SBM

SBM BANK (MAURITIUS) LTD

FOR A **SMARTER TOMORROW**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Mohit Dhoorundhur (Chairperson)

Mr Philip Ah-Chuen

Mr Balachandran Chelampet Puthukulangara

Mr Rishikesh Hurdoyal

Mrs Imalambaal Kichenin

Mr Eric Michel Georges Leal

Mr Abdool Karrim Namdarkhan

Mr Rajcoomar Rampertab

Mr Ranapartab Tacouri

Mr Venkateswara Rao Parvataneni (also Chief Executive)

SECRETARIES TO THE BOARD

Ms Preshnee Ramchurn

Mrs Bharti Bolah-Chowtee

REGISTERED OFFICE

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

AUDITORS

Ernst & Young
9th Floor, Tower 1
NeXTeracom
Cybercity
Ebene, Mauritius

The Directors of SBM Bank (Mauritius) Ltd are pleased to present its Annual Report for the year ended 31 December 2019.

The Annual Report was approved by the Board of Directors on 15 May 2020.

Mr MOHIT DHOORUNDHUR
Chairperson

Mr VENKATESWARA RAO PARVATANENI
Chief Executive

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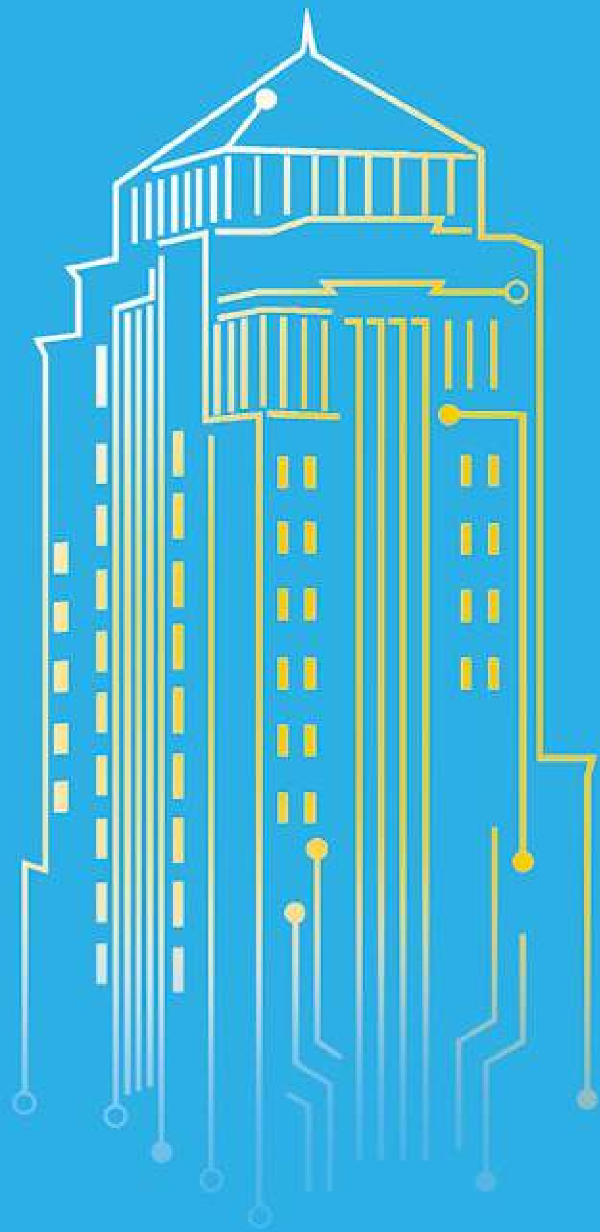
ABOUT **SBM**



“OUR VISION IS TO BE THE LEADING AND MOST TRUSTED FINANCIAL SERVICES PROVIDER IN MAURITIUS AND BEYOND.”

WHO WE ARE

A brief on SBM Bank

SBM Bank (Mauritius) Ltd (''Bank'' or ''Company'') is the flagship of SBM, a leading financial Group in Mauritius. SBM's journey started in 1973, with the primary goal of making financial services accessible to a larger share of the population, both urban and rural, in Mauritius.

With a domestic market share of 27 percent for total advances (excluding GBL) and 15 percent for total segment A & B deposits as at 31 December 2019, SBM Bank (Mauritius) Ltd, today, ranks among the top banks in Mauritius.

VISION

Our vision is to be the leading and most trusted financial services provider in Mauritius and beyond.

MISSION

Our mission is threefold:

1. To build deep and enduring relationships with our customers by offering distinctive products and exceptional service;
2. To be the employer of choice for top talent in the markets we serve;
3. To prudently manage risk and costs.

In so doing, our intent is to achieve strong and sustained returns for our shareholders, meet the relevant needs of our stakeholders and support the development of the community at large.

SBM AT A GLANCE

~535,000 NUMBER OF CUSTOMERS

121 NUMBER OF ATMS

1,532 NUMBER OF EMPLOYEES

~355,000 NUMBER OF DEBIT CARDS

~100,000 NUMBER OF SMS BANKING CUSTOMERS

~55,000 NUMBER OF CREDIT CARDS

~120,000 NUMBER OF INTERNET BANKING CUSTOMERS

~40,000 NUMBER OF PREPAID CARDS

~80,000 NUMBER OF MOBILE BANKING CUSTOMERS

~3,500 NUMBER OF POS

~80,000 NUMBER OF E-STATEMENT USERS

~650 NUMBER OF MOBILE POS

43 NUMBER OF BRANCHES & COUNTERS

** Figures as at 31 December 2019.*

Key Achievements

Awards	Awarding Body
Best Bank in Mauritius 2020	Global Finance Magazine
Best Retail Bank 2019	Global Banking and Finance Review
Best CSR Programme Mauritius 2019	International Business Magazine
Best Private Banking & Wealth Management Bank Mauritius 2019	International Business Magazine
Best Wealth Management & Investment Solutions Brand	Global Brand Awards 2019
Customer Service Innovation Award	Infosys Finacle Client Innovation Awards 2019

Achievements	Awarding Body
SBM Bank ranked at 45th place	Top 200 African Banks 2019 Edition by the Africa Report
Ranked among the Top 1000 World Banks	The Banker

KEY FINANCIAL HIGHLIGHTS

	31 December 2019	31 December 2018	31 December 2017[a]
Shareholder's equity (MUR million)	18,069	17,467	19,270
Capital adequacy ratio (%)	14.65	15.11	12.83
Tier 1 Capital adequacy ratio (%)	12.96	13.49	11.24
Profit before income tax (MUR million)	882	2,138	3,797
Profit from continuing operations (MUR million)	550	1,461	3,303
Profit for the year (MUR million)	550	554	2,611
Return on average assets (%)[b]	0.28	0.82	2.19
Return on average risk-weighted assets (%)[b]	0.53	1.43	3.65
Return on average shareholder's equity (%)[b]	3.10	7.96	18.76
Return on average Tier 1 capital (%)[b]	4.03	11.59	32.89
Credit deposit ratio (%)	61.80	67.65	72.66
Cost to income[d] (%)	42.61	34.69	41.42
Gross impaired advances to gross advances (%)[c]	7.57	9.36	2.46
Net impaired advances to net advances (%)[c]	2.55	5.28	1.54
Electronic to gross transactions (%)	93	88	87

[a] Dec 2017 figures pertain to Mauritius Operations only.
[b] Averages are calculated using year-end balances.
[c] Advances used in calculation are net of cash collaterals.
[d] Costs exclude charge for bank levy.

BOARD OF DIRECTORS

Chairperson

Mr Dhoorundhur Mohit

Independent Non-Executive Directors

Mr Ah-Chuen Philip

Mr Hurdoyal Rishikesh

Mrs Kichenin Imalambaal

Mr Leal Eric Michel Georges

Mr Namdarkhan Abdool Karrim

Mr Rampertab Rajcoomar

Mr Tacouri Ranapartab

Non-Executive Directors

Mr Chelampet Puthukulangara Balachandran

Executive Directors

Mr Parvataneni Venkateswara Rao

Secretaries to the Board

Ms Ramchurn Preshnee

Mrs Bolah-Chowtee Bharti

BOARD COMMITTEES

Audit Committee	Board Credit Committee	Corporate Governance & Conduct Review Committee	Finance Committee
Mrs Imalambaal Kichenin Chairperson	Mr Balachandran CP Chairperson	Mr Philip Ah-Chuen Chairperson	Mr Ranapartab Tacouri Chairperson
Mr Eric Leal	Mr Rishikesh Hurdoyal	Mr Rishikesh Hurdoyal	Mr Philip Ah-Chuen
Mr Rajcoomar Rampertab	Mr Abdool Karrim Namdarkhan	Mr Abdool Karrim Namdarkhan	Mrs Imalambaal Kichenin
	Mr Ranapartab Tacouri	Mr PV Rao	Mr Eric Leal
		Mr Ranapartab Tacouri	Mr PV Rao
			Mr Rajcoomar Rampertab

IT & Procurement Committee	Risk Management Committee	Remuneration & Nomination Committee	Strategy Committee
Mr Rishikesh Hurdoyal Chairperson	Mr Abdool Karrim Namdarkhan Chairperson	Mr Mohit Dhoorundhur Chairperson	Mr Mohit Dhoorundhur Chairperson
Mr Philip Ah-Chuen	Mr Philip Ah-Chuen	Mr Rishikesh Hurdoyal	Mr Philip Ah-Chuen
Mr Balachandran CP	Mr Balachandran CP	Mrs Imalambaal Kichenin	Mr Balachandran CP
Mr Abdool Karrim Namdarkhan	Mr Eric Leal	Mr PV Rao	Mrs Imalambaal Kichenin
Mr PV Rao	Mr PV Rao	Mr Rajcoomar Rampertab	Mr Eric Leal
Mr Rajcoomar Rampertab	Mr Rajcoomar Rampertab		Mr PV Rao
			Mr Rajcoomar Rampertab
			Invited to be in Attendance: *Mr Rishikesh Hurdoyal* *Mr Abdool Karrim Namdarkhan* *Mr Ranapartab Tacouri*

Composition of Board Committees as at March 2020

MANAGEMENT TEAM

Members of Executive Forum / Senior Management

Mr Venkateswara Rao Parvataneni
Chief Executive and Executive Director on the Board of SBM Bank (Mauritius) Ltd

Mrs Veronique Lim Hoye Yee
Credit Underwriting

Mr Sanjaiye Rawoteea
Private Banking and Wealth Management

Mr Jorge Stock
Chief Operating Officer

Mr Norman Fon Sing
Corporate and Institutional Banking

Mr Teddy Kian Lim Aling
Finance & Procurement

Key Members of Management

Business Heads

Mr Balkrishna Jhurry
International Banking

Mr Percy Philips
Retail Banking

Mr Ratan Kumar Jankee
SME Banking

Miss Deorani Khelawon
E-Business Banking

Mrs Anju Devi Issur
Financial Markets

Mrs Ragini Gowrisunkur
Custody

Mr Bye Samah Ghoora
Microfinance Banking

Operation Heads

Mr Nandrajen Mooneesawmy
Credit Administration

Mr Ravi Guness
Recovery and Collection

Mr Shailendre Bheeka
Risk Management

Mr Ashwin Ramphul
Information Technology

Mr Rajan Mooroogan
Information Technology

Mr Girish Mehta
IT Security

Mrs Rita Devi Gujadhur
Performance Management

Mr Amrit Gayan
Operations

Mr Neelesh Sharma Sawoky
Internal Audit

Mr Dipesh Pockraj Jhowry
Legal

Mr Seeamdath Dosieah
Facilities Management

Mr Jacques M Sylvain Prefumo
Business Continuity Management

Mrs Kamlawtee Davi Naga
Human Resources

Mrs Linita Jyoti Sharma Kim Currun
Service Excellence

CHAIRPERSON'S LETTER

Dear Valued Stakeholders,

I joined SBM in mid-March 2020 at an unprecedented moment when the COVID-19 pandemic had been obligating many countries, including Mauritius, to close their international frontiers. Mauritius had to lockdown all economic activities and societal movements with relentless national calls on everyone to stay at home to contain the spread of the pandemic which had turned into an international human tragedy. The priority had been to save life and livelihood while maintaining a balance in business continuity.

While we wish the recovery period from pandemic sequels to be short, it will also be time to take bold decisions that would shape the bank's future.

With many activities grinded to a halt, the disruption to normal life had also brought in its wake "un élan de solidarité national". There had been substantial government investment in public health services; provision of partial payroll protection; assistance to the vulnerable by both public and private sector and significant contributions being made to the COVID-19 Solidarity Fund. The Bank of Mauritius had provided soft term financial facilities to Banks to assist the business community to fare through the downturn. It had become necessary to mitigate the effects of the triple health, economic and financial shocks.

Against this backdrop, the Bank had progressively reopened its branches over the island to relieve our customers of the lockdown inconveniences. We dedicate a special recognition to all our personnel, including those working from home, who had daily strived to maintain the exceptional customer service required during the lockdown period.

Regarding the Bank's performance for the year 2019, the Bank made a profit of MUR 550 million, nearly the same as for the year 2018 that was MUR 554 million. The fundamentals are sound: deposits have grown by 17 percent; loans book has increased by 5 percent, and Profit before Credit Loss expense stood at MUR 4.49 billion. Provisioning of MUR 3.6 billion had to be made for the year. The bank will take measures to recover the provision made with respect to impairments.

Looking forward, our short term strategy for 2020 will, to a large extent, be guided by the depth and duration of COVID-19 impacting on the critical economic sectors that have already slowed down and the contours of government accompanying relief measures. While we wish the recovery period from pandemic sequels to be short, it will also be time to take bold decisions that would shape the bank's future. We resolve to improve the bank's risk profile; strengthen bank's resilience; adhere to the principles of corporate governance; accountability and transparency; increasingly adopt digital solution to our business processes to enhance our operational efficiency, and ensure staff and customers safety when we all restart work in the new normal.

Valued customers; our staff; the management team; my colleagues Board members and all our stakeholders, I trust that together we will be able to overcome the impact of the pandemic. We will have to adopt improved work processes as we recover and contribute to the socioeconomic development of our country as we return to improved growth.

Sincerely,

Mohit Dhoorundhur
Chairperson of the Board

CE'S LETTER

Dear Valued Partners,

SBM Bank (Mauritius) Ltd is an organisation with a unique identity deeply embedded into the Mauritius culture as a Bank of the people, by the people and for the people.

The Bank played an active role together with the entire nation by contributing in some of the major events that have marked 2019, namely the launch of the SBM Fountain in the harbour area facing the Port Louis Waterfront, the 10th Indian Ocean Island Games and the renovation works of the Marie, Reine de la Paix in the context of the visit of His Holiness Pope Francis.

More recently, the Bank ensured that a very good level of service was maintained during the COVID-19 curfew period, through a number of branches strategically located around the island and even successfully launched new digital services such as SBM easy-pay to facilitate banking for our customers doing online shopping and settling utility bills. In addition, SBM Bank launched a special Financial Assistance Scheme to help Mauritians stranded abroad. The launch of new services and the implementation of financial assistance schemes for our customers and fellow citizens stranded abroad during this unprecedented situation reinforces the fact that SBM remains close to its customers and is able to respond and react quickly to external adverse context. It is that same determination and adaptability that has allowed us to evolve in different socioeconomic contexts and to emerge even stronger. We intend to continue along this path and fully play our role not only as a major economic partner, but also as a socially responsible organisation towards the Mauritian society as a whole.

Moreover, at SBM, we have always strongly promoted Gender Equality and Women's Empowerment as illustrated in the 60 percent of our staff being women employees working at SBM. Among this percentage, many women hold key managerial positions at the Bank. This contributes to define us as one of the major proponents of the United Nations' (UN) Sustainable Development Goals (SDGs).

Our involvement in green and eco-friendly projects through our partnerships with organisations such as the International Finance Corporation (IFC), the European Investment Bank (EIB) and the Agence Française de Développement (AFD) positions us as one of the leading financial institutions facilitating access to affordable sustainable energy in order to ensure the development of a low-carbon economy while contributing to mitigate the causes of climate change.

With this in mind, I concede that the first nine months under my stewardship have been very challenging and we had to make difficult decisions on a number of legacy issues. I wish to share that these have largely been dealt with and that we end the year 2019 looking positively ahead at the year 2020.

The results for 2019, while on par with 2018, demonstrate that the Bank's management is willing and able to take the right decisions in order to protect long-term shareholder value.

We have also undertaken an impact analysis of COVID-19 and are comfortable that the Bank has taken the necessary steps to address any immediate threats.

CE'S LETTER (CONT'D)

Performance, Capital Structure, and Dividend

2019 was an exceptional year with mixed performance.

Although the Bank faced a decreasing interest rate environment, it was able to grow its deposits base by more than 17 percent to MUR 174.2 billion, increase its loans book by 5 percent to MUR 106.8 billion, and deploy surplus funds towards investment securities (growth of 44 percent to MUR 73.5 billion). The lower growth in advances was on account of the reduced limits for offshore Segment B credit resulting from the implementation of Segment B remediation plan and also from run off of performing advances with regular repayments. Despite interest income being impacted by the interest suspended on the legacy impaired loans, this well diversified strategy resulted in a 3 percent increase across the net interest income and net fee & commission income lines. Operating income grew to MUR 8.12 billion for the year.

Taking a longer term view, the Bank continued investment in its human capital and accelerated the conversion of most of its staff's employment contract into Contracts of Indeterminate Duration. It has also embarked on a long term programme to renew its ageing infrastructure (ATMs, POS machines amongst others) and invested significantly to strengthen internal controls as well as cybersecurity systems. These resulted in an increase of 26.5 percent in non-interest expense to MUR 3.5 billion, excluding MUR 171.4 million of Bank Levy. Cost to Income ratio likewise increased to 42.61 percent from 34.69 percent in 2018.

On the other hand and in addition to the increased focus on remediation of Segment B Credit Business, the Bank embarked on an in depth review of all high-risk credit exposures. Overall, this exercise resulted in a total credit loss expense of MUR 3.6 billion. While this is a significant number, it is worth noting that MUR 2.6 billion is on account of 3 legacy Segment B credit exposures. Looking back, the Bank's significant push into and growth of its offshore credit book since 2017 resulted in high impairment and increased provision in the subsequent 2 years. Net of cash collateral, the Provision Coverage Ratio in 2019 is higher at 68.83 percent resulting in lower Net Impairment Ratio of 2.55 percent in 2019 despite below budget growth in advances in 2019.

Shareholder's equity stood at MUR 18.1 billion, up 3 percent from MUR 17.5 billion in 2018. At this level, the Bank remained adequately capitalised with a Capital Adequacy Ratio of 14.65 percent and a Common Equity Tier 1 capital ratio of 12.96 percent. Both ratios are above the minimum regulatory requirement and are net of payment of dividend of MUR 1.319 billion.

Operational capabilities

In 2019, the Bank has pursued a strategy of upgrading its infrastructure and has invested significantly in the renewal of its ageing park of POS machines and ATMs, and also to guard against cyberattacks.

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

1. Over 146,000 Domestic Bank Transfers processed monthly
2. Over 32,000 International Bank Transfers processed monthly
3. Over 1 million Financial ATM transactions approved via our ATMs monthly
4. Over 1.8 million Non-Financial ATM transactions processed via our ATMs monthly
5. Average of 240,000 cheques processed at our Branches monthly
6. Over 1.3 million financial transactions approved via our POS machines monthly
7. Over 3.6 million of active Direct Debits and Standing Orders as at 31 December 2019

Awards

In 2019, the performance of SBM Bank (Mauritius) Ltd continued to be recognised with the bank winning several acclaimed awards across a wide spectrum of services that we offer.

- Best Bank in Mauritius 2020 by the Global Finance Magazine at the World's Best Banks 2020 Awards.
- Global Banking & Finance Review magazine rewarded the Bank for the second time in two years with the Best Retail Bank Award.
- Our Private Banking Team also came into the limelight and won the Best Private Banking & Wealth Management Bank Award by the International Business Magazine.
- Additionally, the Private Banking Team was bestowed with the Best Wealth Management & Investment Solutions Brand, Mauritius, by the Global Brands Magazine at the Global Brands Awards 2019.

- Our focus on improving customer service paid off as we reaped the Customer Service Innovation Award by Infosys Finacle Client Innovation Award.
- The Bank was recognized by VISA with the Highest Authorisation Approval Rate – Cross-Border Point of Sale (POS) (Issuer).

Economic outlook

At the time of writing, outlook for 2020 has been impacted by the outbreak of the COVID-19. Having been declared a global pandemic by the World Health Organisation, the virus has spread to more than 200 countries and necessitated the lockdown of more than 2 billion people across the world, including Mauritius.

At the international level, the IMF has forecasted a contraction of 3 percent in the global economy for 2020, much worse than during the financial crisis of 2008-09. The lockdown and other closure measures necessary to reduce the spread of the COVID-19 have slowed down economic activities across the world. The virus has led to disruptions in global demand, supply value chain and investor confidence. Given the systemic risk to their jurisdictions, Central Banks across the world resorted to unprecedented accommodative actions through interest rate cuts and quantitative easing, while governments are implementing stimulus packages to shield employment and economic activities.

Though the COVID-19 situation has led economic activity to slow down in Mauritius and is challenging our economy, the Government has been quick to react and has put in place several economic measures to limit the impact of the virus on households and businesses, following the first confirmed cases of contamination on its territory. The 10 weeks lockdown has yielded positive results and Mauritius is now gradually re-opening.

In this global and local challenging context, the bank will continue to support its clients impacted by the COVID-19 across all segments. The bank will draw from funds available through the stimulus package put in place by the government as well as from its own resources to ensure that economic operators not only withstand this turbulent time but also position themselves for the economic recovery.

Regulatory framework

The regulatory environment remains one of our key areas of focus. IFRS 9 is now firmly embedded within the risk management framework of the Bank and the parameters used in our internal model are back tested to ensure we remain fully compliant.

We have also assessed the impact and are comfortable with the implementation of the new Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition in 2020.

Building for a strong future

The Bank started 2019 cautiously as it dealt with a number of legacy issues. I am pleased to share with you that the Segment B remediation plan is now completed and that we have a robust risk management framework in place across the Bank.

As we end 2019, we are confident that we have the required building blocks for a strong future: our staff remains committed and agile; we have added and improved capacity as required across our network; we have improved on customer service and experience; we continue to reduce turnaround time without lowering the standard of our controls; our loans and investment securities portfolios continue to grow; and our capital position remains above regulatory limits.

We are confident that the building blocks laid in 2019 will push us further in 2020.

Thanking you for trusting us

As I draw the curtain on the year end, I would like to thank our loyal customers and all our employees. SBM Bank (Mauritius) Ltd would not be the great bank it is today without them. I would also like to thank our shareholders and Board of Directors whose support and guidance have ensured that we deliver better solutions. And finally, a big thank you to the senior management team and to everyone for the trust you have placed in me.

I look forward to our continued partnership in 2020.

Parvataneni Venkateswara Rao
Chief Executive

ABOUT THIS REPORT

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

Scope of Reporting

The report covers the period starting from 01 January 2019 till 31 December 2019. Some material events arising after this date until approval of the Annual Report by the Board of Directors of SBM Bank (Mauritius) Ltd on 15 May 2020 have also been included in our reporting.

BOARD OF DIRECTORS

1. Mr Mohit Dhoorundhur
Chairperson of the Board &
Independent Director
2. Mr Philip Ah-Chuen, FMIOD, FMIM
Independent Director
3. Mr Balachandran Chelampet Puthukulangara (Balachandran CP)
Non-Executive Director
4. Mr Rishikesh Hurdoyal
Independent Director
5. Mrs Imalambaal Kichenin
Independent Director
6. Mr Eric Michel Georges Leal
Independent Director
7. Mr Abdool Karrim Namdarkhan
Independent Director
8. Mr Parvataneni Venkasteswara Rao (PV Rao)
Executive Director and Chief Executive
9. Mr Rajcoomar Rampertab, CSK
Independent Director
10. Mr Ranapartab Tacouri
Independent Director

Board composition as at 15 May 2020

BOARD OF DIRECTORS

MR MOHIT DHOORUNDHUR

Independent Director, Chairperson of the Board and Chairperson of the Remuneration & Nomination Committee and Strategy Committee

Mr Mohit Dhoorundhur is the Chairperson and an Independent Director of the Board of SBM Bank (Mauritius) Ltd since mid-March 2020. His career spans over 45 years in serving Mauritius and Africa in leadership positions.

Mr Dhoorundhur has been the Executive Director of the African Development Bank Group, Director and Chairman of the Eastern and Southern African Trade and Development Bank (PTA Bank, now Trade and Development Bank), Alternate Director of the Fonds de Solidarité Africain, and Member of the Technical Committee to operationalise the COMESA Fund.

He has served at Permanent Secretary level at the Ministry of Finance and Economic Development and lately, as Director of the Procurement Policy Office.

He has been a Councillor at the University of Mauritius and held directorship positions in organisations that include: Chairman of the Board of the Mauritius Civil Services Mutual Aid Association, Director of the Mauritius Housing Company Ltd, the Development Bank of Mauritius Ltd, Development Bank of Mauritius Financial Services, the First City Bank, the Mauritius Sugar Bulk Terminal, the National Housing Development Company Ltd, the Cargo Handling Corporation Ltd, the National Transport Corporation, the Central Water Authority, and the Central Electricity Board.

He holds a BA (Hons) in Economics from the Delhi University, India and a Diploma in Public Administration and Management from the University of Mauritius. His professional qualifications include a Certificate in Financial Administration in Government from the Centre for Pacific Development & Training, Sydney, Australia and a Certificate in General Management for Senior Executives, Administrative Staff College of India, Hyderabad, India and participated in a management change course for senior executives at the Civil Service College of Singapore.

MR PHILIP AH-CHUEN, FMIOD, FMIM

Independent Director and Chairperson of the Corporate Governance & Conduct Review Committee

Mr Philip Ah-Chuen is a Fellow of the Mauritian Institute of Directors (FMIoD) and Fellow of the Mauritian Institute of Management (FMIM). Besides his position as Director of the Bank, Mr Ah-Chuen is also the Executive Director of Allied Motors Co. Ltd and Non-Executive Director of Chue Wing and Company Ltd. He has devoted a large part of his career to supporting and guiding education and upliftment initiatives in Mauritius and Rodrigues. Known for his strong sense of ethics and humility, he has served as Commissioner of the Public Service Commission (PSC) from November 2015 till February 2020 and was appointed Chairman of the Utility Regulatory Authority in May 2018. Mr Ah-Chuen holds a Master's degree in Industrial Administration from Aston University, UK.

Mr Ah-Chuen is an independent Director since June 2015 and the Chairperson of the Corporate Governance and Conduct Review Committee of SBM Bank (Mauritius) Ltd since July 2015.

MR BALACHANDRAN CHELAMPET PUTHUKULANGARA (BALACHANDRAN CP)

Non-Executive Director and Chairperson of the Board Credit Committee

Mr Balachandran CP has a career that spans over four decades in the Banking sector, both in Mauritius and India. He holds a first-class degree in Accountancy, Economics and Commerce and is a CDCS Advocate from the London Institute of Banking & Finance (LIBF). In addition, he is a certified associate of the Indian Institute of Banking & Finance (IIBF) and certified in AML from the International Compliance Association (ICA) UK. Mr Balachandran is currently Director of Camp ML Ltd and was previously the Deputy CEO of Bank One in Mauritius and had held various executive positions in several international banks, including Société Générale, Oman International Bank, Indian Overseas Bank and State Bank of India.

Mr Balachandran CP served as a member of the Banking Commission at the International Chamber of Commerce (ICC), Paris for long years as well as in the ICC Task Force on AML and Compliance. He is a Fellow of the Mauritius Institute of Directors, and was an Alternate Director at the Mauritius Bankers Association (MBA) between 2014 and 2018. He is a known trainer in the field of banking and a senior visiting resource at prominent bankers training institutions in India, East Africa and Mauritius.

Mr Balachandran CP joined the Board of SBM Bank (Mauritius) Ltd as a Non-Executive Director in April 2019 and as the Chairperson of the Board Credit Committee of SBM Bank (Mauritius) Ltd since March 2020.

MR RISHIKESH HURDOYAL

Independent Director and Chairperson of the IT & Procurement Committee

Holder of a B.A. (Honours) Law & Management from the University of Mauritius, an LLM in International Law with International Relations from the University of Kent, UK, and a Postgraduate Diploma in Law from the London Metropolitan University, UK, Mr Hurdoyal is a practising Barrister at Law admitted to the Bar both in Mauritius and the UK. He has also been appointed as Legal Adviser for various parastatal bodies and management companies.

Mr Hurdoyal is an Independent Director since June 2015 and Chairperson of the IT & Procurement Committee of SBM Bank (Mauritius) Ltd since November 2017.

BOARD OF DIRECTORS

MRS IMALAMBAAL KICHENIN

Independent Director and Chairperson of the Audit Committee

Mrs Imalambaal Kichenin is a top-level executive with over 19 years' 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. Her past experience includes directorship positions in Lex Communications Ltd and Turquoise Promotion Ltd. She holds an LLB (Hons) from the University of London, UK, and is a Member of several professional bodies including the Institute of Chartered Secretaries and Administrators, the Mauritius Institute of Directors, the Association of Trust and Management Companies and the International Fiscal Association.

Mrs Kichenin is an Independent Director and the Chairperson of Audit Committee of SBM Bank (Mauritius) Ltd since March 2020.

MR ERIC MICHEL GEORGES LEAL

Independent Director

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

Mr Leal is an Independent Director on the Board of Directors of SBM Bank (Mauritius) Ltd since March 2020.

MR ABDOOL KARRIM NAMDARKHAN

Independent Director and Chairperson of the Risk Management Committee

A barrister by profession, Mr Abdool Karrim Namdarkhan is part of Basset Chambers and has been a Member of the Independent Review Panel since August 2018. Mr Namdarkhan holds an LLB with Honours from King's College, London, and has completed the Bar Professional Training course at the University of Law, London.

He was called to the Bar of England and Wales in July 2012 at the Honourable Society of Gray's Inn and was admitted to the Bar of Mauritius in September 2013.

Mr Namdarkhan is an Independent Director since October 2018 and the Chairperson of the Risk Management Committee of SBM Bank (Mauritius) Ltd since March 2019.

MR PARVATANENI VENKASTESWARA RAO (PV RAO)

Executive Director and Chief Executive

Mr Parvataneni Venkateswara Rao is an experienced banking professional with 36 years of working experience in the industry. Graduated from the Andhra Pradesh Agricultural University (India) and holder of an MBA from the Indira Gandhi National Open University, Mr PV Rao is also a Diploma Holder in Bank Management, International Banking, Treasury Investment & Risk Management and Financial Services. He started his Banking career in Syndicate Bank in India and also worked with IndusInd Bank in India before joining SBM (Indian Operations) in December 2010. Mr PV Rao then joined SBM Bank Mauritius Ltd in April 2013 as Head of Financial Markets and was subsequently appointed as Chief Executive of the Bank on 17th April 2019.

During his career, Mr PV Rao has had exposure to different banking segments viz Agriculture, Retail Banking Foreign Exchange, Treasury, Capital Markets and Balance Sheet Management.

Mr PV Rao is an Executive Director on the Board of SBM Bank (Mauritius) Ltd since October 2018.

BOARD OF DIRECTORS

MR RAJCOOMAR RAMPERTAB, CSK

Independent Director

Mr Rajcoomar Rampertab, is a holder of a BA (Hons) in Social Science and a Diploma of Higher Education from Middlesex University, London, United Kingdom. He lectured in Law and Sociology in the UK for a number of years.

He holds an LLB (Hons) from the University of East London (UK). He then completed his Legal Practice Course (LPC Solicitors Final) from the College of Law, UK. He practiced as an immigration lawyer in the UK for several years. He also worked as a civil servant and a local government officer before being elected as a Conservative Party local councillor for the Borough of Reigate and Banstead, Surrey, UK from 2007 to 2011 where he was a member of the Overview and Scrutiny Committee and also represented the Council on the Reigate and Banstead Sports Council.

From 2011 to 2014, he held the position of Money Laundering Reporting Officer (MLRO) in a Management Company in Mauritius.

Mr Rampertab is an Independent Director on the Board of Directors of SBM Bank (Mauritius) Ltd since March 2020.

MR RANAPARTAB TACOURI

Independent Director and Chairperson of the Finance Committee

Mr Ranapartab Tacouri has a long and eminent career spanning over 50 years in both the academic and financial sectors. He has previously been the Managing Director of the Bank of Mauritius, Managing Director of the Development Bank of Mauritius and CEO of First City Bank. He has held directorship positions on several Boards including Bourse Africa and the Bank of Mauritius. He holds a BA (Hons) in Economics and a Master's degree in Economics from Poona University, India.

Mr Tacouri is an Independent Director and the Chairperson of the Finance Committee of SBM Bank (Mauritius) Ltd since March 2020.

Details of the Directors who served on the Board during the Financial Year 2019 are set out below:

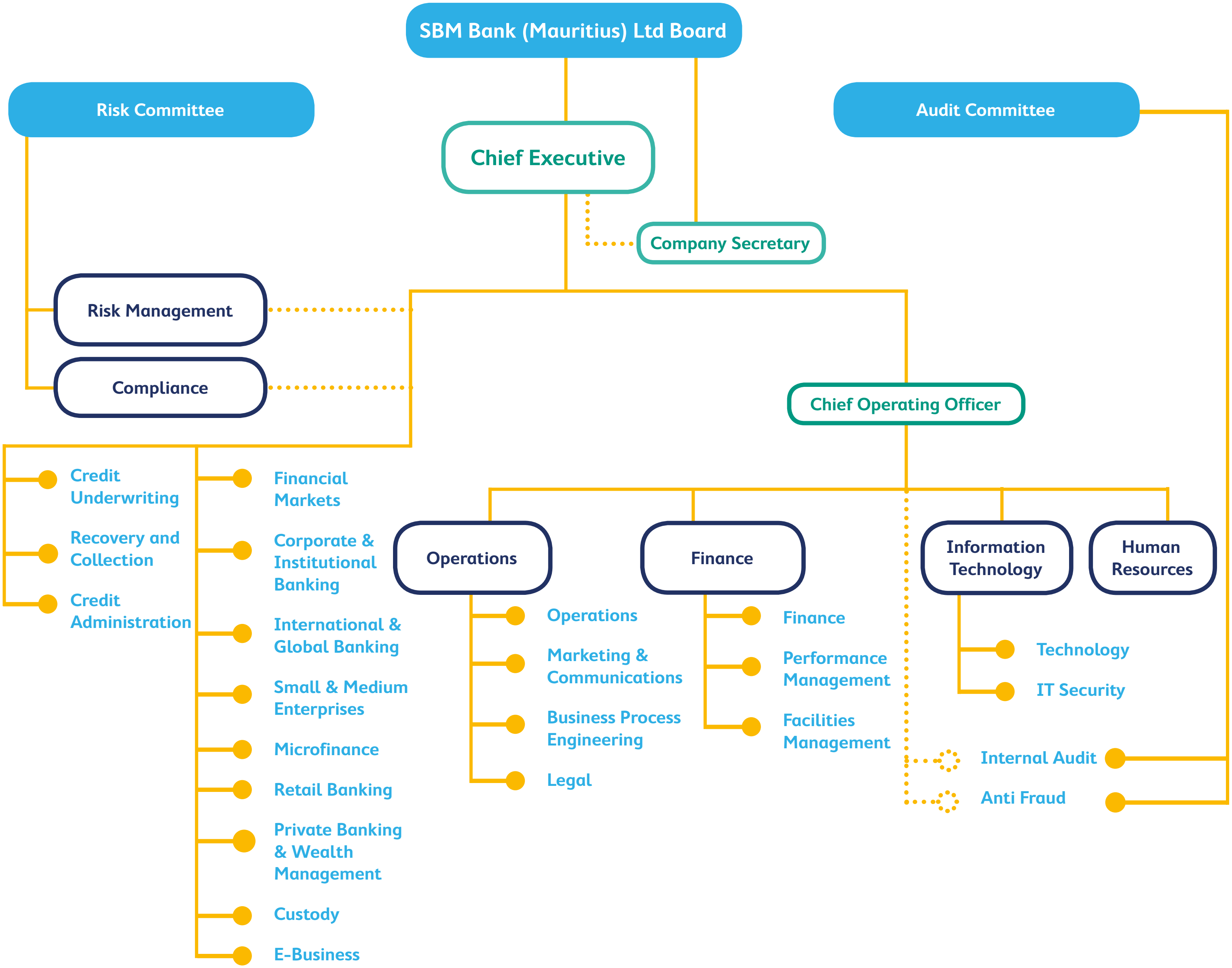
Members	Date of Appointment	Category
Mr Nayen Koomar Ballah, G.O.S.K.	June 2015 *Ceased to be director on 13.03.2020*	Chairman & Non-Executive Director
Mr Philip Ah-Chuen	June 2015	Independent Director
Mr Mahmadally Burkutoola	June 2015 *Ceased to be director on 28.02.2019*	Independent Director
Mr Balachandran Chelampet Puthukulangara	April 2019 *Appointed as director on 03.04.2019*	Non-Executive Director
Mr Rajakrishna Chellapermal	June 2015 *Ceased to be director on 09.03.2020*	Independent Director
Mr Azim Fakhruddin Currimjee	September 2019 *Appointed as director on 17.09.2019 and ceased to be director on 13.03.2020*	Non-Executive Director
Mr Ishwar Anoopum Gaya	June 2016 *Ceased to be director on 27.02.2020*	Independent Director
Mr Rishikesh Hurdoyal	June 2015	Independent Director
Mrs Veronique Lim Hoye Yee	February 2018 *Ceased to be director on 08.05.2019*	Executive Director
Mr Michel Arnaud Moothoosamy	June 2017 *Ceased to be director on 09.03.2020*	Independent Director
Mr Abdool Karrim Namdarkhan	October 2018	Independent Director
Mr Venkateswara Rao Parvataneni	October 2018	Executive Director & Chief Executive
Mr Visvanaden Soondram	November 2018 *Ceased to be director on 09.03.2020*	Non-Executive Director

CORPORATE PROFILE

Shareholding Structure

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

Organisation Structure



Our Products & Services

SBM offers the right banking solution for every need.

Personal Banking

Retail Banking, Private Banking and Wealth Management

SBM voices out a wide distribution network with more than 40 branches in Mauritius and Rodrigues and enjoys a strong franchise in the domestic market. Furthermore, our Private Banking and Wealth Management division caters for the Banking and Investment needs of local and foreign high-net-worth individuals and families. Our core objective is to preserve and enhance client's wealth through tailor made solutions.

We offer a wide array of traditional and innovative digital products:

Traditional

- All in One Account – Transactional Account
- Savings Account
- Checking Account
- Term Deposits
- Amigos Account – Tailored Account for Minors
- Senior Citizen Account
- Mortgage
- Personal Loan

- Auto Lease
- Education Loan
- Eco Loan
- Foreign Exchange
- Private Wealth
  - Discretionary Portfolio Management
  - Investment Advisory
  - Structured Products

Digital

- Cards - Visa / MasterCard / UnionPay
  - Debit
  - Credit
  - Prepaid
- Bill Pay

- Internet Banking
- Mobile Banking
- SMS Top Up (Mobile Recharge)
- E-Statement
- Online Loan Application

Private Banking & Private Wealth Lounge

Private Banking & Private Wealth Lounge

An upmarket setting for an exclusive customer experience

The Private Banking & Private Wealth lounge was inaugurated on 15 February 2020. The lounge offers an exclusive space to welcome our upmarket client segment and also serves as a high-end facility for high-level meetings and functions.

It provides state-of-the-art waiting areas and meeting rooms. All these facilities are equipped with the latest available conference call and video conferencing technologies to ease communications to and from clients.

With a pleasant atmosphere synonymous with service excellence and quality, the lounge is at par with prestigious international banking and financial institutions. Our Private Banking and Private Wealth clients now enjoy this pleasant atmosphere with an upscale setting ideal for discussions on their financial needs, their investment goals and any financial matter that requires one-on-one meetings with their dedicated Relationship Manager.

The Private Banking & Private Wealth Lounge is yet another testament to our continuous quest to offer the most enjoyable banking experience to clients who are always on the lookout for innovations in the broader sense of the word. This facility is indeed a perfect illustration of our will to always go the extra mile to meet the needs of an increasingly sophisticated market segment.

Our Dedicated Corporate & Institutional Banking Services

Corporate, Institutional & International

Banking Services

Our banking services have been developed to meet the needs of all types of institutions, whether they are domestically incorporated (where we accompany them both locally and in their overseas ventures) or incorporated in a foreign country.

- Microenterprises with annual turnover not exceeding MUR 2 million
- Small and Medium Enterprises
- Large Domestic Corporations
- Foreign Incorporations
- Management Companies, GBCs and Authorised Companies
- Trust, Foundations and Funds

Traditional

- Dedicated Relationship Manager
- Accounts in all major currencies (USD, GBP among others)
- Cash Management
- Cross-Border Financing
- Financial Institutions
  - > Trade solution
  - > Liquidity solution
  - > Payment solution
- Leasing Facility
- Investment Solutions
- International Wire Transfers (over 45 Nostro Correspondent banks)
- Trade Finance Products
  - > Letter of Credit
  - > Advance Payment Guarantee
  - > Documentary Collections and Open Accounts
  - > Import Loans
  - > Discounting of Letters of Credit and Bank Guarantees
  - > Issuance of Bank Guarantee
  - > Structured Trade and Commodity Finances
- Experienced and Specialised Team for each market and requirement
- Term Loans (Short term and Long-term project)
  - > Asset and Projects Financing
  - > Participation in Syndicated Loans (including SBM as arranger)
  - > SBLC-backed transaction
- Working Capital & CAPEX Finance
  - > Overdraft Facilities
  - > Bill Discounting
  - > Long-term Loans
- Project Finance
  - > GFA (Garantie Financière d'Achèvement)
  - > Escrow Account
  - > Set-up loan
  - > Overdrafts
  - > Bridging Finance
  - > Revolving Credit Facilities
  - > Loan with moratorium period
  - > Monitoring
- Micro Finance
  - > Micro Working Capital Loan
  - > Micro Investment Loan – Term Loan up to 7 years to meet capital expenditure
  - > Asset Acquisition Facility – Term loan up to 7 years for purchase of vehicles/productive assets

PRODUCT OFFERINGS

Digital

- Cards - Visa / MasterCard / UnionPay
- Privilege Credit Card - MasterCard World Reward

- Internet Banking services :
  - View
  - Transact
    - Transfer
    - Pension Payment
    - Salary Payment
    - Bulk FCY Payment
- E-Statement

Financial Markets

SBM Financial Markets (FM) provides a comprehensive array of treasury products and services covering various asset classes to meet trading and hedging requirements of individuals and institutions. FM also engages in market making of various financial products along with managing the Bank's own investment, trading, funding, liquidity management and regulatory reserve requirements.

- Foreign Exchange
- Fixed Income
- Money Markets & Deposits
- Credit

- Commodity
- Derivatives & Structured Products
- Cross-Border Retail, HNI & Wholesale Remittances
- Wealth Management Products

Custodian Services

We simplify access to investments in the local and foreign markets. SBM Custody offers the following services:

- Custody and Depositary Services
- Asset Servicing and Safekeeping
- Clearing and Settlement of Trades
- Reporting and Reconciliation
- Corporate Action Services
- Foreign Exchange Execution
- Online access through the Custody Portal

E-Business solutions

Our e-solutions provide secure and reliable transactions process designed to support businesses with cost-effective system services:

- Point-of-Sale (POS) Services
- E-Commerce Acquiring Services
- Merchant Discount Program
- Alipay

Overseas Banking Affiliates

Banque SBM Madagascar SA

Banque SBM Madagascar SA, has been in operations for 22 years. Its core banking segments are Corporate and SME.

The bank is present through 6 branches in the main business locations including Antananarivo and Toamasina, the Province hosting the main Port of the country.

Traditional

Individual
- Savings Account (Classic and Special)
- Current Account

Credit
- Financing of the Operating Cycle
  - > Overdraft Facilities
  - > Bill discounting (Local and Foreign)
  - > Loans (Short term and Medium term)
  - > Pre-financing, Import Loans
  - > Bank Guarantees
  - > Financial Guarantees

Corporate
- Plus Current Account
- Business Plus Current Account

Trade finance
- Import Services
- Export Finance
- Collection of Bill
- Letter of Credit / Standby Letter of Credit
- Inward and Outward remittance

Treasury products
- Foreign Exchange Transaction
- Fixed Deposits

Digital

Cards - UnionPay
- Prepaid

- Internet Banking
- Mobile Banking
- E-Statement

The location of branches to be found in the Additional Information section at pages 244.

PRODUCT OFFERINGS

Overseas Banking Affiliates

SBM Bank (India) Limited

SBM Bank (India) Limited is a new-age, technology-driven bank operating in a highly competitive industry segment with a plug and play architecture for its banking services. The bank offers an innovative suite of solutions, delivered to a diverse customer base through a unique collaborative banking strategy.

Traditional

Individual

- Savings Account (Regular, Family, Kids)
- Current Account
- Resident Foreign Currency Account for Returned Indians
- Resident Foreign Currency (Domestic) Account for Resident Indians
- Resident Foreign Currency for Diplomatic Mission / Diplomats / Family members

Deposits

- Term Deposit (Regular, Senior Citizen)
- Recurring Deposit

Loans

- Home Loan
- Loan against property

Global Indian Programme for Non-Resident Indian

- Banking Solutions
  (a) NRE and NRO Savings Accounts
  (b) NRE, NRO and FCNR Deposits
  (c) NRE PIS (Portfolio Investment Scheme) Account
  (d) Financing Solutions
  (e) Online Remittance - SBM Remit
  (f) Relationship Banking
- Privileges & Assistance
  (a) Personal Concierge
  (b) Expert Assistance
  (c) Lifestyle Benefits and Offers
  (d) Signature Experience
- Wealth Management
  > Mutual Funds
  > Portfolio Management Services to Insurance
  > Estate Planning

Corporate

- MSME & Corporate Finance
  > Fund
  > Non-Fund Based
- Accounts
  (a) Normal Current Account
  (b) Current Account for Import & Export business – Exchange Earners' Foreign Currency
  (c) ESCROW
  (d) Foreign Currency Account
- Treasury
  (a) Foreign Exchange products for Corporates / Individuals
  (b) Cash, Tom, Spot
  (c) Hedging
- Financial Institutions
- Trade Finance
  (a) Export
  (b) Import
  (c) Documentary Credit
  (d) Bank Guarantees
  (e) Forward Contract
  (f) Domestic Trade
  (g) Remittances

Overseas Banking Affiliates

SBM Bank (India) Limited

Digital

Cards – Rupay / MasterCard	
• Debit • Commercial Credit	• Bill Pay / IMPS • Internet Banking • E-Statement / Electronic Fiscal Device advice • Digital Account Opening

More information on website: https://www.sbmbank.co.in/

The location of branches to be found in the Additional Information section at pages 244.

SBM Bank (Kenya) Limited

SBM Bank (Kenya) Limited has a prominent network of 52 branches in Kenya, situated mostly around Nairobi and offering a wide range of banking solutions to over 181,000 customers.

The bank's product offering is segmented into Consumer Banking for individuals and micro businesses, Small and Medium Enterprises (SMEs) and Corporates. Within the Consumer Banking, there are centres of excellence that further specialise on the banking needs of women and youth, diaspora, high net worth individuals and working professionals.

Traditional

Individual	Corporate
• Jivunie Current Account • Instant Saver Account • Pebble Savings Account • Aspire Current Account • Aspire Plus Current Account • Elite Current Account	• Baraka Collection Account • Plus Current Account • Business Plus Current Account

Overseas Banking Affiliates

Digital

Cards - Visa / UnionPay • Debit • Credit • Prepaid	• Mfukoni Online (Internet Banking) • Mfukoni Mobile (Mobile Banking) • Money Transfer Services

More information on website: https://www.sbmbank.co.ke/

The location of branches to be found in the Additional Information section at pages 245.

SBM Bank (Seychelles) Limited

SBM Bank (Seychelles) Limited is licensed and regulated by the Central Bank of Seychelles. The bank aims to provide customers with innovative banking solutions giving them an edge in the competitive banking environment. The bank's products and services include:

Traditional

Individual • Saving Account • Current Account • Fixed Deposit	**Corporate** • SME Current Account • Business Current Account • Letter of Credit **International Transfer** • Trade Finance

Digital

• Internet Banking	• E-Statement

The location of branches to be found in the Additional Information section at pages 245.

Other Affiliates

Non-Banking Financial Solutions

SBM (NBFC) Holdings Ltd complements the Bank's offering through a diverse range of financial solutions:

Capital Markets Solutions

Corporate Finance Advisory
- Equity Capital Markets
- Debt Capital Markets
- Mergers & Acquisitions
- Private Equity
- Capital Raising
- Underwriting
- Syndications

Fund Management
- Pension Fund Administration
- Collective Investment Scheme (CIS) Funds
- Portfolio Management Services

Trading & Structuring
- Equities
- Bonds
- Commodities
- Derivatives
- Structuring

Fund Services
- Registry and Transfer Agency
- Fund Administration and Corporate Services

Insurance Agency

General Insurance
- Motor Insurance
- Household Insurance
- Health & Travel Insurance
- Fire & Allied Perils Insurance

Life Insurance
- Life Insurance Plans
- Personal Pension Plans

Factoring Services
- Flexible Cash Flow Solutions
- Credit Screening
- Administrative services
- Financing within 24 hours
- Favourable credit terms

More information on the website https://nbfc.sbmgroup.mu/

Contact information available at page 247 .

SBM Bank (Mauritius) Ltd is driven by the SBM Group's vision to become a leading and trusted financial services provider in Mauritius and beyond. It is also guided by the Group's 5 pillars when designing its strategy.

The 5 Pillars

Consolidation

The Bank aims to maintain and consolidate its position as the second largest domestic bank in all segments where it operates.

Diversification of Product Offering

The Bank wants to be at the forefront in terms of bringing new and innovative products to the market and it is able to cooperate with the non-bank entities across the group.

Regionalisation

The Bank is able to play an important role in the India-Africa corridor by leveraging on its network of sister companies in Mauritius as well as in Africa and India.

Modernisation

The Bank is conscious of the pace of change in the digital space and is investing heavily to ensure it is a key FINTECH player.

Capacity Building

The Bank continues to improve its capabilities on all fronts so as to be able to deliver on its long term objectives and also to be able to take advantage of market opportunities as they arise.

Strategic Initiatives

The Bank is keen to build on its reputation as the Bank for the people. As such, increasing its share in the retail banking space is one of its primary objectives for the short to medium term. This will be achieved via marketing campaigns for loans (personal, home, vehicle), high-end cards, and also by offering new products for this segment with attractive features. In 2020, the Bank also intends to launch a campaign for the revamped AMIGOS programme.

SBM Bank (Mauritius) Ltd has made a commitment to help the operators in the SME segment. To that extent, a number of initiatives will be launched in 2020, including (i) building on the successes of the SME forums which were initiated in 2019, (ii) leveraging on credit insurance facilities from Africa Guarantee Fund and (iii) partnering with European Investment Bank to promote SME and diversity financing.

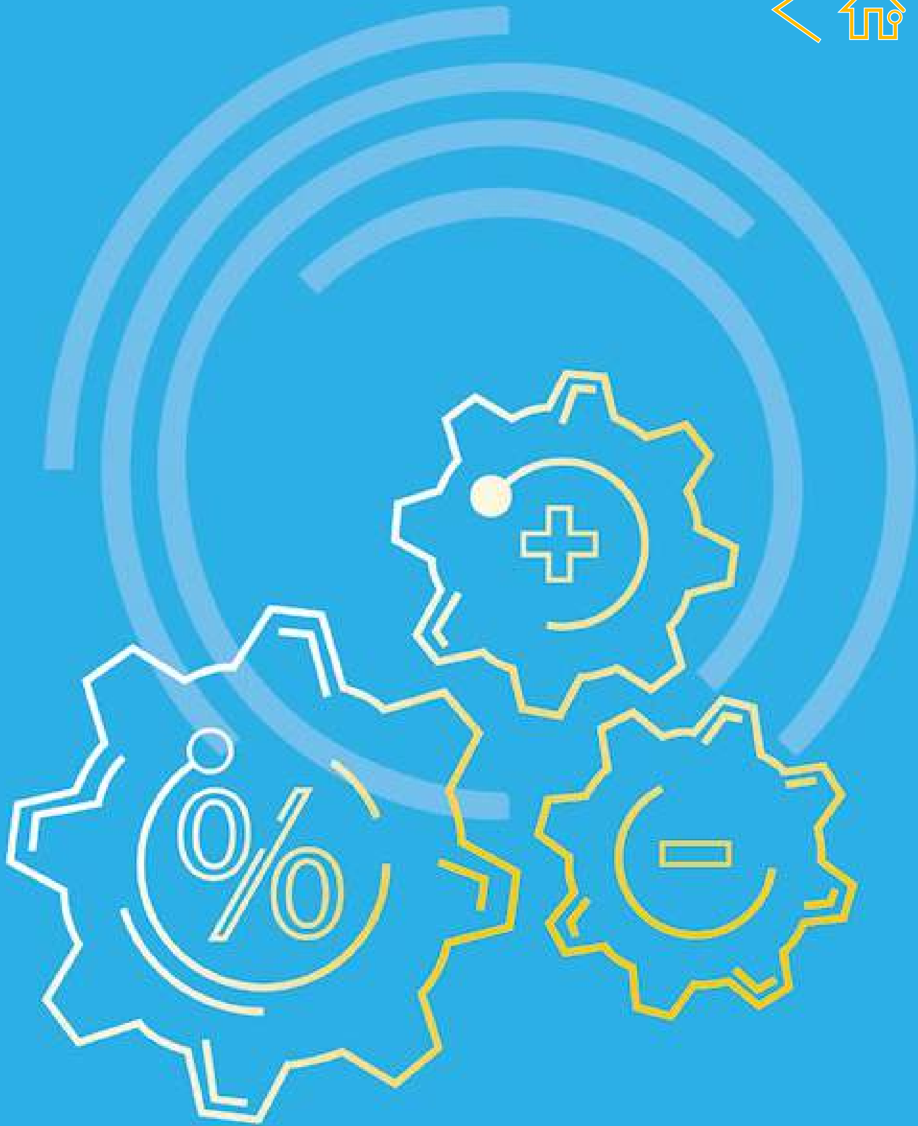
We recognise that our Private Wealth segment has been a success story and foresee a growing market with particular focus on foreign customers in the region. Mauritius is an attractive location for the elite population in Africa, India and Europe. We will continue to invest and innovate in this segment as we did in 2019 when we became the first bank in Mauritius to sign a Distribution of Funds agreement with the world famous Julius Baer Funds.

