SBM

ANNUAL
REPORT
2019

SBM HOLDINGS LTD

FOR A **SMARTER TOMORROW**

TABLE OF CONTENTS

ABOUT **SBM GROUP**

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

WHO WE ARE

VISION

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

MISSION

Our mission is threefold:

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

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

GOAL

We aim to prudently grow our assets, maintaining returns above our cost of equity by gaining market share in our core domestic banking business, by judiciously building our international business and by selectively offering non-banking financial services.

CORE VALUES

Being prudent in taking risks with shareholder and depositor funds

Putting our customers first in everything we do

Adhering to the highest ethical standards

Treating our employees with integrity and respect - and expecting the highest performance in return

Committing to world-class standards in every area of our business

WHO WE ARE (CONT'D)

SBM's journey started in 1973, with the primary goal of making financial services accessible to a larger share of the population, both urban and rural, in Mauritius. Over the years, fulfilling its purpose, SBM has grown into one of the leading banks in the country.

Well-anchored in the financial services landscape, being among the top listed entities on the Official Market of the Stock Exchange of Mauritius with a market capitalisation of around MUR 20 billion as at December 2019, SBM Group has expanded its horizon by going beyond its local shores to establish footprint in other geographies, in pursuit of its vision to become a leading financial services provider in the region. Today, SBM is a universal banking group that is strategically present along the Asia-Africa corridor, particularly in India, Madagascar, Kenya and the Seychelles.

The Group is supported by an experienced and diversified workforce of 2,717 employees. SBM serves all customer segments with a comprehensive offering of financial solutions across geographies of presence, while facilitating cross-border trade and investment in the region. SBM aims to continuously create and enhance value for its stakeholders through sustainable growth.

The Group's efforts have been regularly recognised, both locally and internationally. In 2019, SBM held the 45th place among the Top 200 African Banks by the Africa Report and was ranked 946th among the Top 1000 World Banks by The Banker.


India
Seychelles
Kenya
Mauritius
Madagascar

SBM AT A GLANCE

>749,000
NUMBER OF CUSTOMERS

>127,500
INTERNET BANKING SUBSCRIBERS

2,717
NUMBER OF EMPLOYEES

- Mauritius - 1,663
- Kenya - 799
- India - 172
- Madagascar - 78
- Seychelles - 5

>157,000
MOBILE BANKING SUBSCRIBERS

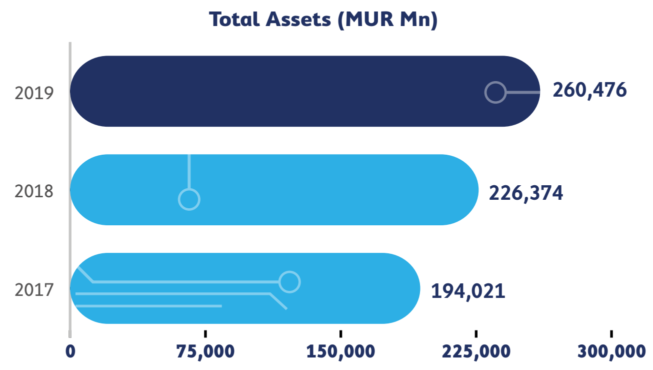
176
NUMBER OF ATMS

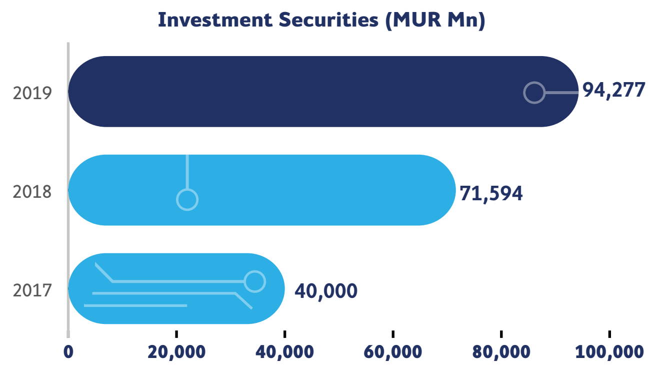
18,154
TOTAL NUMBER OF SHAREHOLDERS

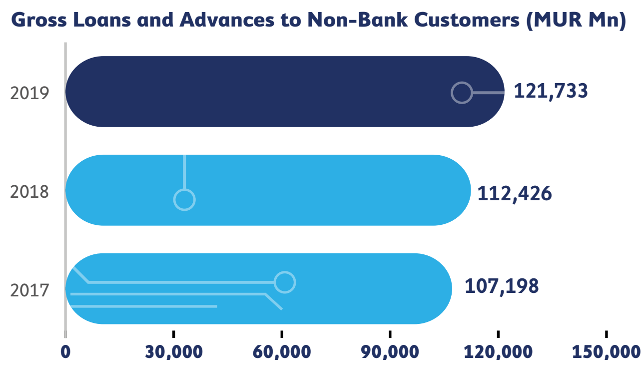
108
NUMBER OF BRANCHES & COUNTERS

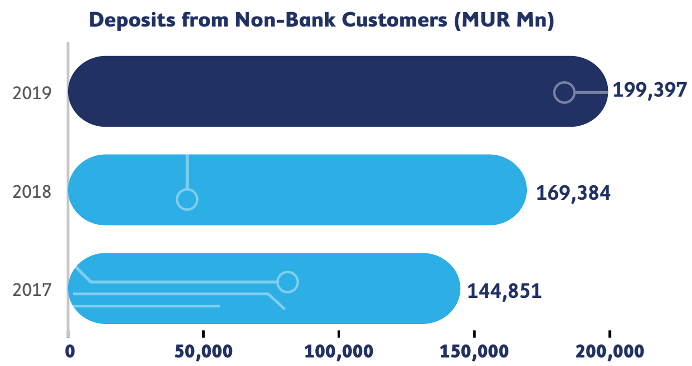
- Mauritius - 43
- Kenya - 52
- India - 6
- Madagascar - 6
- Seychelles - 1

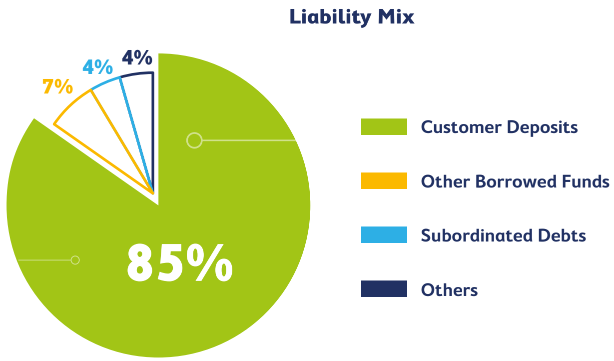
KEY HIGHLIGHTS

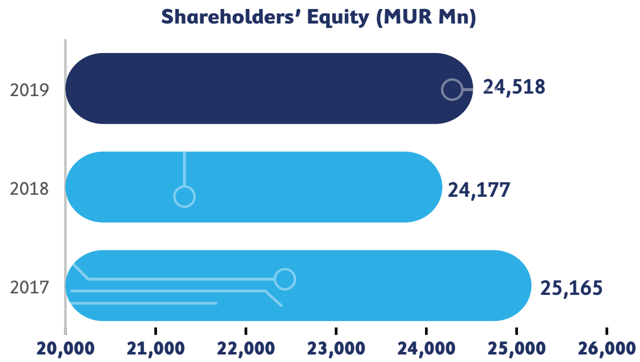












GROUP STRUCTURE

SBM HOLDINGS LTD
Listed on the Stock Exchange of Mauritius

BANKING CLUSTER

SBM (BANK) HOLDINGS LTD

- SBM Bank (Mauritius) Ltd
- Banque SBM Madagascar SA[1]
- SBM Bank (Seychelles) Limited[2]
- SBM Bank (India) Limited[3]
- SBM Africa Holdings Ltd
  - SBM Bank (Kenya) Limited

