Deloitte.

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

Independent auditor's report to the Shareholders of SBI (Mauritius) Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **SBI (Mauritius) Ltd** (the "Bank" and the "Public Interest Entity") set out on pages 62 to 140, which comprise the statement of financial position as at 31 March 2021, 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 financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements of the Mauritius Companies Act 2001 and the 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 Standard Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses	
Management determines the allowances for Expected Credit Losses ('ECL') on financial instruments as required under IFRS 9 and has made significant judgement and estimates, taking into account, among others, the possible effect from the pandemic relating to COVID-19. The key areas where we identified greater levels of management judgements and estimates and therefore increased levels of audit focus in the implementation of IFRS 9 are: • Model estimations – Statistical modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used in the loans portfolios are the key drivers of the ECL results and are therefore the most significant areas of judgements and estimates used in the ECL modelling approach. • Economic scenarios – the Bank has used a range of future economic conditions in light of the global pandemic of COVID-19. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied, especially when considering the current uncertain global economic environment. • Qualitative adjustments - Adjustments to the model-driven ECL results are accounted by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts.	Our procedures included the following amongst others: • Evaluating the appropriateness of the impairment methodologies applied by the Bank against the requirements of IFRS 9; • Reviewing the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology; • Assessing the appropriateness of the macro- economic forecasts used; • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models; • Use of specialist team for assessing the appropriateness of PD, LGD and EAD used in the ECL calculation; • Assessing the reasonableness of the qualitative adjustments (overlays) applied by management for events not captured by the ECL models; • Testing the accuracy and completeness of ECL by reperformance; • Assessed the appropriateness of post model adjustments made by management with respect to COVID-19, and assess the underlying analysis and rationale; and • Assessing whether the disclosures are in accordance with the requirements of IFRS 9.

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Independent auditor's report to the Shareholders of SBI (Mauritius) Ltd (Cont'd)

Key audit matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses	
The effect of these matters is that, as part of our risk assessment, we determined that the ECL on loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The credit risk section of the financial statements discloses the sensitivities estimated by the Bank.	For impaired credits, we have further: • Obtained audit evidence in respect of key controls over the processes for identification of impaired assets and impairment assessment; • Inspected the minutes of the Board and relevant sub-committees to ensure that there are governance controls in place in relation to assessment of allowance for credit impairment; and • Performed a risk-based test of loans and advances to customers to ensure timely identification of impairment and for impaired loans to ensure appropriate allowance for credit impairment is made. We found the assumptions used in determining the expected credit loss and related disclosures to be reasonable and appropriate.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the management discussion and analysis, the certificate from the Company's Secretary, the corporate governance report and the statement of management's responsibility for financial reporting, 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Responsibilities of directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and in compliance with the requirements of the Mauritius Companies Act 2001, the Banking Act 2004, and the Financial Reporting Act 2004 and they are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Independent auditor's report to the Shareholders of SBI (Mauritius) Ltd (Cont'd)

Auditor's responsibilities for the audit of the financial statements (Cont'd)

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

- we have no relationship with, or interest in, the Bank other than in our capacity as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Bank as far as appears from our examination of those records.

Banking Act 2004

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

Use of this report

This report is made solely to the Bank's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Bank's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte.

Deloitte

Chartered Accountants

23 April 2021

Agrawal.

Vishal Agrawal, FCA

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Statement of Management's Responsibility for Financial Reporting

The financial statements for the Bank's operations in Mauritius presented in this annual report 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 the 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 and Conduct Review and Risk Management Committee, which comprise Independent Directors, oversees the 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 coordination with the Bank's external auditor. 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 auditor, Deloitte, has full and free access to the Board of Directors and its committees to discuss the audit and matters arising therefrom, such as their observations and fairness of financial reporting and the adequacy of internal controls.

S. Sharma **Managing Director & CEO**	**N. Maraye** **Director**	**D. Ponnusamy** **Director**

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 March 2021

	Notes	2021 USD	2020 USD	2019 USD
Interest income		20,528,325	31,443,365	38,659,543
Interest expense		(6,348,141)	(14,203,985)	(14,474,354)
Net interest income	11	14,180,184	17,239,380	24,185,189
Net fee and commission Income	12	2,565,261	2,704,838	2,440,099
Net trading income	13	1,193,158	1,848,774	1,468,613
Other operating income	14	1,259,050	826,023	527,869
		2,452,208	2,674,797	1,996,482
Operating income		19,197,653	22,619,015	28,621,770
Net impairment loss on financial assets	15	(5,407,479)	(12,935,982)	(2,090,131)
Personnel expenses	16	(4,234,787)	(4,501,027)	(4,630,738)
Depreciation and amortisation	24,27	(709,411)	(855,346)	(504,904)
Other expenses	17	(2,564,147)	(2,901,646)	(3,396,080)
Profit before income tax		6,281,829	1,425,014	17,999,917
Income tax expense	18b	(577,259)	(102,408)	(2,300,000)
Profit for the year		5,704,570	1,322,606	15,699,917
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligations, net of deferred tax		(2,510,214)	85,914	(451,166)
Fair value gains on investment securities		331,370	101,582	404,033
Items that may be reclassified subsequently to profit or loss				
Fair value gains on investment securities		2,364,806	2,910,068	785,175
Other comprehensive income for the year		185,962	3,097,564	738,042
Total comprehensive income for the year		5,890,532	4,420,170	16,437,959
Earnings per share	19	7.33	1.70	20.18

Approved and authorised for issue by the Board of Directors on 23 April 2021.

S. Sharma	**N. Maraye**	**D. Ponnusamy**
Managing Director & CEO	**Director**	**Director**

SBI (MAURITIUS) LTD

Statement of Financial Position

As at 31 March 2021

	Notes	2021 USD	2020 USD	2019 USD
ASSETS				
Cash and cash equivalents	20	156,223,156	101,609,876	93,304,042
Loans and advances to banks	21	86,776,343	45,266,408	42,299,888
Loans and advances to customers	22	404,421,795	422,088,019	476,294,433
Investment securities	23	260,165,664	249,991,469	258,319,143
Property, plant and equipment	24	7,624,837	7,583,324	7,685,687
Right -of-use assets	27	1,151,636	1,444,140	-
Deferred tax assets	25	2,135,033	2,108,706	1,503,706
Current tax assets	30	-	165,043	204,470
Other assets	26	18,454,819	15,634,671	16,451,970
Total assets		936,953,283	845,891,656	896,063,339
LIABILITIES				
Deposits from customers	28	510,190,191	435,808,436	471,418,308
Other borrowed funds	29	258,851,755	255,166,637	265,106,186
Current tax liabilities	30	378,094	-	-
Retirement benefit obligations	39	5,986,986	3,070,918	3,373,612
Lease liabilities	34	1,105,924	1,277,872	-
Other liabilities	31	9,889,679	5,907,671	6,199,843
Total liabilities		786,402,629	701,231,534	746,097,949
Shareholders' equity				
Share capital	32a	48,627,188	48,627,188	48,627,188
Share premium	32a	54,078,062	54,078,062	54,078,062
Retained earnings		22,800,407	17,951,523	26,552,746
Statutory and other reserves	40	30,800,109	27,248,247	24,038,206
Actuarial losses reserve	40	(5,755,112)	(3,244,898)	(3,330,812)
Total equity		150,550,654	144,660,122	149,965,390
Total equity and liabilities		936,953,283	845,891,656	896,063,339

Approved and authorised for issue by the Board of Directors on 23 April 2021.

S. Sharma	**N. Maraye**	**D. Ponnusamy**
Managing Director & CEO	**Director**	**Director**

Statement of changes in equity
for the year ended 31 March 2021

	Notes	Share capital USD	Share premium USD	Statutory reserve USD	General banking reserve USD	Other reserves USD	Actuarial losses reserves USD	Retained earnings USD	Total equity USD
Balance at 1 April 2018		48,627,188	54,078,062	21,674,356	603,175	(2,433,978)	(2,879,646)	42,179,846	161,849,003
Impact of adopting IFRS 9		-	-	-	-	650,457	-	(9,152,823)	(8,502,366)
Adjusted Opening Balance on initial application of IFRS 9		48,627,188	54,078,062	21,674,356	603,175	(1,783,521)	(2,879,646)	33,027,023	153,346,637
Additional specific provision on loans and advances		-	-	-	-	-	-	(14,956,487)	(14,956,487)
Profit for the year		-	-	-	-	-	-	15,699,917	15,699,917
Other comprehensive income for the year		-	-	-	-	1,189,208	(451,166)	-	738,042
Transfer to Statutory reserves		-	-	2,354,988	-			(2,354,988)	-
Dividend paid	32b	-	-	-	-	-	-	(4,862,719)	(4,862,719)
Balance at 31 March 2019		48,627,188	54,078,062	24,029,344	603,175	(594,313)	(3,330,812)	26,552,746	149,965,390
Balance at 1 April 2019		48,627,188	54,078,062	24,029,344	603,175	(594,313)	(3,330,812)	26,552,746	149,965,390
Profit for the year		-	-	-	-	-	-	1,322,606	1,322,606
Other comprehensive income for the year		-	-	-	-	3,011,650	85,914	-	3,097,564
Transfer to Statutory reserves		-	-	198,391	-	-	-	(198,391)	-
Dividend paid	32b	-	-	-	-	-	-	(9,725,438)	(9,725,438)
Balance at 31 March 2020		48,627,188	54,078,062	24,227,735	603,175	2,417,337	(3,244,898)	17,951,523	144,660,122
Balance at 1 April 2020		**48,627,188**	**54,078,062**	**24,227,735**	**603,175**	**2,417,337**	**(3,244,898)**	**17,951,523**	**144,660,122**
Profit for the year		-	-	-	-	-	-	5,704,570	**5,704,570**
Other comprehensive income for the year		-	-	-	-	2,696,176	(2,510,214)	-	**185,962**
Transfer to Statutory reserves		-	-	855,686	-	-	-	(855,686)	**-**
Balance at 31 March 2021		**48,627,188**	**54,078,062**	**25,083,421**	**603,175**	**5,113,513**	**(5,755,112)**	**22,800,407**	**150,550,654**

SBI (MAURITIUS) LTD

Statement of Cash Flows

for the year ended 31 March 2021

	Notes	2021 USD	2020 USD	2019 USD
Cash flows from operating activities				
Profit for the year		5,704,570	1,322,606	15,699,917
Adjustments for:				
Depreciation	24,27	709,411	855,346	504,904
Profit on sale of investment	14	(1,038,440)	(577,567)	(215,988)
Dividend income on investment	14	(6,494)	(29,048)	-
Exchange rate difference		3,893,488	(489,262)	(633,158)
Profit on disposal of assets		(4,225)	-	(14,389)
Profit on disposal of non banking asset		-	-	(10,677)
Increase in provision for retirement benefit obligations		139,908	183,177	170,507
Interest on lease liabilities		53,894	57,855	-
Impairment on financial assets	15	5,407,479	12,935,982	2,090,131
Income tax expense	18	577,259	102,408	2,300,000
		15,436,850	*14,361,497*	*19,891,247*
Changes in operating assets and liabilities				
(Increase)/decrease in loans and advances to banks		(42,724,016)	(2,772,230)	24,083,843
Decrease in loans and advances to customers		11,972,819	40,856,977	29,771,316
(Increase)/decrease in other assets		(2,820,148)	817,299	2,450,033
Increase/(decrease) in deposits from customers		75,972,759	(36,380,834)	(309,723,385)
Increase/(decrease) in other liabilities		3,982,008	(206,932)	2,135,689
Net change in interest receivable		1,657,045	117,758	1,387,449
Net change in interest payable		(1,955,186)	343,064	(89,761)
Income tax refunded/ (paid)	30	78,353	(672,504)	(865,113)
Net cash generated from/ (used in) operating activities		61,600,484	16,464,095	(230,958,683)
Cash flows from investing activities				
Increase in investment securities (net)		(165,749,048)	(48,203,309)	(44,332,453)
Proceeds from sale of investment securities		155,373,846	60,061,850	19,370,000
Purchase of property, plant and equipment	24	(503,207)	(402,353)	(250,958)
Proceeds from sale of property, plant and equipment		7,359	-	14,389
Proceeds from sale of non banking asset		-	-	10,489
Dividend on investments		6,494	29,048	-
Net cash (used in)/generated from investing activities		(10,864,556)	11,485,236	(25,188,533)
Cash flows from financing activities				
Other borrowed funds	33a	59,511,650	14,026,000	-
Repayment of lease liability	33b	(171,948)	(406,409)	-
Dividend paid	32b	-	(9,725,438)	(4,862,719)
Net cash generated from/(used in) financing activities		59,339,702	3,894,153	(4,862,719)
Net increase/(decrease) in cash and cash equivalents		110,075,630	31,843,484	(261,009,935)
Cash and cash equivalents at beginning of year		11,147,526	(20,695,958)	240,313,977
Cash and cash equivalents at end of year	20b	121,223,156	11,147,526	(20,695,958)

1. GENERAL INFORMATION

SBI (Mauritius) Ltd ("the Bank") is incorporated in Mauritius as a public company under the Mauritius Companies Act 2001. Its registered office is at 7th Floor, SBI Tower Mindspace, 45, Ebène Cybercity, 72201, Mauritius. It holds a banking licence issued by the Bank of Mauritius and carries banking operations both locally and internationally.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with the requirements of the Mauritius Companies Act 2001, the Mauritius Banking Act 2004 and the regulations and guidelines issued by the Bank of Mauritius.

The financial standards were authorised for issue by the Bank's board of directors on 23 April 2021.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following items:

- Derivative financial instruments are measured at fair value;
- Fair value through other comprehensive income ("FVOCI") financial assets;
- Financial instruments at fair value through profit or loss ("FVTPL"); and
- Net defined benefit (asset)/ liability measured at the fair value of plan assets less present value of defined benefit obligation.

(c) Impact of initial application of relevant new and amended IFRS standards that are effective for the year ended 31 March 2021

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

Amendments to IAS 1 '*Presentation of financial statements'* and IAS 8 '*Accounting policies, changes in accounting estimates and errors'*	The Bank has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

The adoption of the above amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

2. BASIS OF PREPARATION (CONTINUED)

(d) New and revised IFRS standards in issue but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 01 April 2020 and have not been early adopted by the Bank in preparing these financial statements. None of these are expected to have a material effect on the Bank's financial statements.

(e) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

(f) Rounding of amounts

All amounts disclosed in these financial statements and notes have been rounded off to the nearest US Dollar ("USD") unless otherwise stated.

(g) Segmental reporting

In accordance with the Bank of Mauritius *Guideline on Segmental Reporting under a Single Banking Licence Regime*, the Bank's business has been split into Segment A and Segment B:

- Segment B is essentially directed to the provision of international financial services that give rise to foreign source income. Such services may be fund based or non-fund based.

- Segment A relates to banking business other than Segment B business.

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.

Neither the above guideline nor IFRS mandate the application of IFRS 8 to the financial statements of the Bank.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the years presented in the financial statements unless otherwise stated.

(a) Foreign currencies

These financial statements are prepared in USD, which is the Bank's functional and presentation currency.

In preparing the financial statements of the Bank, transactions in currencies other than the Bank's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the statement of profit or loss and other comprehensive income using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period within 'Net trading income'.

The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument. The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities.

For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses ("ECL"). The interest is suspended and recognised only upon receipt.