Traditionally, the Bank has relied partially on expensive financing lines from other financial institutions. With the objective of increasing its corporate loan book, the Bank will be focussing more effort on raising Global Banking deposits which should help improve margins.

The Bank is also focussing on its Asset Liability management, especially with regards to the composition of the balance sheet. In the current falling interest rates environment, a diversification of the investment book portfolio is warranted. The Bank will therefore be looking at new markets for investments while managing risks within internal limits.

With the completion of the Segment B remediation plan, the Bank will also be embarking on a comprehensive Moody's Credit training programme for all employees involved in the credit function and our Bank Directors involved in relevant committees. This will put us in a stronger position to assess credit requests as we look again at offshore credit lines.

Customer Service is at the heart of everything we do going forward and a new team was set up to focus on customer journey and improving the customer experience. Along these lines, processes are being reviewed at branches with the aim of reducing waiting time and improving processing times. iATMS are also being introduced at key branch locations and in 2020, we aim to bring our rebranding journey one step closer to our clients as we kick off the renovation of our branches.



FINANCIAL
REVIEW

FINANCIAL REVIEW

	31 December 2019	31 December 2018	31 December 2017[a]
Statement of profit or loss (MUR million)			
Interest income	7,689	7,156	6,075
Interest expense	2,024	1,665	1,569
Net interest income	5,665	5,491	4,506
Non interest income	2,455	2,392	2,365
Gross revenue	8,120	7,883	6,871
Non interest expense	3,631	2,735	2,846
Depreciation and amortisation	668	695	642
Net impairment loss on financial assets	3,607	3,010	228
Profit before income tax and net impairment loss on financial assets	4,489	5,149	4,025
Profit before income tax	882	2,138	3,797
Profit for the year	550	1,461	3,303
Statement of financial position (MUR million)			
Total assets	212,037	183,986	172,379
Gross loans and advances to non-bank customers	107,070	99,798	97,638
Deposits from non-bank customers	173,259	147,531	134,385
Shareholder's equity	18,069	17,467	19,270
Tier 1 capital	13,920	13,421	11,793
Risk-weighted assets	107,417	99,518	104,933
Statement of financial position (average[b] MUR million)			
Assets	198,012	178,182	150,712
Loans and advances to non-bank customers	103,434	98,718	84,775
Deposits from non-bank customers	160,395	140,958	118,750
Shareholder's equity	17,768	18,368	17,608
Tier 1 capital	13,670	12,607	10,044
Performance ratios (%)			
Capital adequacy ratio	14.65	15.11	12.83
Tier 1 Capital adequacy ratio	12.96	13.49	11.24
Profit before income tax / average risk-weighted assets[b]	0.85	2.09	4.20
Profit before income tax / average assets[b]	0.45	1.20	2.52
Profit before income tax / average shareholder's equity[b]	4.97	11.64	21.57
Profit before income tax / average Tier 1 capital[b]	6.45	16.96	37.81
Return on average risk-weighted assets[b]	0.53	1.43	3.65
Return on average assets[b]	0.28	0.82	2.19
Return on average shareholder's equity[b]	3.10	7.96	18.76
Return on average Tier 1 capital[b]	4.03	11.59	32.89

FINANCIAL REVIEW (CONT'D)

	31 December 2019	31 December 2018	31 December 2017[a]
Efficiency ratios (%)			
Cost to income excluding bank levy	42.61	34.69	41.42
Cost to income	44.72	34.69	41.42
Asset quality ratios[c] (%)			
Gross impaired advances to gross advances	7.57	9.36	2.46
Net impaired advances to net advances	2.55	5.28	1.54
Other key data			
Number of employees	1,532	1,491	1,508
Number of service units	43	43	43

[a] Dec 2017 figures pertain to Mauritius Operations only.
[b] Averages are calculated using year-end balances.
[c] Advances used in calculation are net of cash collaterals.

Results

The results for 2019 demonstrate better operating environment with main focus on Retail Banking, Private Banking, SME, Domestic Corporate Banking and Treasury FX & Interest Rate businesses resulting in significant Operating Income of MUR 8.12 billion for FY 2019.

The Bank's fundamentals remain strong viz. growing market share, large Retail & Private Banking Customer base, low cost deposits and liabilities, strong domestic Corporate & SME Banking, Trade & Transaction Banking segments, and long standing loyal employees. The increase in women employees in the Bank reflects our commitment to Gender Equality and is aligned to one of the Sustainable Development Goals of United Nations.

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

Both Interest Income & Non-Interest Income have grown in 2019 to MUR 7.68 billion and MUR 2.46 billion respectively while growth in Interest Expense was contained at MUR 2.02 billion. Non-interest expense excluding bank levy of MUR 171.37 million, however increased by 26.51 percent to reach a total of MUR 3.46 billion. The increase is mainly due to the Bank's long term strategy of investing in its human capital resource and converting the employment contracts of most of the work force into contracts of indeterminate duration.

On an absolute basis, while the Bank generated a decent Profit before credit loss expense of MUR 4.66 billion, it only managed to record a Profit for the year of MUR 550 million, lower than 2018's results of MUR 554 million. The large credit loss expense is on account of impairment charges and provisions amounting to MUR 3.61 billion mainly for the legacy Segment B exposures.

Revenue Growth

Operating income for 2019 grew by 3 percent (MUR 237 million) to reach MUR 8.12 billion (MUR 7.88 billion in 2018) with the main contributors being (i) Net Interest Income (Interest Income less Interest Expense), (ii) Non-Interest Income or fee income comprising mainly fees and commission, income from card business and exchange income and (iii) trading income representing gain on sale of securities and gain on dealings in financial instruments and foreign currency dealings.

Net Interest Income

Despite 2019 being characterised by a falling interest rate environment, both in the domestic as well as international markets, the Bank was able to post an increase in net interest income of MUR 173.96 million or 3.17 percent over the year 2018. The growth in net interest income is a direct result of the careful allocation of the Bank's financial resources and resulted in total interest income growing by MUR 532.48 million while containing the growth in interest expense to MUR 358.52 million.

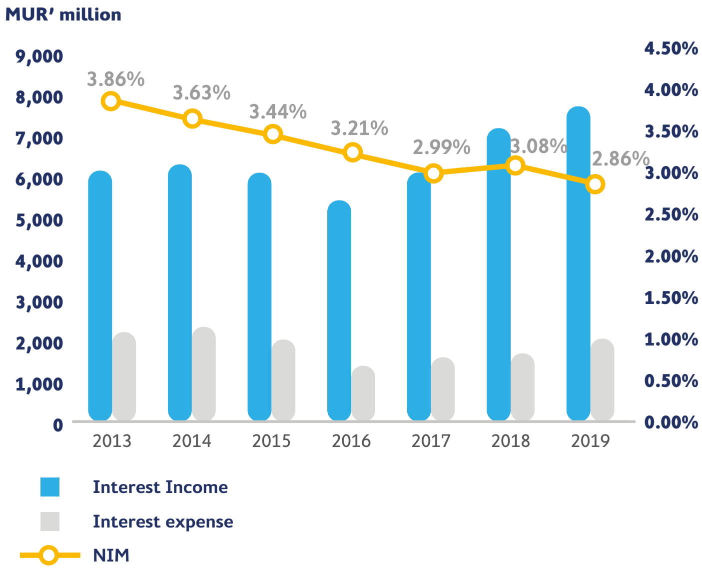
Interest income from investment securities was the major contributor to the growth in interest income for the year under review as the Bank shifted its surplus resources away from lower yielding placements and into higher yielding fixed income securities, both domestic and foreign. As a result, interest income from financial instruments registered an increase of MUR 591.54 million or 47.04 percent over 2018.

Interest income from loans and advances to non-bank customers stood at MUR 5.56 billion and experienced a marginal growth over 2018. Moreover, with a contribution of 72.35 percent, it continues to be the main component of total interest income and bears witness to the Bank's strong presence in this segment.

FINANCIAL REVIEW (CONT'D)

While the Bank managed to grow its interest income by 7.44 percent, the growth in interest expense of 21.53 percent limited the overall growth in net interest income. The drivers for the increase in interest expense can be attributed to a number of factors, including (i) the Bank's canvassing for FCY Term Deposits with interest payment (ii) Borrowing FCY for medium term from Inter Bank to meet ALM requirements especially after Bank of Mauritius implementing Liquidity Coverage Ratio (LCR) and the (iii) Bank's offering interest to selected large corporate and institutional deposits due to competition.

The combined effect of a falling interest rate environment, lack of significant growth in the advances book, and higher interest expense is a lower net interest margin of 2.86 percent for the year ended 31 December 2019 from 3.08 percent for the year ended 31 December 2018.



Non-Interest Income

As shown in the table below, the Bank was able to grow its non-interest income by 2.62 percent, from MUR 2.39 billion for the year ended 31 December 2018 to MUR 2.45 billion for the year ended 31 December 2019, despite operating in an increasingly competitive environment in all segments and reduced offshore loan business in FY 2019 that would have contributed to both FX and Processing fee income.

	Year Dec-19	Year Dec-18	Variance	
	MUR'million	MUR'million	MUR'million	%
Profit arising from dealing in foreign currencies	534.43	679.74	(145.31)	(21.38)
Net fee and commission income	774.47	688.13	86.34	12.55
Card income including e-commerce income	400.14	350.52	49.62	14.16
Gain on financial instruments	745.73	673.69	72.04	10.69
Total	2,454.77	2,392.08	62.69	2.62

Although the increase in non-interest income of MUR 62.69 million is relatively low, the Bank's long term objective remains focussed on growing its non-interest income. Looking at the table above, only the profit arising from dealing in foreign currencies has recorded a year on year drop amid squeezing margins and reduced offshore loan disbursements. The other three contributors have recorded a combined year on year increase of 12.15 percent.

Dealings in financial instruments allowed the Bank to make a total profit of MUR 745.73 million compared to MUR 673.69 million for the year 2018 as the Bank booked profits arising from falling interest rates.

Net fee and commission income from retail and corporate customers increased by MUR 86.34 million and maintained its uptrend. The trend also demonstrates the Bank's strength in both segments as well as its ability to arrange syndicated loans despite its revised risk appetite on Segment B loans.

The increase in net fee and commission income of MUR 49.62 million from our card and e-commerce businesses bears witness to the Bank's efforts to increase the onboarding of clients onto its e-commerce platform as well as its ability to increase card usage thereby deriving more revenues.

The ratio of non-interest income to average assets stood at 1.24 percent for the current year against 1.34 percent for 2018. Non-interest income as a percentage of gross revenue dipped slightly to 30.23 percent for 2019 against 30.34 percent for 2018.

Non-Interest Expense

The Bank continues to maintain strong cost control discipline. Excluding the impact of reclassification for bank levy amounting to MUR 171.37 million, the Bank was able to contain the growth in its cost to income ratio to 42.61 percent compared to 34.69 percent for last year.

Non-interest expense excluding bank levy amounted to MUR 3.46 billion for the year 2019 compared to MUR 2.73 billion for 2018. This represented an increase of 26.51 percent with the major component of the increase being attributed to the Bank's long term strategy to invest in its human capital resource and converting the employment contracts of most of the work force into contracts of indeterminate duration. The table below shows the components of operating expenses.

	Year Dec-19	Year Dec-18	Variance	
	MUR'million	MUR'million	MUR'million	%
Personnel expenses	1,719.59	1,271.17	448.42	35.28
Property costs (Including depreciation)	379.49	314.67	64.82	20.60
System costs (Including amortisation)	910.21	851.52	58.69	6.89
Other expenses	450.46	297.37	153.09	51.48
Total	3,459.75	2,734.73	725.02	26.51

Credit Loss Expense on Financial Assets

2019 was a decisive year whereby, following an in-depth review of all concerned exposures within the scope of the Segment B remediation plan, Management took the bold decision to take an additional amount of MUR 2.85 billion as impairment charges, one of the largest items being Kenyan exposure.

In addition, the Bank also made provisions to the tune of MUR 756.91 million on account of a number of other exposures and on other financial assets. Management will continue to monitor the impact of COVID-19 during 2020 with particular focus on the local economy in the light of the national confinement.

Statement of Financial Position

Loans and Advances

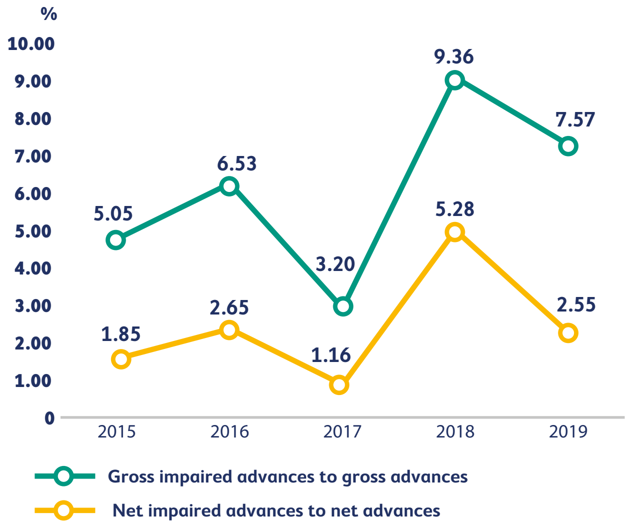
Gross loans and advances for the Bank increased by MUR 7.27 billion or 7.29 percent to reach MUR 107.07 billion as at 31 December 2019. The increase was mainly in Segment A as the Bank implemented the Segment B remediation plan. A breakdown of the credit portfolio by economic sectors and level of provisions held has been disclosed in Note 9 of the Financial Statements.

Credit Quality

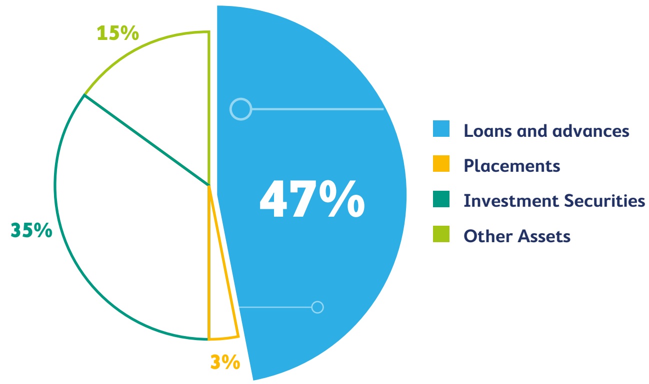
Impaired advances net of cash collaterals stood at MUR 7.92 billion as at 31 December 2019, compared to MUR 9.02 billion as at 31 December 2018. Specific allowance for credit impairment increased from MUR 4.22 billion as at 31 December 2018 to MUR 5.45 billion as at 31 December 2019, representing provision coverage ratio net of cash collaterals of 68.83 percent, against 46.81 percent at 31 December 2018. The uncovered portion is adequately covered by collaterals, suitably discounted to reflect prevailing market conditions and expected time of recovery.

The ratio of gross impaired advances net of cash collaterals to gross advances stood at 7.57 percent at 31 December 2019 compared to 9.36 percent as at 31 December 2018. Improvement in the gross impaired advances to gross advances as at 31 December 2019 is mainly on account of write offs of few impaired loans accompanied by an increase in loans disbursed during the year. Net impairment ratio (taking in consideration all cash collaterals) also improved from 5.28 percent in 2018 to 2.55 percent in 2019.

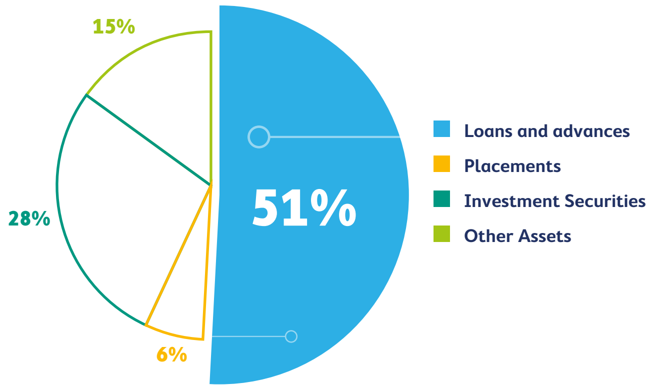
FINANCIAL REVIEW (CONT'D)



Assets Mix 2019



Assets Mix 2018



Investment Securities and Placements

The combination of lower than expected credit disbursement in the domestic market and increased deposits from customers resulted in a liquidity surplus which was deployed into fixed income gilt-edged securities, foreign bank bonds, corporate bonds and short-term placements with banks. Investment securities as a result increased by MUR 22.52 billion or 44.22 percent to reach MUR 73.46 billion as at 31 December 2019.

As at 31 December 2019, financial assets classified at fair value through other comprehensive income stood at MUR 42.46 billion (2018: MUR 27.42 billion), while those classified at amortised cost increased from MUR 13.82 billion as at 31 December 2018 to MUR 19.36 billion as at 31 December 2019, representing an increase of MUR 5.55 billion or 40.15 percent.

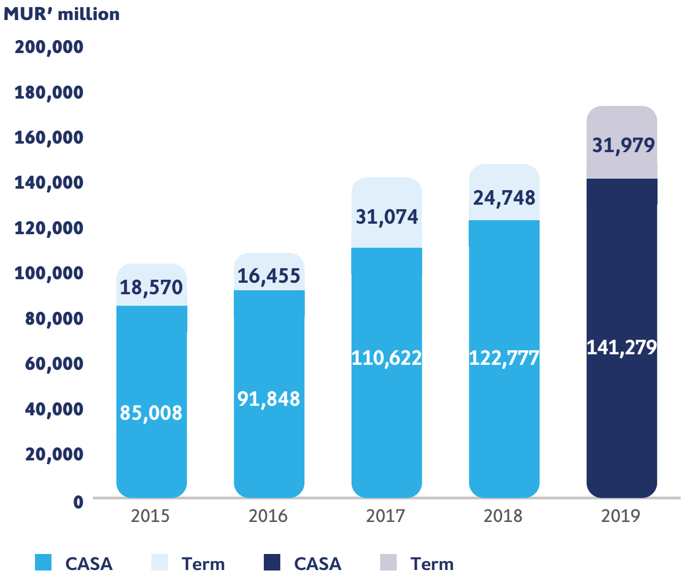
Gross loans and placements with banks amounted to MUR 7.50 billion as at 31 December 2019 compared to MUR 11.80 billion as at 31 December 2018.

Other Non-Interest Earning Assets

Other non-interest earning assets decreased by MUR 109.40 million, due to a decrease in the receivable balance as at 31 December 2019.

Deposits and Borrowings

The Bank's strategy in the short to middle term is to raise cheaper sources of funding by increasing its deposits book. This was achieved in 2019, evidenced by the growth in both CASA and Term deposits. Total deposits from non-bank customers experienced an increase during this year by 17.44 percent from MUR 147.53 billion as at 31 December 2018 to reach MUR 173.26 billion as at 31 December 2019. The two categories of deposits experienced a growth; MUR 18.50 billion in CASA and MUR 7.23 billion in term deposits. CASA deposits accounted for 81.54 percent of total deposits as at 31 December 2019 (2018: 83.22 percent).



Other Borrowed Funds

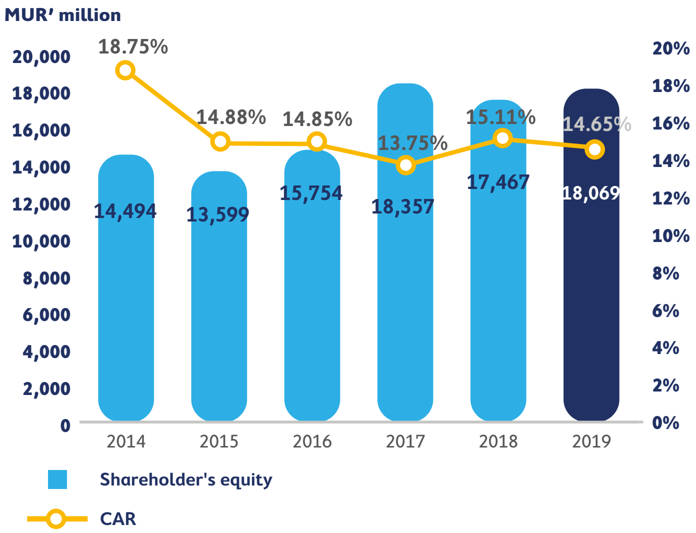
Foreign currency funds required to finance foreign currency lending remain a challenge and competitive bidding in the market drives up their cost. These borrowings, mainly in EUR and USD from foreign financial institutions / development banks, made up the major part of other borrowed funds which increased by MUR 664.21 million to reach MUR 12.44 billion as at 31 December 2019.

Shareholder's Fund

The Bank remains adequately capitalised with shareholder's equity at MUR 18.07 billion as at 31 December 2019 compared to MUR 17.47 billion as at 31 December 2018 and common equity tier 1 capital of MUR 13.92 billion. Likewise, capital adequacy ratio (CAR) and tier 1 capital to risk-weighted assets ratio reached 14.65 percent and 12.96 percent respectively, as at 31 December 2019 which are above the minimum regulatory for a Domestic-Systemically Important Banks. Return on average shareholder's equity has decreased from 7.96 percent in 2018 to 3.10 percent for 2019.

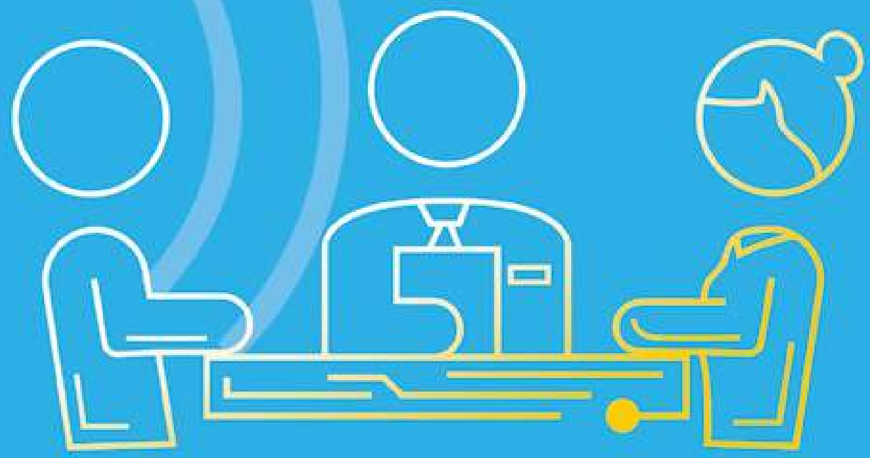
The higher shareholder's equity as at 31 December 2019 is on account of a capital injection of MUR 900 million made by the holding company during the financial year 2019; a profit of MUR 550 million recorded during this year; revaluation gain on land and buildings adjusted for deferred tax amounting to MUR 312.84 million mitigated by cash dividend of MUR 1.32 billion. It is to be noted that the stated capital of the Bank has been increased to MUR 400 million as per the requirement of the Banking Act 2004.

Refer to the Capital Management section for more details.



Performance 2019 & Objectives 2020

Indicator	Target for 2019	Performance 2019
Return on Average Assets (ROA)	Deliver a Return on Assets (ROA) consistent with peers.	Amidst all challenges, the Bank was able to grow its asset book by an average double digit growth of 15.25 percent, edged mostly towards investment securities. The loan book grew at a lower than targeted level, thereby resulting in a shortfall in interest income and fees & commission. After prudent provisioning of the loan portfolio, mainly on Segment B, the Bank ended up with a Profit of MUR 550 million for 2019 and a ROA of 0.28 percent for FY 2019.
Return on Average Equity (ROE)	Deliver a Return on Equity (ROE) in line with historical market trend.	The Bank achieved a lower Return on Equity of 3.10 percent for 2019 due to reasons stated above.
Operating Income	Deliver consistent income growth with particular focus on fee based income.	The Bank booked a total operating income of MUR 8.12 billion in 2019, representing an increase of 3 percent over previous year driven primarily by higher interest income on the growing investment book and also increase in fees & commission. However, lower loan disbursement, specially relating to Segment B as focus was on finalising the remediation plan and growing the loan book prudently, resulted in a modest growth rate.
Operating Expense	Operating expenses likely to grow in line with the expansion plan and also as Bank continues to invest in capacity building.	Operating expenses of MUR 3.63 billion for 2019, includes bank levy of MUR 171.37 milion reclassified from tax to general expenses. Excluding same, non-interest expenses increased by 26.51 percent mostly triggered by Bank's long term strategy to invest in capacity building and also an uplift in Software licensing and other information technology cost.
Cost to Income ratio	Be cost efficient while investing for growth, with cost-income ratio aligned to peers over time.	Bank ended up with cost to income ratio of 42.61 percent for FY 2019 excluding bank levy, due to lower operating income as stated above.
Advances	Consistent growth of loans book, but with prudent growth in the cross-border loan portfolio.	The Bank managed to grow its gross advances by 7.29 percent from MUR 99.80 billion as at 31 December 2018 to MUR 107.07 billion as at 31 December 2019, which was mostly in the domestic segment - both retail and corporates. Segment A accounted for 73.11 percent of the loan book as at 31 December 2019 . As for Segment B, more focus was laid in putting in place the remediation plan as a result of which, a minor growth of only 2 percent in loan portfolio was booked for this year
Deposits	Improve deposits growth both in local and foreign currency.	Deposit from non-bank customers stood at MUR 173.26 billion as at 31 December 2019, an increase of MUR 25.73 billion or 17.44 percent over previous year, driven by growth both in local and foreign currency deposits, which went up by 15 percent and 20 percent respectively.
Assets Quality	Improve Net Impairment ratio.	Net Impairment ratio (net of cash collateral) improved from 5.28 percent as at 31 December 2018 to 2.55 percent as at 31 December 2019 on account of increase in provision coverage ratio, write off of around MUR 1.42 billion (primarily Segment B) coupled with growth in loan book.
Capital Management	Maintain its capital adequacy ratio for Bank at the optimum level and ensuring adherance to the Basel III requirements.	The Bank's CAR ratio and Tier 1 ratio stood at 14.65 percent and 12.96 percent respectively, which are above the prescribed minimum requirement.



CORPORATE GOVERNANCE REPORT

"ALL ORGANISATIONS SHOULD BE HEADED BY AN EFFECTIVE BOARD. RESPONSIBILITIES AND ACCOUNTABILITIES WITHIN THE ORGANISATION SHOULD BE CLEARLY IDENTIFIED."

CORPORATE GOVERNANCE REPORT

SBM Bank (Mauritius) Ltd ("Bank" or "Company") as a public interest entity defined under the Financial Reporting Act 2004, is required to adopt and report on Corporate Governance in line with the National Code of Corporate Governance (the "Code"). As such, the Board of Directors has taken the necessary steps to ensure adherence thereto and to the Guideline on Corporate Governance issued by Bank of Mauritius. The Board of Directors affirms that during the year in operation and under review, the Bank has applied the 8 principles of the Code as per below:

Principle One - Governance Structure

SBM Bank (Mauritius) Ltd is headed by a unitary Board which is collectively and ultimately responsible for providing effective leadership and accountability for the affairs of the Bank. The Board sets out the strategies and oversees the financial affairs, corporate governance, risk management, internal controls and compliance issues.

The Board understands that a strong Corporate Governance framework is fundamental and essential for the long term success of the Bank. The Board therefore ensures that it maintains the highest standards of integrity and transparency in discharging its responsibilities. Having set in place a Board Charter, the members of the Board adhere to the principles, set out therein and which are in compliance with applicable laws.

The Board also acknowledges the importance and the value of upholding a balanced interplay/relationship between the Directors and the Management Team. This is achieved through delegation of authority to the relevant Board Sub-Committees and the Chief Executive Officer with clearly defined mandates, while insisting on accountability at all levels, thereby enabling the Board to act in an effective manner.

Board Structure

To ensure smooth running of the Bank's operations, the Board has established following Sub-Committees to provide specific guidance to the Board on matters affecting the Bank:

Each Sub-Committee has a pre-defined mandate which is reviewed by the Board on a regular basis. The Terms of Reference for each Sub-Committee set out its role, responsibilities, scope of authority and composition. All the Sub-Committees report to the Board through their respective Chairperson.

The Board also delegates authority to the Chief Executive to manage the business and affairs of the Bank. This delegated authority is set out in writing, together with such matters reserved primarily for Board decision. The Senior Management Team also assists the Chief Executive in the day-to-day management of the affairs of the Bank, within their delegated parameters as set out by the Board or relevant authority.

Key Governance Documents

The following key governance documents, which are available on the Bank's website, have been approved by the Board and are reviewed on a regular basis:

- Board Charter
- Code of Ethics
- Constitution

The following are also published on the website and reviewed regularly:

- Job description of Key Senior Governance Positions
- Organisational Chart

Key Roles & Responsibilities

The Board promotes sound Corporate Governance practices to create and sustain value creation within the Bank. The Board acknowledges that the following key governance positions play an important role in ensuring that such practices permeate throughout the Bank. The Board has, during year 2019, approved job descriptions for key governance positions as set out below:

Directors of the Board

The key responsibilties of the Directors are:

- Bring effective contribution to the Bank Strategy;
- Monitor the performance of the Executive Management team, thereby ensuring that they are meeting the objectives set;
- Ensure that there is a robust system of internal control in place;
- Ensure the accuracy of financial information which is being released to the market;
- Participate in the Board decision-making process and constructively challenge as required;
- Bring deliberations and experience to the Board decision making process; and
- Be bound by the fiduciary duty and duty of skills and care

Chairperson of the Board

The position of the Chairperson of the Board is to hold as key responsibilities the following:

- The Chairperson, as leader of the Board, must ensure that it functions effectively;
- Set agenda in conjunction with Company Secretary and ensure that there is sufficient time to discuss all agenda items;
- Ensure that all Directors receive sufficient information to be able to make well informed decisions;
- Review composition of Board Committees while ensuring that each committee functions effectively;
- Call special meetings, where required;
- Ensure that there is proper succession planning in order to avoid disruption to the smooth functioning of the Board;
- Encourage teamwork and a culture of openness so as to promote constructive challenge among the Members;
- Chair annual and special meetings of shareholders;
- Ensure that an annual Board evaluation exercise and evaluation of individual Directors performance are carried out;
- Maintain a close working relationship with the Chief Executive Officer and any other key senior staff members; and
- Ensure there is effective communication with shareholders.

Chief Executive ("CE")

Responsible for leading the development and execution of the Bank's strategic plans with a view to create shareholder value. As per the Bank of Mauritius Guideline on Corporate Governance, the CE's leadership role entails being ultimately responsible for all day-to-day management decisions and for implementing the Company's strategic plans. The key responsibilities are therefore:

- To manage the day-to-day operations of the Bank;
- To implement strategies as proposed by the Board of Directors;
- Work in conjunction with the Chairperson on strategic issues;
- To provide leadership and guidance to Senior Management Team;
- To act as an intermediary between the Board and Management;
- To ensure that there is a robust system of internal control in place; and
- To communicate effectively with shareholders, employees, Government authorities, other stakeholders and the public.

Chairperson of the Risk Management Committee

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

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

Chairperson of the Corporate Governance & Conduct Review Committee

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

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

Company Secretary

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

- Provide the Board with guidance as to its duties, responsibilities and powers;
- Carry out Statutory filings;
- Ensure that minutes of all meetings of shareholders and directors are properly recorded in accordance with paragraph 8 of the Fifth Schedule and paragraph 6 of the Eighth Schedule of the Companies Act 2001 (the "Act") respectively as well as all statutory registers are properly maintained;
- Certify in the annual financial statements of the Bank that the Bank has filed with the Registrar all such returns of the Bank as are required under the Act;
- Ensure that a copy of the Bank's annual financial statements and where applicable the annual report is sent in accordance with sections 219 and 220 to every person entitled to such statements or report in terms of the Act, and
- Plays a leading role in the governance of the Bank by supporting the Chairperson and helping the Board and its committees to function effectively.

Senior Management / Executive Forum

The Bank has set up an Executive Forum, comprising of all members of Senior Management, to assist in day to day management of the Bank.

The Members of the Executive Forum are as follows:

MR VENKATESWARA RAO PARVATANENI

Chief Executive and Executive Director on the Board of SBM Bank (Mauritius) Ltd

Mr Parvataneni Venkateswara (PV) Rao is an experienced banking professional with 36 years of working experience in the industry. Graduated from the Andhra Pradesh Agricultural University (India) and holder of an MBA from the Indira Gandhi National Open University, Mr Rao is also a Diploma Holder in Bank Management, International Banking, Treasury Investment & Risk Management and Financial Services. He started his Banking career in Syndicate Bank in India and also worked with IndusInd Bank in India before joining SBM (Indian Operations) in December 2010. Mr Rao then joined SBM Bank (Mauritius) Ltd in April 2013 as Head of Financial Markets and was subsequently appointed as Chief Executive of the Bank on 17th April 2019.

During his career, Mr Rao has had exposure to different banking segments viz Agriculture, Retail Banking Foreign Exchange, Treasury, Capital Markets and Balance Sheet Management.

Mr Rao is an Executive Director on the Board of SBM Bank (Mauritius) Ltd.

MRS VERONIQUE LIM HOYE YEE

Divisional Leader and Head of Credit Underwriting

Mrs Veronique Lim Hoye Yee is a seasoned banker with over 15 years of experience in the banking sector. She started her banking career at SBM Bank (Mauritius) Ltd as Senior Officer in Credit Underwriting in 2001. Subsequently, she held positions of increasing responsibilities within the bank including those of Head of Credit Underwriting; Head of Special Assets and Research; Head of Risk Management and Head of Credit Administration. In August 2012, she joined ABC Banking Corporation Ltd as Head of Credit Underwriting and Risk where she played an instrumental role in setting up the risk management framework and implementing risk management practices before returning to SBM Bank (Mauritius) Ltd in September 2016 as Head of Credit Underwriting Team.

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

CORPORATE GOVERNANCE REPORT (CONT'D)

MR SANJAIYE RAWOTEEA

Divisional Leader and Head of Private Banking and Wealth Management

Mr Sanjaiye Rawoteea is currently Divisional Leader of the Private Banking and Wealth Management Division. He is a seasoned banker who brings broad experience from 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. Mr Rawoteea joined SBM in 2009 where he held senior positions including those of Senior Relationship Manager in Private Banking and Head of Sales & Marketing in SBM Non-Banking Financial Cluster. In 2017, he set up the Private Wealth Division within the bank with the objective to provide Wealth Management Solution to Ultra High Net Worth Clients.

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

MR JORGE STOCK

Divisional Leader and Chief Operating Officer

Mr Jorge Stock is currently the Chief Operating Officer (COO) at SBM Bank (Mauritius) Ltd. He is a dynamic professional with 25 years of experience in the Global Banking sector and has held senior positions such as Executive Director, Corporate Director, Head of Organization, Head of Global Marketing and Corporate Banking in various African and European countries, including Mozambique, Angola, Portugal and Switzerland. Mr Jorge holds a Postgraduate Diploma in Financial Technology and Financial Innovation from Saïd Business School, University of Oxford, UK, and a BA in Economics & French from Anglia Ruskin University, Cambridge, UK.

MR NORMAN FON SING

Team Leader and Head of Corporate and Institutional Banking – Segment A

Mr Norman Fon Sing is a finance professional with a rich experience of over 14 years in the Banking Sector during which he has held various strategic positions, from heading Business Development functions to Domestic Corporates and Customer Relationship Management. He is currently the Head of Corporate & Institutional Banking – Segment A and is responsible for overseeing and growing the overall Corporate and Institutional Banking Assets and Liabilities in Segment A. He holds a Bachelor of Science Honours in Actuarial Science from the University of Toronto and is a CFA Charter holder from the CFA Institute.

Mr Norman Fon Sing is a Director on the Board of SBM Factors Ltd.

MR TEDDY KIAN LIM ALING

Team Leader and Head of Finance

Mr Teddy Aling is currently Head of Finance at SBM Bank (Mauritius) Ltd. Teddy has spent over 20 years in the Banking and Finance sectors working in London, Tokyo, Singapore, and more recently in Mauritius. He has gained most of his banking experience with Deutsche Bank, Barclays Capital, and Standard Chartered Bank. During his career, he has held senior roles including those of Executive Director and CFO at Standard Chartered Bank (Mauritius) Ltd and CEO of a regulated Financial Services entity. Mr Teddy Aling is a CFA Charter holder from the CFA Institute and a Fellow Chartered Accountant (FCA) of the Institute of Chartered Accountants in England and Wales. He also holds a B.Sc. (Econ) Economics from the London School of Economics and Political Science, University of London.

Principle Two - The Structure of the Board and Its Committees

The Board comprises of 10 members with a broad mix of experience, wholly endorsing the belief in diversity as expressed in the Board Charter and in the Code of Ethics. The Board is a unitary board which was led by Mr Nayen Koomar Ballah, G.O.S.K. till 13 March 2020. Effective from 16 March 2020, Mr Mohit Dhoorundhur has been appointed as Chairperson of the Board of SBM Bank (Mauritius) Ltd.

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

All directors are resident in Mauritius and the use of alternate directors is discouraged. The frequency of Board meetings is set in a way to ensure timely consideration of key issues while also allowing directors to attend and participate in person. This is made possible by the careful drafting of the annual board calendar that is set out each year by the Chairperson of the Board with the assistance of the Company Secretary. In case physical presence of directors is not possible, they are encouraged to participate in the deliberations via audio conference.

The Chairpersons of the Board and its Sub-Committees are all carefully selected for their relevant knowledge and experience. The record of attendance of directors who served on the Board and its Sub-Committee during the financial year 2019 is provided in the following table:

	SBM Bank (Mauritius) Ltd	Board Meetings	Audit Committee	Board Credit Committee	Corporate Governance & Conduct Review Committee	Finance Committee	IT & Procurement Committee	Remuneration & Nomination Committee	Risk Management Committee	Strategy Committee
	No. of Meetings held during year ended 31 Dec 2019	17	13	52	4	10	12	14	5	4
	Directors									
Non-Executive	Nayen Koomar BALLAH (Chairman)	16	-	-	2	-	-	13	4	3
	Balachandran CHELAMPET PUTHUKULANGARA (CP)	12	-	33	-	-	8	-	2	-
	Azim Fakhruddin CURRIMJEE	2	-	-	-	-	-	-	-	-
	Visvanaden SOONDRAM	9	-	-	2	-	-	-	-	1
Independent Non-Executive	Philip AH-CHUEN	14	13	-	4	9	-	11	-	3
	Mahmadally BURKUTOOLA	2	-	9	-	-	1	1	-	-
	Rajakrishna CHELLAPERMAL	15	-	51	4	8	10	-	-	3
	Anoopum Ishwar GAYA	17	13	-	-	10	11	14	4	-
	Rishikesh HURDOYAL	13	-	46	2	6	12	-	3	-
	Michel MOOTHOOSAMY	16	13	-	-	10	-	13	-	3
	Abdool Karrim NAMDARKHAN	17	-	39	-	-	9	-	5	-
Executive	Veronique LIM HOYE YEE	4	-	-	-	-	-	-	-	2
	Venkateswara Rao PARVATANENI (PV)	17	-	-	4	9	10	12	5	4
	In attendance:									
	Nayen Koomar BALLAH	-	3	-	-	-	-	-	-	-
	Balachandran CHELAMPET PUTHUKULANGARA (CP)	-	1	-	-	-	-	1	-	2
	Rajakrishna CHELLAPERMAL	-	3	-	-	-	-	-	-	-
	Anoopum Ishwar GAYA	-	-	-	-	-	-	-	-	2
	Rishikesh HURDOYAL	-	4	-	-	-	-	1	-	1
	Michel MOOTHOOSAMY	-	-	-	-	-	1	-	-	-
	Abdool Karrim NAMDARKHAN	-	4	-	1	-	-	2	-	2
	Venkateswara Rao PARVATANENI (PV RAO)	-	12	50	-	1	2	2	-	-
	Visvanaden SOONDRAM	-	3	-	-	-	-	-	-	-

Secretaries to the Board: Ms Preshnee Ramchurn & Mrs Bharti Bolah-Chowtee

Note:

1. *Mr Michel Moothoosamy was appointed as Member of Strategy Committee on 05.03.2019. He ceased to be a Member of the Board and Committees on 09.03.2020;*
2. *Messrs Venkateswara Rao Parvataneni, Abdool Karrim Namdarkhan and Visvanaden Soondram were appointed as Members of Sub-Committees on 05.03.2019;*
3. *Mr Balachandran Chelampet Puthukulangara was appointed as Director on 03.04.2019 and Member of Sub-Committees on 09.05.2019;*
4. *Mr Azim Fakhruddin Currimjee, representative of SBM Holdings Ltd, was a Board Member from 17.09.2019 till 13.03.2020;*
5. *Mr Mahmadally Burkutoola, Mrs Veronique Lim Hoye Yee, Mr Ishwar Anoopum Gaya ceased to be Members of the Board and Committees on 28.02.2019, 08.05.2019 and 27.02.2020 respectively;*
6. *Messrs Rajakrishna Chellapermal, Michel Moothoosamy and Visvanaden Soondram ceased to be Members of the Board and Committees on 09.03.2020;*
7. *Mr Nayen Koomar Ballah ceased to be Member of the Board and Committees on 13.03.2020*

CORPORATE GOVERNANCE REPORT (CONT'D)

The Profiles of the Board members are found on pages 22 to 26 of this annual report.

As per the Bank Constitution, the number of Directors shall not be less than 7 and not more than 13. The Board comprises of 10 members out of which there are 8 Independent Non-Executive Directors (including the Chairperson), 1 Non-Executive Director, and 1 Executive Director, which are in accordance with Bank of Mauritius Corporate Governance guideline in terms of Board composition.

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

Gender Balance and Executive Management Representation on the Board

Following the resignation of Mrs Veronique Lim Hoye Yee as Executive Director during financial year 2019, the Board expressed its firm commitment to appoint a female Director to bring a gender balance. This has been duly completed with the appointment of Mrs Imalambaal Kichenin, effective from 13 March 2020.

Company Secretary

The role of the Company Secretary is critical and integral to the success of the Board. Appointed by the Board in accordance with its Constitution, the Company Secretary plays a leading role in the good governance of the Company by supporting the Chairperson and helping the Board and its Committees to function efficiently. All Directors have access to the services of the Company Secretary.

The Company Secretaries acts as Secretary to the Board and its Sub-Committees. The appointment or removal of the Company Secretary is a matter for the Board as a whole.

Ms Preshnee Ramchurn and Mrs Bharti Bolah-Chowtee have been appointed by the Board as Company Secretaries for SBM Bank (Mauritius) Ltd.

Profile of Company Secretaries:

MS PRESHNEE RAMCHURN

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

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

MRS BHARTI BOLAH-CHOWTEE

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

During the year under review, Board meetings were held at least on a quarterly basis. A summary of the main undertakings of the Board during the year 2019 are provided below:

Strategy

- Reviewed the strategic plans and appraised the performance of the company against key performance indicators;
- Consolidated the Bank's domestic positioning across the several segments of customers it serves; and
- Digitalisation of the Bank's operations and channels of service delivery.

Finance

- Reviewed and approved the operating budget of the Bank;
- Reviewed the audit reports and approved the audited financial statements;
- Approved the declaration of dividend;
- Reviewed the reports from Internal Audit and Anti-Fraud divisions;
- Approved major renovation projects of the Bank;
- Engaged in SBM brand repositioning;
- Approved major projects / initiatives with a view to enhance customer experience and improve the Bank's turnaround time;
- Initiated the migration process of the Bank's DC/DR infrastructure; and
- Recommended for Shareholder's approval the rotation of statutory auditors for financial year ending 2020.

Governance & Risk

- Approved the revised composition of the Board and its Sub-Committees;
- Made recommendation to the Shareholder to consider an increase in the Bank Board composition, in view of advice received from the Regulators to on-board a representative of the holding company, namely, SBM Holdings Ltd on the Bank Board;
- Identified and considered the appointment of qualified candidates for Board membership and for key positions within the Bank, including but not limited to, the Chief Executive and the Chief Operating Officer;
- Reviewed and approved the policies of the Bank;
- Undertook a remediation exercise for the International Banking segment, including the reinforcement of the Bank's Risk Management framework;
- Approved position statements for key senior governance positions of the Bank, namely for, the Chairperson, Chief Executive, Chairperson for some Board Sub-Committees and Company Secretary, in line with the requirements of the National Code of Corporate Governance; and
- Considered and approved various employee-related initiatives with a view to increase employee engagement and motivation.

Board Sub-Committees

The Board has established the following committees to assist it in the discharge of its responsibilities:

1. Audit Committee
2. Board Credit Committee
3. Corporate Governance and Conduct Review Committee
4. Finance Committee
5. IT & Procurement Committee
6. Remuneration & Nomination Committee
7. Risk Management Committee
8. Strategy Committee

CORPORATE GOVERNANCE REPORT (CONT'D)

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

Audit Committee	Board Credit Committee	Corporate Governance & Conduct Review Committee	Finance Committee
Mrs Imalambaal KICHENIN *Chairperson*	Mr Balachandran CP *Chairperson*	Mr Philip AH-CHUEN *Chairperson*	Mr Ranapartab TACOURI *Chairperson*
Mr Eric LEAL	Mr Rishikesh HURDOYAL	Mr Rishikesh HURDOYAL	Mr Philip AH-CHUEN
Mr Rajcoomar RAMPERTAB	Mr Abdool Karrim NAMDARKHAN	Mr Abdool Karrim NAMDARKHAN	Mrs Imalambaal KICHENIN
	Mr Ranapartab TACOURI	Mr PV RAO	Mr Eric LEAL
		Mr Ranapartab TACOURI	Mr PV RAO
			Mr Rajcoomar RAMPERTAB

It & Procurement Committee	Risk Management Committee	Remuneration & Nomination Committee	Strategy Committee
Mr Rishikesh HURDOYAL *Chairperson*	Mr Abdool Karrim NAMDARKHAN *Chairperson*	Mr Mohit DHOORUNDHUR *Chairperson*	Mr Mohit DHOORUNDHUR *Chairperson*
Mr Philip AH-CHUEN	Mr Philip AH-CHUEN	Mr Rishikesh HURDOYAL	Mr Philip AH-CHUEN
Mr Balachandran CP	Mr Balachandran CP	Mrs Imalambaal KICHENIN	Mr Balachandran CP
Mr Abdool Karrim NAMDARKHAN	Mr Eric LEAL	Mr PV RAO	Mr Eric Leal
Mr PV RAO	Mr PV RAO	Mr Rajcoomar RAMPERTAB	Mrs Imalambaal KICHENIN
Mr Rajcoomar RAMPERTAB	Mr Rajcoomar RAMPERTAB		Mr PV RAO
			Mr Rajcoomar RAMPERTAB
			Invited to be in Attendance: *Mr Rishikesh Hurdoyal* *Mr Abdool Karrim Namdarkhan* *Mr Ranapartab Tacouri*

Composition of Board Sub-Committees as at March 2020

Audit Committee

Roles and Responsibilities

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

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

Members	Category
Mrs Imalambaal KICHENIN *(Chairperson as from March 2020)**	Independent Non-Executive Director
Mr Anoopum Ishwar GAYA *(Chairperson till February 2020)**	Independent Non-Executive Director
Mr Eric LEAL *(Member as from March 2020)*	Independent Non-Executive Director
Mr Rajcoomar RAMPERTAB *(Member as from March 2020)*	Independent Non-Executive Director
Mr Philip AH-CHUEN *(Member till March 2020)*	Independent Non-Executive Director
Mr Michel Arnaud MOOTHOOSAMY *(Member till March 2020)*	Independent Non-Executive Director

Secretary to the Audit Committee: Ms Preshnee RAMCHURN

** Mr Anoopum Ishwar GAYA chaired the Audit Committee till February2020 and Mrs Imalambaal KICHENIN took over the Chairpersonship in March 2020.*

Board Credit Committee

Roles and Responsibilities

The Board Credit Committee consists of 4 members, out of which 3 are independent non-executive directors and 1 is a non-executive director. Its main responsibilities include the following:

- Ensure that the Bank's Credit Risk Policy & Procedures are implemented and applied consistently across all business units;
- Review and approve appropriate counterparty exposure limits across all lines of business;
- Review and approve all facilities exceeding the delegated authority of the Bank's Management Credit Forums as set out in the Bank's Credit Policy;
- Review and approve the restructure/rescheduling of credit facilities in accordance with the Bank's Credit Policy;
- Review Non-Performing Accounts and ensure adequacy of provisioning as per Regulatory norms; and
- Ensure that concentrations of risks are within the risk tolerance of the Bank.

Members	Category
Mr Balachandran Chelampet PUTHUKULANGARA *(Chairperson as from March 2020)**	Non-Executive Director
Mr Rajakrishna CHELLAPERMAL *(Chairperson till March 2020)***	Independent Non-Executive Director
Mr Rishikesh HURDOYAL	Independent Non-Executive Director
Mr Abdool Karrim NAMDARKHAN	Independent Non-Executive Director
Mr Ranapartab TACOURI *(Member as from March 2020)*	Independent Non-Executive Director

Secretary to the Board Credit Committee: Mrs Bharti BOLAH-CHOWTEE

** Mr Balachandran Chelampet PUTHUKULANGARA was appointed as Member of the Board Credit Committee in May 2019 and was subsequently appointed as Chairperson in March 2020.*

*** Mr Rajakrishna CHELLAPERMAL chaired the Board Credit Committee from March 2019 till March 2020.*

CORPORATE GOVERNANCE
REPORT (CONT'D)

Corporate Governance & Conduct Review ("CGCR") Committee

Roles and Responsibilities

The Corporate Governance and Conduct Review Committee consists of 5 members, out of which 4 are independent non-executive directors. Its main responsibilities include the following:

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

Members	Category
Mr Philip AH-CHUEN *(Chairperson)*	Independent Non-Executive Director
Mr Rishikesh HURDOYAL	Independent Non-Executive Director
Mr Abdool Karrim NAMDARKHAN *(Member as from March 2020)*	Independent Non-Executive Director
Mr Venkateswara Rao PARVATANENI	Executive Director
Mr Ranapartab TACOURI *(Member as from March 2020)*	Independent Non-Executive Director
Mr Nayen Koomar BALLAH *(Member till March 2020)*	Non-Executive Director
Mr Rajakrishna CHELLAPERMAL *(Member till March 2020)*	Independent Non-Executive Director
Mr Visvanaden SOONDRAM *(Member till March 2020)*	Non-Executive Director

Secretary to the CGCR Committee: Ms Preshnee RAMCHURN

Finance Committee

Roles and Responsibilities

The Finance Committee consists of 6 members out of which 5 are independent non-executive directors. Its main responsibilities include the following:

- Scrutinise the annual budget and operational plan of the Bank;
- Evaluate on a monthly basis the management accounts and monitor performance against the financial and resource objectives of the operational plan;
- Analyse lines of business performances against budget and operational plans;
- Analyse and review the financial strategy and advise the Board; and
- Monitor and review the efficiency and effectiveness of the financial systems.

Members	Category
Mr Ranapartab TACOURI *(Chairperson as from March 2020)**	Independent Non-Executive Director
Mr Michel Arnaud MOOTHOOSAMY *(Chairperson till March 2020)**	Independent Non-Executive Director
Mr Philip AH-CHUEN	Independent Non-Executive Director
Mrs Imalambaal KICHENIN *(Member as from March 2020)*	Independent Non-Executive Director
Mr Eric LEAL *(Member as from March 2020)*	Independent Non-Executive Director
Mr Venkateswara Rao PARVATANENI	Executive Director
Mr Rajcoomar RAMPERTAB *(Member as from March 2020)*	Independent Non-Executive Director
Mr Rajakrishna CHELLAPERMAL *(Member till March 2020)*	Independent Non-Executive Director
Mr Anoopum Ishwar GAYA *(Member till February 2020)*	Independent Non-Executive Director
Mr Rishikesh HURDOYAL *(Member till March 2020)*	Independent Non-Executive Director

Secretary to the Finance Committee: Ms Preshnee RAMCHURN

** Mr Michel Arnaud MOOTHOOSAMY chaired the Finance Committee till 09 March 2020 and Mr Ranapartab TACOURI took over the Chairmanship thereafter.*

IT & Procurement Committee

Roles and Responsibilities

The IT & Procurement Committee consists of 6 members out of which 4 are independent non-executive directors. Its main responsibilities include the following:

- Ensure that the Bank's expenditure is appropriate in the pursuit of the Bank's operations;
- Review the Procurement Policy and procedures of the Bank;
- Approve revenue and capital expenditures under delegated authority;
- Review and make appropriate recommendations to the Board as regards major procurement contracts and expenditure exceeding its approving authority;
- Review the expenses approved by the Management Executive Forum and Chief Executive of the Bank;
- Evaluate and make recommendation to the Board on any acquisition or disposal and/or any undertaking or part of any undertaking of the Bank;
- Monitor and receive reports on the implementation of the Bank's major IT projects against project plans, with emphasis on quality, risk management and benefits realisation; and
- Review on a quarterly basis the IT expenses (bifurcated Business Unit-wise) approved by Management.

