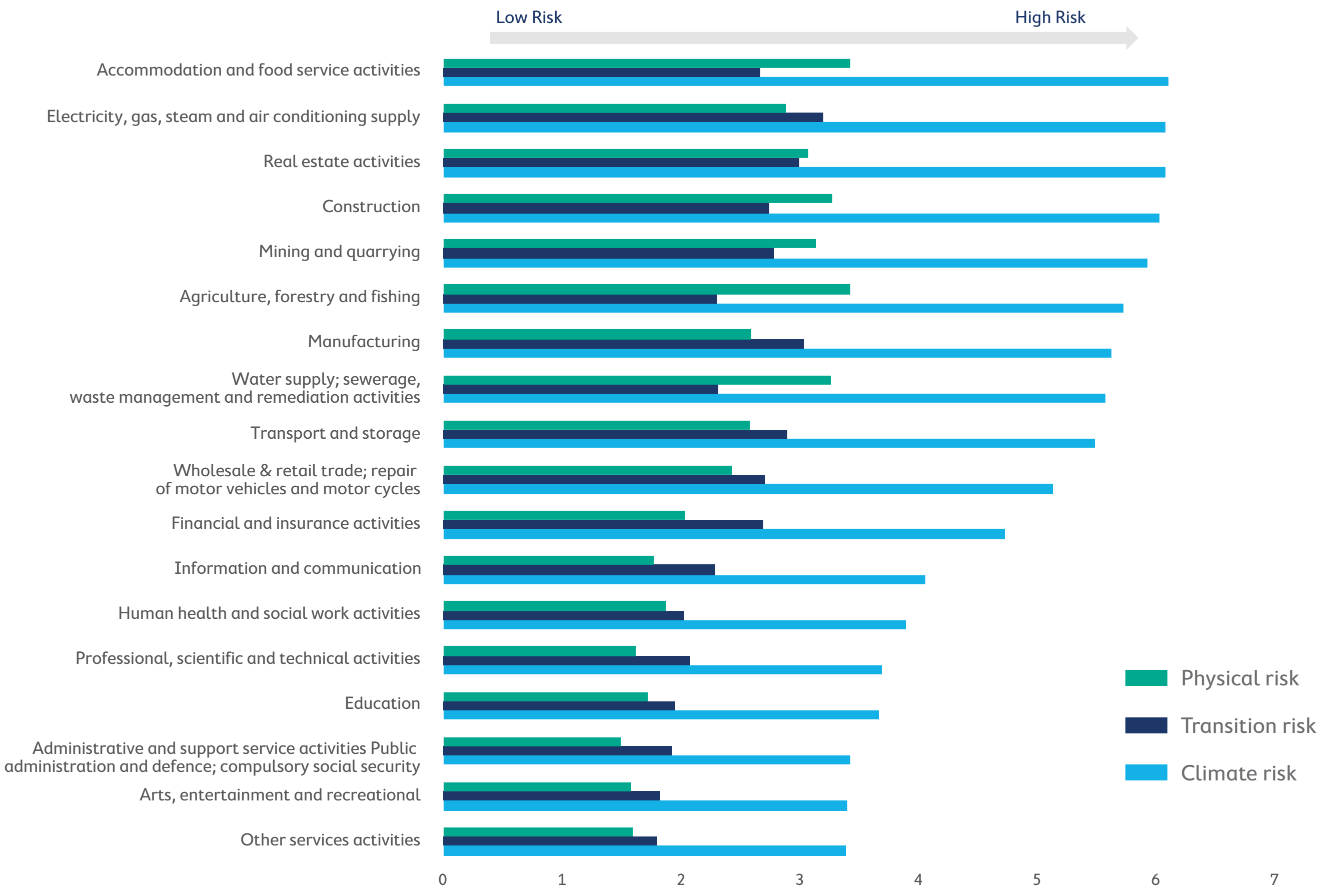
For each sector of activities, the Bank has identified the inherent climate-related risk profiles for the transition and physical risks in line with the Task Force on Climate-related Financial Disclosures (TCFD) taxonomy.



Risk identification (cont'd)

The results enabled the Bank to produce its Climate Risk Heatmap. Climate Risk is a combination of both physical and transition risks.

Climate Risk Heatmap



Risk assessment and risk mitigation

Our revised CES policy has elevated SBM Bank's adherence to the requirements of Development Financial Institutions (DFIs) while enhancing our client engagement process in relation to Climate Finance.

We developed the Climate Risk Screening Checklist (CRSC), a tool to understand our corporate clients' climate risk profile. The goal is to integrate this tool in our risk management processes to allow informed decisions going forward. The tool depends on information disclosed by clients. Scores are provided based on vulnerability and mitigation considerations and aggregated into a rating. The results are considered as part of the credit underwriting processes and are expected to evolve further.

Additionally, the Bank revised its RAS to incorporate climate-related risks in addition to the pre-existing components on environmental and social risks.

Scenario analysis

In line with the Bank of Mauritius guideline on stress testing and to further understand its resilience in the face of climate-related and environmental financial risks, the Bank is conducting scenario analysis. In the same line, the Bank will further enhance its climate stress testing at sectoral level using macroeconomic forecasts and the default history by sector. These results will feed into our risk management framework and processes and is expected to evolve as and when data is available.

Metrics & targets

Risk exposure and greenhouse gas emissions

The Bank currently monitors, year-on-year, its energy, paper usage and water footprints. With a firm commitment to abide to the requirements of the Bank of Mauritius, SBM Bank has commenced its Greenhouse Gas (GHG) accounting exercise. SBM Bank has prioritised the calculation of Financed Emissions (Scope 3). We recognise this as a crucial first step as Financed emissions are estimated to contribute 97%-98% to the total carbon footprint of the Bank. By tending to these substantial GHG emissions first, we aim to confront the most pressing aspects of SBM Bank's carbon footprint. Following this endeavour, the Bank will equally be computing its Scope 1 and 2 emissions in the medium to long term. This progressive approach embodies the Bank's commitment to comprehensive Carbon Accountability and its dedication to actively contribute towards a Net Zero World.

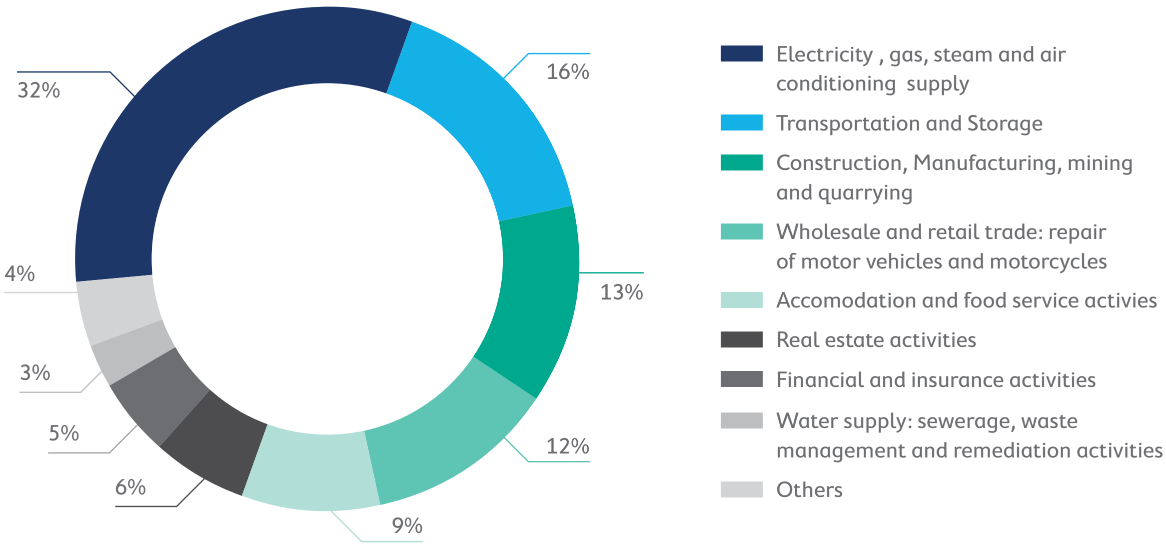
Financed emissions

The Financed Emissions computation has been performed on the Bank's Corporate Book by utilising the Partnership for Carbon Accounting Financials (PCAF) methodology. Owing to data quality and quantity restrictions, the Bank opted to perform a sectoral estimation of Financed Emissions (Top-Down Approach).

Risk Management Report *(cont'd)*

Financed emissions *(cont'd)*

Financed Emissions Contribution by Sector (%)



Sector Classification as per ISIC Code

Forward looking

The SBM Group has established its Sustainability Agenda, which focuses on Three Main Pillars: Sustainable Business, Responsible Organisation and Inclusive Communities. The Bank will devise an action plan in the short to medium terms to further expand on the Group's Sustainability Agenda. Particularly, the Bank will focus on the First Pillar: Sustainable Business. In the first instance, the Bank will focus on the adoption of Specific, Measurable, Achievable, Realistic and Timely Targets to reduce its internal carbon, water and waste footprints. In the next phase, the Bank will investigate SMART Financing Goals in line with the Nationally Determined Contribution (NDC).

This report is mainly forward-looking and is subject to assumptions, uncertainties and changes beyond our control. It is obvious that the Banking sector alone cannot drive this change and depends significantly on the engagement of the other stakeholders, including the government, businesses and households.

Compliance

Overview

The Compliance division is an independent 2nd LOD control function, which helps to protect our business and customers and promotes sound compliance culture at the Bank. All activities undertaken within and on behalf of the Bank fall within the scope of Compliance.

The Compliance division sets the necessary internal controls in place and enables, facilitates, advises and monitors financial crime risk, regulatory risks and conduct risk that the Bank is exposed to.

Compliance teams drive strategic compliance objectives by embedding sustainable achievements at the Bank. They focus on maintaining a robust compliance risk framework through its advisory roles, in addition to delivering on its risk-based program designed to detect, mitigate, prevent as well as address deviations of applicable legislations and regulations, internal policies and standards.

Compliance risk

Compliance risk is the risk of an activity not being conducted in conformity with applicable laws, rules, regulations, prescribed practices internal policies and ethical standards expected by regulators, customers, investors and employees among other stakeholders.

Main Risks covered:

Regulatory risks

the risk that the Bank fails to comply with applicable laws, regulations, guidelines, codes, rules and standards of good market practice thereby exposing the Bank to administrative penalties, legal sanction, financial loss or reputational damage

Financial crime risks

the risk of any criminal conduct such as bribery corruption, tax fraud, cybercrime, identity theft, money laundering and terrorists financing

Conduct risks

the risk of detriment to customers, market integrity, effective competition from inappropriate supply of financial services including instances of willful or negligent misconduct

Governance and oversight

The Compliance function is led by the Head of compliance. This function is independent from any administrative attribute. The compliance function has a formal status with the appropriate standing, authority and independence and fosters a smooth solution-based engagement between the compliance function and lines of business allowing for the timely identification and management of compliance risks.

The compliance function is designed to help prevent, detect and manage breaches of applicable laws, rules, regulations and procedures through the following:

- regulatory framework
- risk identificaiton, risk assessment, risk mitigation and risk monitoring
- training and awareness sessions
- reporting

All activities that the Bank engages in are designed to comply with applicable laws and regulations. The control design and monitoring processes, as well as other internal control processes that are aimed at ensuring the proper conduct of our businesses and services, preventing market abuse, insider dealing and conduct breaches, are from time to time subject to regulatory reviews and/or inquiries.

Money Laundering and Terrorist Financing are ranked among the key risks. Robust controls have been adopted and regular AML/CFT health checks are carried out to assess its effectiveness. The main objective is preventing misuse of our products and services to commit financial crime.

Compliance principles

The Bank has zero tolerance for deliberate or purposeful violations of legislative or regulatory requirements and no appetite for willful conduct failures, inappropriate as well knowingly and deliberately facilitating criminal activities. It is recognised that during business activities there may be mistakes and errors in judgement, however, there is minimal tolerance for any loss to customers. The primary responsibility for identifying regulatory risk, financial crime risk and conduct risk and complying with regulatory requirements lies with all employees of the Bank.

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. Within each entity 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 Chief Executive underlining independence in discharging duties.

The Bank continues with its reinforcement of its compliance agenda, specifically AML/CFT and sanctions frameworks, supported by dedicated training programmes for staffs and the revision of relevant policies as well as introduction of new policies and standards. The Bank has also been proactive in adopting 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.

Independence of compliance division

Independence is one of the fundamental principles of compliance function and the Bank strives to establish and implement measures and controls in order to ensure that the duties performed and the decisions taken by the Compliance functions are carried out independently. There is no restriction on Compliance function’s deliverables and activities and compliance officers have direct access to the governing body, as well as the right to obtain any information and contact any personnel of the Bank necessary to deliver on its compliance responsibilities.

The compliance function has been an active driver of initiatives in order to promote compliance culture and also operates in compliance with the banking ecosystems.

Some of the main initiatives undertaken by the Compliance functions:

- harmonising internal process regarding new products and services with aim to better identify emerging risks and implementing mitigating controls
- adoption of Risk based approaches in reviews and tracking of items till satisfactory closure
- 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
- be an active participant in the Bank digital transformation Journey and easing roadblock through advice or opening access to regulators or other government agency
- 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

Data protection

The Bank’s standards give people greater control over their data and ensure we only use data where strictly necessary and for the specific purposes for which is collected. We apply all reasonable measures designed to erase or rectify data that are inappropriate, inaccurate or incomplete and to only store personal data for as long as strictly necessary for their legitimate use. Our security measures are aimed at preserving the confidentiality, integrity, availability and resilience of our data processing systems and services.

The European Union'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 Bank, our compliance programme guarantees robust management of data protection risk strictly adhering to laws and regulations.

Reputational risk

Reputational risk is defined as the risk of current or potential negative economic impact to the Bank due to damage to the perception of the Bank on the part of employees, customers, shareholder/investors and the wider community.

Reputational risk may arise from various sources; from business or business support activities from the economic, social and political environment or from events related to our competitors. Our reputation could also be impacted from negative coverage in the media, whether it has merit or not.

The Bank adopts a preventive management and control approach to managing reputational risk with effective handling of early warnings as well as procedures to identify, manage and monitor risk events. It also includes elements for identification, analysis and monitoring of key stakeholders' perception and how that perception may change. Reputational risks are continuously monitored and reported to the Board Risk Management Committee for prompt and agile responses.

Capital management

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

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 Bank continuously monitors and adjusts its overall capital demand and supply at all times and from all perspectives.

The objectives are to:

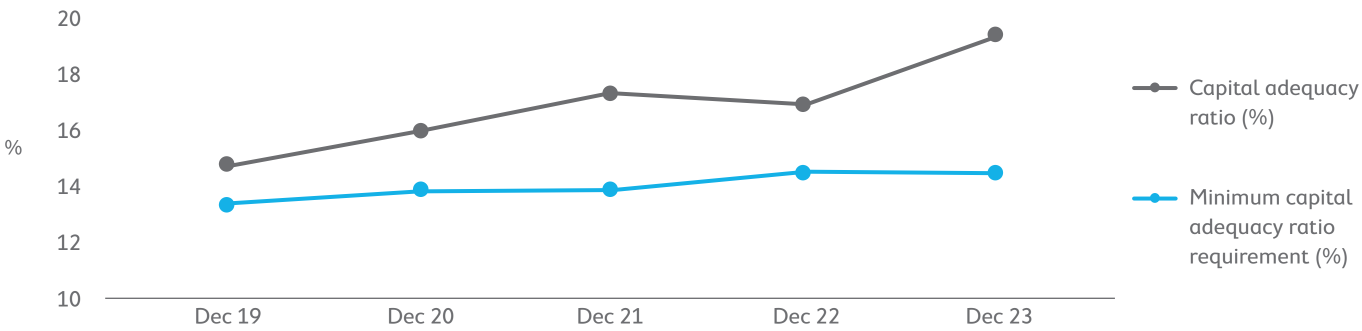
- maintain capital ratios at levels sufficiently above the regulatory minimum requirements
- support the Bank's credit ratings
- deploy capital efficiently to businesses and optimise returns on capital
- remain flexible to capitalise on future opportunities.

During the FY 2023, the Bank continued to prioritise capital and liquidity preservation while responding and adapting itself to the ongoing recovery of the Mauritian economy, notwithstanding challenges faced amidst a volatile global environment.

Evolution of Capital Adequacy ratios over the last five years

	Dec 19	Dec 20	Dec 21	Dec 22	**Dec 23**
Tier 1 ratio (%)	13.1	14.3	15.7	15.3	17.9
Capital Adequacy ratio (%)	14.8	15.9	17.3	16.9	19.4

Trend over last 5 years



Regulatory requirement

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 strengthen banks' transparency and disclosures. To that effect, BoM has issued guidelines and reporting requirements to commercial banks.

The capital-to-risk weighted assets ratio determines whether or not a bank has sufficient capital 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.

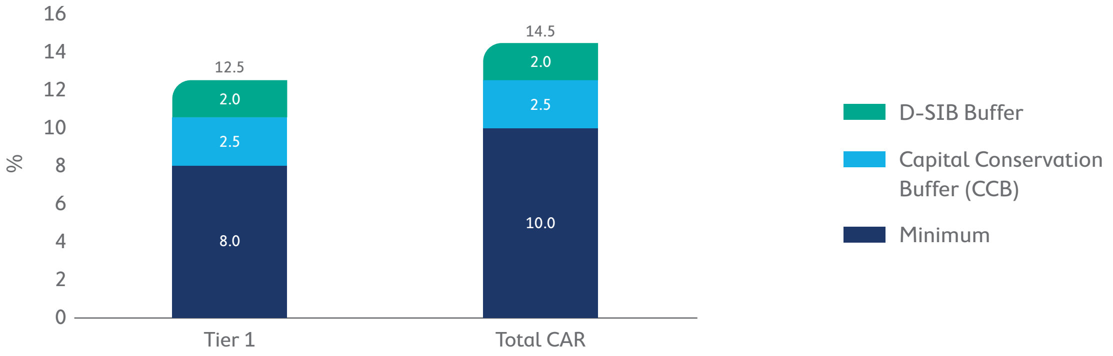
BoM requires all banks licensed under the Banking Act 2004 to meet minimum requirements related to risk-weighted assets of 9.0 %, 10.5 % and 12.5 % for Common Equity Tier 1 (CET 1), Tier 1 and Total Capital ratios respectively. The above ratios include a Capital Conservation Buffer (CCB) of 2.5 % which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

Regulatory requirement *(cont'd)*

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

Regulatory ratios applicable to SBM Bank as at 31 December 2023

Tier 1 CAR and Total CAR
(plus Capital Conservation Buffer plus D-SIB Buffer)



At year end 31 December 2023, the Bank remains well capitalised with a total capital ratio of 19.4 % or 4.9% above the minimum regulatory requirement.

Capital structure

For computation of its regulatory capital (capital base), SBM Bank 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, 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 to protect depositors.

Capital position

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

The capital is in the form of:

(a) 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 shareholder's 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 92.3 % of the aggregate capital base, rose by 20.1 % to MUR 22.1 billion primarily from the good performance of the Bank with net profits of MUR 4.6 billion.

The increase of MUR 3.7 billion from FY 2022 is due primarily to:

- MUR 4.6 billion growth from internally generated capital
- MUR 1.1 billion decrease in revaluation loss on investments in securities at FVTOCI

Partly offset by:

- MUR 1.6 billion dividend payment to Parent Company

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

Tier 2 capital was stable at MUR 1.9 billion, with its share representing 7.7 % of the capital base.

As such, the capital base of the Bank increased by MUR 3.7 billion to MUR 24.0 billion as at end December 2023.

Risk Management Report *(cont'd)*

Capital position *(cont'd)*

Capital Position of the Bank

	Dec 23	Dec 22	Dec 21
		MUR' million	
Capital Base			
Share Capital	13,454	13,454	12,254
Retained Earnings	10,924	8,029	6,675
Accumulated other comprehensive income and other disclosed reserves	99	(1,014)	338
Common Equity Tier 1 Capital (CET 1) before regulatory adjustments	**24,477**	**20,469**	**19,267**
Regulatory Adjustments			
Goodwill and Intangible assets	(1,624)	(1,519)	(1,817)
Deferred Tax Assets	(717)	(511)	(518)
Common Equity Tier 1 Capital (CET 1)	**22,136**	**18,439**	**16,932**
Additional Tier 1 (AT 1)	**-**	**-**	**-**
Tier 1 Capital (T1=CET1 + AT1))	**22,136**	**18,439**	**16,932**
Other Reserves (45% of surplus arising from Revaluation of land & buildings)	491	543	565
Portfolio Provision or ECL (restricted to 1.25% of credit RWA)	1,364	1,343	1,204
Tier 2 Capital	**1,855**	**1,886**	**1,769**
Total capital base	**23,991**	**20,325**	**18,701**

Risk-weighted assets

Risk-weighted assets (RWA) 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 to assess the financial strength of a financial institution. RWA represents the Bank's exposures to credit, market and operational risks.

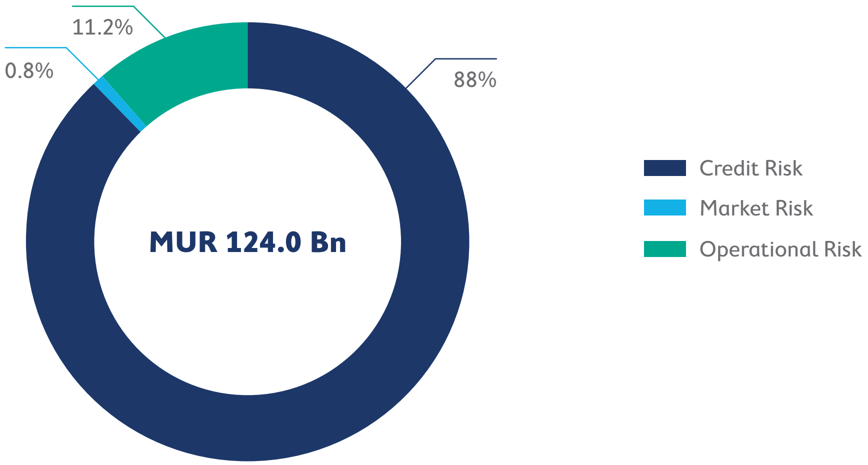
The risk weighted assets of the Bank are being prudently managed in view of the Bank's cautious approach in selecting high quality assets in the loan market.

For the FY 2023, the Bank witnessed an increase of 3.0 % in total RWAs, reaching MUR 124.0 billion in comparison to MUR 120.4 billion for the FY 2022. The growth was primarily from our retail portfolio and our local corporate bonds, both rated and unrated.

RISK WEIGHTED ASSETS (RWAs)	Dec 23	Dec 22	Dec 21
		MUR' million	
Credit risk *(Note A)*	**109,129**	**107,419**	**96,340**
On-balance sheet assets	101,289	98,596	89,254
Off-balance sheet exposures	7,840	8,823	7,086
Market risk *(Note B)*	**964**	**598**	**731**
Aggregate net open foreign exchange position	733	463	616
Capital charge for trading book position exceeding 5% or more of its total assets	231	135	115
Operational risk *(Note C)*	**13,888**	**12,343**	**10,857**
TOTAL RWAs	**123,981**	**120,360**	**107,928**

(A) Risk-weighted assets for credit risk

Amongst the various risk types the Bank engages in, credit risk continues to attract the largest regulatory capital requirement. As at year end 2023, it accounted for around 88% of total risk of the Bank, nearly same as FY 2022.



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

The Bank measures the credit risk capital requirements by applying appropriate risk weights to both on-balance sheet 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**

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 Bank uses the International ratings of Standard & Poor's, Moody's Investors Service and Fitch Ratings which are recognised by 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 2.7 % compared to FY 2022.

Risk-Weighted On-Balance Sheet Assets	**2023**			2022	2021
MUR' million	**Amount**	**Weight %**	**Weighted Assets**	**Weighted Assets**	**Weighted Assets**
Cash Items	3,499	0-20	0	1	1
Claims on sovereigns	83,714	0-150	3,311	4,086	4,448
Claims on central banks	38,450	0	-	-	-
Claims on Banks	27,227	0-150	6,991	5,135	4,124
Claims on non-central government public sector entities	9,278	50-100	6,595	2,585	341
Claims on corporates	56,696	20-150	51,138	56,599	54,589
Claims on retail segment	18,710	75	14,032	12,160	9,904
Claims secured by residential property	36,412	35-125	13,668	12,047	10,174
Past due claims	947	50-150	900	1,171	1,077
Fixed Assets/other assets	4,654	100	4,654	4,812	4,596
Total On-Balance Sheet RWAs	**279,587**		**101,289**	**98,596**	**89,254**

In terms of the risk profile of on-balance sheet assets, the zero % or 'risk free' assets, principally Government and BoM securities represented 49.0 % while assets under the 100 % risk-weight bucket, consisting mainly of loans and advances, constituted 20.1 % of on-balance sheet assets. Assets with risk weights ranging from 20% to 75 % accounted for 28.8 % while remaining 2.1 % pertained to risk weights above 100%.

The total non-market-related off-balance sheet RWA decreased by MUR 767 million to MUR 7.4 billion compared to FY 2022 due to maturity of guarantees during the year.

Non Market related Off-Balance Sheet Credit Exposures	**2023**					2022	2021
MUR' million	**Nominal Amount**	**Credit Conversion Factor**	**Credit Equivalent Amount**	**Weight (%)**	**Weighted Assets**	**Weighted Assets**	**Weighted Assets**
Direct Credit Substitutes	1,433	100	1,433	0-100	1,380	1,893	1,590
Transaction-Related Contingent items	10,365	50	5,182	0-100	4,864	4,659	3,503
Trade-Related Contingencies	709	20-100	196	0-100	166	444	391
Other Commitments	18,656	0-50	1,325	35-100	965	1,146	949
Total Off-Balance Sheet RWAs	**31,163**		**8,136**		**7,375**	**8,142**	**6,433**

The total market-related off-balance sheet RWA decreased by MUR 216 million to MUR 465 million compared to FY 2022.

Market related Off-Balance Sheet Credit Exposures	**2023**						2022	2021
MUR' million	**Notional principal amount**	**Credit conversion factor %**	**Potential future exposure**	**Current exposure**	**Credit equivalent amount**	**Weighted Assets**	**Weighted Assets**	**Weighted Assets**
Interest rate contracts	1,280	0 - 1.5	9	-	9	7	24	135
Foreign exchange contracts	12,729	1 - 5.0	174	157	332	271	441	296
Equity contracts	1,980	6 - 8.0	143	50	192	128	131	129
Other market related contracts	652	10 - 12.0	77	4	82	59	85	93
Total Market RWAs	**16,641**		**403**	**211**	**615**	**465**	**681**	**653**

	2023	2022	2021
Total Credit RWAs - MUR' million	**109,129**	**107,419**	**96,340**

(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.