NON-BANKING FINANCIAL CLUSTER

SBM (NBFC) HOLDINGS LTD

- SBM Factors Ltd
- SBM Insurance Agency Ltd
- SBM Securities Ltd
- SBM Leasing Co. Ltd
- SBM eBusiness Ltd
- SBM Fund Services Ltd
- SBM Capital Markets Ltd
  - SBM Mauritius Asset Managers Ltd

NON-FINANCIAL CLUSTER

SBM (NFC) HOLDINGS LTD

Note:

[1] **Banque SBM Madagascar SA**

- SBM (Bank) Holdings Ltd - 99.99%
- SBM Securities Ltd, SBM Fund Services Ltd and SBM Mauritius Asset Managers Ltd hold 1 share each (total of 0.01%). SBM Securities Ltd has been amalgamated with SBM Capital Markets Ltd (the surviving entity) effective 01 August 2019

[2] **SBM Bank (Seychelles) Limited**

- SBM (Bank) Holdings Ltd - 99.90%
- SBM Holdings Ltd - 0.10% (in process of being transferred to SBM Overseas One Ltd)

[3] **SBM Bank (India) Limited**

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

Others:

SBM 3S Ltd

- SBM Holdings Ltd - 100%

SBM Africa Equity Fund Ltd

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

SBM Maharajah Bond Fund

- SBM Holdings Ltd - 85.14% (redeemable participating shares)
- Individual and corporate clients - 14.86% (redeemable participating shares)

In process of winding up:

- SBM Madagascar Ltd (Banking Cluster)
- SBM Microfinance Ltd (Non-Banking Financial Cluster)
- SBM Bank Representative Office, Yangon Myanmar
- Africa Infrastructure Investment Holdings Company Ltd

WHY INVEST WITH US

- **Strong domestic franchise and a long track record of being the bank to grow with for the Mauritian people**
- **Growing regional presence, underpinning our diversification and regionalisation strategy, which is expected to add positively to our financial performance over the coming years**
- **Improving level of sophistication in the range of solutions offered to different stakeholders across the Group**
- **Strengthened risk management practices to ensure quality and sustainable growth**
- **Highly liquid and strongly capitalised**
- **Adoption of sustainable business practices across natural, intellectual, financial, IT and people resources**
- **Socially responsible organisation with involvement in many social projects across the various geographies where we operate**
- **Regular engagement with key stakeholders through annual meeting of shareholders, analyst meetings, earnings calls, international conferences and roadshows, scheduled one-to-one meetings and communication via press communiqués**
- **Attractive dividend yield**

KEY ACHIEVEMENTS

In 2019 and 2020 we won a series of industry awards, consolidating our reputation as a leading institution.

Entity	Achievement	Awarding Body
SBM Holdings Ltd	Best Financial Group Indian Ocean Rim 2019	Capital Finance International Banking Awards
	Best CSR Bank Mauritius 2019	Global Banking and Finance Review
SBM Holdings Ltd and SBM Bank (Kenya) Limited	Best Growth Strategy Kenya 2019	Capital Finance International Banking Awards
SBM Bank (Kenya) Limited	Commended for the achievement of a "Gold Mark in recognition of excellence enterprise Information Technology adoption"	The Board and Management of CIO East Africa and the CIO 100 Awards
SBM Bank (Mauritius) Ltd	Best CSR Programme Mauritius 2019	International Business Magazine
	Best Private Banking & Wealth Management Bank Mauritius 2019	International Business Magazine
	Best Wealth Management & Investment Solutions Brand	Global Brand Awards 2019
	Best Retail Bank 2019	Global Banking and Finance Review
	Customer Service Innovation Award	Infosys Finacle Client Innovation Awards 2019
	Best Bank in Mauritius 2020	Global Finance
	Process Innovation Award	Infosys Finacle Client Innovation Awards 2020
SBM Securities Ltd	Best Stock Broker Mauritius 2019	International Business Magazine
	Best Bank for Stockbroking Mauritius 2019	Global Banking and Finance Review
	Best Stockbroker - Indian Ocean 2019	Capital Finance International

SEM Sustainability Index

Following SBM Group's entry in the SEM Sustainability Index (SEMSI) in January 2019, a certificate was officially handed over to SBM representatives in June 2019 by Mr Sunil Benimadhu, CEO of the Stock Exchange of Mauritius.

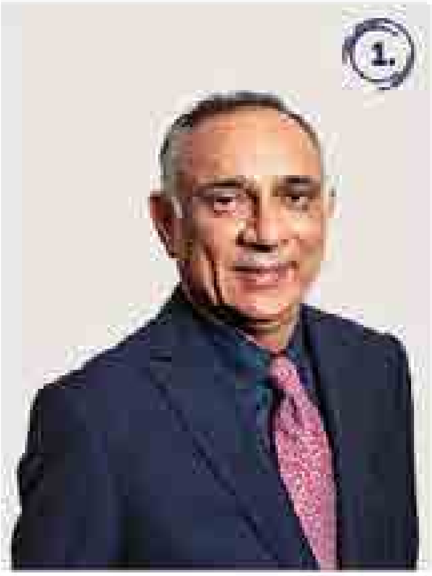
<IR> Business Network

Our Group has joined the International Integrated Reporting Council's <IR> Business Network in 2019. Please refer to the section "About This Report" on page 26 for more information.

<IR> BUSINESS NETWORK

- BOARD OF DIRECTORS
- BOARD COMMITTEES
- SENIOR MANAGEMENT TEAM

BOARD OF DIRECTORS



1. Mr Abdul Sattar Adam Ali Mamode HAJEE ABDOULA (also known as Sattar HAJEE ABDOULA)
   Chairman
2. Mr Jean Paul Emmanuel AROUFF
   Non-Executive Director
3. Mr Andrew BAINBRIDGE
   Non-Executive Director
4. Ms Shakilla Bibi JHUNGEER
   Independent Non-Executive Director
5. Mr Roodesh MUTTYLALL
   Independent Non-Executive Director
6. Mr Sarwansingh PURMESSUR
   Non-Executive Director
7. Ms Sharon RAMDENEE
   Independent Non-Executive Director
8. Mr Patrice Georges Maxime ROBERT
   Independent Non-Executive Director
9. Mr Visvanaden SOONDRAM
   Non-Executive Director
10. Mr Subhas THECKA
    Independent Non-Executive Director

BOARD OF
DIRECTORS (CONT'D)

KEY TO COMMITTEES

Audit Committee

Chairperson **A**

Member A

Corporate Governance & Conduct Review Committee

Chairperson **CC**

Member CC

Nomination & Remuneration Committee

Chairperson **NR**

Member NR

Risk Management Committee

Chairperson **RM**

Member RM

Strategy Committee

Chairperson **S**

Member S

MR SATTAR HAJEE ABDOULA
Chairman

Appointed: March 2020

S

Strengths and Experience

- Strong and decisive leadership skills
- Extensive knowledge of accounting, finance, advisory and auditing
- Innovative and farsighted strategic thinking

Mr Hajee Abdoula is the CEO of one of the leading accounting firms in Mauritius. With more than 35 years of professional experience, he also acts as advisor to many large corporates. His specialisation in transaction services has allowed him to lead large transactions in various sectors, both locally and internationally. Mr Hajee Abdoula has also been involved in high profile insolvency cases and is one of the leading insolvency practitioners in Mauritius. Mr Hajee Abdoula has been an advisor for the Government of Ghana in determining the framework for the creation of the Ghana International Financial Services Centre.

Mr Hajee Abdoula is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA, ICAEW). He is a member of the Mauritius Institute of Professional Accountants and INSOL International, an international association of restructuring and insolvency professionals. He holds an Auditor's Licence from the Financial Reporting Council of Mauritius, an Insolvency Practitioner's Licence of Mauritius, and the ICAEW Insolvency and Practicing Licences.

He has also for many years been involved in the global business sector and has advised clients on structuring and tax matters.

Mr Hajee Abdoula has been a Non-Executive Director and Chairman of Audit Committee of a UK FTSE 100 company at the time of its listing on the UK Stock Exchange. He is well known for being an innovative and strategic thinker. His extensive professional experience as well as his broad international exposure will surely be of value to the Board.