Members	Category
Mr Rishikesh HURDOYAL *(Chairperson)*	Independent Non-Executive Director
Mr Philip AH-CHUEN *(Member as from March 2020)*	Independent Non-Executive Director
Mr Balachandran Chelampet PUTHUKULANGARA	Non-Executive Director
Mr Abdool Karrim NAMDARKHAN	Independent Non-Executive Director
Mr Venkateswara Rao PARVATANENI	Executive Director
Mr Rajcoomar RAMPERTAB *(Member as from March 2020)*	Independent Non-Executive Director
Mr Rajakrishna CHELLAPERMAL *(Member till March 2020)*	Independent Non-Executive Director
Mr Anoopum Ishwar GAYA *(Member till February 2020)*	Independent Non-Executive Director

Secretary to the IT & Procurement Committee: Ms Preshnee RAMCHURN

Remuneration & Nomination Committee

Roles and Responsibilities

The Remuneration & Nomination Committee consists of 5 members out of which 4 are independent non-executive directors. Its main responsibilities include the following:

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

Members	Category
Mr Mohit DHOORUNDHUR (Chairperson as from March 2020)*	Independent Non-Executive Director
Mr Nayen Koomar BALLAH (Chairperson till March 2020)*	Non-Executive Director
Mr Rishikesh HURDOYAL (Member as from March 2020)	Independent Non-Executive Director
Mrs Imalambaal KICHENIN (Member as from March 2020)	Independent Non-Executive Director
Mr Venkateswara Rao PARVATANENI	Executive Director
Mr Rajcoomar RAMPERTAB (Member as from March 2020)	Independent Non-Executive Director
Mr Philip AH-CHUEN (Member till March 2020)	Independent Non-Executive Director
Mr Anoopum Ishwar GAYA (Member till February 2020)	Independent Non-Executive Director
Mr Michel Arnaud MOOTHOOSAMY (Member till March 2020)	Independent Non-Executive Director

Secretary to the Remuneration & Nomination Committee: Ms Preshnee RAMCHURN

** Mr Nayen Koomar BALLAH chaired the Remuneration & Nomination Committee till 13 March 2020 and Mr Mohit DHOORUNDHUR took over the Chairmanship thereafter.*

Risk Management Committee

Roles and Responsibilities

The Risk Management Committee consists of 6 members with at least 3 independent non-executive directors. The Chief Executive is also a member of the Committee. Its main responsibilities include the following:

- Ensure that the Bank has a solid and effective risk management infrastructure in place;
- Adopt the risk appetite for the Bank, as recommended to and approved by the Board;
- Establish and review the adequacy of risk management control techniques and methodologies and monitor their effectiveness;
- Monitor the Bank's risk profile – its on-going and potential exposure to risks of various types;
- Review the Bank's risk profile, particularly, the risk trends, risk concentrations and key performance indicators;
- Review Bank policies for management of risks, particularly, in areas of credit, market, interest rate, liquidity, operational and technological risks; and
- Monitor material litigation involving the Bank.

Members	Category
Mr Abdool Karrim NAMDARKHAN *(Chairperson since March 2019)*	Independent Non-Executive Director
Mr Philip AH-CHUEN *(Member as from March 2020)*	Independent Non-Executive Director
Mr Balachandran Chelampet PUTHUKULANGARA *(Member since May 2020)*	Non-Executive Director
Mr Eric LEAL *(Member as from March 2020)*	Independent Non-Executive Director
Mr Venkateswara Rao PARVATANENI	Executive Director
Mr Rajcoomar RAMPERTAB *(Member as from March 2020)*	Independent Non-Executive Director
Mr Nayen Koomar BALLAH *(Member till March 2020)*	Non-Executive Director
Mr Anoopum Ishwar GAYA *(Member till February 2020)*	Independent Non-Executive Director
Mr Rishikesh HURDOYAL *(Member till March 2020)*	Independent Non-Executive Director
Mr Visvanaden SOONDRAM *(Member till March 2020)*	Non-Executive Director

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

Strategy Committee

Roles and Responsibilities

The Strategy Committee consists of 7 members with a majority of independent non-executive directors. The main responsibilities of the Committee include the following:

- Review and recommend the strategic plans, business plans, annual or quarterly corporate objectives and budgets;
- Review effectiveness of the Bank's strategies;
- Review performance against set KPIs and targets;
- Review issues of fundamental importance and proposals from management related to Bank's long term objectives and goals; and
- Consider and review the type of organisational structures and functions necessary for implementing strategic plans.

Members	Category
Mr Mohit DHOORUNDHUR *(Chairperson as from March 2020)**	Independent Non-Executive Director
Mr Nayen Koomar BALLAH *(Chairperson till March 2020)**	Non-Executive Director
Mr Philip AH-CHUEN	Independent Non-Executive Director
Mr Balachandran Chelampet PUTHUKULANGARA *(Member as from March 2020)*	Non-Executive Director
Mrs Imalambaal KICHENIN *(Member as from March 2020)*	Independent Non-Executive Director
Mr Eric LEAL *(Member as from March 2020)*	Independent Non-Executive Director
Mr Venkateswara Rao PARVATANENI	Executive Director
Mr Rajcoomar RAMPERTAB *(Member as from March 2020)*	Independent Non-Executive Director
Mr Rajakrishna CHELLAPERMAL *(Member till March 2020)*	Independent Non-Executive Director
Mr Michel Arnaud MOOTHOOSAMY *(Member till March 2020)*	Independent Non-Executive Director
Mr Visvanaden SOONDRAM *(Member till March 2020)*	Non-Executive Director

Secretary to the Strategy Committee: *Mrs Bharti BOLAH-CHOWTEE*

** Mr Nayen Koomar BALLAH chaired the Strategy Committee till 13 March 2020 and Mr Mohit DHOORUNDHUR took over thereafter.*

The terms of reference for the above Board Sub-Committees are available on the website www.sbmgroup.mu

Principle Three - Director Appointment Procedures

The Board has established a Remuneration & Nomination Committee which is responsible, amongst others, for reviewing the structure, size and composition of the Board along with identifying eligible candidates for directorship on the Board of the Bank.

When considering an appointment to the board, the Remuneration & Nomination Committee shall satisfy itself that the candidate is able to commit sufficient time and effort to fulfil its responsibilities effectively.

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

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

A transparent procedure is in place for the appointment of directors which mainly cut through the following:

- Identifying the needs of the Board;
- Searching and select any potential candidates; and
- Recommendating of the selected candidate to the Board for consideration/approval.

The Remuneration & Nomination Committee will assess and make recommendations to the Board. Director appointments are then considered, as hereunder, depending on the timing of the appointment:

i. Either the Board will agree on each appointment and will put forward the prospective director's appointment to the shareholders at the Annual Meeting by way of ordinary resolution for approval.

ii. Or the Board may appoint a director out of the normal cycle in accordance with the Bank's Constitution provided that the total number of directors does not, at any time, exceed thirteen. Any Director so appointed shall hold office only until the next following Annual Meeting, and shall be eligible for election/re-election.

Once a director has been appointed, he is provided with a letter of appointment detailing the following:

- Terms of office as per the Banking Act;
- Time commitment required;
- Duties and responsibilities;
- Conflicts of interest;
- Director liability;
- Right to independent advices;
- Induction programme;
- Training and continuous development programme;
- Confidentiality;
- Price sensitive information and dealing in shares during close period; and
- Board policies & procedures.

As per the Constitution of SBM Bank (Mauritius) Ltd, each non-executive director is elected/re-elected by a separate resolution at the Annual Meeting of Shareholders. The executive directors, including the Chief Executive hold their directorship as long as they hold their office as Executives of the Bank.

Succession Planning

The Board recognises the importance of rotation of Board members and with the collaboration of the Remuneration & Nomination Committee, it ensures that a clear and relevant roadmap within a well-defined framework is available for succession planning, in order to maintain an appropriate balance of knowledge, skills and experience. The Remuneration & Nomination Committee proactively reviews the succession requirements for the Board and carries out the due diligence process to determine the suitability of every person who is considered for appointment or reappointment as a Director of the Board based on his educational qualification, experience and track record.

CORPORATE GOVERNANCE REPORT (CONT'D)

Succession planning for senior management is based on inputs from the Chief Executive and Head of Human Resources. One of the main responsibilities of the Remuneration & Nomination Committee is to regularly review any vacancies or probable vacancies which may arise due to resignation and retirement. Likewise for Directors, the Remuneration & Nomination Committee evaluates the suitability of any person before recommending his appointment to the Board. It is worth highlighting that Due consideration is given to skills, experience, age and gender so as to ensure that there is a proper balance within the Senior Management Team.

In the event that specific skills and experience are required, the Board may hire the services of a consultant.

The prevailing HR standards for promotions and/or transfers are designed to ensure that existing or proposed senior management benefit from a wide cross function exposure, thereby facilitating career progression and succession planning.

Induction

Over the course of this year, we have taken a number of steps to further strengthen our capabilities at Board Level. The induction process for directors has been reviewed in consultation with the Chairperson of the Corporate Governance and Conduct Review Committee and the Company Secretary. The induction process for directors includes two key components: (1) newly appointed directors and (2) newly appointed member of any committee.

Upon being appointed, the Board ensures that all new directors attend an induction programme to enable them to discharge their duties effectively and to be acquainted with the vision, business, strategy direction, financial matters, value, code of ethics and conduct, as well as best Corporate Governance practices and other key policies and practices of the Bank.

The tailored induction process aims at providing the newly appointed director or newly appointed member of any committee with the necessary information to enable the director to perform and discharge his/her responsibilities and duties as effectively as possible within the shortest practicable time. The induction programme ensures that new directors are acquainted with the vision, strategic direction, values, code of ethics and conduct, corporate governance practices and other key policies. In addition to online access to the board portal, meetings with other directors and key senior management are also organised.

The SBM academy, together with the Company Secretary, ensures that all Directors are given proper and adequate training. In addition, the responsibility to review the professional development and ongoing education of directors has been delegated to the Chairperson of the Corporate Governance & Conduct Review Committee.

The Board ensures that proper guidance is given to the Directors to enable them to discharge their duties and responsibilities. All directors have access to the Company Secretary and to the Senior Management to discuss issues or to obtain information on specific areas or items to be considered at the Board meeting and/or Committees or any other areas they consider appropriate.

Principle Four - Director Duties, Remuneration and Performance

Legal Duties

All Directors of the Board are fully appraised of their fiduciary duties, as laid out in the Mauritius Companies Act 2001 through induction programmes and ongoing Directors' development training provided by the Bank.

Code of Ethics

The Board believes that it must lead by example and, therefore, encourages Senior Management, the staff and other relevant stakeholders to follow the Code of Ethics and Business Conduct in place and to act ethically.

The Code of Ethics and Business Conduct had been drafted under the guidance of the Board and in consultation with staff members within different departments. Both the directors and staff are made aware of this code and the consequences for non-compliance during induction programmes and /or through periodic training sessions.

The Code of Ethics and Business Conduct, approved by the Board, is available on the Bank's website .

Continuous Development Programme

A training and personal development policy for Board of Directors has been implemented to ensure that Board members access a wide range of professional development opportunities.

The Board of Directors' training and personal development policy aims at (1) setting out Board competencies requirements; and (2) outlining training and development requirements for Board directors. In this respect, a comprehensive training calendar is set on a yearly basis, taking into consideration the training needs of the directors and recent changes in the Banking business environment. Training courses and personal development initiatives undertaken by directors are closely monitored by the Chairperson of Corporate Governance and Conduct Review Committee and the Company Secretary.

During 2019, the Board of Directors attended various training sessions to be better equipped to address challenges in the modern banking landscape. In-house sessions were organized by subject matter experts on Credit Risk and Anti-Money Laundering and Combating the Financing of Terrorism for directors. Moreover, directors had attended a workshop on whistleblowing and a conference on compliance risk and economic crime.

Independent Board Evaluation

In accordance with the National Code of Corporate Governance of Mauritius, performance evaluation of the board and its committees takes place on an annual basis and is conducted with the aim of improving individual contributions, the effectiveness of the Board and its committees and the performance of the Bank. The performance evaluation is usually conducted after each financial year.

The Board undertakes a formal and rigorous evaluation of its own performance. An external evaluator is appointed to conduct such evaluation, at least every 3 years. The services of an external evaluator were enlisted in 2018 for the independent board evaluation and an internal evaluation of the Board and its Committees was conducted in 2019. An independent evaluator, will now be appointed during year 2020.

The findings of the independent board evaluation will be shared with the whole board, as appropriate, which will be useful for the Bank to assess the effectiveness of the Board and its Sub-Committees.

Conflicts of Interests

All the Directors and the staff have a legal obligation to act in the best interests of the Bank.

In accordance with the Conflict of Interest Policy and Related Party Transaction Policy which had been drafted by the Bank in line with the Bank of Mauritius Guidelines and approved by the Board, all Directors, the Chairperson and Senior executives have to declare their direct and indirect interests in any transaction undertaken by the Bank as well as the shares held in a Company, to avoid situations where there may be a potential conflict of interest. Due to sensitive information contained in the above bank policies, same has not been published on the Bank's website.

A register of directors' interests is kept at the registered office by the Company Secretary, which is updated on regular basis. The register is made available to shareholder of the Bank upon written request to the Company Secretary.

Remuneration

The Bank ensures that both directors and senior management team are rewarded based on their performance and effort towards contributing to the development of the Bank's strategy.

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

I. Remuneration of Non-Executive Directors

The Non-Executive Directors of the Board receive a monthly fixed base fee as consideration for their Board duties and a fixed fee in fulfilment of their duties at Board Sub-Committees, established by the Board of Directors, which is approved by the sole shareholder at the Bank's Annual Meeting. The aim of the Board of Directors is to ensure that the remuneration of each director is in line with the market practices and that the remuneration reflects the demands, competencies and efforts in light of the scope of their work and their attendance of Board and committee meetings.

The Bank has not granted any share options or bonus to the Non-Executive Directors during the year 2019.

The table below highlights the remuneration paid to the Non-Executive Directors during the financial year 2019 in discharging their duties towards the Bank:

Non-Executive Directors	Jan 19 - Dec 19 (MUR)
Mr Nayen Koomar BALLAH *(ceased to be director on 13.03.2020)*	1,680,000
Mr Philip AH-CHUEN	1,140,000
Mr Mahmadally BURKUTOOLA *(ceased to be director on 28.02.2019)*	240,000
Mr Rajakrishna CHELLAPERMAL *(ceased to be director on 09.03.2020)*	1,450,000
Mr Ishwar Anoopum GAYA *(ceased to be director on 27.02.2020)*	1,520,000
Mr Rishikesh HURDOYAL	1,310,000
Mr Michel Arnaud MOOTHOOSAMY *(ceased to be director on 09.03.2020)*	1,100,000
Mr Abdool Karrim NAMDARKHAN	890,000
Mr Visvanaden SOONDRAM *(ceased to be director on 09.03.2020)*	540,000
Mr Balachandran Chelampet PUTHUKULANGARA *(appointed on 03.04.2019)*	580,000
Mr Azim Fakhruddin CURRIMJEE *(appointed on 17.09.2019 and ceased to be a director on 13.03.2020)*	80,000
Sub Total	**10,530,000**

Messrs Namdarkhan and Soondram were appointed as Members of Board Sub-Committees in March 2019 while Mr Balachandran in May 2019. Mr Currimjee (representative of SBM Holdings Ltd) did not serve in any Sub-Committee.

II. Remuneration of Executive Directors

As per the Bank's policy, no directorship fees are paid to the Executive Directors.

The Bank's remuneration philosophy for Executive/Senior Management is as hereunder:

A fixed salary package is paid to Members of Executive Management, including the Executive Directors on the Board of the Bank. In addition to the fixed salary, the remuneration for Executive Management consists of a variable element in the form of an annual bonus and the Bank may offer other standard benefit such as mobile telephone use in form of an allowance.

The Board aims to ensure that performance-related remuneration of the Executive Management are linked to value creation for shareholders or the Company's earnings performance over time and with due consideration to market trends.

The remuneration and benefit received by Executive Directors during the financial year 2019 were as follows:

Executive Directors	Jan 19 - Dec 19 (MUR)
Mr Venkateswara Rao PARVATANENI	14,196,142
Mrs Veronique LIM HOYE *(ceased to be director on 08.05.2019)*	2,789,648 *(as at 30 April 2019)*
Total	16,985,790

**To note that Mr Venkateswara Rao Parvataneni was appointed as Executive Director as from 12th October 2018 and Mrs Veronique Lim Hoye was an Executive Director on the Board from 22 February 2018 till 08 May 2019.*

III. Information Technology and Information IT Security

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

SBM Holdings Ltd has established an IT Committee, comprising of directors of the ultimate holding company and of the Bank. The primary responsibilities of the Committee are to identify IT project priorities, to provide strategic planning, direction and to review/approve IT projects of the Bank as well as SBM Group. The IT Committee regularly monitors and evaluates the Bank's and Group's significant expenditures on information technology to ensure that IT strategic plans are delivered within agreed budget and timeframe. The Bank has implemented multiple security policies, deployed technological and logical controls to ensure that data is safeguarded both within its premises as well as those hosted on the cloud including access rights granted only to authorised personnel, password expiry and backup process for digital information.

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

In 2019, a series of IT initiatives were implemented by the IT Team and the main ones are as follows:

- Implementation of the Instant Pay Service, which allows customers to link their electronic wallet to their SBM bank account and transfer funds instantly between SBM Account and their electronic wallet and vice versa on a 365x24x7 basis.
- Procurement of new Intelligent ATMs to replace the existing old fleet of ATMs in order to better serve Bank's customers.
- Innovation portal was developed on the Bank's intranet for any staff to share their ideas on how Bank can explore new innovative solutions.
- Upgrade of Non-Banking system to ease the running of business operations, reducing manual operations and provide other capabilities which include compliance controls on investments, front office/sales modules.
- New solution deployed to cover Bank's insurance business lines (Life, General and Medical). The system will facilitate business operations, reduce manual operations and improve compliance on policies, proposals, commissions due and staff incentives as well as more efficient reporting.

Year 2020 will be interesting for the Bank since many IT initiatives have been lined up. New technologies/solutions will be implemented. Some of the projects already in the pipeline are as follows:

- Bank's website to be revamped including Private Wealth webpages, Link to Book Forex through website and New Amigos mobile application amongst others. These changes will be done by the inhouse IT team.
- Data Centre relocation activity from India to Mauritius will be kicked off.

Any significant upgrades or new changes to existing application and infrastructure landscape go through a rigorous internal process of review and validation with different levels of approvals. At the operational level, approval would be sought from Business Continuity Planning (BCP), Risk Management, and Compliance amongst others. At the more senior level, approval may also be required to be obtained from IT Management Forum, Bank Executive Forum, IT Steering Committee, Procurement Committee, and the Board (Bank & Holdings) as might be appropriate.

Cybersecurity is always at the forefront since Bank constantly reviews, updates and innovates in terms of security tools and processes deployed to secure Bank's data, prevent intrusion and safeguard customers' interest. Security scans and simulations are performed regularly to uncover any breaches and also sensitize employees in the process.

Principle Five - Risk Governance and Internal Control

Board

The Board of Directors is ultimately responsible for the reliability, integrity and governance of the risk management process. The Board oversees the risk management activities of the Bank directly or through its Sub-Committees to ensure decision making is aligned with the Board's approved policies and frameworks. The Sub-Committees are guided by their respective Terms of Reference.

Board Sub-Committees and Executive Management

The Executive Management team, together with the various Board Sub-Committees, manages the business through a system of internal controls functioning throughout the Bank. This promotes an awareness of risk and good governance in every area of the business and instils a culture of compliance.

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

The Risk Management Committee has the responsibility to ensure that proper structure and process are put in place for identification of the various risks faced by the Bank and for managing such risks. The Executive Management team is responsible for translating the overall guidance from the Board into operational aspects and then monitoring and reporting back periodically to the Board/Board Committees.

Further details on the management of risk are given in the Risk Management report on pages 98 to 124.

Risk Management

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

The Risk Management Team maintains its objectivity by being independent of operations. The Acting Head of Risk Management has direct access to the Chairperson of the Risk Management Committee and the Chief Executive.

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

Internal Control

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

The Bank has an integrated and robust risk management framework which aligns strategy, policies, people, process, technology and business intelligence to identify, assess, manage and report risks in a reliable and consistent manner. This risk management framework is premised on the three lines of defence model which ensures that risk is managed in line with the Bank's risk appetite, as defined by the Board.

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

The audit plan for the Bank, which is approved by the Audit Committee, covers all key areas of activities, including IT. Through regular audits, the internal control system is evaluated with respect to the risk environment. Any deviation in policies and non-performance of internal control are duly reported and discussed broadly at both Management and Audit Committee levels. Corrective actions are promptly taken and regular follow ups as well as reporting performed by Internal Audit until complete resolution.

Whistle-blowing

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

CORPORATE GOVERNANCE REPORT (CONT'D)

Principle Six - Reporting with Integrity

Financial

The Directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards, International Accounting Standards and the Companies Act 2001. The Directors must ensure compliance with the provisions of the Companies Act 2001, the Banking Act 2004 and Financial Reporting Act 2004. The Directors must also ensure that the financial statements are free from errors and material misstatements.

The financial review is set out on pages 44 to 52 of the Annual Report. The Annual Report is published in full on the Bank's website.

Human Resources

The Bank has the twin objectives to be an Employer of Choice and to support the creation of an organisational culture which promotes work ethics, equality, commitment, responsibility, personal growth, and passion for excellence and high performance.

A robust Human Resources ("HR") strategy, supported by an equally robust HR function, is therefore critical. A well-structured HR function based on the solid foundation of mutual trust, teamwork, collaboration, professionalism, responsibility for self and others coupled with passion to serve is the principal goal.

A review of the existing HR model has started whereby the new structure will provide for expertise in core areas such as organisational development and change management, talent management, strategic remuneration management while also ensuring that the Bank has sound basics in place when it comes to Industrial Relations, HR policies, processes and procedures and HR administration. The Human Resources Department will source external expertise to complement the existing pool of dedicated HR team for whom the Human Resources Department will explore opportunities for development and growth through proper training and coaching.

Our Talent Pool

In order to become the "Employer of Choice", the Bank has adopted a structured approach to promoting talents. It relies both on leveraging the skills and experience already available within the organisation and bringing in the necessary capabilities that will deliver the long-term objectives.

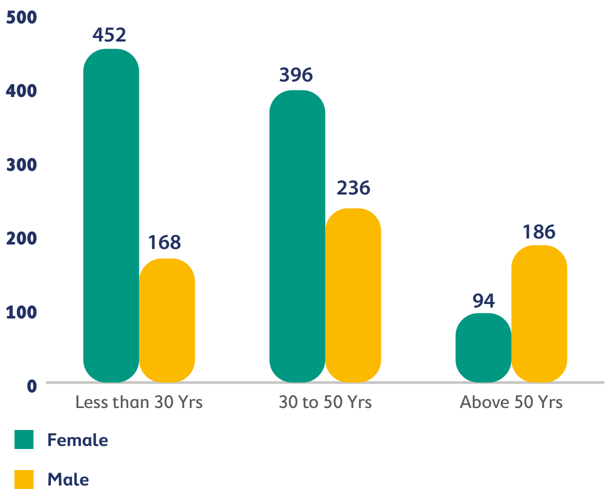
Through the roll-out of a succession plan across all departments, the Bank aims to build a strong leadership pipeline identified from employees categorised as "high potential" and sourcing of new talent to fill critical positions.

Over the last two years, the Bank has undertaken an exercise for all employees to be on permanent employment basis. This approach ensures that team members enjoy a wider range of benefits and are also able to operate in a fair and secure work environment where a high performance culture is encouraged at all times, showing our strong commitment to being an "Employer of Choice".

Diversity

The Bank is an equal opportunity employer. As part of its expansion strategy, 226 new employees were recruited in 2019, bringing our total manpower, as at December 2019, to 1,532 for the Mauritius operations.

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



HR Initiatives

Employee Engagement

For 2020, the Bank is planning several initiatives with regards to staff engagement such as Wellness Week, activities within the SBM Tower, Women Empowerment Programmes and the Employee Engagement Survey.

At the heart of our employee engagement programme is the employee wellness which is now considered as essential to the excellent running of the organisation. As such, many initiatives are planned to ensure a proper work-life balance. Sports activities are being encouraged and a wellness card will be given to employees, whereby employees will be able to enjoy preferential rates with some of our preferred partners.

The Employee Engagement Survey will be analysed against the results of the survey performed in 2018. The outcome of the Employee Engagement Survey will allow the Management Team to assess the general engagement level of the employees with regards to the initiatives of the Bank and to take further actions to enhance employee commitment.

Creating a Safe Working Environment

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

Training and Talent Development

Dynamic changes, such as business expansion, have increased the need to have a knowledgeable and experienced workforce. The setting up of a dedicated cluster to handle training and talent development programme reinforces the Board's commitment to grow and develop our internal human capital. Our strategy is geared towards strengthening capabilities to meet current and emerging needs and requirements. Using a tailored approach for different business units, our trainings are carried out in accordance with the Training Needs Analysis designed in collaboration with the Head of Divisions and the Executive Management team. Our training plan also includes accreditations and certification level trainings to better support business.

Besides mandatory trainings, this year's focus was on Service Excellence and Ethics & Governance for Senior Management. In this view, all branch managers and executives attended workshops delivered by international experts at the SBM Academy.

In 2019, we conducted, facilitated and recorded 100+ training sessions and workshops for the employees and the management team. MUR 10 million was invested in training and development which is translated into 21,000+ hours.

In line with our key strategic objectives, we will continue to develop new learning experiences by collaborating with leading partners and adopt a group-wide approach to capacity building.

Greater Focus on Onboarding

SBM Academy conducted 13 induction workshops for more than 250 employees during the course of the year. Besides mandatory training, new recruits were given an overview of the different key divisions across the Group. Induction workshops also provided a great platform to convey and share our values, while fostering a greater understanding of the Group. The classroom sessions were followed by online training, through our dedicated Learning Management System (LMS), to ensure that new recruits get acquainted with our internal processes and policies.

Enhancing Our Customer Experience

In line with our new brand identity, a number of immediate measures have been prioritised to improve customer experience in our branches. Our customised approach focused on three aspects of the customer journey inspired by our SBM acronym:

In parallel, product training programmes are being rolled out across the Group. The recruitment of a Head of Service Excellence & a Product Lead further connects to our strategic objective to enhance our customer journey. The induction programme for front-liners has also been reviewed to ensure that new recruits demonstrate the expected behaviours, in line with our values, while interacting with customers.

Upskilling Our Team to Embrace Digitalisation

As part of our commitment to enhance the customer journey through digital transformation initiatives, employees attended various emerging technologies trainings, seminars and certification level training. Besides improving performance, the training programmes ensured upskilling of our workforce. The training sessions covered topics such as Blockchain, Fintech, AI, Innovation and Data Analytics.

Cybersecurity Measures

In accordance with our Information Security Policy, our internal facilitators conducted regular training programmes for all employees and new recruits to raise awareness on cybersecurity. The IT Security Team is kept updated through local and overseas workshops /seminars, to successfully respond to changing business challenges and requirements. Regular updates on cybersecurity are also provided to all staff through emails, memos or training sessions (both in-class and online).

Compliance & Risk Training

A comprehensive mandatory training was conducted during onboarding and on an annual basis for all Senior Management, members of the Executive Board and employees of the Group on topics such as Anti-Money Laundering and Combatting Financing of Terrorism. Our objective is to raise compliance awareness and foster a corporate culture of adopting appropriate business practices. These training sessions are carried out both in-class and online and are followed by an online assessment.

Our Compliance Team is upskilled by attending workshops and interactive forums on new compliance risks facing the banking industry.

Attendance to mandatory training is closely monitored and tracked for both regulatory purposes and to support a culture of compliance.

Continuing Professional Development

Besides providing financial assistance for relevant professional memberships, SBM has facilitated training workshops for their Continuing Professional Development.

Occupational Health & Employee Well-Being

Several programmes were run during the year to address occupational health and employees' well-being, mental health and handling of stress. In 2019, we have facilitated first aid training and fire safety for our designated first aiders and fire wardens.

Our bespoke wellness programme focused on improving awareness and emotional stability, mastering the art of mindful communication and teaching employees to build self-confidence.

Team Workshops

Customised team workshops were organised to strengthen team relations, in less formal settings, to help the team address various challenges in a fun and experiential way.

Looking Ahead

2020 will be a pivotal year and our main area of focus will be on realignment of our training programmes, thus addressing our key objective to grow and strengthen our capacity building pillar.

In view of reskilling targeted employees in our Credit Management Team, we have partnered with a leading training institution. Since the course will be customised, the development of the curriculum is in progress. The roll out of the pilot group was planned for beginning 2020.

Environmental Report

Our Sustainable Initiatives

The Bank is committed to protect the environment by constantly identifying and implementing new sustainable and environmentally friendly initiatives.

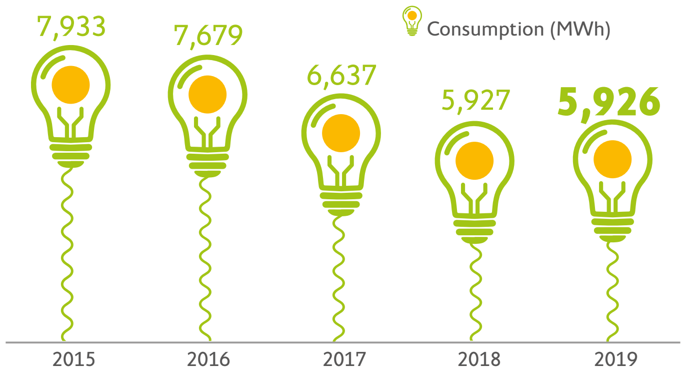
In line with this philosophy, we have started to renovate SBM Tower in a phased manner. The refurbishment of selected floors has been completed at the beginning of 2020, with renovation also scheduled for other floors. We have used latest technology and energy efficient materials such as reinforced access control system and led dimmable lights, motion sensor, and use of natural lighting in view to reduce electricity cost. The LED lights use 75% less electricity, emit more brightness and have an extended service life of 25 times more than conventional lights. High quality self - adhesive solar film with high heat reduction for the full indoor mounting has been used and reflect 82% of solar energy, thereby reducing the overheating of rooms.

We have also significantly renovated our reception lobby to provide improved customer experience and will gradually be renovating our service units. Following the replacement of our R22 air conditioning equipment, CFC gas is expected to be significantly reduced in the new financial year. Moreover, our employees are encouraged to reduce paper usage by favouring digitalisation to help reduce our carbon footprint. Visitors of SBM Park are also helping us to reduce consumption of plastics by using their own reusable water bottles instead of plastic ones within the premises.

On next page, are graphical illustrations regarding the water and electricity consumption, paper usage and CO2 emissions.

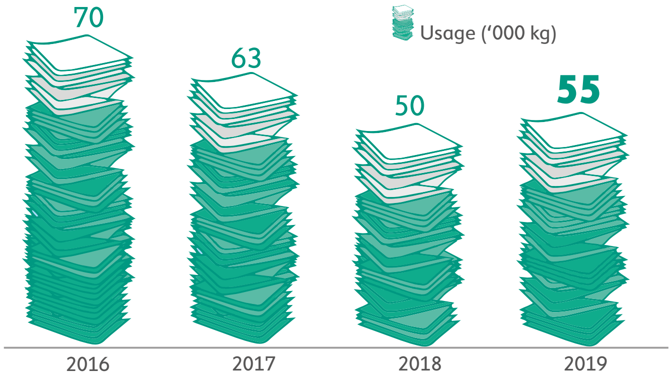
Key Highlights of How We Created a Lighter Footprint in 2019 in Mauritius

Overall Energy Consumption: Mauritius



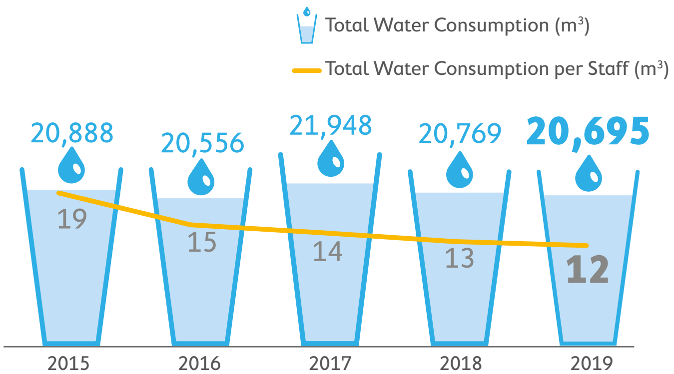
Compared to year 2015, consumption for year 2019 was reduced by 25.30%.

Paper Usage: Mauritius



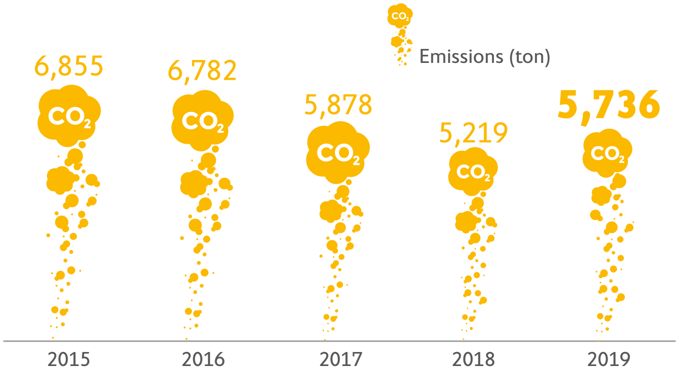
A decrease by 21 % in 2019 compared to 2016.

Water Consumption: Mauritius



A decrease by 0.36 % in 2019 compared to 2018 for total water consumption, along with further decrease of water per staff.

CO_2 Emissions: Mauritius



Increase in CO_2 was mainly due to an increase in grid emission factor of Mauritius despite a decrease in our electricity consumption for year 2019.

Health & Safety Report

The Health and Safety of our employees remains one of our priorities. Our ability to respond quickly and efficiently in cases of emergency remains key. The Bank has adopted a proactive approach to risk identification, information dissemination and employee safety through regular site visits, health checks and unplanned inspections. The Bank also has well defined procedures to adopt in case of emergencies.

In order to promote a safe and healthy environment, the following were adopted:

1. Regular inspections performed across all business units;
2. Drills carried out to optimise evacuation response time of staff, visitors and customers;
3. First aiders and fire wardens identified for each floor/business units and briefed on a regular basis;
4. Health & Safety Committees are held every 2 months whereby all issues related to health & safety are discussed;
5. New recruits are made aware of good health & safety practices during induction; and
6. Health and Safety working in close collaboration with the Facilities Management Team and Business Process Continuity Team to eliminate any potential hazard identified and ensure application of all emergency procedures.

Some of the upcoming priorities are:

- Improving our canteen services for a better service to our employees;
- Working in collaboration with the in-house company doctor for any recommendation; and
- Organising wellness initiatives for all employees including medical checks, wellness speeches and tips.

During the course of 2019, the following activities were organized:

May 2019: Seasonal Flu Immunization Programme

July 2019: Vaccination against Measles

December 2019: Mega Blood Donation

Blood Donation Events at SBM Tower and SBM Service Units

7 blood donation events: Head Office and Goodlands, Rose Hill, Vacoas, Quatre Bornes, Flacq and Rose Belle Service Units.

1,002 volunteers

791 pints

Moreover, the below training sessions were carried out at the SBM Training Academy:

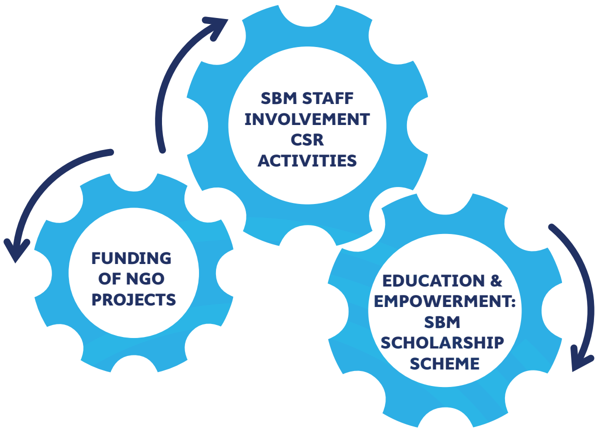
April 2019:	Training on First Aid at Work (delivered by Professionals of St. John's)
June-July 2019:	Training on Fire Safety (delivered by Professionals from the Mauritius Fire & Rescue Services)

Corporate Social Responsibility Report

Our Corporate Social Responsibility Strategy

The Bank's CSR strategy is being executed through the SBM Foundation, which is the philanthropic arm of SBM Group and drives our Corporate Social Responsibility (CSR) agenda with a view to creating and promoting a positive impact in the society. Our CSR strategy focuses on supporting high-impact sustainable projects, targeted at needy and vulnerable groups. These projects focus more on education and empowerment, on providing required tools, promoting employability and combatting social ills with a view to alleviating poverty.

SBM is convinced that education is of primary importance in empowering the actual and forthcoming generations to participate actively in the transformation of our fast evolving society. In this context, a significant part of the Bank's CSR funding has been channeled into the unique SBM Scholarship Scheme since 2010; in addition to supporting various socially focused initiatives with the aim to sustainably contribute to the well-being of our society and create a sense of pride and belonging.



Educating and Empowering through our SBM Scholarship Scheme

As a responsible and active corporate citizen, SBM feels proud to be the largest provider of scholarships in Mauritius. Through our SBM Foundation, we have provided some 2,600 scholarships (including some 60 students from Rodrigues Island) with some 1,400 scholarships for the tertiary sector and more than 1,200 for the vocational and technical sector. Our scholarship scheme covers full-time undergraduate courses at Higher Education Commission recognised institutions in Mauritius as well as vocational courses run at any of the Mauritius Institute of Training and Development (MITD) Centres.

This year marks the 10th edition of our flagship CSR initiative, the SBM Scholarship Scheme. The aim of this scheme is to provide the opportunity for bright students from low-income households to pursue further studies, hence aspiring for a better and brighter future. By contributing, in our own way, to providing young people with the right support to succeed in life, we hope to shape a more sustainable future for them and the society, while, at the same time, creating a shared value.

CORPORATE GOVERNANCE REPORT (CONT'D)

NGO Partners

Our efforts to break the vicious circle of poverty are multi-pronged. Over the years, SBM has supported various projects of Non-Governmental Organisations (NGOs) around concepts like *'Learning through Play (Sports/Music/Culture)', 'Women Empowerment and Child Care', 'Education for Disabled Persons', and 'Education for Out of School Youth'.*

A great deal of time and resources are dedicated to supporting organisations in similar fields, enabling us to benchmark, and share knowledge and experiences for improved service delivery to the less fortunate.

Initiatives in favour of NGOs

Providing free quality education to 120 infants from less fortunate families in partnership with 3 NGOs.

Educating some 1,200 out of school youth through 17 different NGOs

Supporting 6 projects to facilitate learning through non–conventional ways for 1,000 underprivileged children.

Supporting enhanced services to facilitate the education and rehabilitation of 600 disabled children through 8 NGOs by funding the services of professionals like speech and language therapists, physiotherapists and occupational therapists.

Staff Involvement Activities

Year 2019 saw a record level of initiatives and staff volunteering activities to support laudable causes.

'The Vacoas Service Unit organised lunch for the residents of the Balgobeen Ashram in St Paul'.

'Lunch for residents of Foolbasseea Babooram Sewa Ashram of Chemin Grenier by the Southern Cluster Service Units'.

'Colleagues from the SME and Eastern Cluster Service Units spent a day with elderly people at the Chiranjiv Bhardwaj Ashram in Belle Mare'.

'Lunch for residents of Association des Amis de Don Bosco of Baie du Tombeau by the Cassis Service Unit'.

CORPORATE GOVERNANCE REPORT (CONT'D)

'Donation of food supplies to the Couvent Mère Teresa in Roche Bois by the Business Process and EBusiness Teams'.

'Christmas Celebration at the Shelter for Women & Children in Distress Trust Fund in Curepipe by the Main Branch Service Unit'.

'OPC Staff Engagement Initiative – dedicating a weekend visiting and making donations to various organisations across Mauritius that take care of children, teenagers, the elderly as well as the homeless persons'.

Fun & Sports day at Association des Parents pour la Réhabilitation des Infirmes Moteurs in Mont Roches by the Private Banking & Wealth Management Teams.'

CSR Rewards & Recognition Received

Our CSR efforts, contribution and commitment to elevate vulnerable groups were recognised at international level by two awarding bodies in 2019 as well. SBM won the following awards:

- International Business Magazine - Best CSR Programme Mauritius 2019
- Global Banking & Finance Review -Best CSR Bank Mauritius 2019

Principle Seven – Audit

1. Directors' Responsibilities

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with applicable International Financial Reporting Standards, International Accounting Standards and all the requirements of the Mauritius Companies Act 2001, the Banking Act 2004 and the Financial Reporting Act 2004 and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. Any deviations on the above will be reported in the independent auditor's report attached to the financial statements.

2. Proof of Proper Process in Appointing Auditors

In line with Section 39 Paragraph 4 of the Banking Act 2004, the SBM Group had launched a tender exercise in 2015 for the appointment of external auditors. The tender was sent to the major audit firms in Mauritius. Management and the board of directors went through an interview and selection process with each audit firm, following which, the current auditors were selected and recommended by management and the audit committee to the board for approval. Each quarter, the external auditors meet the members of the Audit Committee. They discuss the financial statements of the Bank and the new accounting principles adopted.

Each year, the Audit Committee evaluates the external auditor in fulfilling their duty, to make an informed recommendation to the Board whether to retain the auditor. The evaluation encompasses an assessment of the qualifications and performance of the auditor; the quality and candor of the auditor's communications with the Audit Committee and the Bank's management; and the auditor's independence, objectivity and professional discernment.

3. External Auditors

The auditors, Ernst & Young, have been in office for 5 consecutive years for the audit of the financial statements for years 2015 up to 2019. The Bank will comply with the requirements of the Banking Act with respect to the rotation of auditors after a period of 5 years.

Auditors' fees:

	2019	2018	2017
	Audit	Audit	Audit
	MUR'000	**MUR'000**	**MUR'000**
Ernst & Young			
SBM (Bank) Mauritius Ltd			
Statutory Audits and quarterly reviews	**8,712**	6,400	7,133
Other services	**1,466**	5,750	

The report of Ernst & Young, external auditors, is annexed to the Financial Statements of the Bank.

Whenever the external auditor is exceptionally called upon to provide non-audit services, the auditor's objectivity and independence are safeguarded as the non-audit services are carried out by different partners with different teams. In addition, the total fees of such non-audit services are monitored to ensure they do not exceed a set threshold.

4. Internal Audit

The role of the Internal Audit function at SBM Bank (Mauritius) Ltd is to provide independent and objective assurance to the Management and to the Board of Directors through the Board Audit Committee. By following a systematic and disciplined approach, Internal Audit helps the bank to accomplish its objectives by evaluating and recommending improvements to operations, internal controls, risk management systems, and governance processes.

CORPORATE GOVERNANCE REPORT (CONT'D)

The Internal Audit department is governed by an Internal Audit charter / policy, approved by the Audit Committee. Internal Audit reports directly and functionally to the Audit Committee while it reports administratively to the Chief Executive of the Bank. The Head of Internal Audit has a direct reporting line to the Chairperson of the Audit Committee and has regular meetings with the Chairperson of the Audit Committee, in the absence of Management representatives, thereby further establishing Internal Audit's independence. Moreover, in the performance of their duties, Internal Audit has unrestricted access to all documents, key personnel and Management staff. Furthermore, in order to maintain objectivity, Internal Audit is neither involved in nor responsible for any area of operations.

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

Departmental Structure

There are four clusters within Internal Audit; (1) Credit Cluster, (2) Operations Cluster, (3) IT Audit Cluster and (4) Cluster Others. Each cluster specialises into specific types of audits and is under the supervision of an Audit Lead. The Bank is in the process of recruiting an IT Audit Lead.

The Audit Leads who report to the Head of Internal Audit are responsible for supervising, reviewing and directing the audit field work of their respective clusters.

Audit Resources

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

Standards of Auditing

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

Achievements

During the year under review, Internal Audit has completed 31 out of the 35 core audits planned, representing 89 percent completion. Key risk areas such as Credit, Treasury, Finance, AML or Operations were fully covered. 40 on-site audits of Service Units (branches) were carried out in 2019.

The IT Audit plan was partially achieved due to resource constraints. Also the IT Audit team was engaged in the implementation of the data analytic tool to support audit work. An independent review of the Bank's IT system was performed in Q1 2020.

In 2019, 25 investigations were completed by the team at the request of Management.

Outlook

In the years to come, Internal Audit will be called to be an even more important player in providing valuable assurance and consultancy services to the Bank.

Principle Eight - Relations with Shareholders and Other Key Stakeholders

SBM stakeholders are individual or groups which have an interest in the Bank or are affected by its actions. Whilst the Board is fully aware of its fiduciary duties towards its shareholder, it also affirms being involved in dialogue with the wider stakeholders, as hereunder:

Shareholders, Debt Holders and Investment Analysts

How do we engage with our Stakeholders	Their Contribution to Value Creation	What our Stakeholders expect from us and Key Issues raised	Our Response to Stakeholders' Concern
✓ Sending notice of Annual General Meeting ("AGM") at least 21 days before the meeting in accordance with Companies Act 2001. AGM was held in June 2019. ✓ Keeping shareholders abreast of material events ✓ Integrated Annual reports ✓ Publication of abridged unaudited financial statements on a quarterly basis ✓ Communication through website, external newsletter and electronic communication ✓ Analysts briefings and regular investor presentation ✓ Regular roadshows and presentation ✓ Rating agencies review	✓ The key source of financial capital for business operations and growth sustainability are investors, shareholders and debt holders	✓ Attractive returns on investment in the form of dividend, interest and share price growth ✓ Leadership which provide strategic direction for growth ✓ Focus on good governance and ethics ✓ Managing risk, liquidity and capital within the risk appetite framework of the Bank ✓ Regular communications about major developments	✓ The Management has set clear targets which are communicated. ✓ The top management monitors financial performance to ensure that targets are met and profitability is sustained coupled with improvement in key operational ratios ✓ The Board and its Sub-Committees oversee the performance of the Management in the following areas: risk, corporate governance amongst others and adherence to internal policies. The Board also ensures that the strategy proposed by the Bank is being properly implemented by Management. ✓ No major shareholder influence

Customers			
How do we engage with our Stakeholders	**Their Contribution to Value Creation**	**What our Stakeholders expect from us and Key Issues raised**	**Our Response to Stakeholders' Concern**
✓ Through physical and electronic channels, products and services delivered both face-to-face and non face-to-face. ✓ Promotion and marketing campaigns ✓ Relationship managers, customer meetings, site visits ✓ Meeting of certain corporate clients at their workplace to offer services such as account opening and loan application. ✓ Roadshows, presence in high footfall areas, presence in Universities on Open Days ✓ Networking Events ✓ Community Events ✓ Communications including electronic, phone calls ✓ Giveaways ✓ Sponsorship	✓ The basis for our continued growth and achieving the financial goals are our customers who purchase our products and services ✓ Reducing cost to serve by using Alternate Channels ✓ Referring customers through word of mouth	✓ Professional customer service experience and quick turnaround time. ✓ Proper handling of customer complaint ✓ Cost efficient and user-friendly access to financial services ✓ Fairness in trading ✓ Innovative and tailor-made products ✓ Safety of personal data and protection against fraud ✓ Timely and direct communications on changes ✓ Modern and efficient channels of service delivery	✓ The aim is to provide high level of customer service via investment in technology and our people ✓ Appropriate training is being given to employees so as to raise the level of customer service ✓ Investment in new products and services based on customer feedback ✓ Dedicated Call Centre and Complaint Cell ✓ Investment in IT systems and security. ✓ Customers as well as employees are being sensitised about potential threats

Employees, Management and Directors

How do we engage with our Stakeholders	Their Contribution to Value Creation	What our Stakeholders expect from us and Key Issues raised	Our Response to Stakeholders' Concern
✓ Induction courses ✓ Regular training and team building activities ✓ Conferences, team engagement sessions and performance management discussions ✓ Staff engagement survey and feedback ✓ Regular Internal staff meetings and workshops ✓ Social and cultural events ✓ Events and staff welfare facilities to enhance welfare (e. g. SBM Park) ✓ Internal newsletters and electronic communication ✓ CEO and other Executive Members roadshows (e.g. townhall events) ✓ Staff retention and opportunity for internal growth ✓ Trade union and collective bargaining agreement ✓ Induction for Directors on joining the Board ✓ Training for Directors to keep them abreast of any legal and regulatory changes	✓ One of the key drivers for growth, development and achieving the Bank's objectives is the employees who deliver on our promises to our stakeholders and serve customers with dedication.	✓ A safe, stimulating and rewarding work environment with open communication ✓ Fair remuneration and benefits ✓ Opportunities for career and personal development ✓ High standards of health and safety and mitigating hazards ✓ Fair treatment and respect towards employees ✓ Effective performance management and recognition ✓ Clear and concise induction pack so that Directors can get familiar with the business of the Bank	✓ We provide a competitive remuneration package ✓ We provide ongoing training to enhance skills ✓ There is open communication between employees and management ✓ Employee wellness programmes are aligned to local and international best practices/ trends ✓ Performance management is integrated into development programmes for skills and personal development of the employee ✓ We use the findings of our employee surveys to create tailored action plans and to address areas needing improvements ✓ There is a collective bargaining agreement in place ✓ Induction pack is being provided to Directors on joining the Board ✓ Strategic Retreat ✓ Circulating meeting papers well in advance to ensure that Directors have ample time to read

CORPORATE GOVERNANCE REPORT (CONT'D)

Suppliers and Strategic Partners

How do we engage with our Stakeholders	Their Contribution to Value Creation	What our Stakeholders expect from us and Key Issues raised	Our Response to Stakeholders' Concern
✓ Expression of interest ✓ Proper procurement process ✓ Cordial relationship between management and supplier ✓ Meeting and supplier visit	✓ The Bank engages with several suppliers to be able to deliver its non-core activities.	✓ Fair and reasonable contract terms ✓ Payment in a timely manner ✓ Decision to be communicated in a timely manner ✓ Spirit of partnership	✓ Fair payment process ✓ Fair selection of suppliers

Communities

How do we engage with our Stakeholders	Their Contribution to Value Creation	What our Stakeholders expect from us and Key Issues raised	Our Response to Stakeholders' Concern
✓ Donations to NGO and charitable institutions ✓ Blood donations ✓ Sponsorships ✓ CSR initiatives ✓ Staff engagement	✓ As a socially responsible corporate citizen in the society, the Bank fully engages in the community through sports, education and alleviation of poverty events	✓ Support economic and social development ✓ Through job creation ✓ Empowerment of vulnerable persons ✓ Being a socially responsible corporate citizen	✓ Sponsorships / partnerships ✓ Provision of tools and opportunities to vulnerable persons ✓ Investment in CSR projects ✓ Scholarships ✓ Active participation in national, social and cultural events

Regulators

How do we engage with our Stakeholders	Their Contribution to Value Creation	What our Stakeholders expect from us and Key Issues raised	Our Response to Stakeholders' Concern
✓ Regular meetings and working groups with the Bank of Mauritius and the Financial Services Commission on regulatory guidelines, new legislations, laws and other matters ✓ Filing of regulatory returns within stipulated timeframe ✓ Inspection by regulators ✓ Trilateral meeting between Bank of Mauritius, the Bank and External Auditors	✓ Provides regulatory framework guidelines ✓ Provides instructions issued by regulators from time to time	✓ Transparent, secure and sustainable banking and financial services practices ✓ Compliance with relevant Acts, Regulations and Guidelines ✓ Customer satisfaction	✓ Proper communication around products and services being provided ✓ Compliance with all laws and regulations ✓ Appropriate Customer Due Diligence and Know Your Customer (KYC) Exercises ✓ Risk Management and Internal Control ✓ Compliance with the code of Corporate Governance ✓ Duties of confidentiality and data protection

Directors' Service Contract

Mr Venkateswara Rao Parvataneni, currently the Chief Executive, is on a service contract of two years since 17 April 2019.

Directors and Officer Liability

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

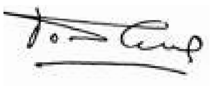
The policy does NOT cover the **deliberate** gaining by any insured of profit or advantage to which such insured was not legally entitled; or the committing of any **deliberately** dishonest or **deliberately** fraudulent act by any insured.

Statement of Compliance

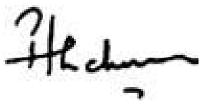
Name of Public Interest Entity: SBM Bank (Mauritius) Ltd

Reporting Period: 1 January 2019 to 31 December 2019

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



Mohit DHOORUNDHUR
Chairperson of the Board



Philip AH-CHUEN
Chairperson of the Corporate Governance and Conduct Review Committee

15 May 2020

RISK MANAGEMENT
REPORT

“RISK MANAGEMENT IS NOT ABOUT FUTURE DECISIONS, BUT IT IS ABOUT THE FUTURE OF DECISIONS THAT WE MUST TAKE NOW.”

ROBERT N. CHARETTE
International Authority on Information Technology and Systems Risk Management.

Risk Management

SBMBM has, during the past year, continued to develop its risk management framework. This has been achieved by further strengthening its enterprise risk management approach, including reviewing its risk appetite in cross-border lending to maintain a conservative approach to risk, helping to ensure that we protect customers' funds, with a focus on responsible lending while supporting economies. By carefully aligning our risk appetite to our strategy, we aim to deliver sustainable long-term shareholder's returns.

The Bank also strives hard to integrate a strong risk culture within the organisation through clear and consistent communication and relevant training for all employees. Although the Board is ultimately accountable for the management of risk, this responsibility is shared among all employees of the Bank.

SBMBM adopts a 3 lines of defence model to govern risk and supports the relationship between (i) business units, (ii) risk management and compliance functions, (iii) internal and external audit and (iv) the Board. For more details on risk governance and internal control, please refer to page 78 Principle 5 – Risk Governance and Internal Control.