MUR' million	Dec 23	Dec 22	Dec 21
Aggregate net open foreign exchange position	**733**	**463**	**616**

Capital charge for trading book position

As per the standardized 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 2023, the Bank prudently allocated an additional capital charge of MUR 231 million though the trading book significance level was below 5%.

(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 Bank 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 risk-weighted assets for operational risk:

MUR' million	Dec 23	Dec 22	Dec 21
RWAs for operational risk	**13,888**	**12,343**	**10,857**

In line with growth in business volumes, capital charge for Operational Risk as at end of December 2023 has increased by 12.5% from FY 2022.

Leverage ratio

An underlying cause of the great financial crisis was the build-up of excessive on-balance sheet 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 increased from 6.3% to 7.6% as at 31 December 2023 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 well above the BoM's prescribed limit with an average of 18.5% for financial year 2023 while being prudent in growth across its lines of business.

Driving customer excellence: providing financial solutions for every need

As stewards of customer satisfaction, we champion customer excellence by offering tailored and innovative banking and financial solutions, alongside crafting a brighter future for all

Financial Review

Financial Review

For the year ended 31 December 2023

Key Financial Highlights

Statement of profit or loss (MUR million)	Year ended December 2023	Year ended December 2022	Year ended December 2021
Net interest income	**8,492**	6,930	5,717
Non-interest income	**2,904**	2,454	2,888
Operating income	**11,396**	9,384	8,606
Non interest expense	**5,239**	4,187	3,720
Profit before income tax and net impairment loss on financial assets	**6,157**	5,197	4,886
Profit before income tax	**5,238**	4,027	2,538
Profit for the year	**4,625**	3,528	2,090
Statement of financial position (MUR million)			
Total assets	**281,113**	269,074	276,573
Gross loans and advances to non-bank customers	**119,070**	118,545	109,370
Deposits from non-bank customers	**239,208**	236,885	241,529
Shareholder's equity	**25,728**	21,704	20,583
Tier 1 capital	**22,137**	18,439	16,932
Risk-weighted assets	**123,981**	120,360	107,929
Performance ratios (%)			
Capital adequacy ratio	**19.4**	16.9	17.3
Tier 1 Capital adequacy ratio	**17.9**	15.3	15.7
Profit before income tax / average assets[a]	**1.9**	1.5	1.0
Profit before income tax / average shareholder's equity[a]	**22.1**	19.0	12.6
Return on average assets[a]	**1.7**	1.3	0.8
Return on average shareholder's equity[a]	**19.5**	16.7	10.4
Efficiency ratio (%)			
Cost to income	**46.0**	44.6	43.2
Asset quality ratios (%)			
Gross impaired advances to gross advances	**5.2**	7.9	10.0
Net impaired advances to net advances	**0.8**	1.5	1.6
Other key data			
Number of employees	**1,790**	1,683	1,568
Number of service units	**45**	44	44

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

Results

The global economy continues to be characterised by challenges, in view, notably, of geopolitical conflicts, high, albeit ebbing, core inflationary pressures as well as monetary tightening by central banks. Against this backdrop, the Mauritian economy continues to face up to a demanding international context. However, the country has, on the back of dedicated measures by the public and private sectors, maintained its growth momentum and socio-economic progress lately, with a relative improvement observed in key indicators, as, for instance, gauged by declining headline inflation and healing nationwide unemployment rates.

Whilst facing a challenging market landscape, the Bank has sustained its growth impetus, alongside reinforcing its operating fundamentals and financial resilience. Thanks to the unflinching efforts and dedication of its employees, the Bank has strengthened its footprint in key markets, supported by its franchise as well as the further improvement of its customer proximity and value proposition.

The Bank posted a remarkable profit after tax of MUR 4,624.7 million for FY 2023, compared to MUR 3,527.9 million for FY 2022, underpinned by a growth of 22.5% in Net Interest Income and 21.4% in Operating Income.

The Bank recorded a profit before net impairment loss on financial assets of MUR 6,157.3 million in FY 2023, compared to MUR 5,197.3 million for FY 2022. This performance has been mainly explained by the significant increase in net interest income, which moved up from MUR 6,930 million to MUR 8,492 million.

Revenue growth

Operating income for FY 2023 grew by 21.4% to reach MUR 11.4 billion (MUR 9.4 billion in FY 2022), with the main contributors being (i) net interest income; (ii) non-interest income, comprising mainly fees and commissions as well as income from the card business; and (iii) net trading income, representing gain on sale of securities and gain on dealings in financial instruments and foreign currency.

Net interest income

To respond to the high inflation environment and support socio-economic stability, the Bank of Mauritius has embarked on a policy tightening trajectory, whereby the Key Rate was reviewed from 1.85% in 2021 to 4.50% as at the reporting date. Of note, the Key Rate was reviewed five times during FY 2022 and remained constant for FY 2023, thus contributing to the Bank's net interest income reaching MUR 8.5 billion for the year under review. This outcome has also been supported by the growth in advances being disbursed by the Bank.

Interest income from loans and advances to non-bank customers stood at MUR 8.5 billion and experienced the highest growth with regard to the various components of total interest income following the pick-up in market yields and growth in the loan book. Interest on loans and advances remains the main source of interest income for the Bank.

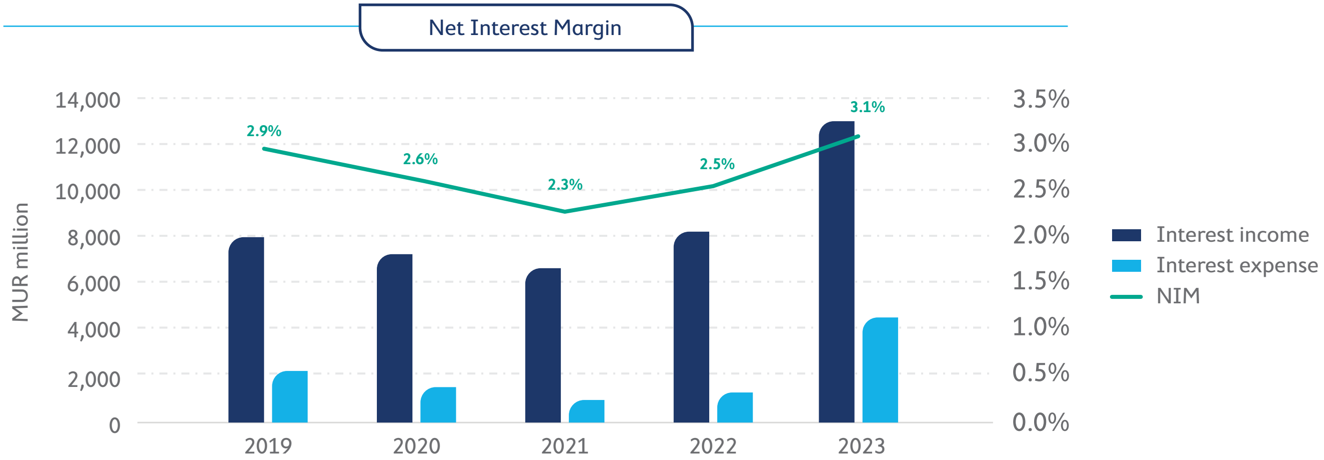
An increase was also noted in interest income from investment securities by MUR 1,421.3 million, which has mainly been attributable to the amortised cost category and fair value through OCI category, which was higher by 56.6%. Interest income from derivatives, loans to and placements with banks and cash and cash equivalents also witnessed an increase of MUR 302.4 million (121.6%).

On the interest expense side, an increase of MUR 3.2 billion was noted, emanating mainly from deposits which were impacted by the increase in savings rate locally and rates in the US. An increase of MUR 111.6 million was also noted on interest expense on borrowings.

Net interest margin increased from 2.5% in FY 2022 to 3.1% for FY 2023.

Financial Review

For the year ended 31 December 2023



Non-interest income

As shown in the table below, non-interest income increased by 18.3%, from MUR 2,454.2 million in FY 2022 to MUR 2,903.8 million for FY 2023.

	Year Dec 23 MUR' million	Year Dec 22 MUR' million	Year Dec 21 MUR' million	Variance MUR' million	Variance %
Net fee and commission income	**940.1**	824.7	740.7	115.4	14.0
Card income including e-commerce income	**463.0**	419.7	357.5	43.3	10.3
Net trading income from:					
Profit arising from dealings in foreign currencies	**888.0**	1,051.7	842.3	(163.7)	(15.6)
Interest rate instruments	**(24.2)**	16.4	27.5	(40.6)	(247.6)
Gains on debt securities measured at FVTPL	**603.4**	113.6	81.0	489.8	431.2
Gains/(losses) on financial assets measured at FVTPL	**19.8**	(24.3)	228.1	44.1	(181.5)
Gains on sale of financial instruments measured at AC and FVTOCI	**0.2**	34.9	588.1	(34.7)	(99.4)
Other	**13.5**	17.5	23.3	(4.0)	(22.9)
	2,903.8	2,454.2	2,888.5	449.6	18.3

The main contributor of non-interest income for FY 2023 is net trading income, which registered an increase of 24.2% or MUR 285.6 million compared to FY2022. Fair value movement on debt securities has been the main driver for this increase, moving up from MUR 113.6 million for FY2022 to MUR 603.4 million for FY 2023, whilst being partly offset by a decrease of MUR 40.6 million in respect of interest rate instruments.

Non-interest income (cont'd)

Net fee and commission income recorded an increase of MUR 115.4 million or 14.0% on account of higher commission income from trade finance products for FY 2023.

Card income grew by MUR 43.3 million from MUR 419.7 million for FY 2022 to MUR 463.0 million for FY 2023, mostly due to higher volume of transactions as economic activity continued to gain momentum.

However, a decrease has been noted for the other contributors of non-interest income, that is, net gains on sale of financial assets measured at Amortised Cost (AC) and Fair Value Through Other Comprehensive Income (FVTOCI) and profit from dealings in foreign currencies.

The ratio of non-interest income to average assets stood at 1.1% for FY 2023 against 0.9% for FY 2022.

Non-interest expense

The table below shows the components of operating expenses.

	Year Dec 23 MUR' million	Year Dec 22 MUR' million	Year Dec 21 MUR' million	Variance MUR' million	Variance %
Personnel costs	**2,309.5**	2,014.0	1,748.2	295.5	14.7
Property costs (including depreciation)	**473.1**	385.5	337.5	87.6	22.7
System costs (including depreciation and amortisation)	**1,308.3**	1,114.4	996.2	193.9	17.4
Other expenses	**1,147.6**	673.0	637.9	474.6	70.5
	5,238.5	4,186.9	3,719.8	1,051.6	25.1

Non-interest expenses witnessed an increase of MUR 1,051.6 million for FY 2023 compared to FY 2022. The Bank's cost to income ratio stood at 46.0% for FY 2023 compared to 44.6% for FY 2022.

The major component of the increase in non-interest expense has been attributed to other expenses which grew by MUR 474.6 million from MUR 673.0 million for FY 2022 to MUR 1,147.6 million for FY 2023. This has mainly been explained by the accrual of an indirect tax component of MUR 323.3 million for the current year. While remaining focused on investing in its human capital and being an employer of choice, the Bank posted personnel costs of MUR 2,309.5 million for FY 2023 compared to MUR 2,014.0 million for FY 2022, representing an increase of 14.7%. Employees were also granted a one-off token appreciation on the occasion of the 50th anniversary of the Bank.

Other non-interest expenses have also increased, mainly due to higher IT costs incurred during FY 2023 with the embarkment of the End of Service Life project as well as additional costs for the set-up of new branches and renovation of some existing branches.

Credit loss expense on financial assets

Total credit loss expenses recognised for FY 2023 amounted to MUR 919.3 million, which included mostly impairment charge for the segment B impaired book partly mitigated by a reversal of stage 1 and stage 2 Expected Credit Losses (ECL) provisions. The charge for FY 2023 is lower by MUR 251.0 million compared to FY 2022, with a positive impact on the bottom line.

Financial Review

For the year ended 31 December 2023

Statement of financial position

Loans and advances to non-bank customers

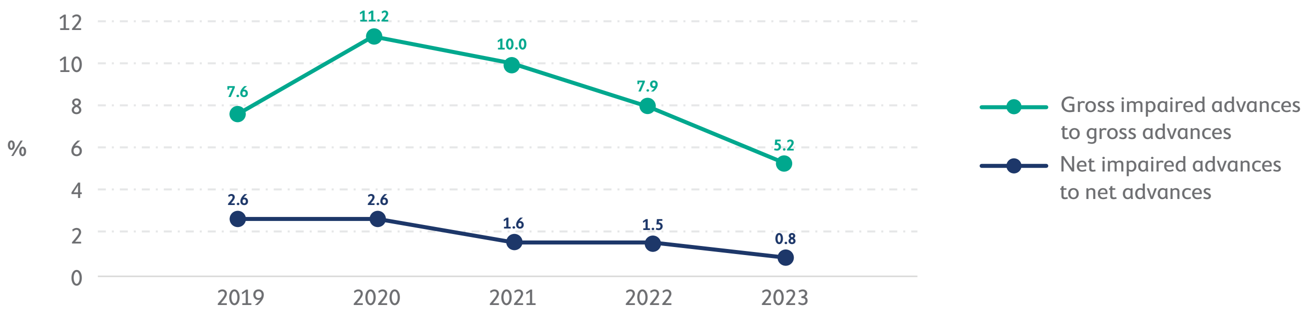
Gross loans and advances increased by MUR 524.8 million or 0.4% to reach MUR 119.1 billion as at 31 December 2023 against MUR 118.5 billion as at 31 December 2022. Segment A advances reported an increase of MUR 7.0 billion, from MUR 102.0 billion as at 31 December 2022 to MUR 109.0 billion as at 31 December 2023, which reflects the Bank's ability to grow its business domestically despite a very competitive environment. The increase emanates from the retail segment (mainly mortgage) which increased from MUR 37.1 billion as at 31 December 2022 to MUR 43.0 billion as at 31 December 2023.

Net loans and advances stood at MUR 112.1 billion compared to MUR 108.1 billion for FY 2022, with total outstanding provisions of MUR 7.0 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 6.2 billion as at 31 December 2023, compared to MUR 9.4 billion as at 31 December 2022. The Bank has written off advances amounting to MUR 4.2 billion during the year under review (FY 2022: MUR 2.3 billion). Provision coverage ratio improved to 85.7% against 82.6% as at 31 December 2022. The remaining portion of impaired exposures 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 2023, from 7.9% and 1.5% to 5.2% and 0.8%, respectively.



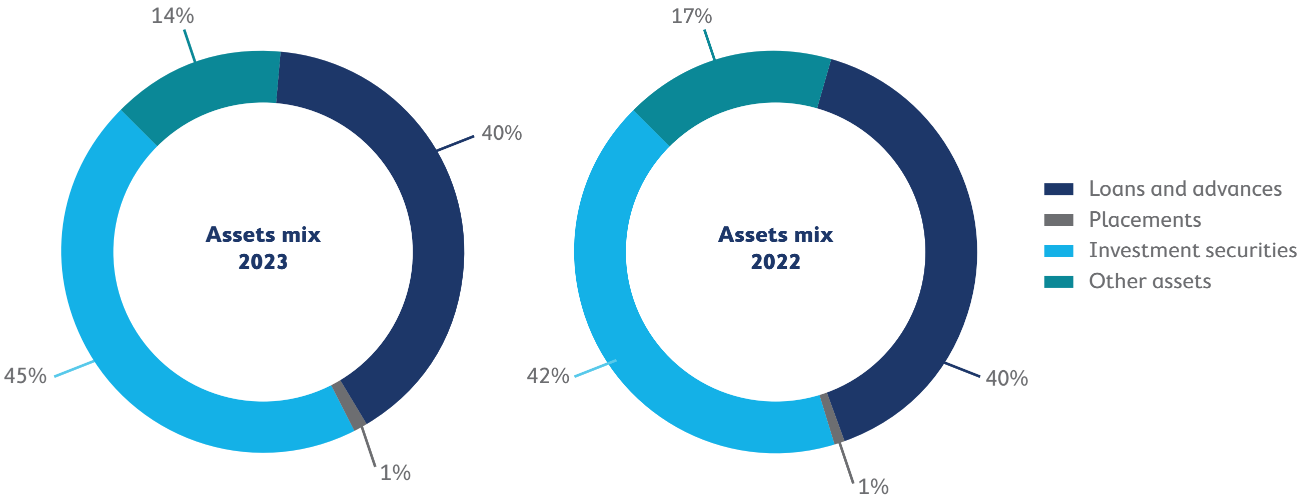
Investment securities and placements

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 upward by MUR 12.4 billion over 31 December 2022 and represents 44.6% of the total balance sheet size of the Bank. As at 31 December 2023, financial assets classified at Fair Value Through Other Comprehensive Income (FVTOCI) witnessed an increase of MUR 9.1 billion to reach MUR 43.3 billion as at 31 December 2023 (FY 2022: MUR 34.2 billion) and those classified at Amortised Cost increased from MUR 70.2 billion as at 31 December 2022 to MUR 70.8 billion, representing an increase of MUR 0.6 billion or 0.9%.

Gross loans and placements with banks amounted to MUR 2.9 billion as at 31 December 2023 compared to MUR 1.2 billion as at 31 December 2022.

Other bank assets

Other assets of the balance sheet decreased by MUR 5.9 billion, mainly cash and cash equivalents which decreased to MUR 18.8 billion as at 31 December 2023 from MUR 26.5 billion as at 31 December 2022, with unrestricted balance with the central bank amounting to MUR 3.2 billion at 31 December 2023 (FY 2022: MUR 19.8 billion).



Note: Other Bank assets include cash and cash equivalents, mandatory balance with central bank, derivative financial instruments, property and equipment, right of use assets, intangible assets, deferred tax assets and other assets.

Financial Review

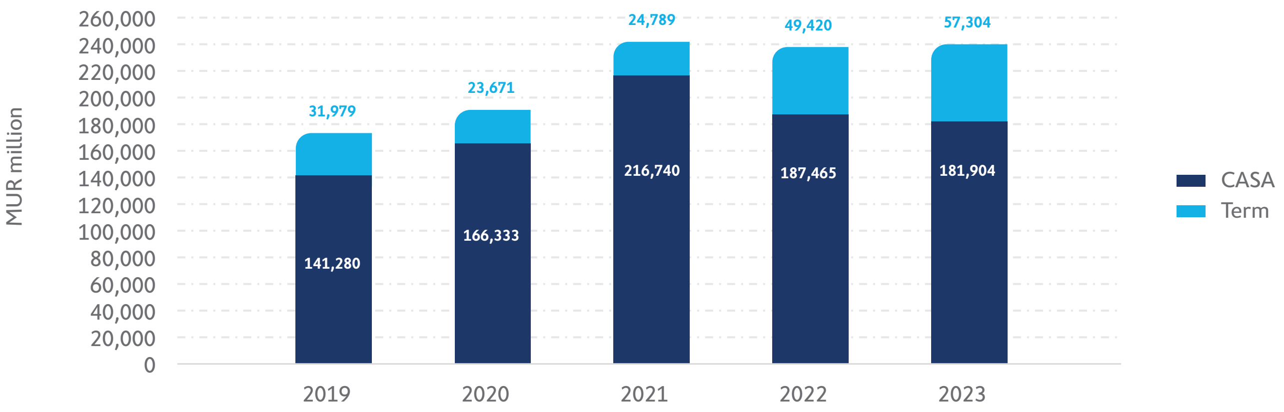
For the year ended 31 December 2023

Deposits and borrowings

Total deposits from non-bank customers grew by just under 1% during the year under review, from MUR 236.9 billion as at 31 December 2022 to MUR 239.2 billion as at 31 December 2023. This increase is attributable to term deposits which increased from MUR 49.4 billion as at 31 December 2022 to MUR 57.3 billion as at 31 December 2023. On the other hand, current account and savings account (CASA) deposits witnessed a decrease of MUR 5.6 billion, from MUR 187.5 billion as of 31 December 2022 to MUR 181.9 billion as at 31 December 2023, mainly due to outflow of hot money attributable to the corporate segment B business, but remained the core deposits for the Bank and accounted for 76% of total deposits as at 31 December 2023 (FY 2022: 79.1%).

FCY deposits made up 38.7% of total deposits as at 31 December 2023 (FY 2022: 43.6%).

Deposits



Other borrowed funds

Borrowings as at 31 December 2023 stood at MUR 4.7 billion compared to MUR 757.8 million as at 31 December 2022.

Shareholder's fund

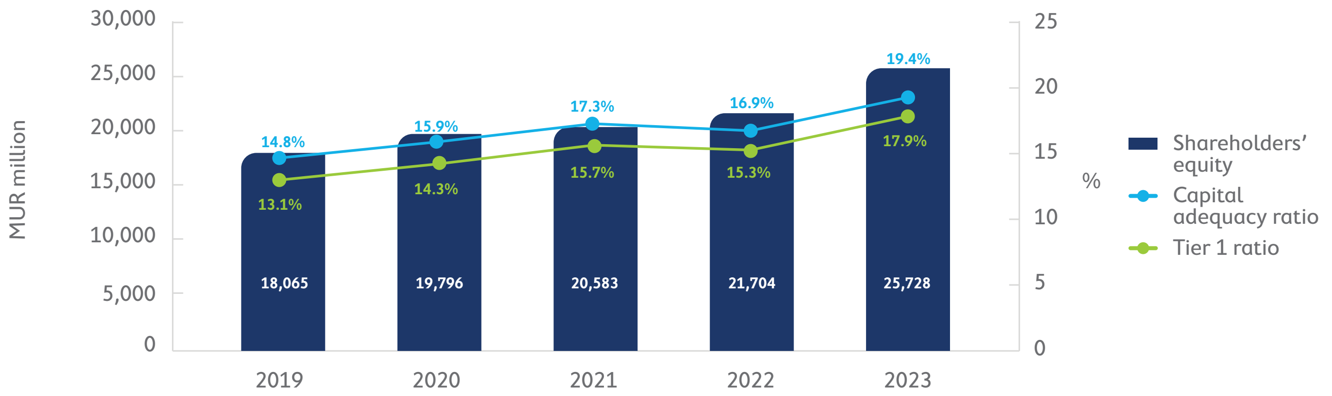
The Bank remains well capitalised, with a Capital Adequacy Ratio of 19.4%, from 16.9% as at 31 December 2022 and a Tier 1 capital to risk-weighted assets ratio of 17.9% as at 31 December 2023 (FY 2022: 15.3%). Both capital ratios are above the minimum regulatory requirements for Domestic-Systemically Important Banks.

Shareholder's equity stood at MUR 25.7 billion as at 31 December 2023 compared to MUR 21.7 billion as at 31 December 2022 and common equity Tier 1 capital stood at MUR 22.1 billion (FY 2022: MUR 18.4 billion).

Return on average shareholder's equity has increased from 16.7% in FY 2022 to 19.5% in FY 2023.

The Bank remained a key contributor to the Group, with a profit after tax of MUR 4.6 billion and paid a dividend of MUR 1.6 billion to its parent entity in FY 2023.

Refer to the Capital Management section in Note 35 for more details.



Financial Review

For the year ended 31 December 2023

Performance against objectives

Indicator	Target for FY 2023	Performance for FY 2023	Target for FY 2024
Return on Average Assets (ROA)	While it is expected that the operating environment will remain highly competitive, it is expected that ROA will be stable at 1.3%.	In a predominantly high interest rate environment coupled with growth in business volumes, a higher operating income was achieved coupled with lower impairment charges, which led to an improved ROA of 1.7%, representing a growth of around 39 basis points over FY 2022.	With a competitive environment, it is expected that ROA will be stable.
Return on Average Equity (ROE)	ROE is predicted to remain above 15%.	For the same reasons as stated above, ROE has moved up by from FY 2022 and stood at 19.5%.	To achieve a minimum of 18%.
Operating 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 will again be the major contributors in non-interest income with a two digit growth rate.	Operating income of MUR 11.4 billion was registered in 2023, representing a hike of 21.4% compared to FY 2022, with higher net interest income and non-interest income.	A key objective of the Bank is to gradually diversify its market footprint and judiciously tap into new segments which will help to build to boost transactional and trade finance income.
Operating Expense	Operating expenses are likely to grow reasonably with new projects in 2023.	Following the continuous investment in human capacity and technology, operating expenses grew by 25.1%.	Operating expenses are expected to grow with sustained initiatives to boost the capabilities of the Bank, notably in terms of human capital and technology.
Cost to Income ratio (CI)	Cost to Income ratio to be contained below 50%.	The Cost to Income ratio stood at 46.0%.	Cost to Income ratio to be contained below 50%.
Gross Advances	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.	The Bank grew its overall loans and advances to non-bank customers by around 0.4%, mainly driven by the retail segments.	A double-digit growth is anticipated with focus on both expanding and diversifying the domestic loan book while coping with the challenging economic context and growing the international business prudently.
Deposits from non-bank customers	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.	A growth of 1% over FY 2022 following inflows from retail and domestic segment amidst the highly competitive market.	Expecting a growth of at least 10% from both domestic and corporate segment B business.
Assets Quality	Gross Impaired ratio is expected to improve.	As expected, Gross Impaired ratio improved to 5.2%.	Objective is to further improve the Gross Impaired ratio.
Capital Management	The capital adequacy ratios are expected to remain above regulatory requirements.	The Bank's CAR ratio and Tier 1 ratio stood at 19.4% and 17.9% respectively, which are above the prescribed minimum requirements.	The Bank shall continue to maintain its capital adequacy ratio (CAR) at the optimum level and ensure adherence to regulatory requirements at all times.

Climate consciousness: caring for tomorrow, acting today

Driven by a firm focus on the implications of climate change, we prioritise caring for tomorrow by taking decisive actions today, so as to ensure a sustainable legacy for future generations

Statement of Directors' Responsibility

Statement of Management's Responsibility

Statement of Directors' Responsibility

For the year ended 31 December 2023

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

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

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

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

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

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

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

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

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

(iii) the Financial Statements give a true and fair view of the state of affairs of the Bank for the year ended 31 December 2023 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 266 to 272.

Premchand Mungar
Chief Executive

Imalambaal Kichenin
Chairperson, Audit Committee

Visvanaden Soondram
Chairman, Board

27 March 2024

Statement of Management's Responsibility for Financial Reporting

For the year ended 31 December 2023

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

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

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

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

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

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

Premchand Mungar
Chief Executive

Imalambaal Kichenin
Chairperson, Audit Committee

Visvanaden Soondram
Chairman, Board

27 March 2024

Independent Auditor's Report

Deloitte.

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

Independent auditor's report to the Shareholder of SBM Bank (Mauritius)Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **SBM Bank (Mauritius) Ltd** (the "Bank" and the "Public Interest Entity") set out on pages 274 to 387, which comprise the statement of financial position as at 31 December 2023 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023 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' *International 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.