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:
- Interest on financial assets measured at amortised cost;
- Interest on debt instruments measured at FVOCI

Interest expense presented in the statement of profit or loss and other comprehensive income includes:
- financial liabilities at amortised cost;
- interest expense on lease liabilities.

(c) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends, and foreign exchange differences.

(d) Net fees and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Please refer to 3(b) above.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Net fees and commission income (continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including any significant payment terms and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including any significant payment terms	Revenue recognition policies under IFRS 15
Retail, corporate and global banking services	The Bank provides banking services to retail, corporate and global banking customers, including account management, provision of overdraft and other credit facilities, foreign currency transactions, trade finance facilities and servicing fees. Fees for ongoing account management are charged to the customers' account on a monthly basis (or any other pre-determined frequency). The Bank sets the rates separately for retail, corporate and global business customers and reviews them annually. Transaction-based fees for interchange, foreign-currency transactions, overdrafts and trade finance facilities are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	Revenue from account services and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at a point in time when the transactions take place.

The Bank does not offer services will multiple non-distinct/ distinct performance obligations.

(e) Leases

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Bank did not have any short-term leases or low value leases as of 31 March 2020 and 31 March 2021.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. In this case, the Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The weighted average incremental borrowing rate applied is 5.50%.

Lease payments included in the measurement of the lease liability comprise:

The right-of-use assets are presented as a separate line in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented separately in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

The Bank applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Bank has applied this practical expedient.

(f) Income tax expense

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Effective from the year of assessment commencing 01 July 2020, banks are taxed as follows:

Chargeable income	**Tax rate**
Up to 1.5 billion Mauritian rupees (MUR)	5%
Remainder	15%

The Bank is also liable to pay a special levy on its leviable income (Net interest income and other income from banking transactions with residents before deduction of expenses) as per the below criteria:

Leviable income	**Tax rate**
Up to 1.2 billion Mauritian rupees (MUR)	5.5%
More than 1.2 billion Mauritian rupees (MUR)	4.5%

The special levy is included in the income tax expense and tax liability in the financial statements.

CSR is also payable by the Bank at the rate of 2% of the segment A chargeable income of the preceding year.

The Bank is subject to the Advances Payment System ("APS") whereby it pays income tax on a quarterly basis.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax expense

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit; and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The principal temporary differences arise from depreciation of property, plant and equipment, provisions for impairment losses on loans and advances and provisions for employee benefits.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The deferred tax rate of the Bank is 5%.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(g) Property, plant and equipment

Property, plant and equipment are carried at historical cost or deemed cost less accumulated depreciation.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Depreciation is calculated to write down the cost or amount of the valuation of such assets to their residual values on a straight-line basis over their estimated useful lives as follows:

Buildings on lease	Over the remaining term of the lease
Buildings	2%
Office equipment, furniture and fittings	10% -33.33%
Motor Vehicles	20%

Land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (continued)

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(h) Financial assets and liabilities

A: Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions.

Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 5.3.2.2, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Refer to note 3(h)(B) for the accounting policy on fair value measurement.

B: Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets and liabilities (continued)

B: Fair value measurement (continued)

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(i) Financial assets

A: Classification and subsequent measurement

The Bank classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (“FVTPL”);
- Fair value through other comprehensive income (“FVOCI”); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

<u>Debt instruments</u>

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government or corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

(i) the Bank's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

A: Classification and subsequent measurement (continued)

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories based on the business model and SPPI test, detailed further below:

Amortised cost	Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 5.3.2.2. Interest income from these financial assets is included in 'Interest income' using the effective interest method.
Fair value through other comprehensive income (“FVOCI”)	Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in ‘Other operating income '. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
Fair value through profit or loss (“FVTPL”)	Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented in the profit or loss within ‘Net trading income ' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in ‘Other operating income' . Interest income from these financial assets is included in 'Interest income' using the effective interest method.

Business model:

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Bank in determining the business model for a Bank of assets include:

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

A: Classification and subsequent measurement (continued)

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Bank's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed.
- how managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Bank's retail, corporate banking and global banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise mortgages, overdrafts and unsecured personal lending. In the corporate and global banking business, the loans are made up of import loans, term loans, syndicated loans and overdrafts. Sales of loans from these portfolios are very rare.

Certain debt securities are held by the Bank's Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Certain other debt securities are held by the Bank's Treasury in separate portfolios to meet everyday liquidity needs. The Bank's Treasury seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Bank considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

SPPI:

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

A: Classification and subsequent measurement (continued)

<u>Equity instruments</u>

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the “Other operating income” line in profit or loss.

B: Impairment

The Bank assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 5.2.2.2 provides more detail of how ECL is measured.

C: Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

C: Modification of loans (continued)

The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The impact of modifications of financial assets on the ECL computation is discussed in notes 5.3.4 and 5.3.5.

D: Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

- the Bank transfers substantially all the risks and rewards of ownership, or
- the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

- has no obligation to make payments unless it collects equivalent amounts from the assets;
- is prohibited from selling or pledging the assets; and
- has an obligation to remit any cash it collects from the assets without material delay.

(j) Financial liabilities

A: Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading book) and other financial liabilities designated as such at initial recognition.
- Financial guarantee contracts and loan commitments.

B: Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial liabilities

B: Derecognition (continued)

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(k) Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described in note 5.3.2.2); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are measured as the amount of the loss allowance (calculated as described in note 5.3.2.2). The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

(l) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts and currency swaps. These are initially recognised in the statement of financial position at cost and subsequently remeasured at their fair value.

Fair values of derivatives between two external currencies are based on interest rate differential between the two currencies. Fair values of forwards involving Mauritian Rupees are based on treasury bills rate or LIBOR. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Transaction costs are charged immediately through profit or loss.

The Bank's derivative transactions, while providing effective economic hedges under the Bank's risk management policies, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported through profit and loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Investment securities

The ‘investment securities’ caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Bank elects to present changes in the fair value of certain investments in equity instruments that are not held for trading in OCI. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

(n) Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents include unrestricted balances held with the Bank of Mauritius and highly liquid financial assets and liabilities(e.g. other borrowed funds) with original maturities of three months or less from the acquisition date including balances with financial institutions. Cash and cash equivalents do not include the mandatory balances with the Central Bank.

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

(o) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Derivatives held for risk management purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. All derivatives are measured at fair value in the statement of financial position.

(q) Deposits and other borrowed funds

Deposits and other borrowed funds are the Bank's main sources of debt funding.

Deposits and other borrowed funds are initially measured at fair value minus incremental direct transaction costs. Subsequently, they are measured at their amortised cost using the effective interest method.

(r) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. The increase in the provision due to passage of time is recognised as interest expense in the statement of comprehensive income.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

(s) 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 set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(t) Employee benefits

A: Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated .reliably.

B: Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (continued)

B: Defined benefit plans (continued)

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest), and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The Bank determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Employee benefits (confirmed) service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

C: Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

D: State pension contribution

State pension plan contributions to the Contribition Sociale Generalisee (“CSG”) are recognised in profit or loss in the period in which they fall due.

E: Termination benefits

Termination benefits are recognised when the Bank is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy when it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. A liability is recognised for the termination benefit representing the best estimate of the amount payable and the termination benefits are recognised as an expense

(u) Contingent liabilities

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

(v) Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances and letters of credit are accounted for as off-balance sheet items and are disclosed as contingent liabilities and commitments.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Stated capital

Ordinary shares are classified as equity. Share issue costs are incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(x) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

As required by the *Bank of Mauritius Guideline on Public Disclosure of Information*, disclosures have been made with comparative information for two years.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

(a) Business model assessment:

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying the group's accounting policies (continued)

(b) Significant increase of credit risk:

As explained in note 5.3.2.2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to note 5.3.2.1 for more details.

(c) Establishing groups of assets with similar credit risk characteristics:

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to note 5.3.1(a) for details of the characteristics considered in this judgement. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

(d) Models and assumptions:

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 5.3.2.2 for more details on ECL.

Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

(a) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario:

When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to notes 5.3.2.2 and 5.3.2.3 for more details.

(b) Probability of default ("PD")

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to notes 5.3.2.2 and 5.3.2.3 for more details.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

(c) Loss Given Default ("LGD")

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Refer to notes 5.3.2.2 and 5.3.2.3 for more details.

(d) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Bank considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions are based on current market conditions. Additional information is disclosed in Note 39.

(e) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period.

A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or investment securities held at fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant input required to fair value on instrument is observable, the instrument is included in Level 2.

If one or more significant inputs is not based on observable market data, the instrument is included in level 3. Specific techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest swaps is calculated as the present value of the estimated future cashflows based on observable yield curves;
- The fair value of foreign exchange contracts is determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Refer to note 6 for the measurement of the fair value of financial/ instruments.

5 FINANCIAL RISK MANAGEMENT

5.1 Introduction

The Bank has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risks (including interest rate and foreign currency risks)

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risks, and the Bank's management of capital. The measurement of ECL under IFRS 9 uses the information and approaches that the Bank uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed in note 5.3.2.

5.2 Risk Management Framework

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Conduct Review and Risk Management Committee which is responsible for approving and monitoring the Bank's risk management policies.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank's Audit Committee oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls

5.3 Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees and letters of credit.

The Bank is also exposed to other credit risks arising from other exposures arising from its trading activities ('trading exposures').

Credit risk is the single largest risk for the Bank's business; the Bank therefore carefully manages its exposure to credit risk. Management and Board committee approach is adopted for sanction of all the loans. All the credit related risk parameters are discussed threadbare in the respective committee before sanctioning of the credit exposures.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.1 Credit Risk Measurement

(a) Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

Credit risk grading

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Bank use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

Grouping of instruments for losses measured on a collective basis

ECL is measured on a collective basis having shared risk characteristics. The different segments reflect differences in PDs and in recovery rates in the event of default.

The objective of segmentation is to arrive at homogenous groups of borrowers to determine default rates in a meaningful manner. This is done by conducting homogeneity tests and taking inputs from business. In-cases where certain groups were non-homogenous business inputs were taken to decide if they should be pooled together or not. The characteristics and any supplementary data used to determine groupings are outlined below:

<table>
<tr><th>Portfolios</th><th>Pool</th><th>Internal Rating</th></tr>
<tr><td rowspan="2">Corporate Portfolio</td><td>Pool 1</td><td>SBIML1 – SBIML6</td></tr>
<tr><td>Pool 2</td><td>SBIML 7- SBIML 15</td></tr>
<tr><td rowspan="5">Retail Portfolio</td><td>Pool 1</td><td>Mainly secured by House / Land and have similar risk</td></tr>
<tr><td>Pool 2</td><td>Fully secured by deposits</td></tr>
<tr><td>Pool 3</td><td>Secured by vehicle</td></tr>
<tr><td>Pool 4</td><td>For education purposes</td></tr>
<tr><td>Pool 5</td><td>Other loans all classified together as separate volume would have been immaterial</td></tr>
</table>

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.1 Credit Risk Measurement (continued)

(a) Loans and advances (including loan commitments and guarantees)

Credit risk grading (continued)

Retail

Each pool is mapped to a historical PD.

Treasury

For debt securities in the Treasury portfolio, external rating agency (S&P) credit grades are used.

5.3.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 5.3.2.1 for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 5.3.2.1 (G) for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of 12-month expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 5.3.2.2 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. Note 5.3.2.3 includes an explanation of how the Bank has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.2 Expected credit loss measurement (continued)

5.3.2.1 Significant increase in credit risk ("SICR") (continued)

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below:

To determine whether credit risk has significantly increased since initial recognition, the Bank will compare the risk of default at the assessment date with the risk of default at initial recognition. This assessment is to be carried out at each assessment date.

A: Quantitative criteria

Global business:

All assets are categorised as Stage 1 if all the criteria listed below are satisfied:

- Not more than one downgrade in external rating from inception rating to current rating;
- Within 2 notch internal rating downgrade from inception rating to current rating;
- Current days past due ("DPD") status is within 30 days from last repayment.

All assets are categorised as Stage 2 if any of the below criteria is satisfied:

- One or mote downgrade in external rating from inception rating and current rating;
- More than 2 notch internal rating downgrade from inception rating to current rating;
- Above 30 days but less than 90 days past due from last repayment.

All impaired assets are recognised as Stage 3 when they are 90 days overdue.

Corporate and retail business

The Bank determines the respective stage based on the DPD as follows:

Stage 1:	Less than 30 days past due
Stage 2:	More than 30 days past due but less than 90 days
Stage 3:	Above 90 days overdue

Investment portfolio:

The Bank applies the below criteria for determining the respective stage for its investment products:

Stage 1:	No downgrade in external rating
Stage 2:	One notch downgrade from inception rating
Stage 3:	When interest/ instalment (including maturity proceeds) for investments is due and remains unpaid for more than 90 days.

B: Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. The exposure will move from Stage 1 to 2.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.2 Expected credit loss measurement (continued)

5.3.2.1 Significant increase in credit risk ("SICR") (continued)

C: Qualitative criteria

For retail and corporate portfolios, if the borrower meets one or more of the following criteria:

- In short-term forbearance
- Direct debit or standing order cancellation
- Extension to the terms granted

For Treasury portfolios, if the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

The assessment of SICR incorporates forward-looking information (refer to note 5.3.2.3 for further information) and is performed on a quarterly basis at a portfolio level for all retail financial instruments held by the Bank.

In relation to Treasury financial instruments, credit risk assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

D: Low credit risk expedient

IFRS 9 offers a low credit risk expedient for the purpose of allocating exposures into stages based on SICR assessment. On application of this expedient, the Bank may assume that the credit risk of a financial instrument has not increased significantly since initial recognition if it is determined that the financial instrument has low credit risk at the assessment date.

According to IFRS 9,the credit risk on a financial instrument is considered low if:

- The financial instrument has a low risk of default;
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily; reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Bank applies the low credit risk expedient on its "*Cash and cash equivalents*" line item in the statement of financial position.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.2 Expected credit loss measurement (continued)

5.3.2.1 Significant increase in credit risk (“SICR”) (continued)

E: Rebuttal of 30 days past due (“30+DPD”)

Regardless of the indicators used by the Bank to determine SICR, there is a rebuttable presumption that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The Bank shall rebut the 30+ DPD presumptions in the case of any technical delinquencies (i.e. accounts marked as 30+DPD owing to administrative reasons and non-credit related concerns) and cases of delinquencies where payment is linked to government payments with approved invoices which have caused such delinquency. Approval for such instances will be obtained from the MD & CEO.

F: Backwards transition (“Curing”)

IFRS 9 staging model is of symmetrical nature as exposures may migrate from lifetime ECL measurement (Stage 2, Stage 3) to 12-month ECL measurement (Stage 1). However, movement across stages are determined by their respective stages as defined in this policy or the any corresponding changes incorporated in the Loan Policy / Investment Policy of the Bank.

The different scenarios for movement are discussed below:

From Stage 2 to Stage 1	Once SICR indicators are no longer triggered, movement back to Stage 1 has to be ‘calibrated’ and cannot be automatic or immediate. Across all portfolios, the Bank must exhibit the following to move an exposure from Stage 2 to Stage 1: • SICR indicators used to classify into Stage 2 are no longer triggered; • Up-to-date payments with no arrears.
From Stage 3 to Stage 2	Across all portfolios, the Bank must exhibit the following to move an exposure from Stage 3 to Stage 2: • Indicators used to classify as Stage 3 are no longer triggered; • Up-to-date payments with no arrears.