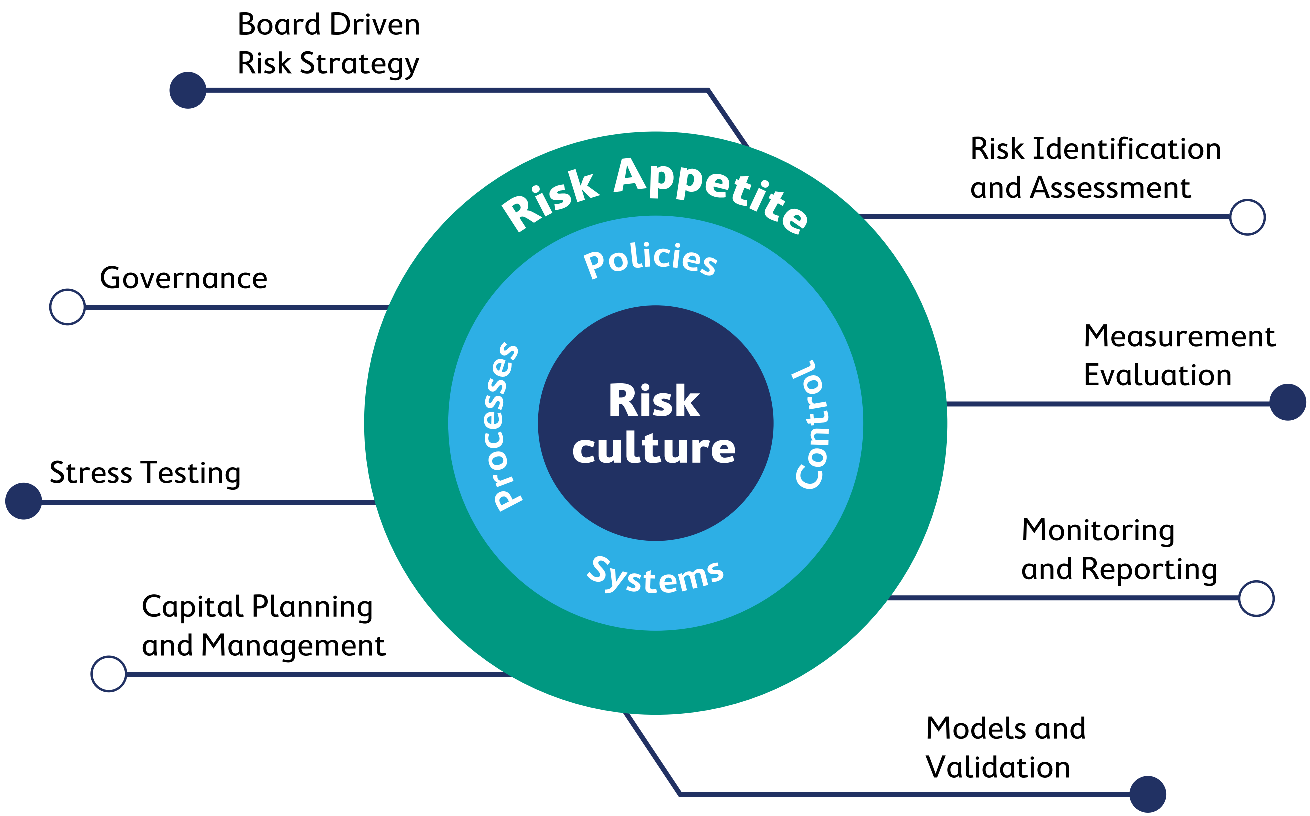
Executive Summary

Key Risk Oversight	Highlights 2019	Likelihood of Risk	Target 2020	Capital Impacted
EXTERNALLY DRIVEN				
Macroeconomic Outlook	Stress testing its portfolio considering potential macroeconomic events including probable US recession, Brexit, trade war between US and China showed the Bank's capital and liquidity position resiliency in the face of mild shocks.	Medium	The Bank aims to maintain a comfortable capital adequacy and liquidity position while remaining alert on any probable change in market conditions, including possible negative impact of the coronavirus 2019 on the world's economy. Refer to Note 5 of Financial Statements on page 148 for an initial impact assessment on COVID-19.	MUR
Cyberthreat	Cyberthreat has been on the rise worldwide. Measures implemented to reinforce the security posture of the Bank have been effective with only a single incident and a marginal loss.	High	Cybersecurity will continue to be high on the agenda. The Bank's response to cyberthreat will be enhanced by addressing gaps identified with continuous training of personnel and awareness among customers.	MUR
Country Risk	Remediation plan with respect to cross-border lending was successfully implemented with an enhanced policy, country risk framework and revised prudential limits.	Medium	The Bank will maintain a prudent approach on cross-border lending during FY 2020 with ongoing refinement of its country risk framework and governance to manage country-specific risks.	MUR
Capital Management	The Bank remained adequately capitalised within its strategic objectives and risk appetite. The Capital Adequacy Ratio (CAR) stood at 14.65%, which is above the regulatory requirement of 13.375%.	Medium	The Bank aims to remain above the regulatory limits amidst change in statutory requirements.	MUR

Key Risk Oversight	Highlights 2019	Likelihood of Risk	Target 2020	Capital Impacted
INTERNALLY DRIVEN				
Concentration Risk	The Bank remained within the prudential limits and well within the regulatory limits imposed by the Bank of Mauritius. Remediation plan was put in place to contain cross-border exposure within set risk appetite.	Medium	The Bank shall continue to exercise caution to ensure it is not overexposed to a single entity or group.	
Credit Quality	Remedial measures implemented at the Bank led to a satisfactory improvement in the impairment ratio and the quality of its assets. The setting up of an independent Covenant Monitoring Team allowed early identification of breaches and implementation of corrective actions.	High	The Bank expects to further improve its asset quality through already implemented measures and set up a new Credit Monitoring Team to closely monitor high risk and large exposures.	
Liquidity Risk	The Bank enjoys a comfortable liquidity position with its LCR well above regulatory requirement.	Low	The Bank will maintain its comfortable liquidity position through a greater diversification of its FCY deposit base and growth in HQLA stocks. Changes in LCR regulatory requirement are expected to have minimal impact on the Bank's position.	
Market Risk	Market risk remained within the Bank's risk appetite.	Medium	An increase in derivatives trading and growth of the trading book will have an impact on the market risk faced by the Bank but will remain within current risk appetite.	
Operational Risk	Improvement in the Bank's risk identification process and enhancement in operational controls resulted in a decrease in operational loss and an increase in operational efficiency.	Medium	We foresee operational risk to remain within limit and to further decrease. We however remain alert to cyber risk.	
Technology Risk	Though the Bank encountered some unfortunate and longer-than-expected system downtime, there has been significant reduction in system disruptions through the enhancement of the Bank's Business Continuity Framework.	Medium	System stability is expected to further improve through the implementation of high resiliency in systems.	

Enterprise Risk Management Framework

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



The framework is guided by the following strategic risk objectives:

- Early identification and control of various possible risks.
- Maintaining adequate capital buffer under stressed conditions to absorb losses, if any.
- Promoting stability of earnings by avoiding unexpected losses.

SBMBM's Enterprise Risk Management Framework is supported by sub-frameworks to grasp the different risk aspects to ensure proper corrective and mitigation measures are implemented to maintain risk levels in line with its defined objectives.

1. Types of Risk

Identifying and evaluating risks is crucial for controlling and managing them. In pursuing its goals, the Bank is exposed to a spectrum of risks that could impact on its overall performance. The main ones are listed below:

Financial Risks

Credit Risk

Risk of economic loss arising due to counterparties failing to fulfil their financial or other contractual obligations.

Market Risk

Risk of losses arising from variations in the market value of trading and non-trading positions.

Liquidity and Funding Risk

Risk that the bank will not meet its obligations as they fall due.

Non-Financial Risks

Operational Risk

Risk of loss due to errors, breaches, or damages caused by people, internal processes, systems or external events.

Compliance and Legal Risk

Risk of loss that might arise if the Bank fails to act in accordance with the laws and regulations, internal policies or best practices.

IT Risk

Potential loss due to faulty or unsuitable technology in the day-to-day running of the organisation.

Transversal Risks

Reputational Risk

Risk of negative impact on the books due to adverse publicity, public perception or uncontrollable events.

Strategic Risk

Risk of financial forfeiture arising due to unsuccessful business decisions.

Model Risk

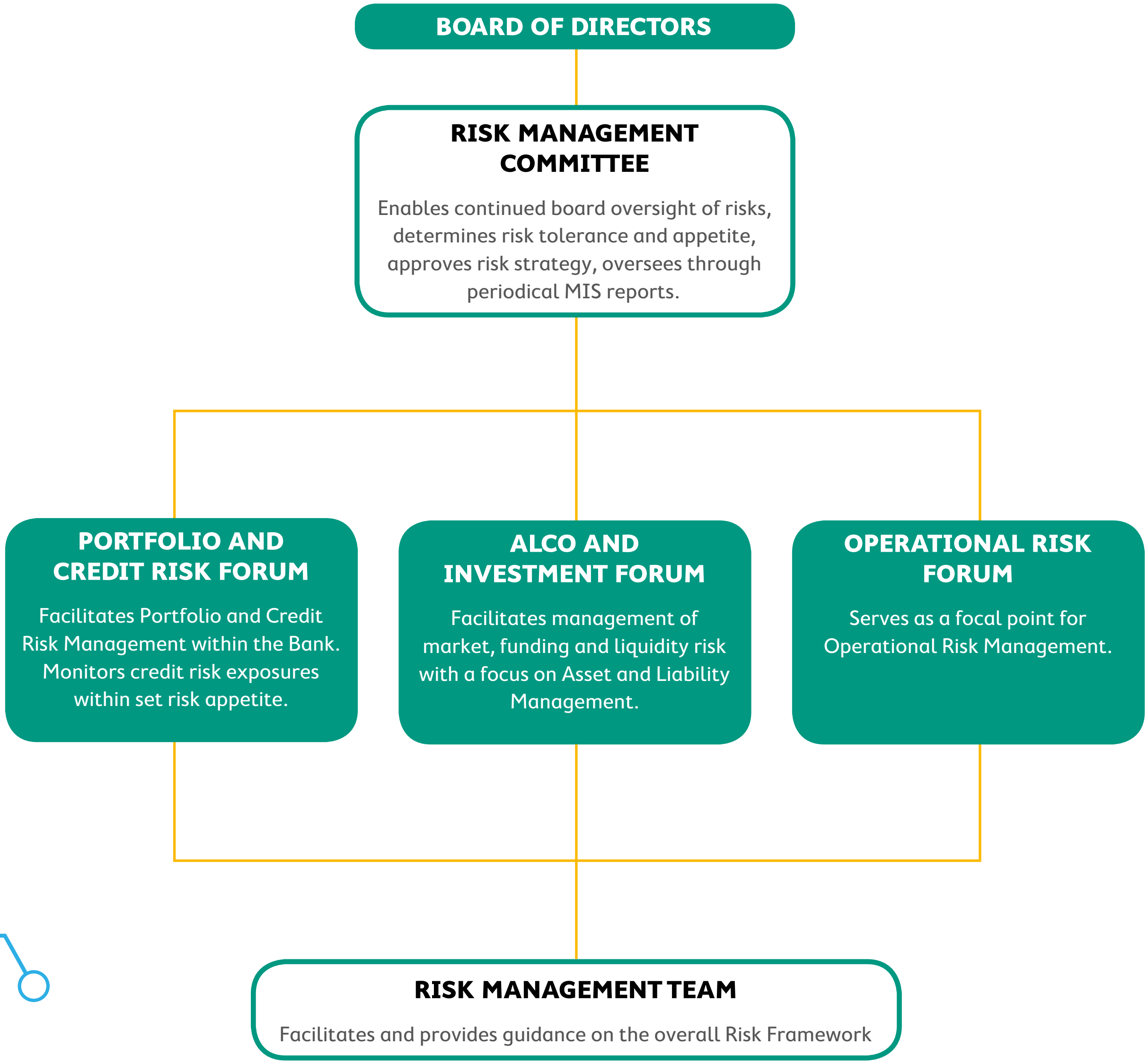
Risk of loss arising from inaccurate predictions, resulting in inaccurate decisions.

Business Disturbance Risk

Risk of loss due to disruption of normal business operations.

RISK MANAGEMENT REPORT (CONT'D)

The three main management forums, as depicted below, monitor the material risks on a monthly basis, or more frequently as it may be required. A consolidated view of the risk profile is reported to the Risk Management Committee on a quarterly basis.



2. Hierarchy of Risk Appetite Principles

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

Risk-Bearing Capacity	Represents the maximum level of risk that SBMBM can assume in terms of available capital and ability to raise funds. It also covers the strength of operational processes and operating culture of the organisation.
Risk Appetite Statement	Risk appetite articulates and allocates the risk capacity or quantum of risk that the Bank is willing to accept in pursuit of its strategy, duly set and monitored by the Board, and integrated into the Bank's strategy, business, risk and capital plans.
Risk Tolerance	Refers to the readiness to bear the risk after risk treatments to achieve its objectives. Risk tolerance is set in operational terms such as concentration limits, stop loss limits, etc. to ensure that the risk is within the defined risk appetite. Any breach thereof would lead to a control and/or mitigation action.
Risk Target	Risk target is the optimal level of risk that the Bank wants to take in pursuit of a specific goal. Setting the risk target is based on the desired return, on the risks implicit in trying to achieve those returns and on SBMBM's capability of managing those risks.
Risk Limits	Risk limit determines thresholds to monitor that actual risk exposure does not deviate too much from the desired optimum. Breaching risk limits will typically act as a trigger for corrective action at the process level.

2.1. Risk-Bearing Capacity

In 2019, scenario stress testing of financial and capital plans has been an essential element in the risk appetite calibration process. Risk is measured in terms of economic capital and then allocated back to business in form of a capital allocation to where the risk positions reside or originate.

An array of stress testing and scenario analysis is carried out on a regular basis to analyse the capital position and identify the risks. The stress scenarios focus on key risk factors of the Bank and are developed in line with the strategic goals of the Bank. Scenarios are conducted at different levels and the impact is reflected in terms of provisioning, profitability, liquidity positions and capital adequacy. The results are reported in the Internal Capital Adequacy Assessment Process (ICAAP) yearly and more frequently to Management Forums and the Risk Management Committee.

In case of a potential or actual crisis, the Bank has a formal contingency plan in place that clearly sets out the processes, responsibilities and strategies for addressing liquidity shortfalls in unexpected situations. Based on the results of the stress testing, the Bank remains within regulatory capital requirements under mild shocks and is also comfortable on the liquidity side. The growth in the stock of HQLA has vastly improved the liquidity position since 2017.

2.2. Risk Appetite and Tolerance

The Bank's risk appetite is communicated and embedded across the Bank through risk appetite statements that emphasise on measures along with associated limits and triggers in a manner that is easily conveyed to internal stakeholders.

2.3. Limit Setting

SBMBM measures and expresses risk appetite in terms of quantitative risk metrics. SBMBM sets specific risk limits at appropriate level relative to the risk and return so as to minimise risk that could lead to unexpected losses. Limits are monitored and reported to the Risk Management Committee on a quarterly basis.

2.3.1. Credit Risk

Credit risk is one of the most significant risk that the Bank faces resulting from its day-to-day business operations. Through its Risk Governance Framework, the Bank sets a proper limit structure in order to maintain credit risk within an acceptable threshold.

The Board of Directors at entity level delegates its credit approving authority to different levels in the organisation depending on the risk categorisation and the credit exposure of the customer. The ultimate approving authority remains with the Board.

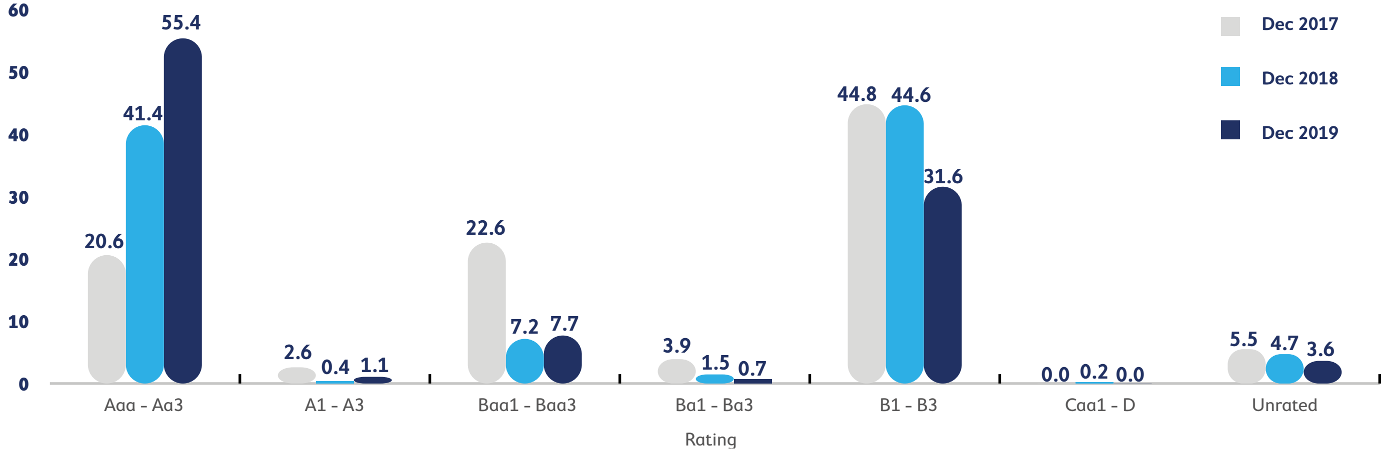
2.3.1.1. Country Risk

Country risk envelops the whole spectrum of risks arising from economic, political, and social environments of a foreign country that might impact on the exposure of cross-border operations. The Bank acknowledges weaknesses faced in the past with regards to cross-border lending and has reviewed its risk strategy by adopting a more prudent approach while categorising countries in different risk profiles.

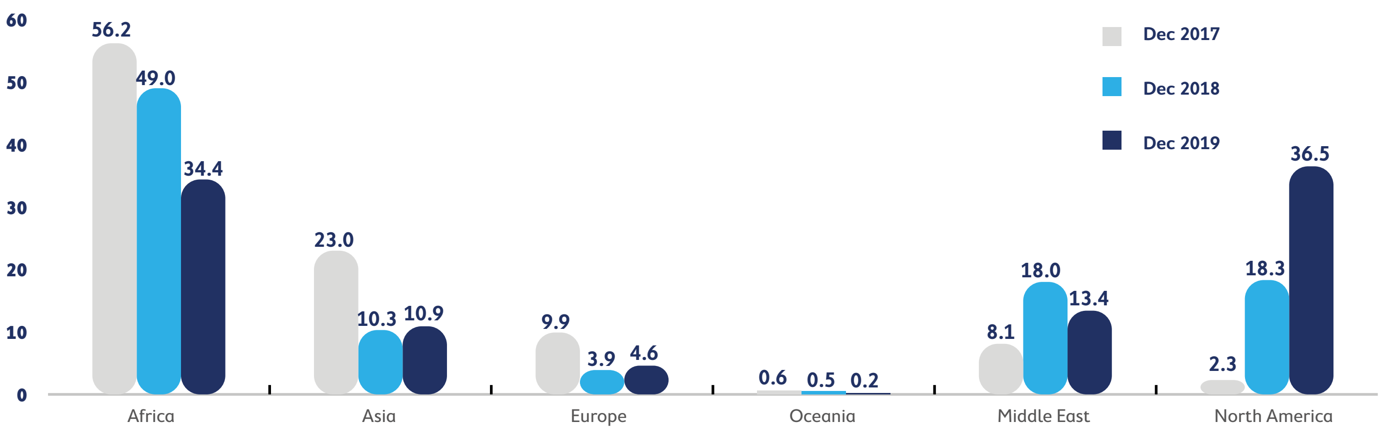
SBMBM applies a Board-approved comprehensive Country Risk Framework in line with the Bank of Mauritius Guideline on Country Risk Management to contain risk within acceptable risk tolerance. Country limits have been revamped to focus primarily on presence countries. Notwithstanding potential business opportunities, the Bank has established a list of targeted countries where appropriate limits have been allocated taking into consideration the country rating, macroeconomic risk, political risk, technological and infrastructural risk, legal risk, environmental risk and the social structure effectiveness.

As of December 2019, the total credit equivalent exposure to cross-border lending accounted to 362.6% of Bank Tier 1 Capital. Exposure to Supranationals represents 15.2% of total cross-border lending.

Distribution of Country Risk by Rating (%)



Distribution of Country Risk by Region (%)

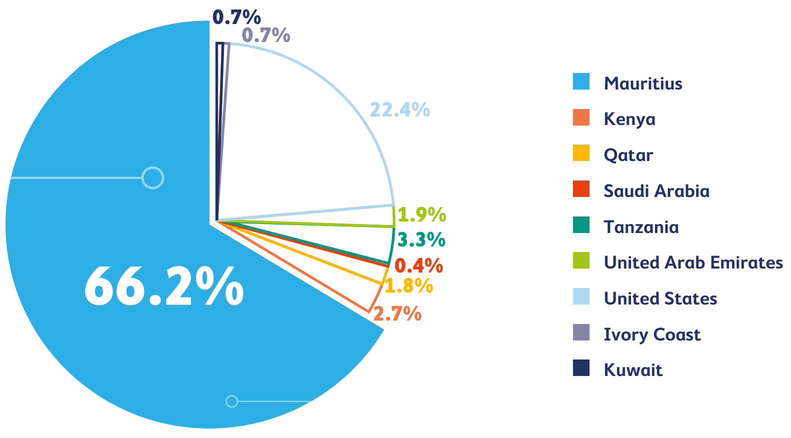


2.3.1.2. Sovereign risk

Sovereign risk can be encompassed under country risk in the sense that it relates to the ability of a foreign nation to meet its debt obligations. Sovereign risk arises when the Bank takes an exposure on a government entity or a central bank.

As at 31 December 2019, sovereign exposures accounted to 404.5% of Bank Tier 1 Capital of which Sovereign exposures in SBM presence countries accounted for 278.5% of Bank Tier 1 Capital.

The Distribution of Sovereign Exposures of the SBMBM

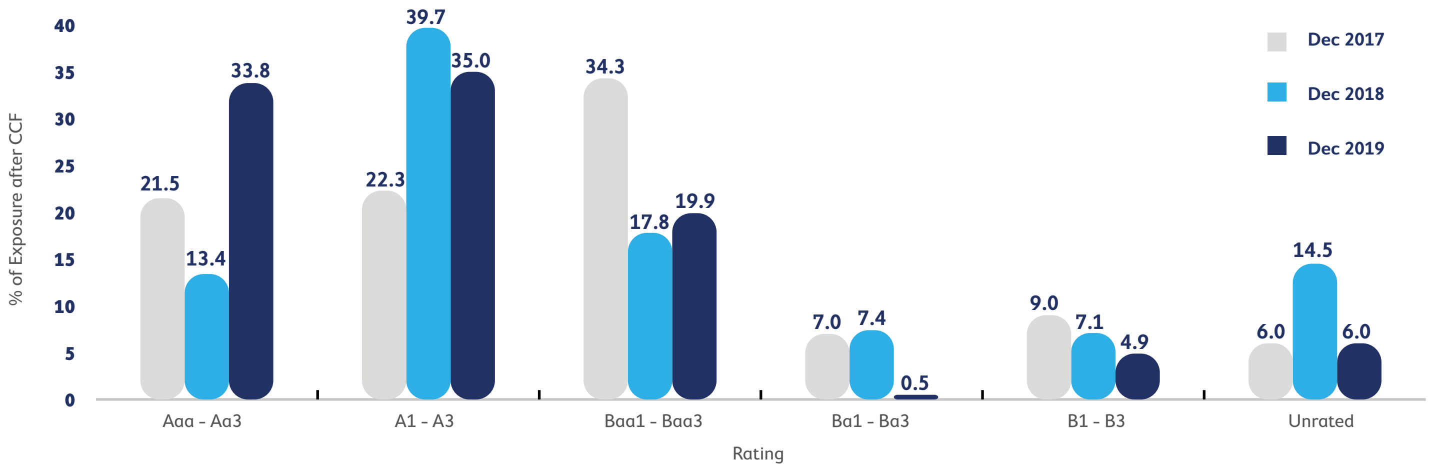


2.3.1.3. Bank Counterparty Risk

SBMBM is exposed to bank counterparty risk, i.e. the risk that a bank defaults on its obligations through different types of exposures varying from money market, treasury products, trade finance deals to standby letter of credits. In order to contain the risk, a limit structure is set up within the country limit and the regulatory limit on single counterparty exposure that considers the risk profile of the banks and allocates individual bank limits accordingly.

As at 31 December 2019, the Bank's counterparty credit equivalent exposure accounted to 143.7% of Bank Tier 1 Capital.

Distribution of Bank Counterparty Risk by Rating (%)



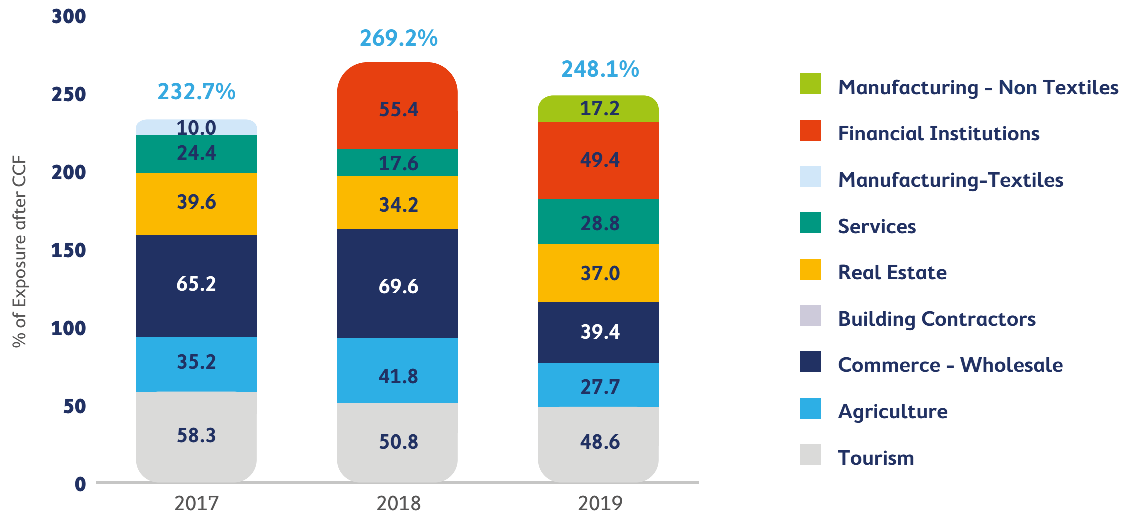
2.3.1.4. Credit Concentration Risk

Credit Concentration risk pertains to large risk exposures that might generate large losses and can potentially threaten the financial solvency of the organisation. In order to mitigate such risk, SBMBM has prudential limits set within the regulatory limits designed to further restrain concentration to single/group of connected counterparties as well as to large exposures.

As at 31 December 2019, the Credit Concentration exposure was well within the regulatory limit.

Regulatory Credit Concentration Limit – Mauritius Operations	
Credit exposure to any single customer shall **not exceed 25 %** of the Bank Tier 1 Capital	**13.9%**
Credit exposure to any Bank of closely-related customers shall **not exceed 40 %** of the Bank Tier 1 Capital	**21.5%**
Aggregate large credit exposures to all customers and Banks of closely related customers above 10 % of Bank's capital base shall **not exceed 800 %** of Bank Tier 1 Capital	**248.1%**

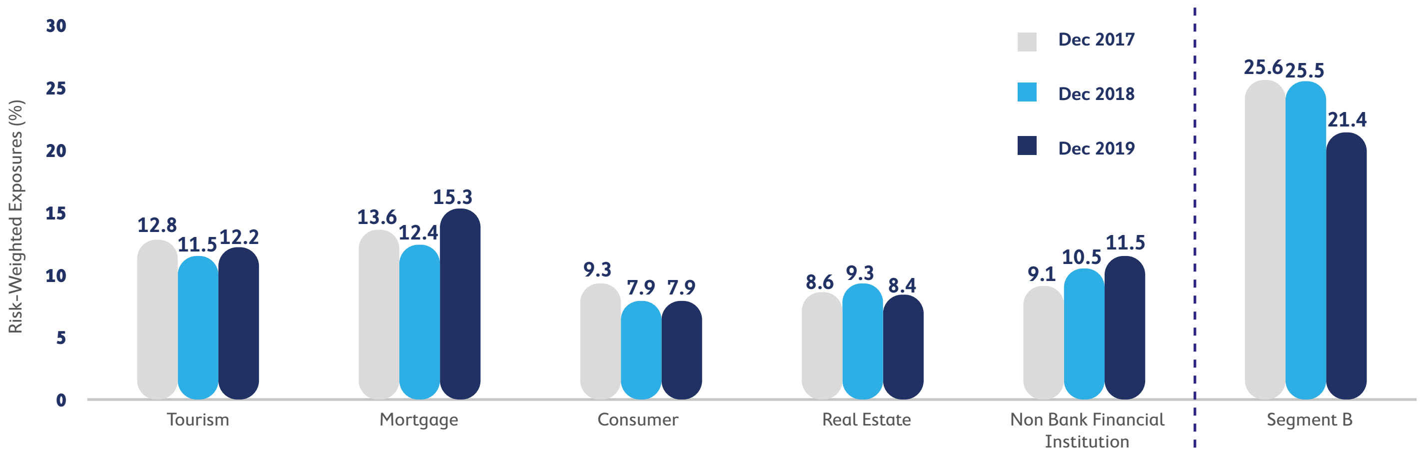
Top Group of Closely-related Customer Exposure by Sector (%)



2.3.1.5. Portfolio Risk

SBMBM aims to maintain a well-diversified credit portfolio that adapts to the structure of its presence entities and economies. This objective is reflected in the limit setting by segments, portfolios and sub-portfolios where necessary.

SBMBM's Top Portfolio by Risk-Weighted Exposure (%)

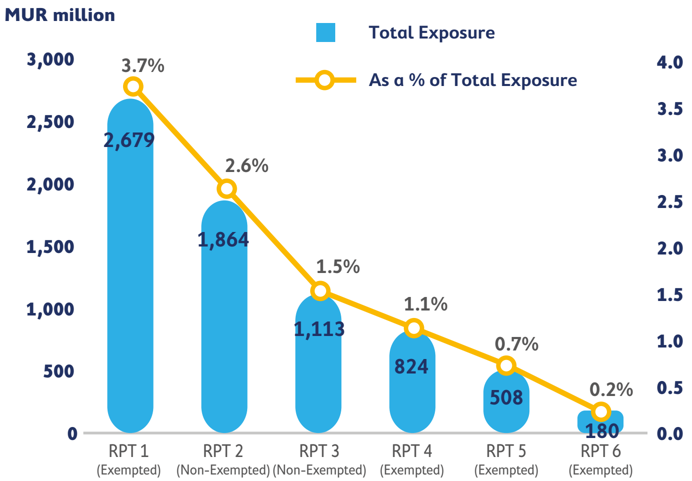


2.3.1.6. Related Party Risk

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

As at 31 December 2019, the aggregate of non-exempted exposures to related parties represented 21.4% of the Bank's Tier 1 Capital, which is well within the regulatory limit of 60% for category 1 and within the regulatory limit of 150% for categories 1 and 2.

Top 6 Related Party Exposures



2.3.1.7. Credit Quality

In line with its credit risk management framework, the Bank uses risk mitigation techniques to minimise loss in event of default.

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

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

The Bank has an acceptable list of collaterals which undergoes a periodic valuation and assessment ensuring their continuous legal enforceability and realisation value.

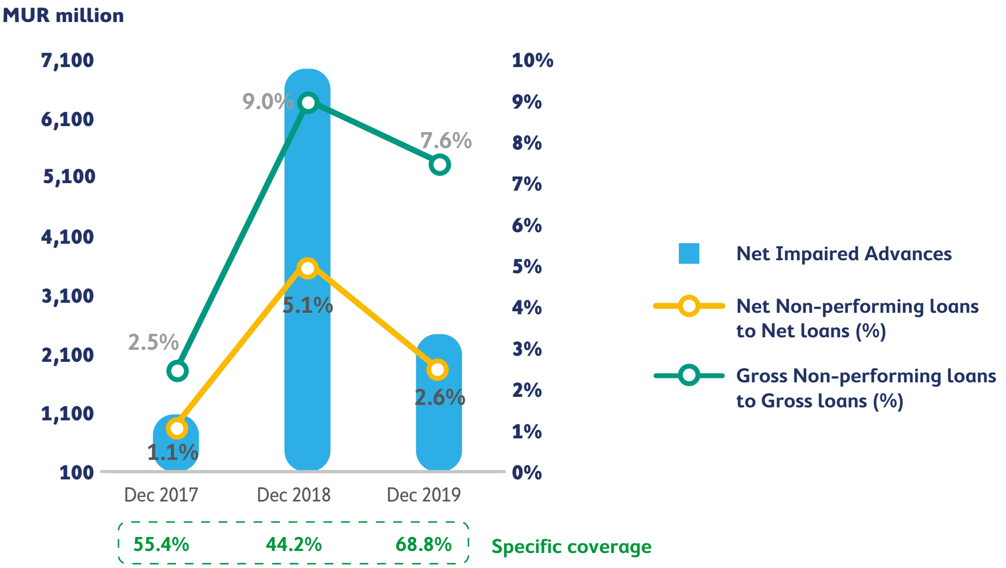
SBMBM has throughout the year, enhanced its governance around provisioning under IFRS 9 Financial Instruments Standard. A watch list review forum is held on a quarterly basis with Senior Management representatives to review customer-wise exposures satisfying a detailed list of 'watch list' criteria enabling better control over these exposures. These exposures are further classified under 'Stage 2' where a lifetime Expected Credit Loss (ECL) is allocated. The ECL parameters, i.e. the Probability of Default (PD), the Loss Given Default (LGD) and the Credit Conversion Factor (CCF) component of the Exposure at Default (EAD) are subject to revalidation and the macroeconomic indicators incorporated in the models are updated on a regular basis.

2.3.1.7.1. Impairment

The Bank has a proactive framework with an early-stage tracking of clients to meet contractual obligations.

A non-performing asset is classified and allocated a specific provision in accordance with IFRS 9 as well as the Bank of Mauritius Guideline on Credit Impairment Measurement and Income Recognition. The Bank ensures that a maximum debt is recovered through an in-depth recovery plan and adheres to the BOM guideline for write-off of non-performing assets.

Impairment Trend



2.3.1.7.2. Rescheduled Advances

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

As at 31 December 2019, total rescheduled loans stood at 14.3% of the total credit Portfolio.

2.3.2. Market Risk

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

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

2.3.2.1. Interest Rate Risk

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

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

The impact on Net Interest Income (NII) of a parallel change in interest rates as at 31 Dec 2019 is as follows:

	2019	2018	2017
Impact of 200 bps parallel Rate change on NII	5.57%	7.10%	3.68%

The interest rate risk in the banking book is managed by controlling interest rate sensitivities, which measure the immediate effects of interest rate changes on the assets, liabilities and off-balance sheet items. With the composition of the balance sheet as at 31 December 2019, the NII is expected to rise in an increasing rate scenario and fall in a decreasing rate scenario. An increase of 200 bps in interest rate would result in an improvement of 5.57% in NII whereas a decrease of 200 bps in rate would result in a contraction by same percentage in NII. However, some liabilities would not be fully impacted by the downward shock of 2% given that interest rates thereon are not expected to fall below zero percent.

After the announcement of the UK's Financial Conduct Authority (FCA) in 2017 that it will not guarantee publication of LIBOR post 2021, the market would likely shift to an alternative benchmark rate. For USD, the market consensus seems to be the Secured Overnight Funding Rate (SOFR) which is administered by the Federal Reserve Bank of New York. There is uncertainty over how the transition will be done. The Bank has started an impact analysis and identification process of the key risk areas and the potential mitigation.

Additional Information on the Interest Rate Gap figures is provided in Note 37 to the Financial Statements on pages 219 to 221)

2.3.2.2. Foreign Exchange Rate Risk

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

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

Exposures in foreign currency are given in Note 37 to the Financial Statements on pages 223 to 225)

2.3.2.2.1. Value at Risk

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

Min MUR	Max MUR	Year-end MUR
763,701	11,026,891	2,932,605

The VaR represented less than 1% of the Bank's Tier 1 Capital.

2.3.2.3. Price Risk

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

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

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

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

2.3.3. Liquidity Risk

SBM Group has maintained a strong liquidity position historically. Given the stable funding base, significant investments in liquid assets and structured Liquidity Risk Framework, the Bank's liquidity risk is well managed. The primary tools that it uses to monitor and manage the risk are: the Basel III Liquidity Ratios namely the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR) and the Traditional Gap Analysis. Liquidity risk is managed at source by the Treasury Operations Department.

Additional information on Liquidity Gap figures are provided in Note 37 to the Financial Statements at pages 216 to 218)

2.3.3.1. Liquidity Coverage Ratio (LCR)

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

As at 31 December 2019, the Basel III LCR for the bank, is shown in the following table:

LCR as at 31 Dec 2019	Regulatory requirement Dec'19	Regulatory requirement Jan'20
149.1%	80%	100%

During the year, the average LCR for Mauritius was at 160.1%, which was significantly above the Basel III requirement of 100%. As from end of January 2020, the regulatory requirement has been aligned with that of Basel, i.e. 100%. The Bank's strong liquidity profile is already geared for this adjustment. The average stock of HQLA amounts to MUR 54.8 billion. The Bank's portfolio of HQLA is mostly comprised of A-rated sovereign and Multilateral Development Banks (MDBs) bonds.

2.3.3.2. Funding

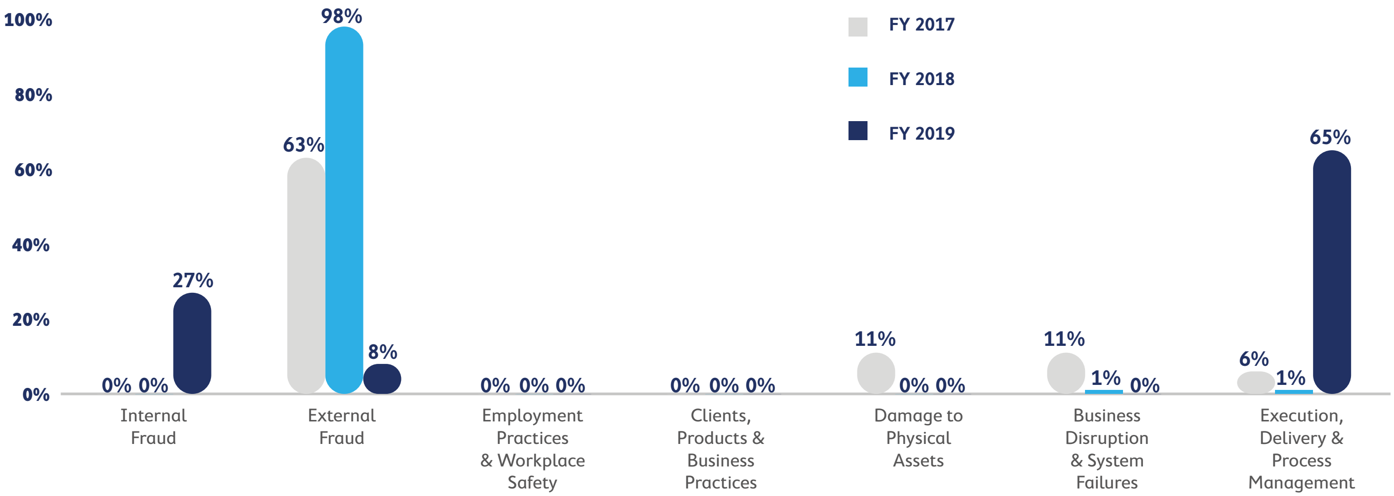
The Bank maintains deposit concentration limits to ensure that it does not place undue reliance on a single entity as a funding source. The Loan to Deposit ratio is conservative across all banking entities. Moreover, the Bank has a high level of core deposits which are adequate to mitigate the related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

Proactively, the Group is in the process of implementing NSFR across the Banking Group in its Liquidity Risk Framework.

2.3.4. Operational Risk

In 2019, there was a significant decrease in operational loss on account of improved risk identification process and enhanced operational controls. Losses relating to External Fraud registered the most significant improvements as compared to the previous two years. As per the bar chart, an increase in the absolute loss amount was observed in two categories mainly due to failure to comply with established procedures. The Bank's processes have since been tightened to prevent reoccurrences.

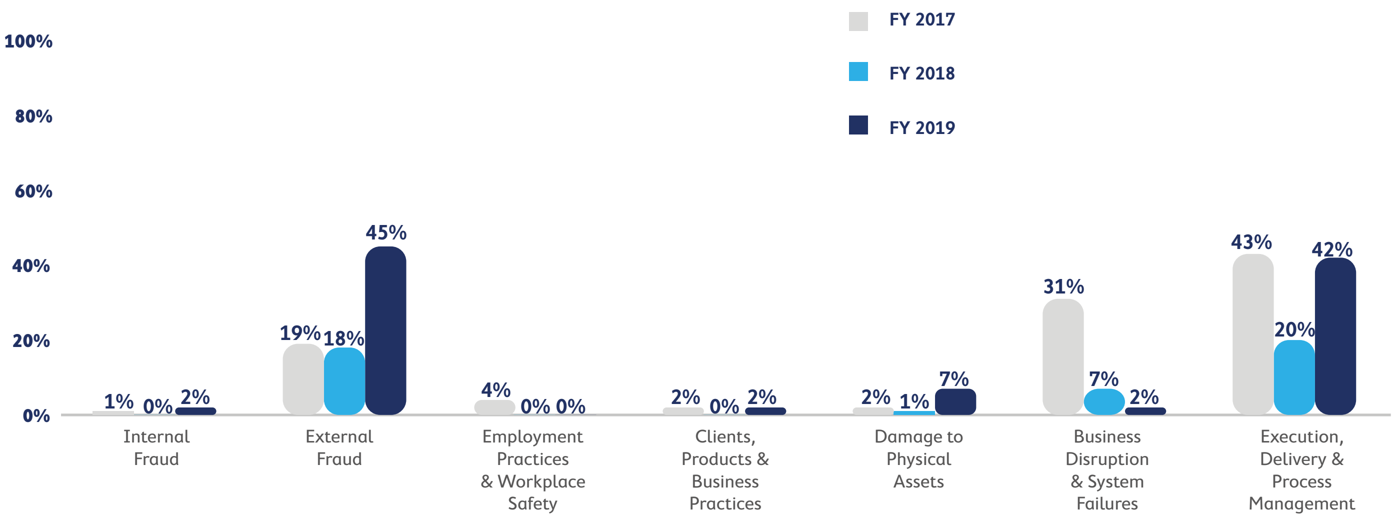
% of Total Loss



Though the absolute losses due to external fraud has decreased, a rise in the number of cases was observed mainly due to fraudulent transactions that happened on cards skimming cases.

System stability has been improving over the years with the number of events causing business disruption and system failures on a decreasing trend in 2019.

% of Total Count



2.3.5. IT Risk

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

During the year, the Bank has undergone a number of unforeseen and longer than expected system downtimes, which has negatively impacted on customer service, one of our key strategic levers for growth. Even though the Bank has a robust information security framework in place, SBMBM was hit by a cyberattack where an amount of MUR 3.4 million was recognised as operational loss for the year ending 31 December 2019.

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

Business continuity procedures are continuously being reviewed to ensure business continuity in case there is any cyberattack at any banking entity.

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

- Security awareness for staff and customers
- Security tools to detect and prevent cyberattacks from outside
- Strong access control
- Vulnerability and penetration testing
- Backup systems to ensure business continuity
- Red teaming exercises

2.3.6. Reputational Risk

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

Dedicated complaints handling teams within the Bank remain alert and sensitive to customer complaints and ensure that all complaints are treated with sincerity, confidentiality and fairness so as to ensure customer satisfaction. The Bank has a Complaints Committee that meets on a regular basis to ensure appropriate actions are taken to address any complaints. A report on the complaints is submitted on a quarterly basis to the Corporate Governance and Conduct Review Committee. To further improve its image, the Bank has onboarded a Service Excellence Executive to enhance its customer experience and also to align with the guidelines on Complaints Handling Policy and Procedures applicable to banks.

2.3.7. Compliance Risk

The Bank has adopted policies and designed processes to ensure its operations are in compliance with local legal and regulatory requirements including counterparties requirements. Compliance to these requirements is assessed by an Independent Compliance Function through reviews and investigations followed by a proper reporting to the Executive Forum and Board. A dedicated Regulatory team within the Compliance functions tracks changes in the regulatory and legal environment and conducts gap analysis to ensure compliance with new requirement and internal dissemination to all staff, Management and the Board of Directors. During the year 2019, new requirements in terms of data protection, complaint handling and sanction have been successfully complied with.

The Bank has also conducted an Enterprise-Wide Money Laundering and Terrorist Financing Assessment to understand the consolidated ML/TF risk exposure, and the control effectiveness and to identify any enhancement needs. We have also ensured that there is an effective screening of new and existing customers through the use of screening tools in order to safeguard the Bank against any money laundering, terrorist financing or reputational risks. In the same line, there is an internal negative list which is maintained for adverse media reviews and alerts being posted on Bank of Mauritius, Financial Services Commission, Financial Conduct Authority and FINRA websites. The database is used proactively to alert the Bank when dealing with parties listed therein. The Anti-Money Laundering Compliance Function is also equipped with specialised transaction monitoring and screening software to identify suspicious transactions and protect the Bank against potential money laundering or terrorist financing risks.

The Bank maintains a proper training plan on AML/CFT for all staff including Management and the Board of Directors to strengthen skills and knowledge and increase the awareness in respect of their roles and obligations. The Bank is also making effective use of automated training tools which have capabilities for audit trails and monitoring.

2.3.8. Fraud Risk

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

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

The Bank operates within the following key guiding principles:

- Zero tolerance towards fraud
- Stringent control procedures
- Timely disclosure of fraudulent activities
- Training and awareness programme
- Whistleblowing, and
- Human resource policy including code of ethics and business conduct, and conflict of interest.

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

2.3.9. Business Continuity Management

Natural disasters, IT disruptions, and cyberattacks highlight how the risks and threats facing the modern world have changed in recent years.

Getting prepared for unexpected events present complex challenges for today's Business Continuity Management especially for cyberattacks, which have increased globally during the past years and are likely to increase in frequency in the years to come.

The cyberthreat landscape today is highly complex and rapidly changing. Unlike a flood, fire or power failure, a cyberattack is a 'risk with an adversary' that can observe our vulnerabilities and dynamically adapt its plans and actions to achieve its objectives. This means that the Bank needs to be agile, flexible and strategic in its response due to the complex and uncertain situations that a cyberattack can cause and adapt accordingly.

People and preparedness are strategies that the Bank has adopted from a Business Continuity Management perspective to handle this threat. It is a fact that the human factor plays a key role in ensuring cyber resilience. Most breaches happen through phishing or social engineering, due to a lack of awareness on how criminals operate. Investing in training, exercises and awareness campaigns will certainly help staff understand how to avoid falling for an online fraud and develop the right skills to build a cyber resilience approach.

These arrangements have also been complemented by technical drills to establish effective and sound cyber resilience. Indeed, a Cyber Drill was organised for the first time last year with the collaboration of all stakeholders to ensure an appropriate level of readiness, preparedness to handle cyberattack while minimising the impact on the Bank's image and reputation.

The main factors in building cyber resilience are:

1. Human Factor – A challenge to Business Continuity and Cybersecurity teams to raise awareness, an essential element to counter this type of threat
2. Collaboration is essential to contribute to the Bank's resilience
3. Perform regular cyber drills to close any gaps and build awareness
4. Leadership – Senior Management's commitment is the key driver for furthering efforts in improving cyber resilience

Capital Management

The overall objectives of SBM Bank's capital management strategies are to :

- Maintain sound capital position in line with regulatory requirements and ensure confidence is provided to investors, customers and rating agencies in the bank's solvency and quality of capital under both normal market conditions and stress testing scenarios.
- Ensure appropriate return to stakeholders.
- Sustain a capital position necessary for its long-term financial health and also to support the development of its business.

SBM, therefore, maintains capitalisation ratios aligned to its risk appetite and appropriate to safeguard operations and stakeholders' interests. SBM also uses the Internal Capital Adequacy Assessment Process (ICAAP) framework to work out comprehensive stress testing analysis to gauge if the Bank has sufficient level of capital under various adverse scenarios.

1. Regulatory Requirement

Banks in Mauritius are subject to capital adequacy rules prescribed by the BOM, which are largely consistent with international standards set by the Basel Committee on Banking Supervision (BCBS). SBM is guided by the BOM guideline on Scope of Application of Basel III and Eligible capital which came into effect in July 2014 to determine its minimum capital requirement. The minimum capital adequacy ratio required by BOM for banks operating in Mauritius presently stands at 10 percent of risk-weighted assets. In addition, a 2.5 percent CET 1 capital conservation buffer is required to absorb losses in periods of financial and economic stress. As per phase-in arrangements, this buffer started as from 1 January 2017 and has grown by 0.625% on a yearly basis to attain 1.875% in 2019.

Moreover, SBM also has to abide to the Guideline for dealing with Domestic-Systemically Important Banks, which came into effect in June 2014. SBM was one of the five banks which were qualified by BOM as a Domestic-Systemically Important Bank (D-SIB) in 2014 based on the assessment of five criteria, including size, exposure to large groups, interconnectedness, complexity and substitutability. D-SIBs are banks whose failure could have an impact on the domestic economy. This assessment is carried out yearly by BOM and D-SIBs are required to maintain capital surcharge ranging from 1 to 2.5 percent of their respective RWAs. For 2019, SBM was required to maintain a buffer of 1.5 percent in the form of CET 1.

Table below illustrates Minimum Regulatory Capital Ratios which were applicable to SBM for financial year 2018 and 2019:

Minimum Regulatory Ratios applicable to SBM	2018	2019
Minimum CET 1 CAR	6.500%	6.500%
Minimum Tier 1 CAR	8.000%	8.000%
Capital Conservation Buffer (CCB)	1.250%	1.875%
D-SIB Buffer - Minimum additional loss absorbency	1.125%	1.500%
Minimum CET 1 CAR plus CCB + D-SIB	8.875%	9.875%
Minimum Tier 1 CAR plus CCB + D-SIB	10.375%	11.375%
Minimum Total CAR (Tier 1+Tier 2) + CCB + D-SIB	12.375%	13.375%

2. Capital Structure

The major components of regulatory capital are summarized as follows :

Regulatory Capital – Category		Minimum Requirement	Capital Conservation Buffer	Additional Loss Absorbency D-SIB	Total Minimum Requirement	SBM Actual Dec 2019
A) COMMON EQUITY TIER 1 which includes Share capital, Retained Earnings & OCI Less regulatory deductions for items such as: > Goodwill & Intangible Assets > Deferred Tax Assets	**Common Equity Tier 1 Capital = A**	6.50%	1.875%	D-SIB 1.5%	**9.875%**	12.960%
B) ADDITIONAL TIER 1	**Tier 1 Capital = A + B**	8%			**11.375%**	12.960%
C) TIER 2 CAPITAL which includes > 45% Revaluation Reserve on Fixed Asset > Allowances for Credit Losses (restricted to 1.25% of total Credit RWA)	**Total Capital = A + B + C**	10%			**13.375%**	14.650%

3. Capital Position

SBM has, at all times, maintained a comfortable buffer above the minimum capital requirements. The Bank ended up with a capital adequacy ratio of 14.65 percent as at 31 December 2019 against a regulatory limit of 13.375 percent

The Bank continued to strengthen its capital position with both CET 1 and Tier 1 ratios above the minimum requirement by 3.08 percent and 1.58 percent respectively following organic capital generation through earnings growth, higher asset growth and some RWA optimization. During the period under review, the Bank also received a capital infusion of MUR 900 million from its Holding company.

SBM capitalisation level remains comfortable with shareholders' funds increasing by MUR 602 million to MUR 18.1 billion as at December 2019, contributing to a capital adequacy ratio of 14.65 percent. Our share capital was increased during the year to MUR 400 million to abide by the updated Section 102 of the Banking Act, whereby banks are required to maintain a minimum share capital of MUR 400 million.

RISK MANAGEMENT REPORT (CONT'D)

The table below details the composition of the regulatory capital of the Bank along with a summary of the capital requirement for credit, market and operational risk as at 31 December 2017, 2018 and 2019.

	31-Dec-19	31-Dec-18	31 Dec 2017
CAPITAL BASE	**MUR'm**	**MUR'm**	**MUR'm**
Share Capital	400	310	310
Capital Contribution	11,854	11,044	9,063
Statutory Reserves	400	310	310
Retained Earnings	3,804	4,815	8,487
Accumulated other Comprehensive Income and other disclosed Reserves	207	(95)	(19)
CET 1: Regulatory Adjustments			
Other Intangible Assets	(2,526)	(2,963)	(3,423)
Deferred Tax	(219)	-	
Deducting Investment in Indian Operations			(2,936)
Common Equity Tier 1 Capital (CET 1)	**13,920**	**13,421**	**11,793**
Additional Tier 1 (AT 1)	**-**	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**13,920**	**13,421**	**11,793**
Other Reserves (45% of surplus arising from Revaluation of land & Buildings)	608	486	503
Portfolio Provision or loan loss reserves	1,214	1,129	1,170
Tier 2 Capital (T2)	**1,822**	**1,615**	**1,673**
TOTAL CAPITAL (T1 + T2)	**15,741**	**15,036**	**13,466**
RISK-WEIGHTED ASSETS (RWAs)	**MUR'm**	**MUR'm**	**MUR'm**
Credit risk	**97,101**	**90,308**	**97,151**
On-balance sheet assets	*90,925*	*82,765*	*88,434*
Off-balance sheet exposures	*6,176*	*7,543*	*8,718*
Market risk	**1,100**	**777**	**768**
Operational risk	**9,216**	**8,434**	**7,014**
TOTAL RWAs	**107,417**	**99,518**	**104,933**
CAPITAL ADEQUACY RATIO (%)	**14.65**	**15.11**	**12.83**
of which Tier 1 Ratio	12.96	13.49	11.24

4. Computation of Risk-Weighted Assets

Risk-weighted assets (RWA) measure the bank's exposures, weighted for their relative risk and calculated in accordance with BOM Guidelines.