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Independent auditor's report to the Shareholder of SBM Bank (Mauritius)Ltd (cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses - Financial assets which are not credit impaired	
IFRS 9 requires the Bank to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgements and estimates. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the application of IFRS 9 are: • Model estimations - the Bank has used a statistical model to estimate ECLs depending on type of portfolio which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD') and Exposures at Default ('EAD'). The PD and LGD models used in the loan portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. • Determining the criteria for significant increase in credit risk ('SICR') and identifying SICR– These criteria are highly judgemental and can impact the ECL materially where facilities have maturity of greater than 12 months. • Macro-Economic Forecasts – IFRS 9 requires to measure ECLs on a forward-looking basis using the most appropriate macro-economic forecasts. The macroeconomic forecasts are estimates of future economic conditions.	Our audit procedures included amongst others: • Testing the design and operating effectiveness of the key controls over the key inputs and significant judgements, estimates and assumptions used in the models; • Using specialist team in performing certain procedures in relation to model validation including review of economic scenarios as well as ECL recomputation; • Verifying the historical data used in determination of PD in the models; • Assessing the appropriateness of macro-economic forecasts used; • Assessing the appropriateness of probability of default, loss given default and exposure at default assumptions; • 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;

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Independent auditor's report to the Shareholder of SBM Bank (Mauritius)Ltd (cont'd)

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)	
• Economic scenarios - the Bank has used a range of future economic conditions. 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. Due to the significance of the judgements and estimates applied in the computation of the provision for expected credit losses, this item is considered as a key audit matter. The details of the policies and processes followed for the determination of ECL are disclosed in Note 37 to the financial statements.	• Assessing the reasonableness of the qualitative adjustments applied by management for events not captured by the ECL models; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9.

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Independent auditor's report to the Shareholder of SBM Bank (Mauritius)Ltd (cont'd)

Key audit matter (cont'd)	How our audit addressed the key audit matter
Provision for credit losses – Credit impaired assets	
The use of assumptions for the measurement of provision for credit losses on credit-impaired assets is subjective due to the level of judgement applied by Management. Changes in the assumptions and the methodology applied may have a material impact on the measurement of allowance for credit impairment. The details of allowance for credit impairment on loans and advances to non-bank customers and memorandum items are disclosed in Notes 8(c), 22 and 32 to the financial statements. The most significant judgements / matters are: - whether impairment events have occurred; - valuation of collateral and future cash flows; and - management judgements and assumptions used Due to the significance of the judgements applied in the identification of credit-impaired facilities and determination of the provision for credit losses, this item is considered as a key audit matter.	Our audit procedures included amongst others: · Obtaining audit evidence in respect of key controls over the processes for identification of impairment events, impaired assets and impairment assessment; · Inspecting the minutes of Management Credit Forum, Board Risk Committee/Board Supervisory 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 credit impaired assets; · Performing tests of details on accuracy of the provision for credit losses, including validation of collateral valuation and future cash flows; 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 Reflections from the Chairman, Message from the Chief Executive, Our Reporting Universe and Philosophy, Our Value Creation Story, Delivering Sustainable Value to our Stakeholders, Corporate Governance Report, Risk Management Report, Financial Review, Statement of Directors' Responsibility, Report from the Company Secretary, Additional Information and Supplementary information as required by Bank of Mauritius, but, does not include the financial statements and our auditor's report thereon.

Deloitte.

Independent auditor's report to the Shareholder of SBM Bank (Mauritius)Ltd (cont'd)

7th-8th floor, Standard Chartered Tower
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Mauritius

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, 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 on the reports obtained prior to the date of this auditor's report. When we read the other information expected to be available after the auditor's report date, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

Deloitte.

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

Independent auditor's report to the Shareholder of SBM Bank (Mauritius)Ltd (cont'd)

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.

Deloitte.

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Independent auditor's report to the Shareholder of SBM Bank (Mauritius)Ltd (cont'd)

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

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

Financial Reporting Act 2004

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance ("the Code") 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte

Deloitte
Chartered Accountants

27 March 2024

LLK Ah Hee, FCA
Licensed by FRC

Financial Statements

Statement of Financial Position

As at 31 December 2023

	Notes	31 December 2023	31 December 2022	31 December 2021
		MUR' 000	MUR' 000	MUR' 000
ASSETS				
Cash and cash equivalents	5	**18,836,899**	26,534,212	40,281,422
Mandatory balances with central bank		**14,911,020**	13,316,978	11,203,833
Loans to and placements with banks	6	**2,853,065**	1,221,415	837,970
Derivative financial instruments	7	**297,875**	637,903	579,946
Loans and advances to non-bank customers	8	**112,117,910**	108,118,967	97,916,200
Investment securities	9	**125,398,628**	113,044,546	119,399,335
Property and equipment	10	**3,439,903**	3,134,713	3,019,187
Right-of-use assets	11	**174,348**	234,150	212,037
Intangible assets	12	**1,623,646**	1,518,510	1,816,509
Deferred tax assets	18d	**716,603**	511,001	518,443
Other assets	13	**743,000**	801,351	787,947
Total assets		**281,112,897**	269,073,746	276,572,829
LIABILITIES				
Deposits from banks	15	**1,716,593**	1,757,243	1,481,854
Deposits from non-bank customers	16	**239,207,880**	236,885,327	241,528,828
Other borrowed funds	17	**4,654,000**	757,808	5,275,400
Derivative financial instruments	7	**415,277**	574,694	565,655
Lease liability	11	**183,049**	189,756	184,665
Current tax liabilities	18a	**535,619**	411,835	307,887
Pension liabilities	14	**425,420**	549,107	395,928
Other liabilities	19	**8,247,088**	6,244,460	6,249,910
Total liabilities		**255,384,926**	247,370,230	255,990,127
SHAREHOLDER'S EQUITY				
Stated capital	20	**400,000**	400,000	400,000
Capital contribution	20	**13,054,011**	13,054,011	11,854,011
Retained earnings		**10,923,822**	8,028,574	6,675,006
Other reserves	38	**1,350,138**	220,931	1,653,685
Total equity		**25,727,971**	21,703,516	20,582,702
Total liabilities and equity		**281,112,897**	269,073,746	276,572,829

Approved by the Board of Directors and authorised for issue on 27 March 2024.

Premchand Mungar
Chief Executive

Imalambaal Kichenin
Chairperson, Audit Committee

Visvanaden Soondram
Chairman, Board

The notes on pages 279 to 401 form an integral part of these financial statements.

Statement of Profit or Loss

For the year ended 31 December 2023

	Notes	**31 December 2023**	31 December 2022	31 December 2021
Continuing Operations		**MUR' 000**	MUR' 000	MUR' 000
Interest income using the effective interest method		**12,784,767**	8,062,262	6,458,236
Other interest income		**214,294**	137,868	202,837
Interest expense using the effective interest method		**(4,354,676)**	(1,099,822)	(548,130)
Other interest expense		**(152,389)**	(170,299)	(395,716)
Net interest income	25	**8,491,996**	6,930,009	5,717,227
Fee and commission income		**1,504,905**	1,309,677	1,151,849
Fee and commission expense		**(101,735)**	(65,224)	(53,630)
Net fee and commission income	26	**1,403,170**	1,244,453	1,098,219
Other income				
Net trading income	27	**1,467,259**	1,181,648	950,750
Net gains/(losses) from financial assets at FVTPL	28	**19,781**	(24,334)	228,083
Net losses on derecognition of financial assets measured at amortised cost	29 (a)	**(21,394)**	-	-
Net gains on derecognition of financial assets measured at FVTOCI	29 (b)	**21,565**	34,914	588,098
Other operating income		**13,462**	17,497	23,304
		1,500,673	1,209,725	1,790,235
Non-interest income		**2,903,843**	2,454,178	2,888,454
Operating income		**11,395,839**	9,384,187	8,605,681
Personnel expenses	30	**(2,309,521)**	(2,013,950)	(1,748,224)
Depreciation of property and equipment	10	**(214,614)**	(195,532)	(149,112)
Depreciation of right-of-use assets	11	**(72,652)**	(71,319)	(64,107)
Amortisation of intangible assets	12	**(425,194)**	(419,552)	(411,081)
Other expenses	31	**(2,216,586)**	(1,486,545)	(1,347,241)
Non-interest expense		**(5,238,567)**	(4,186,898)	(3,719,765)
Profit before credit loss expense		**6,157,272**	5,197,289	4,885,916
Credit loss movement on financial assets and memorandum items	32	**(919,304)**	(1,170,348)	(2,347,518)
Profit before income tax		**5,237,968**	4,026,941	2,538,398
Tax expense	18b	**(613,311)**	(499,001)	(448,211)
Profit for the year		**4,624,657**	3,527,940	2,090,187

The notes on pages 279 to 401 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2023

	Notes	**31 December 2023**	31 December 2022	31 December 2021
		MUR' 000	MUR' 000	MUR' 000
Profit for the year		**4,624,657**	3,527,940	2,090,187
Other comprehensive income :				
Items that will not be reclassified to profit or loss:				
Deferred tax arising following change in rate:	18d			
- Revaluation of property		**(70,482)**	-	-
- Defined benefit pension plans		**(6,446)**	-	-
Remeasurement of defined benefit pension plan	14	**(198,455)**	(23,742)	366,917
Deferred tax on remeasurement of defined benefit pension plan	18d	**27,784**	1,662	(25,684)
Fair value gains on equity instruments measured at FVTOCI	9	**653**	1,531	404
		(246,946)	(20,549)	341,637
Items that may be reclassified subsequently to profit or loss:				
Debt securities measured at FVTOCI				
Movement in fair value during the year		**1,134,291**	(1,318,535)	(663,969)
Fair value gains reclassified to profit or loss on disposals		**(21,565)**	(34,914)	(588,098)
Credit loss movement relating to debt instruments held at FVTOCI		**134,018**	(33,128)	6,514
		1,246,744	(1,386,577)	(1,245,553)
Total other comprehensive income / (loss)		**999,798**	(1,407,126)	(903,916)
Total comprehensive income for the year		**5,624,455**	2,120,814	1,186,271

The notes on pages 279 to 401 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2023

	Notes	Stated capital MUR' 000	Capital contribution MUR' 000	Retained earnings MUR' 000	Statutory reserve MUR' 000	Fair value reserve MUR' 000	Property Revaluation reserve MUR' 000	Total equity MUR' 000
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 for the year		-	-	2,431,420	-	(1,245,149)		1,186,271
Revaluation surplus realised on depreciation		-	-	47,708	-	-	(47,708)	-
Cash dividend	21	-	-	(400,000)	-	-	-	(400,000)
At 31 December 2021		400,000	11,854,011	6,675,006	400,000	(2,214)	1,255,899	20,582,702
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 loss for the year		-	-	(22,080)	-	(1,385,046)	-	(1,407,126)
Total comprehensive income 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	21	-	-	(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
At 01 January 2023		**400,000**	**13,054,011**	**8,028,574**	**400,000**	**(1,387,260)**	**1,208,191**	**21,703,516**
Profit for the year		**-**	**-**	**4,624,657**	**-**	**-**	**-**	**4,624,657**
Other comprehensive (loss) / income for the year		**-**	**-**	**(177,117)**	**-**	**1,247,397**	**(70,482)**	**999,798**
Total comprehensive income for the year		**-**	**-**	**4,447,540**	**-**	**1,247,397**	**(70,482)**	**5,624,455**
Revaluation surplus realised on depreciation		**-**	**-**	**47,708**	**-**	**-**	**(47,708)**	**-**
Cash dividend	21	**-**	**-**	**(1,600,000)**	**-**	**-**	**-**	**(1,600,000)**
At 31 December 2023		**400,000**	**13,054,011**	**10,923,822**	**400,000**	**(139,863)**	**1,090,001**	**25,727,971**

The notes on pages 279 to 401 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2023

	Notes	31 December 2023	31 December 2022	31 December 2021
		MUR' 000	MUR' 000	MUR' 000
Net cash (used in) / generated from operating activities	33	**(8,876,432)**	(7,675,010)	30,508,554
Investing activities				
Acquisition of property and equipment	10	**(520,157)**	(312,781)	(586,863)
Acquisition of intangible assets	12	**(559,592)**	(144,167)	(88,593)
Proceeds on disposal of property and equipment		**-**	1,454	-
Acquisition of equity investments	9	**-**	-	(2,057)
Net cash used in investing activities		**(1,079,749)**	(455,494)	(677,513)
Financing activities				
Repayment of principal portion of lease liabilities		**(37,435)**	(100,428)	(82,610)
Net change in other borrowed funds		**3,896,192**	(4,517,592)	(5,810,551)
Capital contribution received during the year	20	**-**	1,200,000	-
Dividend paid on ordinary shares	21	**(1,600,000)**	(2,200,000)	(400,000)
Net cash generated from / (used in) financing activities		**2,258,757**	(5,618,020)	(6,293,161)
Net change in cash and cash equivalents		**(7,697,424)**	(13,748,524)	23,537,880
Expected credit loss on cash and cash equivalents		**111**	1,314	(5,793)
Cash and cash equivalents at start of year	5	**26,534,212**	40,281,422	16,749,335
Cash and cash equivalents at end of year	5	**18,836,899**	26,534,212	40,281,422

The notes on pages 279 to 401 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2023

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.

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.

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 2023.

(a) New and revised IFRSs and IFRICs

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

IAS 1 Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies

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

IAS 12 Income Taxes - Amendments regarding deferred tax on leases and decommissioning obligations

IAS 12 Income Taxes - Amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes

(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 classification of debt with covenants (effective 01 January 2024)

IAS 7 Statement of cash flows - Amendments regarding supplier finance arrangements (effective 01 January 2024)

IFRS 7 Financial Instruments Disclosure - Amendments regarding supplier finance arrangements (effective 01 January 2024)

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

IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information (effective 01 January 2024)

IFRS S2 - Climate-related disclosures (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.

3. Summary of 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 and management 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, they 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.

3. Summary of 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 measures 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 relates mainly to transaction and service fees, which are expensed as the services are received.

(iii) Net trading income

Results arising from trading activities include profits 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.

(iv) Gains/losses from financial assets measured at FVTPL

Gains or losses on assets, liabilities and derivatives designated in hedge relationships recognise fair value movements (excluding interest) on both the hedged item and hedging derivative in a fair value hedge relationship and hedge ineffectiveness from fair value hedge relationships.

Gains or losses on other financial assets designated at fair value through profit or loss recognise fair value movements (excluding interest) on those items designated as fair value through profit or loss.

3. Summary of accounting policies (cont'd)

(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;
- 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.

3. Summary of accounting policies (cont'd)

(e). Financial instruments (cont'd)

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 its 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.

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.

3. Summary of accounting policies (cont'd)

(e). Financial instruments (cont'd)

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).

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.

Notes to the Financial Statements

For the year ended 31 December 2023

3. Summary of accounting policies (cont'd)

(e). Financial instruments (cont'd)

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2023

3. Summary of accounting policies (cont'd)

(e). Financial instruments (cont'd)

Impairment of financial assets (cont'd)

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instruments that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instruments (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 37 (b).

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the entity under the contract and the cash flows that the entity expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the entity if the holder of the commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the entity expects to receive from the holder, the debtor or any other party.

More information on measurement of ECLs is provided in Note 37.

Credit impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or past due event;

- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- the disappearance of an active market for a security because of financial difficulties; or

- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Notes to the Financial Statements

For the year ended 31 December 2023

3. Summary of accounting policies (cont'd)

(e). Financial instruments (cont'd)

Credit impaired financial assets (cont'd)

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

The Bank does not have purchased or originated credit impaired financial assets.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see Note 37).

The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

This definition of default is used by the Bank for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding. When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in Note 37. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore credit impaired assets will include defaulted assets, but will also include other non-defaulted asset given the definition of credit impaired is broader than the definition of default.

3. Summary of accounting policies (cont'd)

(e). Financial instruments (cont'd)

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 .

The Bank allocates 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 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.

3. Summary of accounting policies (cont'd)

(e). Financial instruments (cont'd)

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

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. When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms, the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates and maturity. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest rate. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Bank considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the entity considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation. In the case where the financial asset is 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.

3. Summary of accounting policies (cont'd)

(e). Financial instruments (cont'd)

Modification and derecognition of financial assets (cont'd)

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.

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.

3. Summary of accounting policies (cont'd)

(e). Financial instruments (cont'd)

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 statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve; and
- for loan commitments and financial guarantee contracts: as a provision.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either the financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank. Where a financial instrument includes both a drawn and an undrawn component and the entity cannot identify the ECL on the loan commitment component separately from those on the drawn component: the entity presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision. A contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank are or may be obliged to deliver a variable number of their own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank is recognised at the proceeds received, net of direct issue costs. Ordinary shares are classified as equity. Repurchase of the Bank's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Financial liabilities

Financial liabilities include deposits from banks 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.

3. Summary of accounting policies (cont'd)

(e). Financial instruments (cont'd)

Financial liabilities measured at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability.

Derecognition and modification of financial liabilities

The Bank derecognises financial liabilities when and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the entity exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. To determine if the modified terms of a liability are substantially different to the original terms a similar process with modification of financial assets is followed. The modification is assessed at first on a qualitative basis, factors such as a change in currency or the introduction of a non-closely related embedded derivative that significantly modifies the cash flows are regarded as substantially different.

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.

3. Summary of accounting policies (cont'd)

(e). Financial instruments (cont'd)

Hedge accounting (cont'd)

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, which are typically the most significant component of the overall fair value change. The Bank assesses hedge effectiveness by comparing fair value movements of the hedging instruments and the hedged items attributable to changes in these benchmark rates using the hypothetical derivative method as set out above.

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

Hedge ineffectiveness can arise from:

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

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

3. Summary of accounting policies (cont'd)

(e). Financial instruments (cont'd)

Hedge accounting (cont'd)

Micro fair value hedges (cont'd)

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Bank decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Bank discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit or loss.

For fair value hedge relationships where the hedged item is not measured at amortised cost, such as debt instruments at FVTOCI, changes in fair value that were recorded in the statement of profit or loss whilst hedge accounting was in place are amortised in a similar way to amortised cost instruments using the EIR method. However, as these instruments are measured at their fair values in the statement of financial position, the fair value hedge adjustments are transferred from the statement of profit or loss to OCI. There were no such instances in either the current year or in the comparative year.

(f). Repurchase and reverse repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the statement of financial position as investment securities and the counterparty liability is included in other borrowed funds.

Securities purchased under agreements to resell ("reverse repos") are recorded as loans to and placements with banks. The difference between sale and repurchase price is treated as interest and accrued over the life of the repos agreements using the effective interest method.

(g). 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.

(h). 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.

3. Summary of accounting policies (cont'd)

(i). 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 its 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.

(j). 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.

(k). 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.

(l). 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.

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

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.

Significant increase in credit risk

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

- Establishing groups 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.

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.

4. Significant accounting judgements and estimates (cont'd)

Estimates

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.

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.

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.

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 asset is impaired.

4. Significant accounting estimates and judgements (cont'd)

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 differ from their estimates.

Provisions and other contingent liabilities

Provision is recognised in the financial statements when the Bank has 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 2023

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 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Cash in hand	**2,757,115**	1,895,584	1,961,952
Foreign currency notes and coins	**739,819**	627,363	763,171
Unrestricted balances with central bank [1]	**3,172,986**	19,806,824	35,790,264
Loans and placements with banks [2]	**7,800,493**	692,729	-
Balances with banks	**4,371,874**	3,517,211	1,772,848
	18,842,287	26,539,711	40,288,235
Less: allowance for credit losses	**(5,388)**	(5,499)	(6,813)
	18,836,899	26,534,212	40,281,422

[1] Unrestricted balances with central bank represent amounts above the minimum cash reserve requirement.

[2] The balance above relates to loans and placements with banks having an original maturity of up to three months.

Cash and cash equivalents 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 2023	31 December 2022	31 December 2021
	Stage 1	Stage 1	Stage 1
	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January	**5,499**	6,813	1,020
Net remeasurement of loss allowance	**4,929**	5,050	6,390
Assets repaid	**(5,040)**	(6,364)	(597)
ECL allowance as at 31 December	**5,388**	5,499	6,813

6. Loans to and placements with banks

	31 December 2023	31 December 2022	31 December 2021
At amortised cost			
Loans to and placements with banks:	**MUR' 000**	MUR' 000	MUR' 000
- outside Mauritius	**2,871,465**	1,226,864	843,079
	2,871,465	1,226,864	843,079
Less: allowance for credit losses	**(18,400)**	(5,449)	(5,109)
	2,853,065	1,221,415	837,970
Remaining term to maturity			
Up to 3 months	**576,871**	658,677	-
Over 3 months and up to 6 months	**667,405**	219,627	-
Over 6 months and up to 12 months	**1,554,256**	223,536	-
Over 1 year and up to 2 years	**72,933**	-	653,378
Over 2 years and up to 5 years	**-**	125,024	189,701
	2,871,465	1,226,864	843,079

Notes to the Financial Statements

For the year ended 31 December 2023

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 2023			31 December 2022	31 December 2021
	Stage 1	Stage 2	Total	Stage 1	Stage 1
Internal rating grade	MUR'000	MUR'000	MUR'000	MUR' 000	MUR' 000
Performing					
High grade	-	-	-	-	189,701
Standard grade	1,770,997	-	1,770,997	658,677	653,378
Sub-standard grade	1,027,535	72,933	1,100,468	568,187	-
Total	2,798,532	72,933	2,871,465	1,226,864	843,079

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

	31 December 2023			31 December 2022	31 December 2021
	Stage 1	Stage 2	Total	Stage 1	Stage 1
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 01 January	1,226,864	-	1,226,864	843,079	3,150,745
Financial assets originated or purchased	2,798,532	-	2,798,532	443,381	-
Transfer to Stage 2	(125,023)	125,023	-	-	-
Financial assets repaid (excluding write offs)	(1,112,028)	(57,903)	(1,169,931)	(55,181)	(2,371,933)
Foreign exchange adjustments	10,187	5,813	16,000	(4,415)	64,267
Gross carrying amount as at 31 December	2,798,532	72,933	2,871,465	1,226,864	843,079
	Stage 1	Stage 2	Total	Stage 1	Stage 1
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January	5,449	-	5,449	5,109	20,358
Transfer to Stage 2	(1,107)	1,107	-	-	-
Net remeasurement of loss allowance	8,942	8,351	17,293	3,911	-
Assets repaid (excluding write offs)	(4,342)	-	(4,342)	(3,571)	(15,249)
ECL allowance as at 31 December	8,942	9,458	18,400	5,449	5,109

7. Derivative financial instruments

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Assets			
Derivative assets	**297,875**	637,903	579,946
Liabilities			
Derivative liabilities	**415,277**	574,694	565,655

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

	Notional Principal Amount	**Fair Values**	
		Assets	**Liabilities**
31 December 2023	**MUR' 000**	**MUR' 000**	**MUR' 000**
Derivatives held for trading			
Foreign exchange contracts*	**13,691,157**	**34,205**	**(139,002)**
Cross currency swaps	**1,177,600**	**163,040**	**(163,040)**
Other derivative contracts**	**4,778,931**	**84,378**	**(113,235)**
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	**279,741**	**16,252**	**-**
	19,927,429	**297,875**	**(415,277)**
31 December 2022			
Derivatives held for trading			
Foreign exchange contracts*	13,359,465	157,190	(197,523)
Cross currency swaps	2,455,913	269,724	(238,895)
Other derivative contracts**	3,434,114	99,410	(99,410)
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	2,842,932	111,579	(38,866)
	22,092,424	637,903	(574,694)
31 December 2021			
Derivatives held for trading			
Foreign exchange contracts*	10,539,939	52,005	(30,883)
Cross currency swaps	2,917,055	204,110	(208,317)
Other derivative contracts**	2,728,546	199,196	(198,081)
Derivatives used as Micro fair value hedges			
Interest rate swap contracts	4,901,874	124,635	(128,374)
	21,087,414	579,946	(565,655)

* Foreign exchange contracts include forward and spot contracts.

** Other derivative contracts include option contracts (structured deposits) and interest rate swap contracts.

Notes to the Financial Statements

For the year ended 31 December 2023

8. Loans and advances to non-bank customers

	31 December 2023	31 December 2022	31 December 2021
At amortised cost	**MUR' 000**	MUR' 000	MUR' 000
Credit cards	**516,931**	514,736	492,464
Governments	**4,985**	72,232	9,713
Retail customers	**56,330,058**	49,521,102	44,997,820
- Mortgages	**44,107,773**	37,921,052	30,632,959
- Other retail loans	**12,222,285**	11,600,050	14,364,861
Corporate customers	**56,878,090**	57,731,114	49,225,351
Entities outside Mauritius	**5,340,181**	10,706,252	14,644,923
	119,070,245	118,545,436	109,370,271
Less credit loss allowance	**(6,952,335)**	(10,426,469)	(11,454,071)
	112,117,910	108,118,967	97,916,200
(a). Remaining term to maturity			
Up to 3 months	**13,170,491**	12,345,257	9,221,841
Over 3 months and up to 6 months	**5,999,102**	4,134,680	2,638,419
Over 6 months and up to 12 months	**4,119,659**	10,253,390	5,850,802
Over 1 year and up to 2 years	**8,254,405**	5,104,972	4,605,809
Over 2 years and up to 5 years	**15,863,826**	22,430,310	20,948,455
Over 5 years	**71,662,762**	64,276,827	66,104,945
	119,070,245	118,545,436	109,370,271

Out of the MUR 119.1 billion, there is an amount of MUR 308.52 million (2022: MUR 337.92 million and 2021: MUR 4.63 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 2023

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 motor vehicles 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 140.73 million (2022: MUR 91.09 million and 2021: MUR 75.53 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 2023				
Gross investment in finance leases	**576,654**	**1,476,987**	**246,177**	**2,299,818**
Less: Unearned finance income	**(126,855)**	**(216,560)**	**(9,134)**	**(352,549)**
Present value of minimum lease payments	**449,799**	**1,260,427**	**237,043**	**1,947,269**
Credit loss expense				**(101,342)**
Net investment in finance lease				**1,845,927**
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

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.