An asset in Stage 3 shall be upgraded only when the irregularity/deficiency in the account which led to the account being classified as Stage 3 is fully rectified on a sustainable basis. A transient rectification of the irregularity/deficiency near the reporting date may not result in the upgrade of the account unless there is satisfactory evidence to support that the rectification of the irregularity/deficiency is sustainable and the inherent credit weakness has mitigated substantially.

However, as regards the upgrade of restructured Stage 3 accounts to Stage 1, the same shall be upgraded only when all the outstanding loans/facilities perform satisfactorily for a period of 6 months from the commencement of the first payment of interest or principal, whichever is later, on the credit facilities with the longest period of moratorium under the terms of restructuring.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.2 Expected credit loss measurement (continued)

5.3.2.1 Significant increase in credit risk ("SICR") (continued)

G: Definition of default and credit-impaired assets

The Bank's definition of default is aligned with the stricter of the Bank of Mauritius guidelines and internal credit risk management practices.

Defaulted assets will fall under the Stage 3 category and a specific provision will be recognised against all such assets. As per the Bank's Loan Policy and Bank of Mauritius *Guideline on Credit Impairment Measurement and Income Recognition*, impaired loans and overdrafts are recognised as follows:

Category	Definition of "impaired"
Loans and advances	A loan can be classified as impaired asset when instalments of principal and/or interest are due and remain unpaid for 90 days or more, or such unpaid amount has been capitalised, refinanced or rolled over. *Past due* loans are loans where payment of principal or interest is contractually due but remains unpaid
Overdraft	An overdraft facility can be classified as impaired asset when one or more conditions as mentioned below are satisfied: • the advance exceeds the customer's approved limit continuously for 90 days or more; • the customer's approved limit has expired for 90 days or more; • interest on the advance is due and remains unpaid for 90 days or more; or • the account has been dormant for 90 days or more and deposits are insufficient to cover the interest capitalised during the period. For this purpose, dormant accounts include accounts, which have only a few transactions of insignificant amounts.
Bills Purchased and Discounted	The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
Investments	Interest/ instalment (including maturity proceeds) for Investments is due and remains unpaid for more than 90 days.

5.3.2.2 Measuring ECL – Explanations of inputs, assumptions and estimation techniques

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "*Definition of default and credit-impaired*" above), either over the next 12 months ("12M PD"), or over the remaining lifetime ("Lifetime PD") of the obligation.

- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months ("12M EAD") or over the remaining lifetime ("Lifetime EAD"). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- Loss Given Default ("LGD") represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default ("EAD"). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.2 Expected credit loss measurement (continued)

5.3.2.2 Measuring ECL – Explanations of inputs, assumptions and estimation techniques (continued)

- The ECL is determined by projecting the PD, LGD and EAD for each future year and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

- The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

- The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data.

- The 12-month and lifetime LGDs are determined using a combination of regulatory and historical vintage analysis. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

- Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 5.3.2.3 for an explanation of forward-looking information and its inclusion in ECL calculations.

- The assumptions underlying the ECL calculation — such as how the maturity profile of the PDs and how collateral values change etc. — are monitored and reviewed on an annual basis.

- There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.2 Expected credit loss measurement (continued)

5.3.2.3 Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are sourced from the Bank of Mauritius, IMF and WEO Forecast Database depending upon the type of portfolio.

The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

ECL is computed as a probability weighted average of three scenarios; baseline, adverse and good. The scenario probability weightings applied in measuring ECL are as follows:

At 31 March 2020 and 31 March 2019	**Baseline**	**Adverse**	**Good**
Scenario probability weighting	50%	20%	30%

PD is computed for each of the scenario by giving a shock to baseline PD curve in upward and downward direction. Final ECL is computed by giving the weightages to each of the scenario to arrive at weighted average ECL.

Periodically, the Bank carries stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by the Risk Team.

Impact of COVID-19 on scenarios

Management has reassessed the methodology for scenarios as of 31 March 2021 and determined that with the uncertainty associated with the ongoing COVID-19 pandemic and the prevailing adverse economic conditions, the adverse scenario ought to have more weightage than the favourable scenario. As such the scenario probability weightings at 31 March 2021 have been revised to below:

At 31 March 2021	**Baseline**	**Adverse**	**Good**
Scenario probability weighting	50%	30%	20%

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios and economic variable assumptions.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.2 Expected credit loss measurement (continued)

5.3.2.3 Forward-looking information incorporated in the ECL models (continued)

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are:

Retail portfolios	Unemployment rate given its impact on secured and unsecured borrowers ability to meet their contractual repayments.
Corporate portfolios	GDP and core inflation given the significant impact on individual and company's performance and collateral valuations.
Global business portfolio	World inflation forecast for significant impact on the company's performance.
Investment portfolio	Real GDP growth rate, current accounts balance and CPI inflation have significant impact on the investment portfolio.

The Bank has performed a sensitivity analysis on how ECL on the main portfolios will change if the ECL loss rate changes by 5% across the different stages:

Increase in ECL as a result of a 5% change in ECL loss rate for each respective stage	Stage 1 USD million	Stage 2 USD million	Stage 3 USD million
2021	0.68	0.45	2.56
2020	0.60	0.02	3.03
2019	0.65	0.02	1.77

5.3.3 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counter parties and companies, and to industries and countries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to a monthly frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrower to meet interest and capital repayment obligation and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

Collaterals

The Bank employs a range of policies and practices to mitigate credit risk. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types for loans and advances are:

- Fixed and Floating Charges over business assets such as premises, inventory and trade receivable
- Charges over financial instruments such as cash collateral, debt securities and equities
- Mortgages over residential properties
- Corporate guarantees and letter of support
- Personal guarantees
- Credit Insurance

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.3 Risk limit control and mitigation policies (continued)

Collaterals (continued)

Longer-term finance and lending to corporate entities are generally secured; revolving individual short-term credit facilities are at times unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments. The Bank closely monitors collaterals held for financial assets considered as credit impaired, as it becomes more likely that the Bank will take possession of the collaterals to mitigate potential credit losses. Financial assets that are credit impaired and related collaterals held in order to mitigate potential losses are shown below:

31 March 2021

	Gross exposure	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired asset	**USD**	**USD**	**USD**	**USD**
Loans to individuals:				
- Overdrafts	24,509	18,181	6,328	92,234
- Term loans	51,801	36,921	14,880	198,237
- Mortgages	619,097	354,730	264,367	1,136,858
Loans to corporate entities:	-	-	-	-
- Large corporate customers	41,520,038	28,294,581	13,225,457	15,100,000
- SMEs	447,149	261,006	186,143	881,358
Total credit-impaired assets	42,662,594	28,965,419	13,697,175	17,408,687

31 March 2020

	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired asset	USD	USD	USD	USD
Loans to individuals:				
- Overdrafts	29,185	20,616	8,569	127,599
- Term loans	94,640	70,926	23,714	204,935
- Mortgages	791,771	437,806	353,965	1,613,813
Loans to corporate entities:	-	-	-	-
- Large corporate customers	52,444,116	24,127,906	28,316,210	36,170,000
- SMEs	324,759	194,127	130,631	1,191,941
Total credit-impaired assets	53,684,471	24,851,381	28,833,089	39,308,288

31 March 2019

	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired asset	USD	USD	USD	USD
Loans to individuals:				
Overdrafts	85,492	51,293	34,199	394,632
Term loans	153,722	100,129	53,593	522,968
Mortgages	762,784	413,687	349,097	1,449,759
Loans to corporate entities:				
Large corporate customers	20,374,417	10,330,000	10,044,417	9,777,000
SMEs	10,324,563	4,684,221	5,640,342	6,831,499
Total credit-impaired assets	31,700,978	15,579,330	16,121,648	18,975,858

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.3 Risk limit control and mitigation policies (continued)

Collaterals (continued)

Residential mortgage lending

The following tables stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value ("LTV") ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. For credit-impaired residential loans, the value of collateral is based on the most recent appraisals.

Mortgage portfolio – LTV distribution	**31 March 2021**	31 March 2020	31 March 2019
	USD	USD	USD
Lower than 50%	**217,130**	273,055	230,211
50 to 59%	**150,804**	168,969	202,700
60 to 69%	**42,450**	36,480	120,244
70 to 79%	**25,793**	172,693	127,123
80 to 89%	**115,530**	115,136	-
90 to 100%	**67,389**	25,438	82,506
Total	**619,096**	791,771	762,784

Credit - related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties carry the same credit risks as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

The Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans.

5.3.4 COVID 19 and customer relief programmes

In response to the COVID-19 outbreak, the Bank of Mauritius has introduced moratorium schemes for households, individuals, small and medium enterprises and economic operators. The relief measures comprise payment holidays, refinancing of existing facilities or new lending under government backed schemes.

The following table presents the number of retail and corporate customers under these schemes as at 31 March 2021:

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.4 COVID 19 and customer relief programmes (continued)

Accounts granted moratoriums under COVID scheme	**Count**	**Gross carrying amount of loans as of 31 March 2021**	**ECL**
		USD	**USD**
- Households	84	1,833,210	25,898
- Individuals	5	607,103	8,703
- Small and Medium Enterprises	19	262,618	5,971
- Other economic operators	2	10,286,667	166,219

The initial granting of customer relief does not automatically trigger a migration to stage 2 or 3. However, information provided by payment deferrals is considered in the context of other reasonable and supportable information. This forms part of the overall assessment for whether there has been a significant increase in credit risk and credit impairment to identify loans for which lifetime ECL is appropriate. Likewise, an extension in payment deferral does not automatically result in a migration to stage 2 or stage 3.

The key accounting and credit risk judgement to ascertain whether a significant increase in credit risk has occurred is whether the economic effects of the Covid-19 outbreak on the customer are likely to be temporary over the lifetime of the loan and whether they indicate that a concession is being made in respect of financial difficulty that would be consistent with stage 3. The Bank continues to monitor the recoverability of loans granted under customer relief programmes.

5.3.5 Modification of financial assets other than COVID-related

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL).

The Bank continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

The following table includes summary information for loans and advances to customers with lifetime ECL whose cash flows were modified during the period as part of the Bank's restructuring activities:

	31 March 2021	**31 March 2020**	**31 March 2019**
	USD	**USD**	**USD**
Amortised cost before modification	84,420	85,394	85,394

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.6 Write off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

(i) ceasing enforcement activity and
(ii) (where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. The below table shows the outstanding contractual amounts of such assets written off:

	31 March 2021	31 March 2020	31 March 2019
	USD	USD	USD
Financial assets written off (Note 22c)	15,474	174,056	68,236,175

The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

5.3.7 Post model adjustments related to COVID circumstances

Post model adjustments are short term adjustments to the ECL balance as part of the year-end reporting process to reflect late updates to market data, known model deficiencies or expert credit judgement.

As at 31 March 2020, with the uncertainty caused by the COVID-19 pandemic, and the model not being updated with latest data and forward economic information, management made a post-model adjustment of USD 4.0m to cater for any future unexpected losses associated with the worsening credit environment linked to COVID-19.

During the financial year ended 31 March 2021, the model was recalibrated with latest data till 2020 and incorporated forward economic information post-COVID. As such, the post-model adjustment as of 31 March 2021, was reduced to USD 2.1m.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.8 Maximum exposure to credit risk – Financial instruments subject to impairment

The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amounts of financial assets below also represent the Bank's maximum exposure to credit risk on these assets.

	2021				2020	2019
	Stage 1	Stage 2	Stage 3	Total	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	USD	USD	USD
	Performing	Special mention	Impaired			
Retail						
Gross carrying amount	25,254,031	1,943,868	679,617	27,877,516	25,839,873	30,390,477
Loss allowance	(362,815)	(112,918)	(397,478)	(873,211)	(1,067,996)	(900,944)
Net carrying amount	**24,891,216**	**1,830,950**	**282,139**	**27,004,305**	24,771,877	29,489,533
Corporate						
Gross carrying amount	101,272,359	1,156,618	8,226,927	110,655,904	80,910,284	103,426,022
Loss allowance	(2,012,917)	(33,144)	(4,191,716)	(6,237,777)	(6,266,279)	(5,882,522)
Net carrying amount	**99,259,442**	**1,123,474**	**4,035,211**	**104,418,127**	74,644,005	97,543,500
Global business						
Gross carrying amount	332,912,975	25,318,960	33,756,050	391,987,985	394,524,708	405,898,080
Loss allowance	(6,425,366)	(1,410,688)	(24,376,225)	(32,212,279)	(26,586,163)	(14,336,791)
Net carrying amount	**326,487,609**	**23,908,272**	**9,379,825**	**359,775,706**	367,938,545	391,561,289
Investment securities						
Gross carrying amount	50,234,556	-	-	50,234,556	92,331,279	70,628,134
Loss allowance	(121,557)	-	-	(121,557)	(72,937)	(51,440)
Net carrying amount	**50,112,999**	**-**	**-**	**50,112,999**	92,258,342	70,576,694

The maximum exposure to credit risk for the below items is as follows:

	2021	2020	2019
	USD	USD	USD
Financial guarantees and other credit-related contingent liabilities (Note 35)	**19,931,084**	17,421,499	41,970,202
Loan and other credit-related commitments (Note 36)	**6,226,055**	9,227,035	46,921,722

5.3.9 Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment, i.e. those at FVTPL, cash and cash equivalents for which the low credit risk exemption has been applied and investment securities at investment grade.

	2021	2020	2019
	USD	USD	USD
Cash and cash equivalents	156,223,156	101,609,876	93,304,042
Investment securities	208,024,545	155,552,620	186,102,656
Derivative assets	1,144,186	-	629,662

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.10 Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Retail				
Loss allowance as at 1 April 2020	**522,371**	**31,807**	**513,818**	**1,067,996**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(49,585)	49,585	-	-
Transfer from Stage 1 to Stage 3	(26,641)	-	26,641	-
Transfer from Stage 2 to Stage 1	8,616	(8,616)	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	93,894	(93,894)	-
Transfer from Stage 3 to Stage 2	-	11,995	(11,995)	-
New financial assets originated or purchased	96,649	16,295	-	112,944
Change in existing	(156,453)	(80,538)	(12,671)	(249,662)
Other movements with no P&L impact				
Closed Accounts	(32,142)	(1,504)	(24,421)	(58,067)
Loss allowance as at 31 March 2021	362,815	112,918	397,478	873,211

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.10 Loss allowance (continued)

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Corporate				
Loss allowance as at 1 April 2020	**1,938,968**	**6,589**	**4,320,722**	**6,266,279**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(2,943)	2,943	-	-
Transfer from Stage 1 to Stage 3	(98,442)	98,442	-	-
Transfer from Stage 2 to Stage 1	514	(514)	-	-
Transfer from Stage 2 to Stage 3	-	46,972	(46,972)	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2		11,554	(11,554)	-
New financial assets originated or purchased	853,962	-	-	853,962
Change in existing	(495,537)	(132,410)	(64,990)	(692,937)
Other movements with no P&L impact				
Closed Accounts	(183,605)	(432)	(5,490)	(189,527)
Loss allowance as at 31 March 2021	**2,012,917**	**33,144**	**4,191,716**	**6,237,777**

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Global business				
Loss allowance as at 1 April 2020	**6,569,323**	**-**	**20,016,840**	**26,586,163**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(1,362,942)	1,362,942	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	3,722,700	(3,722,700)	-
New financial assets originated or purchased	1,478,763	-	-	1,478,763
Change in existing	1,276,285	(3,674,954)	8,082,085	5,683,416
Other movements with no P&L impact				
Closed Accounts	(1,520,316)	-	-	(1,520,316)
Write-offs	(15,747)	-	-	(15,747)
Loss allowance as at 31 March 2021	**6,425,366**	**1,410,688**	**24,376,225**	**32,212,279**

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.10 Loss allowance (continued)

	Stage 1 12-month ECL USD	**Stage 2 Lifetime ECL USD**	**Stage 3 Lifetime ECL USD**	**Purchased credit-impaired USD**	**Total USD**
Investment securities					
Loss allowance as at 1 April 2020	**72,937**	**-**	**-**	**-**	**72,937**
Movements with P&L impact					
Transfers:					
Changes in existing	48,620	-	-	-	**48,620**
Loss allowance as at 31 March 2021	121,557	-	-	-	**121,557**

Note:

(a) The unwind of discount on Stage 3 financial assets is reported within 'Interest Income' so that interest income is recognised on the amortised cost (after deducting the ECL allowance).