For SBM, total risk-weighted assets are worked out for Credit, Market and Operational Risks using BOM guidelines on Standardised Approach to Credit Risk, Guideline on Measurement of Market Risk and Guildeline on Alternative Standardised Approach for Operational risk repectively.

4.1. Credit Risk

The amount of credit risk-weighted asset is arrived at by applying the risk weights based on the external credit assessments for Sovereign, Central Bank and bank exposures along with the standard risk weights as applicable under the Standardised Approach for corporate, retail, mortgage and past due exposures. The ratings from the following agencies have been used in computing the risk weights applicable to claims on banks and sovereigns : Standard & Poor's, Moody's Investors Service and Fitch. The credit ratings assigned by CARE Ratings (Africa) Private Ltd have been used for risk-weighting of some Corporates in line with the recommendations of BOM Guideline on the recognition and use of External Credit Assessment Institutions.

Advances to customers are weighted as per prescribed risk unless collateralised/guaranteed by eligible security/guarantors in which case, a lower risk weight may be applicable.

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

Risk-Weighted On-Balance Sheet Assets

	31 Dec 2019			31 Dec 2018	31 Dec 2017
MUR million	**Amount**	**Weight %**	**Weighted Assets**	**Weighted Assets**	**Weighted Assets**
Cash Items	2,420	0-20	0.8	0.6	0.2
Claims on Sovereigns	54,046	0-100	3,130	2,520	3,055
Claims on Central banks	27,638	0-50	596	482	772
Claims on Banks	23,935	20-150	7,815	7,784	12,323
Claims on Non-Central Government Public Sector Entities	93	50-100	47	86	143
Claims on Corporates	45,644	0-100	44,429	39,922	46,341
Claims included in the Regulatory Retail Portfolio	11,898	0-75	8,923	5,976	5,116
Claims secured by Residential Property	21,902	35-125	9,006	8,688	8,054
Claims secured by Commercial Real Estate	6,772	100-125	6,817	4,641	2,988
Past due claims	2,447	50-150	1,506	5,747	1,199
Other Assets	8,654	100	8,654	6,918	8,443
Total On Balance Sheet RWAs	**205,450**		**90,925**	**82,765**	**88,434**

Risk-Weighted Non-Market Related Off-Balance Sheet Assets

	31 Dec 2019					31 Dec 2018	31 Dec 2017
MUR million	**Nominal Amount**	**Credit Conversion Factor**	**Credit equivalent Amount**	**Weight (%)**	**Weighted Assets**	**Weighted Assets**	**Weighted Assets**
Direct Credit Substitutes	1,870	100	1,870	0-100	1,848	4,448	3,174
Transaction-Related Contingent items	4,883	50	2,442	0-100	2,276	1,442	1,923
Trade-Related Contingencies	323	20-100	127	0-100	122	190	405
Other Commitments	11,675	0-50	1,015	35-100	927	504	1,371
Total Off Balance Sheet RWAs					**5,173**	**6,584**	**6,874**

4.2. Market-Related Risk-Weighted Assets

SBM adheres to the Standardised Approach as outlined by the BOM Guideline on Measurement and Management of Market Risk for computation of risk-weighted assets on market risk.

Market-related off-balance sheet transactions include Interest rate contracts, foreign exchange contracts, equity contracts, credit derivatives swaps and foreign currency options and back-to-back commodities contracts.

For the computation of risk-weighted off-balance sheet credit exposures arising from market-related transactions, all market-related transactions held in the banking and trading books which give rise to off-balance sheet credit risk are included. Derivative contracts generally expose us to potential credit loss if changes in market rates affect a counterparty's position unfavourably and the counterparty subsequently defaults on payment. The credit risk is represented by the positive fair value of the derivative instrument. Bilateral netting agreements and counterparty limits have been set up with major international counterparties to mitigate this risk.

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

Market-Related Off-Balance Sheet RWAs

	31-Dec-19						31-Dec-18	31-Dec-17
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	20,015	0 - 1.5	121	63	184	104	56	22
Foreign Exchange contracts	40,017	1 - 7.5	412	75	488	401	445	1722
Equity contracts	435	8	35	0	35	10	2	-
Other commodity contracts	2,515	10 - 12	263	36	300	160	311	-
Credit derivative contracts	1,464	10 - 20	293	0	293	293	144	100
Other Market-Related contracts	589	12	71	0	71	35	-	-
Total Market RWAs	**65,035**		**1,195**	**175**	**1,370**	**1,003**	**959**	**1,844**

The total market-related off-balance sheet RWA increased to MUR 1,003 million from MUR 959 million compared to last year.

The following table provides the capital charge for the past 3 years for the Bank :

MUR million	Dec-19	Dec-18	Dec-17
Capital charge for trading book position	505	407	442

4.3. Aggregate Net Open Foreign Exchange Position

The Bank is subject to foreign exchange (FX) risk from an on-balance sheet perspective, i.e. as a result of imbalances witnessed between the foreign currency composition of its assets and liabilities.

The risk to which the Bank is exposed can also be viewed from an off-balance sheet angle through its outstanding positions, mainly in respect of foreign exchange forwards.

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

MUR million	Dec-19	Dec-18	Dec-17
Aggregate net open foreign exchange position	595	370	326

4.4. Operational Risk Capital

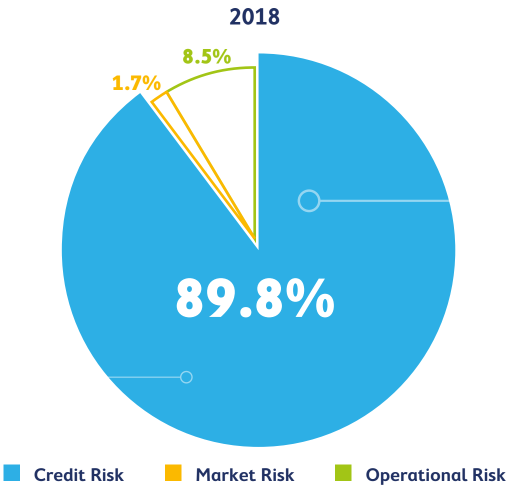
Operational risk is the risk of incurring a loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Calculation of operational risk for the Bank is worked out based on the Alternative Standardised Approach (ASA). In line with growth in business volumes, capital charge for Operational Risk is increasing year-on-year.

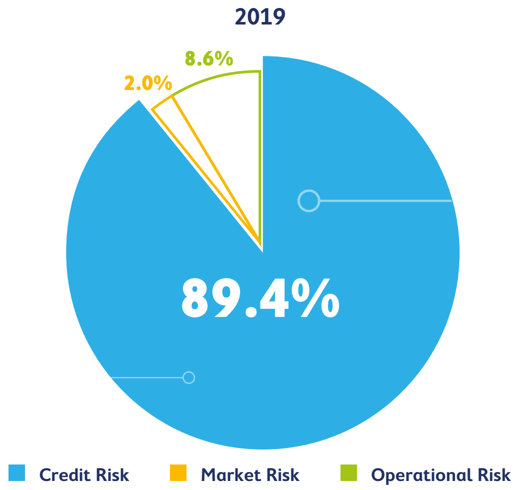
The table below sets out, at the date indicated, the operational risk capital charge for SBM Bank:

MUR million	Dec-19	Dec-18	Dec-17
Capital charge for Operational Risk	922	843	701

RISK MANAGEMENT
REPORT (CONT'D)

Total Risk-Weighted Assets for SBM as at 31 December 2019 was MUR 107.4 billion compared to MUR 99.5 billion as at 31 December 2018 split by risk type as follows:





The percentage risk by type for 2019 remained more or less at par with previous year, with Credit risk accounting for around 90 percent of total risk of the Bank.

Capital Adequacy Ratio and Tier 1 ratios stood at 14.65 percent and 12.96 percent respectively as at December 2019, with year-on-year growth of MUR 705 million in Capital Base and RWA increasing by MUR 7.9 billion. The higher RWAs over last year was mostly driven by an uplift in our loan portfolio.

5. Compliance

SBM Bank has duly complied with all its externally imposed capital requirements for the financial year 2019.

6. Leverage Ratio

The leverage ratio acts as a capital floor to the Basel risk-adjusted capital adequacy framework. The Bank had a calculated leverage ratio of 7.2 times CET 1 capital as at the end of the reporting period 2019 (2018 : 7 times CET 1)

As at date, there is no regulatory requirement to compute the leverage ratio.

7. Looking Ahead

SBM remains adequately capitalised and the Bank ensures that capital levels at all times exceed the minimum capital requirements.

FINANCIAL STATEMENTS

“DELIVERING RESULTS THROUGH STRONG AND DISCIPLINED BALANCE SHEET MANAGEMENT AND GROWTH.”

STATEMENT OF DIRECTORS' RESPONSIBILITY
FOR THE YEAR ENDED 31 DECEMBER 2019

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 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 entity 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 2019 and have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Banking Act 2004, Companies Act 2001 and the Financial Reporting Act 2004 and applicable Bank of Mauritius (BOM) guidelines and those of other Central Banks, where the Bank has operations, and appropriate accounting policies. These were supported by reasonable and prudent judgements, and estimates have been used consistently;

(iv) they continuously review the implications of corporate governance best practices and are of the opinion that the Bank complies with the requirement of the 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 Companies Act 2001 and are free from misstatements.

The year 2020 will be marked by the impact of COVID-19; more information is provided in note 5 of the financial statements.

The external auditors, Ernst & Young, have independently given their opinion in their audit report as set out on pages 131 to 135.

Parvataneni Venkateswara Rao	**Imalambaal Kichenin**	**Mohit Dhoorundhur**
Chief Executive	**Chairperson of the Audit Committee**	**Chairperson of the Board**

23 April 2020

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER 2019

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 are comprised mostly of 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, Ernst & Young, 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.

Parvataneni Venkateswara Rao
Chief Executive

Imalambaal Kichenin
Chairperson of the Audit Committee

Mohit Dhoorundhur
Chairperson of the Board

23 April 2020

REPORT FROM THE COMPANY SECRETARY
FOR THE YEAR ENDED 31 DECEMBER 2019

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 Companies Act 2001 in terms of Section 166 (d).

Preshnee Ramchurn

Company Secretary

23 April 2020

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER 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") set out on pages 136 to 227 which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the SBM Bank (Mauritius) Ltd as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001, Banking Act 2004 and Financial Reporting Act 2004.

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SBM BANK (MAURITIUS) LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matter	How the matter was addressed in the audit
Expected credit losses (ECL) -impaired facilities The Bank has net loans and advances portfolio of MUR 99.30 billion at 31 December 2019. As explained in the accounting policies, these loans and advances are carried at amortised cost, less allowance for credit impairment MUR 5.45 billion for impaired facilities and MUR 2.31 billion for non-impaired facilities. A financial asset is considered to be credit impaired in accordance with IFRS9 when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Identification of credit-impaired facilities (i.e. those classified in Stage 3) and determination of the expected credit losses thereon involves significant judgement, estimates and assumptions regarding (i) the determination of rate whether a facility is credit impaired and (ii) in estimating the forecasted cash flows that the Bank expects to receive from the obligors. This includes an estimate of what the Bank can realise from the collaterals it holds as security on the impaired facilities. Refer to Note 9 for accounting policy on loans and advances and allowance for credit losses (stage 3). Given the nature of the business and size of the loans and advances of the Bank (46.83 % of total assets), we identified the determination of the allowance for expected credit losses on loans and advances as a key audit matter.	We reviewed and assessed the design of the controls over the identification of facilities that are credit impaired and the related calculations of expected credit losses, including the quality of underlying data and systems. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers. We thus assessed the independence and the qualification of the appraisers. Areas of focus included the corporate and international banking lending portfolios which represent high value exposures. We tested the list of all credit impaired loans identified by management by performing the following procedures: • Reviewed the minutes of the impaired asset review forum, Management Credit forum, Board Credit Committee; • Obtained and tested loan arrears reports and ensuring that all arrears exceeding 90 days are included in the stage 3 impairment list of the ECL model; • Identified loan facilities meeting certain criteria such as financial difficulties of the borrower, restructured loans, insufficient rate collaterals and exposures to sectors in decline and in the list of credit impaired facilities. For loans that are credit impaired, we independently assessed the appropriateness of provisioning methodologies and policies and performed an independent view on the levels of provisions booked based on the detailed loan and counterparty information in the credit files. We re-performed calculations within a sample of discounted cash flow models and assessed the reasonableness of assumptions used to support the timing and extent of the cash flows. Where the borrowers' cash flow forecasts are used to determine recoverable amounts, we agreed these to objective and unbiassed evidence. We evaluated the underlying assumptions used in arriving at the indicative value for the collaterals by agreeing the value obtained to independent sources. Where deemed necessary, we involved our transaction advisory team to review the underlying assumptions.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>
Expected credit losses (ECL) – facilities which are not credit impaired

IFRS 9 requires the Bank to recognise expected credit losses (ECL) on financial instruments which involves significant judgement and estimates to be made by the Bank.

The determination of ECL on loans and advances which are not credit impaired involves the highest level of management judgement, thus requiring greater audit attention. Specific areas of judgement and estimation uncertainty include:
• Identification of significant increase in credit risk (SICR), and in particular the selection of criteria to identify a SICR. These criteria are highly judgemental and can materially impact the ECL recognised for certain portfolios where the life of the facilities is greater than 12 months;
• Complexity of the ECL model involving a number of critical assumptions in the determination of probabilities of default (PD), loss given default (LGD) and Exposure at default (EAD).
• Use of forward-looking information to determine the likelihood of future losses being incurred.
• Qualitative adjustments made to model driven ECL results raised to address model limitations, emerging risks and trends in underlying portfolios which are inherently judgemental.
• Accuracy and adequacy of the financial statement disclosures.

The carrying value of financial instruments within the scope of IFRS 9 may be materially misstated if judgements or estimates made by the Bank are inappropriate.

Refer to Note 9(c) for disclosure of ECL on loans and advances.
</td><td>
For stage 1 and stage 2 loans, we assessed the appropriateness of the model used including the inputs and assumptions by performing the following procedures:
• Reviewing the methodology adopted by the Bank for calculation of ECL and in particular the segmentation of loans in appropriate portfolios reflecting different risk factors. Our review also included an assessment of the design of the models used for determination of PD, LGD and EAD for different types of loans including inter-alia term loans, overdraft facilities, credit cards, guarantees and other off-balance sheet exposures;
• Assessed the adequacy and quality of the data used for the calculation of PD, LGD and EAD;
• Assessed the key assumptions used in PD, LGD and EAD models by comparing such assumptions to the actual behaviours of the credit facilities;
• Reviewed 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;
• Reviewed the minutes of Watchlist Review Committee and ensure proper classification to Stage 2 is made for all clients on watchlist;
• Assessed the accuracy of critical data elements input into the system used for credit grading and the approval of credit facilities;
• Reviewed the PD and LGD calculations including the incorporation of forecast macro-economic information by our data modelling specialists;
• Tested the accuracy and completeness of the ECL model by reperformance;
• Assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards.
</td></tr>
</table>

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the 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 the requirements of the Companies Act 2001, Banking Act 2004 and Financial Reporting Act 2004 and 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.

Other Information

The directors are responsible for the other information. The other information comprises the Statement of Directors' responsibility, Report from the Company Secretary as required by the Companies Act 2001, Statement of Management's responsibility for financial reporting, Management Discussion and Analysis, Supplementary information as required by Bank of Mauritius and Corporate Governance Report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above (other than the Corporate Governance Report) when it becomes available 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.

Corporate Governance report

The Directors are responsible for preparing the Corporate Governance Report. Our responsibility under the Financial Reporting Act 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 Bank has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

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 scepticism 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF SBM BANK (MAURITIUS) LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's 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 the directors 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.

Use of our report

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

Companies Act 2001

We have no relationship with or interests in the Bank other than in our capacity as auditors, tax advisors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

Banking Act 2004

In our opinion, the financial statements have been prepared on a consistent basis and are complete, fair and properly drawn up and comply with the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

The explanations or information called for or given to us by the officers or agents of the Bank were satisfactory.

ERNST & YOUNG

Ebène, Mauritius

23 April 2020

PATRICK NG TSEUNG, A.C.A.

Licensed by FRC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 December 2019	31 December 2018	31 December 2017
		MUR'000	**MUR'000**	**MUR'000**
ASSETS				
Cash and cash equivalents	6	**15,386,899**	11,211,712	15,620,778
Mandatory balances with central banks		**9,326,006**	8,767,767	8,712,062
Loans to and placements with banks	7	**7,471,474**	11,764,358	8,895,860
Derivative financial instruments	8	**783,603**	762,855	1,356,774
Loans and advances to non-bank customers	9	**99,302,829**	94,296,051	100,839,231
Investment securities	10	**73,456,719**	50,934,309	37,150,731
Equity investments	10	**3,411**	3,411	370
Property, equipment and right-of-use assets	11	**2,846,736**	2,458,814	2,631,782
Intangible assets	12	**2,526,156**	2,962,920	3,457,061
Deferred tax assets	18b	**219,302**	-	95,461
Other assets	13	**714,259**	823,653	923,892
Total assets		**212,037,394**	183,985,850	179,684,002
LIABILITIES				
Deposits from banks	15	**929,357**	796,117	739,926
Deposits from non-bank customers	16	**173,258,702**	147,530,840	141,695,769
Other borrowed funds	17	**12,438,151**	11,773,938	13,116,593
Derivative financial instruments	8	**794,275**	758,642	1,334,584
Current tax liabilities	18c	**311,351**	474,487	105,869
Deferred tax liabilities	18b	**-**	163,996	170,905
Other liabilities	19	**6,236,562**	5,020,635	4,163,207
Total liabilities		**193,968,398**	166,518,655	161,326,853
SHAREHOLDER'S EQUITY				
Stated capital	20	**400,000**	310,000	310,000
Capital contribution	20	**11,854,011**	11,044,011	9,063,106
Retained earnings		**3,804,163**	4,817,518	7,855,520
Other reserves	38	**2,010,822**	1,295,666	1,128,523
Total equity		**18,068,996**	17,467,195	18,357,149
Total liabilities and equity		**212,037,394**	183,985,850	179,684,002

Approved by the Board of Directors and authorised for issue on 23 April 2020.

Parvataneni Venkateswara Rao
Chief Executive

Imalambaal Kichenin
Chairperson of the Audit Committee

Mohit Dhoorundhur
Chairperson of the Board

The notes on pages 141 to 240 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019	31 December 2018	31 December 2017
		MUR'000	MUR'000	MUR'000
Interest income		7,688,851	7,156,372	6,074,890
Interest expense		(2,023,529)	(1,665,006)	(1,569,129)
Net interest income	26	5,665,322	5,491,366	4,505,761
Fee and commission income		1,206,321	1,061,666	1,005,274
Fee and commission expense		(31,716)	(23,015)	(22,396)
Net fee and commission income	27	1,174,605	1,038,651	982,878
Other income				
Profit arising from dealing in foreign currencies		534,430	679,738	431,483
Net gain from financial instruments	28	118,175	500,133	519,821
Net gain on sale of securities	29	626,674	173,554	430,897
Other operating income		884	-	61
		1,280,163	1,353,425	1,382,262
Non-interest income		2,454,768	2,392,076	2,365,140
Operating income		8,120,090	7,883,442	6,870,901
Personnel expenses	30	(1,719,592)	(1,271,165)	(1,281,152)
Depreciation of property, equipment and right-of-use assets		(193,062)	(145,188)	(149,163)
Amortisation of intangible assets		(474,547)	(549,948)	(493,091)
Other expenses	31	(1,072,553)	(768,432)	(922,184)
Bank levy		(171,368)	-	-
Non-interest expense		(3,631,122)	(2,734,733)	(2,845,590)
Profit before credit loss expense		4,488,968	5,148,709	4,025,311
Credit loss expense on financial assets & memorandum items	32	(3,606,666)	(3,010,356)	(228,024)
Profit before income tax		882,302	2,138,353	3,797,287
Tax expense	18a	(331,810)	(676,988)	(494,135)
Profit for the year from continuing operations		550,492	1,461,365	3,303,152
Discontinued operations				
Loss after tax for the period/year from discontinued operations	39	-	(221,374)	(691,859)
Loss on distribution of dividend in specie	39	-	(685,838)	-
		-	(907,212)	(691,859)
Profit for the year		550,492	554,153	2,611,293

The notes on pages 141 to 240 form an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019	31 December 2018	31 December 2017
		MUR'000	**MUR'000**	**MUR'000**
Profit for the year		**550,492**	554,153	2,611,293
Other comprehensive income :				
Items that will not be reclassified subsequently to profit or loss:				
Increase in revaluation of property		**204,398**	-	-
Deferred tax on revaluation of property	18b	**(9,950)**	-	-
Change in deferred tax rate on revaluation of property		**118,392**	-	-
Change in deferred tax rate on defined benefit pension plan		**(7,923)**	-	-
Remeasurement of defined benefit pension plan	14	**(203,865)**	(33,496)	(39,616)
Deferred tax on remeasurement of defined benefit pension plan	18b	**14,272**	5,694	6,735
		115,324	(27,802)	(32,881)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations*		**-**	564,044	(28,403)
Available-for-sale investments				
Movement in fair value of available-for-sale investments		**-**	-	182,180
Fair value recycled on disposal of available-for-sale investments		**-**	-	(175,477)
Investment securities measured at FVTOCI (Debt instruments)				
Movement in fair value during the year		**585,735**	(138,912)	-
Fair value recycled on disposal		**(224,380)**	1,491	-
Loss allowance relating to debt instruments held at FVTOCI		**(6,370)**	26,415	-
		354,985	453,038	(21,700)
Total other comprehensive income / (loss)		**470,309**	425,236	(54,581)
Total comprehensive income for the year		**1,020,801**	979,389	2,556,712

* Out of the balance of FY 2018, MUR 124.10 million arose as exchange differences on translation of the Indian Operations for the period ended 30 November 2018 and cummulative translation reserve arising on the discontinued Indian Operations have been recycled to the Statement of Profit or Loss (Refer to Note 39).

The notes on pages 141 to 240 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Stated capital	Capital contribution	Retained earnings	Statutory reserve	Fair value reserve on financial instruments recognised in OCI	Property revaluation reserve	Foreign currency translation reserve	Total equity
		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 01 January 2017		310,000	8,063,106	6,193,747	530,390	(25,415)	1,218,250	(535,641)	15,754,437
Profit for the year		-	-	2,611,293	-	-	-	-	2,611,293
Other comprehensive (loss)/income for the year		-	-	(32,881)	-	6,703	-	(28,403)	(54,581)
Total comprehensive (loss)/income for the year		-	-	2,578,412	-	6,703	-	(28,403)	2,556,712
Capital contribution received during the year	20	-	1,000,000	-	-	-	-	-	1,000,000
Transfer to retained earnings		-	-	37,361	-	-	(37,361)	-	-
Dividend	21	-	-	(954,000)	-	-	-	-	(954,000)
At 31 December 2017		310,000	9,063,106	7,855,520	530,390	(18,712)	1,180,889	(564,044)	18,357,149
At 01 January 2018		310,000	9,063,106	7,855,520	530,390	(18,712)	1,180,889	(564,044)	18,357,149
Impact of adopting IFRS 9	4	-	-	(250,070)	-	34,993	-	-	(215,077)
Restated opening balance under IFRS 9		310,000	9,063,106	7,605,450	530,390	16,281	1,180,889	(564,044)	18,142,072
Profit for the year		-	-	554,153	-	-	-	-	554,153
Loss allowance relating to debt instruments held at FVTOCI		-	-	-	-	26,415	-	-	26,415
Other comprehensive (loss)/income for the year		-	-	(27,802)	-	(137,421)	-	564,044	398,821
Total comprehensive income for the year		-	-	526,351	-	(111,006)	-	564,044	979,389
Capital contribution received during the year	20	-	1,980,905	-	-	-	-	-	1,980,905
Transfer to retained earnings		-	-	37,690	-	-	(37,690)	-	-
Cash dividend	21	-	-	(1,100,500)	-	-	-	-	(1,100,500)
Distribution in specie leading to derecognition of foreign operations	39	-	-	(2,251,473)	(220,390)	-	(62,808)	-	(2,534,671)
At 31 December 2018		310,000	11,044,011	4,817,518	310,000	(94,725)	1,080,391	-	17,467,195
At 01 January 2019		**310,000**	**11,044,011**	**4,817,518**	**310,000**	**(94,725)**	**1,080,391**	**-**	**17,467,195**
Profit for the year		**-**	**-**	**550,492**	**-**	**-**	**-**	**-**	**550,492**
Loss allowance relating to debt instruments held at FVTOCI		**-**	**-**	**-**	**-**	**(6,370)**	**-**	**-**	**(6,370)**
Other comprehensive income for the year		**-**	**-**	**(197,517)**	**-**	**361,355**	**312,841**	**-**	**476,679**
Total comprehensive income for the year		**-**	**-**	**352,975**	**-**	**354,985**	**312,841**	**-**	**1,020,801**
Capital contribution received during the year	20	**-**	**900,000**	**-**	**-**	**-**	**-**	**-**	**900,000**
Conversion of capital contribution		**90,000**	**(90,000)**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to retained earnings		**-**	**-**	**42,670**	**-**	**-**	**(42,670)**	**-**	**-**
Transfer to statutory reserve		**-**	**-**	**(90,000)**	**90,000**	**-**	**-**	**-**	**-**
Cash dividend	21	**-**	**-**	**(1,319,000)**	**-**	**-**	**-**	**-**	**(1,319,000)**
At 31 December 2019		**400,000**	**11,854,011**	**3,804,163**	**400,000**	**260,260**	**1,350,562**	**-**	**18,068,996**

The notes on pages 141 to 240 form an integral part of these financial statements.

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
		MUR'000	MUR'000	MUR'000
Net cash from / (used in) operating activities	33	**4,142,618**	(3,486,978)	(1,891,999)
Financing activities				
Repayment of principal portion of lease liabilities		**(71,993)**	-	-
Increase in other borrowed funds		**664,213**	367,610	8,576,084
Capital contribution received during the year	20	**900,000**	1,980,905	1,000,000
Dividend paid on ordinary shares	21	**(1,319,000)**	(1,100,500)	(954,000)
Net cash from financing activities		**173,220**	1,248,015	8,622,084
Investing activities				
Acquisition of property and equipment	11	**(91,145)**	(139,653)	(37,521)
Acquisition of intangible assets	12	**(52,095)**	(228,308)	(183,952)
Disposal of property and equipment		**2,589**	-	-
Acquisition of equity investments		**-**	(3,041)	-
Net cash used in Investing activities		**(140,651)**	(371,002)	(221,473)
Net change in cash and cash equivalents		**4,175,187**	(2,609,965)	6,508,612
Net foreign exchange difference		**-**	(71,792)	(311,775)
Cash transfer upon distribution in specie of the Indian Operations		**-**	(1,727,309)	-
Cash and cash equivalents at start of year	6	**11,211,712**	15,620,778	9,423,941
Cash and cash equivalents at end of year	6	**15,386,899**	11,211,712	15,620,778

The notes on pages 141 to 240 form an integral part of these financial statements.

1. GENERAL INFORMATION

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

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

New and amended standards and interpretations

In these financial statements, the Bank has applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the Bank's financial statements. The new and amended standards and interpretations are effective for annual periods beginning on or after 01 January 2019, unless otherwise stated. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is the lessor.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 01 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 01 January 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Bank has lease contracts for various branches and IT equipment. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to note 11 Property, equipment and right-of-use assets for the accounting policy prior to 01 January 2019.

Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 11 Property, equipment and right-of-use assets for the accounting policy beginning 01 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

Leases previously accounted for as operating leases

The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Based on the above, as at 01 January 2019:

- Right-of-use assets of MUR 261.99 million were recognised and presented in the statement of financial position within "Property, equipment and right-of-use assets".

- Additional lease liabilities of MUR 261.99 million (included in "Other liabilities") were recognised.

- The adoption of IFRS 16 had no impact on the Bank's retained earnings and no material impact on its CET1 ratio.

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

IFRS 16 - Leases (cont'd)

The lease liabilities as at 01 January 2019 can be reconciled to the operating lease commitments as of 31 December 2019, as follows:

Assets	MUR'000
Operating lease commitments as at 31 December 2018	167,017
Weighted average incremental borrowing rate as at 01 January 2019	5.19%
Discounted operating lease commitments as at 01 January 2019	158,775
Less:	
Commitments relating to short-term leases	-
Commitments relating to leases of low-value asset	-
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	103,213
Lease liabilities as at 01 January 2019	261,988

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

The application of this IFRIC does not have any significant impact on the Bank.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the 'SPPI' criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, the Bank assesses the specific contractual cash flows for the relevant debt instrument in order to determine whether they meet the SPPI criterion. These amendments had no impact on the financial statements of the Bank.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS

Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark based cash flows of the hedged item or the hedging instrument.

As indicated in the accounting policies, the Bank elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39. IAS 39 requires that for cash flow hedges, a forecast transaction must be highly probable. IAS 39 also requires that a hedging relationship only qualifies for hedge accounting if the hedging relationship is highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk. The assessment of hedge effectiveness is made prospectively and retrospectively.

As a result of interest rate benchmark reform, there may be uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

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

New and amended standards and interpretations (cont'd)

Standards issued but not yet effective applicable to the Bank

	Effective for accounting period beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards	1-Jan-2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1-Jan-2020

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

The Bank is still assessing the impact of these new standards and interpretations on its financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount 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 collated below with respect to judgements/estimates involved.

3.1 Expected credit losses on financial assets

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

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

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

3.1 Expected credit losses on financial assets (cont'd)

> 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 is assessed on a collective basis;

> Development of ECL models, including the various formulas and the choice of inputs;

> Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; 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. The estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

(i) Assessment of useful lives - Note 12

(ii) Pension benefits - Note 14

(iii) Fair value of equity investments - Note 10

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

(v) Internal borrowing rate used to determine the value of right-of-use assets - Note 11

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a Basis of preparation

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. In estimating the fair value of an asset or liability the Bank takes into account the characteristics of the asset or liability if market participants would take into account those characteristics when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

b Statement of compliance

The financial statements have been prepared on the basis of preparation as explained above and in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and in compliance with the Companies Act 2001 and the Banking Act 2004.

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

c Financial instruments - initial recognition

Date of recognition

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

Initial measurement of financial instruments

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

Day 1 profit or loss

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

Measurement categories of financial assets and liabilities

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

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

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

Before 01 January 2018, the Bank classified its financial assets as loans and receivables (amortised cost), FVTPL, available-for-sale or held-to-maturity (amortised cost), as explained in Note 10.

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

c Financial instruments - initial recognition (cont'd)

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

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

Business model assessment

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

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

> How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;

> The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

> How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

> The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

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

The solely payments of principal and interest (SPPI) test

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

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

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

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

d 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.

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

d Foreign currency translation (Cont'd)

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

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

	30 November 2018	31 December 2017
USD/MUR	34.275	33.413
INR/MUR	0.492	0.523

The average rates for the following years are:

	30 November 2018	31 December 2017
USD/MUR	34.275	34.46
INR/MUR	0.492	0.529

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

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

	31 December 2019	31 December 2018	31 December 2017
USD/MUR	**36.607**	34.266	33.413
GBP/MUR	**48.344**	43.683	45.166
EUR/MUR	**41.125**	39.228	40.071

The average rates for the following years are:

	31 December 2019	31 December 2018	31 December 2017
USD/MUR	**35.503**	33.977	34.46
GBP/MUR	**45.307**	45.309	44.371
EUR/MUR	**39.738**	40.079	38.905

e Provisions

Provisions are recognised when the Bank has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

f Comparative figures

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

g Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The accounting policies of each relevant line item is included in the respective notes.

5. EVENT AFTER THE REPORTING DATE

COVID-19 Outbreak

The global economy has come to a standstill with the spread of the Coronavirus 2019 disease (COVID-19). Given that Mauritius is heavily dependent on the tourism sector and the exportation industry, the contingent negative impact on the Mauritian economy is inevitable.

In order to limit the impact on the economy, the Government of Mauritius has taken a series of accompanying measures. Some of these key measures are described below:

(i) Wage assistance scheme: partially funding salary of employees earning MUR 50,000 per month or less during the lockdown period;

(ii) Assistance scheme for self-employed; financial support of MUR 5,100 for the period 16 March 2020 to 15 April 2020;

(iii) Setting up of a solidarity fund to assist persons affected by the pandemic;

(iv) For SMEs with turnover of up to MUR 50 million, a moratorium of six months on capital and interest payments with respect to their existing loans with commercial banks;

(v) Under the Special Relief Amount of MUR 5 billion earmarked by the Bank of Mauritius through its Support Programme, SMEs are eligible for a moratorium of six months on both capital and interest payments in respect of new loans with commercial banks;

(vi) Special line of credit of USD 300 million targeting operators having foreign currency earnings; and

(vii) Support to households: moratorium of six months on capital and interest repayments on all loans from commercial banks to households with combined basic salary not exceeding MUR 50,000 for the period 01 April to 30 June 2020.

Management has considered the impact of COVID-19 as well as the Government's accompanying measures described above on its business. These are explained below.

Impact on ECL

Due to the abnormal circumstances brought about by the COVID-19 pandemic, management has considered the impact on its book within different segments (corporates and SMEs, retail, bank and sovereigns) by considering baseline, mild case and worst-case scenarios in its stress testing exercise.

The Bank of Mauritius has announced supervisory and prudential policy measures to address the challenges of COVID-19. These measures aim to provide flexibility to help companies maintain their financial soundness. Some of the measures are listed below:

• Special Relief Amount of MUR 5 billion made available to commercial banks to meet cash flow and working capital requirements of economic operators which are being directly impacted by COVID-19. The interest rate is capped at the fixed rate of 2.5 percent per annum for these advances and there is a moratorium of six months on capital and interest repayments, with the loan repayment period being two years.

• The Bank will provide a moratorium of six months on capital repayment for existing loans for economic operators that are being affected by COVID-19.

• Bank of Mauritius has come up with a support scheme to Mauritian households impacted by COVID-19 by allowing a moratorium of three months on capital and interest repayment where the three months interest will be refunded to commercial banks on household facilities excluding overdrafts, credit cards and leasing.

• The Bank is providing a maximum of six months voluntary moratorium on capital repayment on existing household facilities.

Management has considered the impact of those measures on its portfolios by considering different scenarios reflecting both the temporary and long-term nature of the shock and the global slowdown.

The Bank is also assessing the impact of the introduction of the payment holidays on its ECL and Significant Increase in Credit Risk Criteria (SICR) on a case-to-case basis. The deferral of the repayment may not necessarily indicate per se a change in significant increase in credit risk and an assessment of the borrower's individual circumstances will need to be undertaken to determine whether there has been SICR. At the time the customer applies for the payment holiday, an assessment will need to be undertaken to determine whether the relief measures under these exceptional circumstances will constitute SICR. In combination with other reasonable and supportable information the Bank will be reassessing the watchlist and SICR criteria. Forbearance measures with a loss in principle or interest might also result into a classification into stage 3.

Although, the Bank considered macroeconomic variables in the computation of the ECL, the COVID-19 is an exceptional event which has not been considered at the year end of 2019. In absence of reliable macroeconomic forecast in this time of turbulence, the Bank has in its stress testing scenarios considered management overlays in increasing the probability of default and has as well used a downturn loss given default. The Bank is actively monitoring developments closely and the impact of the relief measures announced by the Government and Regulator on its ECL estimates and Capital Base. The Bank continues to consider the potential interaction of COVID-19 with IFRS9 through discussion with relevant regulatory bodies domestically and with the concerned counterparties.

5. EVENT AFTER THE REPORTING DATE (CONT'D)

Impact on ECL (cont'd)

Given the nature of the outbreak and the on-going developments, there is a high degree of uncertainty and it is not possible at this time to predict the extent and nature of the overall future impact on the ECL. However, the Bank analysed the impact on its ECL and its Capital Base through the scenario analysis and Stress Testing.

Other Estimation Uncertainties

The Bank makes use of models which are dependent on market variables, notably interest rates and the term structure of the rates. In computing the fair values of instruments, the term structure of the curves used was at the reporting date. The impact of the pandemic was not reflected in the valuation since this is a non-adjusting post balance sheet event. The possible impact of COVID-19 on these estimates and hence on the various balance sheet items of the Bank are outlined below.

Cash and cash equivalents, mandatory balances with central banks and loans to and placements with banks:

Management does not expect a significant impact on the carrying value of these items as they are considered to carry low credit risks and less susceptible to changes in value in the event of an economic downturn.

Derivative Financial Instruments:

The value of the Bank's derivatives will be subject to increased volatility given the fluctuations in market prices including foreign currency exchange rates and interest rates brought about by the COVID-19 pandemic. However, given that most of the Bank's derivatives are taken as hedging instruments against non-derivative hedged items or are entered into as back to back transactions with counterparties, the net impact on the Bank's financial position or profits are expected to be minimal.

Loans and advances to non-bank customers:

The impact of the pandemic on the Bank's loans and advances to non-bank customers will arise mostly on the corresponding ECL. This is discussed above under the heading "impact on ECL" and below under the heading "credit risk".

Investment Securities:

For investment securities (fixed income instruments) carried at fair value, the main impact of COVID-19 will be due to changes in market rates including interest rates and foreign currency exchange rates as well as any changes in the credit quality of the instruments. As there is an observed tendency for lowering of interest rates and for a depreciating Mauritian rupee against major currencies, Management expects to have an increase in the fair value of both local and foreign bonds & bills (most of which are High Quality Liquid Assets).

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

These assets are carried at cost less accumulated depreciation and impairment. The assessment of impairment of the above-mentioned assets will be done in 2020 and the impact of COVID-19 will be taken into account.

Deposits from non-bank customers and other borrowed funds:

These liabilities are accounted for at amortised cost and therefore their carrying values are not expected to be affected by COVID-19, except for any impact that the latter may have on the exchange rate of the rupee vis-à-vis major currencies. In this respect, the depreciation of the rupee observed lately is likely to result in an increase in the carrying value of foreign currency denominated deposits.

Pension liabilities included in other liabilities:

As noted in note 19, the net retirement benefit liability of the Bank is highly sensitive to interest rate (which affects the discount rate used in the actuarial valuation). Given the tendency for lower interest rates and the significant decline in equity prices experienced in most markets, Management expects the net benefit liability to widen.

Going concern

In the light of the anticipated economic impact of COVID-19, Management has made an assessment of the Bank's ability to continue as a going concern on the following elements:

5. EVENT AFTER THE REPORTING DATE (CONT'D)

Going concern (cont'd)

Liquidity risk

The Bank's liquidity position has remained strong and as at 31 December 2019, Liquidity Coverage Ratio (LCR) stood at 149%. This is well above the LCR ratio of 100% imposed by BOM. The LCR exists to cater for this type of stress situation under which banks have to potentially face. High Quality Liquid Assets currently held by the Bank included some MUR 70 billion, mostly in local government securities and highly rated USD sovereign securities.

The Bank has been monitoring its liquidity level on a daily basis to ensure that with the impact of COVID-19, there is no significant outflow other than the business as usual. So far, the deposit base is more or less stable.

Management has carried out a stress test based on several scenarios including (deposit flight, additional impairment and provision of moratorium on capital repayment) and is satisfied that the Bank's LCR will remain within the regulatory limits in all the stress scenarios.

Interest rate risk

The Bank has also stress tested the impact that COVID-19 could have on its net interest income. Albeit the reduction of interest rate would directly reduce the interest income of the Bank, the impact of a 2% (worst case shock) is well within the Basel target of 10% of the budgeted net interest income. As part of its interest rate risk management framework, the Bank uses Interest Rate Swaps to mitigate the risk, and it shall do so to keep the exposure within its risk appetite.

Capital risks

The Bank's current Capital Adequacy Ratio at 31 December 2019 stands at 14.65% (Capital Base MUR 15,741 million) compared to the regulatory requirement of 13.375%.

Management has carried some stress testing to evaluate impact of COVID-19 on the capital requirement of the Bank. Several scenarios, including a longer-term impact of COVID-19 until the end of the year have been assessed. The Bank remains within the regulatory CAR ratio under both mild and worst case scenario.

Credit risk

The COVID-19 outbreak has brought the world to a standstill with unparalleled impact on the lives of all people on this planet, our economies, our societies and our livelihoods and there are growing risks of a global recession – if this is not already the case. Any assessment of the impact of this unparalleled crisis is quickly surpassed by the fast-changing reality.

Regardless on how effective both the Government and the Bank sponsored credit modification and forbearance programs prove to be, the overall credit quality of different segments mainly corporates, SMEs and retail is expected to be impacted.

It is not possible at this time to predict the extent and nature of the overall future impact on the macro-economic factors given the nature of the outbreak, on-going developments and uncertainty regarding the shape of the recovery. The Bank has developed scenarios aimed to factor in future macroeconomic conditions through management overlays to assess the impact on ECL.

In its mild case scenario, where the Bank has factored in moratorium on repayment, increase in the probability of default of corporates, SMEs and retail customers coupled with a worsening of credit ratings of clients likely to be impacted by COVID-19, an increase in Loss Given Default and Credit conversion factor, the Bank ended with a net increase in ECL of MUR 472.9 million for the year after taking into consideration clients that are probable to be classified as stage 3 for which specific provision is made. Under this scenario the Bank has also identified clients that are most probable to move to stage 3 during the year and a specific provision of MUR 1.85 billion was considered.

In its worse case scenario where in addition to above, the Bank has considered further downgrade of the credit quality of clients in sectors most likely to be impacted by the pandemic, the Bank had a net increase of MUR 1.2 billion in the ECL figures over the year. Under this scenario, the Bank made even higher specific provision for clients likely to move to stage 3 at an amount of MUR 2.4 billion.

The Bank believes that throughout this situation the main and most complex measure would be on credit management. Depending on the duration of the pandemic and the extent of sanitary measures to contain the spread, businesses and households may see a significant reduction in their cashflows. For some workers like self-employed, the impact will be immediate, while for regular salaried employment, the short-term impact might be limited. Beyond the macro stimulus measures that the Government implemented to mitigate the credit impact of this pandemic like reduction in the repo rate, salary support programs and direct monetary transfers, the Bank has put in place an additional scheme to help businesses and customers impacted by the COVID-19. In addition to considering repayment holidays, the Bank is also reassessing the working capital needs of customers on a case-to-case basis.

6. CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months maturity from the date of acquisition.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash, balances with banks and central banks excluding mandatory balances. Cash and cash equivalents are measured at amortised cost. Accounting policy for calculating allowance for credit losses is outlined under note 9(c).

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Cash in hand	**2,078,284**	2,398,191	1,804,128
Foreign currency notes and coins	**337,946**	277,740	294,863
Unrestricted balances with central banks[1]	**4,167,009**	1,527,560	1,286,638
Loans and placements with banks[2]	**1,035,373**	1,162,364	5,895,943
Balances with banks	**7,771,985**	5,887,615	6,339,206
	15,390,597	11,253,470	15,620,778
Less: allowance for credit losses	**(3,698)**	(41,758)	-
	15,386,899	11,211,712	15,620,778

[1] Unrestricted balances with central banks 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. As such only stage 1 allowance for credit losses have been recorded for cash and cash equivalents.

7. LOANS TO AND PLACEMENTS WITH BANKS

Accounting policy

Prior to 01 January 2018

Loans to and placements with banks are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost using the effective interest method, less any impairment.

From 01 January 2018

From 01 January 2018, the Bank only measures loans to and placements with banks at amortised cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined in note 5 (c).

Accounting policy for calculating allowance for credit losses is outlined under note 9 (c).

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Loans to and placements with banks:			
- in Mauritius	**3,257,096**	5,588,012	1,104,288
- outside Mauritius	**4,239,347**	6,210,627	7,791,572
	7,496,443	11,798,639	8,895,860
Less: allowance for credit losses	**(24,969)**	(34,281)	-
	7,471,474	11,764,358	8,895,860
Remaining term to maturity			
Up to 3 months	**522,761**	3,812,003	1,438,472
Over 3 months and up to 6 months	**2,504,267**	3,341,796	403,974
Over 6 months and up to 12 months	**1,119,602**	1,839,650	1,910,982
Over 1 year and up to 2 years	**1,052,427**	1,926,723	3,150,402
Over 2 years and up to 5 years	**549,111**	878,467	1,992,030
Over 5 years	**1,748,275**	-	-
	7,496,443	11,798,639	8,895,860

7. 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) and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 9.

	31 December 2019				31 December 2018	31 December 2017
	Stage 1	Stage 2	Stage 3	Total	Stage 1 Total	Stage 1 Total
Internal rating grade	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Performing						
High grade	367,371	-	-	367,371	797,769	685,427
Standard grade	5,242,219	-	-	5,242,219	9,376,414	6,189,261
Sub-standard grade	1,886,853	-	-	1,886,853	1,624,456	2,021,172
Past due but not impaired	-	-	-	-	-	-
Non-performing						
Individually impaired	-	-	-	-	-	-
Total	7,496,443	-	-	7,496,443	11,798,639	8,895,860

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

	31 December 2019				31 December 2018
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Stage 1 Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 01 January	11,798,639	-	-	11,798,639	8,895,860
New assets originated or purchased	5,063,945	-	-	5,063,945	5,338,207
Assets repaid (excluding write offs)	(9,521,980)	-	-	(9,521,980)	(2,435,428)
Foreign exchange adjustments	155,839	-	-	155,839	-
At 31 December	7,496,443	-	-	7,496,443	11,798,639

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Stage 1 Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January	34,281	-	-	34,281	16,057
Increase in impairment	5,299	-	-	5,299	21,132
Assets repaid (excluding write offs)	(14,611)	-	-	(14,611)	(2,908)
At 31 December	24,969	-	-	24,969	34,281

8. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

A derivative is a financial instrument or other contract with all three of the following characteristics:
• Its value changes in response to the change in a specified interest rate, financial instrument price,commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.
• It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
• It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed below.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Bank uses interest rate swaps, to hedge its interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:
• Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.

At the inception of a hedge relationship, the Bank formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Bank will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair value hedges

In accordance with its wider risk management, as set out in Note 37(d)(i), it is the Bank's strategy to apply fair value hedge accounting to keep interest rate sensitivities within its established limits. Applying fair value hedge accounting enables the Bank to reduce fair value fluctuations of fixed rate financial assets and liabilities as if they were floating rate instruments linked to the attributable benchmark rates. From a hedge accounting point of view, the Bank designates the hedged risk as the exposure to changes in the fair value of a recognised financial asset or liability or an unrecognised firm commitment, or an identified portion of such financial assets, liabilities or firm commitments that is attributable to a particular risk and could affect profit or loss. The Bank only hedges changes due to interest rates such as benchmark rates (e.g. LIBOR), which are typically the most significant component of the overall fair value change. The Bank assesses hedge effectiveness by comparing fair value movements of the hedging instruments and the hedged items attributable to changes in these benchmark rates using the hypothetical derivative method as set out above.

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

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

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the statement of profit or loss in Net gain/loss from financial instruments. 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 gain/loss from financial instruments, and also recorded as part of the carrying value of the hedged item in the statement of financial position.

8. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

Accounting policy (cont'd)

Micro fair value hedges

A fair value hedge relationship is a 'Micro fair value hedge' when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a fair value hedge relationship include fixed rate corporate and small business loans. These hedge relationships are assessed for prospective hedge effectiveness on a monthly basis.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Bank decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Bank discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit or loss. For fair value hedge relationships where the hedged item is not measured at amortised cost, such as debt instruments at FVTOCI, changes in fair value that were recorded in the statement of profit or loss whilst hedge accounting was in place are amortised in a similar way to amortised cost instruments using the EIR method. However, as these instruments are measured at their fair values in the statement of financial position, the fair value hedge adjustments are transferred from the statement of profit or loss to OCI. There were no such instances in either the current year or in the comparative year.

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Assets			
Derivative assets	783,603	762,855	1,356,774
Liabilities			
Derivative liabilities	794,275	758,642	1,334,584

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

	Notional Principal Amount	Fair Values		
		Assets	Liabilities	Net
	MUR'000	MUR'000	MUR'000	MUR'000
31 December 2019				
Derivatives held for trading				
Foreign exchange contracts*	35,276,628	541,300	(281,879)	259,421
Cross currency swaps	2,292,007	42,253	(51,152)	(8,899)
Other derivative contracts	18,842,040	136,286	(135,264)	1,022
Derivatives used as Micro fair value hedges				
Interest rate swap contracts	18,786,898	63,764	(325,980)	(262,216)
	75,197,573	783,603	(794,275)	(10,672)
31 December 2018				
Derivatives held for trading				
Foreign exchange contracts*	25,636,819	256,947	(126,964)	129,983
Cross currency swaps	1,159,362	378,697	(371,679)	7,018
Other derivative contracts	23,896,447	112,966	(111,123)	1,843
Derivatives used as Micro fair value hedges				
Interest rate swap contracts	14,395,001	14,245	(148,876)	(134,631)
	65,087,629	762,855	(758,642)	4,213
31 December 2017				
Foreign exchange contracts*	33,999,244	268,858	(249,698)	19,160
Cross currency swaps	1,747,584	1,220	(1,220)	-
Other derivative contracts	67,643,651	1,081,130	(1,078,240)	2,890
Derivatives used as Micro fair value hedges				
Interest rate swap contracts	8,348,656	5,566	(5,426)	140
	111,739,135	1,356,774	(1,334,584)	22,190

* Foreign exchange contracts include forward and spot contracts.

9. LOANS AND ADVANCES TO NON-BANK CUSTOMERS

Accounting policy

Prior to 01 January 2018

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Loans and advances to non-bank customers are classified under loans and receivables and are measured at amortised cost, less allowance for credit impairment. In cases where, as part of the Bank's asset and liability management activity, fair value hedge accounting is applied to loans and advances measured at amortised cost – refer to note 8 (Derivative financial instruments) for further details on hedge accounting. Allowance for credit impairment consists of specific and portfolio allowances.

From 01 January 2018

From 01 January 2018, the Bank only measures loans and advances to non-bank customers at amortised cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined in note 4(c).

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
1. Governments	**8,515**	9,315	2,458,655
2. Retail customers	**39,586,964**	32,121,253	31,990,963
2.1. Credit cards	**584,532**	606,447	559,351
2.2. Mortgages	**25,507,821**	22,478,894	19,834,763
2.3. Other retail loans	**13,494,611**	9,035,912	11,596,849
3. Corporate customers	**47,563,734**	44,758,253	38,364,068
4. Entities outside Mauritius	**19,910,288**	22,909,421	31,446,393
	107,069,501	99,798,242	104,260,079
Less credit loss allowance	**(7,766,672)**	(5,502,191)	(3,420,848)
	99,302,829	94,296,051	100,839,231
a Remaining term to maturity			
Up to 3 months	**9,600,185**	11,726,983	13,716,387
Over 3 months and up to 6 months	**2,939,477**	3,256,357	5,618,303
Over 6 months and up to 12 months	**6,086,884**	8,875,377	11,677,239
Over 1 year and up to 2 years	**6,894,834**	8,529,760	6,525,561
Over 2 years and up to 5 years	**19,432,992**	17,565,447	22,653,075
Over 5 years	**62,115,129**	49,844,318	44,069,514
	107,069,501	99,798,242	104,260,079

Out of the MUR 99.30 billion, there is an amount of MUR 8.18 billion (2018: MUR 4.67 billion) relating to loans where fair value hedge accounting has been applied. Refer to note 37(d)(ii) for more details.

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

b Net investment in finance leases

Accounting policy

Amounts due from lessees under finance leases are recorded as loans and advances at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Bank is the lessor.

The Bank acts as lessor for several items like car and equipment. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Bank during the year is MUR 87.32 million (2018: MUR 79.62 million and 2017: MUR 73.88 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 2019				
Gross investment in finance leases	435,140	1,081,017	97,472	1,613,629
Less: Unearned finance income	(78,465)	(124,708)	(4,386)	(207,559)
Present value of minimum lease payments	356,675	956,309	93,086	1,406,070
Credit loss expense				(45,769)
Net investment in finance lease				1,360,301
31 December 2018				
Gross investment in finance leases	432,719	948,760	100,295	1,481,774
Less: Unearned finance income	(72,313)	(114,792)	(4,769)	(191,874)
Present value of minimum lease payments	360,406	833,968	95,526	1,289,900
Credit loss expense				(45,055)
Net investment in finance lease				1,244,845
31 December 2017				
Gross investment in finance leases	419,939	822,981	78,637	1,321,557
Less: Unearned finance income	(63,613)	(91,106)	(4,083)	(158,802)
Present value of minimum lease payments	356,326	731,875	74,554	1,162,755
Credit loss expense				(38,373)
Net investment in finance lease				1,124,382

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.

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

c Credit loss allowance on loans and advances to non-bank customers

Accounting policy

Prior to 01 January 2018

Specific allowances are made on impaired advances and are calculated as the shortfall between the carrying amounts of the advances and their recoverable amounts. The recoverable amount is the present value of expected future cash flows discounted at the original effective interest rate of the advance.

From 01 January 2018

The adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 01 January 2018, the Bank has been recording allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Bank's policies for determining if there has been a significant increase in credit risk are set out in note 37. The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Bank calculates ECLs based on one scenario to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in note 37.
- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in note 37.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in note 37.

When estimating the macro-economic variables used in ECL calculation, with the exception of sovereign and bank exposures, where the Bank considers three scenarios (a base case, an upside and a downside), the Bank considers one base (or central) economic scenario. This base economic scenario is the Bank's best estimate and is produced internally by the Bank through econometrics methods. In some cases, relatively simple modelling is considered to be sufficient, without the need to consider the outcome under different scenarios.

PD Estimates: Retail, Corporate and SME PD models all use the logistic regression framework to model quarterly 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. Those quarterly point-in-time PDs are converted into annual point-in-time PDs using a binomial survival model approach.