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 2023:	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	46,981,690	4,100,804	-	51,082,494
Standard grade	28,190,443	3,515,272	-	31,705,715
Sub-standard grade	13,123,505	13,923,913	-	27,047,418
Past due but not impaired	-	2,989,512	-	2,989,512
Non-performing				
Individually impaired	-	-	6,245,106	6,245,106
Total	88,295,638	24,529,501	6,245,106	119,070,245

At 31 December 2022:

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
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	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	40,065,579	949,994	-	41,015,573
Standard grade	24,110,281	7,763,823	-	31,874,104
Sub-standard grade	5,886,503	15,434,466	-	21,320,969
Past due but not impaired	-	4,276,271	-	4,276,271
Non-performing				
Individually impaired	-	-	10,883,354	10,883,354
Total	70,062,363	28,424,554	10,883,354	109,370,271

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 2023:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Gross carrying amount as at 01 January 2023	**46,632,667**	**62,552,414**	**9,360,355**	**118,545,436**
Financial assets originated or purchased	**31,782,868**	**5,675,018**	**-**	**37,457,886**
Assets derecognised or repaid (excluding write offs)	**(14,764,055)**	**(18,295,035)**	**(359,014)**	**(33,418,104)**
Transfers to Stage 1	**28,588,799**	**(28,555,126)**	**(33,673)**	**-**
Transfers to Stage 2	**(4,262,013)**	**4,624,373**	**(362,360)**	**-**
Transfers to Stage 3	**(70,442)**	**(1,711,546)**	**1,781,988**	**-**
Amounts written off	**-**	**-**	**(4,226,382)**	**(4,226,382)**
Foreign exchange adjustments	**387,814**	**239,403**	**84,192**	**711,409**
Gross carrying amount as at 31 December 2023	**88,295,638**	**24,529,501**	**6,245,106**	**119,070,245**

At 31 December 2022:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Gross carrying amount as at 01 January 2022	70,062,363	28,424,554	10,883,354	109,370,271
Financial assets originated or purchased	14,006,323	24,203,453	-	38,209,776
Assets derecognised or repaid (excluding write offs)	(19,033,989)	(7,270,749)	135,548	(26,169,190)
Transfers to Stage 1	1,573,566	(1,536,158)	(37,408)	-
Transfers to Stage 2	(19,748,949)	19,844,171	(95,222)	-
Transfers to Stage 3	(160,479)	(539,191)	699,670	-
Amounts written off	-	-	(2,286,067)	(2,286,067)
Foreign exchange adjustments	(66,168)	(573,666)	60,480	(579,354)
Gross carrying amount as at 31 December 2022	**46,632,667**	**62,552,414**	**9,360,355**	**118,545,436**

Notes to the Financial Statements

For the year ended 31 December 2023

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**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Gross carrying amount as at 01 January 2021	79,391,828	18,749,945	12,333,808	110,475,581
Financial assets originated or purchased	21,564,406	3,281,823	-	24,846,229
Assets derecognised or repaid (excluding write offs)	(20,157,396)	(5,447,842)	(556,311)	(26,161,549)
Transfers to Stage 1	1,660,898	(1,627,719)	(33,179)	-
Transfers to Stage 2	(12,956,515)	13,006,566	(50,051)	-
Transfers to Stage 3	(193,016)	(305,916)	498,932	-
Amounts written off	-	-	(2,396,994)	(2,396,994)
Foreign exchange adjustments	752,158	767,697	1,087,149	2,607,004
Gross carrying amount as at 31 December 2021	**70,062,363**	**28,424,554**	**10,883,354**	**109,370,271**

At 31 December 2023:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
ECL allowance as at 01 January 2023	**212,977**	**2,481,972**	**7,731,520**	**10,426,469**
Allowance on new financial assets	**78,149**	**184,443**	**-**	**262,592**
Assets derecognised or repaid (excluding write offs)	**(25,611)**	**(615,793)**	**(733,573)**	**(1,374,977)**
Transfers to Stage 1	**829,718**	**(829,604)**	**(114)**	**-**
Transfers to Stage 2	**(30,161)**	**41,743**	**(11,582)**	**-**
Transfers to Stage 3	**(764)**	**(66,794)**	**67,558**	**-**
Net remeasurement of loss allowance	**(529,468)**	**(132,083)**	**2,526,184**	**1,864,633**
Amounts written off	**-**	**-**	**(4,226,382)**	**(4,226,382)**
ECL allowance as at 31 December 2023	**534,840**	**1,063,884**	**5,353,611**	**6,952,335**

At 31 December 2022:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**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**

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**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
ECL allowance as at 01 January 2021	711,750	961,423	9,763,881	11,437,054
Allowance on new financial assets	170,173	111,417	-	281,590
Assets derecognised or repaid (excluding write offs)	(429,720)	(318,343)	(492,107)	(1,240,170)
Transfers to Stage 1	173,850	(173,571)	(279)	-
Transfers to Stage 2	(72,455)	75,685	(3,230)	-
Transfers to Stage 3	(8,736)	(13,062)	21,798	-
Net remeasurement of loss allowance	106,321	811,463	2,454,807	3,372,591
Amounts written off	-	-	(2,396,994)	(2,396,994)
ECL allowance as at 31 December 2021	**651,183**	**1,455,012**	**9,347,876**	**11,454,071**

(d). Credit loss allowances on loans and advances by industry sectors

At 31 December 2023:

	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	**3,105,318**	**613,022**	**563,877**	**93,719**	**657,596**
Manufacturing	**3,765,081**	**58,933**	**54,979**	**9,602**	**64,581**
of which EPZ	***1,279,208***	***6,072***	***6,072***	***1,379***	***7,451***
Tourism	**12,426,412**	**32,926**	**11,075**	**396,028**	**407,103**
Transport	**332,367**	**17,693**	**16,455**	**5,526**	**21,981**
Construction	**15,274,247**	**866,315**	**608,782**	**468,287**	**1,077,069**
Financial and business services	**5,461,769**	**358,140**	**351,159**	**25,462**	**376,621**
Traders	**6,257,933**	**954,824**	**912,957**	**31,671**	**944,628**
Personal	**55,054,199**	**1,080,930**	**785,214**	**492,988**	**1,278,202**
Professional	**40,648**	**7,570**	**3,599**	**2,080**	**5,679**
Global Business Licence holders	**3,373,479**	**2,199,401**	**1,998,491**	**2,693**	**2,001,184**
Others	**13,978,792**	**55,352**	**47,023**	**70,668**	**117,691**
	119,070,245	**6,245,106**	**5,353,611**	**1,598,724**	**6,952,335**

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 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
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

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
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

Notes to the Financial Statements

For the year ended 31 December 2023

9. Investment securities

Remaining term to maturity

At 31 December 2023:	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	-	-	-	-	741	2,243,592	1,025,161	-	3,269,494
Treasury bills	20,379	6,646,424	-	303,210	-	-	-	-	6,970,013
Bank of Mauritius bills / bonds	-	-	-	-	168,468	-	-	-	168,468
Other investments:									
Investment in mutual funds	-	-	-	-	-	-	-	951,301	951,301
	20,379	6,646,424	-	303,210	169,209	2,243,592	1,025,161	951,301	11,359,276
(b). Debt securities measured at FVTOCI									
Government bonds	-	1,339,871	-	521,570	3,798,940	5,837,768	4,100,902	-	15,599,051
Treasury bills	1,100,461	-	-	-	-	-	-	-	1,100,461
Bank of Mauritius bills / bonds	112,683	-	-	-	291,698	-	-	-	404,381
Bank bonds	2,632,057	1,870,751	529,605	713,495	4,925,933	6,621,615	-	-	17,293,456
Corporate bonds	270,260	460,913	218,351	1,577,943	1,110,911	4,455,748	834,198	-	8,928,324
	4,115,461	3,671,535	747,956	2,813,008	10,127,482	16,915,131	4,935,100	-	43,325,673
(c). Debt securities measured at amortised cost									
Government bonds and treasury notes	946,483	2,486,759	1,909,279	460,565	8,057,027	16,087,135	24,285,836	-	54,233,084
Treasury bills	1,787	-	-	-	-	-	-	-	1,787
Bank of Mauritius bills / bonds	-	-	991,498	-	5,115,462	-	4,985,927	-	11,092,887
Bank bonds	-	416,279	-	-	45,238	242,269	87,084	-	790,870
Corporate bonds	-	-	472,771	-	-	3,102,739	1,105,349	-	4,680,859
	948,270	2,903,038	3,373,548	460,565	13,217,727	19,432,143	30,464,196	-	70,799,487
(d). Equity securities designated at FVTOCI									
Equity investments	-	-	-	-	-	-	-	9,053	9,053
	-	-	-	-	-	-	-	9,053	9,053
Total investment securities	5,084,110	13,220,997	4,121,504	3,576,783	23,514,418	38,590,866	36,424,457	960,354	125,493,489
Less: allowance for credit losses									(94,861)
									125,398,628

9. Investment securities (cont'd)

Remaining term to maturity (cont'd)

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									
Trading investments:									
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
Other investments:									
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 / bonds	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 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

9. Investment securities (cont'd)

Remaining term to maturity (cont'd)

At 31 December 2021:	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a). Investment securities mandatorily measured at FVTPL									
Trading investments:									
Government bonds and treasury notes	-	-	-	1,869,314	106	821,169	167,962	-	2,858,551
Treasury bills	-	827,391	-	1,706,626	-	-	-	-	2,534,017
Bank of Mauritius bills / bonds	509,376	153,920	-	-	504	-	-	-	663,800
Bank bonds	-	-	-	-	85,250	-	-	-	85,250
Other investments:									
Investment in mutual funds	-	-	-	-	-	-	-	2,046,812	2,046,812
	509,376	981,311	-	3,575,940	85,860	821,169	167,962	2,046,812	8,188,430
(b). Debt securities measured at FVTOCI									
Government bonds	2,764,049	653,527	-	1,927,517	2,936,737	5,642,413	2,183,788	-	16,108,031
Treasury bills	4,355,356	8,271,746	-	3,052,213	-	-	-	-	15,679,315
Bank of Mauritius bills / bonds	999,416	257,162	-	-	-	-	-	-	1,256,578
Bank bonds	1,135,094	157,488	4,116,867	536,971	6,538,129	3,837,908	-	-	16,322,457
Corporate bonds	-	518,753	601,460	43,067	1,738,889	4,394,559	2,898,700	-	10,195,428
	9,253,915	9,858,676	4,718,327	5,559,768	11,213,755	13,874,880	5,082,488	-	59,561,809
(c). 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 / bonds	-	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 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

Investment securities analysed as follows:	**31 December 2023**	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
- Debt securities	**125,389,575**	113,036,146	119,392,466
- Equity securities	**9,053**	8,400	6,869
	125,398,628	113,044,546	119,399,335

Notes to the Financial Statements

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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 2023		
	Stage 1	Stage 2	Total
	MUR'000	MUR'000	MUR'000
High grade	10,692,451	-	10,692,451
Standard grade	59,100,528	-	59,100,528
Sub standard grade	520,588	485,920	1,006,508
Total gross carrying amount	70,313,567	485,920	70,799,487
Credit loss allowance	(50,371)	(44,490)	(94,861)
Carrying amount	70,263,196	441,430	70,704,626

	31 December 2022			31 December 2021
	Stage 1	Stage 2	Total	Stage 1
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
High grade	14,143,607	-	14,143,607	277,860
Standard grade	54,394,187	505,140	54,899,327	50,224,355
Sub standard grade	1,162,200	-	1,162,200	1,167,896
Total gross carrying amount	69,699,994	505,140	70,205,134	51,670,111
Credit loss allowance	(24,208)	(2,213)	(26,421)	(27,884)
Carrying amount	69,675,786	502,927	70,178,713	51,642,227

	31 December 2023		
	Stage 1	Stage 2	Total
	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 01 January	69,699,994	505,140	70,205,134
Transfers to stage 1	204,104	(204,104)	-
Transfers to stage 2	(184,884)	184,884	-
New financial assets acquired	11,438,147	-	11,438,147
Financial assets that have been repaid	(12,669,147)	-	(12,669,147)
Other movements	1,825,353	-	1,825,353
Gross carrying amount as at 31 December	70,313,567	485,920	70,799,487

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For the year ended 31 December 2023

9. Investment securities (cont'd)

Debt investment securities at amortised cost (cont'd)

	31 December 2022			31 December 2021
	Stage 1	Stage 2	Total	Stage 1
	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 01 January	51,670,111	-	51,670,111	33,847,308
Transfers to stage 2	(100,346)	100,346	-	-
New financial assets acquired	31,086,160	404,794	31,490,954	23,268,987
Financial assets that have been repaid	(12,419,024)	-	(12,419,024)	(5,600,989)
Other movements	(536,907)	-	(536,907)	154,805
Gross carrying amount as at 31 December	69,699,994	505,140	70,205,134	51,670,111

Other movements include interest and exchange differences.

	31 December 2023		
	Stage 1	Stage 2	Total
	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January	**24,208**	**2,213**	**26,421**
Transfers to stage 1	**380**	**(380)**	**-**
Transfers to stage 2	**(2,968)**	**2,968**	**-**
Net remeasurement of loss allowance	**37,565**	**39,689**	**77,254**
Assets derecognised or repaid	**(8,814)**	**-**	**(8,814)**
ECL allowance as at 31 December	**50,371**	**44,490**	**94,861**

	31 December 2022			31 December 2021
	Stage 1	Stage 2	Total	Stage 1
	MUR'000	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January	27,884	-	27,884	38,520
Transfers to stage 2	(31)	31	-	-
Net remeasurement of loss allowance	402	2,182	2,584	232
Assets derecognised or repaid	(4,047)	-	(4,047)	(10,868)
ECL allowance as at 31 December	24,208	2,213	26,421	27,884

9. Investment securities (cont'd)

Debt investment securities at FVTOCI

At 31 December 2023:	Stage 1 MUR'000	Stage 2 MUR'000	Total MUR'000
High grade	**27,327,329**	**229,475**	**27,556,804**
Standard grade	**13,409,749**	**460,650**	**13,870,399**
Sub standard grade	**860,818**	**1,037,652**	**1,898,470**
Carrying amount	**41,597,896**	**1,727,777**	**43,325,673**

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

At 31 December 2021:	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

At 31 December 2023:	Stage 1 MUR'000	Stage 2 MUR'000	Total MUR'000
Gross carrying amount as at 01 January	**32,483,916**	**1,693,055**	**34,176,971**
Transfers to stage 1	**1,083,944**	**(1,083,944)**	**-**
Transfers to stage 2	**(184,884)**	**184,884**	**-**
New financial assets acquired	**160,784,429**	**-**	**160,784,429**
Financial assets that have been repaid	**(151,011,185)**	**-**	**(151,011,185)**
Other movements	**(1,558,324)**	**933,782**	**(624,542)**
Gross carrying amount as at 31 December	**41,597,896**	**1,727,777**	**43,325,673**

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9. Investment securities (cont'd)

Debt investment securities at FVTOCI (cont'd)

At 31 December 2022:	**Stage 1**	**Stage 2**	**Total**
	MUR'000	**MUR'000**	**MUR'000**
Gross carrying amount as at 01 January	58,656,608	905,201	59,561,809
Transfers to stage 2	(821,182)	821,182	-
New financial assets acquired	24,403,063	-	24,403,063
Financial assets that have been repaid	(49,279,828)	-	(49,279,828)
Other movements	(474,745)	(33,328)	(508,073)
Gross carrying amount as at 31 December	32,483,916	1,693,055	34,176,971

At 31 December 2021:	**Stage 1**	**Stage 2**	**Total**
	MUR'000	**MUR'000**	**MUR'000**
Gross carrying amount as at 01 January	49,760,843	414,403	50,175,246
Transfers to stage 2	(553,382)	553,382	-
New financial assets acquired	78,381,202	-	78,381,202
Financial assets that have been repaid	(70,951,941)	-	(70,951,941)
Other movements	2,019,886	(62,584)	1,957,302
Gross carrying amount as at 31 December	58,656,608	905,201	59,561,809

Other movements include interest, exchange differences and fair value adjustments.

At 31 December 2023:	**Stage 1**	**Stage 2**	**Total**
	MUR'000	**MUR'000**	**MUR'000**
ECL allowance as at 01 January 2023	**4,689**	**22,480**	**27,169**
Transfers to stage 1	**9,176**	**(9,176)**	**-**
Net remeasurement of loss allowance	**46,022**	**90,130**	**136,152**
Assets derecognised or repaid	**(2,134)**	**-**	**(2,134)**
ECL allowance as at 31 December 2023	**57,753**	**103,434**	**161,187**

9. Investment securities (cont'd)

Debt investment securities at FVTOCI (cont'd)

At 31 December 2022:	**Stage 1**	**Stage 2**	**Total**
	MUR'000	**MUR'000**	**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	(3,968)	(47,531)	(51,499)
ECL allowance as at 31 December 2022	4,689	22,480	27,169

At 31 December 2021:	**Stage 1**	**Stage 2**	**Total**
	MUR'000	**MUR'000**	**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	(27,552)	(1,198)	(28,750)
ECL allowance as at 31 December 2021	12,080	48,217	60,297

No loss allowance is recognised in the statement of financial position for debt instruments measured at FVTOCI as the carrying amount is at fair value.

Equity instruments designated at FVTOCI	**31 December 2023**	**31 December 2022**	**31 December 2021**
	MUR'000	**MUR'000**	**MUR'000**
Carrying amount as at 01 January	**8,400**	6,869	4,408
Additions	**-**	-	2,057
Fair value movement	**653**	1,531	404
Carrying amount as at 31 December	**9,053**	8,400	6,869

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
Cost or Valuation	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
At 01 January 2021	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**
Transfer	**-**	**(6,629)**	**6,629**	**-**	**-**
Additions	**-**	**-**	**127,711**	**-**	**127,711**
Disposals	**-**	**-**	**(18,761)**	**-**	**(18,761)**
At 31 December 2023	**862,195**	**1,512,909**	**2,313,168**	**4,123**	**4,692,395**

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10. Property and equipment (cont'd)

	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total property and equipment
Accumulated Depreciation	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
At 01 January 2021	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	-	-	(127,305)	-	(127,305)
Charge for the year	13,972	60,452	120,358	750	195,532
At 31 December 2022	**38,378**	**179,992**	**1,406,422**	**2,942**	**1,627,734**
Transfer	**-**	**(424)**	**424**	**-**	**-**
Disposal	**-**	**-**	**(18,408)**	**-**	**(18,408)**
Charge for the year	**14,334**	**60,842**	**138,794**	**644**	**214,614**
At 31 December 2023	**52,712**	**240,410**	**1,527,232**	**3,586**	**1,823,940**
Net book value					
At 31 December 2023	**809,483**	**1,272,499**	**785,936**	**537**	**2,868,455**
Progress payments on tangible fixed assets					**571,448**
					3,439,903
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

Other tangible fixed assets (included within Property and equipment) consist of equipment, furniture, fittings and computer equipment.

10. Property and equipment (cont'd)

Details of the Bank's land and buildings and information about the fair value hierarchy are as follows:

	Fair value level	31 December 2023	31 December 2022	31 December 2021
		MUR' 000	MUR' 000	MUR' 000
Freehold land	Level 2	**485,001**	485,001	485,001
Freehold buildings	Level 3	**324,482**	338,816	294,545
Buildings on leasehold land	Level 3	**1,272,499**	1,339,546	1,318,336
		2,081,982	2,163,363	2,097,882

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 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	**477,402**	483,978	431,948
Buildings on leasehold land	**361,759**	378,366	316,700
	839,161	862,344	748,648

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 has assessed the fair value of the properties at 31 December 2023, 2022 and 2021 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.

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.

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.

Notes to the Financial Statements

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11. Right-of-use assets and lease liability (cont'd)

Right-of-use assets	**Land and buildings**	**Other tangible fixed assets**	**Total**
Cost	**MUR' 000**	**MUR' 000**	**MUR' 000**
At 01 January 2021	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**
Additions	**41,210**	**-**	**41,210**
Termination/Expiry	**(32,045)**	**(117,135)**	**(149,180)**
At 31 December 2023	**301,180**	**17,686**	**318,866**
Accumulated Depreciation			
At 01 January 2021	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**
Termination/Expiry	**(22,037)**	**(98,783)**	**(120,820)**
Charge for the year	**55,904**	**16,748**	**72,652**
At 31 December 2023	**132,874**	**11,644**	**144,518**
Net book value			
At 31 December 2023	**168,306**	**6,042**	**174,348**
At 31 December 2022	193,008	41,142	234,150
At 31 December 2021	139,370	72,667	212,037

The following are the amounts recognised in profit or loss:	**31 December 2023**	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Gain on termination	**5,306**	-	-
Depreciation expense on right-of-use assets	**72,652**	71,319	64,107
Interest expense on lease liability (Note 25)	**12,572**	12,087	13,144
Total amount recognised in profit or loss	**90,530**	83,406	77,251

11. Right-of-use assets and lease liability (cont'd)

Lease liability	**31 December 2023**	31 December 2022	31 December 2021
	MUR' 000	**MUR' 000**	**MUR' 000**
At 01 January	**189,756**	184,665	233,590
Additions	**41,210**	94,794	22,930
Interest expense	**12,572**	12,087	13,144
Termination	**(23,054)**	(1,362)	(2,389)
Payments	**(37,435)**	(100,428)	(82,610)
At 31 December	**183,049**	189,756	184,665

For short term leases (leases with a lease term of 12 months or less) and leases of low value assets (printers and computers), the Bank recognises the lease payments as an operating expense on a straight line basis over the term of the lease. Lease payments for short term lease amounted to MUR 2.51 million and MUR 31.98 million for low value assets for the year ended 31 December 2023.

At 31 December 2023, the Bank does not have any commitment for short-term leases. There are no variable lease payment in the lease contracts of the Bank.

Maturity analysis of lease liability are as follows:	**31 December 2023**	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Up to 1 year	**9,074**	37,629	30,891
1 to 5 years	**153,664**	141,638	129,677
5 to 25 years	**20,311**	10,489	24,097
	183,049	189,756	184,665
Further analysed into:			
Current	**9,074**	85,223	78,668
Non current	**173,975**	104,533	105,997
	183,049	189,756	184,665

The Bank does not face significant liquidity risk with regards to its lease liabilities. All the lease obligations are denominated in Mauritian Rupees.

12. Intangible assets

Accounting policy

Intangible assets with finite useful lives, that are acquired separately, are carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised on a straight line basis over their estimated useful lives of 3 to 10 years. Costs directly associated with the production of identifiable and software products controlled, that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

(a). WIP Software

The Bank is developing few softwares. These costs will be transferred under "Software" as soon as they will be in use at the Bank.

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For the year ended 31 December 2023

12. Intangible assets (cont'd)

(b). Intellectual property rights

The Bank entered into an agreement in respect of Business Process Engineering and Business Transformation Initiatives to align both its strategies and processes with the Technology Transformation Initiative namely Flamingo Project and also high performance banks. The costs incurred in respect of these initiatives were capitalised as intellectual property rights and are being amortised following the project going live in September 2016.

	Software	WIP Software (Note a)	Intellectual Property (Note b)	Total
Cost	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
At 01 January 2021	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**
Additions	**-**	**559,592**	**-**	**559,592**
Transfers	**353,233**	**(353,233)**	**-**	**-**
Transfer to expenses	**-**	**(29,262)**	**-**	**(29,262)**
At 31 December 2023	**4,453,928**	**328,584**	**284,917**	**5,067,429**
Accumulated amortisation				
At 01 January 2021	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**
Charge for the year	**425,194**	**-**	**-**	**425,194**
At 31 December 2023	**3,158,866**	**-**	**284,917**	**3,443,783**
Net book value				
At 31 December 2023	**1,295,062**	**328,584**	**-**	**1,623,646**
At 31 December 2022	1,367,023	151,487	-	1,518,510
At 31 December 2021	1,739,997	76,512	-	1,816,509

All intangibles are tested for impairment on an annual basis and the intangible assets have not been impaired during the years under review.

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13. Other assets

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Accounts receivable[1]	**314,178**	487,393	530,884
Balances due in clearing	**1,963**	4,833	3,033
Prepayments	**235,344**	175,390	156,694
Refund for income tax	**20,430**	20,430	-
Other receivables[2]	**171,085**	113,305	97,336
	743,000	801,351	787,947

[1]The accounts receivable are mainly transition accounts that will be cleared the following day and the impairment loss thereon is insignificant.

[2] Repossessed assets amounting to MUR 6.86 million have been included under 'Others'. The Bank's policy is to dispose of such assets as soon as the market permits.

14. Pension liabilities

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.

14. Pension liabilities

Accounting policy (cont'd)

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 liabilities	**31 December 2023**	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Defined benefit pension plan (Note 14 (a))	**242,288**	356,412	303,844
Residual retirement gratuities (Note 14 (b))	**183,132**	192,695	92,084
	425,420	549,107	395,928

(a). Defined benefit pension plan

The Bank provides final salary defined benefit (DB) plan to some of its employees ("eligible employees") and the plan operates 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.

14. Pension liabilities (cont'd)

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Present value of funded defined benefit obligation	**2,077,037**	1,776,681	1,881,806
Fair value of planned assets	**(1,834,749)**	(1,420,269)	(1,577,962)
Net liability arising from defined benefit obligation	**242,288**	356,412	303,844
Reconciliation of net defined benefit liability			
Balance at start of the year	**356,412**	303,844	577,568
Amount recognised in statement of profit or loss	**73,305**	55,787	60,416
Amount recognised in other comprehensive income	**175,867**	48,882	(288,714)
Less employer contributions	**(363,296)**	(52,101)	(45,426)
Balance at end of the year	**242,288**	356,412	303,844
Components of amount recognised in statement of profit or loss			
Current service cost	**40,187**	42,717	44,320
Net interest on net defined benefit liability	**33,118**	13,070	16,096
Total expense as above	**73,305**	55,787	60,416
Components of amount recognised in other comprehensive income			
Return on plan assets (excluding amount included in net interest expense)	**(83,990)**	195,577	(201,702)
Liability experience loss	**-**	131,943	-
Liability gain due to change in demographic assumptions	**(5,452)**	(1,198)	(7,141)
Liability loss/(gain) due to change in financial assumptions	**265,309**	(277,440)	(79,871)
Total	**175,867**	48,882	(288,714)
Reconciliation of fair value of plan assets			
Balance at start of the year	**1,420,269**	1,577,962	1,354,679
Interest income	**82,132**	73,341	39,034
Employer contributions	**363,296**	52,101	45,426
Benefits paid	**(114,938)**	(87,558)	(62,879)
Return on plan assets excluding interest income	**83,990**	(195,577)	201,702
Balance at end of the year	**1,834,749**	1,420,269	1,577,962

Notes to the Financial Statements

For the year ended 31 December 2023

14. Pension liabilities (cont'd)

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Reconciliation of present value of defined benefit obligation			
Balance at start of the year	**1,776,681**	1,881,806	1,932,247
Current service cost	**40,187**	42,717	44,320
Interest expense	**115,250**	86,411	55,130
Benefits paid	**(114,938)**	(87,558)	(62,879)
Liability experience loss	**-**	131,943	-
Liability gain due to change in demographic assumptions	**(5,452)**	(1,198)	(7,141)
Liability loss/(gain) due to change in financial assumptions	**265,309**	(277,440)	(79,871)
Balance at end of the year	**2,077,037**	1,776,681	1,881,806

	31 December 2023	31 December 2022	31 December 2021
Allocation of plan assets at end of year	**%**	%	%
Equity - Overseas quoted	**42**	35	36
Equity - Overseas unquoted	**-**	4	3
Equity - Local quoted	**19**	18	18
Equity - Local unquoted	**-**	8	4
Debt - Local quoted	**8**	10	10
Debt - Local unquoted	**17**	23	15
Investment funds	**14**	-	-
Cash and other	**-**	2	14
Total	**100**	100	100
Reporting entity's own transferable financial instruments	**2.0%**	2.0%	3.0%

14. Pension liabilities (cont'd)

Principal assumptions used at end of year	31 December 2023	31 December 2022	31 December 2021
	%	%	%
Discount rate	**5.5%**	6.7%	4.7%
Rate of salary increases	**6.2%**	6.9%	5.2%
Rate of pension increases	**2.0%**	2.0%	1.5%
Average retirement age (ARA)			
Average life expectancy for:	**65**	65	65
- Male at ARA	**15.9 years**	15.9 years	15.9 years
- Female at ARA	**20 years**	20 years	20 years

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 2023.