Mr Hajee Abdoula is an Independent Non-Executive Director and has been appointed as Chairman of SBM Holdings Ltd since 13 March 2020.

Directorship in Other Entities

Africa Infrastructure Investment Holdings Company Ltd (Chairman), SBM Africa Holdings Ltd, SBM Bank (Seychelles) Limited (Chairman), SBM Capital Markets Ltd (Chairman), SBM eBusiness Ltd (Chairman), SBM Factors Ltd (Chairman), SBM Infrastructure General Partner Limited (Chairman), SBM Leasing Co. Ltd (Chairman), SBM (NBFC) Holdings Ltd (Chairman), SBM 3S Ltd (Chairman) and various Boards of local/global business/foreign entities.

MR JEAN PAUL EMMANUEL AROUFF
Non-Executive Director

Appointed: March 2020

CC

Strengths and Experience

- Extensive knowledge of journalism, economics and finance

Mr Arouff has been appointed as Senior Adviser and Director of Communications to the Prime Minister's Office as from January 2020. He was previously the Editor-in-chief of Business Magazine, the leading economic news publications of the Indian Ocean islands. Mr Arouff also led publication of The Top 100 Companies of Mauritius, Business Leaders, The Financial Directory, The Directory of Agro-Industry, l'Annuaire de la Communication among others. Mr Arouff has also acted as the country correspondent of international news agency Reuters on economic and financial matters. He holds a Masters in Journalism from École Supérieure de Journalisme de Paris.

Mr Arouff has 20 years' experience in journalism, review of economic and financial markets, leading a whole range of publications and interacting with CEOs and business leaders in the region. He has also served as a member of the Grand Port Savanne District Council from 1998 to 2005.

Directorship in Other Entities

Landscope (Mauritius) Ltd
SBM (NFC) Holdings Ltd

MR ANDREW BAINBRIDGE
Non-Executive Director

Appointed: August 2019

NR RM S

Strengths and Experience

- International expertise in banking and finance

Mr Bainbridge is a Fellow of the Institute of Directors, South Africa and a Fellow of the London Institute of Banking and Finance. He is Chairman of the Private Infrastructure Development Group, Chairman of the Infrastructure Crisis Facility Debt Pool LLP, Chairman of Cable & Wireless Seychelles and a Partner at Gateway Partners in Dubai. Mr Bainbridge was formerly the Group CEO of SBM Holdings Ltd, from which he retired in August 2019. Mr Bainbridge has worked in the Financial Services industry for over 30 years, and has occupied the positions of Group Head of the US Supervisory Remediation Programme, Global Head of Commercial Clients and Chief Risk Officer for the Western Hemisphere (Africa, India, Middle East, Europe and the Americas) for Standard Chartered Bank. He was earlier CEO of BMI Bank and previously the Managing Director of Barclays PLC Africa and Indian Ocean regions.

Directorship in Other Entities

Cable & Wireless (Seychelles) Limited, Private Infrastructure Development Group Limited, SBM (Bank) Holdings Ltd, SBM Bank (India) Limited and SBM Bank (Kenya) Limited

MS SHAKILLA BIBI JHUNGEER
Independent Non-Executive Director

Appointed: March 2020

CC

Strengths and Experience

- Strong legal and governance background

Ms Jhungeer is a barrister specialising in criminal and divorce matters. Several corporate bodies have also retained her services for legal advice. Ms Jhungeer attended the Bar Vocational Course (BVC) at the College of Law, London from 2009 to 2010. She holds a Masters in International Law and Criminal Justice from the University of East London and completed her LLB in 2006 at the Buckinghamshire Chilterns University College.

Ms Jhungeer was called to the Bar at Lincoln's Inn on 14 October 2010 and to the Mauritius Bar Association on 20 January 2012. She has previously served as Board Member of the Independent Commission Against Corruption (ICAC) from February 2015 to October 2019.

Directorship in Other Entities

Air Mauritius Ltd

BOARD OF DIRECTORS (CONT'D)

MR ROODESH MUTTYLALL
Independent Non-Executive Director

Appointed: June 2015

A NR

Strengths and Experience

- Extensive knowledge of accounting, finance and governance

Mr Muttylall holds the Chartered Financial Analyst designation, USA and is a Fellow Member of both The Association of Chartered Certified Accountants, UK and The Chartered Governance Institute, UK. He also holds a Master's Degree in Finance from the University of Mauritius.

Mr Muttylall currently heads the Corporate Finance and Company Secretariat of an organisation. He was formerly the Chief Finance Executive of a Group operating in the hospitality sector. He has also held the position of Financial Controller in a Global Business Company and had several years of experience in similar positions in the tourism sector. He worked for SBM Group between 2000 and 2001.

Directorship in Other Entities

Banque SBM Madagascar SA, SBM (Bank) Holdings Ltd and University of Technology, Mauritius

MR SARWANSINGH PURMESSUR
Non-Executive Director

Appointed: March 2020

NR

Strengths and Experience

- Substantial expertise in public service

Mr Purmessur holds the position of Permanent Secretary and is presently posted to the National Development Unit. He has a very long career in the civil service, having served nearly 40 years in various Ministries, namely in the Income Tax Department, the Ministry of Housing and Lands, the Ministry of Local Government, the Ministry of Technology Communication and Innovation, the Ministry of Foreign Affairs, Regional Integration and International Trade and the Ministry of Financial Services and Good Governance.

Mr Purmessur holds an MBA in Human Resource Management from Indira Gandhi National Open University (IGNOU) from India, an MSc IT in Business Information Systems from the Keele University in UK and a Diploma in Public Administration and Management from the University of Mauritius.

Mr Purmessur has also served on various Boards and Committees; namely the National Housing Development Company Ltd, the Town and Country Planning Board, the Informatics Park Ltd, the Information and Communication Technology Authority, the Rights Management Society, the Financial Services Fund, the National Productivity and Competitiveness Council, the National Committee on Corporate Governance and the Heritage City Co. Ltd, amongst many others.

Directorship in Other Entities

Financial Services Commission, the National Environment Fund Committee and the Land Drainage Authority (Chairman)

MS SHARON RAMDENEE
Independent Non-Executive Director

Appointed: December 2018

A CC RM

Strengths and Experience

- Extensive experience of working in and leading large businesses
- Substantial expertise in finance and audit

Ms Ramdenee is currently the CEO of Agiliss Ltd, one of the leading FMCG companies operating in Mauritius, and also in the region. Before becoming CEO, she served as Deputy CEO at Agiliss Ltd. In Mauritius, Ms Ramdenee previously held the role of Finance Director of St Aubin Group, having also held a Commercial & Business Development role in the organisation. In the UK, she worked for Ernst & Young, LLP with a portfolio of high-profile clients. Ms Ramdenee has a Bachelor's degree in Law & Business from Warwick Business School, and qualified as a Chartered Accountant with Ernst & Young London. She has also completed an MBA specialising in Strategy and Marketing with Warwick Business School, graduating with distinction, and is currently reading for a PhD in Business and Management. Ms Ramdenee is a Fellow of The Institute of Chartered Accountants in England & Wales (ICAEW).

Directorship in Other Entities

Agiliss Ltd and SBM Bank (Seychelles) Limited

MR PATRICE GEORGES MAXIME ROBERT
Independent Non-Executive Director

Appointed: April 2020

Strengths and Experience

- Extensive experience in managing the operations of large conglomerates

Mr Robert is currently the Group Head of Operations for IBL Group - Mauritius and leads the Seafood, Retail, Commercial, Building & Contracting, Engineering, Shipyard, and Logistics sectors of the Group. He is a well-rounded senior management professional with 22 years of experience, including 9 years in Asia-Pacific.

Mr Robert has been working for Freeport Operations Mauritius Ltd, Accenture Pte (Singapore) Ltd and DHL Singapore for several years before joining the IBL Group where he spent some 12 years in various key positions. He holds a degree in Engineering with Business Studies from the University of Portsmouth in UK and did his Master in Business Administration (MBA) from the University of Chicago Booth School of Business. He was a Council member of the Mauritius Chamber of Commerce and Industry (MCCI) in 2012.