For banks and sovereigns exposures, external default data from Moody's and Standard & Poor's (S&P) is used. The PD models convert the through-the-cycle transition matrices (and TTC Default rates) from Moody's and Standard & Poor's into point-in-time estimates that reflect economic conditions observed at reporting date. This is done by representing the transitions through a standard normal variable and subsequently shifting the transition matrix by the credit cycle index (CCI) chosen to be represented by the cyclical component of Global GDP growth.

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

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

The calculation of ECLs (cont'd)

LGD estimates: Retail, Corporate and SME LGD model use the work-out LGD framework. In this methodology, LGD estimates are based on the historical data after discounting the cash flows (of the contracts in default) that are recorded through the recovery & workout stage at the reference time. 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 is used for the LGD parameter.

EAD estimates: Revolving products use segment specific (Retail, SME, Corporate) credit conversion factors (CCF) to project EAD values. Amortising products use an amortising schedule, where the expected cash flows from the Bank's IT system is used to project EAD values at each point-in-time.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out below, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Credit loss allowances and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. Provisions for ECLs for undrawn loan commitments are explained under this note and disclosed in note 22. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained in note 22.

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of 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. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cashflows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within other liabilities.

Financial guarantee contracts: The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within other liabilities.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the statement of profit or loss upon derecognition of the assets.

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

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

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities. In the case of credit cards, the most significant judgement is to reflect the operational practice of card reissuance and the associated credit assessment as enabling a formal re-origination trigger. As a consequence, a capped lifetime approach of 12 months is used on credit card and overdraft balances.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

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.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth;
- Wage rate index;
- Labour costs;
- Consumer spending; and
- Consumer price indices.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Those adjustments are described below.

Governance and post model adjustments

The IFRS 9 PD, EAD and LGD models are subject to SBM's model risk policy that stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. Post model adjustments (PMAs) are applied where necessary to incorporate the most recent data available and are made on a temporary basis ahead of the underlying model parameter changes being implemented.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

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 accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

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

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

Write-offs

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

Derecognition decisions and classification between stage 2 and stage 3 are determined on a case-to-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired stage 3 forborne asset until it is collected or written off.

From 01 January 2018, when the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk.The Bank also considers whether the assets should be classified as stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 6-9 months probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing;
- The probation period of two years has passed from the date the forborne contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period; and
- The customer does not have any contract that is more than 30 days past due.

If modifications are substantial, the loan is derecognised, and a new loan is recognised.

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Statutory portfolio allowance

A portfolio allowance for credit losses is maintained in accordance with the guidelines of the Bank of Mauritius. These guidelines require that the Bank maintains a provision for credit impairment on all unimpaired loans and advances of not less than 1%. In addition, the Bank of Mauritius also imposes additional macro-prudential provisioning of up to 1% on exposures to certain sectors of the economy.

Allowance for credit losses in respect of on-balance sheet items is deducted from the applicable asset whereas the allowance for credit losses in respect of off- balance sheet items is included in Other liabilities in the statement of financial position. Changes in the carrying amount of the allowance accounts are recognised in the statement of profit or loss. When an advance is uncollectible, it is written off against the specific allowance. Subsequent recoveries of amounts previously written off are credited to "Credit loss expense" in the statement of profit or loss.

Significant accounting estimates and judgements

Prior to 01 January 2018

The calculation of specific allowance for credit impairment required significant management judgement to estimate the recoverable amount of each impaired asset, which is the estimated future cash flows discounted at the original effective interest rate of the advance. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers.

From 01 January 2018

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Significant accounting estimates and judgements (cont'd)

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

• The Bank's internal credit grading model, which assigns PDs to the individual grades;

• The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;

• The segmentation of financial assets when their ECL is assessed on a collective basis;

• Development of ECL models, including the various formulas and the choice of inputs;

• Determination of associations between macroeconomic scenarios, 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.

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.

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

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

Prior to 01 January 2018

	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total
	MUR'000	MUR'000	MUR'000
At 01 January 2017	3,025,160	1,026,769	4,051,929
Exchange difference	(10,212)	(1,148)	(11,360)
Loans written off	(1,749,383)	-	(1,749,383)
Allowance for credit impairment for the year	892,335	237,327	1,129,662
At 31 December 2017	2,157,900	1,262,948	3,420,848

From 01 January 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are set out in note 37(b)(i) and policies on whether ECL allowances are calculated on an individual or collective basis are set out in this same note above.

At 31 December 2019:	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	Individual	Individual		
	MUR'000	MUR'000	MUR'000	MUR'000
Performing				
High grade	**34,889,162**	**853,796**	-	**35,742,958**
Standard grade	**30,766,617**	**5,712,527**	-	**36,479,144**
Sub-standard grade	**8,844,074**	**8,860,536**	-	**17,704,610**
Past due but not impaired	-	**6,823,654**	-	**6,823,654**
Non-performing				
Individually impaired	-	-	**10,319,135**	**10,319,135**
Total	**74,499,853**	**22,250,513**	**10,319,135**	**107,069,501**

At 31 December 2018 & 2017:	31 December 2018				31 December 2017
	Stage 1	Stage 2	Stage 3	Total	Total
Internal rating grade	Individual	Individual			
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Performing					
High grade	25,697,144	6,131,756	-	31,828,900	24,137,595
Standard grade	17,541,278	9,799,659	-	27,340,937	26,544,825
Sub-standard grade	12,666,759	12,825,774	-	25,492,533	35,996,210
Past due but not impaired	-	2,693,127	-	2,693,127	14,249,971
Non-performing					
Individually impaired	-	-	12,442,745	12,442,745	3,331,478
Total	55,905,181	31,450,316	12,442,745	99,798,242	104,260,079

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

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

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

At 31 December 2019:	Stage 1	Stage 2	Stage 3	Total
	Individual	Individual		
	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 01 January 2019	55,905,181	31,450,316	12,442,745	99,798,242
New assets originated or purchased	28,578,600	7,286,260	-	35,864,860
Assets impaired during the year	-	-	757,439	757,439
Assets derecognised or repaid (excluding write offs)	(15,994,695)	(11,044,707)	(2,189,653)	(29,229,055)
Transfers to Stage 1	10,902,030	(10,896,971)	(5,059)	-
Transfers to Stage 2	(5,575,685)	5,613,161	(37,476)	-
Transfers to Stage 3	(41,831)	(620,100)	661,931	-
Amounts written off	-	-	(1,423,620)	(1,423,620)
Foreign exchange adjustments	726,253	462,554	112,828	1,301,635
At 31 December 2019	74,499,853	22,250,513	10,319,135	107,069,501

At 31 December 2018:	Stage 1	Stage 2	Stage 3	Total
	Individual	Individual		
	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 1 January 2018	74,987,399	25,941,203	3,331,478	104,260,080
New assets originated or purchased	7,795,757	24,866,568	-	32,662,325
Assets impaired during the year	-	-	2,548,243	2,548,243
Assets derecognised or repaid (excluding write offs)	(18,136,288)	(13,040,332)	(938,151)	(32,114,771)
Transfers to Stage 1	14,406,970	(14,406,970)	-	-
Transfers to Stage 2	(8,089,847)	8,089,847	-	-
Transfers to Stage 3	(8,436,495)	-	8,436,495	-
Amounts written off	-	-	(7,855)	(7,855)
Derecognition of Indian Operations following distribution in specie	(6,622,315)	-	(927,465)	(7,549,780)
Gross carrying amount as at 31 December 2018	55,905,181	31,450,316	12,442,745	99,798,242

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

c Credit loss allowance on loans and advances to non-bank customers (cont'd)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows : (cont'd)

At 31 December 2019:	Stage 1	Stage 2	Stage 3	Total
	Individual	Individual		
	MUR'000	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January 2019	422,448	857,619	4,222,124	5,502,191
Increase in impairment	369,010	1,381,665	2,801,096	4,551,771
Assets derecognised or repaid (excluding write offs)	(356,516)	(274,078)	(233,076)	(863,670)
Transfers to Stage 1	266,815	(266,815)	-	-
Transfers to Stage 2	(49,642)	49,642	-	-
Transfers to Stage 3	(524)	(85,437)	85,961	-
Amounts written off	-	-	(1,423,620)	(1,423,620)
ECL allowance as at 31 December 2019	651,591	1,662,596	5,452,485	7,766,672

At 31 December 2018:	Stage 1	Stage 2	Stage 3	Total
	Individual	Individual		
	MUR'000	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January 2018	794,154	487,384	2,157,900	3,439,438
New assets originated or purchased	(9,920)	463,680	2,779,664	3,233,424
Assets derecognised or repaid (excluding write offs)	(19,516)	(132,020)	-	(151,536)
Transfers to Stage 1	11,317	(11,317)	-	-
Transfers to Stage 2	(54,029)	54,029	-	-
Transfers to Stage 3	(117,878)	-	117,878	-
Derecognition of Indian Operations following distribution in specie	(175,706)	(4,137)	(825,562)	(1,005,405)
Amounts written off	-	-	(7,756)	(7,756)
Foreign exchange adjustments	(5,974)	-	-	(5,974)
ECL allowance as at 31 December 2018	422,448	857,619	4,222,124	5,502,191

The total allowance for credit impaired loans (stage 3) amounts to MUR 5.45 billion and allowance for credit losses (stage 1 and stage 2) amounts to MUR 2.31 billion for the year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

d Credit loss allowances on loans and advances to non-bank customers by industry sectors

	31 December 2019					31 December 2018	31 December 2017
	Gross amount of loans	Impaired loans	Specific allowance for credit impairment	Credit loss allowance	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Agriculture and fishing	3,960,617	1,729	253	115,681	115,934	147,908	42,141
Manufacturing	4,363,837	154,707	124,765	70,220	194,985	514,963	1,151,596
of which EPZ	1,687,499	28,053	4,141	31,192	35,333	17,118	43,543
Tourism	11,727,367	3,632	3,213	134,265	137,478	184,419	215,422
Transport	2,225,681	15,933	14,371	136,465	150,836	143,857	22,121
Construction	9,575,157	281,418	193,287	110,729	304,016	364,658	227,777
Financial and business services	9,801,661	628,137	440,446	76,287	516,733	185,209	122,453
Traders	12,631,730	7,803,352	3,662,471	59,283	3,721,754	2,715,514	255,285
Personal	37,569,315	886,066	633,392	465,252	1,098,644	891,573	1,096,093
of which credit cards	584,532	81,055	41,997	6,258	48,255	93,483	94,278
Professional	168,119	73,872	73,872	1,720	75,592	103,259	105,957
Global Business Licence holders	6,687,161	286,541	144,822	501,775	646,597	105,568	15,918
Others	8,358,856	183,748	161,593	642,510	804,103	145,263	166,085
	107,069,501	10,319,135	5,452,485	2,314,187	7,766,672	5,502,191	3,420,848

Total impaired loans for 2018 for the Bank were MUR 12,443 million (2017: MUR 3,331 million).

10. INVESTMENT SECURITIES

Accounting policy

Financial assets are recognised when an entity becomes a party to the contractual provisions of the instruments.

Prior to 01 January 2018

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Financial assets are classified into the following specified categories: financial assets at fair-value-through-profit-or-loss ("FVTPL"), loans-and-receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

(i) Financial assets at FVTPL

Financial assets are classified in the FVTPL category when they are either held for trading or are designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the statement of profit or loss. Interest earned on the financial asset is included in Interest income line.

The fair values of the investment securities at FVTPL are determined based on quoted market prices in active markets.

(ii) Loans and receivables

Refer to note 9 for accounting policy on loans and receivables.

(iii) Held-to-maturity (HTM) investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate.

If the Bank sells or reclassifies more than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), the entire category will be tainted and will be reclassified as available-for-sale investments. Furthermore, the Bank will not classify any financial asset as held-to-maturity during the following two years.

(iv) Available-for-sale (AFS) investments

AFS financial assets are non-derivatives financial assets that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The fair values of the AFS investment securities are subsequently remeasured based on quoted market prices in active markets or estimated using dividend growth, discounted cash flows or net assets value. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates are recognised in the statement of profit or loss. Other changes in the carrying amount of AFS investment securities are recognised in other comprehensive income and accumulated under the heading of fair value reserve.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to the statement of profit or loss.

Dividends on AFS equity instruments are recognised in the statement of profit or loss when the Bank's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

10. INVESTMENT SECURITIES (CONT'D)

Accounting policy (cont'd)

From 01 January 2018

The investment securities included in the statement of financial position include:

- Debt investments measured at amortised cost: these instruments are initially measured at their fair value plus incremental transaction cost, and subsequently at their amortised cost using the effective interest rate method;

- Debt instruments mandatorily measured at FVTPL or designated at FVTPL; these are measured at fair value with changes recognised immediately in statement of profit or loss;

- Debt securities measured at FVTOCI; and

- Equity investments designated as FVTOCI.

For debt securities measured at FVTOCI, gains and losses are recognised in OCI except for the following which are recognised in statement of profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest rate method;

- ECL and reversals; and

- Foreign exchange gains and lossses.

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

Significant accounting estimates and judgements

The fair value of equity investments that are quoted on active markets are based on the quoted prices for these instruments. Valuation techniques used to estimate the fair value of unquoted equity investments include the dividend growth, discounted cash flows and net assets value. Management has made certain assumptions for inputs in the models, such as risk free rate, risk premium, dividend growth rate, future cash flows, weighted average cost of capital, and earnings before interest, depreciation and tax based on information available at the reporting date, which may be different from actual.

10. INVESTMENT SECURITIES (CONT'D)

The table below shows net balances as at 31 December 2019:

Remaining term to maturity

	31 December 2019										
	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
(a) Investment securities measured at amortised cost											
Government bonds and treasury notes	1,061,709	-	202,421	351,568	2,580,143	6,318,093	6,731,108	-	17,245,042	11,738,705	8,664,906
Treasury bills	-	-	-	-	-	-	-	-	-	148,100	4,432,043
Bank of Mauritius bills / bonds	1,009,125	53,085	-	100,000	50,257	151,779	-	-	1,364,246	1,232,730	3,544,186
Bank bonds	-	-	-	-	361,602	391,502	-	-	753,104	695,990	-
Corporate bonds	-	-	-	-	-	-	-	-	-	-	2,565,077
	2,070,834	53,085	202,421	451,568	2,992,002	6,861,374	6,731,108	-	19,362,392	13,815,525	19,206,212
(b) Investment securities mandatorily measured at FVTPL											
Government bonds and treasury notes	-	-	-	-	212,779	1,905,066	232,849	-	2,350,694	765,118	970,594
Treasury bills	1,800,754	1,017,626	874,265	327,225	-	-	-	-	4,019,870	5,142,257	943,822
Bank of Mauritius bills / bonds	2,482,402	866,386	123,368	780,168	-	-	-	-	4,252,324	3,107,186	1,947,439
Bank bonds	-	-	-	-	-	493,666	-	-	493,666	697,223	1,650,227
Corporate bonds	-	-	-	-	-	-	-	-	-	-	1,164,407
Other	-	-	-	-	-	-	-	549,306	549,306	-	-
	4,283,156	1,884,012	997,633	1,107,393	212,779	2,398,732	232,849	549,306	11,665,860	9,711,784	6,676,489
(c) Investment securities measured at FVTOCI (both equity and debt instruments)											
Government bonds	7,083	-	303,925	503,108	489,711	6,579,766	3,522,426	-	11,406,019	7,308,976	3,439,029
Treasury bills / notes	7,501,499	1,827,606	35,271	293,373	-	-	-	-	9,657,749	9,277,241	1,590,498
Bank of Mauritius bills / bonds	3,431,679	891,955	3,791	832,769	76,055	435,332	-	-	5,671,581	2,141,448	1,025,409
Equity shares of companies:											
- Equity investments	-	-	-	-	-	-	-	3,411	3,411	3,411	370
Bank bonds	1,511,872	62,265	484,089	-	1,121,357	7,206,266	572,576	-	10,958,425	5,775,598	533,427
Corporate paper and preference shares	-	-	-	-	-	-	-	-	-	2,741,443	451,160
Corporate bonds	-	-	-	-	782,952	2,506,604	1,308,378	-	4,597,934	-	4,228,507
Other	-	-	-	-	-	-	-	159,896	159,896	171,332	-
	12,452,133	2,781,826	827,076	1,629,250	2,470,075	16,727,968	5,403,380	163,307	42,455,015	27,419,450	11,268,400
Total investment securities	18,806,123	4,718,923	2,027,130	3,188,211	5,674,856	25,988,074	12,367,337	712,613	73,483,267	50,946,759	37,151,101
Less: allowance for credit losses									(23,137)	(9,038)	-
									73,460,130	50,937,720	37,151,101

10. INVESTMENT SECURITIES (CONT'D)

The table below shows net balances as at 31 December 2019: (cont'd)

Analysed as follows:

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
- Investment securities	73,456,719	50,934,309	37,150,731
- Equity investments	3,411	3,411	370
	73,460,130	50,937,720	37,151,101

	31 December 2019				31 December 2018	31 December 2017
Debt investment securities at amortised cost	Stage 1	Stage 2	Stage 3		Stage 1	Stage 1
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	Total	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
High grade	753,104	-	-	753,104	695,990	1,494,314
Standard grade	18,609,288	-	-	18,609,288	13,119,535	3,724,530
Sub standard grade	-	-	-	-	-	13,987,368
Impaired	-	-	-	-	-	-
Total gross carrying amount	19,362,392	-	-	19,362,392	13,815,525	19,206,212
Credit loss allowance	(23,137)	-	-	(23,137)	(9,038)	-
Carrying amount	19,339,255	-	-	19,339,255	13,806,487	19,206,212

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3		Stage 1
	Individual	Individual		Total	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ECL allowance as at 01 January	9,038	-	-	9,038	16,347
Increase in impairment	15,605	-	-	15,605	4,631
Assets derecognised or repaid (excluding write offs)	(1,506)	-	-	(1,506)	(11,940)
ECL allowance as at 31 December	23,137	-	-	23,137	9,038

	31 December 2019				31 December 2018	31 December 2017
Debt investment securities at FVTOCI	Stage 1	Stage 2	Stage 3		Stage 1	Stage 1
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	Total	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
High grade	19,186,436	-	-	19,186,436	11,653,049	4,917,417
Standard grade	22,587,811	-	-	22,587,811	14,152,530	1,969,963
Sub standard grade	677,358	-	-	677,358	1,610,460	4,380,650
Impaired	-	-	-	-	-	-
Carrying amount	42,451,605	-	-	42,451,605	27,416,039	11,268,030

No loss allowance is recognised in the statement of financial position for debt instruments measured at FVTPL as the carrying amount is at fair value. The above investment grades is to conclude that there has been no significant increase in credit risk and hence only a 12 months ECL is recognised.

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

Accounting policy

Property and equipment are stated at cost (except for freehold land and buildings and buildings on leasehold land) less accumulated depreciation and any cumulative impairment loss. Land is stated at revalued amounts and buildings are stated at revalued amounts less accumulated depreciation and any impairment loss.

It is the Bank's policy to revalue its freehold land and buildings and leasehold buildings at least every five years by independent valuers. Any revaluation surplus is credited to the Property revaluation reserve. Any revaluation decrease is first charged directly against any property revaluation reserve held in respect of the respective asset, and then to the statement of profit or loss.

Progress payments on tangible fixed assets are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other tangible fixed assets, commences when the assets are ready for their intended use.

Depreciation on owned assets is calculated to write off the cost or revalued amounts of tangible fixed assets over their estimated useful lives on a straight-line basis. Depreciation is calculated from the month the asset is capitalised. No depreciation is provided on freehold land.

The estimated useful lives of property and equipment are as follows:

Buildings	50 years
Plant, machinery, furniture, fittings and computer equipment	3 to 10 years
Motor vehicles	5 years

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset. These are included within other operating income in the statement of profit or loss.

Each year, the difference, net of the impact of deferred tax, between the depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of profit or loss) and the depreciation based on the asset's original cost is transferred from the property revaluation reserve to Retained earnings.

Bank as a lessee - as from 01 January 2019

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-to-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term and are subject to impairment in line with the Bank's policy as described below. Type of right-of-use assets are land, plant and equipment and IT equipments. Right-of-use assets are presented together with property and equipment in the statement of financial position and presented under this note.

Lease liabilities

Refer to note 19 Other liabilities for accounting policy on lease liabilities.

Impairment of non-financial assets

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

Significant accounting estimates and judgements

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects the rate the Bank 'would be subject to', which requires either estimation when no observable rates are available or adjustments to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs which has been derived from local Government Treasury Bond yield rates for different maturities and the issued SBM Bond yield rates in order to account for entity-specific adjustments namely the risk premium.

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (CONT'D)

Cost or Valuation	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Right-of-use assets: Land and buildings	Right-of-use assets: Other tangible fixed assets	Right-of-use assets: Total right-of-use assets	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
At 01 January 2017	952,094	1,572,882	1,714,698	11,073	-	-	-	4,250,747
Translation adjustment	(1,892)	-	(385)	(14)	-	-	-	(2,291)
Additions	-	-	44,312	901	-	-	-	45,213
Write off	-	-	(58,748)	-	-	-	-	(58,748)
At 31 December 2017	950,202	1,572,882	1,699,877	11,960	-	-	-	4,234,921
Translation adjustment	(9,712)	-	(1,973)	(74)	-	-	-	(11,759)
Additions	553	870	138,230	-	-	-	-	139,653
Disposals	-	-	(35,817)	-	-	-	-	(35,817)
Derecognition of Indian Operations following distribution in specie	(155,235)	-	(54,280)	(1,183)	-	-	-	(210,698)
At 31 December 2018	**785,808**	**1,573,752**	**1,746,037**	**10,703**	**-**	**-**	**-**	**4,116,300**
Effect of adoption of IFRS 16 as at 01 January 2019	**-**	**-**	**-**	**-**	**159,926**	**102,062**	**261,988**	**261,988**
Revaluation	**28,088**	**(153,210)**	**-**	**-**	**-**	**-**	**-**	**(125,122)**
Impairment	**(9,962)**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,962)**
Additions	**-**	**507**	**62,186**	**3,222**	**35,121**	**-**	**35,121**	**101,036**
Disposals	**-**	**-**	**-**	**(8,840)**	**-**	**-**	**-**	**(8,840)**
At 31 December 2019	**803,934**	**1,421,049**	**1,808,223**	**5,085**	**195,047**	**102,062**	**297,109**	**4,335,400**

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (CONT'D)

					Right-of-use assets			
Accumulated Depreciation	**Freehold land and buildings**	**Buildings on leasehold land**	**Other tangible fixed assets**	**Motor vehicles**	**Land and buildings**	**Other tangible fixed assets**	**Total right-of-use assets**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
At 01 January 2017	54,483	121,246	1,361,041	5,381	-	-	-	1,542,151
Translation adjustment	(370)	-	(408)	(22)	-	-	-	(800)
Write off	-	-	(58,687)	-	-	-	-	(58,687)
Charge for the year	14,314	51,996	86,082	1,846	-	-	-	154,238
At 31 December 2017	68,427	173,242	1,388,028	7,205	-	-	-	1,636,902
Translation adjustment	(1,899)	-	(1,634)	(73)	-	-	-	(3,606)
Disposal	-	-	(29,754)	-	-	-	-	(29,754)
Charge for the year	13,792	51,998	86,492	1,455	-	-	-	153,737
Derecognition of Indian Operations following distribution in specie	(33,403)	-	(31,613)	(1,176)	-	-	-	(66,192)
At 31 December 2018	**46,917**	**225,240**	**1,411,519**	**7,411**	**-**	**-**	**-**	**1,691,087**
Revaluation	**(56,589)**	**(272,931)**	**-**	**-**	**-**	**-**	**-**	**(329,520)**
Disposal	**-**	**-**	**-**	**(7,135)**	**-**	**-**	**-**	**(7,135)**
Charge for the year	**10,851**	**52,443**	**78,602**	**1,225**	**28,180**	**21,761**	**49,941**	**193,062**
At 31 December 2019	**1,179**	**4,752**	**1,490,121**	**1,501**	**28,180**	**21,761**	**49,941**	**1,547,494**
Net book value								
At 31 December 2019	**802,755**	**1,416,297**	**318,102**	**3,584**	**166,867**	**80,301**	**247,168**	**2,787,906**
Progress payments on tangible fixed assets								**58,830**
								2,846,736
At 31 December 2018	738,891	1,348,512	334,518	3,292	-	-	-	2,425,213
Progress payments on tangible fixed assets								33,601
								2,458,814
At 31 December 2017	881,775	1,399,640	311,849	4,755	-	-	-	2,598,019
Progress payments on tangible fixed assets								33,763
								2,631,782

Other tangible fixed assets, included within Property and equipment, consist of plant, machinery, furniture, fittings and computer equipment.

Property, plant and equipments are non-current assets whose maturity is more than one year.

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (CONT'D)

Details of the Bank's land and buildings and information about the fair value hierarchy are as follows:

	31 December 2019	31 December 2018	31 December 2017
Level 2 fair value	**MUR'000**	**MUR'000**	**MUR'000**
Freehold land and buildings	**803,934**	785,808	950,202
Buildings on leasehold land	**1,421,049**	1,573,752	1,572,882
	2,224,983	2,359,560	2,523,084

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 2019	31 December 2018	31 December 2017
	MUR'000	**MUR'000**	**MUR'000**
Freehold land and buildings	**443,289**	447,343	508,905
Buildings on leasehold land	**347,500**	360,873	374,232
	790,789	808,216	883,137

The freehold land and buildings are periodically valued based on market value by independent valuation surveyor. Buildings on leasehold land in Mauritius were revalued in December 2019 by an independent Chartered Valuation Surveyor, on an open market value basis.

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 19) and the movements during the year:

	MUR'000
As at 01 January 2019 - Effect of adoption of IFRS 16 (Note 2)	**261,988**
Additions	**35,121**
Accretion of interest	**15,064**
Payments	**(71,993)**
As at 31 December 2019	**240,180**

The following are the amounts recognised in profit or loss:	**31 December 2019**
Depreciation expense on right-of-use assets (Note 11)	**49,941**
Interest expense on lease liability (Note 26)	**15,064**
Total amount recognised in profit or loss	**65,005**

Maturity analysis of lease liability are as follows:

	Up to 1 year	**1 to 5 years**	**5 to 25 years**
Lease liability	**48,801**	**150,248**	**41,131**

The Bank had a total cash outflows for leases of MUR 71.99 million. The initial application of IFRS 16 resulted in non-cash additions to right-of-use assets and lease liabilities of MUR 261.99 million at 01 January 2019.

12. INTANGIBLE ASSETS

Accounting policy

Intangible assets with finite useful lives, that are acquired separately, are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight line basis over their estimated useful lives of 3 to 10 years. Costs directly associated with the production of identifiable and software products controlled, that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Significant accounting estimates and judgements

Assessment of useful lives

Determining the carrying amount of intangible assets requires an estimation of the useful lives of these assets which carry a degree of uncertainty. Management has used historical information relating to the Bank and the industry in which it operates in order to best determine the useful lives of intangible assets.

	Software	WIP Software (Note a)	Intellectual Property (Note b)	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Cost				
At 01 January 2017	4,132,483	265,260	322,777	4,720,520
Translation adjustment	(217)	(2,954)	-	(3,171)
Additions	50,532	133,420	-	183,952
Transfers	312,963	(312,963)	-	-
At 31 December 2017	4,495,761	82,763	322,777	4,901,301
Translation adjustment	(1,169)	(1,925)	-	(3,094)
Additions	180,595	47,713	-	228,308
Transfers	23,464	(23,464)	-	-
Disposal	(610,148)	-	-	(610,148)
Write off	-	(1,726)	(37,860)	(39,586)
Derecognition of Indian operations following distribution in specie	(114,374)	(33,919)	-	(148,293)
At 31 December 2018	**3,974,129**	**69,442**	**284,917**	**4,328,488**
Additions	**4,934**	**47,161**	**-**	**52,095**
Transfers	**32,030**	**(32,030)**	**-**	**-**
Write off	**(4,430)**	**(9,882)**	**-**	**(14,312)**
At 31 December 2019	**4,006,663**	**74,691**	**284,917**	**4,366,271**
Accumulated amortisation				
At 01 January 2017	893,618	-	56,983	950,601
Translation adjustment	(148)	-	-	(148)
Charge for the year	436,804	-	56,983	493,787
At 31 December 2017	1,330,274	-	113,966	1,444,240
Translation adjustment	(1,081)	-	-	(1,081)
Disposal	(610,148)	-	-	(610,148)
Charge for the year	511,676	-	56,983	568,659
Derecognition of Indian operations following distribution in specie	(36,102)	-	-	(36,102)
At 31 December 2018	**1,194,619**	**-**	**170,949**	**1,365,568**
Charge for the year	**417,564**	**-**	**56,983**	**474,547**
At 31 December 2019	**1,612,183**	**-**	**227,932**	**1,840,115**
Net book value				
At 31 December 2019	**2,394,480**	**74,691**	**56,985**	**2,526,156**
At 31 December 2018	2,779,510	69,442	113,968	2,962,920
At 31 December 2017	3,165,487	82,763	208,811	3,457,061

12. INTANGIBLE ASSETS (CONT'D)

(a) WIP Software

The Bank is developing few softwares. These costs will be transferred under "Software" as soon as they will be in use at the Bank.

(b) Intellectual property rights

The Bank entered into an agreement in respect of Business Process Engineering and Business Transformation Initiatives to align both its strategies and processes with the Technology Transformation Initiative namely Flamingo Project and also high performance banks. The costs incurred in respect of these initiatives were capitalised as intellectual property rights and are being amortised following the project going live in September 2016.

All intangibles are non-current assets whose maturity is more than one year.

13. OTHER ASSETS

Accounting policy

Prior to 01 January 2018

Other assets and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as loans and receivables. They are measured at amortised cost, adjusted for any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

From 01 January 2018

Other assets and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified at amortised costs less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Accounts receivable[1]	542,780	684,985	547,003
Balances due in clearing	4,196	2,860	56,083
Tax paid in advance[2]	-	-	75,708
Others[3]	167,283	135,808	245,098
	714,259	823,653	923,892

[1] Credit risk is managed for each category and is subject to the Bank's established policy, procedures and control relating to customers credit risk management. The accounts receivable are mainly transition accounts that will be cleared the following day and therefore are not subject to impairment.

[2] The tax paid in advance relates to the Indian Operations. The amount is shown net of current tax payable.

[3] Repossessed assets have been included under 'Others'. The Bank's policy is to dispose of such assets as soon as the market permits.

Prepayments have a maturity of less than one year and are treated as current assets while deposits / advance payments are non-current assets as they have a maturity of more than one year.

14. PENSION LIABILITY

Accounting policy

(i) Pension benefits for eligible participating employees

Eligible participating employees are entitled to retirement pensions under the SBM Group Pension Fund, a defined benefit scheme. The average retirement age is 65. The assets of the scheme are managed presently by the SBM Mauritius Asset Managers Ltd.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets, is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in the statement of profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Bank's defined benefits plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(ii) Pension benefits for employees under term contracts and all employees who joined after 31 December 2004

Employees who joined after 31 December 2004 are entitled to defined contribution retirement benefit pension arrangements. Employer contributions are expensed in the statement of profit or loss in the period in which they fall due. The defined contribution benefit replaced the defined benefit pension plan as from 01 January 2005. Employees who were initially in the defined benefit pension plan remained in the said plan.

(iii) Travel tickets/allowances

Employees are periodically entitled to reimbursements of overseas travelling and allowances up to a certain amount depending on their grades. The expected costs of these benefits are recognised in the statement of profit or loss on a straight-line and undiscounted basis over the remaining periods until the benefits are payable.

Significant accounting estimates and judgements

The Bank operates a defined benefit pension plan for its employees. The amount shown in the Statement of financial position in respect of retirement benefit obligations is subject to estimates in respect of periodic costs which would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan. The value of the defined benefit pension fund is based on report submitted by an independent actuarial firm on an annual basis.

The amount included in the statement of financial position arising from the Bank's obligation in respect of its defined benefit plans is as follows:

	31 December 2019	31 December 2018	31 December 2017
Reconciliation of net defined benefit liability	**MUR'000**	**MUR'000**	**MUR'000**
Present value of funded defined benefit obligation	**1,307,790**	1,044,716	1,035,648
Fair value of planned assets	**(1,067,644)**	(935,095)	(943,867)
Net liability arising from defined benefit obligation (Note 19)	**240,146**	109,621	91,781
Reconciliation of net defined benefit liability			
Balance at start of the year	**109,621**	91,781	67,764
Amount recognised in statement of profit or loss	**32,684**	30,245	26,422
Amount recognised in other comprehensive income	**204,365**	33,496	39,616
Less employer contributions	**(106,524)**	(45,901)	(42,021)
Balance at end of the year	**240,146**	109,621	91,781

14. PENSION LIABILITY (CONT'D)

	31 December 2019	31 December 2018	31 December 2017
Reconciliation of fair value of planned assets	**MUR'000**	**MUR'000**	**MUR'000**
Balance at start of the year	**935,095**	943,867	844,673
Interest income	**59,075**	52,493	54,941
Employer contributions	**106,524**	45,901	42,021
Benefits paid	**(38,813)**	(28,872)	(40,867)
Exchange differences	**(6,590)**	2,143	-
Return on planned assets excluding interest income	**12,353**	(80,437)	43,099
Balance at end of the year	**1,067,644**	935,095	943,867
Reconciliation of present value of defined benefit obligation			
Balance at start of the year	**1,044,716**	1,035,648	912,437
Current service cost	**30,680**	26,473	23,362
Interest expense	**62,561**	56,294	58,001
Past service cost	**(1,482)**	(29)	-
Other benefits paid	**(38,813)**	(28,872)	(40,867)
Transfer from another entity	**(6,590)**	2,143	-
Liability experience loss	**226,181**	-	-
Liability (gain) / loss due to change in financial assumptions	**(9,463)**	(46,941)	82,715
Balance at end of the year	**1,307,790**	1,044,716	1,035,648
Components of amount recognised in statement of profit or loss			
Service cost	**29,198**	26,444	23,362
Net interest on net defined benefit liability	**3,486**	3,801	3,060
Total expense as above (Note 30)	**32,684**	30,245	26,422
Components of amount recognised in other comprehensive income			
Return on planned assets below interest income	**(12,353)**	80,437	(43,099)
Liability experience loss	**226,181**	-	-
Liability (gain) / loss due to change in financial assumptions	**(9,463)**	(46,941)	82,715
Total	**204,365**	33,496	39,616

14. PENSION LIABILITY (CONT'D)

	31 December 2019	31 December 2018	31 December 2017
Allocation of planned assets at end of year	**%**	%	%
Equity - Overseas quoted	**23**	18	30
Equity - Overseas unquoted	**8**	10	-
Equity - Local quoted	**26**	28	30
Equity - Local unquoted	**7**	7	7
Debt - Overseas quoted	**1**	1	-
Debt - Overseas unquoted	**-**	6	6
Debt - Local quoted	**6**	4	2
Debt - Local unquoted	**15**	23	21
Cash and other	**14**	3	4
Total	**100**	100	100
Reporting entity's own transferable financial instruments	**3.0%**	4.0%	6.0%
Principal assumptions used at end of year			
Discount rate	**5.3%**	6.1%	5.5%
Rate of salary increases	**3.1%**	4.0%	4.0%
Rate of pension increases	**0.8%**	1.6%	1.0%
Average retirement age (ARA)	**65**	65	65
Average life expectancy for:			
- Male at ARA	**15.9 years**	15.9 years	15.9 years
- Female at ARA	**20 years**	20 years	20 years
Sensitivity Analysis on defined benefit obligation at end of year			
Increase due to 1% decrease in discount rate	**205,990**	184,915	187,452
Decrease due to 1% increase in discount rate	**167,365**	148,350	150,169

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.

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 2019 and the duration of last year's liabilities.

14. PENSION LIABILITY (CONT'D)

Future cashflows

The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuary.

The Bank expects to make a contribution of around MUR 48.36 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.

Pension amounts and disclosures have been based on the report dated 6 March 2020 submitted by an independent firm of Actuaries and Consultants.

The Bank sponsors a final salary defined benefit pension plan for a category of its employees. The Bank has recognised a net defined benefit liability of MUR 240.15 million as at 31 December 2019 for the plan (2018: MUR 109.62 million and 2017: MUR 91.78 million).

The plan exposes the Bank to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary rise risks.

Investment risk

The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk

A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk

The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary risk

The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

There has been no plan amendment, curtailment or settlement during the year.

14. PENSION LIABILITY (CONT'D)

(b) Residual retirement gratuities

The amount included in the statement of financial position arising from the Bank's obligation in respect of its residual retirement gratuities is as follows:

	31 December 2019	31 December 2018
Reconciliation of net defined benefit liability	**MUR'000**	**MUR'000**
Balance at start of the year	63,434	-
Amount recognised in statement of profit or loss	30,925	63,434
Amount recognised in other comprehensive income	(500)	-
Balance at end of the year (Note 19)	93,859	63,434
Reconciliation of present value of defined benefit obligation		
Balance at start of the year	63,434	-
Current service cost	3,700	-
Interest expense	3,869	-
Past service cost	23,356	63,434
Liability experience loss	2,612	-
Liability gain due to change in financial assumptions	(3,112)	-
Balance at end of the year	93,859	63,434
Components of amount recognised in statement of profit or loss		
Service cost	27,056	63,434
Net interest on net defined benefit liability	3,869	-
Total expense as above	30,925	63,434
Components of amount recognised in other comprehensive income		
Liability experience loss	2,612	-
Liability gain due to change in financial assumptions	(3,112)	-
Total	(500)	-

	31 December 2019	31 December 2018
Principal assumptions used at end of year	**%**	**%**
Discount rate	5.3%	6.1%
Rate of salary increases	3.1%	4.0%
Rate of pension increases	0.8%	1.6%
Average retirement age (ARA)	60/65	60/65
Sensitivity Analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	13,458	19,090
Decrease due to 1% increase in discount rate	9,002	8,686

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. The results are particularly sensitive to a change in discount rate due to the nature of the liabilities being the difference between the pure retirement gratuities under the Workers' Rights Act 2019 and the deductions allowable, being five times the annual pension provided and half the lump sum received by the member at retirement from the SBM Group DC Fund with reference to the Bank's share of contributions. The latter amount is MUR 340.57 million as at 31 December 2019.

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 14.37 million to the SBM Group DC Fund for the next financial year and the weighted average duration of the defined benefit obligation is 14 years.

15. DEPOSITS FROM BANKS

Accounting policy

Deposits from banks are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the Bank's obligations are discharged, cancelled or they expire.

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Demand deposits	929,357	796,117	739,926

16. DEPOSITS FROM NON-BANK CUSTOMERS

Accounting policy

Deposits from non-bank customers are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the Bank's obligations are discharged, cancelled or they expire.

		31 December 2019	31 December 2018	31 December 2017
		MUR'000	MUR'000	MUR'000
(i)	Retail customers			
	Current accounts	18,514,354	14,574,635	16,416,802
	Savings accounts	54,376,651	51,247,818	50,728,520
	Time deposits with remaining term to maturity:			
	Up to 3 months	1,904,780	1,565,609	1,667,654
	Over 3 months and up to 6 months	1,281,866	2,211,505	2,285,051
	Over 6 months and up to 12 months	1,870,138	3,769,381	6,037,766
	Over 1 year and up to 5 years	2,343,725	2,227,733	3,223,918
	Over 5 years	2,296,622	-	2,826
	Total time deposits	9,697,131	9,774,228	13,217,215
	Total deposits from retail customers	82,588,136	75,596,681	80,362,537
(ii)	Corporate customers			
	Current accounts	54,110,610	43,860,789	33,252,693
	Savings accounts	3,373,764	3,479,325	4,287,772
	Time deposits with remaining term to maturity:			
	Up to 3 months	9,349,142	9,516,405	12,053,734
	Over 3 months and up to 6 months	3,642,694	1,788,154	1,993,033
	Over 6 months and up to 12 months	2,130,624	958,036	1,527,776
	Over 1 year and up to 5 years	233,830	396,499	889,135
	Total time deposits	15,356,290	12,659,094	16,463,678
	Total deposits from corporate customers	72,840,664	59,999,208	54,004,143
(iii)	Government			
	Current accounts	7,994,530	6,098,267	3,027,269
	Savings accounts	2,909,782	3,521,548	2,908,506
	Time deposits with remaining term to maturity:			
	Up to 3 months	6,918,162	1,620,343	22,397
	Over 3 months and up to 6 months	1,600	619,611	1,357,224
	Over 6 months and up to 12 months	5,828	69,396	12,961
	Over 1 year and up to 5 years	-	5,786	732
	Total time deposits	6,925,590	2,315,136	1,393,314
	Total deposits from government	17,829,902	11,934,951	7,329,089
	Total deposits from non-bank customers	173,258,702	147,530,840	141,695,769

17. OTHER BORROWED FUNDS

Loans and borrowings are recognised initially at fair value, net of directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Borrowings from central banks			
- For refinancing	-	50,998	104,190
Borrowings from other financial institutions			
- For refinancing	5,016,521	3,869,634	4,546,840
Borrowings from banks			
- In Mauritius	2,550,602	2,450,659	4,198,169
- Abroad	4,871,028	5,402,647	4,267,394
	12,438,151	11,773,938	13,116,593
Remaining term to maturity			
Up to 3 months	5,767,984	4,523,419	5,537,753
Over 3 months and up to 6 months	1,162,205	4,432,455	2,515,486
Over 6 months and up to 12 months	36,353	1,505,926	389,290
Over 1 year and up to 5 years	3,058,516	583,341	3,979,498
Over 5 years	2,413,093	728,797	694,566
	12,438,151	11,773,938	13,116,593

18. TAXATION

Accounting policy

Income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Corporate social responsibility (CSR)

Corporate social responsibility (CSR) was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the Bank is required to allocate 2% of its segment A chargeable income of the preceding financial year to government approved CSR NGOs. As from July 2017, following amendments to the Finance Act 2017, the Bank was required as from 01 January 2017 to 31 December 2018 to remit to the Director General of the Mauritius Revenue Authority (MRA) at least 50% of the CSR contribution. After 01 January 2019, the Bank is required to remit to the Director General of the MRA at least 75% of the CSR contribution. This is recorded as part of income tax expense.

Bank levy

The Bank is liable to pay a special levy as a percentage of its leviable income from residents excluding Global Business Licence holders (the special levy was paid as a percentage of its segmental chargeable income for the year 2018 and 2017 and was shown under the income tax line). This is recorded as an operating expense for the year 2019.

The applicable income tax rate in Mauritius is 15% (2018 and 2017: 15%). An additional charge is applicable in respect of Corporate Social Responsibility and Special Levy on Banks as mentioned above in the accounting policy. A deemed tax credit of 80% is applicable for segment B income.

18. TAXATION (CONT'D)

18a. TAX EXPENSE (CONT'D)

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Profit before tax from continuing operations	882,303	2,138,353	3,797,287
Tax on accounting profit at 15%	132,345	320,753	569,593
Non allowable expenses	237,823	392,476	(3,182)
Exempt income	(47,752)	(28,058)	(39,062)
Underprovision / (overprovision) in prior years	22,166	69,233	(54,837)
Special levy on banks	-	184,345	208,508
Corporate Social Responsibility contribution	39,410	20,845	37,811
	383,992	959,594	718,831
Foreign tax credit	(52,182)	(282,606)	(224,696)
Total tax expense	331,810	676,988	494,135

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
The total tax expense can also be analysed as follows:			
Income tax expense	560,908	632,378	226,134
Deferred tax (credit) / charge (Note 18b)	(268,508)	23,765	230,190
Corporate Social Responsibility contribution	39,410	20,845	37,811
Total tax expense	331,810	676,988	494,135

18. TAXATION (CONT'D)

18b. DEFERRED TAX (ASSETS)/LIABILITIES

Accounting policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

> Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

> In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

> Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

> In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised outside profit or loss are recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The deferred tax rate applied for segment A and segment B is 7% and 5% respectively (2018 & 2017: 17% & 3%). The change in the rate resulted in a tax credit of MUR 112.59 million in the statement of profit or loss and MUR 110.47 million in other comprehensive income. Deferred tax (assets) / liabilities are treated as non current (assets) / liabilities as they have a maturity of over more than one year.

18. TAXATION (CONT'D)

18b. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

	MUR'000
At 01 January 2017	(215,320)
Exchange difference	864
Deferred tax charge on Mauritius operation (Note 18a)	230,190
Deferred tax charge on Overseas operations	66,445
Deferred tax on retirement benefit obligations accounted in OCI	(6,735)
At 31 December 2017	75,444
At 01 January 2018	75,444
Deferred tax charge (Note 18a)	23,765
Deferred tax on retirement benefit obligations accounted in OCI	(5,694)
Underprovision of deferred tax liability in prior years	70,481
At 31 December 2018	163,996
At 01 January 2019	**163,996**
Deferred tax charge (Note 18a)	**(155,921)**
Deferred tax on retirement benefit obligations accounted in OCI	**(14,271)**
Deferred tax on revaluation of property	**9,950**
Change in tax rate - recognised in	
- Other comprehensive income	**(110,469)**
- Statement of profit or loss (Note 18 (a))	**(112,587)**
At 31 December 2019	**(219,302)**

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Deferred tax assets	**(219,302)**	-	(95,461)
Deferred tax liabilities	**-**	163,996	170,905
	(219,302)	163,996	75,444
Analysed as follows:			
Mauritius Operations	**(219,302)**	163,996	170,905
Indian Operations	**-**	-	(95,461)
	(219,302)	163,996	75,444
Analysed as resulting from:			
Accelerated capital allowances	**169,837**	484,897	420,080
Allowances for credit impairment	**(448,423)**	(503,857)	(438,390)
Carried forward losses	**-**	-	(137,810)
Revaluation of property	**87,431**	198,880	253,118
Other provisions	**(28,147)**	(15,924)	(21,554)
	(219,302)	163,996	75,444

18. TAXATION (CONT'D)

18c. CURRENT TAX LIABILITIES

Current tax liabilities can be analysed as follows:

Statement of financial position	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
At 01 January	**474,487**	105,869	358,908
Income tax expenses	**538,742**	560,692	292,579
Corporate Social Responsibility contribution	**39,410**	20,845	37,812
Underprovision / (overprovision) in prior years	**22,166**	47,333	(66,445)
Paid during the year	**(763,454)**	(260,252)	(516,984)
At 31 December	**311,351**	474,487	105,870

Current tax liabilities will mature within the next one year and are classified as current liabilities.

19. OTHER LIABILITIES

Accounting policy

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation, which has arisen as a result of past events and for which a reliable estimate can be made.

A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. Deferred income relates to loan processing fees and commission on letter of guarantee which is amortised over the life of the facility.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Balance due in clearing	**2,951,306**	2,908,532	2,046,251
Bills payable	**342,102**	214,487	171,969
Lease liability*	**240,180**	-	-
Bank levy	**171,368**	-	-
Accruals for expenses	**408,143**	30,676	352,180
Accounts payable	**422,496**	484,014	754,693
Deferred income	**326,558**	291,242	322,876
Balances in transit	**899,889**	772,867	413,460
Pension liability - Defined benefit (Note 14)	**240,146**	109,621	91,781
Pension liability - Residual gratuity (Note 14)	**93,859**	63,434	-
Others	**27,849**	30,767	9,997
ECL on memorandum items (Note 22)	**112,666**	114,995	-
	6,236,562	5,020,635	4,163,207

* The maturity profile of lease liability is shown in note 11 Property, equipment and right-of-use assets.
Deferred income and pension liability have a maturity of over more than one year and are treated as non-current liabilities.

20. STATED CAPITAL

Accounting policy

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Authorised, issued and paid up share capital	Number	MUR'000
At 31 December 2019	**40,000,000,000**	**400,000**
At 31 December 2018 & 2017	31,000,000,000	310,000

Capital Contribution	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
At 01 January	**11,044,011**	9,063,106	8,063,106
Capital contribution received during the year	**900,000**	1,980,905	1,000,000
Conversion into share capital during the year	**(90,000)**	-	-
At 31 December	**11,854,011**	11,044,011	9,063,106

Fully paid ordinary shares carry one vote per share and the right to dividend.

The capital contribution refers to additional capital over and above the actual stated capital. It is fully paid up, unsecured, interest free and is perpetual with no maturity date. The shareholder shall not demand, sue for or receive payment of the whole or any part of the capital contribution or claim any set-off which would result in the principal amount of the capital contribution outstanding to be reduced. The Bank reserves the right to issue ordinary shares against the amount of capital contribution at any time at prevailing market rates.

21. DIVIDEND

Accounting policy

Dividends on ordinary shares are recognised in equity in the period in which they are authorised by the directors. Dividends that are declared after the reporting date are dealt with in the notes to the financial statements.

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Cash dividend declared during the year:			
2019: 3.60 cents; 2018: 3.55 cents and 2017: 3.08 cents per share	**1,319,000**	1,100,500	954,000
Less dividend paid: 2019: 3.60 cents; 2018: 3.55 cents and 2017: 3.08 cents per share	**(1,319,000)**	(1,100,500)	(954,000)
Dividend payable	**-**	-	-
Dividend declared after the reporting date:			
2019 & 2018: Nil & 2017: 1.13 cents per share	**-**	-	350,300

21. DIVIDEND (CONT'D)

Loss on distribution of dividend in specie

Non-current assets held for sale and discontinued operations

The Bank classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 39. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Dividend in specie

During the financial year 2018, the Bank made a distribution in specie to its sole shareholder SBM (Bank) Holdings Ltd. The distribution in specie consisted of the Bank transferring the entire of its Indian operations to its shareholder. The distribution was made at an amount which was the equivalent of the fair value of the assets and liabilities of the Indian operations.

As such, on 30 November 2018, following approval from the Bank of Mauritius, the Indian Operations were fully transferred to SBM (Bank) Holdings Ltd. The statement of financial position as of that date was as follows:

Statement of financial position as at 30 November 2018	**INR'000**	**MUR'000**
Assets	16,455,231	8,100,910
Liabilities	11,306,557	5,566,218
Capital and reserves	5,148,674	2,534,692
	16,455,231	8,100,910

The distribution in specie of the Indian operations led to the recognition of a loss in the Statement of Profit or Loss of the Bank. This loss mainly represents the derecognition of the translation reserve of this foreign operation.

For further information on this distribution in specie, refer to Note 39 on Discontinued Operations.

22. MEMORANDUM ITEMS

Accounting policy

Memorandum items are off-balance sheet items and comprise of acceptances, contingent liabilities and financial guarantee contracts.

Acceptances

Acceptances are obligations to pay on due date the bills of exchange drawn on customers. It is expected most of these acceptances will be honoured by the customers on due dates. Acceptances are accounted for as off-balance sheet items and are disclosed under memorandum items.

Contingent liabilities

Contingent liabilities which include certain guarantees and letters of credit pledged are possible obligations that arise from past events whose existence will be confirmed by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Bank; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Financial guarantee contracts

Liabilities under financial guarantee contracts which are not classified as insurance contracts are recorded initially at fair value, which is generally the fee received or present value of the fee receivable. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation and the best estimate of the expenditure required to settle the obligations.

a Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Acceptances on account of customers	**671,824**	199,670	768,827
Guarantees on account of customers	**7,118,905**	7,594,442	7,443,126
Letters of credit and other obligations on account of customers	**362,982**	513,356	1,975,267
Other contingent items	**185,584**	-	-
	8,339,295	8,307,468	10,187,220
b Commitments			
Undrawn credit facilities	**11,675,375**	9,071,296	14,238,833
c Others			
Inward bills held for collection	**144,051**	248,962	183,979
Outward bills sent for collection	**36,135**	39,943	1,920,084
	180,186	288,905	2,104,063
Total	**20,194,856**	17,667,669	26,530,116

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 2019:	Stage 1	Stage 2	Stage 3	Total
	Individual	Individual		
Internal rating grade	MUR'000	MUR'000	MUR'000	MUR'000
Performing				
High grade	5,932,948	42,486	-	5,975,434
Standard grade	4,846,401	1,171,542	-	6,017,943
Sub-standard grade	7,233,996	966,478	-	8,200,474
Past due but not impaired	-	-	-	-
Non-performing				
Individually impaired	-	-	1,005	1,005
Total	18,013,345	2,180,506	1,005	20,194,856

At 31 December 2018 & 2017:	31 December 2018				31 December 2017
	Stage 1	Stage 2	Stage 3	Total	Total
	Individual	Individual			
Internal rating grade	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Performing					
High grade	3,852,695	70,095	-	3,922,790	8,861,175
Standard grade	5,699,476	5,412,812	-	11,112,288	4,255,665
Sub-standard grade	2,627,610	1,483	-	2,629,093	13,025,352
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	3,498	3,498	387,924
Total	12,179,781	5,484,390	3,498	17,667,669	26,530,116

Details of the Bank's internal grading system are set out in note 37(b)(i).