Sensitivity analysis on defined benefit pension plan at end of year

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Increase due to 1% decrease in discount rate	**311,555**	256,337	301,089
Decrease due to 1% increase in discount rate	**249,244**	205,320	244,635

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 51.8 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 14 years.

Notes to the Financial Statements

For the year ended 31 December 2023

14. Pension liabilities (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 2023	31 December 2022	31 December 2021
Reconciliation of net defined benefit liability	**MUR' 000**	MUR' 000	MUR' 000
Balance at start of the year	**192,695**	92,084	146,514
Amount recognised in statement of profit or loss	**(25,508)**	126,631	24,530
Amount recognised in other comprehensive income	**22,588**	(25,140)	(78,203)
Less benefits paid	**(6,643)**	(880)	(757)
Balance at end of the year	**183,132**	192,695	92,084
Components of amount recognised in statement of profit or loss			
Current service cost	**19,309**	21,376	21,623
Past service cost	**(57,509)**	97,225	(1,312)
Net interest on net defined benefit liability	**12,692**	8,030	4,219
Total expense as above	**(25,508)**	126,631	24,530
Components of amount recognised in other comprehensive income			
Liability experience loss	**252**	6,618	(20,972)
Liability gain due to change in demographic assumptions	**(13,251)**	(2,330)	(26,567)
Liability loss/(gain) due to change in financial assumptions	**35,587**	(29,428)	(30,664)
Total	**22,588**	(25,140)	(78,203)

Notes to the Financial Statements

For the year ended 31 December 2023

14. Pension liabilities (cont'd)

(b). Residual retirement gratuities (cont'd)

	31 December 2023	31 December 2022	31 December 2021
Reconciliation of present value of defined benefit obligation	**MUR' 000**	MUR' 000	MUR' 000
Balance at start of the year	**192,695**	92,084	146,514
Current service cost	**19,309**	21,376	21,623
Interest expense	**12,692**	8,030	4,219
Past service cost	**(57,509)**	97,225	(1,312)
Other benefits paid	**(6,643)**	(880)	(757)
Liability experience loss	**252**	6,618	(20,972)
Liability gain due to change in demographic assumptions	**(13,251)**	(2,330)	(26,567)
Liability loss / (gain) due to change in financial assumptions	**35,587**	(29,428)	(30,664)
Balance at end of the year	**183,132**	192,695	92,084

	31 December 2023	31 December 2022	31 December 2021
Principal assumptions used at end of year	**%**	%	%
Discount rate	**5.5%**	6.7%	4.7%
Rate of salary increases	**6.2%/7.0%**	6.9%/7.0%	5.2%/6.0%
Rate of pension increases	**2.0%**	2.0%	1.5%
Average retirement age (ARA)	**60/65**	60/65	60/65
Sensitivity Analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	**50,727**	40,482	33,080
Decrease due to 1% increase in discount rate	**42,800**	34,521	27,168

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 36.1 million for the next financial year and the weighted average duration of the defined benefit obligation is 14 years.

The most recent actuarial valuation exercise was carried out at 31 December 2023 by AON Hewitt Ltd, actuaries and consultants.

14. Pension liabilities (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 124.10 million to SBM Group DC fund for employees under the defined contribution pension plan (2022: MUR 115.37 million and 2021: MUR 100.94 million).

15. Deposits from banks

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Demand deposits	**1,716,593**	1,757,243	1,481,854

16. Deposits from non-bank customers

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
(i) Retail customers			
Current accounts	**27,126,029**	27,955,352	26,005,661
Savings accounts	**75,982,793**	70,710,281	67,926,002
Time deposits with remaining term to maturity:			
Up to 3 months	**3,448,559**	2,219,532	1,826,819
Over 3 months and up to 6 months	**1,091,485**	1,060,322	1,278,193
Over 6 months and up to 12 months	**2,299,009**	1,950,941	1,465,255
Over 1 year and up to 5 years	**3,345,624**	2,585,987	2,500,142
Over 5 years	**8,102**	9,240	10,178
Total time deposits	**10,192,779**	7,826,022	7,080,587
Total deposits from retail customers	**113,301,601**	106,491,655	101,012,250
(ii) Corporate customers			
Current accounts	**64,616,760**	74,488,085	104,793,111
Savings accounts	**4,080,451**	4,475,182	3,463,515
Time deposits with remaining term to maturity:			
Up to 3 months	**27,551,175**	18,312,617	8,902,072
Over 3 months and up to 6 months	**6,059,843**	11,567,009	2,394,308
Over 6 months and up to 12 months	**3,645,977**	2,442,734	1,221,083
Over 1 year and up to 5 years	**1,069,746**	2,773,652	1,481,318
Over 5 years	**170**	170	-
Total time deposits	**38,326,911**	35,096,182	13,998,781
Total deposits from corporate customers	**107,024,122**	114,059,449	122,255,407

Notes to the Financial Statements

For the year ended 31 December 2023

16. Deposits from non-bank customers (cont'd)

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
(iii) Government			
Current accounts	**6,659,776**	6,592,814	10,252,546
Savings accounts	**3,438,240**	3,243,286	4,299,087
Time deposits with remaining term to maturity:			
Up to 3 months	**5,996,122**	65,703	126,022
Over 3 months and up to 6 months	**1,930,294**	1,607,635	1,600
Over 6 months and up to 12 months	**305,760**	4,014,432	3,304,794
Over 1 year and up to 5 years	**551,965**	810,353	277,000
Over 5 years	**-**	-	122
Total time deposits	**8,784,141**	6,498,123	3,709,538
Total deposits from government	**18,882,157**	16,334,223	18,261,171
Total deposits from non-bank customers	**239,207,880**	236,885,327	241,528,828

17. Other borrowed funds

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Borrowings from other financial institutions	**652,356**	757,808	916,692
Borrowings from banks - In Mauritius	**4,001,644**	-	4,358,708
	4,654,000	757,808	5,275,400
Remaining term to maturity			
Up to 3 months	**4,001,644**	-	4,358,708
Over 6 months and up to 12 months	**-**	-	58,427
Over 1 year and up to 5 years	**181,257**	259,724	364,644
Over 5 years	**471,099**	498,084	493,621
	4,654,000	757,808	5,275,400

Borrowings from banks are short term interbank borrowings from local banks at 31 December 2023 with an interest rate ranging from 3% to 4.5% per annum with a tenor of less than 3 months. 50% of the local borrowings were fully collateralised in the form of marketable government securities.

Borrowings from other financial institutions are long term borrowings taken for refinancing purposes with an interest rate ranging from 0.4% to 4.2% and have maturity date up to 2032.

Notes to the Financial Statements

For the year ended 31 December 2023

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

The Bank is liable to pay the taxation authorities a special levy calculated at 5.5% of its leviable income for the year ended 31 December 2023. For the years 2021 and 2020 special levy was calculated at 5.5% of the leviable income which 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.

Prior to the enactment of the Finance Act 2023, the tax regime applicable to banks for financial years ended 31 December 2020 to 31 December 2022 was as follows, subject to Banks satisfying some prescribed conditions:
- Chargeable income of up to MUR 1.5 billion - 5%
- Chargeable income above MUR 1.5 billion up to the amount equivalent to the chargeable income of the base year (FY 31 December 2017) - 15%
- Remainder chargeable income - 5%

Following enactment of the Finance Act 2023 in July 2023, the reduced incentive rate of 5% applicable to banks on chargeable income exceeding MUR 1.5 billion has been abolished. Banks are now taxed at 5% on a chargeable income of less than MUR 1.5 billion and at 15% on a chargeable income exceeding MUR 1.5 billion. The revised tax rate is also applicable for financial year ended 31 December 2022 and the resulting additional tax provision amounted to MUR 193.58 million which were recognised in FY 2023 as the change in rate is a prospective adjustment.

18 (a). Current tax liabilities

Current tax liabilities can be analysed as follows:	**31 December 2023**	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
At 01 January	**411,835**	307,887	246,775
Income tax provision	**279,220**	163,744	205,954
Corporate Social Responsibility	**101,207**	77,566	72,749
Bank levy payable	**186,416**	186,416	186,416
Additional tax	**230,000**	-	-
Underprovision in prior years	**71,214**	62,171	30,096
Paid during the year	**(744,273)**	(385,949)	(434,103)
At 31 December	**535,619**	411,835	307,887

18. Taxation (cont'd)

18 (b). Tax expense

The total tax expense can also be analysed as follows:	**31 December 2023**	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Income tax provision	**279,220**	163,744	205,954
Additional tax	**230,000**	-	-
Underprovision in prior years	**71,214**	62,171	30,096
Corporate Social Responsibility	**101,207**	77,566	72,749
Bank levy	**186,416**	186,416	186,416
Deferred tax (credit) / charge (*Note 18d*)	**(254,746)**	9,104	(47,004)
Total tax expense	**613,311**	499,001	448,211

18 (c). Tax reconciliation

Profit before tax from continuing operations	**5,237,968**	4,026,941	2,538,398
Tax on accounting profit at 14% (2022 and 2021:7%)	**733,315**	281,886	177,688
Underprovision in prior years	**71,214**	62,171	30,096
Additional tax	**230,000**	-	-
Non allowable expenses	**139,595**	1,698	144,995
Exempt income	**(52,131)**	(21,098)	(73,879)
Corporate Social Responsibility adjustment	**4,264**	(19,468)	(4,495)
Special levy on banks	**186,416**	186,416	186,416
Tax rate differential	**(699,362)**	7,396	(12,610)
Total tax expense	**613,311**	499,001	448,211

Notes to the Financial Statements

For the year ended 31 December 2023

18. Taxation (cont'd)

18 (d). 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.

Following the change in tax rate for banks, the deferred tax rate applied for segment A and segment B is 14% and 12% respectively (2022 and 2021: 7% and 5%).

Notes to the Financial Statements

For the year ended 31 December 2023

18. Taxation (cont'd)

18 (d). Deferred tax (assets)/liabilities (cont'd)

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
At 01 January	**(511,001)**	(518,443)	(497,123)
(Credit)/charge to profit or loss:			
- Movement for the year (Note 18b)	**(254,746)**	9,104	(47,004)
(Credit)/charge to other comprehensive income:			
- Remeasurement of retirement benefit obligations	**(21,338)**	(1,662)	25,684
- Revaluation of properties	**70,482**	-	-
At 31 December	**(716,603)**	(511,001)	(518,443)

	01 January 2023	**Charge/(credit) to profit or loss**	**Charge/(credit) to OCI**	**31 December 2023**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
Deferred tax assets				
Allowances for credit impairment	**(632,984)**	**(339,417)**	**-**	**(972,401)**
Pension liability	**(37,506)**	**-**	**(21,338)**	**(58,844)**
Other provisions	**(7,188)**	**(8,174)**	**-**	**(15,362)**
	(677,678)	**(347,591)**	**(21,338)**	**(1,046,607)**
Deferred tax liabilities				
Accelerated capital allowances	**89,518**	**92,845**	**-**	**182,363**
Revaluation of property	**77,159**	**-**	**70,482**	**147,641**
Net deferred tax assets	**(511,001)**	**(254,746)**	**49,144**	**(716,603)**

	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)

18. Taxation (cont'd)

18 (d). Deferred tax (assets)/liabilities (cont'd)

	01 January 2021	Charge/(credit) to profit or loss	Charge/(credit) to OCI	31 December 2021
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Deferred tax assets				
Allowances for credit impairment	(667,424)	(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)

19. Other liabilities

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Balance due in clearing	**3,507,044**	2,600,663	3,074,532
Bills payable	**368,042**	385,082	273,795
Accruals for expenses	**1,400,157**	708,843	701,293
Accounts payable	**1,697,329**	1,244,663	856,087
Deferred income	**54,349**	53,500	35,118
Balances in transit	**1,014,839**	997,023	1,012,925
ECL on memorandum items *(Note 22)*	**205,328**	254,686	296,160
	8,247,088	6,244,460	6,249,910

Notes to the Financial Statements

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20. Stated capital

Authorised, issued and paid up share capital	Number' Million	MUR' 000
At 31 December 2023	**40,000**	**400,000**
At 31 December 2022	40,000	400,000
At 31 December 2021	40,000	400,000

Capital Contribution	**31 December 2023**	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
At 01 January	**13,054,011**	11,854,011	11,854,011
Capital contribution received during the year	**-**	1,200,000	-
At 31 December	**13,054,011**	13,054,011	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.

21. Dividend

	31 December 2023	31 December 2022	31 December 2021
Cash dividend:	**MUR' 000**	MUR' 000	MUR' 000
2023: 4 cents per share; 2022: 5.5 cents per share and 2021: 1 cent per share	**1,600,000**	2,200,000	400,000
Less dividend paid: 2023: 4 cents per share; 2022: 5.5 cents per share and 2021: 1 cent per share	**(1,600,000)**	(2,200,000)	(400,000)
Dividend payable	**-**	-	-

The dividends were declared on 27 March 2023 and paid to SBM (Bank) Holdings Ltd on 30 May 2023.

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22. Memorandum items

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
(a). Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers			
Acceptances on account of customers	**160,930**	339,401	291,106
Guarantees on account of customers	**11,954,740**	11,772,546	9,443,377
Letters of credit and other obligations on account of customers	**708,702**	1,380,092	1,144,247
Other contingent items	**1,084,574**	-	-
	13,908,946	13,492,039	10,878,730
(b). Commitments			
Undrawn credit facilities	**18,656,632**	14,945,779	11,474,814
(c). Others			
Inward bills held for collection	**199,289**	261,050	195,273
Outward bills sent for collection	**351,646**	38,999	40,871
	550,935	300,049	236,144
Total	**33,116,513**	28,737,867	22,589,688

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 2023:

	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Internal rating grade				
Performing				
High grade	**12,537,285**	**428,391**	**-**	**12,965,676**
Standard grade	**11,020,862**	**1,368,950**	**-**	**12,389,812**
Sub-standard grade	**5,127,326**	**2,506,235**	**-**	**7,633,561**
Non-performing				
Individually impaired	**-**	**-**	**127,464**	**127,464**
Total	**28,685,473**	**4,303,576**	**127,464**	**33,116,513**

At 31 December 2022:

	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	10,638,198	1,743,379	-	12,381,577
Standard grade	8,435,829	2,736,095	-	11,171,924
Sub-standard grade	2,815,164	2,203,749	-	5,018,913
Non-performing				
Individually impaired	-	-	165,453	165,453
Total	21,889,191	6,683,223	165,453	28,737,867

At 31 December 2021:

	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	MUR'000	MUR'000	MUR'000	MUR'000
Performing				
High grade	8,779,688	-	-	8,779,688
Standard grade	4,992,002	639,980	-	5,631,982
Sub-standard grade	6,594,789	1,422,495	-	8,017,284
Non-performing				
Individually impaired	-	-	160,734	160,734
Total	20,366,479	2,062,475	160,734	22,589,688

Details of the Bank's internal grading system are set out in note 37(b)(i).

22. Memorandum items (cont'd)

An analysis of changes in the gross carrying amount is as follows:

At 31 December 2023:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Gross carrying amount as at 01 January 2023	**21,889,191**	**6,683,223**	**165,453**	**28,737,867**
Financial assets originated	**16,673,048**	**2,122,348**	**2,000**	**18,797,396**
Assets derecognised	**(10,835,788)**	**(3,506,318)**	**(76,644)**	**(14,418,750)**
Transfers to Stage 1	**2,169,985**	**(2,169,985)**	**-**	**-**
Transfers to Stage 2	**(1,210,963)**	**1,210,963**	**-**	**-**
Transfers to Stage 3	**-**	**(36,655)**	**36,655**	**-**
Gross carrying amount as at 31 December 2023	**28,685,473**	**4,303,576**	**127,464**	**33,116,513**

At 31 December 2022:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**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	(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**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Gross carrying amount as at 01 January 2021	18,788,034	1,265,458	189,023	20,242,515
Financial assets originated	11,509,869	836,024	16,127	12,362,020
Assets derecognised	(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

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

At 31 December 2023:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
ECL allowance as at 01 January 2023	**75,026**	**14,207**	**165,453**	**254,686**
Movement for the year	**48,903**	**5,433**	**38,418**	**92,754**
Assets derecognised	**(57,029)**	**(8,439)**	**(76,644)**	**(142,112)**
Transfers to Stage 1	**3,116**	**(3,116)**	**-**	**-**
Transfers to Stage 2	**(381)**	**381**	**-**	**-**
Transfers to Stage 3	**-**	**(237)**	**237**	**-**
At 31 December 2023	**69,635**	**8,229**	**127,464**	**205,328**

22. Memorandum items (cont'd)

An analysis of changes in the corresponding ECL allowances is, as follows: (cont'd)

At 31 December 2022:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**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	(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	-
ECL allowance as at 31 December 2022	75,026	14,207	165,453	254,686

At 31 December 2021:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
ECL allowance as at 01 January 2021	83,910	108,899	145,173	337,982
Movement for the year	57,333	21,759	28,533	107,625
Assets derecognised	(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

Legal Claims

The Bank is subject to various legal claims from former employees and customers with claims totallying MUR 882.40 million (2022: MUR 743.38 million and 2021: MUR 746.91 million). Out of these, the Bank has assessed the claims that are highly probable and has made a provision of MUR 130.89 million as at 31 December 2023, the Bank has not made any provision on the remaining claims (MUR 751.51 million) on the basis that so far there is no indication that the claims would succeed in court.

23. Assets pledged

The aggregate amount of assets that have been pledged to secure the credit facilities of the Bank are as follows:

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Bank of Mauritius Bonds / Government of Mauritius Bonds	**1,200,000**	-	4,076,830
Other investment securities	**1,129,691**	-	-
	2,329,691	-	4,076,830
Analysed as:			
- In Mauritius	**2,329,691**	-	4,076,830

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24. Capital commitments

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Approved and contracted for	**1,216,167**	467,208	253,694
Approved and not contracted for	**766,249**	355,433	219,578

25. Net interest income

	31 December 2023	31 December 2022	31 December 2021
Interest Income using the effective interest method	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	**310,794**	106,674	9,080
Loans to and placements with banks	**111,099**	37,471	43,189
Loans and advances to non-bank customers	**8,515,312**	5,440,071	4,594,240
Investment securities at amortised cost	**2,356,238**	1,678,348	1,072,392
Investment securities at FVTOCI	**1,491,324**	799,698	739,335
	12,784,767	8,062,262	6,458,236
Other interest income			
Investment securities measured at FVTPL	**85,009**	33,277	17,103
Derivatives held for risk management	**129,285**	104,591	185,734
	214,294	137,868	202,837
Total interest income	**12,999,061**	8,200,130	6,661,073
Interest expense using the effective interest method			
Deposits from customers	**(4,200,159)**	(1,060,306)	(446,505)
Other borrowed funds	**(136,086)**	(24,531)	(88,451)
Interest expense on lease liabilities (Note 11)	**(12,572)**	(12,087)	(13,144)
Other	**(5,859)**	(2,898)	(30)
	(4,354,676)	(1,099,822)	(548,130)
Other interest expense			
Derivatives held for risk management	**(152,389)**	(170,299)	(395,716)
	(152,389)	(170,299)	(395,716)
Total interest expense	**(4,507,065)**	(1,270,121)	(943,846)
Net interest income	**8,491,996**	6,930,009	5,717,227

26. Net fee and commission income

	31 December 2023	31 December 2022	31 December 2021
Fee and commission income	**MUR' 000**	MUR' 000	MUR' 000
Retail banking customer fees	**378,465**	349,256	329,138
Corporate banking customer fees	**561,161**	468,233	412,408
Card income	**463,031**	419,694	357,511
Other fees	**102,248**	72,494	52,792
Total fee and commission income	**1,504,905**	1,309,677	1,151,849
Fee and commission expense			
Interbank transaction fees	**(54,795)**	(32,838)	(32,446)
Other fees	**(46,940)**	(32,386)	(21,184)
Total fee and commission expense	**(101,735)**	(65,224)	(53,630)
Net fee and commission income	**1,403,170**	1,244,453	1,098,219

27. Net trading income

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Profit arising on dealings in foreign currencies	**888,021**	1,051,669	842,245
Fair value movements on debt securities held for trading	**603,450**	113,588	80,957
Derivatives	**(24,212)**	16,391	27,548
	1,467,259	1,181,648	950,750

28. Net gains/(losses) from financial assets measured at FVTPL

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Financial assets measured at FVTPL	**30,269**	(34,675)	57,629
Derivatives held for risk management purposes	**(10,488)**	10,341	170,454
	19,781	(24,334)	228,083

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29 (a). Net losses on derecognition of financial assets measured at amortised cost

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Debt securities measured at amortised cost	**(21,394)**	-	-

The Bank disposed some of its investments held at Amortised Cost during the year following credit downgrade of the investment. The nominal value of investment disposed amounts to MUR 265.81 million and realised a loss of MUR 21.39 million for the year ended 31 December 2023.

29 (b). Net gains on derecognition of financial assets measured at FVTOCI

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Debt securities measured at FVTOCI	**21,565**	34,914	588,098

The Bank disposed of these assets due to the risks associated.

30. Personnel expenses

Accounting policy

Short-term employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:
(a) wages, salaries and social security contributions;
(b) paid annual leave and paid sick leave;
(c) bonuses; and
(d) non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees.

When an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.
(b) as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

Refer to note 14 for accounting policy on defined benefit plans.

Notes to the Financial Statements

For the year ended 31 December 2023

30. Personnel expenses (cont'd)

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Salaries	**1,824,737**	1,535,489	1,388,855
Other social security obligations	**82,918**	78,964	64,033
Defined contribution plan	**124,101**	115,375	100,944
Defined benefit plan *(Note 14 (a))*	**73,305**	55,787	60,416
Residual retirement gratuities *(Note 14 (b))*	**(25,508)**	126,631	24,530
Benefits under early retirement scheme	**23,530**	-	-
Staff welfare costs	**126,908**	69,194	50,018
Other benefits	**79,530**	32,510	59,428
	2,309,521	2,013,950	1,748,224

31. Other expenses

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology costs	**754,688**	562,421	461,887
Utilities and telephone charges	**69,533**	51,075	52,390
Professional charges	**244,265**	202,433	187,733
Marketing costs	**155,311**	99,371	44,325
Rent, repairs, maintenance and security charges	**251,197**	199,452	187,428
Licence and other registration fees	**27,611**	29,592	26,233
Postage, courier and stationery costs	**58,972**	53,342	47,974
Insurance costs	**54,639**	56,895	53,371
Other operational and administrative costs	**600,370**	231,964	285,900
	2,216,586	1,486,545	1,347,241

Notes to the Financial Statements

For the year ended 31 December 2023

32. Credit loss movement on financial assets and memorandum items

The table below shows the movement in credit losses recognised in the statement of profit or loss under IFRS 9:

At 31 December 2023:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	321,863	(1,418,088)	1,848,473	752,248
Loans and placements with banks*	3,382	9,458	-	12,840
Debt instruments measured at amortised cost and FVTOCI	79,227	123,231	-	202,458
Loan commitments	(5,541)	-	-	(5,541)
Other off balance sheet items (Guarantees, Letters of credit, Acceptances)	150	(5,978)	(37,989)	(43,817)
Other financial assets	13,035	-	-	13,035
Total credit loss expense	412,116	(1,291,377)	1,810,484	931,223
Write off				111
Bad debts recovered				(12,030)
				919,304

At 31 December 2022:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	(438,206)	1,026,960	669,711	1,258,465
Loans and placements with banks*	(974)	-	-	(974)
Debt instruments measured at amortised cost and FVTOCI	(11,067)	(23,524)	-	(34,591)
Loan commitments	752	-	-	752
Other off balance sheet items (Guarantees, Letters of credit, Acceptances)	(8,198)	(41,918)	7,890	(42,226)
Total credit loss expense	(457,693)	961,518	677,601	1,181,426
Bad debts recovered				(11,078)
				1,170,348

At 31 December 2021:	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	(60,567)	493,589	1,980,989	2,414,011
Loans and placements with banks*	(9,456)	-	-	(9,456)
Debt instruments measured at amortised cost and FVTOCI	(27,674)	23,552	-	(4,122)
Loan commitments	9,580	-	-	9,580
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(11,018)	(52,774)	12,390	(51,402)
Total credit loss expense	(99,135)	464,367	1,993,379	2,358,611
Bad debts recovered				(11,093)
				2,347,518

*ECL movement for cash and cash equivalents is included under loans and placements with banks.

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33. Net cash (used in) / generated from operating activities

	Notes	31 December 2023	31 December 2022	31 December 2021
Operating activities		**MUR' 000**	MUR' 000	MUR' 000
Profit for the year		**4,624,657**	3,527,940	2,090,187
Adjustments to determine net cash flows:				
Depreciation of property and equipment	10	**214,614**	195,532	149,112
Depreciation of right-of-use assets	11	**72,652**	71,319	64,107
Amortisation of intangible assets	12	**425,194**	419,552	411,081
Pension expense		**47,797**	182,418	84,946
Credit loss expense on financial assets	32	**919,304**	1,170,348	2,347,518
Net loss on disposal of property and equipment		**5,659**	268	895
Tax expense	18b	**613,311**	499,001	448,211
Operating profit before working capital changes		**6,923,188**	6,066,378	5,596,057
Change in operating assets and liabilities				
Net change in mandatory balances with central bank		**(1,594,042)**	(2,113,145)	(1,454,449)
Net change in derivative financial assets		**340,028**	(57,957)	194,839
Net change in loans to and placements with banks		**(1,644,601)**	(383,785)	2,307,666
Net change in loans and advances to non-bank customers		**(4,752,307)**	(11,450,154)	(1,280,589)
Net change in investment securities		**(11,309,143)**	5,004,334	(27,300,259)
Net change in other assets		**58,351**	(13,404)	(81,059)
Net change in deposits from banks		**(40,650)**	275,389	362,193
Net change in deposits from non-bank customers		**2,322,553**	(4,643,501)	51,524,558
Net change in derivative financial liabilities		**(159,417)**	9,039	(599,616)
Net change in other liabilities		**1,723,881**	17,745	1,673,316
Income tax paid	18a	**(744,273)**	(385,949)	(434,103)
Net cash (used in) / generated from operating activities		**(8,876,432)**	(7,675,010)	30,508,554

33. Net cash (used in) / generated from operating activities (cont'd)

Reconciliation of liabilities arising from financing activities

	At 01 January	Financing cash flows[i]	New leases	Other changes[ii]	At 31 December
2023	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Lease liabilities	**189,756**	**(37,435)**	**41,210**	**(10,482)**	**183,049**
Other borrowed funds	**757,808**	**3,896,192**	**-**	**-**	**4,654,000**
	947,565	**3,858,757**	**41,210**	**(10,482)**	**4,837,049**
2022					
Lease liabilities	184,665	(100,428)	94,794	10,725	189,756
Other borrowed funds	5,275,400	(4,517,592)	-	-	757,808
	5,460,065	(4,618,020)	94,794	10,725	947,564
2021					
Lease liabilities	233,590	(82,610)	22,930	10,755	184,665
Other borrowed funds	11,085,951	(5,810,551)	-	-	5,275,400
	11,319,541	(5,893,161)	22,930	10,755	5,460,065

(i) The cash flows from other borrowed funds and subordinated debts make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

(ii) Other changes include non-cash transactions such as interests accrued but not yet paid.