Mr Robert was the Chairman of the Seafood Council of the Mauritius Export Association (MEXA) in 2013, 2015 and 2016. He is currently the Chairman of the Mauritius Export Association (MEXA) for a period of 2 years [2019 to 2021].

Directorship in Other Entities

Blychem, Manser Saxon Contracting Limited and various Boards of local entities

BOARD OF DIRECTORS (CONT'D)

MR VISVANADEN SOONDRAM
Non-Executive Director
Appointed: March 2020

Strengths and Experience

- Substantial expertise in public service

Mr Soondram is the Director of Economic and Finance at the Ministry of Finance and Economic Development. He has a fruitful career spanning over 25 years within the same Ministry where he has previously served as Accountant and Lead Analyst. Mr Soondram is a fellow of the Association of Chartered Certified Accountants and holds a Master degree in Finance. He has been a Non-Executive Director on the Board of SBM Bank (Mauritius) Ltd from November 2018 to March 2020.

MR SUBHAS THECKA
Independent Non-Executive Director
Appointed: June 2017

Strengths and Experience

- Wisdom and diplomacy
- Knowledgeable in both the financial and marketing fields
- Auditing

Mr Thecka is a Fellow of the Association of Chartered Certified Accountants (UK) and a member of the Mauritius Institute of Professional Accountants (MIPA). He is the holder of an MBA from Glasgow Caledonian University in Scotland and is currently a Senior Lecturer at the Charles Telfair Institute.

Appointed to the Board in June 2017 as Independent Non-Executive Director, Mr Thecka is a valuable member of the Board as he contributes with his financial knowledge and expertise, and is known for his wisdom and diplomacy. His balance of knowledge in both the financial and marketing fields is very much appreciated at the Board.

Directorship in Other Entities

SBM Bank (Seychelles) Limited

BOARD **COMMITTEES**

COMPOSITION OF THE BOARD COMMITTEES OF SBM HOLDINGS LTD	
Audit Committee	**Corporate Governance & Conduct Review Committee**
Mr Subhas Thecka (Chairman)	Ms Shakilla Bibi Jhungeer (Chairperson)*
Mr Roodesh Muttylall	Mr Jean Paul Emmanuel Arouff*
Ms Sharon Ramdenee	Ms Sharon Ramdenee*
Nomination & Remuneration Committee	**Risk Management Committee**
Mr Sarwansingh Purmessur (Chairman) *	Ms Sharon Ramdenee (Chairperson)**
Mr Andrew Bainbridge	Mr Andrew Bainbridge
Mr Roodesh Muttylall	Mr Subhas Thecka
Strategy Committee	
Mr Sattar Hajee Abdoula (Chairman)*	
Mr Andrew Bainbridge	
Mr Visvanaden Soondram*	

Note: The Board Committees of SBMH were re-constituted in March 2020.

**Appointed in March 2020*
***Appointed as Chairperson in March 2020*

SENIOR
MANAGEMENT TEAM

1. Mr Kabirsingh (Kavi) BABOOLALL
   Head of Project Implementation and Capital Management, SBM Holdings Ltd
2. Mr Sivakrisna (Kovi) GOINDEN
   Team Leader Finance, SBM Holdings Ltd
3. Mr Parvataneni Venkateswara (PV) RAO
   Chief Executive, SBM Bank (Mauritius) Ltd
4. Mr Shailendrasingh (Shailen) SREEKEESSOON
   Chief Executive, SBM (NBFC) Holdings Ltd
5. Mr Moezz MIR
   Chief Executive, SBM Bank (Kenya) Limited
6. Mr Sidharth RATH
   Managing Director and Chief Executive, SBM Bank (India) Limited
7. Mr Gilbert LAGAILLARDE
   Chief Executive, Banque SBM Madagascar SA
8. Mr Aneerood Chandra (Navesh) DEWKURRUN
   Chief Executive, SBM Bank (Seychelles) Limited

SENIOR MANAGEMENT TEAM

SBM HOLDINGS LTD

MR KABIRSINGH (KAVI) BABOOLALL
Head of Project Implementation and Capital Management

1.

Mr Baboolall is a finance professional with a career spanning almost 17 years. He is a fellow member (FCA) of the Institute of Chartered Accountants in England and Wales (ICAEW) and holds a BSc in Accounting and Finance from the University of Warwick, UK. He is currently the Head of Project Implementation and Capital Management for SBM Holdings Ltd and has led the overseas expansion of the Group in Kenya and India. He gained extensive exposure in the UK investment banking sector with HSBC and has run his own company advising/managing projects for 2 European investment banks, the Royal Bank of Scotland and UBS, before relocating to Mauritius. Mr Baboolall serves as Director in several entities of the SBM Group. He is also a councillor on the SBM Foundation, which is the CSR arm of the SBM Group.

MR SIVAKRISNA (KOVI) GOINDEN
Team Leader Finance

2.

Mr Goinden currently leads the finance and procurement functions of SBM Holdings Ltd, SBM (Bank) Holdings Ltd and SBM (NFC) Holdings Ltd. He also oversees the financial functions of SBM overseas subsidiaries namely SBM Bank (Kenya) Limited, SBM Bank (India) Limited, Banque SBM Madagascar SA and SBM Bank (Seychelles) Limited. He was actively involved in the acquisition of the Fidelity Commercial Bank Limited in 2017 as well as the acquisition of the carved-out assets & liabilities of the Chase Bank (Kenya) Limited (In receivership) in 2018. He was also involved in the successful implementation of the Wholly Owned Subsidiary (WOS) project in India in 2018. Mr Goinden is a finance professional with more than 17 years of experience in the accounting field out of which nearly 13 years have been spent in the banking sector. He is a fellow member of the Association of Chartered Certified Accountants (FCCA) and holds a Post Graduate Diploma in Business Administration from the Herriot Watt University, UK.

SBM BANK (MAURITIUS) LTD

MR PARVATANENI VENKATESWARA (PV) RAO
Chief Executive

3.

Mr Rao is an experienced banking professional with 36 years of working experience in the industry. Graduated from the Andhra Pradesh Agricultural University (India) and holder of an MBA from the Indira Gandhi National Open University, Mr Rao is also a Diploma Holder in Bank Management, International Banking, Treasury Investment & Risk Management and Financial Services. He started his Banking career in Syndicate Bank in India and also worked with IndusInd Bank in India before joining SBM (Indian Operations) in December 2010. He then joined SBM Bank (Mauritius) Ltd in April 2013 as Head of Financial Markets and was subsequently appointed as Chief Executive of the Bank on 17 April 2019. During his career, Mr Rao has had exposure to different banking segments viz Agriculture, Retail Banking Foreign Exchange, Treasury, Capital Markets and Balance Sheet Management. He is an Executive Director on the Board of SBM Bank (Mauritius) Ltd.

SBM (NBFC) HOLDINGS LTD

MR SHAILENDRASINGH (SHAILEN) SREEKEESSOON
Chief Executive

4.

Mr Sreekeessoon has 20 years' experience in the business and financial sector in Mauritius, including more than 10 years at senior management level. His experience includes economic and marketing research, strategy, communications, commercial banking, investment banking and structured finance. He holds a BSc in Economics with first class honours as well as an MSc in Finance and Economics from the London School of Economics and Political Science. He is also a fellow member of the Association of Chartered Certified Accountants (FCCA). He was formerly Group Head of Strategy and Research, Head of SME Banking, and Deputy CEO of SBM NBFC. In July 2020, Mr Sreekeessoon was appointed CEO of the non-banking financial cluster of SBM following the retirement of Mr Lakshmana (Kris) Lutchmenarraidoo effective 30 June 2020. He holds various directorships across SBM Group companies.

SBM BANK (KENYA) LIMITED

MR MOEZZ MIR
Chief Executive

5.