An analysis of changes in the gross carrying amount is as follows:

At 31 December 2019:	Stage 1	Stage 2	Stage 3	Total
	Individual	Individual		
	MUR'000	MUR'000	MUR'000	MUR'000
Gross carrying amount as at 01 January 2019	12,179,781	5,484,390	3,498	17,667,669
New assets originated or purchased	10,072,787	1,119,556	-	11,192,343
Assets derecognised or repaid (excluding write offs)	(6,605,829)	(2,056,794)	(2,533)	(8,665,156)
Transfers to Stage 1	2,424,141	(2,424,141)	-	-
Transfers to Stage 2	(57,375)	57,495	(120)	-
Transfers to Stage 3	(160)	-	160	-
Gross carrying amount as at 31 December 2019	18,013,345	2,180,506	1,005	20,194,856

22. MEMORANDUM ITEMS (CONT'D)

An analysis of changes in the gross carrying amount is as follows: (Cont'd)

At 31 December 2018:	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
Gross carrying amount as at 01 January 2018	26,530,116	-	-	26,530,116
New assets originated or purchased	9,324,074	637,436	3,498	9,965,008
Assets derecognised or repaid (excluding write offs)	(15,404,311)	(816,137)	-	(16,220,448)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(5,663,091)	5,663,091	-	-
Transfers to Stage 3	-	-	-	-
Derecognition of Indian Operations following distribution in specie	(2,607,007)	-	-	(2,607,007)
Gross carrying amount as at 31 December 2018	12,179,781	5,484,390	3,498	17,667,669

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

At 31 December 2019:	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 01 January 2019	**57,115**	**53,290**	**4,590**	**114,995**
New assets originated or purchased	**78,274**	**4,138**	**-**	**82,412**
Assets derecognised or repaid (excluding write offs)	**(61,965)**	**(21,782)**	**(994)**	**(84,741)**
Transfers to Stage 1	**25,545**	**(25,545)**	**-**	**-**
Transfers to Stage 2	**(248)**	**248**	**-**	**-**
Transfers to Stage 3	**-**	**-**	**-**	**-**
At 31 December 2019	**98,721**	**10,349**	**3,596**	**112,666**

At 31 December 2018:	Stage 1 Individual MUR'000	Stage 2 Individual MUR'000	Stage 3 MUR'000	Total MUR'000
ECL allowance as at 01 January 2018	172,864	-	-	172,864
New assets originated or purchased	39,606	23,544	4,590	67,740
Assets derecognised or repaid (excluding write offs)	(115,703)	(9,906)	-	(125,609)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(39,652)	39,652	-	-
Transfers to Stage 3	-	-	-	-
ECL allowance as at 31 December 2018	57,115	53,290	4,590	114,995

The Bank is subject to various legal claims from former employees and customers with claims totallying MUR 584.1 million (2018: MUR 553.3 million and 2017: MUR 455.4 million). The Bank has not made any provisions in these financial statements as at 31 December 2019 on the basis that so far there is no indication that the claims would succeed in court.

23. ASSETS PLEDGED

The aggregate carrying amount of assets that have been pledged to secure the credit facilities of the Bank with Central Banks and with Clearing Corporation of India Limited are as follows:

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Treasury bills / Government bonds	**70,000**	5,427,202	2,077,648
Other	**-**	-	52,909
	70,000	5,427,202	2,130,557
Analysed as:			
- In Mauritius	**70,000**	3,542,550	1,694,900
- Overseas	**-**	1,884,652	435,657
	70,000	5,427,202	2,130,557

24. CAPITAL COMMITMENTS

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Approved and contracted for	**182,952**	85,160	58,934
Approved and not contracted for	**402,998**	72,333	64,757

25. OPERATING LEASE

Accounting policy

Prior to 01 January 2019

Rentals payable under operating leases are charged to the statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

From 01 January 2019

Refer to note 11 Property, equipment and right-of-use assets and note 19 other liabilities.

	31 December 2018	31 December 2017
Leasing arrangements - The Bank as lessee	MUR'000	MUR'000
Operating lease expense	64,684	50,465

Operating lease payments represent rentals payable for property, equipment and motor vehicles for the entire contract period. Operating lease contracts contain renewal clauses in the event that the Bank exercises its option to renew the contracts. The Bank does not have an option to purchase the assets at the expiry of the lease period.

The future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2018	31 December 2017
	MUR'000	MUR'000
Up to 1 year	46,064	36,867
After 1 year and before 5 years	89,193	49,481
After 5 years and up to 25 years	31,760	42,063
	167,017	128,411

26. NET INTEREST INCOME

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

For all financial instruments measured at amortised cost and interest-earning financial instruments classified as investment securities measured at FVTOCI, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the outstanding amount of the financial asset. For all credit impaired assets, the interest income is reversed and charged against the outstanding amount of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

26. NET INTEREST INCOME (CONT'D)

	31 December 2019 MUR'000	31 December 2018 MUR'000	31 December 2017 MUR'000
Interest Income on financial instruments at amortised cost			
Cash and cash equivalents	**125,512**	156,248	93,299
Loans to and placements with banks	**233,578**	312,079	122,264
Loans and advances to non-bank customers	**5,562,952**	5,552,274	4,806,834
Investment securities	**719,612**	417,241	562,418
	6,641,654	6,437,842	5,584,815
Interest Income on financial instruments at fair value			
Investment securities	**1,129,535**	840,367	496,688
Derivative financial instruments	**(82,338)**	(121,837)	(6,613)
	1,047,197	718,530	490,075
Total interest income	**7,688,851**	7,156,372	6,074,890
Interest expense			
Deposits from customers	**(1,649,120)**	(1,376,701)	(1,444,025)
Other borrowed funds	**(354,307)**	(265,485)	(109,697)
Lease liabilities	**(15,064)**	-	-
Other	**(5,038)**	(22,820)	(15,407)
Total interest expense	**(2,023,529)**	(1,665,006)	(1,569,129)
Net interest income	**5,665,322**	5,491,366	4,505,761

27. NET FEE AND COMMISSION INCOME

Accounting policy

Fees and commission income and expense are recognised on an accrual basis when the service has been provided. Commission and fees arising from negotiation of transactions with third parties, or participating in the negotiation of a transaction for a third party is recognised on completion of the underlying transaction. Fees and commission that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. Other fees and commission expense relate mainly to transaction and services fee, which are expensed as the services are received.

	31 December 2019 MUR'000	31 December 2018 MUR'000	31 December 2017 MUR'000
Fee and commission income			
Retail banking customer fees	**330,022**	257,206	331,115
Corporate banking customer fees	**476,159**	453,942	359,084
Card income	**400,140**	350,518	315,075
Total fee and commission income	**1,206,321**	1,061,666	1,005,274
Fee and commission expense			
Interbank transaction fees	**(16,800)**	(14,409)	(12,776)
Other	**(14,916)**	(8,606)	(9,620)
Total fee and commission expense	**(31,716)**	(23,015)	(22,396)
Net fee and commission income	**1,174,605**	1,038,651	982,878

28. NET GAIN FROM FINANCIAL INSTRUMENTS

Accounting policy

Gain or loss on financial instruments comprises of fair value movements on:

- Trading derivatives;
- Trading securities;
- Assets, liabilities and derivatives designated in hedging relationships; and
- Other financial assets and liabilities designated at fair value through profit or loss.

In general, gains or losses on trading derivatives recognise the full change in fair value of the derivatives inclusive of interest income and expense. Gains or losses on trading securities recognise the change in the fair value of these instruments excluding interest income or interest expense which is recognised separately in net interest income.

Gains or losses on assets, liabilities and derivatives designated in hedge relationships recognises fair value movements (excluding interest) on both the hedged item and hedging derivative in a fair value hedge relationship, and hedge ineffectiveness from fair value hedge relationships.

Gains or losses on other financial assets designated at fair value through profit or loss recognises fair value movements (excluding interest) on those items designated as fair value through profit or loss.

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Net gain from trading instruments	74,914	323,467	519,275
Investment securities at fair value through profit or loss	43,370	59,472	919
Other	(109)	117,194	(373)
	118,175	500,133	519,821

29. NET GAIN ON SALE OF SECURITIES

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Net gain on derecognition of financial assets measured at fair value through other comprehensive income	224,380	-	161,386
Net gain on derecognition of financial assets measured at amortised cost	-	4,727	262,721
Net gain on derecognition of financial asets at fair value through profit or loss	402,294	168,827	6,790
	626,674	173,554	430,897

30. PERSONNEL EXPENSES

Accounting policy

Short-term employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:

(a) wages, salaries and social security contributions;

(b) paid annual leave and paid sick leave;

(c) bonuses; and

(d) non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees.

When an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

The Bank operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under personnel expenses. Unpaid contributions are recorded as a liability. Refer to note 14 for accounting policy on defined benefit plans.

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Wages and salaries	**1,396,876**	1,001,238	1,069,541
Other social security obligations	**29,005**	-	17,723
Contributions to defined contribution plans	**168,540**	144,277	91,180
Increase in liability for defined benefit plans (Note 14)	**32,684**	30,245	26,422
Staff welfare cost	**54,308**	50,220	42,532
Other	**38,179**	45,185	33,754
	1,719,592	1,271,165	1,281,152

31. OTHER EXPENSES

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Software licensing and other information technology cost	**435,659**	301,567	417,371
Utilities and telephone charges	**66,740**	56,322	61,129
Professional charges	**130,990**	91,415	50,051
Marketing costs	**76,653**	55,370	69,672
Rent, repairs, maintenance and security charges	**131,351**	127,195	142,708
Licence and other registration fees	**24,509**	20,905	22,109
Postage, courier and stationery costs	**50,683**	45,420	47,708
Insurance costs	**43,006**	12,466	11,308
Other*	**112,962**	57,772	100,128
	1,072,553	768,432	922,184

** Includes mainly other operational costs.*

32. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS & MEMORANDUM ITEMS

Accounting policy

Prior to 01 January 2018

Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available for sale (AFS) financial asset is considered to be impaired, its carrying amount is reduced by the impairment loss directly for all financial assets with the exception of loans and advances to customers where the carrying amount is reduced through the use of an allowance account.

Cumulative gains or losses previously recognised in other comprehensive income are reclassified to the statement of profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been, had the impairment not been recognised. In respect of AFS equity investments, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the fair value reserve.

From 01 January 2018

The Bank recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Loans to and placements with banks;

- Loans and advances to non-bank customers;

- Debt investment securities;

- Loan commitments issued;

- Financial guarantee contracts, bills and letters of credit.

With the exception of POCI assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, that is, lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as stage 1); or

- full lifetime ECL, that is, lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as stage 2 and stage 3).

A loss allowance for fulltime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since intial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood 'investment grade'.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

The Bank measures ECL on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

32. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS & MEMORANDUM ITEMS (CONT'D)

Accounting policy (Cont'd)

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for the financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A loan that has been renegotiatied due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop, if amounts are overdue for 90 days or more.

Definition of default and cure

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank; or

- the borrower is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different type of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing, if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators such as breach of covenants, overdue status, non-payment on another obligation of the same counterparty. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources, for example, BOM guidelines on impairment.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as stage 2 or stage 1 once cured depends on the updated credit grade, at the time of the cure and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

32. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS & MEMORANDUM ITEMS (CONT'D)

The table below shows the impairment charges recorded in the statement of profit or loss under IFRS 9:

At 31 December 2019:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Loans and advances to non-bank customers	229,143	804,977	2,653,981	3,688,101
Loans to and placements with banks*	(47,372)	-	-	(47,372)
Debt instruments measured at amortised cost**	7,729	-	-	7,729
Loan commitments	42,834	-	-	42,834
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(1,228)	(42,941)	(994)	(45,163)
Total credit loss expense under IFRS 9	231,106	762,036	2,652,987	3,646,129
Bad debts recovered				(39,463)
				3,606,666

At 31 December 2018:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**
Loans and advances to non-bank customers	(261,425)	371,890	2,897,543	3,008,008
Loans to and placements with banks*	43,782	-	-	43,782
Debt instruments measured at amortised cost**	22,636	-	-	22,636
Loan commitments	(19,832)	-	-	(19,832)
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(42,626)	-	4,590	(38,036)
Total credit loss expense under IFRS 9	**(257,465)**	**371,890**	**2,902,133**	**3,016,558**
Write off				120
Bad debts recovered				(6,322)
				3,010,356

*ECL movement for cash and cash equivalents are included under loans to and placements with banks.

**ECL movement for debt instruments measured at FVTOCI are included under debt instruments measured at amortised cost.

The table below shows the impairment charges recorded in the statement of profit or loss under IAS 39 during 2017:

	31 December 2017
	MUR'000
Portfolio and specific provisions:	
- On-balance sheet advances	344,601
Recoveries of advances written off	(116,577)
	228,024
Of which:	
Credit exposure	228,024
Other financial assets	-
	228,024

33. NET CASH FROM / (USED IN) OPERATING ACTIVITIES

	Notes	31 December 2019	31 December 2018	31 December 2017
Operating activities		**MUR'000**	**MUR'000**	**MUR'000**
Profit for the year		**550,492**	554,153	2,611,293
Adjustments to determine net cash flows:				
Depreciation of property, equipment and right-of-use assets	11	**193,062**	153,737	154,238
Amortisation of intangible assets	12	**474,547**	568,659	493,787
Credit loss expense on cash and cash equivalents		**38,059**	45,910	-
Pension expense		**84,793**	30,245	26,422
Credit loss expense on financial assets	32	**3,606,666**	3,010,356	987,262
Impairment of non financial assets	11	**9,962**	-	-
Exchange difference		**-**	-	280,049
Impairment of equity investments		**-**	-	3,413
Net gain from dealings in trading securities		**-**	-	(30,726)
Net (gain) / loss on disposal of property and equipment		**(884)**	45,826	(79)
Tax expense	18 & 18 (a)	**331,810**	676,988	560,580
Loss on distribution of dividend in specie		**-**	685,838	-
Operating profit before working capital changes		**5,288,507**	5,771,712	5,086,239
Change in operating assets and liabilities				
(Increase) / decrease in derivative financial assets		**(20,748)**	541,042	(1,160,051)
Decrease / (increase) in loans to and placements with banks		**4,302,196**	(3,261,473)	(4,249,949)
Increase in loans and advances to non-bank customers		**(8,655,418)**	(410,459)	(30,658,733)
Increase in gilt-edged investment securities		**(14,959,447)**	(13,185,216)	(5,412,419)
(Increase) / decrease in other investment securities		**(7,215,680)**	(2,543,882)	2,679,365
Increase in mandatory balances with central banks		**(558,239)**	(252,613)	(1,766,492)
Decrease / (increase) in other assets		**109,394**	(144,461)	(365,691)
Increase / (decrease) in deposits from banks		**133,240**	70,370	(1,971,438)
Increase in deposits from non-bank customers		**25,727,862**	9,816,305	33,393,382
Increase / (decrease) in derivative financial liabilities		**35,633**	(521,348)	1,152,178
Increase in other liabilities		**718,772**	948,310	1,898,594
Income tax paid		**(763,454)**	(315,265)	(516,984)
Net cash from / (used in) operating activities		**4,142,618**	(3,486,978)	(1,891,999)

34. CAPITAL MANAGEMENT

The Bank manages its capital to ensure that it will be able to continue as a going concern and maximise returns to shareholders. It also ensures that adequate capital is maintained to support its growth strategies, its risk appetite and depositors' confidence, while complying with statutory and regulatory requirements. The capital resources of the Bank are disclosed in the statement of changes in equity.

The Bank has met the respective minimum capital requirements set out by the relevant regulatory body and, where applicable, appropriate transfers have also been made to statutory reserves, ranging from 10% to 25% of annual profits.

The Bank has also met its respective minimum capital adequacy ratio requirements.

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Tier 1 Capital	13,919,667	13,421,249	11,792,955
Eligible capital base	15,741,185	15,036,270	13,465,687
Risk-weighted assets	107,417,400	99,517,948	104,933,398
Capital adequacy ratio (%)	14.65	15.11	12.83

Figures for 31 December 2017 have been amended and do not include Indian Operations.

35. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors regard SBM Holdings Ltd, a company incorporated in Mauritius as its ultimate holding company and SBM (Bank) Holdings Ltd, a company incorporated in Mauritius as its immediate holding company. SBM Holdings Ltd is a public company, domiciled in Mauritius and listed on the Stock Exchange of Mauritius. The address of the registered office of both SBM Holdings Ltd and SBM (Bank) Holdings is SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

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36. RELATED PARTY DISCLOSURES

Accounting policy

For the purposes of these financial statements, parties are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank or exercise significant influence over the Bank in making financial and operating decisions, or vice versa, or if they and the Bank are subject to common control. Related parties may be individuals or other entities.

		Key management personnel including directors			Associates and other entities in which the Group has significant influence			Immediate holding company and entities under common control			Entities in which directors, key management personnel and their close family members have significant influence		
		31 Dec 2019	31 Dec 2018	31 Dec 2017	**31 Dec 2019**	31 Dec 2018	31 Dec 2017	**31 Dec 2019**	31 Dec 2018	31 Dec 2017	**31 Dec 2019**	31 Dec 2018	31 Dec 2017
		MUR'000	**MUR'000**	**MUR'000**	**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	**160,402**	170,942	100,297	**2,589,191**	2,868,421	-	**5,589**	3,205	-	**1,687,766**	5,450,405	1,320,812
	Loans of directors / entities who ceased to be related parties during the year	**(49,167)**	(23,513)	(3,799)	**-**	(391,377)	-	**-**	-	-	**(256,891)**	(3,365,943)	-
	Existing loans of new related parties	**17,792**	20,937	-	**-**	-	2,868,421	**1,112,281**	-	3,205	**-**	-	4,101,901
	Other net movements	**7,282**	(7,964)	74,445	**239,508**	112,147	-	**-**	2,384	-	**(12,974)**	(396,696)	27,692
	Balance at end of year	**136,309**	160,402	170,943	**2,828,699**	2,589,191	2,868,421	**1,117,870**	5,589	3,205	**1,417,901**	1,687,766	5,450,405
(ii)	*Off-balance sheet obligations*												
	Balance at end of year	**-**	50	100	**720,982**	678,424	768,315	**143,143**	12,000	12,000	**42,235**	34,535	50,600
(b)	Deposits at end of year	**217,086**	216,359	154,318	**2,031,404**	1,566,800	2,142,657	**456,481**	171,484	284,721	**696,682**	2,765,967	3,948,271
(c)	Interest income	**6,562**	7,855	8,054	**84,331**	84,922	54,306	**20,495**	18,781	83,239	**73,085**	70,609	260,205
(d)	Interest expense	**1,736**	1,791	1,251	**29,358**	19,934	27,239	**415**	-	2,126	**968**	5,461	11,345
(e)	Other income	**34**	32	36	**12,548**	13,908	13,828	**1**	2	1	**29,876**	32,153	44,384
(f)	Purchase of goods and services	**12,549**	8,943	9,264	**-**	-	-	**-**	-	-	**-**	-	-
(g)	Emoluments	**32,458**	38,321	31,749	**-**	-	-	**-**	-	-	**-**	-	-
(h)	Dividends paid	**-**	-	-	**-**	-	-	**1,319,000**	1,100,500	954,000	**-**	-	-

Short term benefits amounted to MUR 32.46 million at the reporting date (2018: MUR 38.32 million and 2017: MUR 31.75 million) and long term benefits was nil at the reporting date (2018 and 2017: nil).

36. RELATED PARTY DISCLOSURES (CONT'D)

Related party transactions in relation to Post Employment Benefit plans are as follows:

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Deposits at end of year	211,640	97,051	63,809
Interest expense	216	32	-
Contributions paid	172,701	112,403	100,591

Transactions of the Bank with the ultimate holding company and the subsidiaries within the Group are disclosed below:

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Non-interest expense	-	225	900

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.

37. RISK MANAGEMENT

The Board of Directors oversees the risk management framework and ensures decision making is aligned with the Board-driven strategic risk objectives and risk appetite. Board approves the risk policies and a set of prudential limits and risk tolerance limits, besides regulatory limits, within which the Bank operates. The Senior Management monitors risks totally on an ongoing basis at regular intervals as necessary and is accountable to ensure its operations are within approved policies, prudential limits besides regulatory limits and risk appetite approved framework. Any deviation and non-compliance are reported to Board Risk Committee. The principal risks arising from financial instruments to which the Bank is 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 original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Bank's financial assets and financial liabilities:

Financial assets	Original Classification under IAS 39	New classification under IFRS 9	Original Carrying amount under IAS 39 as at 31 December 2017	New Carrying amount under IFRS 9 as at 01 January 2018	Carrying amount under IFRS 9 as at 31 December 2018
			MUR'000	MUR'000	MUR'000
Cash and cash equivalents	Loans and receivables	Amortised Cost	15,620,778	15,604,580	11,211,712
Mandatory balances with central banks	Loans and receivables	Amortised Cost	8,712,062	8,712,062	8,767,767
Loans to and placements with banks	Loans and receivables	Amortised Cost	8,895,860	8,879,803	11,764,358
Derivative financial instruments	Fair value through P&L	Fair value through P&L	1,356,774	1,356,774	762,855
Loans and advances to non-bank customers	Loans and receivables	Amortised cost	100,839,231	100,820,640	94,296,051
Investments - AFS (Equity and/or Debt Instruments)	Available-for-sale	Fair value through OCI	11,268,400	11,233,407	27,419,450
Investments - HFT	Fair value through P&L	Fair value through P&L	6,676,489	6,676,489	9,711,783
Investments - HTM	Held-to-maturity	Amortised cost	19,206,212	19,189,864	13,806,487
Other assets	Loans and receivables	Amortised Cost	676,317	676,317	567,126
Total financial assets			173,252,123	173,149,936	178,307,589
Financial liabilities					
Deposits from banks	Amortised Cost	Amortised Cost	739,926	739,926	796,117
Deposits from non-bank customers	Amortised Cost	Amortised Cost	141,695,769	141,695,769	147,530,840
Derivative financial instruments	Fair value through P&L	Fair value through P&L	1,334,584	1,334,584	758,642
Other borrowed funds	Amortised Cost	Amortised Cost	13,116,593	13,116,593	11,773,938
Other liabilities	Amortised Cost	Amortised Cost	1,944,907	1,944,907	2,013,081
Total financial liabilities			158,831,779	158,831,779	162,872,618

37. RISK MANAGEMENT (CONT'D)

a (ii) Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments held at the reporting date.

	31 December 2019		31 December 2018		31 December 2017	
	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	**15,386,899**	**15,386,899**	11,211,712	11,211,712	15,620,778	15,620,778
Mandatory balances with central banks	**9,326,006**	**9,326,006**	8,767,767	8,767,767	8,712,062	8,712,062
Loans to and placements with banks	**7,471,474**	**7,471,474**	11,764,358	11,764,358	8,895,860	8,895,860
Derivative financial instruments	**783,603**	**783,603**	762,855	762,855	1,356,774	1,356,774
Loans and advances to non-bank customers	**99,302,829**	**99,080,390**	94,296,051	95,941,685	100,839,231	100,768,119
Investment securities	**73,456,719**	**73,685,769**	50,934,309	54,382,199	37,150,731	39,582,150
Equity investments	**3,411**	**3,411**	3,411	3,411	370	370
Other assets	**548,941**	**548,941**	567,126	567,126	676,317	676,317
	206,279,882	**206,286,493**	178,307,589	183,401,113	173,252,123	175,612,430
Financial liabilities						
Deposits from banks	**929,357**	**929,357**	796,117	796,117	739,926	739,926
Deposits from non-bank customers	**173,258,702**	**173,257,902**	147,530,840	147,843,840	141,695,769	141,700,386
Other borrowed funds	**12,438,151**	**12,438,151**	11,773,938	11,773,938	13,116,593	13,116,593
Derivative financial instruments	**794,275**	**794,275**	758,642	758,642	1,334,584	1,334,584
Other liabilities	**5,327,003**	**5,327,003**	2,013,081	2,013,081	1,944,907	1,944,907
	192,747,488	**192,746,688**	162,872,618	163,185,618	158,831,779	158,836,396

For 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.

For investment securities, all the government bonds and BOM bonds have been fair valued based on the latest weighted yield rate.

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.

37. RISK MANAGEMENT (CONT'D)

a (iii) Fair value measurement hierarchy

Significant accounting estimates and judgements

The fair value of equity investments that are quoted on active markets are based on the quoted prices for these instruments. Valuation techniques used to estimate the fair value of unquoted equity investments include the dividend growth, discounted cash flows and net assets. Management has made certain assumptions for inputs in the models, such as risk free rate, risk premium, dividend growth rate, future cash flows, weighted average cost of capital, and earnings before interest, depreciation and tax, which may be different from actual. Inputs are based on information available at the reporting date.

The determination of fair values, estimated by discounting future cash flows and by determining the relative interest rates, is subjective. The estimated fair value was calculated according to interest rates prevailing at the reporting date and does not consider interest rate fluctuations. Given other interest rate assumptions, fair value estimates may differ.

Fair value measurements of financial instruments can be grouped into level 1 to 3 based on the degree to which the fair value is observable, namely:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement are unobservable.

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
31 December 2019				
Derivative financial assets	-	783,603	-	783,603
Investment securities mandatorily measured at FVTPL				
Debt securities	11,116,554	-	549,306	11,665,860
Investments at FVTOCI (debt and equity instruments)				
Debt securities	42,291,708	-	159,896	42,451,604
Total assets	53,408,262	783,603	709,202	54,901,067
Derivative financial liabilities	-	794,275	-	794,275
Total liabilities	-	794,275	-	794,275
31 December 2018				
Derivative financial assets	-	762,855	-	762,855
Investment securities mandatorily measured at FVTPL				
Debt securities	8,946,664	765,119	-	9,711,783
Investments at FVTOCI (debt and equity instruments)				
Debt securities	20,107,062	7,308,977	-	27,416,039
Total assets	29,053,726	8,836,951	-	37,890,677
Derivative financial liabilities	-	758,642	-	758,642
Total liabilities	-	758,642	-	758,642

37. RISK MANAGEMENT (CONT'D)

a (iii) Fair value measurement hierarchy (cont'd)

	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
	MUR'000	MUR'000	MUR'000	MUR'000
31 December 2017				
Derivative financial assets	-	1,356,774	-	1,356,774
Investment securities - available-for-sale	7,035,681	3,439,029	793,320	11,268,030
Investment securities - held-for-trading	5,705,895	970,594	-	6,676,489
	12,741,576	5,766,397	793,320	19,301,293
Derivative financial liabilities	-	1,334,584	-	1,334,584

Reconciliation of level 3 assets:

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Balance at start of year	-	793,320	2,074,882
Additions	709,202	-	-
Disposals	-	(607,868)	(1,277,874)
Derecognition of Indian Operations following distribution in specie	-	(185,452)	-
Impairment	-	-	(3,688)
Balance at end of year	709,202	-	793,320

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, asset management and leasing activities. Credit risk is the risk of loss arising from the failure of a counterparty to fulfil its contractual or financial obligations to the Bank as and when they fall due. The Bank's credit risk is managed through a portfolio approach with prudential limits set across country, bank, industry, group and individual exposures. The credit risk team, independent of the origination process, ensures the accumulation of assets within acceptable risk norms using internal and external rating systems for the standardisation of credit assessment. The Bank has a tiered credit sanctioning process depending on the credit quality, exposure type and amount. Credit exposures and risk profile are monitored by the Credit Risk Management unit and reported regularly to the Board Risk Management Committee. The Bank has also enhanced its credit risk policy to reinforce its controls on segment B lending.

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure

The maximum exposure to credit risk at the reporting date without taking account of any collateral held and other credit enhancements is as disclosed below:

	31 December 2019 MUR'000	31 December 2018 MUR'000	31 December 2017 MUR'000
Fund-based exposures:			
Cash and cash equivalents	**12,974,366**	8,577,539	13,521,787
Mandatory balances with central banks	**9,326,006**	8,767,767	8,712,062
Loans to and placements with banks	**7,496,443**	11,798,639	8,895,860
Derivative financial instruments	**783,603**	762,855	1,356,774
Loans and advances to non-bank customers	**107,069,501**	99,798,242	104,260,079
Investment securities (including equity investments)	**73,483,267**	50,946,759	37,151,101
Other assets	**548,941**	567,126	676,317
	211,682,127	181,218,926	174,573,980
Non-fund based exposures:			
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	**8,519,481**	8,596,373	12,291,283
Credit commitments	**11,675,375**	9,071,296	14,238,833
	20,194,856	17,667,669	26,530,116

An analysis of the Bank's maximum exposure to credit risk per class of financial asset, internal rating and 'stage', at the reporting date, without taking account of any collateral held and other credit enhancements has been disclosed in Notes 7, 9 and 10.

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 2019 MUR'000	31 December 2018 MUR'000	31 December 2017 MUR'000
Grades:			
1 to 3 - High Grade	**41,019,256**	41,356,537	53,443,458
4 to 6 - Standard	**42,947,906**	34,886,343	36,472,979
7 to 10 (including unrated) - Sub-standard	**25,994,326**	25,647,564	33,344,743
	109,961,488	101,890,444	123,261,180

Grade 1 includes customers with low credit risk factors, strong financial conditions and excellent repayment capacities whereas grade 10 includes unrated customers which have been defaulted to 10 on a prudent basis.

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Overview of modified loans

From a risk management point of view, once an asset is modified, the Bank continues to monitor the exposure until it is completely and ultimately derecognised.

The table below shows the gross carrying amount of modified financial assets for which loss allowance has changed during the year:

	31 December 2019		31 December 2018	
	Gross carrying amount	ECL	Gross carrying amount	ECL
	MUR'000	MUR'000	MUR'000	MUR'000
Modified loans	12,494,575	326,436	7,634,975	92,172

Internal credit risk ratings

In order to minimise credit risk, the Bank has tasked its credit management committee to develop and maintain the Bank's credit risk grading to categorise exposures according to their degree of risk of default. The Bank's credit risk grading framework comprises different categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Bank's exposures:

- Payment record and ageing analysis;
- Extent of utilisation of granted limit;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies; and
- For retail exposures internally generated data of customer behaviour or other metrics.

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (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 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	Moody's rating	Description
1	Aaa	High Grade
2	Aa1	High Grade
3	Aa2 to Aa3	High Grade
4	A1 to A3	Standard
5	Baa1 to Ba1	Standard
6	Ba1	Standard
7	Ba2 to Ba3	Sub-standard
8	B1	Sub-standard
9	B2 to B3	Sub-standard
10	Caa1 to NR	Sub-standard

The Bank analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time by using macroeconomic forecasts to adjust estimates of PDs.

Irrespective of the outcome of the above assessment, the Bank presumes that the credit risk on a financial asset has increased significantly since intial 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 impairment : Refer to Note 9 (c) Credit Impairment

2. Significant increase in credit risk

The Bank monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occuring 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.

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

2. Significant increase in credit risk (cont'd)

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 to 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 qualitative factors that indicate a significant increase in credit risk are reflected in PD models on a timely basis. However the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly, such as, creditworthiness of counterparty which has deteriorated such as unemployment, bankruptcy or death.

As a back-stop when an asset becomes 30 days past due (rebuttable presumption), the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

3. Modified financial asset

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modifcation does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under this policy, renegotiation is performed on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to renegotiation policy. For financial assets modified, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal based on the Bank's previous experience on similar renegotiation.

Generally modification of financial assets is a qualitative indicator of a significant increase in credit risk and may constitute evidence that the exposure is credit-impaired/ in default. A customer needs to demonstrate consistently good payment behaviour over a period of time, as prescribed by BOM guidelines on Credit Impaired Measurement (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 12-month ECL.

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

3. Modified financial asset (cont'd)

Where the restructuring occurs prior to the classification of a loan as impaired, the restructured loan is classified as impaired when, in the aggregate, the period of time the loan is in arrears before and after restructuring is 90 days or more.

Where the restructuring occurs after a loan has been classified as impaired, the restructured loan is continued to be classified as impaired until repayments have been received by the Bank, in amount and in such stipulated time, for a continuous period of six months, strictly in accordance with the terms and conditions of the restructured loan.

Where the loan has been restructured more than once, the restructured loan shall continue to be classified as impaired until repayments have been received by the financial institutions in amount and in such stipulated time, for a continuous period of nine months, at a minimum, strictly in accordance with the terms and conditions of the restructured loan.

4. Incorporation of forward-looking information

The Bank incorporates forward-looking information that is available without undue cost and effort into both its assessment of whether the credit risk of an instrument has increased significantly since its intial recognition and its measurement of ECL. Based on analysis from the Bank's Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. The following key indicators were considered: GDP, interest rates.

Measurement of ECL : The key inputs into the measurement of ECL are the following:

(i) probability of default (PD);

(ii) loss given default (LGD);

(iii) exposure at default (EAD).

These parameters are derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

5. Measurement of ECL

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. 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)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

5. Measurement of ECL (cont'd)

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 retail overdrafts and credit card facilities that include both a loan and an undrawn commitment 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.

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Collateral and other credit enhancements

The use of credit risk mitigants is an integral part of the credit risk management process and is documented in the Bank Credit Risk policy. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types taken include:

- Fixed / floating charge on assets of borrowers;
- Pledge of deposits / securities / life insurance policy / shares;
- Government guarantee / bank guarantee / corporate guarantee / personal guarantee;
- Lien on vehicle; and
- Letter of comfort.

The Bank holds collateral and other credit enhancement against certain of its credit exposure. The following table sets out the principal types of collateral held against different types of financial assets:

Type of credit exposure	31 December 2019	31 December 2018	31 December 2017	Principal Type of collateral held
	MUR'000	MUR'000	MUR'000	
Fund-based exposures:				
Cash and cash equivalents	**12,974,366**	8,577,539	13,521,787	*Unsecured*
Mandatory balances with central banks	**9,326,006**	8,767,767	8,712,062	*Unsecured*
Loans to and placements with banks	**7,496,443**	11,798,639	8,895,860	*Unsecured*
Derivative financial instruments	**783,603**	762,855	1,356,774	*Unsecured*
Loans and advances to non-bank customers	**107,069,501**	94,296,051	104,260,079	*Residential property*
Investment securities	**73,483,267**	50,934,309	37,151,101	*Unsecured*
Other assets	**548,941**	567,126	676,317	*Unsecured*
Non-fund based exposures:				
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	**8,519,481**	8,596,373	12,291,283	*Residential property*
Credit commitments	**11,675,375**	9,071,296	14,238,833	*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.

The Bank did not hold any financial instrument for which no loss allowance is recognised because of collateral at 31 December 2019. There was no change in the Bank's collateral policy during the year.

(iii) Ageing of receivables that are past due but not impaired:

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Up to 1 month	**163,012**	118,304	458,128
Over 1 month and up to 3 months	**346,884**	364,136	96,517
	509,896	482,440	554,645

37. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(iii) Ageing of receivables that are past due but not impaired: (cont'd)

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 2019		31 December 2018	
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
	MUR'000	MUR'000	MUR'000	MUR'000
0-30 days (Stage 1)	74,499,853	651,591	55,905,181	422,448
31-89 days (Stage 2)	22,250,513	1,662,596	31,450,316	857,619
Total	96,750,366	2,314,187	87,355,497	1,280,067

(iv) Impaired financial assets

Loans and advances are assessed for impairment when objective evidence, such as default or delinquency in interest or principal payments, significant financial difficulty of the counterparty or evidence that the borrower will enter bankruptcy or financial re-organisation, indicate that the account may be impaired.

The carrying amount of impaired financial assets and specific allowance held are shown below:

	31 December 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Loans and advances (Note 9d)	10,319,135	12,442,745	3,331,478
Specific allowance held in respect of impaired advances (Note 9d)	5,452,485	4,222,125	2,157,900
Fair value of collaterals of impaired advances	4,956,827	7,960,053	3,137,676

(v) Credit concentration of risk by industry sectors

Total outstanding credit facilities, net of deposits where there is a right of set off, including guarantees, acceptances, and other similar commitments extended by the Bank to any one customer or group of closely-related customers for amounts aggregating more than 15% of its capital base, classified by industry sectors:

	31 December 2019	31 December 2018	31 December 2017
Portfolio	MUR'000	MUR'000	MUR'000
Agriculture	3,859,712	5,603,930	2,478,382
Building Contractors	-	-	1,339,133
Traders	7,883,416	14,476,212	12,561,536
Real estate	5,150,442	3,168,948	5,396,668
Transport	4,012,762	2,357,501	4,666,734
Tourism	6,758,321	6,812,399	7,937,415
Financial services	6,873,501	-	-
	34,538,154	32,418,990	34,379,868

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:

31 December 2019	Up to 1 month MUR'000	1-3 months MUR'000	3-6 months MUR'000	6-12 months MUR'000	1-3 years MUR'000	Over 3 years MUR'000	Non-Maturity Bucket MUR'000	Total MUR'000
Financial assets								
Cash and cash equivalents	15,386,100	4,497	-	-	-	-	(3,698)	15,386,899
Mandatory balances with central banks	3,398,190	86,271	95,036	101,662	107,949	5,536,898	-	9,326,006
Loans to and placements with banks	196,289	395,111	2,601,064	1,249,520	762,453	2,292,006	(24,969)	7,471,474
Derivative financial instruments	-	-	-	-	-	-	783,603	783,603
Loans and advances to non-bank customers	5,489,867	5,570,486	4,647,548	9,602,131	25,049,629	45,493,252	3,449,916	99,302,829
Investment securities	30,079,628	3,910,955	3,225,528	2,637,400	9,939,827	23,526,622	136,759	73,456,719
Equity investments	-	-	-	-	-	-	3,411	3,411
Other assets	-	-	-	-	-	-	548,941	548,941
	54,550,074	9,967,320	10,569,176	13,590,713	35,859,858	76,848,778	4,893,963	206,279,882
Financial liabilities								
Deposits from banks	893,524	23,747	12,086	-	-	-	-	929,357
Deposits from non-bank customers	25,106,827	6,601,613	5,817,238	5,506,385	1,992,265	128,234,374	-	173,258,702
Other borrowed funds	5,767,984	43,307	1,277,803	146,271	2,398,950	2,803,836	-	12,438,151
Derivative financial instruments	-	-	-	-	-	-	794,275	794,275
Other liabilities	-	-	-	-	-	-	5,327,003	5,327,003
	31,768,335	6,668,667	7,107,127	5,652,656	4,391,215	131,038,210	6,121,278	192,747,488
Liquidity Gap	22,781,739	3,298,653	3,462,049	7,938,057	31,468,643	(54,189,432)	(1,227,315)	13,532,394
31 December 2018								
Financial assets	42,193,117	9,218,169	11,118,856	14,084,431	27,581,622	78,193,939	(4,082,545)	178,307,589
Financial liabilities	24,786,114	7,723,107	8,794,467	7,056,951	2,312,588	109,427,668	2,771,723	162,872,618
Liquidity Gap	17,407,003	1,495,062	2,324,389	7,027,480	25,269,034	(31,233,729)	(6,854,268)	15,434,971

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 2017	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets	32,636,006	17,548,401	13,347,350	13,443,418	35,107,263	60,431,772	737,912	173,252,123
Financial liabilities	15,510,215	13,074,826	8,476,757	8,048,753	7,644,496	104,742,148	1,334,584	158,831,779
Liquidity Gap	17,125,791	4,473,575	4,870,593	5,394,665	27,462,767	(44,310,376)	(596,672)	14,420,344

(ii) The table below shows the remaining contractual maturities of financial liabilities:

	On Demand	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial liabilities							
Deposits	**142,109,515**	**18,790,812**	**4,877,264**	**3,833,264**	**1,992,265**	**2,584,939**	**174,188,059**
Derivative financial instruments	**794,275**	**-**	**-**	**-**	**-**	**-**	**794,275**
Other borrowed funds	**-**	**5,811,290**	**1,277,803**	**146,272**	**2,398,950**	**2,803,836**	**12,438,151**
Other liabilities	**5,327,003**	**-**	**-**	**-**	**-**	**-**	**5,327,003**
31 December 2019	**148,230,793**	**24,602,102**	**6,155,067**	**3,979,536**	**4,391,215**	**5,388,775**	**192,747,488**
31 December 2018	126,950,724	17,257,470	8,518,542	6,837,232	2,701,816	606,834	162,872,618
31 December 2017	110,515,561	23,057,348	8,453,230	8,048,753	5,486,674	2,530,287	158,091,851

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 Board Risk Committee on a regular basis.

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 are calculated based on different shock scenarios across major currencies.

The table below analyses the Bank's interest rate risk exposure in terms of the remaining period to the next contractual repricing date or to the maturity date, whichever is the earlier. The 'up to 3 months' column includes the financial assets and liabilities which have floating rates of interest that do not reprice at set dates, but rather reprice whenever the underlying interest rate index changes.

31 December 2019	Up to 3 months MUR'000	3-6 months MUR'000	6-12 months MUR'000	1-2 years MUR'000	2-5 years MUR'000	Over 5 years MUR'000	Non-interest sensitive MUR'000	Total MUR'000
Assets								
Cash and cash equivalents	1,029,496	-	-	-	-	-	14,357,403	15,386,899
Mandatory balances with central banks	-	-	-	-	-	-	9,326,006	9,326,006
Loans to and placements with banks	2,939,766	1,520,344	334,335	346,000	549,111	1,742,896	39,022	7,471,474
Derivative financial instruments	-	-	-	-	-	-	783,603	783,603
Loans and advances to non-bank customers	88,834,177	3,018,690	5,290,106	3,870,028	4,162,361	1,923,767	(7,796,300)	99,302,829
Investment securities	19,838,915	4,752,681	5,259,649	5,045,025	25,748,612	11,945,431	866,406	73,456,719
Equity investments	-	-	-	-	-	-	3,411	3,411
Other assets	-	-	-	-	-	-	548,941	548,941
Total assets	112,642,354	9,291,715	10,884,090	9,261,053	30,460,084	15,612,094	18,128,492	206,279,882
Liabilities								
Deposits from banks	59,317	11,830	-	-	-	-	858,210	929,357
Deposits from non-bank customers	96,510,087	4,402,334	2,856,640	141,380	387,739	-	68,960,522	173,258,702
Other borrowed funds	8,461,415	1,650,689	-	-	545,487	1,747,180	33,380	12,438,151
Derivative financial instruments	-	-	-	-	-	-	794,275	794,275
Other liabilities	-	-	-	-	-	-	5,327,003	5,327,003
Total liabilities	105,030,819	6,064,853	2,856,640	141,380	933,226	1,747,180	75,973,390	192,747,488
On balance sheet interest rate sensitivity gap	7,611,535	3,226,862	8,027,450	9,119,673	29,526,858	13,864,914	(57,844,898)	13,532,394
Off balance sheet interest rate sensitivity gap	8,635,578	(2,014,728)	120,607	(1,187,222)	(3,131,242)	(2,169,370)	-	253,623
	16,247,113	1,212,134	8,148,057	7,932,451	26,395,616	11,695,544	(57,844,898)	13,786,017

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
31 December 2018								
Total assets	99,071,002	13,922,149	9,075,556	11,113,883	15,868,003	10,486,610	18,770,386	178,307,589
Total liabilities	81,950,689	8,645,496	5,313,313	275,958	77,619	-	66,609,543	162,872,618
On balance sheet interest rate sensitivity gap	17,120,313	5,276,653	3,762,243	10,837,925	15,790,384	10,486,610	(47,839,157)	15,434,971
Off balance sheet interest rate sensitivity gap	7,561,248	(2,309,965)	(45,242)	(1,298,380)	(893,463)	(2,900,292)	-	113,906
	24,681,561	2,966,688	3,717,001	9,539,545	14,896,121	7,586,318	(47,839,157)	15,548,877
31 December 2017								
Total assets	83,860,541	22,658,143	10,600,109	9,025,824	20,319,990	5,958,543	20,828,973	173,252,123
Total liabilities	85,464,547	6,789,872	4,457,802	3,593,917	901,366	6,971	57,617,304	158,831,779
On balance sheet interest rate sensitivity gap	(1,604,006)	15,868,271	6,142,307	5,431,907	19,418,624	5,951,572	(36,788,331)	14,420,344
Off balance sheet interest rate sensitivity gap	2,908,933	(1,822,351)	299,689	(1,654,476)	(1,008,871)	(106,064)	-	(1,383,140)
	1,304,927	14,045,920	6,441,996	3,777,431	18,409,753	5,845,508	(36,788,331)	13,037,204

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

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 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Increase/(decrease) in profit	340,216	480,354	230,620

(ii) Fair value hedges

At 31 December 2019: Micro fair value hedges	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
	MUR'000	MUR'000	MUR'000	MUR'000
Fixed rate corporate loans	8,179,583	-	145,936	-
Fixed rate debt instrument	2,220,898	-	51,242	-
Fixed rate non-bank deposits	-	153,751	-	-

At 31 December 2018: Micro fair value hedges	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
	MUR'000	MUR'000	MUR'000	MUR'000
Fixed rate corporate loans	4,670,782	-	117,059	-
Fixed rate debt instrument	3,163,303	-	6,271	-
Fixed rate non-bank deposits	-	143,919	-	-

The following table provides information about the hedging instruments included in the derivative financial instruments line items of the Bank's statement of financial position:

	31 December 2019			31 December 2018		
Micro fair value hedges	Notional Amount	Carrying Amount		Notional Amount	Carrying Amount	
		Assets	Liabilities		Assets	Liabilities
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Interest rate swaps	12,577,020	367	280,993	2,650,748	2,377	122,874

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(ii) Fair value hedges (cont'd)

The below table sets out the outcome of the Bank's hedging strategy, set out in Notes 8 and 9, in particular, to changes in the fair value of the hedged items and hedging instruments in the current year and the comparative year, used as the basis for recognising ineffectiveness:

		31 December 2019			31 December 2018		
		Gain / (loss) attributable to the hedged risk			Gain / (loss) attributable to the hedged risk		
Hedged items	Hedging instruments	Hedged items	Hedging instruments	Hedge ineffectiveness	Hedged items	Hedging instruments	Hedge ineffectiveness
		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Micro fair value hedge relationships hedging assets							
Fixed rate corporate loans	Interest rate swaps	145,936	(263,848)	(117,912)	117,059	(125,251)	(8,192)
Fixed rate debt instrument	Interest rate swaps	51,242	(17,145)	34,097	6,271	-	6,271
Micro fair value hedge relationships hedging liabilities							
Fixed rate non-bank deposits	Interest rate swaps	-	367	367	-	2,377	2,377
Total micro fair value hedge relationship		197,178	(280,626)	(83,448)	123,330	(122,874)	456

The maturity profile of the hedging instruments used in micro fair value hedge relationships is as follows:

At 31 December 2019:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	TOTAL
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	549,111	-	9,869,879	2,158,030	12,577,020

At 31 December 2018:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	TOTAL
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Fixed rate corporate loans						
Interest rate swap (Notional amount)	-	-	-	-	2,650,748	2,650,748

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk

Foreign exchange risk arises from open and imperfectly offset or hedged positions. Imperfect correlations across currencies and international interest rate markets pose particular challenges to the effectiveness of foreign currency hedging strategies. The Bank exercises strict control over its foreign currency exposures. The Bank reports on foreign currency positions to the Central Bank and has set up conservative internal limits in order to mitigate foreign exchange risk. To manage their foreign currency exposures, dealers operate within prudential limits approved by the Board including intraday/ overnight open exposures, stop loss and authorised currencies. These trading limits for Mauritius and Indian Operations are reviewed at least once annually by the Board / Board Risk Management Committee. The Middle Office closely monitors the Front Office and reports any excesses and deviations from approved limits to the Market Risk Forum and to the Board Risk Management Committee.

The tables below show the carrying amounts of the monetary assets and liabilities:

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
31 December 2019	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Assets							
Cash and cash equivalents	7,203,754	6,052,466	552,276	827,426	131,816	619,161	15,386,899
Mandatory balances with central banks	8,231,853	972,536	94,288	26,276	-	1,053	9,326,006
Loans to and placements with banks	3,206,385	3,027,199	-	1,237,890	-	-	7,471,474
Derivative financial instruments	341,770	406,936	3	24	18,138	16,732	783,603
Loans and advances to non-bank customers	61,167,578	25,098,915	791,613	12,180,236	-	64,487	99,302,829
Investment securities	48,199,827	23,609,294	-	1,037,531	610,067	-	73,456,719
Equity investments	-	-	-	3,411	-	-	3,411
Other assets	551,570	(72,582)	607	45,749	-	23,597	548,941
Total monetary financial assets	128,902,737	59,094,764	1,438,787	15,358,543	760,021	725,030	206,279,882
Liabilities							
Deposits from banks	579,184	294,898	7,176	47,341	-	758	929,357
Deposits from non-bank customers	103,223,986	56,657,902	2,010,554	10,764,606	-	601,654	173,258,702
Other borrowed funds	775,053	6,855,762	3,254	4,258,148	545,486	448	12,438,151
Derivative financial instruments	36,073	671,594	2	61,227	6,352	19,027	794,275
Other liabilities	2,120,949	3,481,233	(561,851)	829,272	(401,374)	(141,226)	5,327,003
Total monetary financial liabilities	106,735,245	67,961,389	1,459,135	15,960,594	150,464	480,661	192,747,488
On balance sheet position	22,167,492	(8,866,625)	(20,348)	(602,051)	609,557	244,369	13,532,394
Off balance sheet position	685,112	(338,235)	134,314	(334,535)	(62,752)	(83,904)	-
Net currency position	22,852,604	(9,204,860)	113,966	(936,586)	546,805	160,465	13,532,394

37. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
31 December 2018	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Total monetary financial assets	110,451,343	50,877,929	1,392,912	14,543,266	339,671	702,468	178,307,589
Total monetary financial liabilities	90,935,059	56,338,883	3,182,531	11,236,120	615,770	564,165	162,872,528
On balance sheet position	19,516,284	(5,460,954)	(1,789,619)	3,307,146	(276,099)	138,303	15,435,061
Off balance sheet position	(2,542,005)	2,868,951	122,001	150,181	(56,201)	(542,927)	-
Net currency position	16,974,279	(2,592,003)	(1,667,618)	3,457,327	(332,300)	(404,624)	15,435,061

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
31 December 2017	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
Total monetary financial assets	91,500,312	51,313,750	1,765,369	18,104,239	9,684,066	884,387	173,252,123
Total monetary financial liabilities	85,571,002	49,542,814	1,780,814	14,812,282	6,426,716	698,151	158,831,779
On balance sheet position	5,929,310	1,770,936	(15,445)	3,291,957	3,257,350	186,236	14,420,344
Off balance sheet position	669,316	3,600,673	11,227	(439,675)	(3,746,111)	(95,430)	-
Net currency position	6,598,626	5,371,609	(4,218)	2,852,282	(488,761)	90,806	14,420,344

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	OTHER
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
31 December 2019					
5%	(460,243)	5,698	(46,829)	27,340	8,023
-5%	460,243	(5,698)	46,829	(27,340)	(8,023)

	USD	GBP	EURO	INR	OTHER
31 December 2018	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
5%	(129,600)	(83,381)	172,866	(16,615)	(20,231)
-5%	129,600	83,381	(172,866)	16,615	20,231

	USD	GBP	EURO	INR	OTHER
31 December 2017	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**
5%	268,580	(211)	142,614	(24,438)	4,540
-5%	(268,580)	211	(142,614)	24,438	(4,540)

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 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Minimum for the year	764	389	630
Maximum for the year	11,027	14,398	7,331
Year end	2,933	1,321	1,231

(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 2019	31 December 2018	31 December 2017
	MUR'000	MUR'000	MUR'000
Statement of comprehensive income	171	171	18
Statement of profit or loss	-	-	-
	171	171	18

e Accounting policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability and equity instruments are disclosed in Note 4 to the financial statements (accounting policies).

38. OTHER RESERVES

Fair value through other comprehensive income reserve

This reserve comprises fair value movements recognised on fair value through other comprehensive income financial assets.

Foreign currency translation reserve

The net translation reserve is used to record exchange differences arising from the translation of financial statements of foreign operations.

Statutory reserve

This reserve represents transfers from retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the profit for the year is transferred each year until the balance is equal to the amount paid as stated capital.

Property revaluation reserve

The net property revaluation reserve is used to record increases in the fair value of land and buildings (net of deferred tax on the revalued asset) and decreases to the extent that such decreases relates to an increase on the same asset previously recognised in equity.