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34. 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. Key management personnel relate to directors and senior officers of the Bank.

	Key management personnel			Immediate holding company and fellow subsidiaries			Ultimate holding company		
	31 Dec 2023	31 Dec 2022	31 Dec 2021	**31 Dec 2023**	31 Dec 2022	31 Dec 2021	**31 Dec 2023**	31 Dec 2022	31 Dec 2021
Balances:	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
(a) Credit facilities									
(i) Loans									
Balance at beginning of year	**311,346**	396,441	249,021	**1,410,956**	1,445,403	1,563,907	**1,600**	1,600	1,600
Loans of directors / entities who ceased to be related parties during the year	**(31,548)**	(11,113)	(916)	**-**	-	-	**-**	-	-
Existing loans of new related parties	**78,132**	73,346	30,458	**-**	-	-	**-**	-	-
Other net movements	**66,530**	(147,328)	117,878	**(435,506)**	(34,447)	(118,504)	**-**	-	-
Balance at end of year	**424,460**	311,346	396,441	**975,450**	1,410,956	1,445,403	**1,600**	1,600	1,600
(ii) Off-balance sheet obligations									
Balance at end of year	**323**	-	-	**22,984**	127,288	99,416	**-**	-	-
(b) Placements	**-**	-	-	**146,779**	548,037	50,616	**-**	-	-
(c) Derivative assets	**-**	-	-	**-**	-	109,214	**-**	-	-
(d) Receivables	**-**	-	-	**54,724**	57,940	46,522	**534**	5,201	92,728
(e) Deposits	**262,520**	243,207	176,476	**882,502**	877,572	491,786	**710,730**	28,213	90,109
(f) Derivative liabilities	**-**	-	-	**30,091**	35,422	-	**-**	-	-
(g) Payables	**-**	-	-	**20,844**	25,025	4,502	**1,297**	6,955	42,655
Transactions:									
(h) Interest income	**13,191**	13,262	7,243	**69,159**	35,164	30,367	**-**	-	479
(i) Interest expense	**5,155**	1,422	552	**74**	108	51	**-**	-	-
(j) Other income	**649**	514	423	**17,357**	17,650	13,939	**4,557**	4,337	12,604
(k) Other expenses	**-**	-	-	**11,928**	23,345	-	**26,704**	12,720	23,011
(l) Emoluments of directors	**31,854**	34,671	24,656	**-**	-	-	**-**	-	-

Short term benefits paid to directors amounted to MUR 31.85 million at the reporting date (2022: MUR 34.67 million and 2021: MUR 24.66 million) and long term benefits was nil at the reporting date (2022 and 2021: nil). Post employment benefits to directors amounted to MUR 1.04 million at the reporting date (2022: MUR 2.16 million and 2021: Nil).

34. Related party disclosures (cont'd)

The Government of Mauritius (GOM), by virtue of board representation, exercise significant influence on SBM Holdings Ltd.

The transactions with GOM and other entities controlled, jointly controlled or significantly influenced by GOM pertain mainly to investments, loans and advances and deposits.

The remaining transactions are individually and collectively not material. None of these transactions are carried out on either non-market terms or outside the normal course of business.

Related party transactions in relation to pension plans are as follows:

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Deposits at end of year	**446,502**	85,166	272,579

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 2023, the Bank has recognised expected credit losses on amounts owed by related parties as per ECL model currently being applied on financial assets. At 31 December 2023, none of the facilities to related parties were non-performing (2022 & 2021: MUR Nil). In addition, for the year ended 31 December 2023 the Bank has not written off any amount owed by related party (2022 & 2021: MUR Nil).

35. Capital management

The Bank manages its capital to ensure that it will be able to continue as a going concern and maximise returns to the shareholder. 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 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Tier 1 capital	**22,136,531**	18,439,397	16,932,308
Tier 2 capital	**1,854,613**	1,886,088	1,769,065
Eligible capital base	**23,991,144**	20,325,485	18,701,373
Risk weighted assets	**123,980,669**	120,360,386	107,928,694
Capital adequacy ratio (%)	**19.35**	16.89	17.33

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 on a gone concern basis includes 45% revaluation reserves on fixed assets and allowances for credit losses (restricted to 1.25% of total credit risk weighted assets).

Notes to the Financial Statements

For the year ended 31 December 2023

36. Events after reporting date

On 26 January 2024, the Board of Directors declared and approved a dividend of MUR 1 billion to our sole shareholder SBM (Bank) Holdings Ltd and payment was effected on 05 March 2024 following approval of the Bank of Mauritius.

Except for the above, the directors are not aware of any material events after the end of the reporting period that would require recognition or disclosure in these financial statements.

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 team 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 2023	31 December 2022	31 December 2021
		MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	Amortised Cost	**18,836,899**	26,534,212	40,281,422
Mandatory balances with central bank	Amortised Cost	**14,911,020**	13,316,978	11,203,833
Loans to and placements with banks	Amortised Cost	**2,853,065**	1,221,415	837,970
Derivative financial instruments	Fair value through P&L	**297,875**	637,903	579,946
Loans and advances to non-bank customers	Amortised cost	**112,117,910**	108,118,967	97,916,200
Investment securities	Amortised cost	**70,704,626**	70,178,713	51,642,227
Investment securities	Fair value through OCI	**43,325,673**	34,176,971	59,561,809
Investment securities	Fair value through P&L	**11,359,276**	8,680,462	8,188,430
Equity investments	Fair value through OCI	**9,053**	8,400	6,869
Other assets	Amortised Cost	**591,976**	546,213	535,827
Total financial assets		**275,007,373**	263,420,234	270,754,533
Financial liabilities				
Deposits from banks	Amortised Cost	**1,716,593**	1,757,243	1,481,854
Deposits from non-bank customers	Amortised Cost	**239,207,880**	236,885,327	241,528,828
Other borrowed funds	Amortised Cost	**4,654,000**	757,808	5,275,400
Derivative financial instruments	Fair value through P&L	**415,277**	574,694	565,655
Other liabilities	Amortised Cost	**7,867,807**	6,373,008	6,396,664
Total financial liabilities		**253,861,557**	246,348,080	255,248,401

An amount of MUR 151 million representing prepayments, accrued income and taxes have been excluded from other assets under the above section. (2022: MUR 255 million & 2021: MUR 252 million)

An amount of MUR 562 million representing advance commission and taxes have been excluded from other liabilities under the above section. (2022: MUR 61 million & 2021: MUR 38 million)

Notes to the Financial Statements

For the year ended 31 December 2023

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 2023		31 December 2022		31 December 2021	
	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	**18,836,899**	**18,836,899**	26,534,212	26,534,212	40,281,422	40,281,422
Mandatory balances with central bank	**14,911,020**	**14,911,020**	13,316,978	13,316,978	11,203,833	11,203,833
Loans to and placements with banks	**2,853,065**	**2,853,065**	1,221,415	1,221,415	837,970	837,970
Derivative financial instruments	**297,875**	**297,875**	637,903	637,903	579,946	579,946
Loans and advances to non-bank customers	**112,117,910**	**111,693,597**	108,118,967	107,642,627	97,916,200	97,731,940
Investment securities	**125,389,575**	**121,699,510**	113,036,146	105,813,383	119,392,466	117,890,045
Equity investments	**9,053**	**9,053**	8,400	8,400	6,869	6,869
Other assets	**591,976**	**591,976**	546,213	546,213	535,827	535,827
	275,007,373	**270,892,995**	263,420,234	255,721,131	270,754,533	269,067,852
Financial liabilities						
Deposits from banks	**1,716,593**	**1,716,593**	1,757,243	1,757,243	1,481,854	1,481,854
Deposits from non-bank customers	**239,207,880**	**239,093,947**	236,885,327	236,747,157	241,528,828	241,544,814
Other borrowed funds	**4,654,000**	**4,654,000**	757,808	757,808	5,275,400	5,275,400
Derivative financial instruments	**415,277**	**415,277**	574,694	574,694	565,655	565,655
Other liabilities	**7,867,807**	**7,867,807**	6,373,008	6,373,008	6,396,664	6,396,664
	253,861,557	**253,747,624**	246,348,080	246,209,910	255,248,401	255,264,387

37. Risk management (cont'd)

(a). (ii). Fair values (cont'd)

Loans and advances to non- bank customers

All the fixed loans and advances maturing after one year have been fair valued based on the current prevailing lending rate.

Investment securities and equity investments

All government bonds and BoM bonds have been fair valued based on the latest weighted yield rate. The equity investment has been fair valued at year end based on the net assets value of the investee. The Bank fair values its investment in mutual funds using net asset values.

Derivative Financial Instruments

Derivative products valued using a valuation methodology with market observable inputs include forward foreign exchange contracts, interest rate swaps and option contracts across several asset classes, including but not limited to foreign currencies, commodities, indices and equities. The most frequently applied valuation techniques include forward pricing and swap models, using discounted cash flow methodology based on market conventions. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves, market volatilities and other feeds from appointed valuation/calculation agents.

Deposits from non-bank customers

For deposits from non-bank customers, all the term deposits maturing after one year have been fair valued based on the current prevailing savings rate.

Except for the levels in which the financial assets and financial liabilities are shown in table 37 (a)(iii), the fair values of the other financial assets and financial liabilities are categorised in level 3.

Notes to the Financial Statements

For the year ended 31 December 2023

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.

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2023				
Derivative financial assets	-	297,875	-	297,875
Investment securities mandatorily measured at FVTPL				
Debt securities	10,961,227	-	398,049	11,359,276
Investments at FVTOCI				
Debt securities	38,222,063	2,804,612	2,298,998	43,325,673
Equity investments	-	-	9,053	9,053
Total assets	49,183,290	3,102,487	2,706,100	54,991,877
Derivative financial liabilities	-	415,277	-	415,277
Total liabilities	-	415,277	-	415,277

37. Risk management (cont'd)

(a). (iii).Fair value measurement hierarchy (cont'd)

	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
31 December 2022	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Derivative financial assets	-	637,903	-	637,903
Investment securities mandatorily measured at FVTPL				
Debt securities	8,175,034	-	505,428	8,680,462
Investments at FVTOCI				
Debt securities	29,377,469	3,376,644	1,422,858	34,176,971
Equity investments	-	-	8,400	8,400
Total assets	37,552,503	4,014,547	1,936,686	43,503,736
Derivative financial liabilities	-	574,694	-	574,694
Total liabilities	-	574,694	-	574,694
31 December 2021				
Derivative financial assets	-	579,946	-	579,946
Investment securities mandatorily measured at FVTPL				
Debt securities	7,622,247	-	566,183	8,188,430
Investments at FVTOCI				
Debt securities	52,648,590	5,449,990	1,463,229	59,561,809
Equity investments	-	-	6,869	6,869
Total assets	60,270,837	6,029,936	2,036,281	68,337,054
Derivative financial liabilities	-	565,655	-	565,655
Total liabilities	-	565,655	-	565,655

37. Risk management (cont'd)

(a). (iii).Fair value measurement hierarchy (cont'd)

Reconciliation of level 3 assets:

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Balance at start of year	1,936,686	2,036,281	1,435,115
Additions	875,969	213,092	1,070,997
Disposals	(105,685)	(254,228)	(532,909)
Fair value movement	(5,734)	(63,629)	(16,653)
Foreign exchange adjustment	4,864	5,170	79,731
Balance at end of year	2,706,100	1,936,686	2,036,281

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 fulfill 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 2023

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 2023	31 December 2022	31 December 2021
Fund-based exposures:	**MUR' 000**	MUR' 000	MUR' 000
Cash and cash equivalents	**15,345,352**	24,016,765	37,563,112
Mandatory balances with central bank	**14,911,020**	13,316,978	11,203,833
Loans to and placements with banks	**2,871,465**	1,226,864	843,079
Derivative financial instruments	**297,875**	637,903	579,946
Loans and advances to non-bank customers	**119,070,245**	118,545,436	109,370,271
Investment securities	**125,484,436**	113,062,567	119,420,350
Other assets	**591,976**	546,213	535,827
	278,572,369	271,352,726	279,516,418
Non-fund based exposures:			
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	**14,459,881**	13,792,088	11,114,874
Credit commitments	**18,656,632**	14,945,779	11,474,814
	33,116,513	28,737,867	22,589,688

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 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Grades:			
1 to 3 - High Grade	**58,529,743**	62,577,303	49,976,367
4 to 6 - Standard	**43,623,505**	39,468,765	37,534,694
7 to 10 (including unrated) - Sub standard	**30,009,826**	34,375,004	30,434,971
	132,163,074	136,421,072	117,946,032

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 2023

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 and ECL of modified financial assets where modification did not result in derecognition. No modification gain/loss were recognised as amounts were not material.

	31 December 2023		31 December 2022		31 December 2021	
	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	**6,707,188**	**171,665**	9,103,310	714,511	14,804,598	703,996

(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 the 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.

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.

37. Risk management (cont'd)

(b). Credit risk (cont'd)

(ii). Credit risk assessment (cont'd)

Internal credit risk ratings (cont'd)

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.

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.

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)

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 downside) to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Loan commitments are assessed along with the category of loan the Bank is committed to provide, i.e. commitments to provide corporate loans are assessed using similar criteria to corporate loans.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

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:

37. Risk management (cont'd)

(b). Credit risk (cont'd)

(ii). Credit risk assessment (cont'd)

2. Incorporation of forward-looking information(cont'd)

- 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 on its retail book to cater for clients where recomputed debt-to-income based on prevailing interest rates, following hike in interest rates, was above norms. The adjustment was based on uncertainty of future interest rates and its impact on the future probability of default of this segment. No overlay was considered for the corporate book given that the Bank have updated financials and status of clients.

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.

37. Risk management (cont'd)

(b). Credit risk (cont'd)

(ii). Credit risk assessment (cont'd)

Significant increase in credit risk (cont'd)

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.

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 the next section.

37. Risk management (cont'd)

(b). Credit risk (cont'd)

(ii). Credit risk assessment (cont'd)

3. Measurement of ECL (cont'd)

(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 below.

(iii) Exposure at default (EAD).

The EAD 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.

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.

37. Risk management (cont'd)

(b). Credit risk (cont'd)

(ii). Credit risk assessment (cont'd)

LGD (cont'd)

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.

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.

37. Risk management (cont'd)

(b). Credit risk (cont'd)

(ii). Credit risk assessment (cont'd)

EAD (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.

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).

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.

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' and Additional Macroprudential Measures For the Banking Sector 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 Guideline on 'Classification, Provisioning and Write offs of credit exposures' revised in December 2023 has been suspended until further notice by the Bank of Mauritius.

37. Risk management (cont'd)

(b). Credit risk (cont'd)

(ii). Credit risk assessment (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 recorded on the statement of financial position.

4. Modified financial asset

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under this policy, renegotiation is performed on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to renegotiation policy. For financial assets modified, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal based on the Bank's previous experience on similar renegotiation.

37. Risk management (cont'd)

(b). Credit risk (cont'd)

(ii). Credit risk assessment (cont'd)

4. Modified financial asset (cont'd)

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 Bank 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 2023

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 2023	31 December 2022	31 December 2021	Principal Type of collateral held
	MUR' 000	MUR' 000	MUR' 000	
Fund-based exposures:				
Cash and cash equivalents	**15,345,352**	24,016,765	37,563,112	*Unsecured*
Mandatory balances with central bank	**14,911,020**	13,316,978	11,203,833	*Unsecured*
Loans to and placements with banks	**2,871,465**	1,226,864	843,079	*Unsecured*
Derivative financial instruments	**297,875**	637,903	579,946	*Unsecured*
Loans and advances to non-bank customers	**119,070,245**	118,545,436	109,370,271	*Residential/ Commercial property/Floating charge on assets*
Investment securities	**125,484,436**	113,062,567	119,420,350	*Unsecured*
Other assets	**591,976**	546,213	535,827	*Unsecured*
Non-fund based exposures:				
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	**14,459,881**	13,792,088	11,114,874	*Fixed/Floating charge on assets*
Credit commitments	**18,656,632**	14,945,779	11,474,814	*Unsecured*

In addition to the collateral included in the table above, the Bank holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

There was no change in the Bank's collateral policy during the year.

37. Risk management (cont'd)

(b). Credit risk (cont'd)

(iv). Ageing of loans and advances to non-bank customers:

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 2023		31 December 2022		31 December 2021	
	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	**109,835,627**	**1,508,097**	105,833,958	2,577,301	94,210,647	1,824,912
31-60 days	**1,639,964**	**49,794**	2,567,102	83,094	3,706,277	255,568
61-89 days	**1,349,548**	**40,833**	784,021	34,554	569,993	25,715
Total	**112,825,139**	**1,598,724**	109,185,081	2,694,949	98,486,917	2,106,195

(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 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Loans and advances (Note 8c)	**6,245,106**	9,360,355	10,883,354
Specific allowance held in respect of impaired advances (Note 8c)	**5,353,611**	7,731,520	9,347,876
Fair value of collaterals of impaired advances	**1,142,327**	1,866,487	1,795,128

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 2023	31 December 2022	31 December 2021
Portfolio	**MUR' 000**	MUR' 000	MUR' 000
Agriculture	**2,755,624**	5,703,996	2,843,509
Building Contractors	**2,091,908**	-	-
Traders	**2,823,048**	7,911,107	9,227,334
Real estate	**8,647,728**	8,984,298	5,921,847
Transport	**3,223,968**	3,220,563	3,705,781
Tourism	**4,066,777**	6,842,347	7,564,459
Financial services	**21,759,129**	23,437,291	23,305,254
	45,368,182	56,099,602	52,568,184

(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.

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 2023	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Financial assets								
Cash and cash equivalents	16,110,142	257,143	156,046	111,525	44,035	2,163,396	(5,388)	18,836,899
Mandatory balances with central bank	1,498,802	1,210,671	607,494	350,367	235,575	11,008,111	-	14,911,020
Loans to and placements with banks	565,953	664,524	27,109	1,553,203	72,235	-	(29,959)	2,853,065
Derivative financial instruments	-	-	-	-	-	-	297,875	297,875
Loans and advances to non-bank customers	6,054,206	8,473,343	5,087,204	5,788,081	22,265,352	61,065,461	3,384,263	112,117,910
Investment securities	15,223,760	2,798,922	12,952,900	6,859,228	36,851,568	50,798,058	(94,861)	125,389,575
Equity investments	-	-	-	-	-	-	9,053	9,053
Other assets	-	-	-	-	-	-	591,976	591,976
	39,452,863	13,404,603	18,830,753	14,662,404	59,468,765	125,035,026	4,152,959	275,007,373
Financial liabilities								
Deposits from banks	1,651,518	65,075	-	-	-	-	-	1,716,593
Deposits from non-bank customers	39,741,650	20,061,133	13,024,883	11,797,502	3,044,607	151,538,105	-	239,207,880
Other borrowed funds	3,012,994	1,023,606	39,678	71,294	194,567	311,861	-	4,654,000
Derivative financial instruments	-	-	-	-	-	-	415,277	415,277
Other liabilities	-	-	-	-	-	-	7,867,807	7,867,807
Total financial liabilities	44,406,162	21,149,814	13,064,561	11,868,796	3,239,174	151,849,966	8,283,084	253,861,557
Liquidity Gap	(4,953,299)	(7,745,211)	5,766,192	2,793,608	56,229,591	(26,814,940)	(4,130,125)	21,145,816

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.

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
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
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
31 December 2021								
Financial assets								
Cash and cash equivalents	40,288,235	-	-	-	-	-	(6,813)	40,281,422
Mandatory balances with central bank	3,004,186	337,730	62,688	304,003	129,102	7,366,124	-	11,203,833
Loans to and placements with banks	-	-	992	-	653,330	188,757	(5,109)	837,970
Derivative financial instruments	-	-	-	-	-	-	579,946	579,946
Loans and advances to non-bank customers	4,526,467	6,227,491	5,882,942	9,491,242	21,231,325	50,496,490	60,243	97,916,200
Investment securities	44,777,989	2,940,780	5,863,347	2,750,969	15,755,604	47,331,661	(27,884)	119,392,466
Equity investments	-	-	-	-	-	-	6,869	6,869
Other assets	-	-	-	-	-	-	535,827	535,827
	92,596,877	9,506,001	11,809,969	12,546,214	37,769,361	105,383,032	1,143,079	270,754,533

37. Risk management (cont'd)

(c). Liquidity risk (cont'd)

31 December 2021 (cont'd)

	Up to 1 month MUR' 000	1-3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-3 years MUR' 000	Over 3 years MUR' 000	Non-Maturity Bucket MUR' 000	Total MUR' 000
Financial liabilities								
Deposits from banks	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	30,882,722	14,705,261	4,178,974	8,568,573	3,783,670	186,166,882	6,962,319	255,248,401
Liquidity Gap	61,714,155	(5,199,260)	7,630,995	3,977,641	33,985,691	(80,783,850)	(5,812,370)	15,506,132

(ii) The table below shows the remaining contractual maturities of financial liabilities:

Financial liabilities	On Demand MUR' 000	1-3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-3 years MUR' 000	Over 3 years MUR' 000	Total MUR' 000
Deposits	**183,542,199**	**37,796,830**	**8,962,139**	**5,949,463**	**3,044,607**	**1,629,235**	**240,924,473**
Other borrowed funds	**-**	**4,036,601**	**39,678**	**71,294**	**194,566**	**311,861**	**4,654,000**
Derivative financial instruments	**415,277**	**-**	**-**	**-**	**-**	**-**	**415,277**
Other liabilities	**7,867,807**	**-**	**-**	**-**	**-**	**-**	**7,867,807**
31 December 2023	**191,825,283**	**41,833,431**	**9,001,817**	**6,020,757**	**3,239,173**	**1,941,096**	**253,861,557**
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	196,152,427	21,298,997	14,152,390	8,208,341	5,052,411	1,483,514	246,348,080
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	225,164,732	16,003,761	3,545,015	5,825,824	3,783,670	925,399	255,248,401

(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 2023

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
31 December 2023	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Assets								
Cash and cash equivalents	7,797,082	-	-	-	-	-	11,039,817	18,836,899
Mandatory balances with central bank	-	-	-	-	-	-	14,911,020	14,911,020
Loans to and placements with banks	2,855,915	-	-	-	-	-	(2,850)	2,853,065
Derivative financial instruments	-	-	-	-	-	-	297,875	297,875
Loans and advances to non-bank customers	113,042,848	3,718,983	320,937	356,784	536,954	785,957	(6,644,553)	112,117,910
Investment securities	10,843,195	13,251,806	7,214,741	23,643,606	35,092,031	35,691,377	(347,181)	125,389,575
Equity investments	-	-	-	-	-	-	9,053	9,053
Other assets	-	-	-	-	-	-	591,976	591,976
Total assets	134,539,040	16,970,789	7,535,678	24,000,390	35,628,985	36,477,334	19,855,157	275,007,373
Liabilities								
Deposits from banks	65,000	-	-	-	-	-	1,651,593	1,716,593
Deposits from non-bank customers	138,648,349	7,485,394	3,754,393	173,220	1,769,999	-	87,376,525	239,207,880
Other borrowed funds	4,649,015	-	-	-	-	-	4,985	4,654,000
Derivative financial instruments	-	-	-	-	-	-	415,277	415,277
Other liabilities	-	-	-	-	-	-	7,867,807	7,867,807
Total liabilities	143,362,364	7,485,394	3,754,393	173,220	1,769,999	-	97,316,187	253,861,557
On balance sheet interest rate sensitivity gap	(8,823,324)	9,485,395	3,781,285	23,827,170	33,858,986	36,477,334	(77,461,030)	21,145,816
Off balance sheet interest rate sensitivity gap	281,273	(1,019,378)	(2,685)	-	1,000,000	(346,173)	-	(86,963)
	(8,542,051)	8,466,017	3,778,600	23,827,170	34,858,986	36,131,161	(77,461,030)	21,058,853

Notes to the Financial Statements

For the year ended 31 December 2023

37. Risk management (cont'd)

(d). Market risk (cont'd)

(i). Interest rate risk (cont'd)

31 December 2022	Up to 3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-2 years MUR' 000	2-5 years MUR' 000	Over 5 years MUR' 000	Non-interest sensitive MUR' 000	Total MUR' 000
Assets								
Cash and cash equivalents	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

37. Risk management (cont'd)

(d). Market risk (cont'd)

(i). Interest rate risk (cont'd)

31 December 2021	Up to 3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-2 years MUR' 000	2-5 years MUR' 000	Over 5 years MUR' 000	Non-interest sensitive MUR' 000	Total MUR' 000
Assets								
Cash and cash equivalents	-	-	-	-	-	-	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

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 2023 MUR' 000	31 December 2022 MUR' 000	31 December 2021 MUR' 000
(Decrease) / increase in profit	**(24,768)**	231,860	519,877

37. Risk management (cont'd)

(d). Market risk (cont'd)

(ii). Fair value hedges

Micro fair value hedges	31 December 2023 Carrying amount of hedged items Assets MUR' 000	Liabilities MUR' 000	31 December 2023 Accumulated amount of fair value adjustments on the hedged items Assets MUR' 000	Liabilities MUR' 000	31 December 2022 Carrying amount of hedged items Assets MUR' 000	Liabilities MUR' 000	31 December 2022 Accumulated amount of fair value adjustments on the hedged items Assets MUR' 000	Liabilities MUR' 000	31 December 2021 Carrying amount of hedged items Assets MUR' 000	Liabilities MUR' 000	31 December 2021 Accumulated amount of fair value adjustments on the hedged items Assets MUR' 000	Liabilities MUR' 000
Fixed rate corporate loans	**308,516**	**-**	**-**	**15,643**	349,608	-	-	11,692	4,629,903	-	81,206	-
Fixed rate debt instrument	**-**	**-**	**-**	**-**	1,111,311	-	-	66,498	1,102,733	-	-	3,761

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:

Micro fair value hedges	31 December 2023 Notional Amount MUR' 000	31 December 2023 Carrying Amount Assets MUR' 000	Liabilities MUR' 000	31 December 2022 Notional Amount MUR' 000	31 December 2022 Carrying Amount Assets MUR' 000	Liabilities MUR' 000	31 December 2021 Notional Amount MUR' 000	31 December 2021 Carrying Amount Assets MUR' 000	Liabilities MUR' 000
Interest rate swaps	**279,741**	**15,977**	**-**	1,377,620	97,148	-	3,106,810	3,761	80,718

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 2023 Gain / (loss) attributable to the hedged risk: Hedged items	Hedging instruments	Hedge ineffectiveness	31 December 2022 Gain / (loss) attributable to the hedged risk: Hedged items	Hedging instruments	Hedge ineffectiveness	31 December 2021 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	**(15,643)**	**15,977**	**334**	(11,692)	12,171	479	81,206	(80,718)	488
Fixed rate debt instrument	Interest rate swaps	**-**	**-**	**-**	(66,498)	84,977	18,479	(3,761)	3,761	-
Total micro fair value hedge relationship		**(15,643)**	**15,977**	**334**	(78,190)	97,148	18,958	77,445	(76,957)	488

Notes to the Financial Statements

For the year ended 31 December 2023

37. Risk management (cont'd)

(d). Market risk (cont'd)

(ii). Fair value hedges (cont'd)

The maturity profile of the hedging instruments used in micro fair value hedge relationships is as follows:

At 31 December 2023:	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**TOTAL**
Fixed rate corporate loans	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Interest rate swap (Notional amount)	**-**	**-**	**-**	**-**	**279,741**	**279,741**
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

(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 the bank are reviewed at least once annually by the Board / Board Risk Management Committee. The Market Risk team 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**
31 December 2023	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Assets								
Cash and cash equivalents	**5,103,630**	**11,883,791**	**504,872**	**552,401**	**145,875**	**746**	**645,584**	**18,836,899**
Mandatory balances with central bank	**12,880,174**	**1,327,729**	**162,981**	**508,671**	**-**	**-**	**31,465**	**14,911,020**
Loans to and placements with banks	**(18,400)**	**2,798,532**	**-**	**72,933**	**-**	**-**	**-**	**2,853,065**
Derivative financial instruments	**173,679**	**120,790**	**2,053**	**-**	**-**	**-**	**1,353**	**297,875**
Loans and advances to non-bank customers	**82,433,478**	**15,506,837**	**662,505**	**13,481,706**	**-**	**-**	**33,384**	**112,117,910**
Investment securities	**79,573,714**	**43,659,185**	**-**	**1,611,976**	**553,753**	**-**	**-**	**125,398,628**
Other assets	**515,382**	**12,875**	**2,750**	**60,296**	**-**	**-**	**673**	**591,976**
Total monetary financial assets	**180,661,657**	**75,309,739**	**1,335,161**	**16,287,983**	**699,628**	**746**	**712,459**	**275,007,373**

Notes to the Financial Statements

For the year ended 31 December 2023

37. Risk management (cont'd)

(d). Market risk (cont'd)

(iii). Currency risk (cont'd)	**MUR**	**USD**	**GBP**	**EURO**	**INR**	**KES**	**OTHER**	**TOTAL**
31 December 2023 (cont'd)	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Liabilities								
Deposits from banks	**563,696**	**1,093,966**	**1,506**	**36,141**	**-**	**-**	**21,284**	**1,716,593**
Deposits from non-bank customers	**146,586,279**	**75,234,986**	**2,767,561**	**13,680,037**	**-**	**112**	**938,905**	**239,207,880**
Other borrowed funds	**4,001,644**	**-**	**-**	**652,356**	**-**	**-**	**-**	**4,654,000**
Derivative financial instruments	**102,511**	**305,097**	**-**	**-**	**2,588**	**-**	**5,081**	**415,277**
Other liabilities	**3,863,708**	**3,368,654**	**54,252**	**523,905**	**(1,701)**	**-**	**58,989**	**7,867,807**
Total monetary financial liabilities	**155,117,838**	**80,002,703**	**2,823,319**	**14,892,439**	**887**	**112**	**1,024,259**	**253,861,557**
On balance sheet position	**25,543,819**	**(4,692,964)**	**(1,488,158)**	**1,395,544**	**698,741**	**634**	**(311,800)**	**21,145,816**
Off balance sheet position	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net currency position	**25,543,819**	**(4,692,964)**	**(1,488,158)**	**1,395,544**	**698,741**	**634**	**(311,800)**	**21,145,816**
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 bank	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
Liabilities								
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

Notes to the Financial Statements

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37. Risk management (cont'd)

(d). Market risk (cont'd)

(iii). Currency risk (cont'd)

31 December 2021	MUR	USD	GBP	EURO	INR	KES	OTHER	TOTAL
Assets	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	2,872,142	36,308,963	394,496	490,374	34,233	14,644	166,570	40,281,422
Mandatory balances with central bank	9,716,310	928,952	142,879	395,785	-	-	19,907	11,203,833
Loans to and placements with banks	(5,109)	653,378	-	189,701	-	-	-	837,970
Derivative financial instruments	319,077	242,109	24	17	7,511	-	11,208	579,946
Loans and advances to non-bank customers	63,657,982	18,483,320	1,220,843	14,487,590	-	-	66,465	97,916,200
Investment securities	67,994,655	49,332,395	-	520,243	1,552,042	-	-	119,399,335
Other assets	513,820	4,966	(334)	17,827	-	-	(452)	535,827
Total monetary financial assets	145,068,877	105,954,083	1,757,908	16,101,537	1,593,786	14,644	263,698	270,754,533
Liabilities								
Deposits from banks	631,468	374,597	3,251	435,949	-	-	36,589	1,481,854
Deposits from non-bank customers	121,652,919	98,262,521	3,526,958	17,002,628	-	11,601	1,072,201	241,528,828
Other borrowed funds	-	4,358,708	-	916,692	-	-	-	5,275,400
Derivative financial instruments	214,408	318,027	24	6,497	23,682	-	3,017	565,655
Other liabilities	2,874,775	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

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 2023						
5%	**(234,648)**	**(74,408)**	**69,777**	**34,937**	**32**	**(15,590)**
-5%	**234,648**	**74,408**	**(69,777)**	**(34,937)**	**(32)**	**15,590**
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

37. Risk management (cont'd)

(d). Market risk (cont'd)

(iii). Currency risk (cont'd)

Value-at-Risk Analysis

The Bank uses Value-at-Risk (VAR) to estimate the potential foreign exchange loss arising from adverse movements in an ordinary market environment. To calculate VAR, the Bank uses the historical method which assumes that historical changes in market values are representative of future changes. The VAR is based on the previous 12 months data. The Bank calculates VAR using 10 days holding period and an expected tail-loss methodology, which approximates a 99% confidence level. This would mean that only once in every 100 trading days, the Bank would expect to incur losses greater than the VAR estimates, or about two to three times a year. The use of 10 days holding period and a one-year historical observation period are in line with the Basel II recommendation.

The Bank's VAR amounted to:

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Minimum for the year	**1,390**	857	393
Maximum for the year	**11,226**	6,773	24,032
Year end	**5,167**	2,489	2,834

(iv). Equity price sentivity analysis

The Bank is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than for trading purposes and the Bank does not actively trade in these investments. Changes in prices / valuation of these investments are reflected in the statement of comprehensive income, except for impairment losses which are reported in the statement of profit or loss. Changes in prices of held-for-trading investments are reflected in the statement of profit or loss.

A 5% increase in the price of equities held at the reporting date would have resulted in an unrealised gain to the statement of comprehensive income or statement of profit or loss as reflected below. A 5% decrease would have resulted in an equivalent loss being booked.

	31 December 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Statement of other comprehensive income	**453**	420	343

(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

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38. Other reserves

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.

Fair value reserve

This reserve comprises fair value movements recognised on equity and debts instruments measured at FVTOCI.

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 2023	31 December 2022	31 December 2021
	MUR' 000	MUR' 000	MUR' 000
Statutory reserve	**400,000**	400,000	400,000
Fair value reserve on financial assets	**(139,863)**	(1,387,260)	(2,214)
Property revaluation reserve	**1,090,001**	1,208,191	1,255,899
	1,350,138	220,931	1,653,685

39. Maturity analysis of assets and liabilities

	31 December 2023		
	Current	Non current	Total
ASSETS	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	18,836,899	-	18,836,899
Mandatory balances with central bank	14,911,020	-	14,911,020
Loans to and placements with banks	2,789,590	63,475	2,853,065
Derivative financial instruments	110,768	187,107	297,875
Loans and advances to non-bank customers	21,462,316	90,655,594	112,117,910
Investment securities	25,990,301	99,408,327	125,398,628
Property and equipment	-	3,439,903	3,439,903
Right-of-use assets	-	174,348	174,348
Intangible assets	-	1,623,646	1,623,646
Deferred tax assets	-	716,603	716,603
Other assets	743,000	-	743,000
Total assets	84,843,894	196,269,003	281,112,897
LIABILITIES			
Deposits from banks	1,716,593	-	1,716,593
Deposits from non-bank customers	234,232,272	4,975,608	239,207,880
Other borrowed funds	4,001,644	652,356	4,654,000
Derivative financial instruments	214,056	201,221	415,277
Lease liability	9,074	173,975	183,049
Current tax liabilities	535,619	-	535,619
Pension liabilities	-	425,420	425,420
Other liabilities	8,226,236	20,852	8,247,088
Total liabilities	248,935,494	6,449,432	255,384,926

39. Maturity analysis of assets and liabilities (cont'd)

	31 December 2022		
	Current	Non current	Total
ASSETS	MUR' 000	MUR' 000	MUR' 000
Cash and cash equivalents	26,534,212	-	26,534,212
Mandatory balances with central bank	13,316,978	-	13,316,978
Loans to and placements with banks	1,097,499	123,916	1,221,415
Derivative financial instruments	265,003	372,900	637,903
Loans and advances to non-bank customers	23,892,819	84,226,148	108,118,967
Investment securities	28,647,902	84,396,644	113,044,546
Property and equipment	-	3,134,713	3,134,713
Right-of-use assets	-	234,150	234,150
Intangible assets	-	1,518,510	1,518,510
Deferred tax assets	-	511,001	511,001
Other assets	801,351	-	801,351
Total assets	94,555,764	174,517,982	269,073,746
LIABILITIES			
Deposits from banks	1,757,243	-	1,757,243
Deposits from non-bank customers	230,705,925	6,179,402	236,885,327
Other borrowed funds	-	757,808	757,808
Derivative financial instruments	273,869	300,825	574,694
Lease liability	85,223	104,533	189,756
Current tax liabilities	411,835	-	411,835
Pension liabilities	-	549,107	549,107
Other liabilities	6,244,460	-	6,244,460
Total liabilities	239,478,555	7,891,675	247,370,230

Notes to the Financial Statements

For the year ended 31 December 2023

39. Maturity analysis of assets and liabilities (cont'd)

	31 December 2021		
	Current	Non current	Total
ASSETS	**MUR' 000**	**MUR' 000**	**MUR' 000**
Cash and cash equivalents	40,281,422	-	40,281,422
Mandatory balances with central bank	11,203,833	-	11,203,833
Loans to and placements with banks	-	837,970	837,970
Derivative financial instruments	75,675	504,271	579,946
Loans and advances to non-bank customers	17,711,062	80,205,138	97,916,200
Investment securities	41,349,967	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 liabilities	-	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 2023

40. Supplementary information as required by Bank of Mauritius

The Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure classified into Segment A and B. Segment B activity is essentially directed to the provision of international financial services that give rise to 'foreign source income'. Segment A activity relates to all banking business other than Segment B activity. Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner. Segmental reporting is based on the internal reports regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess their performance.

(a). Statement of financial position

	Notes	Segment A 31-Dec 2023	Segment B 31-Dec 2023	Bank 31-Dec 2023	Segment A 31-Dec 2022	Segment B 31-Dec 2022	Bank 31-Dec 2022	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS										
Cash and cash equivalents	40k	14,601,453	4,235,446	18,836,899	22,494,134	4,040,078	26,534,212	38,509,049	1,772,373	40,281,422
Mandatory balances with central bank		14,911,020	-	14,911,020	13,316,978	-	13,316,978	11,203,833	-	11,203,833
Loans to and placements with banks	40l	-	2,853,065	2,853,065	-	1,221,415	1,221,415	-	837,970	837,970
Derivative financial instruments	40m	193,026	104,849	297,875	350,396	287,507	637,903	320,197	259,749	579,946
Loans and advances to non-bank customers	40n	105,401,493	6,716,417	112,117,910	97,448,393	10,670,574	108,118,967	82,691,374	15,224,826	97,916,200
Investment securities	40o	81,494,418	43,904,210	125,398,628	73,110,085	39,934,461	113,044,546	68,535,630	50,863,705	119,399,335
Property and equipment	40p	3,150,666	289,237	3,439,903	2,822,920	311,793	3,134,713	2,753,388	265,799	3,019,187
Right-of-use assets	40p	147,057	27,291	174,348	200,522	33,628	234,150	185,258	26,779	212,037
Intangible assets	40q	1,217,104	406,542	1,623,646	1,139,073	379,437	1,518,510	1,358,690	457,819	1,816,509
Deferred tax assets		330,276	386,327	716,603	154,955	356,046	511,001	162,397	356,046	518,443
Other assets	40r	683,960	59,040	743,000	725,810	75,541	801,351	709,164	78,783	787,947
Total assets		222,130,473	58,982,424	281,112,897	211,763,266	57,310,480	269,073,746	206,428,980	70,143,849	276,572,829
LIABILITIES										
Deposits from banks	40s	1,518,372	198,221	1,716,593	1,224,995	532,248	1,757,243	842,042	639,812	1,481,854
Deposits from non-bank customers	40t	165,109,105	74,098,775	239,207,880	153,485,382	83,399,945	236,885,327	143,668,449	97,860,379	241,528,828
Other borrowed funds	40u	4,001,644	652,356	4,654,000	-	757,808	757,808	4,358,708	916,692	5,275,400
Derivative financial instruments	40m	281,922	133,355	415,277	344,118	230,576	574,694	207,232	358,423	565,655
Lease liability		156,915	26,134	183,049	165,327	24,429	189,756	162,534	22,131	184,665
Current tax liabilities		454,164	81,455	535,619	401,737	10,098	411,835	297,788	10,099	307,887
Pension liabilities		389,712	35,708	425,420	518,890	30,217	549,107	354,182	41,746	395,928
Other liabilities	40v	4,331,218	3,915,870	8,247,088	3,201,248	3,043,212	6,244,460	2,855,795	3,394,115	6,249,910
Total liabilities		176,243,052	79,141,874	255,384,926	159,341,697	88,028,533	247,370,230	152,746,730	103,243,397	255,990,127
SHAREHOLDER'S EQUITY										
Stated capital				400,000			400,000			400,000
Capital contribution				13,054,011			13,054,011			11,854,011
Retained earnings				10,923,822			8,028,574			6,675,006
Other reserves				1,350,138			220,931			1,653,685
Total equity				25,727,971			21,703,516			20,582,702
Total liabilities and equity				281,112,897			269,073,746			276,572,829

Notes to the Financial Statements

For the year ended 31 December 2023

40. Supplementary information as required by Bank of Mauritius (cont'd)

(b). Statement of profit or loss

	Notes	Segment A 31-Dec 2023	Segment B 31-Dec 2023	Bank 31-Dec 2023	Segment A 31-Dec 2022	Segment B 31-Dec 2022	Bank 31-Dec 2022	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021
Continuing operations		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		10,482,623	2,302,144	12,784,767	6,904,853	1,157,409	8,062,262	5,481,210	977,026	6,458,236
Other interest and similar income		155,201	59,093	214,294	123,827	14,041	137,868	124,221	78,616	202,837
Interest expense using the effective interest method		(3,350,990)	(1,003,686)	(4,354,676)	(839,785)	(260,037)	(1,099,822)	(411,168)	(136,962)	(548,130)
Other interest and similar expense		(118,327)	(34,062)	(152,389)	(78,789)	(91,510)	(170,299)	(80,055)	(315,661)	(395,716)
Net interest income	40c	7,168,507	1,323,489	8,491,996	6,110,106	819,903	6,930,009	5,114,208	603,019	5,717,227
Fee and commission income		1,234,479	270,426	1,504,905	1,103,237	206,440	1,309,677	938,809	213,040	1,151,849
Fee and commission expense		(5,582)	(96,153)	(101,735)	(5,516)	(59,708)	(65,224)	(14,564)	(39,066)	(53,630)
Net fee and commission income	40d	1,228,897	174,273	1,403,170	1,097,721	146,732	1,244,453	924,245	173,974	1,098,219
Other Income										
Net trading income	40e	863,340	603,919	1,467,259	991,178	190,470	1,181,648	728,333	222,417	950,750
Net gains/(losses) from financial assets at fair value through profit or loss	40f	26	19,755	19,781	-	(24,334)	(24,334)	-	228,083	228,083
Net losses on derecognition of financial assets measured at amortised cost		-	(21,394)	(21,394)	-	-	-	-	-	-
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income		4,421	17,144	21,565	37,849	(2,935)	34,914	556,691	31,407	588,098
Other operating income		9,704	3,758	13,462	14,099	3,398	17,497	20,362	2,942	23,304
		877,491	623,182	1,500,673	1,043,126	166,599	1,209,725	1,305,386	484,849	1,790,235
Non-interest income		2,106,388	797,455	2,903,843	2,140,846	313,332	2,454,178	2,229,631	658,823	2,888,454
Operating income		9,274,895	2,120,944	11,395,839	8,250,952	1,133,235	9,384,187	7,343,839	1,261,842	8,605,681
Personnel expenses	40g	(1,937,112)	(372,409)	(2,309,521)	(1,705,473)	(308,477)	(2,013,950)	(1,467,261)	(280,963)	(1,748,224)
Depreciation of property and equipment		(195,201)	(19,413)	(214,614)	(173,864)	(21,668)	(195,532)	(132,960)	(16,152)	(149,112)
Depreciation of right-of-use assets		(62,280)	(10,372)	(72,652)	(62,137)	(9,182)	(71,319)	(56,424)	(7,683)	(64,107)
Amortisation of intangible assets		(318,730)	(106,464)	(425,194)	(314,715)	(104,837)	(419,552)	(307,476)	(103,605)	(411,081)
Other expenses	40h	(1,847,028)	(369,558)	(2,216,586)	(1,250,833)	(235,712)	(1,486,545)	(1,146,513)	(200,728)	(1,347,241)
Non-interest expense		(4,360,351)	(878,216)	(5,238,567)	(3,507,022)	(679,876)	(4,186,898)	(3,110,634)	(609,131)	(3,719,765)
Profit before net impairment loss		4,914,544	1,242,728	6,157,272	4,743,930	453,359	5,197,289	4,233,205	652,711	4,885,916
Credit loss expense on financial assets and memorandum items	40i	441,735	(1,361,039)	(919,304)	(659,388)	(510,960)	(1,170,348)	(1,073,921)	(1,273,597)	(2,347,518)
Profit before income tax		5,356,279	(118,311)	5,237,968	4,084,542	(57,601)	4,026,941	3,159,284	(620,886)	2,538,398
Tax expense	40j	(682,660)	69,349	(613,311)	(509,396)	10,395	(499,001)	(456,661)	8,450	(448,211)
Profit for the year		4,673,619	(48,962)	4,624,657	3,575,146	(47,206)	3,527,940	2,702,623	(612,436)	2,090,187

Notes to the Financial Statements

For the year ended 31 December 2023

40. Supplementary information as required by Bank of Mauritius (cont'd)

(c). Net interest income	Segment A 31-Dec 2023 MUR' 000	Segment B 31-Dec 2023 MUR' 000	Bank 31-Dec 2023 MUR' 000	Segment A 31-Dec 2022 MUR' 000	Segment B 31-Dec 2022 MUR' 000	Bank 31-Dec 2022 MUR' 000	Segment A 31-Dec 2021 MUR' 000	Segment B 31-Dec 2021 MUR' 000	Bank 31-Dec 2021 MUR' 000
Interest Income using the effective interest method									
Cash and cash equivalents	**73,997**	**236,797**	**310,794**	52,148	54,526	106,674	3,850	5,230	9,080
Loans to and placements with banks	**-**	**111,099**	**111,099**	5,496	31,975	37,471	4,269	38,920	43,189
Loans and advances to non-bank customers	**7,652,862**	**862,450**	**8,515,312**	4,829,983	610,088	5,440,071	3,896,934	697,306	4,594,240
Investment securities at amortised cost	**2,000,197**	**356,041**	**2,356,238**	1,410,815	267,533	1,678,348	995,717	76,675	1,072,392
Investment securities at FVTOCI	**755,567**	**735,757**	**1,491,324**	606,411	193,287	799,698	580,440	158,895	739,335
	10,482,623	**2,302,144**	**12,784,767**	6,904,853	1,157,409	8,062,262	5,481,210	977,026	6,458,236
Other interest and similar income									
Investment securities measured at FVTPL	**44,375**	**40,634**	**85,009**	28,400	4,877	33,277	15,906	1,197	17,103
Derivatives	**110,826**	**18,459**	**129,285**	95,427	9,164	104,591	108,315	77,419	185,734
	155,201	**59,093**	**214,294**	123,827	14,041	137,868	124,221	78,616	202,837
Total interest and similar income	**10,637,824**	**2,361,237**	**12,999,061**	7,028,680	1,171,450	8,200,130	5,605,431	1,055,642	6,661,073
Interest expense using the effective interest method									
Deposits from customers	**(3,252,396)**	**(947,763)**	**(4,200,159)**	(814,418)	(245,888)	(1,060,306)	(341,334)	(105,171)	(446,505)
Other borrowed funds	**(87,817)**	**(48,269)**	**(136,086)**	(14,836)	(9,695)	(24,531)	(58,265)	(30,186)	(88,451)
Lease finance charges	**(10,777)**	**(1,795)**	**(12,572)**	(10,531)	(1,556)	(12,087)	(11,569)	(1,575)	(13,144)
Other	**-**	**(5,859)**	**(5,859)**	-	(2,898)	(2,898)	-	(30)	(30)
	(3,350,990)	**(1,003,686)**	**(4,354,676)**	(839,785)	(260,037)	(1,099,822)	(411,168)	(136,962)	(548,130)
Other interest and similar expense									
Derivatives	**(118,327)**	**(34,062)**	**(152,389)**	(78,789)	(91,510)	(170,299)	(80,055)	(315,661)	(395,716)
Total interest and similar expense	**(3,469,317)**	**(1,037,748)**	**(4,507,065)**	(918,574)	(351,547)	(1,270,121)	(491,223)	(452,623)	(943,846)
Net interest income	**7,168,507**	**1,323,489**	**8,491,996**	6,110,106	819,903	6,930,009	5,114,208	603,019	5,717,227
(d). Net fee and commission income									
Fee and commission income									
Retail banking customer fees	**355,415**	**23,050**	**378,465**	333,546	15,710	349,256	316,927	12,211	329,138
Corporate banking customer fees	**390,650**	**170,511**	**561,161**	317,468	150,765	468,233	245,754	166,654	412,408
Card income	**456,521**	**6,510**	**463,031**	418,628	1,066	419,694	354,265	3,246	357,511
Other income	**31,893**	**70,355**	**102,248**	33,595	38,899	72,494	21,863	30,929	52,792
Total fee and commission income	**1,234,479**	**270,426**	**1,504,905**	1,103,237	206,440	1,309,677	938,809	213,040	1,151,849

Notes to the Financial Statements

For the year ended 31 December 2023

40. Supplementary information as required by Bank of Mauritius (cont'd)

	Segment A 31-Dec 2023	Segment B 31-Dec 2023	Bank 31-Dec 2023	Segment A 31-Dec 2022	Segment B 31-Dec 2022	Bank 31-Dec 2022	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(d). Net fee and commission income (cont'd)									
Fee and commission expense									
Interbank transaction fees	(3)	(54,792)	(54,795)	(1)	(32,837)	(32,838)	(4,712)	(27,734)	(32,446)
Other fees	(5,579)	(41,361)	(46,940)	(5,515)	(26,871)	(32,386)	(9,852)	(11,332)	(21,184)
Total fee and commission expense	(5,582)	(96,153)	(101,735)	(5,516)	(59,708)	(65,224)	(14,564)	(39,066)	(53,630)
Net fee and commission income	1,228,897	174,273	1,403,170	1,097,721	146,732	1,244,453	924,245	173,974	1,098,219
(e). Net trading income									
Profit arising on dealings in foreign currencies	580,625	307,396	888,021	922,783	128,886	1,051,669	509,646	332,599	842,245
Fair value movements on debt securities measured at FVTPL	257,474	345,976	603,450	167,900	(54,312)	113,588	107,242	(26,285)	80,957
Other interest rate instruments	25,241	(49,453)	(24,212)	(99,505)	115,896	16,391	111,445	(83,897)	27,548
	863,340	603,919	1,467,259	991,178	190,470	1,181,648	728,333	222,417	950,750
(f). Net gains / (losses) from financial assets at fair value through profit or loss									
Financial assets mandatorily measured at fair value through profit or loss	-	30,269	30,269	-	(34,675)	(34,675)	-	57,629	57,629
Financial assets designated at fair value through profit or loss	26	(10,514)	(10,488)	-	10,341	10,341	-	170,454	170,454
	26	19,755	19,781	-	(24,334)	(24,334)	-	228,083	228,083
(g). Personnel expenses									
Salaries	1,513,941	310,796	1,824,737	1,297,705	237,784	1,535,489	1,159,378	229,477	1,388,855
Other social security obligations	70,130	12,788	82,918	66,690	12,274	78,964	53,371	10,662	64,033
Contributions to defined contribution plans	104,186	19,915	124,101	96,019	19,356	115,375	82,762	18,182	100,944
Increase in liability for defined benefit plans	67,152	6,153	73,305	51,057	4,730	55,787	55,413	5,003	60,416
Residual retirement gratuities	(21,415)	(4,093)	(25,508)	105,385	21,246	126,631	20,112	4,418	24,530
Benefits under early retirement scheme	21,789	1,741	23,530	-	-	-	-	-	-
Staff welfare cost	114,431	12,477	126,908	62,322	6,872	69,194	44,709	5,309	50,018
Other	66,898	12,632	79,530	26,295	6,215	32,510	51,516	7,912	59,428
	1,937,112	372,409	2,309,521	1,705,473	308,477	2,013,950	1,467,261	280,963	1,748,224