Mr Mir is the Chief Executive of SBM Bank (Kenya) Limited. He is an experienced and dynamic banker with a wealth of experience in Corporate and Investment Banking in East Africa. Before joining SBM Bank (Kenya) Limited in October 2018, he worked at KCB Bank Group, for a period of eleven (11) years, where he served as the Director - Corporate Banking for the Group from 2016 to 2018. Prior to that, he was the Managing Director at KCB Bank in Tanzania from 2011 to 2016. Mr Mir has served as a Member of the Governing Council of Tanzania Bankers Association, and is currently a Member of the Governing Council of the Kenya Bankers Association.

Mr Mir holds a Bachelor's Degree in Economics from Kingston University, London, and has attended the Global Executive Development Program (GEDP) from the Gordon Institute of Business Science.

SBM BANK (INDIA) LIMITED

MR SIDHARTH RATH
Managing Director and Chief Executive

6.

Mr Rath, Managing Director and Chief Executive of SBM Bank (India) Limited, is a banker with 28 years of experience in the financial sector. Prior to joining SBM Bank (India) Limited, Mr Rath was the Group Executive and Head of Corporate, Transaction and International Banking at Axis Bank. He has led multiple businesses and product groups which include Client Coverage and Relationship for Corporates, Financial Institutions and Governments, Global Markets, Asset-Liability Management, Trade & Transaction Banking and Capital Markets. He was instrumental in setting up Corporate and Project Advisory Services; Capital Markets and Investment Banking and Asset Management businesses for Axis Bank. In the past, Mr Rath has been a member of the Securities Exchange Board of India, Corporate Bonds and Securitization Advisory Committee (CoBoSAC), Member of the Advisory Board of the National Securities Clearing Corporation Ltd. (NSCCL) and Director on the Board of Swift India Ltd. He is a management graduate from Xaviers Institute of Management.

BANQUE SBM MADAGASCAR SA

MR GILBERT LAGAILLARDE
Chief Executive

7.

Mr Lagaillarde is the Chief Executive of Banque SBM Madagascar SA since July 2015. He has over 40 years' experience in the banking sector and started his career with SBM. He occupied various positions including as Head of Operations at Banque SBM Madagascar SA.

He also acquired professional experience in other African countries namely in Rwanda at Banque Commerciale du Rwanda as Head of Banking/Operations/Acting Managing Director and in the Democratic Republic of Congo as a Chief Executive of a newly set up Micro Finance Organisation.

Mr Lagaillarde holds a Master of Business Administration (MBA) from the University of Leicester, United Kingdom.

SBM BANK (SEYCHELLES) LIMITED

MR ANEEROOD CHANDRA (NAVESH) DEWKURRUN
Chief Executive

8.

Mr Dewkurrun is a finance professional with a career span of more than 19 years of which 12 years have been spent in Treasury. Previously the Head of Treasury of Banque SBM Madagascar SA, he was appointed as Chief Executive of SBM Bank (Seychelles) Limited in June 2019. He holds an MBA (Financial Management) from the University of Mauritius and a B.Com with specialisation in Finance from the University of Pune - India.

ABOUT THIS REPORT

Our Approach to Integrated Reporting

Our Journey

As part of our sustained efforts to follow the integrated reporting principles, we joined the International Integrated Reporting Council's <IR> Business Network in 2019.

The International Integrated Reporting Council's (IIRC) mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors. It provides a well-thought-out international standard that guides institutions on how to demonstrate the value they create. It is our privilege and honour to be the first listed company in Mauritius to be a member of this renowned community, which is the global flagship of the IIRC. We now look forward to making our annual reports more relevant and engaging by further adopting the Integrated Reporting (IR) principles.

The current report depicts SBM Group's strategy, business model, governance and risk management frameworks, besides providing a comprehensive description of our financial and non-financial activities, which all add to the value we are creating for and with our stakeholders over the short, medium and long term. By going beyond traditional financial reporting to provide information on how we performed on the non-financial part and conveying details on the Group's various risks, outcomes and opportunities, we want to offer our stakeholders a broader and more comprehensive overview of our performance and help them assess the sustainability of the Group, while also taking stock of how we contribute to the society we operate in.

Using The International <IR> Framework hence allows us to be more transparent and accountable to all our stakeholders. We remain committed to further adopt this framework so as to enhance the quality of our corporate reporting to our stakeholders as we want our annual reports to serve as our main comprehensive communication tool.

Reporting Scope and Boundary

This Annual Report covers the period 01 January to 31 December 2019. It presents developments relating to the performance of SBM Holdings Ltd (SBMH) and its subsidiaries (collectively referred to as "SBM/The Group/SBM Group") and also provides an update of recent important events that occurred between 31 December 2019 and the reporting date. The report contains insights into the Group's strategy, business model and provides an account of the Group's financial, operational, economic, social and environmental performance. The report also contains forward-looking statements.

Our report is mainly presented in Mauritian Rupee (MUR), which is SBMH's reporting currency. In many instances, calculations are presented using rounded off figures to ease understanding.

Determining Materiality

Our Annual Report aims to provide a fair, accurate, reliable, transparent and balanced overview of the Group's financial and non-financial performance, its strategy, governance as well as outlook. It narrates both qualitative and quantitative matters that are material to the Group's ability to successfully deliver on its strategy and create and sustain value for its stakeholders.

Management's determination of materiality for this report was based on informed judgement. The involvement of the Group's Annual Report Team, composed of professionals across functions, has allowed for a more holistic presentation of our value creation story. Materiality determination forms part of our continuous efforts to embed the integrated reporting principles. We determine material matters as those that are significant to achieve the Group's vision, mission, goal, strategy and are pertinent to our core values. Materiality is also influenced by our operating and regulatory environment, market drivers and the various risks, opportunities and other financial and non-financial matters that have, or could have, a significant impact on the Group's performance, strategy, governance, prospects, stakeholders as well as its ability to create value over the short, medium and long term. An item is, hence, considered as material if it can influence the decisions of the Group and its stakeholders in a considerable manner.

Reporting Principles and Assurance

Being a public listed institution, our reporting process is guided by all applicable standards, principles, guidelines, laws and regulations including The Companies Act 2001, Banking Act 2004, The Financial Services Act 2007, Financial Reporting Act 2004, Bank of Mauritius Guidelines, The Stock Exchange of Mauritius Listing Rules, International Financial Reporting Standards (IFRS), The National Code of Corporate Governance for Mauritius (2016) and The International <IR> Framework.

The Group's external auditor, Ernst & Young (EY), has provided independent assurance on the annual financial statements and has expressed an unqualified audit opinion.

In line with related mandates, specific reports were reviewed and recommended to SBMH Board of Directors by the Corporate Governance & Conduct Review, Audit and Risk Management Committees. The full content of our Annual Report has also been reviewed by the Management and the Board of Directors.

Our Stakeholders and Target Audience

The Group has several key stakeholders who significantly influence or are influenced by its economic, environmental and social performance. The Group's stakeholders are identified based on the risks and opportunities relating to business performance, strategy execution and strategic objectives within the geographies where we operate. These stakeholders can have a direct or indirect impact on the Group's business.

Our key stakeholders are: shareholders, debt holders and investment analysts; suppliers and strategic partners; employees, management and directors; customers; communities; and government and regulators.

Our Annual Report aims to demonstrate how SBM Group delivers value for our stakeholders. The Group is also committed to having constructive engagement with the latter and undertakes to regularly communicate with them so as to keep them apprised of its activities. For more information on how we engage with our stakeholders, please refer to pages 93 to 97 of our Sustainability Report.

Caution Regarding Forward-Looking Statements

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

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

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

ABOUT THIS REPORT (CONT'D)

Integrated Content Elements

This report covers the various Content Elements of The International <IR> Framework.