39. DISCONTINUED OPERATIONS

On 30 November 2018, the Bank declared a distribution in specie and its foreign operations consisting of four branches in India were transferred to SBM (Bank) Holdings Ltd, its sole shareholder. At 31 December 2018, the results of the foreign operations for the period 01 January 2018 to 30 November 2018 were reported as a one line item under "Discontinued Operations" in the Statement of Profit or Loss. The results of the foreign operations for the period ended 30 November 2018 are presented below:

	30 November 2018	31 December 2017
	MUR'000	MUR'000
Interest income	520,717	576,440
Interest expense	(353,938)	(361,996)
Net interest income	166,779	214,444
Fee and commission income	5,540	17,787
Fee and commission expense	(3,277)	(2,225)
Net fee and commission income	2,263	15,562
Other operating income	10,328	41,821
Operating income	179,370	271,827
Non-interest expense	(247,596)	(138,003)
Profit before credit loss expense on financial assets and tax	(68,226)	133,824
Credit loss expense on financial assets	(153,148)	(759,238)
Profit before tax	(221,374)	(625,414)
Tax expense	-	(66,445)
Loss for the year from discontinued operations	(221,374)	(691,859)

The statement of financial position as at 30 November 2018:

	MUR'000
Assets	8,100,910
Liabilities	5,566,218
Net assets disposed of	2,534,692
Movement in Other 'Comprehensive income'	
Recycling of translation reserve following derecognition of Indian Operations	685,838

The net cash flows incurred by the India operations are as follows:

	2018	2017
	MUR'000	MUR'000
Operating	180,204	(71,732)
Investing	(121,507)	234,197
Financing	885,600	-
	944,297	162,465

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 which includes Indian operations for the year 2017 only 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

		Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
		31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	Notes	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
ASSETS										
Cash and cash equivalents	40l	7,614,914	7,771,985	15,386,899	5,228,135	5,983,577	11,211,712	5,283,090	10,337,688	15,620,778
Mandatory balances with central banks		9,326,006	-	9,326,006	8,767,767	-	8,767,767	8,494,436	217,626	8,712,062
Loans to and placements with banks	40m	3,255,642	4,215,832	7,471,474	5,587,990	6,176,368	11,764,358	1,104,288	7,791,572	8,895,860
Derivative financial instruments	40n	375,821	407,782	783,603	182,900	579,955	762,855	1,244,946	111,828	1,356,774
Loans and advances to non-bank customers	40o	75,938,183	23,364,646	99,302,829	69,394,195	24,901,856	94,296,051	66,810,412	34,028,819	100,839,231
Investment securities	40p	49,059,939	24,396,780	73,456,719	44,291,560	6,642,749	50,934,309	27,224,221	9,926,510	37,150,731
Equity investment		-	3,411	3,411	-	3,411	3,411	-	370	370
Property, equipment and right-of-use assets	40q	2,846,736	-	2,846,736	2,458,814	-	2,458,814	2,493,316	138,466	2,631,782
Intangible assets	40r	2,526,156	-	2,526,156	2,962,920	-	2,962,920	3,422,881	34,180	3,457,061
Deferred tax assets		(56,918)	276,220	219,302	-	-	-	-	95,461	95,461
Other assets	40s	650,935	63,324	714,259	742,103	81,550	823,653	656,951	266,941	923,892
Total assets		151,537,414	60,499,980	212,037,394	139,616,384	44,369,466	183,985,850	116,734,541	62,949,461	179,684,002
LIABILITIES										
Deposits from banks	40t	458,267	471,090	929,357	342,285	453,832	796,117	372,709	367,217	739,926
Deposits from non-bank customers	40u	116,278,952	56,979,750	173,258,702	100,797,742	46,733,098	147,530,840	98,447,966	43,247,803	141,695,769
Other borrowed funds	40v	3,321,280	9,116,871	12,438,151	2,501,657	9,272,281	11,773,938	4,461,913	8,654,680	13,116,593
Derivative financial instruments	40n	165,655	628,620	794,275	222,243	536,399	758,642	1,174,527	160,057	1,334,584
Current tax liabilities		265,171	46,180	311,351	403,807	70,680	474,487	60,106	45,763	105,869
Deferred tax liabilities		-	-	-	263,751	(99,755)	163,996	184,679	(13,774)	170,905
Other liabilities	40w	3,026,462	3,210,100	6,236,562	1,937,094	3,083,541	5,020,635	1,705,657	2,457,550	4,163,207
Total liabilities		123,515,786	70,452,611	193,968,398	106,468,579	60,050,076	166,518,655	106,407,557	54,919,296	161,326,853
SHAREHOLDER'S EQUITY										
Stated capital				400,000			310,000			310,000
Capital contribution				11,854,011			11,044,011			9,063,106
Retained earnings				3,804,163			4,817,518			7,855,520
Other reserves				2,010,822			1,295,666			1,128,523
Total equity				18,068,996			17,467,195			18,357,149
Total liabilities and equity				212,037,394			183,985,850			179,684,002

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

b. Statement of profit or loss

	Notes	Segment A 31-Dec 2019 MUR'000	Segment B 31-Dec 2019 MUR'000	Bank 31-Dec 2019 MUR'000	Segment A 31-Dec 2018 MUR'000	Segment B 31-Dec 2018 MUR'000	Bank 31-Dec 2018 MUR'000	Segment A 31-Dec 2017 MUR'000	Segment B 31-Dec 2017 MUR'000	Bank 31-Dec 2017 MUR'000
Interest income		5,895,106	1,793,745	7,688,851	5,204,461	1,951,911	7,156,372	4,710,904	1,363,986	6,074,890
Interest expense		(1,396,649)	(626,880)	(2,023,529)	(1,273,492)	(391,514)	(1,665,006)	(1,318,156)	(250,973)	(1,569,129)
Net interest income	40c	4,498,457	1,166,865	5,665,322	3,930,969	1,560,397	5,491,366	3,392,748	1,113,013	4,505,761
Fee and commission income		848,119	358,202	1,206,321	777,842	283,824	1,061,666	707,878	297,396	1,005,274
Fee and commission expense		67	(31,783)	(31,716)	(1,954)	(21,061)	(23,015)	(4,472)	(17,924)	(22,396)
Net fee and commission income	40d	848,186	326,419	1,174,605	775,888	262,763	1,038,651	703,406	279,472	982,878
Other Income										
Profit arising from dealing in foreign currencies		464,298	70,132	534,430	381,540	298,198	679,738	309,245	122,238	431,483
Net (loss) / gain from financial instruments	40e	(17,931)	136,106	118,175	16,401	483,732	500,133	15,066	504,755	519,821
Net gain / (loss) on sale of securities	40f	559,038	67,636	626,674	209,042	(35,488)	173,554	379,225	51,672	430,897
Other operating income	40g	884	-	884	-	-	-	61	-	61
		1,006,289	273,874	1,280,163	606,983	746,442	1,353,425	703,597	678,665	1,382,262
Non interest income		1,854,475	600,293	2,454,768	1,382,871	1,009,205	2,392,076	1,407,002	958,138	2,365,140
Operating income		6,352,932	1,767,158	8,120,090	5,313,840	2,569,602	7,883,442	4,799,750	2,071,151	6,870,901
Personnel expenses	40h	(1,510,668)	(208,924)	(1,719,592)	(1,098,953)	(172,217)	(1,271,170)	(1,112,060)	(169,091)	(1,281,151)
Depreciation of property, equipment and right-of-use assets		(181,827)	(11,235)	(193,062)	(139,493)	(5,695)	(145,188)	(142,815)	(6,348)	(149,163)
Amortisation of intangible assets		(432,121)	(42,426)	(474,547)	(500,107)	(49,841)	(549,948)	(448,446)	(44,645)	(493,091)
Other expenses	40i	(983,767)	(88,786)	(1,072,553)	(692,698)	(75,729)	(768,427)	(837,694)	(84,491)	(922,185)
Bank levy		(171,368)	-	(171,368)	-	-	-	-	-	-
Non-interest expense		(3,279,751)	(351,371)	(3,631,122)	(2,431,251)	(303,482)	(2,734,733)	(2,541,015)	(304,575)	(2,845,590)
Profit before credit loss expense		3,073,181	1,415,787	4,488,968	2,882,589	2,266,120	5,148,709	2,258,735	1,766,576	4,025,311
Credit loss expense on financial assets & memorandum items	40j	(48,881)	(3,557,785)	(3,606,666)	(278,203)	(2,732,153)	(3,010,356)	8,073	(236,097)	(228,024)
Profit / (loss) before income tax		3,024,300	(2,141,998)	882,302	2,604,386	(466,033)	2,138,353	2,266,808	1,530,479	3,797,287
Tax expense	40k	(495,230)	163,420	(331,810)	(606,337)	(70,651)	(676,988)	(423,786)	(70,349)	(494,135)
Profit / (loss) for the year from continuing operations		2,529,070	(1,978,578)	550,492	1,998,049	(536,684)	1,461,365	1,843,022	1,460,130	3,303,152
Discontinued operations										
Loss after tax for the year from discontinued operations		-	-	-	-	(221,374)	(221,374)	-	(691,859)	(691,859)
Loss on distribution of dividend in specie		-	-	-	-	(685,838)	(685,838)	-	-	-
Profit / (loss) for the year		2,529,070	(1,978,578)	550,492	1,998,049	(1,443,896)	554,153	1,843,022	768,271	2,611,293

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
c. Net interest income									
Interest income on financial instruments at amortised cost									
Cash and cash equivalents	33,533	91,979	125,512	32,125	124,123	156,248	9,529	83,770	93,299
Loans to and placements with banks	95,195	138,383	233,578	124,823	187,256	312,079	18,271	103,993	122,264
Loans and advances to non-bank customers	4,299,614	1,263,338	5,562,952	3,992,536	1,559,738	5,552,274	3,780,100	1,026,734	4,806,834
Investment securities	694,625	24,987	719,612	417,241	-	417,241	539,988	22,430	562,418
	5,122,967	1,518,687	6,641,654	4,566,725	1,871,117	6,437,842	4,347,888	1,236,927	5,584,815
Interest income on financial instruments at fair value									
Investment securities	727,364	402,171	1,129,535	608,187	232,180	840,367	335,995	160,693	496,688
Derivative financial instruments	44,775	(127,113)	(82,338)	29,549	(151,386)	(121,837)	27,020,992	(33,634)	(6,613)
	772,139	275,058	1,047,197	637,736	80,794	718,530	363,016	127,059	490,075
Total interest income	5,895,106	1,793,745	7,688,851	5,204,461	1,951,911	7,156,372	4,710,904	1,363,986	6,074,890
Interest expense									
Deposits from customers	(1,235,801)	(413,319)	(1,649,120)	(1,146,916)	(229,785)	(1,376,701)	(1,271,078)	(172,947)	(1,444,025)
Other borrowed funds	(145,784)	(208,523)	(354,307)	(126,576)	(138,909)	(265,485)	(47,078)	(62,619)	(109,697)
Lease finance charges	(15,064)	-	(15,064)	-	-	-	-	-	-
Other	-	(5,038)	(5,038)	-	(22,820)	(22,820)	-	(15,407)	(15,407)
Total interest expense	(1,396,649)	(626,880)	(2,023,529)	(1,273,492)	(391,514)	(1,665,006)	(1,318,156)	(250,973)	(1,569,129)
Net interest income	4,498,457	1,166,865	5,665,322	3,930,969	1,560,397	5,491,366	3,392,748	1,113,013	4,505,761
d. Net fee and commission income									
Fee and commission income									
Retail banking customer fees	301,778	28,244	330,022	232,783	24,423	257,206	307,788	23,327	331,115
Corporate banking customer fees	211,096	265,063	476,159	270,067	183,875	453,942	168,412	190,672	359,084
Card income	335,245	64,895	400,140	274,992	75,526	350,518	231,678	83,397	315,075
Total fee and commission income	848,119	358,202	1,206,321	777,842	283,824	1,061,666	707,878	297,396	1,005,274
Fee and commission expense									
Interbank transaction fees	(401)	(16,399)	(16,800)	-	(14,409)	(14,409)	-	(12,776)	(12,776)
Other	468	(15,384)	(14,916)	(1,954)	(6,652)	(8,606)	(4,472)	(5,148)	(9,620)
Total fee and commission expense	67	(31,783)	(31,716)	(1,954)	(21,061)	(23,015)	(4,472)	(17,924)	(22,396)
Net fee and commission income	848,186	326,419	1,174,605	775,888	262,763	1,038,651	703,406	279,472	982,878

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
e. Net (loss) / gain from financial instruments									
Net (loss) / gain from derivatives financial instruments	(46,805)	121,719	74,914	(5,223)	328,690	323,467	1,331	517,944	519,275
Investment securities at fair value through profit or loss	28,983	14,387	43,370	40,331	19,141	59,472	13,723	(12,804)	919
Other	(109)	-	(109)	(18,707)	135,901	117,194	12	(385)	(373)
	(17,931)	136,106	118,175	16,401	483,732	500,133	15,066	504,755	519,821
f. Net gain / (loss) on sale of securities									
Net gain on derecognition of financial assets measured at FVTOCI	223,463	917	224,380	-	-	-	114,926	46,460	161,386
Net gain on derecognition of financial assets measured at amortised cost	-	-	-	4,727	-	4,727	262,721	-	262,721
Net gain / (loss) on derecognition of financial asets at FVTPL	335,575	66,719	402,294	204,315	(35,488)	168,827	1,578	5,212	6,790
	559,038	67,636	626,674	209,042	(35,488)	173,554	379,225	51,672	430,897
g. Other operating income									
Other	884	-	884	-	-	-	61	-	61
h. Personnel expenses									
Wages and salaries	1,209,466	187,410	1,396,876	860,679	140,559	1,001,238	927,136	142,405	1,069,541
Other social security obligations	26,582	2,423	29,005	-	-	-	15,580	2,143	17,723
Contributions to defined contribution plans	158,205	10,335	168,540	121,908	22,369	144,277	78,349	12,831	91,180
Increase in liability for defined benefit plans	30,730	1,954	32,684	28,594	1,651	30,245	24,500	1,922	26,422
Staff welfare cost	52,457	1,851	54,308	48,856	1,364	50,220	41,554	976	42,530
Other	33,228	4,951	38,179	38,916	6,274	45,190	24,941	8,814	33,755
	1,510,668	208,924	1,719,592	1,098,953	172,217	1,271,170	1,112,060	169,091	1,281,151

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
i. Other expenses									
Software licensing and other information technology cost	384,303	51,356	435,659	268,529	33,038	301,567	364,136	53,235	417,371
Utilities and telephone charges	61,236	5,504	66,740	52,101	4,221	56,322	56,716	4,414	61,130
Professional charges	117,132	13,858	130,990	69,020	22,395	91,415	33,548	16,503	50,051
Marketing costs	76,648	5	76,653	55,369	1	55,370	69,672	1	69,673
Rent, repairs, maintenance and security charges	125,943	5,408	131,351	122,496	4,699	127,195	138,165	4,543	142,708
Licence and other registration fees	23,224	1,285	24,509	19,773	1,133	20,906	20,662	1,447	22,109
Postage, courier and stationery costs	48,678	2,005	50,683	40,017	5,402	45,419	49,524	(1,816)	47,708
Insurance costs	39,637	3,369	43,006	11,869	597	12,466	10,685	623	11,308
Other	106,966	5,996	112,962	53,343	4,424	57,767	94,586	5,541	100,127
	983,767	88,786	1,072,553	692,517	75,910	768,427	837,694	84,491	922,185
j. Credit loss expense on financial assets & memorandum items									
Portfolio and specific provisions	142,022	3,545,085	3,687,107	265,476	2,791,023	3,056,499	108,504	236,097	344,601
Recoveries of advances written off	(39,463)	-	(39,463)	(6,322)	-	(6,322)	(116,577)	-	(116,577)
Other	(53,678)	12,700	(40,978)	19,049	(58,870)	(39,821)	-	-	-
	48,881	3,557,785	3,606,666	278,203	2,732,153	3,010,356	(8,073)	236,097	228,024
Of which:									
Credit exposure	102,558	3,545,085	3,647,643	259,154	2,791,023	3,050,177	(8,073)	236,097	228,024
Other financial assets	(53,677)	12,700	(40,977)	19,049	(58,870)	(39,821)	-	-	-
	48,881	3,557,785	3,606,666	278,203	2,732,153	3,010,356	(8,073)	236,097	228,024
k. Tax expense									
Income tax expense	587,273	13,045	600,318	582,572	70,651	653,223	210,556	53,389	263,945
Deferred tax (credit) / charge	(92,043)	(176,465)	(268,508)	23,765	-	23,765	213,230	16,960	230,190
	495,230	(163,420)	331,810	606,337	70,651	676,988	423,786	70,349	494,135

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
l. Cash and cash equivalents									
Cash in hand	2,078,284	-	2,078,284	2,398,191	-	2,398,191	1,804,128	-	1,804,128
Foreign currency notes and coins	337,946	-	337,946	277,740	-	277,740	293,161	1,702	294,863
Unrestricted balances with central banks[1]	4,167,009	-	4,167,009	1,527,560	-	1,527,560	1,279,680	6,958	1,286,638
Loans to and placements with banks[2]	1,035,373	-	1,035,373	1,066,119	96,245	1,162,364	1,906,121	3,989,822	5,895,943
Balances with banks	-	7,771,985	7,771,985	-	5,887,615	5,887,615	-	6,339,206	6,339,206
	7,618,612	7,771,985	15,390,597	5,269,610	5,983,860	11,253,470	5,283,090	10,337,688	15,620,778
Less: allowance for credit losses	(3,698)	-	(3,698)	(41,475)	(283)	(41,758)	-	-	-
	7,614,914	7,771,985	15,386,899	5,228,135	5,983,577	11,211,712	5,283,090	10,337,688	15,620,778

[1] Unrestricted balances with central banks represent amounts above the minimum cash reserve requirement.
[2] The balances above relate to loans to and placements with banks having an original maturity of up to three months. Allowance for credit losses relates only to stage 1.

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
m. Loans to and placements with banks									
Loans to and placements with banks									
- in Mauritius	3,257,096	-	3,257,096	5,588,011	-	5,588,011	1,104,288	-	1,104,288
- outside Mauritius	-	4,239,347	4,239,347	-	6,210,628	6,210,628	-	7,791,572	7,791,572
	3,257,096	4,239,347	7,496,443	5,588,011	6,210,628	11,798,639	1,104,288	7,791,572	8,895,860
Less: allowance for credit losses	(1,454)	(23,515)	(24,969)	(21)	(34,260)	(34,281)	-	-	-
	3,255,642	4,215,832	7,471,474	5,587,990	6,176,368	11,764,358	1,104,288	7,791,572	8,895,860
Remaining term to maturity									
Up to 3 months	522,761	-	522,761	3,052,827	759,176	3,812,003	393,748	1,044,724	1,438,472
Over 3 months and up to 6 months	1,266,377	1,237,890	2,504,267	2,060,277	1,281,519	3,341,796	336,387	67,587	403,974
Over 6 months and up to 12 months	339,444	780,158	1,119,602	474,907	1,364,743	1,839,650	221,363	1,689,619	1,910,982
Over 1 year and up to 2 years	353,462	698,965	1,052,427	-	1,926,723	1,926,723	152,790	2,997,612	3,150,402
Over 2 years and up to 5 years	-	549,111	549,111	-	878,467	878,467	-	1,992,030	1,992,030
Over 5 years	775,052	973,223	1,748,275	-	-	-	-	-	-
	3,257,096	4,239,347	7,496,443	5,588,011	6,210,628	11,798,639	1,104,288	7,791,572	8,895,860
n. Derivative financial instruments									
Derivative assets	375,821	407,782	783,603	182,900	579,955	762,855	1,244,946	111,828	1,356,774
Derivative liabilities	165,655	628,620	794,275	222,243	536,399	758,642	1,174,527	160,057	1,334,584

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

o. Loans and advances to non-bank customers

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Governments	8,515	-	8,515	9,315	-	9,315	2,458,655	-	2,458,655
Retail customers	37,389,421	2,197,543	39,586,964	31,012,551	1,108,702	32,121,253	30,468,689	1,522,274	31,990,963
Credit cards	583,122	1,410	584,532	605,881	566	606,447	555,413	3,938	559,351
Mortgages	25,137,913	369,908	25,507,821	22,067,042	411,852	22,478,894	19,500,247	334,516	19,834,763
Other retail loans	11,668,386	1,826,225	13,494,611	8,339,628	696,284	9,035,912	10,413,029	1,183,820	11,596,849
Corporate customers	40,876,573	6,687,161	47,563,734	40,637,082	4,121,171	44,758,253	35,925,905	2,438,163	38,364,068
Entities outside Mauritius	-	19,910,288	19,910,288	-	22,909,421	22,909,421	-	31,446,393	31,446,393
	78,274,509	28,794,992	107,069,501	71,658,948	28,139,294	99,798,242	68,853,249	35,406,830	104,260,079
Less allowance for credit losses	(2,336,326)	(5,430,346)	(7,766,672)	(2,264,753)	(3,237,438)	(5,502,191)	(2,042,837)	(1,378,011)	(3,420,848)
	75,938,183	23,364,646	99,302,829	69,394,195	24,901,856	94,296,051	66,810,412	34,028,819	100,839,231
Remaining term to maturity:									
Up to 3 months	9,098,950	501,235	9,600,185	8,627,231	3,099,752	11,726,983	10,159,091	3,557,296	13,716,387
Over 3 months and up to 6 months	2,119,213	820,264	2,939,477	1,388,553	1,867,804	3,256,357	1,311,550	4,306,753	5,618,303
Over 6 months and up to 12 months	4,460,119	1,626,765	6,086,884	7,474,055	1,401,322	8,875,377	3,843,591	7,833,648	11,677,239
Over 1 year and up to 2 years	3,473,672	3,421,162	6,894,834	6,429,091	2,100,669	8,529,760	3,360,098	3,165,463	6,525,561
Over 2 year and up to 5 years	12,544,370	6,888,622	19,432,992	10,887,308	6,678,139	17,565,447	14,533,348	8,119,727	22,653,075
Over 5 years	46,578,185	15,536,944	62,115,129	36,852,710	12,991,608	49,844,318	35,645,571	8,423,943	44,069,514
	78,274,509	28,794,992	107,069,501	71,658,948	28,139,294	99,798,242	68,853,249	35,406,830	104,260,079

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

o. Loans and advances to non-bank customers (Cont'd)

Credit loss allowances on loans and advances to non-bank customers by industry sectors

	31-Dec-2019					31-Dec-18	31-Dec-17
Segment A	**Gross amount of loans**	**Impaired loans**	**Specific allowance for credit loss**	**Expected allowance for credit loss**	**Total allowances for credit loss**	Total allowances for credit loss	Total allowances for credit loss
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000
Agriculture and Fishing	1,547,737	1,729	253	8,317	8,570	56,705	35,712
Manufacturing	4,104,887	154,707	124,765	57,488	182,253	167,268	151,880
of which EPZ	1,428,549	28,053	4,141	18,460	22,601	17,128	43,543
Tourism	10,870,435	3,632	3,213	121,274	124,487	167,141	203,935
Transport	353,494	15,933	14,371	3,636	18,007	23,668	11,388
Construction	9,260,691	281,418	193,287	95,002	288,289	356,545	221,377
Financial and business services	8,306,800	54,217	10,006	38,774	48,780	51,780	41,032
Traders	5,138,175	432,226	289,983	58,702	348,685	336,485	184,262
Personal	35,413,454	877,724	630,589	423,342	1,053,931	867,565	1,045,770
of which credit cards	583,122	81,055	41,997	6,222	48,219	97,747	94,040
Professional	167,977	73,730	73,730	1,720	75,450	103,222	90,468
Others	3,110,859	183,694	161,539	26,335	187,874	134,374	57,013
Total	78,274,509	2,079,010	1,501,736	834,590	2,336,326	2,264,753	2,042,837
Segment B							
Agriculture and Fishing	2,412,880	-	-	107,364	107,364	91,203	6,429
Manufacturing	258,950	-	-	12,732	12,732	347,695	999,716
of which EPZ	258,950	-	-	12,732	12,732	-	-
Tourism	856,932	-	-	12,991	12,991	17,278	11,487
Transport	1,872,187	-	-	132,829	132,829	120,188	10,733
Construction	314,466	-	-	15,727	15,727	8,113	6,400
Financial and business services	1,494,861	573,920	430,440	37,513	467,953	133,429	81,421
Traders	7,493,555	7,371,126	3,372,488	581	3,373,069	2,379,029	71,023
Personal	2,155,861	8,342	2,803	41,910	44,713	24,008	50,323
of which credit cards	1,410	-	-	36	36	-	238
Professional	142	142	142	-	142	37	15,489
Global Business Licence holders	6,687,161	286,541	144,822	501,775	646,597	105,568	15,918
Others	5,247,997	54	54	616,175	616,229	10,890	109,072
Total	28,794,992	8,240,125	3,950,749	1,479,597	5,430,346	3,237,438	1,378,011

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

p. Investment securities

Remaining term to maturity

	31-Dec-2019										
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-18**	**31-Dec-17**
	MUR'000	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	**MUR'000**	MUR'000	MUR'000
(a) Investment securities at amortised cost											
Government bonds and treasury notes	1,061,709	-	202,421	351,568	2,580,143	6,318,093	6,731,108	-	17,245,042	11,738,705	8,292,082
Treasury bills	-	-	-	-	-	-	-	-	-	148,100	4,432,043
Bank of Mauritius bills / Bonds	1,009,125	53,085	-	100,000	50,257	151,779	-	-	1,364,246	1,232,730	3,544,186
Corporate bonds	-	-	-	-	-	-	-	-	-	-	2,565,077
	2,070,834	53,085	202,421	451,568	2,630,400	6,469,872	6,731,108	-	18,609,288	13,119,535	18,833,388
(b) Investment securities mandatorily measured at FVTPL											
Government bonds	-	-	-	-	212,779	1,905,066	232,849	-	2,350,694	765,118	970,594
Treasury bills / notes	199,027	781,248	620,156	182,516	-	-	-	-	1,782,947	5,142,256	943,822
Bank of Mauritius bills / Bonds	2,482,402	866,386	123,368	780,168	-	-	-	-	4,252,324	3,804,409	1,947,439
	2,681,429	1,647,634	743,524	962,684	212,779	1,905,066	232,849	-	8,385,965	9,711,783	3,861,855
(c) Investment securities measured at FVTOCI											
Government bonds	7,083	-	303,925	503,108	489,711	6,579,766	3,522,426	-	11,406,019	7,308,976	3,110,235
Treasury bills / notes	76,063	7,533	35,271	293,373	-	-	-	-	412,240	9,277,240	393,334
Bank of Mauritius bills / Bonds	3,431,679	891,955	3,791	832,769	76,055	435,332	-	-	5,671,581	2,141,449	1,025,409
Corporate bonds	-	-	-	-	782,952	2,506,604	1,308,378	-	4,597,934	2,741,443	-
	3,514,825	899,488	342,987	1,629,250	1,348,718	9,521,702	4,830,804	-	22,087,774	21,469,108	4,528,978
Total Segment A	8,267,088	2,600,207	1,288,932	3,043,502	4,191,897	17,896,640	11,794,761	-	49,083,027	44,300,426	27,224,221
Less: allowance for credit losses									(23,088)	(8,866)	-
									49,059,939	44,291,560	27,224,221

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

p. Investment securities (Cont'd)

Remaining term to maturity (cont'd)

Segment B	31-Dec-2019 Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	31-Dec-18	31-Dec-17
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
(a) Investment securities at amortised cost											
Bank Bonds	-	-	-	-	361,602	391,502	-	-	753,104	695,991	-
Corporate bonds	-	-	-	-	-	-	-	-	-	-	372,824
	-	-	-	-	361,602	391,502	-	-	753,104	695,991	372,824
(b) Investment securities mandatorily measured at FVTPL											
Treasury bills / notes	1,601,726	236,378	254,110	144,709	-	-	-	-	2,236,923	-	1,650,227
Bank Bonds	-	-	-	-	-	493,666	-	-	493,666	-	-
Corporate bonds	-	-	-	-	-	-	-	-	-	-	1,164,407
Other investment securities	-	-	-	-	-	-	-	549,306	549,306	-	-
	1,601,726	236,378	254,110	144,709	-	493,666	-	549,306	3,279,895	-	2,814,634
(c) Investment securities measured at FVTOCI											
Government bonds	-	-	-	-	-	-	-	-	-	-	328,796
Treasury bills / notes	7,425,436	1,820,073	-	-	-	-	-	-	9,245,509	-	1,197,164
Equity shares of companies:											
- Other equity investments	-	-	-	-	-	-	-	3,411	3,411	3,411	370
Bank bonds	1,511,872	62,265	484,089	-	1,121,357	7,206,266	572,576	-	10,958,425	5,775,598	533,427
Corporate Bonds	-	-	-	-	-	-	-	-	-	-	4,228,507
Corporate paper and preference shares	-	-	-	-	-	-	-	-	-	-	451,158
Other investment securities	-	-	-	-	-	-	-	159,896	159,896	171,333	-
	8,937,308	1,882,338	484,089	-	1,121,357	7,206,266	572,576	163,307	20,367,241	5,950,342	6,739,422
Total Segment B	10,539,034	2,118,716	738,199	144,709	1,482,959	8,091,434	572,576	712,613	24,400,240	6,646,333	9,926,880
Less: allowance for credit losses									(49)	(173)	-
									24,400,191	6,646,160	9,926,880
Total investment securities	18,806,122	4,718,923	2,027,131	3,188,211	5,674,856	25,988,074	12,367,337	712,613	73,483,267	50,946,759	37,151,101

Analysed into:	31-Dec-19	31-Dec-18	31-Dec-17
Investment securities:	MUR'000	MUR'000	MUR'000
- Segment A	49,083,027	44,300,426	27,224,219
- Segment B	24,396,829	6,642,922	9,926,512
	73,479,856	50,943,348	37,150,731
Equity investments:			
- Segment B	3,411	3,411	370
Total	73,483,267	50,946,759	37,151,101

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

q. 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 2019							
Segment A	802,755	1,416,297	318,102	3,584	247,168	58,830	2,846,736
Segment B	-	-	-	-	-	-	-
Bank	802,755	1,416,297	318,102	3,584	247,168	58,830	2,846,736
Net book value at 31 December 2018							
Segment A	738,891	1,348,512	334,518	3,292	-	33,601	2,458,814
Segment B	-	-	-	-	-	-	-
Bank	738,891	1,348,512	334,518	3,292	-	33,601	2,458,814
Net book value at 31 December 2017							
Segment A	749,087	1,399,640	306,082	4,744	-	33,763	2,493,316
Segment B	132,688	-	5,767	11	-	-	138,466
Bank	881,775	1,399,640	311,849	4,755	-	33,763	2,631,782

r. Intangible assets

SOFTWARE

	31-Dec 2019	31-Dec 2018	31-Dec 2017
Net Book Value	MUR'000	MUR'000	MUR'000
Segment A	2,526,156	2,962,920	3,422,881
Segment B	-	-	34,180
Total	2,526,156	2,962,920	3,457,061

s. Other assets

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Accounts receivable	522,151	20,629	542,780	644,961	40,024	684,985	482,167	64,836	547,003
Balances due in clearing	4,196	-	4,196	2,860	-	2,860	1,065	55,018	56,083
Tax paid in advance	-	-	-	-	-	-	-	75,708	75,708
Others	124,588	42,695	167,283	94,282	41,526	135,808	173,719	71,379	245,098
	650,935	63,324	714,259	742,103	81,550	823,653	656,951	266,941	923,892

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

	Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
t. Deposits from banks									
Demand deposits	458,267	471,090	929,357	342,285	453,832	796,117	372,709	367,217	739,926
u. Deposits from non-bank customers									
(i) Retail customers									
Current accounts	15,659,983	2,854,371	18,514,354	11,620,760	2,953,875	14,574,635	13,038,356	3,378,446	16,416,802
Savings accounts	52,996,620	1,380,031	54,376,651	49,851,784	1,396,034	51,247,818	49,133,607	1,594,913	50,728,520
Time deposits with remaining term to maturity:									
Up to 3 months	1,309,302	595,478	1,904,780	1,079,541	486,068	1,565,609	977,521	690,133	1,667,654
Over 3 months and up to 6 months	790,700	491,166	1,281,866	751,554	1,459,951	2,211,505	779,619	1,505,432	2,285,051
Over 6 months and up to 12 months	1,301,660	568,478	1,870,138	1,425,996	2,343,385	3,769,381	1,441,907	4,595,859	6,037,766
Over 1 year and up to 5 years	1,966,799	376,926	2,343,725	1,934,447	293,286	2,227,733	2,720,835	503,083	3,223,918
Over 5 years	8,454	2,288,168	2,296,622	-	-	-	2,752	74	2,826
Total time deposits	5,376,915	4,320,216	9,697,131	5,191,538	4,582,690	9,774,228	5,922,634	7,294,581	13,217,215
	74,033,518	8,554,618	82,588,136	66,664,082	8,932,599	75,596,681	68,094,597	12,267,940	80,362,537
(ii) Corporate customers									
Current accounts	17,931,187	36,179,423	54,110,610	14,597,888	29,262,901	43,860,789	13,802,626	19,450,067	33,252,693
Savings accounts	3,373,764	-	3,373,764	3,479,182	143	3,479,325	4,276,387	11,385	4,287,772
Time deposits with remaining term to maturity:									
Up to 3 months	1,496,062	7,853,080	9,349,142	2,373,111	7,143,294	9,516,405	3,396,254	8,657,480	12,053,734
Over 3 months and up to 6 months	927,297	2,715,397	3,642,694	936,447	851,707	1,788,154	563,132	1,429,901	1,993,033
Over 6 months and up to 12 months	453,392	1,677,232	2,130,624	551,344	406,692	958,036	663,607	864,169	1,527,776
Over 1 year and up to 5 years	233,830	-	233,830	260,737	135,762	396,499	322,274	566,861	889,135
Total time deposits	3,110,581	12,245,709	15,356,290	4,121,639	8,537,455	12,659,094	4,945,267	11,518,411	16,463,678
	24,415,532	48,425,132	72,840,664	22,198,709	37,800,499	59,999,208	23,024,280	30,979,863	54,004,143
(iii) Government									
Current accounts	7,994,530	-	7,994,530	6,098,267	-	6,098,267	3,027,269	-	3,027,269
Savings accounts	2,909,782	-	2,909,782	3,521,548	-	3,521,548	2,908,506	-	2,908,506
Time deposits with remaining term to maturity:									
Up to 3 months	6,918,162	-	6,918,162	1,620,343	-	1,620,343	22,397	-	22,397
Over 3 months and up to 6 months	1,600	-	1,600	619,611	-	619,611	1,357,224	-	1,357,224
Over 6 months and up to 12 months	5,828	-	5,828	69,396	-	69,396	12,961	-	12,961
Over 1 year and up to 5 years	-	-	-	5,786	-	5,786	732	-	732
Total time deposits	6,925,590	-	6,925,590	2,315,136	-	2,315,136	1,393,314	-	1,393,314
	17,829,902	-	17,829,902	11,934,951	-	11,934,951	7,329,089	-	7,329,089
	116,278,952	56,979,750	173,258,702	100,797,742	46,733,098	147,530,840	98,447,966	43,247,803	141,695,769

40. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

		Segment A	Segment B	Bank	Segment A	Segment B	Bank	Segment A	Segment B	Bank
		31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018	31-Dec 2018	31-Dec 2017	31-Dec 2017	31-Dec 2017
		MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
v.	**Other borrowed funds**									
	Borrowings from central banks									
	- for refinancing	-	-	-	50,998	-	50,998	104,190	-	104,190
	Borrowings from other financial institutions									
	- for refinancing	770,678	4,245,843	5,016,521	-	3,869,634	3,869,634	159,554	4,387,286	4,546,840
	Borrowings from banks									
	- in Mauritius	2,550,602	-	2,550,602	2,450,659	-	2,450,659	4,198,169	-	4,198,169
	- abroad	-	4,871,028	4,871,028	-	5,402,647	5,402,647	-	4,267,394	4,267,394
		3,321,280	9,116,871	12,438,151	2,501,657	9,272,281	11,773,938	4,461,913	8,654,680	13,116,593
w.	**Other liabilities**									
	Balance due in clearing	86,500	2,864,806	2,951,306	3	2,908,529	2,908,532	-	2,046,251	2,046,251
	Bills payable	227,170	114,932	342,102	173,640	40,847	214,487	153,727	18,242	171,969
	Lease liability	240,180	-	240,180	-	-	-	-	-	-
	Bank levy	171,368	-	171,368	-	-	-	-	-	-
	Accruals for expenses	353,474	54,669	408,143	30,676	-	30,676	333,015	19,165	352,180
	Accounts payable	395,316	27,180	422,496	458,144	25,870	484,014	498,080	256,613	754,693
	Deferred income	221,748	104,810	326,558	200,520	90,722	291,242	205,816	117,060	322,876
	Balances in transit	899,889	-	899,889	772,867	-	772,867	413,460	-	413,460
	Pension liability - Defined benefit	240,146	-	240,146	109,621	-	109,621	91,781	-	91,781
	Pension liability - Defined contribution	93,859	-	93,859	63,434	-	63,434	-	-	-
	Others	38,249	(10,400)	27,849	13,193	17,573	30,766	9,778	219	9,997
	ECL on memorandum items	58,563	54,103	112,666	114,995	-	114,995	-	-	-
		3,026,462	3,210,100	6,236,562	1,937,094	3,083,541	5,020,635	1,705,657	2,457,550	4,163,207
x.	**Memorandum items**									
a	Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers									
	Acceptances on account of customers	216,158	455,666	671,824	-	199,670	199,670	184,494	584,333	768,827
	Guarantees on account of customers	6,654,784	464,121	7,118,905	6,768,366	826,076	7,594,442	6,421,528	1,021,598	7,443,126
	Letters of credit and other obligations on account of customers	325,073	37,909	362,982	496,473	16,883	513,356	846,547	1,128,720	1,975,267
	Other contingent items	185,584	-	185,584	-	-	-	-	-	-
		7,381,599	957,696	8,339,295	7,264,839	1,042,629	8,307,468	7,452,569	2,734,651	10,187,220
b	Commitments									
	Undrawn credit facilities	8,673,358	3,002,017	11,675,375	8,516,608	554,688	9,071,296	8,171,121	6,067,712	14,238,833
		8,673,358	3,002,017	11,675,375	8,516,608	554,688	9,071,296	8,171,121	6,067,712	14,238,833

ADDITIONAL **INFORMATION**

LOCATIONS

SITES

On-site ATMs & iATMs Real Time Deposit

1. BAMBOUS - Royal Road
2. BEAU BASSIN - Sir Napier Broome Street
3. BEL AIR - Royal Road
4. CANDOS - Victoria Hospital
5. CASSIS - Cassis
6. CHEMIN GRENIER - Royal Road
7. CUREPIPE - Royal Road
8. EBENE - Cybertower 1 Ground Floor
9. FLACQ - Flacq Retail Park
10. FOND DU SAC - Royal Road
11. GOODLANDS - Royal Road
12. GRAND BAY - Royal Road
13. GRAND BOIS - Royal Road
14. LALLMATIE - Royal Road
15. LONG MOUNTAIN - Royal Road
16. MAHEBOURG - Des Creoles Street
17. MESNIL - Royal Road
18. MONTAGNE BLANCHE - Royal Road
19. PAMPLEMOUSSES - Royal Road
20. PAMPLEMOUSSES - SSRN Hospital
21. PLAINE MAGNIEN - Royal Road
22. PLAINE MAGNIEN - SSR International Airport
23. PLAINE VERTE - Kadhafi Square
24. PORT LOUIS - Labourdonnais Street
25. PORT LOUIS - Pope Henessy Street
26. PORT LOUIS - Place d'Armes, SBM Tower
27. PORT LOUIS - Royal Street
28. QUARTIER MILITAIRE - Royal Road
29. QUATRE BORNES - 27 St Jean Avenue
30. REDUIT - University Complex
31. RIVIERE DES ANGUILLES - Royal Road
32. RIVIERE DU REMPART - Maurel Road
33. RODRIGUES - La Ferme
34. RODRIGUES - Plaine Corail
35. RODRIGUES - Port Mathurin
36. ROSE BELLE - Royal Road
37. ROSE HILL - Cardinal Margeot Square
38. ST PIERRE - St Pierre L'agrement
39. STANLEY - Hugnin Road
40. SURINAM - Royal Road
41. TRIOLET - Royal Road
42. VACOAS - John Kennedy Avenue

Offsite ATMs

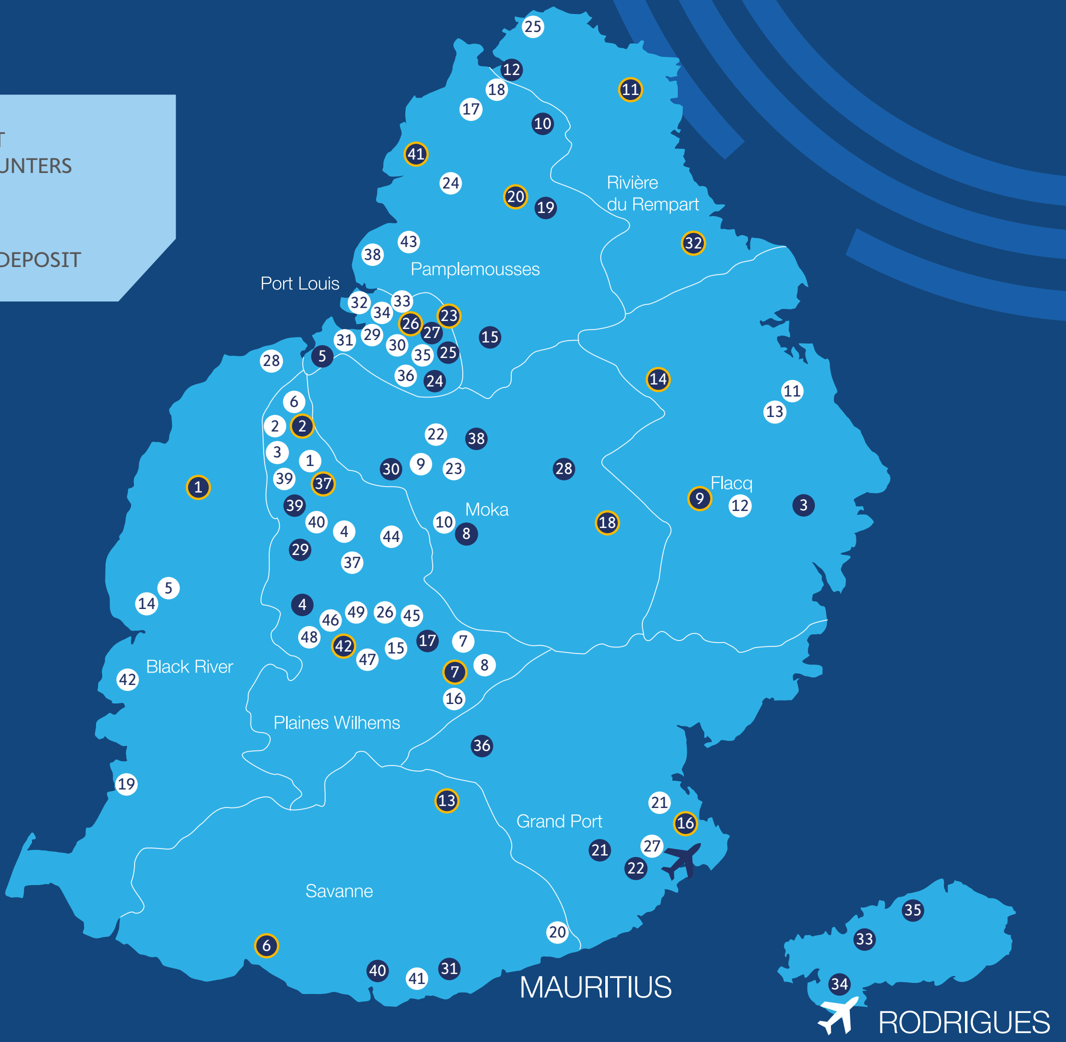
1. Beau Bassin - Tangs Way
2. Beau Bassin - Jumbo Express Windsor
3. Beau Bassin - Intermart Beau Bassin
4. Belle Rose - Super U
5. Cascavelle - Cascavelle Shopping Village
6. Coromandel - Winner's Coromandel
7. Curepipe - Arcades Salaffa
8. Curepipe - Manhattan Shopping Centre
9. Ebene - Intermart Ebene
10. Ebene - Cybertower 1 Ground Floor
11. Flacq - Charles De Gaulles 1, Flacq
12. Flacq - Super U
13. Flacq - VIP Way
14. Flic en Flac - Pasadena Shopping Centre
15. Floreal - So'flo
16. Forest Side - Winner's Forest Side
17. Grand Bay - La Croisette
18. Grand Bay - Super U
19. La Gaulette - La Gaulette
20. L'Escalier - L'Escalier
21. Mahebourg - London Way
22. Moka - Bagatelle Mall
23. Moka - Jumbo Express Helvetia
24. Morcellement St André - Lolo Hypermarket
25. Pereybere - Winner's Pereybere
26. Phoenix - Jumbo Phoenix
27. Plaine Magnien - SSR International Airport, New Terminal
28. Pointe au Sables - London Way
29. Port Louis - Blendax House
30. Port Louis - Bank of Mauritius
31. Port Louis - City Way
32. Port Louis - Caudan Waterfront
33. Port Louis - Kinoo Square
34. Port Louis - Le Port
35. Port Louis - Emmanuel Anquetil Building
36. Port Louis - Telecom Tower
37. Quatre Bornes - Orchard Shopping Centre
38. Riche Terre - Jumbo Riche Terre
39. Roches Brunes - Winner's Roches Brunes
40. Rose Hill - Dr Maurice Cure Street (ex Edward VII)
41. Souillac - Sabeka
42. Tamarin - Palm Square Tamarin - La Mivoie
43. Terre Rouge - Winner's Terre Rouge
44. Trianon - La City Trianon
45. Vacoas - Winner's St Paul
46. Vacoas - Bonne Terre
47. Vacoas - Glen Park
48. Vacoas - London Way
49. Vacoas - Winner's Vacoas

SBM Bank (Mauritius) Ltd

ON-SITE ATMs AT BRANCHES & COUNTERS

OFFSITE ATMs

iATM REAL TIME DEPOSIT



T: (230) 207 0111 | E: sbm@sbmgroup.mu | www.sbmbank.com

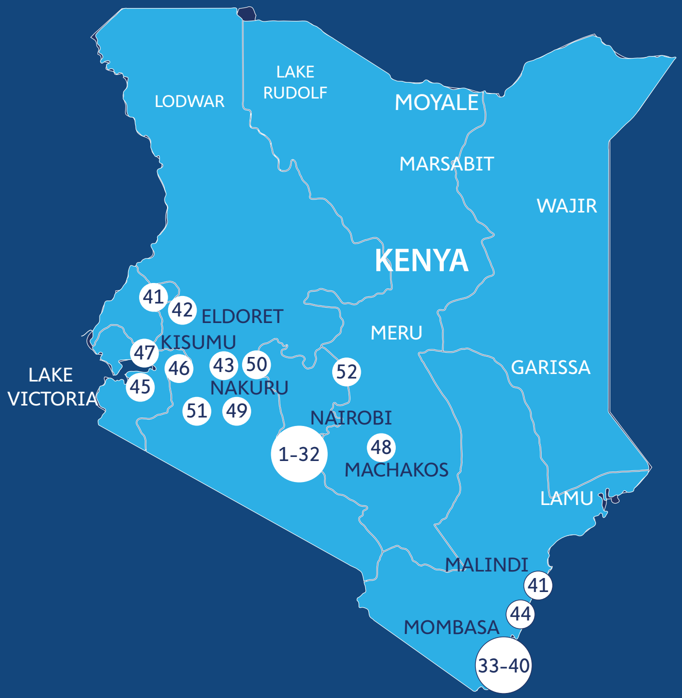
OVERSEAS LOCATIONS

Madagascar

1. ANTANANARIVO - Head Office Antsahavola
2. ANTANANARIVO - Andraharo Branch
3. ANTANANARIVO - Behoririka Branch
4. ANTANANARIVO - Talatamaty Branch
5. ANTANANARIVO - Tanjombato Branch
6. TOAMASINA - Toamasina Branch

India

1. BENGALURU
2. CHENNAI
3. HYDERABAD
4. MUMBAI
5. NEW DELHI
6. RC PURAM



Kenya

Nairobi

1. NAIROBI - ABC
2. NAIROBI - Buruburu
3. NAIROBI - City Centre
4. NAIROBI - Corner House
5. NAIROBI - Dagoretti Xpress
6. NAIROBI - DiamondPlaza
7. NAIROBI - Donholm
8. NAIROBI - Eastleigh
9. NAIROBI - Gikomba
10. NAIROBI - Hurlingham
11. NAIROBI - Industrial Area
12. NAIROBI - Karen
13. NAIROBI - Kasuku Xpress
14. NAIROBI - KilimaniAdLifePlaza
15. NAIROBI - KilimaniLenanaPlace
16. NAIROBI - Kimathi
17. NAIROBI - Lavington
18. NAIROBI - Limuru Xpress
19. NAIROBI - Lunga Lunga
20. NAIROBI - Madaraka Xpress
21. NAIROBI - Ngara
22. NAIROBI - Ngong Milele
23. NAIROBI - Ngong Rd Xpress
24. NAIROBI - River Road
25. NAIROBI - Riverside
26. NAIROBI - Rongai
27. NAIROBI - Sameer Park
28. NAIROBI - Strathmore
29. NAIROBI - Upperhill
30. NAIROBI - Village Market
31. NAIROBI - Westlands
32. NAIROBI - Windsor

Coast

33. MOMBASA - Diani
34. MOMBASA - Jomvu
35. MOMBASA - Jubilee
36. MOMBASA - Moi Avenue
37. MOMBASA - Mtwapa
38. MOMBASA - Nyali
39. MOMBASA - Nyerere Ave
40. MOMBASA - Old Town
41. MALINDI - Malindi

42. Eldoret
43. Kericho
44. Kilifi Xpress
45. Kisii
46. Kisumu
47. Kitale
48. Machakos
49. Nakuru
50. Nakuru Xpress
51. Narok
52. Thika

Seychelles

1. Victoria Branch - Mahé

CONTACT LIST

SBM BANK (MAURITIUS) LTD
SBM Tower,
1 Queen Elizabeth II Avenue,
Port Louis, Mauritius
T: (230) 202 1111/1000
Swift :STCBMUMU
E: sbm@sbmgroup.mu
W: www.sbmbank.com

• Merchant Support/ Authorisation (24hr)
T: (230) 202 1212

• SBM Cards Hotline (24hr)
T: (230) 202 1256

• SBMNET Hotline
T: (230) 202 1500
E: support@sbmgroup.mu

Overseas Banking Affiliates

SBM BANK (INDIA) LIMITED

• Bengaluru
Ground Floor, No. 3, Salarpuria Windsor, Ulsoor Road, Bengaluru-560042
Mukunth.arv@sbmbank.co.in
+91 098454-37722

• Chennai
4th Floor, 22-A Prince Arcade, Cathedral Road, Chennai - 600086, Tamil Nadu
E: chennai@sbmbank.co.in
T: +91 044 28110943

• Hyderabad
1st Floor, 6-3-1090, TSR Tower, Rajbhavan Road, Somajiguda, Hyderabad - 500082, Telangana
E: hyderabad@sbmbank.co.in
T: +91 040 23300782

• Mumbai
Ground Floor, Atlanta Building, 209, Nariman Point, Mumbai 400021
E: csd.mumbai@sbmbank.co.in
T: +91 022 41624700

• New Delhi
SBM Bank (India) Ltd, Shop # 4, DLF Capitol Point, Baba Kharak Singh Marg, Connaught Place, New Delhi - 110001
lokesh.singhal@sbmbank.co.in
+91 88606 78610
More information on website:
https://www.sbmbank.co.in/

• RC Puram
25-35/13, Ground Floor, Pushpanagesh Landmark, Opp. Beeramguda Kaman, Ramachandra Reddy Nagar, RC Puram, Medak - 502032, Hyderabad, Telangana
E: rcpuram@sbmbank.co.in
T: +91 08455 297222

SBM BANK (KENYA) LIMITED

• Corporate Office
Riverside Mews Building,
Riverside Drive
P.O. Box 34886-00100
Nairobi, Kenya
T: (254) 70980 0000 / (254) 73017 5000
The list of branches can be found on www.sbmbank.co.ke

BANQUE SBM MADAGASCAR SA

• Antananarivo
Head Office Antsahavola
1, Rue Andrianary Ratianarivo Antsahavola,
101 Antananarivo
T: (+261) 20 22 666 07
E: hotlinemada@sbmgroup.mu

Andraharo Branch
Lot IV A 4 Bis Ambodivonkely
Andraharo Ambohimanarina
101 Antananarivo
T: (+261) 20 23 666 07
E: bsbmmadr@sbmgroup.mu

Behoririka Branch
Angle de la Rue Naka RABEMANANTSOA
1ère rue Menalamba Behoririka,
101 Antananarivo
T: (+ 261) 34 07 666 08/09
E: bsbmmbhr@sbmgroup.mu

Talatamaty Branch
AERO VILLAGE Ambohitravao Talatamaty
(Route vers l'Aéroport Ivato),
101 Antananarivo
T : (+261) 34 53 666 59 - (+261) 33 31 666 13
E : bsbmmtlmty@sbmgroup.mu

Tanjombato Branch
D17 ZF, Ankadimbahoaka
Zone Industrielle Filatex
101 Antananarivo
T: (+261) 34 07 666 02/03
E: bsbmmtjb@sbmgroup.mu

• Toamasina
25 Boulevard Joffre
501 Toamasina
T: (+261) 20 53 300 16
E: bsbmmtve@sbmgroup.mu

SBM BANK (SEYCHELLES) LIMITED
Allied Plaza Building, Francis Rachel Street,
P.O. Box 1474 Victoria, Mahé
Seychelles
T: (248) 430 3356
E: SBMSeychelles@sbmgroup.mu
W: www.sbmgroup.mu

Other Affiliates

SBM (NBFC) HOLDINGS LTD

• Registered Office Address
SBM Tower,
1 Queen Elizabeth II Avenue,
Port Louis, Mauritius
T: (230) 202 1111
F: (230) 210 3369
E: nbfc.leads@sbmgroup.mu

• Business Address
Level 12, Hennessy Tower,
Pope Hennessy Street, Port Louis,
Mauritius

LIST OF ABBREVIATIONS

AFS	Available-For-Sale
ALCO	Asset and Liability Management Committee
AML	Anti Money Laundering
ARA	Average Retirement Age
ATM	Automatic Teller Machine
AUM	Assets Under Management
BOM	Bank of Mauritius
CAR	Capital Adequacy Ratio
CASA	Current Account and Savings Account
CCB	Capital Conservation Buffer
CCF	Credit Conversion Factor
CCI	Credit Cycle Index
CCR	Counterparty Credit Risk
CDS	Credit Default Swap
CE	Chief Executive
CET1	Common Equity Tier 1
CI	Cost to Income
CSR	Corporate Social Responsibility
DRs	Depositary Receipts
D-SIB	Domestic Systemically Important Bank
EAD	Exposure at Default
ECL	Expected Credit Losses
EIR	Effective Interest Rate
EY	Ernst & Young
FCY	Foreign Currency
FVTPL	Fair-value-through-profit-or-loss
FX	Foreign Exchange
FY	Financial Year
GBP	Great British Pound
GDP	Gross Domestic Product
HQLA	High Quality Liquid Asset
HRD	Human Resource Division
HTM	Held To Maturity
IAS	International Accounting Standards
IASB	International Accounting Standards Board

IESBA Code	International Ethics Standards Board for Accountants' Code
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
INR	Indian Rupee
IRS	Interest Rate Swap
ISA	International Standards on Auditing
IT	Information Technology
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LTECL	Lifetime Expected Credit Loss
MUR	Mauritian Rupee
NII	Net Interest Income
OCI	Other Comprehensive Income
PAT	Profit After Tax
PD	Probability of Default
POCI	Purchased or Originated Credit Impaired
RAROC	Risk Adjusted Return on Capital
RFP	Request for Proposal
ROA	Return on Average Assets
RWA	Risk-Weighted Assets
RWE	Risk-Weighted Exposure
SBMBM	SBM Bank (Mauritius) Ltd
SICR	Significant Increase in Credit Risk
SME	Small and Medium Enterprise
SPPI	Sole Payment of Principal and Interest
SPV	Special Purpose Vehicle
TTC	Through-The-Cycle
USD	United States Dollar
VAR	Value-at-Risk
VIU	Value-In-Use
WACC	Weighted Average Cost of Capital
WIP	Work In Progress
WOS	Wholly Owned Subsidiary
XBRL	eXtensible Business Reporting Language
12MECL	12 Months Expected Credit Loss

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

T: (230) 202 1111
F: (230) 202 1234
E: sbm@sbmgroup.mu

www.sbmbank.com