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.10 Loss allowance (continued)

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Retail				
Gross carrying amount as at 1 April 2020	**23,417,748**	**1,528,202**	**893,923**	**25,839,873**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(108,093)	108,093	-	-
Transfer from Stage 1 to Stage 3	(3,405)	-	3,405	-
Transfer from Stage2 to Stage1	50,647	(50,647)	-	-
Transfer from Stage 3 to Stage 1	6,263	-	(6,263)	-
Transfer from Stage 3 to Stage 2	-	1,596	(1,596)	-
New financial assets originated or purchased	6,631,134	294,790	-	**6,925,924**
Modification of contractual cashflows of financial assets	-	-	-	-
Change in existing	(2,969,483)	154,511	(182,646)	**(2,997,618)**
FX and other movements	-	-	-	-
Closed accounts	(1,770,780)	(92,677)	(27,206)	**(1,890,663)**
Gross carrying amount as at 31 March 2021	**25,254,031**	**1,943,868**	**679,617**	**27,877,516**

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Corporate				
Gross carrying amount as at 1 April 2020	**71,389,813**	**330,661**	**9,189,810**	**80,910,284**
Movements with P&L impact				-
Transfers:				
Transfer from Stage 1 to Stage 2	(171,824)	171,824	-	-
Transfer from Stage 1 to Stage 3	(24,425)	-	24,425	-
Transfer from Stage 2 to Stage 1	8,238	(8,238)	-	-
Transfer from Stage 2 to Stage 3	-	(3,658)	3,658	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	9,863	(9,863)	-
Financial assets derecognised during the period other than write-offs	44,729,232	-	-	**44,729,232**
New financial assets originated or purchased	-	-	-	-
Modification of contractual cashflows of financial assets	-	-	-	-
Change in existing				
FX and other movements	(5,421,934)	696,616	(972,092)	**(5,697,410)**
Closed accounts	(9,236,741)	(40,450)	(9,011)	**(9,286,202)**
Gross carrying amount as at 31 March 2021	101,272,359	**1,156,618**	**8,226,927**	**110,655,904**

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.10 Loss allowance (continued)

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Global business				
Gross carrying amount as at 1 April 2020	**350,923,970**	**-**	**43,600,738**	**394,524,708**
Movements with P&L impact				**-**
Transfers:				**-**
Transfer from Stage 1 to Stage 3	(6,499,569)	6,499,569	-	**-**
Transfer from Stage 2 to Stage 1	-	2,039,281	(2,039,281)	**-**
Financial assets derecognized during the period other than write-offs				
New financial assets originated or purchased	93,014,312	-	-	**93,014,312**
Modification of contractual cash flows of financial assets	-	-	-	**-**
Changes in existing	(27,126,578)	16,780,110	(7,805,407)	**(18,151,875)**
FX and other movements				
Closed accounts	(77,399,160)	-	-	**(77,399,160)**
Gross carrying amount as at 31 March 2020	332,912,975	25,318,960	33,756,050	**391,987,985**

	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD
Investment securities				
Gross carrying amount as at 1 April 2020	92,331,279	-	-	**92,331,279**
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(42,096,723)			**(42,096,723)**
FX and other movements Changes in existing	-	-	-	**-**
Gross carrying amount as at 31 March 2020	50,234,556	-	-	**50,234,556**

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Credit Risk (continued)

5.3.11 Credit quality for loans and advances

Loans and Advances
Exposure to Credit Risk

	2021 USD	2020 USD	2019 USD
Carrying Amount	491,198,138	467,354,427	518,594,321
Individually Impaired (Note 22b)	42,662,594	53,684,470	31,700,978
Impairment allowance	(28,965,419)	(24,851,381)	(15,579,330)
	13,697,175	28,833,089	16,121,648
Past due but not impaired Carrying Amount	2,085,355	1,955,792	1,708,892
Neither Past due nor impaired			
Gross Amount	485,773,456	445,634,604	506,304,707
Portfolio Provisions	(10,357,848)	(9,069,058)	(5,540,926)
	475,415,608	436,565,546	500,763,781

The total impairment provision for loans and advances is USD 39,323,267 (2020: USD 33,920,439 and 2019: USD 21,120,256).

Ageing of past due but not impaired advances is as follows:

	2021 USD	2020 USD	2019 USD
Within 1 month	2,010,237	1,896,005	1,624,240
From 1 to 2 months	41,006	18,160	62,545
From 2 to 3 months	34,112	41,627	22,107
	2,085,355	1,955,792	1,708,892

Credit quality

The Bank has been consistently applying the guidelines issued by Bank of Mauritius for identifying its non-performing assets and making appropriate provisions. In accordance with the guidelines, the credit quality of the loans and advances for the last three years is shown in the table below:

	2021 USD	2020 USD	2019 USD
Standard	487,858,811	447,590,396	508,013,599
Impaired	42,662,594	53,684,470	31,700,978
Total	530,521,405	501,274,866	539,714,577

Fair value of collaterals of impaired advances is USD 17,408,687 (USD 39,308,288 for 2020 and USD 18,975,858 for 2019).

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3.11 Credit quality for loans and advances (continued)

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by the industry sectors of our counterparties.

Credit concentration of risk by industry sectors

	2021 USD	2020 USD	2019 USD
Agriculture and fishing	23,333,271	10,871,272	15,053,929
Manufacturing	143,659,229	183,743,735	204,053,441
Tourism	13,618,857	14,139,550	24,686,003
Transport	38,300,949	36,865,851	36,601,239
Construction	37,975,566	41,490,117	48,252,414
Financial and business services	112,213,659	101,160,446	57,306,706
Traders	16,771,162	7,896,137	18,502,897
Personal	3,057,842	3,024,330	4,877,213
Professional	157,851	122,501	199,123
Global Business Licence holders	50,189,142	49,649,776	77,563,099
Others	2,257,856	4,544,487	7,269,115
Interest receivable	800,416	2,046,509	2,623,486
	442,335,800	455,554,711	496,988,665
Loans and advances to banks	88,185,605	45,720,155	42,725,912
	530,521,405	501,274,866	539,714,577
Impairment allowance	(39,323,267)	(33,920,439)	(21,120,256)
	491,198,138	467,354,427	518,594,321

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Bank's operations and investments.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Bank's Board of Directors sets the Bank's strategy for managing liquidity risk and oversight of the implementation is administered by the relevant Board Committee which approves the Bank's liquidity policies and procedures. The Bank's Treasury team manages the Bank's liquidity position on a da-to-day basis. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. As part of its liquidity strategy, the Bank maintains a well-diversified funding base, carries a portfolio of highly liquid assets to meet its liquidity coverage ratio per regulatory requirements, monitors maturity mismatches and behavioural characteristics of its financial assets and liabilities and performs stress testing on the Bank's liquidity position.

The following tables set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

	Less than 3 months USD	Between 3 and 12 months USD	Over 1 year to 5 years USD	Over 5 years USD	Total USD
As at 31 March 2021					
Cash and cash equivalents	156,223,156	-	-	-	156,223,156
Investment securities	40,387,373	72,209,463	129,070,776	18,498,052	260,165,664
Loans and advances	86,686,766	76,284,389	279,286,842	48,940,141	491,198,138
Other assets	1,144,186	-	-	-	1,144,186
	284,441,481	148,493,852	408,357,618	67,438,193	908,731,144
Loan commitments	6,226,055				6,226,055
Deposits from customers	341,282,533	116,257,944	52,649,714	-	510,190,191
Other borrowed funds	85,637,867	148,213,019	25,000,869	-	258,851,755
Lease liabilities	51,268	24,674	623,046	406,936	1,105,924
Other liabilities	5,450,567	-	-	-	5,450,567
	432,422,235	264,495,637	78,273,629	406,936	775,598,437
Net liquidity gap	**(141,754,699)**	**(116,001,785)**	**330,083,989**	**67,031,257**	**139,358,762**

Notes to and forming part of the financial statements
For the year ended 31 March 2021 (continued)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Liquidity Risk (continued)

	Less than three months	Between three and twelve months	Over one year to five years	Over five years	Total
As at 31 March 2020					
Total Assets	154,357,214	140,657,091	387,240,554	140,730,915	822,985,774
Total Liabilities	478,893,374	153,052,398	58,066,292	963,010	690,975,074
Net Liquidity Gap	(324,536,160)	(12,395,307)	329,174,262	139,767,905	132,010,700
As at 31 March 2019					
Total Assets	187,097,678	136,800,256	424,401,893	121,917,680	870,217,507
Total Liabilities	504,366,560	109,249,874	118,997,349	3,910,711	736,524,494
Net Liquidity Gap	(317,268,882)	27,550,382	305,404,544	118,006,969	133,693,013

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Market Risk

Market risk' is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk.

ALCO is responsible for ensuring the effective management of market risk throughout the Bank. Specific levels of authority and responsibility in relation to market risk management have been assigned to appropriate authority within the Bank.

The core market risk management activities are:

- the identification of all key market risks and their drivers;
- the independent measurement and evaluation key market risks and their drivers;
- the use of results and estimates as the basis for the Group's risk/return-oriented management; and
- monitoring risks and reporting on them.

The Bank considers market risk to arise principally on the below:
- Investments
- Open Forex Position

Equity price risk is subject to regular monitoring by the Bank's Treasury team but is not currently significant in relation to the Bank's overall results and financial position.

A. Investments

The Bank's investments are categorised under the following categories as per the Investment Policy:

- Hold To Collect ("HTC") – As per Bank's policy, the securities acquired by the Bank with the intention to hold them up to maturity will be classified under 'Hold to Collect (HTC)'. Hence, they need not be Marked to Market as the Bank has the intent and the ability to hold them till maturity. Therefore, there is no stress testing required on the HTC portfolio.

- Hold to Collect and Sell ("HTCS") – Out of our total investment portfolio of USD 248.52 Mio as on 31 March 2021, which consists of Government of Mauritius Bonds, Equity, T-Bills and Notes in MUR currency as well as Foreign currency investments in the form of FRNs, the portfolio kept in HTCS category amounts to USD 201.11 Mio. The Investment of USD 201.11 Million also includes investments of USD 30.40 Million in T-Bills which are classified as FVTPL in the Financial statements. As per the ICAAP, the impact of movement in the Bond yield by 15 bps in Scenario 1 and by 20 bps in Scenario 2 is tabled below-:

Market Risk-Stress Testing Analysis For Investments in HTCS Category					
Amount (Treasury Bills - USD 30.395 Mio, Total Investment in HTCS - USD 201.11 Mio)	**Average yield**	**Average Time to Maturity**	**Scenario 1 Impact Yield rises by 15 bps**	**Scenario 2 Impact Yield rises by 20 bps**	**Scenario 3 Impact Yield rises by 25 bps**
FVTPL - USD 30.395 Mio	0.68%	142 days	USD 17,726	USD 23,630	USD 29,532
Other HTCS - USD 170.715 Mio	1.75%	496 days	USD 408,906	USD 544,838	USD 680,587

The USD Investment portfolio categorized under HTCS, if any, is marked to market against the Reserves and does not affect the direct profitability of the Bank.

B. Open Forex Position

As on 31 March 2021 the net open position of our Bank in USD terms stood at USD 3,068,960. As per the ICAAP, the impact of adverse movement in the Exchange Rate by 0.5% in Scenario 1 and by 1.5% in Scenario 2 and 2.5% in Scenario 3 is tabled below-:

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Market Risk (continued)

Open Position	Scenario 1 Impact of Interest Rate moves adversely by 0.5%	Scenario 2 Impact of Interest Rate moves adversely by 1.5%	Scenario 3 Impact of Interest Rate moves adversely by 2.5%
USD 3,068,960	USD 15,345	USD 46,034	USD 76,724

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the vent that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which monitored daily by the Treasury department.

The table below summarises the Bank's exposure to interest rate risks. The Bank's assets and liabilities at carrying value are categorised by their repricing dates:

At 31 March 2021

	Less than 3 months	Between 3 months and 1 year	Over one year	Non Interest Sensitive	Total
	USD	USD	USD	USD	USD
Cash and cash equivalents	154,472,953	-	-	1,750,203	156,223,156
Investment securities	32,347,000	75,449,885	149,192,117	2,464,889	259,453,891
Loans and advances	419,646,688	41,270,688	29,393,420	887,342	491,198,138
Other assets	1,144,186	-	-	-	1,144,186
	607,610,827	116,720,573	178,585,537	5,102,434	908,019,371
Deposits from customers	345,562,805	110,076,951	52,565,951	1,984,483	510,190,191
Other borrowed funds	85,537,650	148,000,000	-	314,105	233,851,755
Lease liabilities	51,268	24,674	1,029,981	-	1,105,924
	431,151,723	258,101,625	53,595,932	2,298,588	745,147,870
Interest Sensitivity Gap	176,459,105	(141,381,052)	124,989,605	2,803,846	162,871,501

At 31 March 2020

	Less than 3 months	Between 3 months and 1 year	Over one year	Non Interest Sensitive	Total
	USD	USD	USD	USD	USD
Total Assets	475,361,689	153,082,712	138,444,561	56,175,693	823,064,655
Total Liabilities	479,057,350	149,950,000	57,792,831	4,253,774	691,053,955
Interest Sensitivity Gap	(3,695,661)	3,132,712	80,651,730	51,921,919	132,010,700

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Market risk (continued)

Interest rate risk (continued)

At 31 March 2019

	Less than 3 months	Between 3 months and 1 year	Over one year	Non Interest Sensitive	Total
	USD	USD	USD	USD	USD
Total Assets	572,882,680	137,395,404	142,610,303	17,329,119	870,217,506
Total Liabilities	446,962,000	105,717,000	179,934,783	3,910,711	736,524,494
Interest Sensitivity Gap	125,920,680	31,678,404	(37,324,480)	13,418,408	133,693,012

The management of interest rate risk against interest rate gaps limits is supplemented by monitoring the sensitivity of Bank's financial assets and liabilities to various standard and non-standard interest scenarios. Analysis of the Bank 's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves on the constant reporting date is as follows:

	200 bp Parallel Increase/Decrease		
	2021 USD (million)	2020 USD (million)	2019 USD (million)
Sensitivity of projected Net Interest Income	0.87	0.58	2.56

Currency Risk

Foreign exchange rate risk or currency risk is the adverse impact that may occur on profits and market value of assets and liabilities due to fluctuation in exchange rates depending on the spot as well as forward positions created by commercial, inter-bank and proprietary trading transactions in any particular currency. As a means to prudent management of the risk, the Bank has set up foreign exchange position limits, duly approved by the Board, both for daylight and overnight positions. In addition to these, cut loss limits have been set up on per deal and per day basis. Besides, suitable hedging techniques are also used for risk mitigation.