IIRC Content Elements	Section(s) in which you can read about them
Organisational Overview and External Environment *This principle refers to what an organisation does and the circumstances under which it operates*	✓ About SBM Group ✓ Chairman's Letter ✓ Strategy Report ✓ Corporate Governance Report
Governance *This principle refers to how an organisation's governance structure supports its ability to create value in the short, medium and long term*	✓ Corporate Governance Report ✓ Risk Management Report
Business Model *This principle refers to an organisation's business model*	✓ Strategy Report
Risks and Opportunities *This principle refers to the specific risks and opportunities that affect an organisation's ability to create value over the short, medium and long term and how the organisation is dealing with them*	✓ Risk Management Report ✓ Strategy Report ✓ Financial Review
Strategy and Resource Allocation *This principle refers to where an organisation wants to go and how it intends to get there*	✓ Chairman's Letter ✓ Strategy Report ✓ Financial Review
Performance *This principle refers to the extent to which an organisation has achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals*	✓ Chairman's Letter ✓ Strategy Report ✓ Financial Review ✓ Risk Management Report
Outlook *This principle refers to the challenges and uncertainties an organisation is likely to encounter in pursuing its strategy and the potential implications for its business model and future performance*	✓ Chairman's Letter ✓ Strategy Report ✓ Financial Review

Capitals of Value Creation

To create and sustain value for our stakeholders, we rely on six forms of capitals that contribute to our vision to become a leading and most trusted financial services provider in the region. Our capitals are:

FINANCIAL CAPITAL

Financial Capital refers to the money we obtain from providers of capital that we use to support our business activities and invest in our strategy.

The way we spend our financial resources is also indicative of our commitment to a sustainable future.

INTELLECTUAL CAPITAL

Intellectual Capital is closely related to our financial, human and manufactured capitals given the nature of our business.

We aim to put our best foot forward and be thought leaders and encourage innovation and conceptual thinking across all capitals.

SOCIAL AND RELATIONSHIP CAPITAL

Social and Relationship Capital is key for the sustainability of our business. It refers to the cooperative relationships we have built with our customers, capital providers, regulators and other stakeholders over time.

It is also about SBM's core values on putting our customers first in everything we do, treating our employees with integrity and respect, adhering to the highest ethical standards and being a socially responsible organisation that promotes sustainability practices.

HUMAN CAPITAL

Our people are our most valuable asset. They are crucial to achieve our strategic objectives and to create value for our stakeholders. Human Capital hence refers to our workforce and how we select, manage and develop them.

Our objective is also to promote a healthy, safe, equal and sustainable environment for our people.

MANUFACTURED CAPITAL

Manufactured Capital is our tangible and intangible infrastructure that we use to conduct our business activities.

We aim to make efficient and sustainable use of our equipment and buildings as well as IT infrastructure so as to serve our clients and stakeholders with zero compromise on security and ease of doing business.

NATURAL CAPITAL

Natural Capital relates to the natural resources on which we depend to carry out business activity and create value and returns for our stakeholders.

Although our control over and access to natural resources is limited, we vow to use them intelligently and responsibly.

These capitals are essential and enable us to create sustainable value for our stakeholders. For more information, please refer to our Strategy Report at pages 40 and 41.

ABOUT THIS REPORT (CONT'D)

Icons Used in our Report

Throughout this Annual Report, we use a series of icons to show both the connection between the subject matter and the related sections to demonstrate how we have integrated the relevant element(s). You will also notice that we have embedded the icons of our six capitals, along with those of stakeholders, at the start of each section for you to understand their interrelationship.

Our reference icons are:

Our Stakeholders

- Shareholders, Debt Holders and Investment Analysts
- Suppliers and Strategic Partners
- Employees, Management and Directors
- Customers
- Communities
- Government and Regulators

Our Six Capitals

- Financial Capital
- Manufactured Capital
- Human Capital
- Social and Relationship Capital
- Natural Capital
- Intellectual Capital

Navigation

- Directs you to indicated page(s) for more information
- Learn more from our website

Responsibility for the Annual Report

As responsible leaders, the Directors of the Board of SBM Holdings Ltd collectively acknowledge their accountability for ensuring the reliability of this Annual Report. All Directors were given the opportunity to review and provide comments on the full report so as to ensure its integrity.

The Board of Directors confirms, to the best of its belief, that the report addresses the relevant material matters and presents the integrated performance of the Group, as well as its impacts, in a fair and transparent manner. The Board has unanimously authorised the publication of the Annual Report 2019.

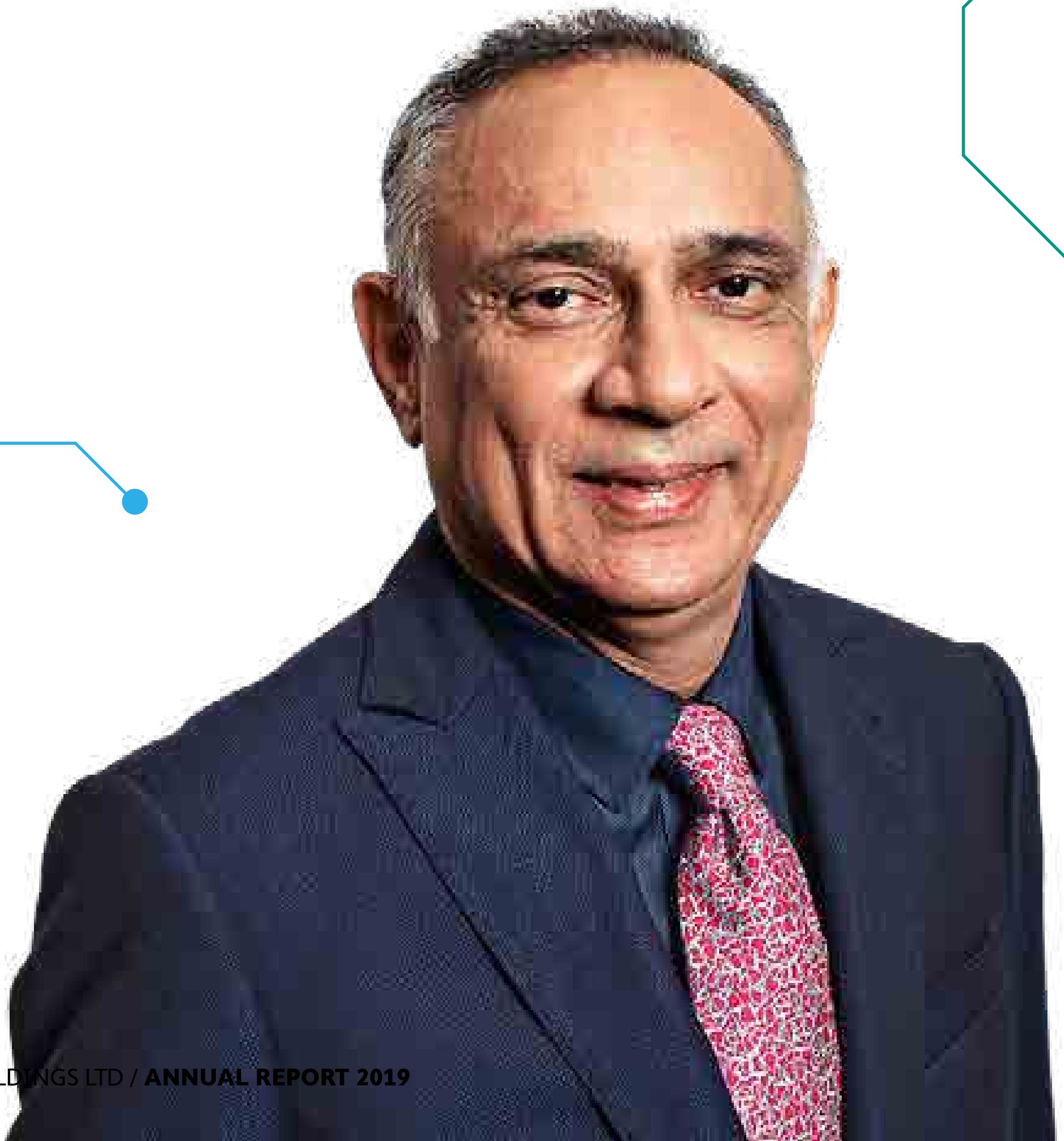
On behalf of the Board

Mr Sattar HAJEE ABDOULA
Group Chairman
SBM Holdings Ltd

Talk to Us

Share your valuable feedback on our annual report on investor.relations@sbmgroup.mu

CHAIRMAN'S LETTER



Dear Shareholders,

The Board hereby presents to you SBM Group's Annual Report for Financial Year 2019, amidst unprecedented uncertainties worldwide linked to the effects of the COVID-19 pandemic. The Board is thankful to all our staff members across our various geographies who have continued to serve our customers with dedication and courage during this difficult time.