Notes to the Financial Statements

For the year ended 31 December 2023

40. Supplementary information as required by Bank of Mauritius (cont'd)

(h). Other expenses	**Segment A 31-Dec 2023**	**Segment B 31-Dec 2023**	**Bank 31-Dec 2023**	Segment A 31-Dec 2022	Segment B 31-Dec 2022	Bank 31-Dec 2022	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021
	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	**603,292**	**151,396**	**754,688**	439,919	122,502	562,421	358,871	103,016	461,887
Utilities and telephone charges	**60,513**	**9,020**	**69,533**	45,446	5,629	51,075	46,537	5,853	52,390
Professional charges	**206,204**	**38,061**	**244,265**	175,531	26,902	202,433	162,701	25,032	187,733
Marketing costs	**134,682**	**20,629**	**155,311**	86,169	13,202	99,371	38,203	6,122	44,325
Rent, repairs, maintenance and security charges	**233,958**	**17,239**	**251,197**	185,606	13,846	199,452	175,856	11,572	187,428
Licence and other registration fees	**25,226**	**2,385**	**27,611**	27,113	2,479	29,592	23,832	2,401	26,233
Postage, courier and stationery costs	**57,191**	**1,781**	**58,972**	51,966	1,376	53,342	45,928	2,046	47,974
Insurance costs	**43,177**	**11,462**	**54,639**	44,881	12,014	56,895	45,453	7,918	53,371
Other	**482,785**	**117,585**	**600,370**	194,202	37,762	231,964	249,132	36,768	285,900
	1,847,028	**369,558**	**2,216,586**	1,250,833	235,712	1,486,545	1,146,513	200,728	1,347,241

(i). Credit loss expense on financial assets & memorandum items	**Segment A 31-Dec 2023**	**Segment B 31-Dec 2023**	**Bank 31-Dec 2023**	Segment A 31-Dec 2022	Segment B 31-Dec 2022	Bank 31-Dec 2022	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021
Portfolio and specific provisions	**(572,095)**	**1,286,354**	**714,259**	747,713	518,642	1,266,355	1,106,859	1,319,542	2,426,401
Bad debts written off for which no provisions were made	**111**	**-**	**111**	-	-	-	-	-	-
Recoveries of advances written off	**(8,791)**	**(3,239)**	**(12,030)**	(11,078)	-	(11,078)	(2,965)	(8,128)	(11,093)
Other financial assets	**139,040**	**77,924**	**216,964**	(77,247)	(7,682)	(84,929)	(29,973)	(37,817)	(67,790)
	(441,735)	**1,361,039**	**919,304**	659,388	510,960	1,170,348	1,073,921	1,273,597	2,347,518
Of which:									
Credit exposure	**(580,775)**	**1,283,115**	**702,340**	736,635	518,642	1,255,277	1,103,894	1,311,414	2,415,308
Other financial assets	**139,040**	**77,924**	**216,964**	(77,247)	(7,682)	(84,929)	(29,973)	(37,817)	(67,790)
	(441,735)	**1,361,039**	**919,304**	659,388	510,960	1,170,348	1,073,921	1,273,597	2,347,518

(j). Tax expense	**Segment A 31-Dec 2023**	**Segment B 31-Dec 2023**	**Bank 31-Dec 2023**	Segment A 31-Dec 2022	Segment B 31-Dec 2022	Bank 31-Dec 2022	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021
Income tax expense	**472,983**	**(193,763)**	**279,220**	244,802	(81,058)	163,744	270,323	(64,369)	205,954
Underprovision in prior years	**301,214**	**-**	**301,214**	62,171	-	62,171	-	-	-
Deferred tax (credit) / charge	**(379,160)**	**124,414**	**(254,746)**	(61,559)	70,663	9,104	(102,923)	55,919	(47,004)
Corporate Social Responsibility	**101,207**	**-**	**101,207**	77,566	-	77,566	72,749	-	72,749
Bank levy	**186,416**	**-**	**186,416**	186,416	-	186,416	216,512	-	216,512
	682,660	**(69,349)**	**613,311**	509,396	(10,395)	499,001	456,661	(8,450)	448,211

Notes to the Financial Statements

For the year ended 31 December 2023

40. Supplementary information as required by Bank of Mauritius (cont'd)

(k). Cash and cash equivalents

	Segment A 31-Dec 2023	Segment B 31-Dec 2023	Bank 31-Dec 2023	Segment A 31-Dec 2022	Segment B 31-Dec 2022	Bank 31-Dec 2022	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash in hand	2,757,115	-	2,757,115	1,895,584	-	1,895,584	1,961,952	-	1,961,952
Foreign currency notes and coins	739,819	-	739,819	627,363	-	627,363	763,171	-	763,171
Unrestricted balances with central bank [1]	3,172,986	-	3,172,986	19,806,824	-	19,806,824	35,790,264	-	35,790,264
Loans and placements with banks [2]	7,800,493	-	7,800,493	165,117	527,612	692,729	-	-	-
Balances with banks	136,012	4,235,862	4,371,874	-	3,517,211	3,517,211	-	1,772,848	1,772,848
	14,606,425	4,235,862	18,842,287	22,494,888	4,044,823	26,539,711	38,515,387	1,772,848	40,288,235
Less: allowance for credit losses	(4,972)	(416)	(5,388)	(754)	(4,745)	(5,499)	(6,338)	(475)	(6,813)
	14,601,453	4,235,446	18,836,899	22,494,134	4,040,078	26,534,212	38,509,049	1,772,373	40,281,422

[1] Unrestricted balances with central bank 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.

Cash and cash equivalents were classified under stage 1 and 12-month ECL were calculated thereon.

(l). Loans to and placements with banks

	Segment A 31-Dec 2023	Segment B 31-Dec 2023	Bank 31-Dec 2023	Segment A 31-Dec 2022	Segment B 31-Dec 2022	Bank 31-Dec 2022	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans to and placements with banks									
- outside Mauritius	-	2,871,465	2,871,465	-	1,226,864	1,226,864	-	843,079	843,079
	-	2,871,465	2,871,465	-	1,226,864	1,226,864	-	843,079	843,079
Less: allowance for credit losses	-	(18,400)	(18,400)	-	(5,449)	(5,449)	-	(5,109)	(5,109)
	-	2,853,065	2,853,065	-	1,221,415	1,221,415	-	837,970	837,970
Remaining term to maturity									
Up to 3 months	-	576,871	576,871	-	658,677	658,677	-	-	-
Over 3 months and up to 6 months	-	667,405	667,405	-	219,627	219,627	-	-	-
Over 6 months and up to 12 months	-	1,554,256	1,554,256	-	223,536	223,536	-	-	-
Over 1 year and up to 2 years	-	72,933	72,933	-	-	-	-	653,378	653,378
Over 2 years and up to 5 years	-	-	-	-	125,024	125,024	-	189,701	189,701
	-	2,871,465	2,871,465	-	1,226,864	1,226,864	-	843,079	843,079
(m). Derivative financial instruments									
Derivative assets	193,026	104,849	297,875	350,396	287,507	637,903	320,197	259,749	579,946
Derivative liabilities	281,922	133,355	415,277	344,118	230,576	574,694	207,232	358,423	565,655

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	**31-Dec**	**31-Dec**	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec
	2023	**2023**	**2023**	2022	2022	2022	2021	2021	2021
	MUR' 000	**MUR' 000**	**MUR' 000**	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Credit cards	**509,927**	**7,004**	**516,931**	505,116	9,620	514,736	487,962	4,502	492,464
Governments	**4,985**	**-**	**4,985**	72,232	-	72,232	9,713	-	9,713
Retail customers	**55,020,739**	**1,309,319**	**56,330,058**	48,352,388	1,168,714	49,521,102	42,632,593	2,365,227	44,997,820
Mortgages	**43,037,302**	**1,070,471**	**44,107,773**	37,086,006	835,046	37,921,052	29,920,268	712,691	30,632,959
Other retail loans	**11,983,437**	**238,848**	**12,222,285**	11,266,382	333,668	11,600,050	12,712,325	1,652,536	14,364,861
Corporate customers	**53,504,612**	**3,373,478**	**56,878,090**	53,034,842	4,696,272	57,731,114	43,587,558	5,637,793	49,225,351
Entities outside Mauritius	**-**	**5,340,181**	**5,340,181**	-	10,706,252	10,706,252	-	14,644,923	14,644,923
	109,040,263	**10,029,982**	**119,070,245**	101,964,578	16,580,858	118,545,436	86,717,826	22,652,445	109,370,271
Less allowance for credit impairment	**(3,638,770)**	**(3,313,565)**	**(6,952,335)**	(4,516,185)	(5,910,284)	(10,426,469)	(4,026,452)	(7,427,619)	(11,454,071)
	105,401,493	**6,716,417**	**112,117,910**	97,448,393	10,670,574	108,118,967	82,691,374	15,224,826	97,916,200
Remaining term to maturity:									
Up to 3 months	**10,421,302**	**2,749,189**	**13,170,491**	11,473,610	871,647	12,345,257	7,675,816	1,546,025	9,221,841
Over 3 months and up to 6 months	**5,977,605**	**21,497**	**5,999,102**	3,869,363	265,317	4,134,680	2,204,573	433,846	2,638,419
Over 6 months and up to 12 months	**3,081,346**	**1,038,313**	**4,119,659**	8,356,700	1,896,690	10,253,390	4,054,115	1,796,687	5,850,802
Over 1 year and up to 2 years	**6,763,056**	**1,491,349**	**8,254,405**	2,336,909	2,768,063	5,104,972	4,584,716	21,093	4,605,809
Over 2 years and up to 5 years	**13,227,634**	**2,636,192**	**15,863,826**	15,160,456	7,269,854	22,430,310	14,764,890	6,183,565	20,948,455
Over 5 years	**69,569,320**	**2,093,442**	**71,662,762**	60,767,540	3,509,287	64,276,827	53,433,716	12,671,229	66,104,945
	109,040,263	**10,029,982**	**119,070,245**	101,964,578	16,580,858	118,545,436	86,717,826	22,652,445	109,370,271

Notes to the Financial Statements

For the year ended 31 December 2023

40. Supplementary information as required by Bank of Mauritius (cont'd)

(n). Loans and advances to non-bank customers (cont'd)

Credit loss allowances on loans and advances by industry sectors

	31-Dec-2023					31-Dec-22	31-Dec-21
Segment A	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	2,543,719	51,423	2,278	93,719	95,997	195,074	28,873
Manufacturing	3,765,081	58,933	54,979	9,602	64,581	164,400	216,736
of which EPZ	*1,279,208*	*6,072*	*6,072*	*1,379*	*7,451*	*7,369*	*24,023*
Tourism	12,061,076	32,926	11,075	388,236	399,311	957,548	730,676
Transport	332,367	17,693	16,455	5,526	21,981	34,528	39,066
Construction	15,052,499	813,184	586,630	452,952	1,039,582	1,020,791	839,647
Financial and business services	4,755,665	358,140	351,159	10,507	361,666	128,464	85,423
Traders	5,158,050	372,813	330,946	31,611	362,557	515,939	524,670
Personal	53,747,647	1,002,320	728,889	484,631	1,213,520	1,139,313	1,285,022
Professional	40,648	7,570	3,599	2,080	5,679	83,931	86,904
Others	11,583,511	55,352	47,023	26,873	73,896	276,197	189,435
	109,040,263	2,770,354	2,133,033	1,505,737	3,638,770	4,516,185	4,026,452
Segment B							
Agriculture and Fishing	561,599	561,599	561,599	-	561,599	573,908	484,174
Tourism	365,336	-	-	7,792	7,792	38,055	37,113
Transport	-	-	-	-	-	208,588	7,034
Construction	221,748	53,131	22,152	15,335	37,487	78,761	72,791
Financial and business services	706,104	-	-	14,955	14,955	68,321	40,069
Traders	1,099,883	582,011	582,011	60	582,071	3,185,713	5,240,398
Personal	1,306,552	78,610	56,325	8,357	64,682	59,807	81,603
Global Business Licence holders	3,373,479	2,199,401	1,998,491	2,693	2,001,184	1,675,695	1,412,048
Others	2,395,281	-	-	43,795	43,795	21,436	52,389
	10,029,982	3,474,752	3,220,578	92,987	3,313,565	5,910,284	7,427,619
Total segment A and segment B	119,070,245	6,245,106	5,353,611	1,598,724	6,952,335	10,426,469	11,454,071

Notes to the Financial Statements

For the year ended 31 December 2023

40. Supplementary information as required by Bank of Mauritius (cont'd)

(o). Investment securities

Remaining term to maturity

	31-Dec-2023										
Segment A	**Up to 3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**No specific maturity**	**Total**	31-Dec-22	31-Dec-21
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	MUR' 000	MUR' 000
(a) Investment securities mandatorily measured at FVTPL											
Government bonds and treasury notes	-	-	-	-	741	2,243,592	1,025,161	-	3,269,494	70,459	989,753
Treasury bills	20,379	149,368	-	303,210	-	-	-	-	472,957	676,937	141,980
Bank of Mauritius bills / Bonds	-	-	-	-	168,468	-	-	-	168,468	657,505	663,800
	20,379	149,368	-	303,210	169,209	2,243,592	1,025,161	-	3,910,919	1,404,901	1,795,533
(b) Investment securities measured at FVTOCI											
Government bonds and treasury notes	-	-	-	521,570	473,505	3,678,376	4,100,902	-	8,774,353	7,560,740	8,611,327
Treasury bills	-	-	-	-	-	-	-	-	-	1,316,683	9,936
Bank of Mauritius bills / Bonds	112,683	-	-	-	291,698	-	-	-	404,381	1,243,109	1,256,578
Bank bonds	-	-	-	-	-	789,776	-	-	789,776	18,105	-
Corporate bonds	-	430,011	218,351	241,922	-	4,309,966	834,199	-	6,034,449	5,727,435	7,564,467
	112,683	430,011	218,351	763,492	765,203	8,778,118	4,935,101	-	16,002,959	15,866,072	17,442,308
(c) Investment securities at amortised cost											
Government bonds and treasury notes	855,852	29,197	558,965	460,565	7,783,632	11,998,412	24,012,871	-	45,699,494	39,320,188	35,342,631
Treasury bills	1,787	-	-	-	-	-	-	-	1,787	-	-
Bank of Mauritius bills / Bonds	-	-	991,498	-	5,115,462	154,022	4,985,927	-	11,246,909	13,684,483	13,855,096
Corporate bonds	-	-	472,771	-	-	3,102,739	1,105,349	-	4,680,859	2,843,323	100,346
	857,639	29,197	2,023,234	460,565	12,899,094	15,255,173	30,104,147	-	61,629,049	55,847,994	49,298,073
Total Segment A	990,701	608,576	2,241,585	1,527,267	13,833,506	26,276,883	36,064,409	-	81,542,927	73,118,967	68,535,914
Less: allowance for credit losses									(48,509)	(8,882)	(284)
									81,494,418	73,110,085	68,535,630

40. Supplementary information as required by Bank of Mauritius (cont'd)

(o). Investment securities (cont'd)

Remaining term to maturity (cont'd)

Segment B	31-Dec-2023 Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	31-Dec-22	31-Dec-21
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Investment securities mandatorily measured at FVTPL											
Government bonds and treasury notes	-	-	-	-	-	-	-	-	-	5,372,747	1,868,798
Treasury bills	-	6,497,056	-	-	-	-	-	-	6,497,056	880,299	2,392,037
Bank Bonds	-	-	-	-	-	-	-	-	-	-	85,250
Mutual Funds	-	-	-	-	-	-	-	951,301	951,301	1,022,515	2,046,812
	-	6,497,056	-	-	-	-	-	951,301	7,448,357	7,275,561	6,392,897
(b) Investment securities measured at FVTOCI											
Government bonds and treasury notes	-	1,339,871	-	-	3,325,435	2,159,392	-	-	6,824,698	2,162,133	7,496,704
Treasury bills	1,100,461	-	-	-	-	-	-	-	1,100,461	3,256,850	15,669,379
Bank bonds	2,632,057	1,870,751	529,605	713,495	4,925,933	5,831,839	-	-	16,503,680	9,792,750	16,322,457
Corporate Bonds	270,260	30,902	-	1,336,021	1,110,911	145,781	-	-	2,893,875	3,099,166	2,630,961
	4,002,778	3,241,524	529,605	2,049,516	9,362,279	8,137,012	-	-	27,322,714	18,310,899	42,119,501
(c) Investment securities measured at FVTOCI											
Other equity investments	-	-	-	-	-	-	-	9,053	9,053	8,400	6,869
	-	-	-	-	-	-	-	9,053	9,053	8,400	6,869
(d) Investment securities at amortised cost											
Government bonds and treasury notes	90,631	2,457,562	1,350,314	-	273,395	4,088,724	272,964	-	8,533,590	8,930,938	1,621,323
Treasury bills	-	-	-	-	-	-	-	-	-	4,789,957	-
Bank Bonds	-	416,279	-	-	45,238	88,247	87,084	-	636,848	636,245	750,715
	90,631	2,873,841	1,350,314	-	318,633	4,176,971	360,048	-	9,170,438	14,357,140	2,372,038
Total Segment B	4,093,409	12,612,421	1,879,919	2,049,516	9,680,912	12,313,983	360,048	960,354	43,950,562	39,952,000	50,891,305
Less: allowance for credit losses									(46,352)	(17,539)	(27,600)
									43,904,210	39,934,461	50,863,705
Total investment securities	5,084,110	13,220,997	4,121,504	3,576,783	23,514,418	38,590,866	36,424,457	960,354	125,493,489	113,070,967	119,427,219

Notes to the Financial Statements

For the year ended 31 December 2023

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 2023							
Segment A	796,118	1,072,886	742,778	434	147,057	538,450	3,297,723
Segment B	13,365	199,613	43,158	103	27,291	32,998	316,528
	809,483	1,272,499	785,936	537	174,348	571,448	3,614,251
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
	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	37,058	371	26,779	30,612	292,578
	779,546	1,318,336	393,578	1,931	212,037	525,796	3,231,224

(q). Intangible assets

SOFTWARE

	31-Dec 2023	31-Dec 2022	31-Dec 2021
Net Book Value	**MUR' 000**	MUR' 000	MUR' 000
Segment A	**1,217,104**	1,139,073	1,358,690
Segment B	**406,542**	379,437	457,819
Total	**1,623,646**	1,518,510	1,816,509

(r). Other assets

	Segment A 31-Dec 2023	**Segment B 31-Dec 2023**	**Bank 31-Dec 2023**	Segment A 31-Dec 2022	Segment B 31-Dec 2022	Bank 31-Dec 2022	Segment A 31-Dec 2021	Segment B 31-Dec 2021	Bank 31-Dec 2021
	MUR' 000	**MUR' 000**	**MUR' 000**	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accounts receivable	**293,876**	**20,302**	**314,178**	454,174	33,219	487,393	510,333	20,551	530,884
Balances due in clearing	**1,963**	**-**	**1,963**	4,833	-	4,833	3,033	-	3,033
Prepayments	**235,344**	**-**	**235,344**	175,390	-	175,390	156,694	-	156,694
Refund for income tax	**20,430**	**-**	**20,430**	20,430	-	20,430	-	-	-
Others	**132,347**	**38,738**	**171,085**	70,983	42,322	113,305	39,104	58,232	97,336
	683,960	**59,040**	**743,000**	725,810	75,541	801,351	709,164	78,783	787,947

40. Supplementary information as required by Bank of Mauritius (cont'd)

(s). Deposits from banks	**Segment A 31-Dec 2023 MUR' 000**	**Segment B 31-Dec 2023 MUR' 000**	**Bank 31-Dec 2023 MUR' 000**	Segment A 31-Dec 2022 MUR' 000	Segment B 31-Dec 2022 MUR' 000	Bank 31-Dec 2022 MUR' 000	Segment A 31-Dec 2021 MUR' 000	Segment B 31-Dec 2021 MUR' 000	Bank 31-Dec 2021 MUR' 000
Demand deposits	**1,518,372**	**198,221**	**1,716,593**	1,224,995	532,248	1,757,243	842,042	639,812	1,481,854
(t). Deposits from non-bank customers									
(i) Retail customers									
Current accounts	**23,634,842**	**3,491,187**	**27,126,029**	24,083,239	3,872,113	27,955,352	22,245,969	3,759,692	26,005,661
Savings accounts	**74,263,565**	**1,719,228**	**75,982,793**	68,884,908	1,825,373	70,710,281	66,274,062	1,651,940	67,926,002
Time deposits with remaining term to maturity:									
Up to 3 months	**2,635,328**	**813,231**	**3,448,559**	1,526,998	692,534	2,219,532	1,250,285	576,534	1,826,819
Over 3 months and up to 6 months	**573,120**	**518,365**	**1,091,485**	646,817	413,505	1,060,322	656,225	621,968	1,278,193
Over 6 months and up to 12 months	**1,923,482**	**375,527**	**2,299,009**	1,271,416	679,525	1,950,941	1,036,818	428,437	1,465,255
Over 1 year and up to 5 years	**3,069,447**	**276,177**	**3,345,624**	2,270,110	315,877	2,585,987	1,986,349	513,793	2,500,142
Over 5 years	**8,042**	**60**	**8,102**	9,180	60	9,240	10,118	60	10,178
Total time deposits	**8,209,419**	**1,983,360**	**10,192,779**	5,724,521	2,101,501	7,826,022	4,939,795	2,140,792	7,080,587
	106,107,826	**7,193,775**	**113,301,601**	98,692,668	7,798,987	106,491,655	93,459,826	7,552,424	101,012,250
(ii) Corporate customers									
Current accounts	**24,542,997**	**40,073,763**	**64,616,760**	25,497,240	48,990,845	74,488,085	24,022,719	80,770,392	104,793,111
Savings accounts	**4,080,451**	**-**	**4,080,451**	4,475,182	-	4,475,182	3,463,515	-	3,463,515
Time deposits with remaining term to maturity:									
Up to 3 months	**7,741,605**	**19,809,570**	**27,551,175**	4,492,982	13,819,635	18,312,617	2,702,219	6,199,853	8,902,072
Over 3 months and up to 6 months	**2,018,018**	**4,041,825**	**6,059,843**	2,852,832	8,714,177	11,567,009	768,060	1,626,248	2,394,308
Over 6 months and up to 12 months	**666,480**	**2,979,497**	**3,645,977**	611,630	1,831,104	2,442,734	637,235	583,848	1,221,083
Over 1 year and up to 5 years	**1,069,401**	**345**	**1,069,746**	528,455	2,245,197	2,773,652	353,704	1,127,614	1,481,318
Over 5 years	**170**	**-**	**170**	170	-	170	-	-	-
Total time deposits	**11,495,674**	**26,831,237**	**38,326,911**	8,486,069	26,610,113	35,096,182	4,461,218	9,537,563	13,998,781
	40,119,122	**66,905,000**	**107,024,122**	38,458,491	75,600,958	114,059,449	31,947,452	90,307,955	122,255,407

Notes to the Financial Statements

For the year ended 31 December 2023

40. Supplementary information as required by Bank of Mauritius (cont'd)

(t). Deposits from non-bank customers (cont'd)

(iii) Government	Segment A 31-Dec 2023 MUR' 000	Segment B 31-Dec 2023 MUR' 000	Bank 31-Dec 2023 MUR' 000	Segment A 31-Dec 2022 MUR' 000	Segment B 31-Dec 2022 MUR' 000	Bank 31-Dec 2022 MUR' 000	Segment A 31-Dec 2021 MUR' 000	Segment B 31-Dec 2021 MUR' 000	Bank 31-Dec 2021 MUR' 000
Current accounts	6,659,776	-	6,659,776	6,592,814	-	6,592,814	10,252,546	-	10,252,546
Savings accounts	3,438,240	-	3,438,240	3,243,286	-	3,243,286	4,299,087	-	4,299,087
Time deposits with remaining term to maturity:									
Up to 3 months	5,996,122	-	5,996,122	65,703	-	65,703	126,022	-	126,022
Over 3 months and up to 6 months	1,930,294	-	1,930,294	1,607,635	-	1,607,635	1,600	-	1,600
Over 6 months and up to 12 months	305,760	-	305,760	4,014,432	-	4,014,432	3,304,794	-	3,304,794
Over 1 year and up to 5 years	551,965	-	551,965	810,353	-	810,353	277,000	-	277,000
Over 5 years	-	-	-	-	-	-	122	-	122
Total time deposits	8,784,141	-	8,784,141	6,498,123	-	6,498,123	3,709,538	-	3,709,538
	18,882,157	-	18,882,157	16,334,223	-	16,334,223	18,261,171	-	18,261,171
	165,109,105	74,098,775	239,207,880	153,485,382	83,399,945	236,885,327	143,668,449	97,860,379	241,528,828

Notes to the Financial Statements

For the year ended 31 December 2023

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	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec
	2023	2023	2023	2022	2022	2022	2021	2021	2021
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Borrowings from other financial institutions	-	652,356	652,356	-	757,808	757,808	-	916,692	916,692
Borrowings from banks									
- in Mauritius	4,001,644	-	4,001,644	-	-	-	4,358,708	-	4,358,708
	4,001,644	652,356	4,654,000	-	757,808	757,808	4,358,708	916,692	5,275,400
(v). Other liabilities									
Balance due in clearing	213,968	3,293,076	3,507,044	77,202	2,523,461	2,600,663	6,162	3,068,370	3,074,532
Bills payable	368,042	-	368,042	385,082	-	385,082	273,795	-	273,795
Accruals for expenses	1,400,157	-	1,400,157	708,843	-	708,843	701,293	-	701,293
Accounts payable	1,077,327	620,002	1,697,329	780,812	463,851	1,244,663	578,138	277,949	856,087
Deferred income	53,515	834	54,349	-	53,500	53,500	-	35,118	35,118
Balances in transit	1,014,838	1	1,014,839	997,023	-	997,023	1,012,925	-	1,012,925
ECL on memorandum items	203,370	1,958	205,328	252,286	2,400	254,686	283,482	12,678	296,160
	4,331,218	3,915,870	8,247,088	3,201,248	3,043,212	6,244,460	2,855,795	3,394,115	6,249,910
(w). Memorandum items									
a Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers									
Acceptances on account of customers	149,946	10,984	160,930	235,978	103,423	339,401	271,263	19,843	291,106
Guarantees on account of customers	11,737,081	217,659	11,954,740	11,115,131	657,415	11,772,546	8,595,736	847,641	9,443,377
Letters of credit and other obligations on account of customers	708,702	-	708,702	1,373,675	6,417	1,380,092	1,076,673	67,574	1,144,247
Other contingent items	-	1,084,574	1,084,574	-	-	-	-	-	-
	12,595,729	1,313,217	13,908,946	12,724,784	767,255	13,492,039	9,943,672	935,058	10,878,730
b Commitments									
Undrawn credit facilities	18,480,063	176,569	18,656,632	14,680,724	265,055	14,945,779	11,137,465	337,349	11,474,814
	18,480,063	176,569	18,656,632	14,680,724	265,055	14,945,779	11,137,465	337,349	11,474,814

Sustainable development is the **pathway to the future** we want for all. It offers a framework to generate **economic growth**, achieve **social justice**, exercise **environmental stewardship** and **strengthen governance**

Ban Ki-Moon
Former United Nations Secretary-General


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Notes

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