Management monitors the exchange positions and profits arising out of operations on a daily basis, and quarterly reports are submitted to the board. Any exception is promptly reported to the Board for ratification.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Market risk (continued)

Currency Risk (continued)

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 March 2021:

At 31 March 2021	**United States Dollar USD**	**Great Britain Pound USD**	**EURO USD**	**Others USD**	**Total USD**
Assets					
Cash and cash equivalents	141,105,214	378,147	402,247	14,337,548	156,223,156
Loans and advances	326,163,792	3,408,870	53,552,224	108,073,252	491,198,138
Investment securities	167,746,174	-	1,596	92,417,894	260,165,664
Other assets	1,144,186	-	-	-	1,144,186
	636,159,366	3,787,017	53,956,067	214,828,694	908,731,145
Liabilities					
Deposits from customers	269,635,055	5,050,825	12,262,060	223,242,251	510,190,191
Other borrowed funds	248,302,397	-	10,549,358	-	258,851,755
Lease liabilities	-	-	-	1,105,924	1,105,924
Other liabilities	5,450,567	-	-	-	5,450,567
	523,388,019	5,050,825	22,811,418	224,348,175	775,598,437
Net on Statement of Financial Position	112,771,347	(1,263,808)	31,144,649	(9,519,481)	133,132,707
At 31 March 2020					
Total Assets	595,693,767	3,466,448	63,222,735	160,681,705	823,064,655
Total Liabilities	467,299,066	5,558,677	47,088,059	171,108,153	691,053,955
Net on Statement of Financial Position	128,394,701	(2,092,229)	16,134,676	(10,426,448)	132,010,700
At 31 March 2019					
Total Assets	615,799,040	4,910,891	65,844,670	183,662,906	870,217,507
Total Liabilities	517,554,519	6,626,827	14,686,920	197,656,228	736,524,494
Net on Statement of Financial Position	98,244,521	(1,715,936)	51,157,750	(13,993,322)	133,693,013

6 FAIR VALUE OF FINANCIAL INSTRUMENTS

A: Valuation methods

The Bank measures fair values in accordance with IFRS 13, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Bank also uses a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value, which gives highest priority to quoted prices.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Assets and liabilities are classified as Level 1 if their value is observable in an active market.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. A Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities; and credit spreads. Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market.

- Level 3 inputs are unobservable inputs. Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data.

Where possible, fair value is determined by reference to a quoted market price for the instrument valued. The Bank holds financial assets and liabilities for which quoted prices are not available, such as over the counter derivatives. For these financial instruments the Bank uses valuation techniques to estimate fair value. The valuation techniques used include discounted cash flow models, comparison with similar instruments for which observable market prices exist, and other valuation models. These valuation techniques use as their basis independently sourced market parameters, such as interest rate yield curves, equities and commodities prices, option volatilities and currency rates.

The Bank uses generally accepted valuation models to determine the fair value of simple and liquid financial instruments, such as currency swaps in G7 currencies, that use only observable market data and involve minimum judgement. The use of observable market prices and model inputs, when available, reduces the need for management judgement and estimation, as well as the uncertainty related with the estimated fair value. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on general conditions and specific events in the financial markets.

The Bank also holds equity securities not quoted in active markets. The fair value of these instruments is determined using the net asset value (“NAV”) model and applying a discount rate. The selection of the appropriate valuation model, as well as the determination of key inputs used such as the appropriate discount rate to be used, require management judgement and estimation.

The Bank has an established control framework for the measurement of fair values which include amongst others:

- Verification of observable pricing;
- Review and approval process for any changes in models; and
- Analysis and investigation of any significant movements.

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Notes to and forming part of the financial statements
For the year ended 31 March 2021 (continued)

6 FAIR VALUE OF FINANCIAL INSTRUMENTS

B: Financial instruments measured at fair value – fair value hierarchy

The following table 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. The amounts are based on the values recognised in the statement of financial position.

At 31 March 2021	**Level 1 USD**	**Level 2 USD**	**Level 3 USD**	**Total USD**
Financial Assets at FVTPL				
- Investment securities	-	30,375,147	-	30,375,147
- Derivative assets	-	1,144,186	-	1,144,186
Financial Assets at FVOCI				
- Investment securities	345,483	176,937,623	366,292	177,649,398
Total	345,483	207,312,770	366,292	208,024,545
At 31 March 2020				
Financial Assets at FVTPL				
- Investment securities	-	3,757,414	-	3,757,414
Financial Assets at FVOCI				
- Investment securities	204,883	151,232,809	357,504	151,795,206
Total	204,883	154,990,233	357,504	155,552,620
Financial Liabilities at FVTPL				
- Derivative liability	-	73,759	-	73,759
At 31 March 2019				
Financial Assets at FVTPL				
- Investment securities	-	34,817,746	-	34,817,746
- Derivative assets	-	629,662	-	629,662
Financial Assets at FVOCI				
- Investment securities	-	151,284,910	-	151,284,910
Total	345,483	207,312,770	366,292	208,024,545

There has been no transfer between the fair value hierarchy level during the year.

Given the immateriality of the level 3 investments held by the Bank, management considers that no further disclosure under IFRS 13 is warranted.

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Notes to and forming part of the financial statements
For the year ended 31 March 2021 (continued)

6 FAIR VALUE OF FINANCIAL INSTRUMENTS

C: Financial instruments not measured at fair value

The following tables set out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

At 31 March 2021

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	156,609,876	-	156,609,876	156,609,876
Loans and advances to banks	-	86,776,343	-	86,776,343	86,776,343
Loans and advances to customers	-	404,421,795	-	404,421,795	404,421,795
Investment securities measured at amortised cost	-	53,842,290	-	53,842,290	50,234,556
Liabilities					
Deposits from customers	-	514,630,153	-	514,630,153	510,190,191
Other borrowed funds	-	258,851,755	-	258,851,755	258,851,755

At 31 March 2020

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	101,609,876	-	101,609,876	101,609,876
Loans and advances to banks	-	45,266,408	-	45,266,408	45,266,408
Loans and advances to customers	-	422,088,019	-	422,088,019	422,088,019
Investment securities measured at amortised cost	-	92,512,856	-	92,512,856	92,331,279
Liabilities					
Deposits from customers	-	443,473,160	-	443,473,160	435,408,436
Other borrowed funds	-	255,166,637	-	255,166,637	255,166,637

At 31 March 2019

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	USD	USD	USD	USD	USD
Assets					
Cash and cash equivalents	-	93,304,042	-	93,304,042	93,304,042
Loans and advances to banks	-	42,299,888	-	42,299,888	42,299,888
Loans and advances to customers	-	476,294,433	-	476,294,433	476,294,433
Investment securities measured at amortised cost	-	71,186,7720	-	71,186,7720	70,628,134
Liabilities					
Deposits from customers	-	473,483,587	-	473,483,587	471,418,308
Other borrowed funds	-	265,106,186	-	265,106,186	265,106,186

6 FAIR VALUE OF FINANCIAL INSTRUMENTS

C: Financial instruments not measured at fair value (continued)

Where they are available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates and primary origination or secondary market spreads

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

7 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 March 2021:

	Amortised cost	FVOCI	FVTPL	Total carrying amount
	USD	USD	USD	USD
Assets				
Cash and cash equivalents	156,223,156	-	-	156,223,156
Loans and advances to banks	86,776,343	-	-	86,776,343
Loans and advances to customers	404,421,795	-	-	404,421,795
Investment securities	51,031,159	178,759,358	30,375,147	260,165,664
Other assets	-	-	1,144,186	1,144,186
Liabilities				
Deposits from customers	473,483,587	-	-	473,483,587
Other borrowed funds	265,106,186	-	-	265,106,186
Lease liabilities	1,105,924	-	-	1,105,924
Other liabilities	9,889,679	-	-	9,889,679

31 March 2020:

	Amortised cost	FVOCI	FVTPL	Total carrying amount
	USD	USD	USD	USD
Assets				
Cash and cash equivalents	101,609,876	-	-	101,609,876
Loans and advances to banks	45,266,408	-	-	45,266,408
Loans and advances to customers	422,088,019	-	-	422,088,019
Investment securities	93,684,629	152,549,426	3,757,414	249,9914,468
Liabilities				
Deposits from customers	443,473,160	-	-	443,473,160
Other borrowed funds	255,166,637	-	-	255,166,637
Lease liabilities	1,277,872	-	-	1,277,872
Other liabilities	5,833,912	-	73,759	5,907,671

7 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

31 March 2019:

	Amortised cost	FVOCI	FVTPL	Total carrying amount
	USD	USD	USD	USD
Assets				
Cash and cash equivalents	93,304,042	-	-	93,304,042
Loans and advances to banks	42,299,888	-	-	42,299,888
Loans and advances to customers	476,294,433	-	-	476,294,433
Investment securities	71,740,625	151,760,771	34,817,746	258,319,143
Other assets	-	-	629,662	629,662
Liabilities				
Deposits from customers	473,483,587	-	-	473,483,587
Other borrowed funds	265,106,186	-	-	265,106,186
Other liabilities	6,199,843	-	-	6,199,843

8 CAPITAL RISK MANAGEMENT

Capital risk is the risk that the Bank has insufficient capital resources to meet the minimum regulatory requirements, to support its credit rating and to support its growth and strategic options.

The Bank's regulator is the Bank of Mauritius and sets the capital requirements for the Bank. The Bank of Mauritius has adopted Basel III as from June 2014 through the *Guideline on Scope of Application of Basel III and Eligible Capital.*

The Bank's regulatory capital consists of the sum of the following elements:

- Tier 1 capital, which comprises Common Equity Tier 1 ("CET1) and Additional Tier 1 Capital. This comprises ordinary share capital, statutory reserve and retained earnings reserves.
- Tier 2 capital which includes the general banking reserve.

For each of the three categories above, there is a single set of criteria that the instruments are required to meet before they can be included in the relevant category. For the purpose of determining the capital adequacy ratio, the capital base is the sum of Tier 1 and Tier 2 capital net of regulatory adjustments applied.

As of 31 March 2021, the Bank has complied with all externally imposed capital requirements.

Please refer to the disclosures in section 2.7 of the *Management and Discussion Analysis* part of the annual report for more details on capital risk management disclosures.

9. Segmental Reporting

Statement of Financial Position

	Notes	SEGMENT A			SEGMENT B			TOTAL		
		2021	**2020**	**2019**	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
		USD	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**
ASSETS										
Cash and cash equivalents	20	47,399,136	10,081,017	40,555,969	108,824,020	91,528,859	52,748,073	156,223,156	101,609,876	93,304,042
Loans and advances to banks	21	24,603,015	25,039,096	-	62,173,328	20,227,312	42,299,888	86,776,343	45,266,408	42,299,888
Loans and advances to customers	22	131,422,435	99,415,883	137,149,382	272,999,360	322,672,136	339,145,051	404,421,795	422,088,019	476,294,433
Investment securities	23	93,734,264	76,492,025	83,070,811	166,431,400	173,499,444	175,248,332	260,165,664	249,991,469	258,319,143
Property and equipment	24	7,624,837	7,583,324	7,685,687	-	-	-	7,624,837	7,583,324	7,685,687
Deferred tax assets	25	2,135,033	2,108,706	1,503,706	-	-	-	2,135,033	2,108,706	1,503,706
Current tax assets	30	-	165,043	204,470	-	-	-	-	165,043	204,470
Right-of-use assets	27	1,151,636	1,444,140	-	-	-	-	1,151,636	1,444,140	-
Other assets	26	17,248,133	15,469,068	15,450,026	1,206,686	165,603	1,001,944	18,454,819	15,634,671	16,451,970
Total assets		325,318,489	237,798,302	285,620,051	611,634,794	608,093,354	610,443,288	936,953,283	845,891,656	896,063,339
LIABILITIES										
Deposits from customers	28	269,421,358	261,966,602	249,431,843	240,768,833	173,841,834	221,986,465	510,190,191	435,808,436	471,418,308
Other borrowed funds	29	15,030,938	-	-	243,820,817	255,166,637	265,106,186	258,851,755	255,166,637	265,106,186
Current tax liabilities	30	378,094	-	-	-	-	-	378,094	-	-
Retirement benefit obligations	39	5,986,986	3,070,918	3,373,612	-	-	-	5,986,986	3,070,918	3,373,612
Lease liabilities	34	1,105,924	1,277,872	-	-	-	-	1,105,924	1,277,872	-
Other liabilities	31	5,089,945	3,292,873	3,843,488	4,799,734	2,614,798	2,356,355	9,889,679	5,907,671	6,199,843
Total liabilities		297,013,245	269,608,265	256,648,943	489,389,384	431,623,269	489,449,006	786,402,629	701,231,534	746,097,949
Shareholders' Equity										
Stated Capital	32a							48,627,188	48,627,188	48,627,188
Share premium								54,078,062	54,078,062	54,078,062
Retained earnings								22,800,407	17,951,523	26,552,746
Other reserves	40							30,800,109	27,248,247	24,038,206
Actuarial losses reserve	40							(5,755,112)	(3,244,898)	(3,330,812)
Total equity								150,550,654	144,660,122	149,965,390
Total equity and liabilities								936,953,283	845,891,656	896,063,339

9. Segmental Reporting (Contd.)

Statement of Profit or Loss and Comprehensive Income

		SEGMENT A			SEGMENT B			TOTAL		
	Notes	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
		USD	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**
Interest income		7,013,292	11,617,244	13,087,619	13,515,033	19,826,121	25,571,924	20,528,325	31,443,365	38,659,543
Interest expense		(1,971,195)	(7,050,723)	(4,816,800)	(4,376,946)	(7,153,262)	(9,657,554)	(6,348,141)	(14,203,985)	(14,474,354)
Net interest income	*11*	5,042,097	4,566,521	8,270,819	9,138,087	12,672,859	15,914,370	14,180,184	17,239,380	24,185,189
Fee and commission income	*12*	411,456	1,155,598	1,379,273	2,153,805	1,549,240	1,060,826	2,565,261	2,704,838	2,440,099
Net trading income	*13*	857,543	1,428,667	1,220,669	335,615	420,107	247,944	1,193,158	1,848,774	1,468,613
Other operating income	*14*	664,484	79,621	109,624	594,566	746,402	418,245	1,259,050	826,023	527,869
		1,522,027	1,508,288	1,330,293	930,181	1,166,509	666,189	2,452,208	2,674,797	1,996,482
Operating income		6,975,580	7,230,407	10,980,385	12,222,073	15,388,608	17,641,385	19,197,653	22,619,015	28,621,770
Net impairment loss on financial assets	*15*	(620,767)	(992,784)	5,285,860	(4,786,712)	(11,943,198)	(7,375,991)	(5,407,479)	(12,935,982)	(2,090,131)
Personnel expenses	*16*	(2,496,997)	(2,368,693)	(2,601,566)	(1,737,790)	(2,132,334)	(2,029,172)	(4,234,787)	(4,501,027)	(4,630,738)
Depreciation	*24*	(709,411)	(855,346)	(502,479)	-	-	(2,425)	(709,411)	(855,346)	(504,904)
Other expenses	*17*	(1,953,907)	(2,143,140)	(2,510,913)	(610,240)	(758,606)	(885,167)	(2,564,147)	(2,901,746)	(3,396,080)
Profit before income tax		1,194,498	870,444	10,651,287	5,087,331	554,470	7,348,630	6,281,829	1,424,914	17,999,917
Income tax expense	*18*	(577,259)	(102,408)	(2,214,760)	-	-	(85,240)	(577,259)	(102,408)	(2,300,000)
Profit for the year		617,239	768,036	8,436,527	5,087,331	554,470	7,263,390	5,704,570	1,322,506	15,699,917
Other Comprehensive Income										
Items that will not be reclassified to profit or loss										
Remeasurement of defined benefit obligations, net of deferred tax		(2,510,214)	85,914	(451,166)	-	-	-	(2,510,214)	85,914	(451,166)
Fair value gains on investment securities		331,370	101,582	404,033	-	-	-	331,370	101,582	404,033
Items that may be reclassified subsequently to profit or loss		-								-
Fair value gains on investment securities		2,364,806	2,910,068	785,175	-	-	-	2,364,806	2,910,068	785,175
Other Comprehensive Income for the year		185,962	3,097,564	738,042	-	-	-	185,962	3,097,564	738,042
Total comprehensive income for the year		803,201	3,865,600	9,174,569	5,087,331	554,470	7,263,390	5,890,532	4,420,070	16,437,959

10 Exchange Rate

	2021	2020	2019
USD to MUR (year end)	**40.45**	39.05	34.91

These exchange rates are mid rates on the statement of financial position date as published by Bank of Mauritius.