We are more than ever committed to being closer to our customers focussing on their evolving needs, while also supporting the community in these challenging times.

Financial Results for Year 2019

2019 has been a challenging year for SBM Group, recording low profits mainly as a consequence of increased impairments. SBM Bank (Mauritius) Ltd and SBM Bank (India) Limited have indeed been hit by high levels of impairment. While the Group reported a profit before impairment and tax of MUR 3.4 billion for the financial year 2019, results have been impacted by high credit losses to the amount of MUR 3.0 billion which relate mostly to certain Segment B customers at the level of SBM Bank (Mauritius) Ltd.

Nevertheless, the Group's fundamentals remain robust and provide a positive outlook for the long term as they will enable us to get back to our previous profit levels. The regional expansion and diversification strategies have started to bear their fruits with SBM Bank (Kenya) Limited contributing positively to the tune of MUR 252 million and SBM non-banking financial cluster reaching record profit levels of MUR 124 million, a more than 600% increase over the last 4 years (2015: MUR 19.28 million). The recoveries from our Kenyan operations have enabled us to partly offset the losses arising from the impaired accounts.

Nonetheless, it gives comfort to note that the Group delivered a solid profit before impairment and tax. During this financial year, the Group achieved significant improvement in its key figures. Total assets maintained its growth momentum to reach MUR 260 billion as at 31 December 2019 (2018: MUR 226 billion), attributable mainly to a growth in investment securities. Gross loans and advances also increased by 8.3% to reach MUR 122 billion while net loans rose by 7.1%. Deposits from our non-bank customers grew to MUR 199 billion as at 31 December 2019 (2018: MUR 169 billion). Underpinned by the growth in business volumes, the Group's net interest income increased by MUR 600 million. The net fee and commission income went up by MUR 297 million mainly on account of retail and corporate fees. Overall, the Group booked MUR 3.0 billion of non-interest income.

With a strong liquidity and being well capitalised, SBM Group maintained its ranking among the Top 1000 World Banks by The Banker. We have further improved our ranking to the 45th position in the Top 200 Banks in Africa by The Africa Report 2019. In 2019, SBM joined the SEM Sustainability Index and has also published its first sustainability report, hence demonstrating tangible progress in this area.

CHAIRMAN'S LETTER

The newly appointed Board of Directors is confident in the potential of the Group, which will continue to drive its growth in the foreseeable future. No stones will be left unturned to bring SBM back to its previous level of profitability given the strong and diversified business of the Group.

Strengthening our Credit Risk Framework

With a view to address the high risk associated with SBM Bank (Mauritius) Ltd Segment B business, which is the offshore banking operations, a complete review of credit processes will be undertaken. We will take bold and decisive measures to further strengthen our Credit Risk Framework across our various entities/geographies and tighten the controls in place. We will also continue to enhance our capabilities by recruiting high calibre professionals in selected areas, including the recruitment of a Group CEO.

In the aftermath of the COVID-19 pandemic, it is crucial that we revisit the forecast for the year 2020 and review our 2021-2025 strategic plans. The performance of our various lines of business will be closely monitored.

The Great Lockdown: Challenging Times Ahead

In their bid to contain the Coronavirus, more than 90 countries called for confinement, locking down almost half of the world population for several weeks. As per the IMF, we are living "The Great Lockdown" causing "A Crisis Like No Other, An Uncertain Recovery".

The outlook for 2020 has deteriorated dramatically with the spread of the COVID-19 pandemic. The isolation, lockdown and other closure measures necessary to curb the spread of the virus have significantly reduced economic activities across the globe. Despite the exceptional accommodative stance of almost all central banks and the stimulus measures put in place by various governments, the global economy is set to endure one of its greatest recessions since the Great Depression. According to the IMF, the global economy is projected to contract sharply by 4.9% in 2020. A slow recovery is anticipated until 2021, assuming the pandemic fades away during the second half of 2020.

Economic activities are expected to face an unprecedented hit as our key markets have been affected by a series of measures, such as sanitary curfew and closure of borders. Nearly all sectors of the economy are at risk, with the IMF and Statistics Mauritius anticipating a contraction of 12.2% and 13.0% respectively for the Mauritian economy during 2020. The slowdown in economic activity will have adverse consequences on investment, unemployment and on the country's external position. Investment is expected to drop between 11% to 18% and unemployment rate is expected to shoot from 6.7% to 17.5%. The Mauritian Banking Sector will not be shielded from the effects of the economic downturn resulting from the COVID-19. Consequently, SBM Bank (Mauritius) Ltd, which is an important subsidiary of the Group, will be undoubtedly impacted.

Both the Bank of Mauritius and the Government of Mauritius have showed responsiveness in implementing several bold and timely measures to limit the adverse consequences of the virus on the economy. Some of these key measures include the reduction of the Key Repo Rate by 150 bps (50 bps on 10 March 2020 and 100 bps on 16 April 2020), reduction in the cash reserve ratio requirement, the setting up of a Special Relief Fund to assist economic operators and assistance to households and self-employed, amongst others.

Although it is too early to assess the effects of these measures on the Mauritian economy, we firmly believe that these decisions will help to weather this storm.

The COVID-19 pandemic will severely weigh on the economic outlook for 2020 for Mauritius and other countries where SBM Group is present. In Kenya, the IMF projects the economy to contract by 0.3% as the country is expected to be impacted by the disruption in global supply chain and travel restrictions in the tourism sector. Likewise, the IMF expects a contraction of 4.5% for the Indian economy, following a longer period of lockdown and reduced activities in manufacturing, trade and investment. In Madagascar, the economy is expected to contract by 1.0% in 2020. The manufacturing, transportation and tourism sectors will be the most impacted due to the COVID-19 pandemic. In Seychelles, where we started operating last year, the economy is expected to contract by 13.8% in 2020 compared to a growth of 3.9% in 2019. Travel restrictions are expected to adversely affect the tourism and travel industry in Seychelles during 2020.

Given that the crisis is still unfolding worldwide, it is difficult to gauge its magnitude and impact on the Group's operations. Repercussions will likely be felt in terms of interest margins and quality of assets while we will have to consistently monitor and control the cost to income ratio.

Every Cloud has its Silver Lining

As a Group, we stood as one, embracing the new normal by adopting all safety measures such as social distancing and work from home, to keep our customers and team members safe while using the latest technology to ensure business continuity.

The pandemic has taught us how we should go back to basics to better serve our clients. We are more than ever committed to being closer to our customers focussing on their evolving needs, while also supporting the community in these challenging times. To recover from this major economic crisis, SBM, as a leading financial institution in Mauritius and in the region, has the duty to cater for SMEs and large businesses, providing them with much needed support. As a responsible institution, we remain committed to being a strategic and reliable partner, leveraging on our skills, expertise and experience, to contribute to the socioeconomic and sustainable development of Mauritius and the countries where we operate.

Sattar HAJEE ABDOULA
Group Chairman

STRATEGY REPORT

“IN ORDER TO IMPLEMENT ITS STRATEGY AND ACHIEVE ITS GOALS, THE GROUP IS CONTINUOUSLY ENGAGED IN IDENTIFYING DEVELOPMENT NEEDS TO BUILD NEW CAPABILITIES AND COMPLEMENT EXISTING ONES.”