11 Net interest income

	2021 USD	2020 USD	2019 USD
Interest income			
Recognised on financial assets at amortised cost			
Cash and cash equivalents	565,438	1,535,139	3,834,101
Loans and advances to banks	30,177	252,022	143,759
Loans and advances to customers	14,054,332	20,943,450	26,305,637
Investment securities	1,791,674	2,999,094	6,562,144
Recognised on financial assets at FVOCI			
Investment securities	3,851,623	4,632,662	408,134
Other	235,081	1,080,998	1,405,768
Total interest income	20,528,325	31,443,365	38,659,543
Interest expense			
Recognised on financial liabilities at amortised cost			
Other borrowed funds	2,472,711	6,519,353	6,155,420
Deposits from customers	3,821,536	7,626,777	8,318,934
Lease liabilities	53,894	57,855	-
Total interest expense	6,348,141	14,203,985	14,474,354
Net interest income	14,180,184	17,239,380	24,185,189

Segment A

	2021 USD	2020 USD	2019 USD
Interest income			
Cash and cash equivalents	430,358	936,435	285,401
Loans and advances to banks	700,766	-	-
Loans and advances to customers	4,551,805	6,194,332	9,244,007
Investment securities	1,330,363	4,486,477	3,558,211
Total interest income	7,013,292	11,617,244	13,087,619
Interest expense			
Other borrowed funds	313,125	3,259,677	760,000
Deposits from customers	1,604,176	3,733,191	4,056,800
Lease liabilities	53,894	57,855	-
Total interest expense	1,971,195	7,050,723	4,816,800
Net interest income	5,042,097	4,566,521	8,270,819

Segment B

	2021 USD	2020 USD	2019 USD
Interest income			
Cash and cash equivalents	135,080	598,704	3,548,700
Loans and advances to banks	30,177	252,022	143,759
Loans and advances to customers	8,801,761	14,749,118	17,061,630
Investment securities	4,312,934	3,145,279	3,412,067
Other	235,081	1,080,998	1,405,768
Total interest income	13,515,033	19,826,121	25,571,924

11 Net interest income (cont'd)

Segment B

	2021 USD	2020 USD	2019 USD
Interest expense			
Borrowings from banks	2,159,586	3,259,677	5,395,420
Deposits from customers	2,217,360	3,893,585	4,262,134
Total interest expense	4,376,946	7,153,262	9,657,554
Net interest income	9,138,087	12,672,859	15,914,370

12 Net Fee and Commission Income

	2021 USD	2020 USD	2019 USD
Retail banking customer fees	128,495	-	893,890
Corporate banking customer fees	1,905,112	1,995,842	859,023
Other	531,654	708,996	687,186
Total fee and commission income	2,565,261	2,704,838	2,440,099
Segment A			
Retail banking customer fees	128,495	-	893,890
Corporate banking customer fees	82,978	777,600	-
Other	199,983	377,998	485,383
Total fee and commission income	411,456	1,155,598	1,379,273
Segment B			
Corporate banking customer fees	1,822,134	1,218,242	859,023
Other	331,671	330,998	201,803
Total fee and commission income	2,153,805	1,549,240	1,060,826

13 Net trading income

	2021 USD	2020 USD	2019 USD
Foreign exchange	1,091,265	1,848,774	981,085
Gains on FX dealings	101,893	-	487,528
	1,193,158	1,848,774	1,468,613
Segment A			
Foreign exchange	857,543	1,428,667	1,220,669
	857,543	1,428,667	1,220,669
Segment B			
Foreign exchange	233,722	420,107	(239,584)
Gains on FX dealings	101,893	-	487,528
	335,615	420,107	247,944

Foreign exchange includes net gain on debt instruments at FVTPL and net revaluation gain/loss on financial instruments.

14 Other operating income

	2021 USD	2020 USD	2019 USD
Profit on sales of investment	1,038,440	577,567	215,988
Dividend income on investment	6,494	29,048	-
Other income	214,116	219,408	311,881
	1,259,050	826,023	527,869
Segment A			
Profit on sales of investment	597,745	-	-
Dividend income on investment	6,494	29,048	-
Other Income	60,245	50,573	109,624
	664,484	79,621	109,624
Segment B			
Profit on sales of investment	440,695	577,567	215,988
Other income	153,871	168,835	202,257
	594,566	746,402	418,245

15 Net impairment loss on financial assets

	2021 USD	2020 USD	2019 USD
Loans and advances to customers	4,451,964	12,881,916	2,090,131
Loans and advances to banks	955,515	27,723	-
Non Fund Based Exposures	9,960	4,846	-
Investment securities	48,620	21,497	(66,945)
Recoveries during the year	(58,580)	-	-
	5,407,479	12,935,982	2,023,186
Segment A			
Loans and advances to customers and to banks	620,767	966,441	(5,218,915)
Non Fund Based Exposures	9,960	4,846	-
Investment securities	48,620	21,497	(66,945)
Recoveries during the year	(58,580)	-	-
	620,767	992,784	(5,285,860)
Segment B			
Loans and advances to customers and to banks	4,786,712	11,943,198	7,375,991

16 Personnel expenses

	2021 USD	2020 USD	2019 USD
Wages and salaries	3,298,328	3,609,478	3,773,463
Compulsory social security obligations	133,580	140,562	135,559
Contributions to pension schemes	198,024	165,964	202,018
Other personnel expenses	229,473	349,549	280,462
Workers' Rights Act - Unfunded obligations (Note 39)	118,176	-	-
Retirement benefit expense (Note 39)	257,206	235,474	239,236
	4,234,787	4,501,027	4,630,738
Segment A			
Wages and salaries	1,813,177	1,891,253	2,122,450
Compulsory social security obligations	73,432	75,273	91,755
Contributions to pension schemes	108,859	88,877	122,260
Other personnel expenses	126,147	77,816	25,865
Workers' Rights Act - Unfunded obligations	118,176	-	-
Retirement benefit expense	257,206	235,474	239,236
	2,496,997	2,368,693	2,601,566

16 Personnel expenses (continued)

Segment B			
Wages and salaries	1,485,151	1,718,225	1,651,013
Compulsory social security obligations	60,148	65,289	43,804
Contributions to pension scheme	89,165	77,087	79,758
Other personnel expenses	103,326	271,733	254,289
	1,737,790	2,132,334	2,029,172

17 Other expenses

	2021 USD	2020 USD	2019 USD
Other expenses	2,564,147	2,901,646	3,396,080
Segment A			
Other expenses	1,953,907	2,143,140	2,510,913
Segment B			
Other expenses	610,240	758,506	885,167

18 Taxation

Refer to note 3 (f) for the Bank's tax regime. Further to a pronouncement from the regulatory authorities in the current year, special levy expense has been reclassified from "other expenses" to "income tax expense" with the corresponding liability being reclassified from "other liabilities" to "income tax liability". This reclassification has also been reflected in the 2020 financial statements.

18a Current Taxation **Income tax reconciliation**	**2021** **USD**	**2020** **USD**	**2019** **USD**
Accounting Profit	6,281,829	1,425,014	17,999,917
Tax on Accounting profit at 5%/ 5%/ 15%	314,091	71,251	2,699,988
Less : Foreign tax credit on segment B	-	-	(881,593)
Less : Net effect of non taxable income, non allowable expenses and other items	(201,616)	(680,773)	594,942
Under /(Over) provision in previous years (Note 30)	14,784	(201,100)	(198,577)
Special Levy on Banks (Note 30)	450,000	868,681	85,240
Corporate Social Responsibility contribution	-	44,349	-
Tax expense for the year	577,259	102,408	2,300,000
18b Income Tax Expense			
Current tax expense for the year	-	-	290,337
Under /(Over) provision in previous years	14,784	(201,100)	(198,577)
Effect of change in exchange rate and tax rate	6,685	-	1,590,552
Movement in deferred tax (Note 25)	105,790	(609,522)	532,448
	127,259	(810,622)	2,214,760
Corporate Social Responsibility contribution	-	44,349	-
Special Levy on Banks (Note 30)	450,000	868,681	85,240
	577,259	102,408	2,300,000
Segment A			
Tax Expense			
Current tax expense for the year	-	-	290,337
Under /(Over) provision in previous years	14,784	(201,100)	(198,577)
Effect of change in exchange rate and tax rate	6,685	-	1,590,552
Movement in deferred tax	105,790	(609,522)	532,448
	127,259	(810,622)	2,214,760
Corporate Social Responsibility contribution		44,349	
Special Levy on Banks (Note 30)	450,000	868,681	-
	577,259	102,408	2,214,760
Segment B			
Current tax expense for the year	-	-	-
Special Levy on Banks (Note 30)	-	-	85,240
	-	-	85,240

18c As at 31 March 2021 the Bank has accumulated losses amounting to USD 0.9 million expiring in year 2025. (2020 accumulated losses of USD 10.8 million expiring in year 2024.

19 Earnings per share

	2021 USD	2020 USD	2019 USD
Profit for the year	5,704,570	1,322,606	15,699,917
Number of ordinary shares	778,035	778,035	778,035
Earnings per share	7.33	1.70	20.18

20a Cash and cash equivalents

	2021 USD	2020 USD	2019 USD
Cash in hand	1,610,729	2,341,508	1,800,938
Foreign currency notes and coins	139,474	101,062	90,363
Unrestricted balances with central bank	11,648,886	7,632,100	6,658,321
Money market placements	128,070,854	50,000,000	80,500,000
Balances with banks abroad	14,752,179	41,528,517	4,179,740
Interest receivable	1,034	6,689	74,680
	156,223,156	101,609,876	93,304,042
Segment A			
Cash in hand	1,610,729	2,341,508	1,800,938
Foreign currency notes and coins	139,474	101,062	90,363
Unrestricted balances with central bank	11,648,886	7,632,100	6,658,321
Money market placements	34,000,000	-	32,000,000
Interest receivable	47	6,347	6,347
	47,399,136	10,081,017	40,555,969
Segment B			
Money market placements	94,070,854	50,000,000	48,500,000
Balances with banks abroad	14,752,179	41,528,517	4,179,740
Interest receivable	987	342	68,333
	108,824,020	91,528,859	52,748,073

20b Analysis of net cash and cash equivalents as shown in the statement of cash flows

	2021 USD	2020 USD	2019 USD
Cash and cash equivalents	156,223,156	101,609,876	93,304,042
Other borrowed funds (less than 3 months)	(35,000,000)	(90,462,350)	(114,000,000)
Net cash and cash equivalent	121,223,156	11,147,526	(20,695,958)

21 Loans and advances to banks

	2021 USD	2020 USD	2019 USD
Loans and advances to banks	88,098,680	45,374,664	42,602,434
Interest receivable	86,925	345,491	123,478
Less allowance for credit impairment	(1,409,262)	(453,747)	(426,024)
	86,776,343	45,266,408	42,299,888
a **Segment A**			
Loans and advances to banks	25,000,000	25,000,000	-
Interest receivable	2,925	289,096	-
Less allowance for credit impairment	(399,910)	(250,000)	-
	24,603,015	25,039,096	-
Segment B			
Loans and advances to banks- outside Mauritius	63,098,680	20,374,664	42,602,434
Interest receivable	84,000	56,395	123,478
Less allowance for credit impairment	(1,009,352)	(203,747)	(426,024)
	62,173,328	20,227,312	42,299,888
b **Remaining term to maturity**			
Up to 3 months	8,706,845	288,947	-
Over 3 months and up to 6 months	641,002	85,717	15,762,724
Over 6 months and up to 12 months	45,000,000	25,000,000	6,839,710
Over 1 year and up to 5 years	33,750,833	20,000,000	20,000,000
Interest receivable	86,925	345,490	123,478
	88,185,605	45,720,154	42,725,912
c **Allowance for credit impairment**			
Balance at beginning of year	453,747	426,024	666,863
ECL allowances- Stage 1	955,515	27,723	(240,839)
Balance at end of year	1,409,262	453,747	426,024

22 Loans and advances to customers

	2021 USD	2020 USD	2019 USD
Retail customers	29,811,729	28,020,217	32,896,183
Mortgages	16,409,677	16,884,079	20,968,553
Other retail loans	13,402,052	11,136,138	11,927,630
Corporate customers	158,581,968	128,056,214	178,175,552
Governments	-	-	10,000,000
Entities outside Mauritius	253,141,686	297,431,771	273,293,444
Interest receivable	800,417	2,046,509	2,623,486
	442,335,800	455,554,711	496,988,665
Less allowance for credit impairment	(37,914,005)	(33,466,692)	(20,694,232)
	404,421,795	422,088,019	476,294,433

a Remaining term to maturity

	2021 USD	2020 USD	2019 USD
Up to 3 months	100,343,849	38,650,057	47,726,396
Over 3 months and up to 6 months	4,680,822	3,632,698	10,681,549
Over 6 months and up to 12 months	48,192,244	16,404,537	23,761,250
Over 1 year and up to 5 years	251,666,799	301,926,175	337,202,192
Over 5 years	36,651,669	92,894,735	74,993,792
Interest receivable	800,417	2,046,509	2,623,486
	442,335,800	455,554,711	496,988,665

b Credit concentration of risk by industry sectors

	2021 USD	2020 USD	2019 USD
Agriculture and fishing	23,333,271	10,871,272	15,053,929
Manufacturing	143,659,229	183,743,735	204,053,441
Tourism	13,618,857	14,139,550	24,686,003
Transport	38,300,949	36,865,851	36,601,239
Construction	37,975,566	41,490,117	48,252,414
Financial and business services	112,213,659	101,160,446	57,306,706
Traders	16,771,162	7,896,137	18,502,897
Personal	3,057,842	3,024,330	4,877,213
Professional	157,851	122,501	199,123
Global Business Licence holders	50,189,142	49,649,776	77,563,099
Others	2,257,856	4,544,487	7,269,115
Interest receivable	800,416	2,046,509	2,623,486
	442,335,800	455,554,711	496,988,665
Segment A			
Agriculture and Fishing	23,333,271	10,871,272	15,053,929
Manufacturing	17,253,657	17,812,669	19,999,583
Tourism	13,618,857	14,139,550	24,686,003
Transport	18,194,997	16,759,899	16,495,287
Construction	30,175,571	31,652,802	38,270,295
Financial and business services	14,747,129	3,693,916	4,973,373
Traders	16,771,162	7,896,137	18,502,897
Personal	3,057,842	3,024,330	4,877,213
Professional	157,851	122,501	199,123
Others	894,220	453,580	450,933
Interest receivable	328,864	323,503	487,084
	138,533,421	106,750,159	143,995,720
Segment B			
Manufacturing	126,405,572	165,931,066	184,053,858
Transport	20,105,952	20,105,952	20,105,952
Construction	7,799,995	9,837,315	9,982,119
Financial and business services	97,466,530	97,466,530	52,333,333
Global Business Licence holders	50,189,142	49,649,776	77,563,099
Others	1,363,636	4,090,907	6,818,182
Interest receivable	471,552	1,723,006	2,136,402
	303,802,379	348,804,552	352,992,945

22 Loans and advances to customers (continued)

c Allowance for credit impairment

Allowance for credit impairment	ECL allowances Stage 3 USD	ECL allowances Stage 1 &2 USD	Total allowances for impairment USD
Balance at 31 March 2018	55,729,481	5,646,143	61,375,624
Exchange Difference	(35,791)	(1,680)	(37,471)
Provision for credit impairment for the year	2,066,517	23,614	2,090,131
Additional provision on initial application of IFRS 9	10,168,484	-	10,168,484
Additional specific provision on Loan and Advances	15,483,886	-	15,483,886
Reclassification of general provision to specific provision	402,928	(402,928)	-
Loans written off out of allowance	(68,236,175)	-	(68,236,175)
Allocation of General Provision for operational risk		(213,380)	(213,380)
Reclassification of provision to banks	-	240,839	240,839
Reclassification of provision to Investments :			-
Allowance on Implementation of IFRS 9 at 01st April 2018		(118,385)	(118,385)
Adjustment during the year		66,945	66,945
General Provisions on Non fund based Exposures		(126,266)	(126,266)
Balance at 31 March 2019	**15,579,330**	**5,114,902**	**20,694,232**
Exchange Difference	(48,313)	(5,649)	(53,962)
Provision for credit impairment for the year	8,126,609	4,804,528	12,931,137
Loans written off out of allowance	(174,056)	-	(174,056)
Reclassification of provision to banks	-	(27,723)	(27,723)
Movement from general provision on loans to specific provision on Loans	1,270,747	(1,270,747)	-
Movement from general provision on NFB to specific provision on loans	97,064	-	97,064
Balance at 31 March 2020	**24,851,381**	**8,615,311**	**33,466,692**
Exchange Difference	(8,348)	77,751	69,403
Provision for credit impairment for the year	3,181,096	1,270,868	4,451,964
Loans written off out of allowance	(15,474)	-	(15,474)
Movement of general provision on loans to specific provision on Loans	979,804	(979,804)	-
Movement of specific provision on loans to general provision on Loans	(23,040)	23,040	-
Recoveries during the year	-	(58,580)	(58,580)
Balance at 31 March 2021	28,965,419	8,948,586	37,914,005

d Allowance for credit impairment by industry sectors

	2021 USD					2020 USD	2019 USD
Bank - Total	**Gross amount of loans**	**Impaired loans**	**ECL allowances Stage 3**	**ECL allowances Stage 1 &2**	**Total allowances for credit impairment**	**Total allowances for credit impairment**	**Total allowances for credit impairment**
Agriculture and Fishing	23,333,271	1,895	1,257	497,541	498,798	447,877	193,774
Manufacturing	143,659,229	2,965	2,123	3,733,266	3,735,389	3,704,536	2,222,904
Tourism	13,618,857	487	487	350,659	351,146	424,511	493,213
Transport	38,300,949	27,746,152	19,718,102	171,151	19,889,253	14,649,585	14,773,650
Construction	37,975,566	739,997	419,121	1,090,387	1,509,508	5,469,710	1,201,458
Financial and Business Services	112,213,659	13,466,530	8,608,410	2,132,565	10,740,975	7,296,648	573,067
Traders	16,771,162	323,612	199,991	229,326	429,317	324,130	346,115
Personal	3,057,842	22,830	15,928	40,741	56,669	59,591	40,866
Professional	157,851	-	-	2,829	2,829	2,357	1,856
Global Business Licence holders	50,189,142	-	-	664,484	664,484	996,677	774,835
Others	2,257,856	-	-	35,637	35,637	91,070	72,494
Interest receivable	800,416	358,126	-	-	-	-	-
	442,335,800	42,662,594	28,965,419	8,948,586	37,914,005	33,466,692	20,694,232

22 Loans and advances to customers (continued)
d Allowance for credit impairment by industry sectors (continued)

	2021					2020	2019
	USD					USD	USD
Segment A	Gross amount of loans	Impaired loans	ECL allowances Stage 3	ECL allowances Stage 1 &2	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
Agriculture and Fishing	23,333,271	1,895	1,257	497,541	498,798	447,877	193,774
Manufacturing	17,253,657	2,965	2,123	278,718	280,841	360,792	382,365
Tourism	13,618,857	487	487	350,659	351,146	424,511	493,213
Transport	18,194,997	7,640,200	3,950,287	171,151	4,121,438	4,319,585	4,443,650
Construction	30,175,571	739,997	419,121	655,739	1,074,860	1,312,363	1,101,637
Financial and business services	14,747,129	-	-	281,266	281,266	74,438	49,734
Traders	16,771,162	323,612	199,991	229,326	429,317	324,130	346,115
Personal	3,057,842	22,830	15,928	40,741	56,669	59,591	40,866
Professional	157,851	-	-	2,829	2,829	2,357	1,856
Others	894,220	-	-	13,822	13,822	8,632	4,312
Interest receivable	328,864	174,558	-	-	-	-	-
	138,533,421	8,906,544	4,589,194	2,521,792	7,110,986	7,334,276	7,057,522
Segment B							
Manufacturing	126,405,572	-	-	3,454,548	3,454,548	3,343,744	1,840,539
Transport	20,105,952	20,105,952	15,767,815	-	15,767,815	10,330,000	10,330,000
Construction	7,799,995	-	-	434,648	434,648	4,157,347	99,821
Financial and business services	97,466,530	13,466,530	8,608,410	1,851,299	10,459,709	7,222,210	523,333
Global Business Licence holders	50,189,142	-	-	664,484	664,484	996,677	774,835
Others	1,363,636	-	-	21,815	21,815	82,438	68,182
Interest receivable	471,552	183,568	-	-	-	-	-
	303,802,379	33,756,050	24,376,225	6,426,794	30,803,019	26,132,416	13,636,710

23 Investment securities

	2021 USD	2020 USD	2019 USD
Investment securities at fair value through profit and loss	30,375,147	3,757,414	34,817,746
Investment securities at amortised cost	50,234,556	92,331,279	70,628,134
Investment securities at FVOCI	177,649,398	151,795,206	151,284,910
Interest receivable	2,028,120	2,180,507	1,639,793
	260,287,221	250,064,406	258,370,583
Less Allowance for credit impairment	(121,557)	(72,937)	(51,440)
	260,165,664	249,991,469	258,319,143

a Investment securities at fair value through profit and loss

	2021 USD	2020 USD	2019 USD
Treasury/BoM Bills	30,375,147	3,757,414	34,817,746
Segment A			
Treasury Bills / Notes issued by Government of Mauritius	30,375,147	3,757,414	-
Segment B			
Treasury Bills / Notes issued by foreign governments	-	-	34,817,746

b Investment securities at amortised cost

	2021 USD	2020 USD	2019 USD
Government bonds & MDLS	8,669,412	14,567,346	21,068,206
Bank of Mauritius/Treasury Notes	-	-	9,937,887
Other investment securities (Credit Linked Investments, Syndicated Term Notes, Placements with Banks & Others)	41,565,144	77,763,933	39,622,041
Interest receivable	918,161	1,426,287	1,163,931
Less ECL allowances-Stage 1	(121,557)	(72,937)	(51,440)
	51,031,160	93,684,629	71,740,625
Bank - Segment A			
Government of Mauritius bonds & MDLS	8,669,412	14,567,346	21,068,206
Bank of Mauritius/Treasury Notes	-	-	9,937,887
Other investment securities (Credit Linked Investments, Syndicated Term Notes, Placements with Banks & Others)	3,039,401	3,464,697	3,009,605
Interest receivable	594,263	880,156	980,867
	12,303,076	18,912,199	34,996,565
Segment B			
Other Foreign Investment Securities (Credit Linked Investments, Syndicated Term Notes, Placements with Banks & Others)	38,525,743	74,299,236	36,612,436
Interest receivable	323,898	546,131	183,064
Less ECL allowances-Stage 1	(121,557)	(72,937)	(51,440)
	38,728,084	74,772,430	36,744,060

c Investment securities at FVOCI

	2021 USD	2020 USD	2019 USD
Equity Investment	711,775	451,935	562,387
Other investment securities	176,937,623	151,343,271	150,722,522
Interest receivable	1,109,959	754,220	475,862
Less ECL allowances-Stage 1	-	-	-
	178,759,357	152,549,426	151,760,771
Segment A			
Equity Investment	366,292	351,724	357,504
Other Investment securities	50,689,749	53,470,688	47,716,742
	51,056,041	53,822,412	48,074,246
Bank - Segment B			
Equity Investment	345,483	100,211	204,883
Other foreign investment securities	126,247,874	97,872,583	103,005,781
Interest receivable	1,109,959	754,220	475,862
	127,703,316	98,727,014	103,686,526

d Allowance for impairment

	2021 USD	2020 USD	2019 USD
Opening balance	72,937	51,440	-
Allowance on Implementation of IFRS 9 at 1st April 2018	-	-	118,385
Adjustment during the year	48,620	21,497	(66,945)
Balance at end of year	121,557	72,937	51,440

24 Property and equipment - Segment A

	Building on lease land USD	Land and buildings USD	Furniture, fittings and office equipment USD	Motor Vehicles USD	TOTAL USD
Cost/Deemed cost					
Balance at 1 April 2018	318,680	9,003,907	6,835,836	297,875	16,456,298
Acquisitions	-	-	245,076	5,882	250,958
Disposals	-	-	-	(109,666)	(109,666)
Balance at 31 March 2019	318,680	9,003,907	7,080,912	194,091	16,597,590
Acquisitions	-	-	345,328	57,025	402,353
Disposals	-	-	(1,230)	-	(1,230)
Balance at 31 March 2020	318,680	9,003,907	7,425,010	251,116	16,998,713
Acquisitions	-	-	483,413	19,794	503,207
Disposals	-	-	(3,019,539)	(51,945)	(3,071,484)
Balance at 31 March 2021	318,680	9,003,907	4,888,884	218,965	14,430,436
Accumulated depreciation					
Balance at 1 April 2018	171,565	1,908,380	6,166,373	270,350	8,516,668
Depreciation for the year	16,346	164,332	312,410	11,816	504,904
Disposal adjustment	-	-	-	(109,669)	(109,669)
Balance at 31 March 2019	187,911	2,072,712	6,478,783	172,497	8,911,903
Depreciation for the year	16,346	164,332	311,237	12,801	504,716
Disposal adjustment	-	-	(1,230)	-	(1,230)
Balance at 31 March 2020	204,257	2,237,044	6,788,790	185,298	9,415,389
Depreciation for the year	16,346	164,332	258,500	19,382	458,560
Disposal adjustment	-	-	(3,019,539)	(48,811)	(3,068,350)
Balance at 31 March 2021	220,603	2,401,376	4,027,751	155,869	6,805,599
Net book value					
At 31 March 2021	98,077	6,602,531	861,133	63,096	7,624,837
At 31 March 2020	114,423	6,766,863	636,220	65,818	7,583,324
At 31 March 2019	130,769	6,931,195	602,129	21,594	7,685,687

25 Deferred tax assets - Segment A

	2021 USD	2020 USD	2019 USD
At the Beginning of the year	2,108,706	1,503,706	2,059,900
Additional recognised for IFRS 9 and provision	-	-	1,543,060
Movement during the year accounted in profit or loss (Note 18b)	(105,790)	609,522	(532,448)
Effect of exchange difference and tax rate	-	-	(1,590,552)
Movement during the year accounted in other comprehensive income	132,117	(4,522)	23,746
At end of the year	2,135,033	2,108,706	1,503,706
Analysed as follows			
Accelerated Capital Allowances	31,523	21,694	684
Allowances for Credit losses	1,970,553	1,482,300	1,064,898
Loss available for offset	11,163	628,721	446,998
Employee Benefits	299,349	153,546	168,681
Revaluation of Building	(177,555)	(177,555)	(177,555)
	2,135,033	2,108,706	1,503,706

Deferred income tax is calculated on all temporary differences under the liability method using an effective tax rate of 5% (2020 and 2019 - 5%) for segment A and an effective tax rate of 5% (2020 and 2019 - 5%) for Segment B.

26 Other assets

	2021 USD	2020 USD	2019 USD
Mandatory Balance with Central Bank	16,617,924	15,052,601	14,993,714
Derivative assets (Note 38)	1,144,186	-	629,662
Other	692,709	582,070	828,594
	18,454,819	15,634,671	16,451,970
Segment A			
Mandatory Balance with Central Bank	16,617,924	15,052,601	14,993,714
Other	630,209	416,467	456,312
	17,248,133	15,469,068	15,450,026
Segment B			
Derivative assets (Note 38)	1,144,186	-	629,662
Other	62,500	165,603	372,282
	1,206,686	165,603	1,001,944

27 Right-of-use assets

	USD
Buildings	
Cost	
At 01 April 2019	-
Recognition on initial application of IFRS 16	1,794,770
At 31 March 2020	1,794,770
Additions	192,816
Discontinued leases	(234,469)
At 31 March 2021	1,753,117
Amortisation	
At 01 April 2019	-
Charge for the year	(350,630)
At 31 March 2020	(350,630)
Charge for the year	(250,851)
At 31 March 2021	(601,481)
Carrying amount	
At 31 March 2020	1,444,140
At 31 March 2021	1,151,636

The Bank has multiple leases to operate its branches as well as accomodating expatriate staff members in Mauritius. The average lease term for branches is of 5 years and rental for residence of expatriates staff members varies between 3 years and 4 years.

The Bank does not have an option to purchase the leased assets at the end of the lease term. The Bank's obligations are secured by the lessor's title to the leased assets for such leases.

28 Deposits from customers

	2021 USD	2020 USD	2019 USD
Savings Deposit	138,686,558	122,732,182	131,068,237
Demand Deposit	126,153,407	113,291,679	144,776,594
Time Deposit	-		
Within three months	76,218,053	78,406,964	89,521,730
Over 3 and up to 6 months	60,262,477	43,176,227	25,786,240
Over 6 months and up to 12 months	54,320,548	41,524,881	33,463,635
Over 1 year and up to 5 years	52,564,665	33,101,016	43,997,348
Interest payable	1,984,483	3,575,487	2,804,524
	510,190,191	435,808,436	471,418,308
Segment A			
Savings Deposit	138,686,558	122,732,147	131,068,162
Demand Deposit	34,754,823	36,314,156	32,019,910
Time Deposit	-		
Within three months	14,469,924	35,789,993	29,962,017
Over 3 and up to 6 months	15,528,917	21,130,333	7,472,934
Over 6 months and up to 12 months	41,549,833	20,234,834	15,706,303
Over 1 year and up to 5 years	23,295,489	23,584,423	31,681,060
Interest payable	1,135,814	2,180,716	1,521,457
	269,421,358	261,966,602	249,431,843
Segment B			
Savings Deposit	-	35	75
Demand Deposit	91,398,584	76,977,523	112,756,684
Time Deposit			
Within three months	61,748,129	42,616,971	59,559,713
Over 3 and up to 6 months	44,733,560	22,045,894	18,313,306
Over 6 months and up to 12 months	12,770,715	21,290,047	17,757,332
Over 1 year and up to 5 years	29,269,176	9,516,593	12,316,288
Interest payable	848,669	1,394,771	1,283,067
	240,768,833	173,841,834	221,986,465

28 Deposits from customers (continued)

	2021 USD	2020 USD	2019 USD
Retail Customers			
Savings Deposit	131,713,271	113,715,021	121,362,483
Demand Deposit	5,189,607	5,963,764	6,694,913
Time Deposit	-	-	
Within three months	3,956,581	5,394,205	6,006,634
Over 3 and up to 6 months	3,010,730	4,217,487	7,388,518
Over 6 months and up to 12 months	11,259,535	9,749,851	11,369,868
Over 1 year and up to 5 years	12,307,040	11,375,350	12,647,961
	167,436,764	150,415,678	165,470,377
Corporate Customers			
Savings Deposit	6,338,813	8,353,273	8,931,230
Demand Deposit	120,447,673	107,309,898	137,214,581
Time Deposit	-	-	
Within three months	72,102,093	72,830,245	61,981,265
Over 3 and up to 6 months	57,251,747	38,958,740	18,397,722
Over 6 months and up to 12 months	43,061,013	31,296,622	20,597,820
Over 1 year and up to 5 years	40,257,625	21,645,791	31,261,467
	339,458,964	280,394,569	278,384,085
Government			
Savings Deposit	634,474	663,888	774,524
Demand Deposit	516,127	18,017	867,100
Time Deposit			
Within three months	159,379	182,514	21,533,831
Over 3 and up to 6 months	-	-	-
Over 6 months and up to 12 months	-	478,408	1,495,947
Over 1 year and up to 5 years	-	79,875	87,920
	1,309,980	1,422,702	24,759,322
Interest payable	1,984,483	3,575,487	2,804,524
TOTAL	510,190,191	435,808,436	471,418,308

29 Other borrowed funds

	2021	2020	2019
	USD	USD	USD
Borrowings from banks			
in Mauritius	15,000,000	-	-
abroad	243,537,650	254,488,350	264,000,000
Interest payable	314,105	678,287	1,106,186
	258,851,755	255,166,637	265,106,186
Borrowings from banks			
Within three months	85,537,650	162,488,350	114,000,000
Over 3 and up to 6 months	63,000,000	-	-
Over 6 months and up to 12 months	85,000,000	67,000,000	50,000,000
Over 1 year and up to 5 years	25,000,000	25,000,000	100,000,000
Interest payable	314,105	678,287	1,106,186
	258,851,755	255,166,637	265,106,186
Segment A			
Borrowings from banks	15,000,000	-	-
Interest payable	30,938	-	-
	15,030,938	-	-
Segment B			
Borrowings from banks	243,537,650	254,488,350	264,000,000
Interest payable	283,167	678,287	1,106,186
	243,820,817	255,166,637	265,106,186

30 Current tax (assets) / liabilities

Segment A

	2021	2020	2019
At the beginning of the year	(165,043)	(204,470)	528,263
Current tax expense (Note 18b)	-	-	245,717
Special levy expense (Note 18b)	450,000	868,681	85,240
Under/(over) provision in previous years	14,784	(156,750)	(198,577)
Special levy paid	(397,672)	(628,155)	
Refund of tax in respect of tax of previous year	490,809	-	(329,685)
Paid in respect of APS	(14,784)	(44,349)	(535,428)
At the end of the year	378,094	(165,043)	(204,470)

31 Other liabilities

	2021	2020	2019
Bills payable	650,833	413,189	927,239
Derivative liability (Note 38)	-	73,759	-
Others	9,238,846	5,420,723	5,272,604
	9,889,679	5,907,671	6,199,843
Segment A			
Bills payable	650,833	413,189	927,239
Others	4,439,112	2,879,684	2,916,249
	5,089,945	3,292,873	3,843,488
Segment B			
Derivative liability (Note 38)	-	73,759	-
Others	4,799,734	2,541,039	2,356,355
	4,799,734	2,614,798	2,356,355

	2021 USD	2020 USD	2019 USD
32a Stated Capital			
Issued and Fully Paid Capital (778,035 Ordinary Shares of USD 62.50 each)	48,627,188	48,627,188	48,627,188
Share Premium	54,078,062	54,078,062	54,078,062

Fully paid ordinary shares, which have a par value of USD 62.50, carry one vote per share and carry a right to dividends.

32b Dividend Paid

	2021 USD	2020 USD	2019 USD
Dividend Paid	-	9,725,438	4,862,719
Dividend per share	-	12.50	6.25

33 Reconciliation of liabilities arising from financing activities.

The table below details changes in the Bank liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank's statement of cash flows from financing activities.

a

		Opening balance	Financing cash flows (i)	Others (ii)	Closing balance
Other borrowed funds (Note 29)		USD	USD	USD	USD
Year 2021		**255,166,637**	**59,511,650**	**(55,826,532)**	**258,851,755**
Year 2020		265,106,186	14,026,000	(23,965,549)	255,166,637
Year 2019		165,692,623	-	99,413,563	265,106,186

b

		Opening balance	Financing cash flows (i)	Others (ii)	Closing balance
Lease liabilities (Note 34)		USD	USD	USD	USD
Year 2021		**1,277,872**	**(171,948)**	**-**	**1,105,924**
Year 2020		1,794,770	406,409	(923,307)	1,277,872

(i) The cash flows from borrowings and dividend make up the net amount of proceeds from borrowings and repayment of borrowings in the statement of cash flows

(ii) Others include change interest accrued and short term borrowings classified as cash and cash equivalent.

34 Lease Liabilities

Leasing Arrangements

Operating Lease relates to the lease of buildings with leased terms between one to five years with an option to extend for a further period of up to five years. All operating lease contracts contain market review clauses in the event that the Bank exercises its option to renew. The Bank does not have an option to purchase the building after expiry of the lease period.

Analysed as follows:	2021 USD	2020 USD
Current	296,070	273,769
Non current	809,854	1,004,103
	1,105,924	1,277,872

Disclosure required by IFRS 16:

Maturity analysis

	2021 USD	2020 USD
Year 1	296,070	273,789
Year 2	252,405	266,600
Year 3	201,030	234,696
Year 4	144,195	188,417
Year 5	108,045	127,187
Onwards	104,179	187,183
	1,105,924	1,277,872

The Bank does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Bank's Procurement and Services Department.

35 Contingent liabilities

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and are generally extended over the period of the facility. The commitments and contingent liabilities have off balance sheet credit risk.

	2021 USD	2020 USD	2019 USD
Acceptances on account of customers	524,679	2,029,407	1,613,911
Guarantees on account of customers	14,745,455	4,225,396	10,326,046
Letters of credit and other obligations on account of customers	4,660,950	11,166,696	30,030,245
	19,931,084	17,421,499	41,970,202

36 Commitments

Loans and other facilities			
Undrawn credit facilities	6,226,055	9,227,035	46,921,722
	6,226,055	9,227,035	46,921,722

37 Related parties

A related party is a person or company where that person or company has control or joint control of the reporting company; has significant influence over the reporting company; or is a member of the key management personnel of the reporting company or of a parent of the reporting company.

The Bank considers related parties as key management personnel, directors and shareholders.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans and management fees. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and relating expense and income for the year are as follows:

Related companies - Companies within SBI group	2021 USD	2020 USD	2019 USD
Statement of financial position			
Assets			
Balance and Placements with Banks	61,107,698	53,011,425	17,082,300
Loans & Advances to Banks	8,585,933	374,664	-
Accrued Interest	15,766	17,145	14,449
Liabilities			
Deposits	287,034	244,621	268,033
Other borrowed funds	198,537,650	95,462,350	200,000,000
Accrued Interest	264,130	272,013	1,063,582
Statement of Profit or Loss and Other Comprehensive Income			
Interest Income	71,723	-	1,255,932
Interest Paid	1,172,460	-	5,474,398
Management Fees paid to parent bank	178,341	214,029	306,820
Dividends paid	-	9,725,438	4,862,719
Off Balance sheet balance			
Bank Guarantee	10,602,100	-	815,000
Key Management & Personnel			
Loans	27,505	42,954	68,068
Interest Income earned	503	14	1,632
Deposits	194,542	153,381	188,888
Interest expense on deposits	583	324	1,736
Directors			
Deposits	32,245	92,135	19,672
Interest Expense	4	94	251
Compensation to Key Management & Directors			
Short term benefits	742,028	528,822	654,295
Post employment benefits	66,307	20,291	27,283

None of the facilities granted to related parties were non performing.

38 Derivatives

Cross Currency Swaps	Total Notional Principal USD	Fair Value Assets USD	Fair Value Liabilities USD	Net USD
2021	35,575,235	1,156,434	(12,249)	1,144,186
2020	23,191,991	88,162	(161,921)	(73,759)
2019	56,366,622	636,952	(7,290)	629,662

39 *Retirement benefit obligation*

The pension plan is final salary defined plan to employees and is wholly funded . The assets of the funded plan are held and administered independently by the SICOM Ltd.

The overall expected rate of return is determined by reference to market yields on bonds.The following information is based on the report dated 31st March 2021 from it.

	2021	2020	2019
Non-current	**USD**	**USD**	**USD**
Amounts recognised in statement of financial position			
Present Value of funded obligations	8,893,539	6,121,773	6,810,515
Fair Value of Plan Assets	(2,906,553)	(3,050,856)	(3,436,903)
Liabilities recognised in statement of financial position	5,986,986	3,070,918	3,373,612
Movements in liabilities recognised in the statement of financial position			
At the beginning of the year	3,070,918	3,373,612	2,881,503
Exchange Difference	(52,321)	(395,435)	(153,483)
Amount recognised in profit or loss (Note 16)	257,206	235,474	239,236
Gratuity payable under Workers Rights Acts 2019 (Note 16)	118,176	-	-
Amount recognised in other comprehensive income	2,642,331	(90,436)	474,312
Employer contribution paid	(49,324)	(52,297)	(67,955)
At the end of the year	5,986,986	3,070,918	3,373,612
The amounts recognised in profit or loss is as follows:			
Current service cost	127,857	112,575	127,766
Employee contributions	(49,324)	(52,297)	(67,955)
Fund expenses	1,974	1,746	2,719
Interest cost (net)	176,699	173,450	176,706
Total included in employee benefit expense	257,206	235,474	239,236
Actual return on plan assets	291,213	156,588	177,384

39 *Retirement benefit obligation (continued)*

	2021 USD	2020 USD	2019 USD
Movement in the Fair Value of Plan Assets were as follows			
Fair Value of Plan assets at start of the year	3,050,856	3,436,902	3,694,554
Expected Return of on Plan Assets	158,056	163,226	207,962
Employer Contributions	49,324	52,297	67,955
Employee Contributions	49,324	52,297	67,955
Exchange difference	(71,690)	(403,009)	(197,562)
Benefits Paid	(412,122)	(343,022)	(399,701)
Asset gains/ (loss)	82,805	92,165	(4,261)
Fair Value of Plan Assets at the end of the year	2,906,553	3,050,856	3,436,902
Reconciliation of the present value of defined benefit obligation			
Present value of obligation at start of period	6,121,773	6,810,515	6,576,055
Current service cost	127,857	112,575	127,766
Exchange rate difference	(5,833)	(798,447)	(351,643)
Interest cost	334,755	336,676	384,669
Benefits paid	(410,149)	(341,275)	(396,983)
Liability loss	2,725,136	1,729	470,651
Present value of obligation at end of period	8,893,539	6,121,773	6,810,515

The main categories of plan assets at statement of financial position date for each category are as follows:

	2021	2020	2019
Percentage of assets at end of the year			
Government securities and cash	56.30%	63.20%	56.50%
Loans	3.00%	3.20%	3.80%
Local entities	10.10%	10.80%	13.60%
Overseas bonds and equities	30.10%	22.20%	25.50%
Property	0.50%	0.60%	0.60%
Total	100%	100%	100%

The amounts recognised in other comprehensive income are as follows:

	2021 USD	2020 USD	2019 USD
Asset experience gains/ (loss) during the year	82,805	92,165	(4,261)
Liability experience (loss)/gain during the year	(2,725,136)	(1,729)	(470,651)
	(2,642,331)	90,436	(474,912)

The principal actuarial assumptions used for accounting purposes were

	2021	2020	2019
Discount Rate	2.53%	5.60%	6.18%
Expected salary escalation	2.00%	3.50%	3.50%
Future pension increases	1.40%	2.60%	3.00%

The discount rate is determined by reference to market yields on bonds

39 *Retirement benefit obligation (continued)*

Sensitivity analysis on defined benefit obligations at end of the reporting date:

	Increase	**Decrease**
	USD	USD
Discount rate (1% movement)	1,597,029	1,248,452
Future long-term salary assumptions (1% movement)	630,406	531,519
Life expectancy (one year movement)	301,606	301,606

An increase/decrease of 1% in other principal actuarial assumptions would not have a material impact on defined benefit obligations at the end of the reporting period.

The sensitivity above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the projected unit credit method.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

The defined benefit pension plan exposes the Bank to actuarial risks, such as investment risk, interest rate risk, longevity risk and salary risk. The risk relating to death in service benefits is re-insured.

The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

The Bank expects to pay USD 50,310 in contributions to its post-employment benefit plans for the year ending 31 March 2021. (31 March 2020: $54,233)

The weighted average duration of the defined benefit obligation is 16 years at the end of the reporting period.

Contributions to Bank scheme amount to USD 49,324 for the current financial year. (31 March 2020: USD52,297)

40 Reserves

a ***Statutory reserve***

The Bank maintains a statutory reserve and transfers each year to the statutory reserve out of the profit for the year, a sum equal to not less than 15% of the profit for the year until the balance in the statutory reserve is equal to the amount paid as stated capital.

b ***General banking reserve***

General banking reserve is made up of profit appropriation from previous years.

c ***Other reserves***

Other reserves comprise:

- Revaluation surplus, which relates to the surplus on revaluation of land and buildings
- Fair value reserve, which comprises of the cumulative net change in the Fair value of financial assets at Fair value through other comprehensive income that has been recognised in other comprehensive income until the investments

d ***Actuarial losses reserve***

The actuarial losses reserve represents the cumulative remeasurement of defined benefit obligations recognised.

41 Holding Company

The holding company is State Bank of India, a public corporation in India, holding 96.60% (2020& 2019: 96.60%) of shareholding of the Bank.