Introduction

SBM is driven by its vision to become a leading and trusted financial services provider in Mauritius and in the region. Conscious of the intricacies of the environment it operates in, the Group has developed a strategy focused on:

Consolidation

Growing the Group's banking business in Mauritius by enhancing its product offering and service quality

Product Diversification

Enriching the client offer with a suite of investment and advisory solutions, mostly through the non-banking arm of the Group

Regionalisation

Expanding the Group's business beyond the Mauritian borders

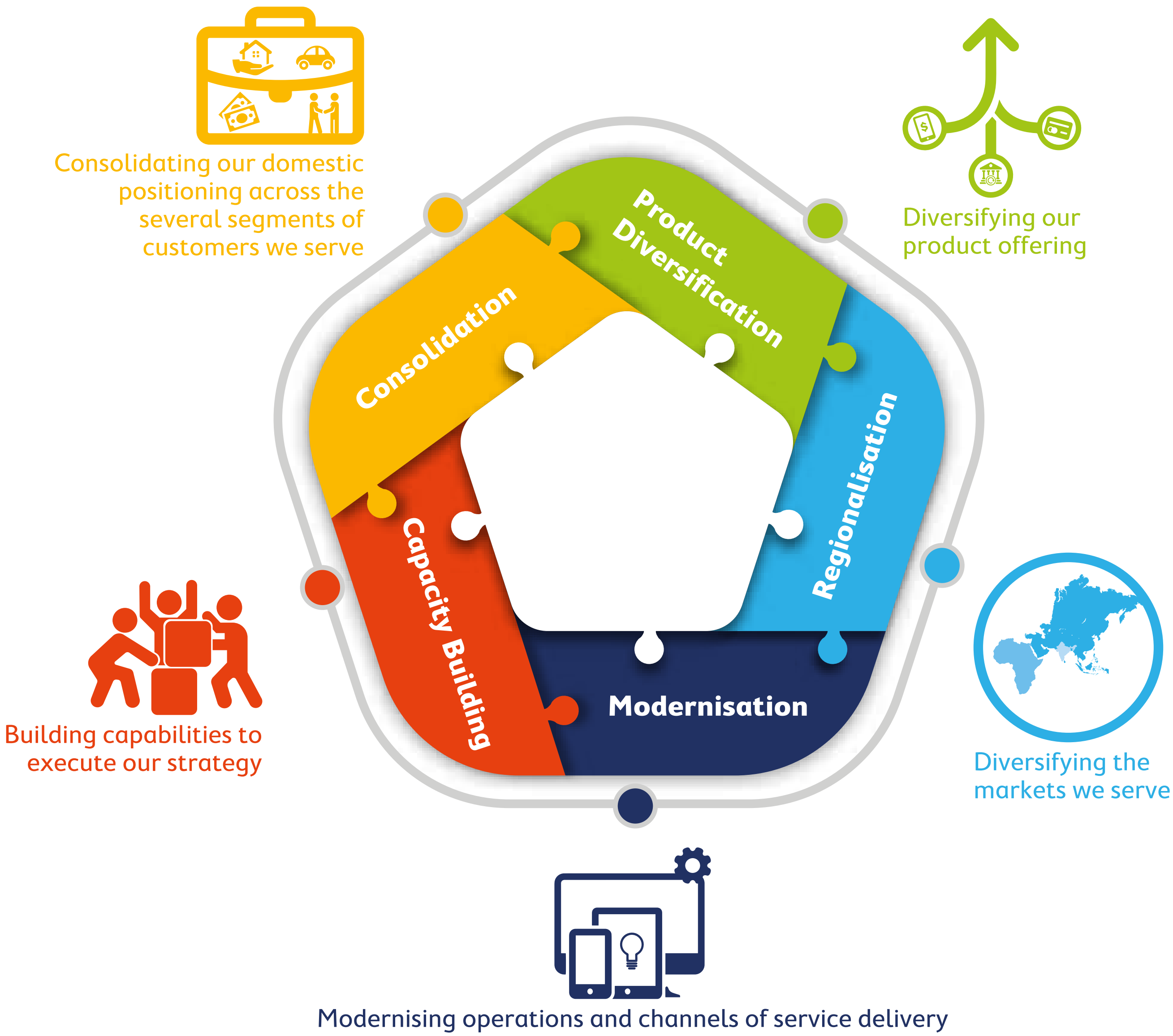
Modernisation

Leveraging technology and innovation to modernise operations and channels of service delivery to enhance the customer experience and optimise costs to serve

Capacity Building

Building capabilities in areas such as human capital, risk management, technology, and governance to support the growth agenda of the Group

Five Pillars of Strategy



STRATEGY REPORT (CONT'D)

Model of Sustainable Value Creation

Our Capitals

Financial Capital
- Share capital
- Reserves
- Reinvested cash flows
- Debt funding

Human Capital
- Appropriate skills and talents
- Training and development
- Integrity-driven leadership
- Values

Social and Relationship Capital
- Privileged client relationships
- Engagement with and support of the community
- Partnerships with local and foreign stakeholders
- Equality and diversity programme

Intellectual Capital
- Knowledge
- Intellectual property including software, patents and copyrights
- Policies and processes
- Brand and reputation

Manufactured Capital
- Equipment and buildings
- IT infrastructure

Natural Capital
- Judicious use of land, water and energy

Our Value Proposition

Customers
- Business value through a variety of banking and non-banking products across different channels

Deposits | Credit | Cards | Automated Payments | Insurance | Mutual Funds | Trading of Financial Instruments | Custody | Advisory | Trade Finance | Stockbroking | FX | Structured Products | Guarantees | Wealth Management

Investors
- Strong and sustainable performance

Suppliers and Partners
- Ease of doing business
- Lasting relationships

Employees
- Career opportunities
- Attractive benefits package
- Learning and development

Regulatory Bodies
- Good governance
- Compliance

Combined with Efficient Processes

Stakeholder Management
- Customers
- Employees
- Shareholders
- Regulators
- Creditors
- Community

Operations Management
- Processes
- Systems
- Employees

Risk Management
- Credit Risk
- Market Risk
- Operational Risk
- Liquidity Risk
- Strategy Risk
- Reputational Risk

What our Capitals Generate

Financial Capital
- Strong balance sheet
- Shareholder returns

Human Capital
- Employer of choice
- Ethical management
- Engaged, aligned and loyal workforce

Social and Relationship Capital
- Trusted organisation
- Responsible corporate citizen
- Sustained business growth
- Stakeholder engagement
- Inclusive business

Intellectual Capital
- Trusted brand
- Innovation-driven organisation
- Superior and sustainable growth

Manufactured Capital
- Customer accessibility
- Productive environment for employees
- Efficient and effective operations

Natural Capital
- Protection of natural resources
- Reduced carbon footprint
- Cleaner environment
- Energy-efficient building

DELIVERING FINANCIAL RESULTS FOR THE GROUP

Deposits	Advances	Shareholders' Equity
MUR 199,397 Mn	MUR 109,397 Mn	MUR 24,518 Mn

GENERATES OPERATING INCOME

Net Interest Income	Non-Interest Income
MUR 6,487 Mn	MUR 2,956 Mn

LESS EXPENSES AND LOSSES

Non-Interest Expenses	Impairment Charges	Tax
MUR 6,024 Mn	MUR 2,996 Mn	MUR 547 Mn

RESULTS IN

PAT	ROE	ROA
MUR 15 Mn	0.1%	0.01%

COMMUNITY
REINVESTMENT
EMPLOYEES
REGULATORS
INVESTORS

Our Value Creation

MUR 4.7 BN

Community

By providing banking and non-banking services, we accompany and support our customers in their endeavours. We contribute toward their progress and help them achieve their objectives. Additionally, we give part of our earnings back to the community through an array of CSR activities.

Environment

The protection of the environment is central to our strategy. We are gradually taking steps to reduce our energy usage and carbon footprint. Moreover, through our product offering and CSR activities, we strive to promote sustainable development and help our clients and other stakeholders to integrate sustainability in their activities.

Economy

Our activities contribute to the economic performance of a locality, an industry or even a country. By providing banking services to our customers, we give people who have ideas, plans and projects access to credit, allowing them to achieve their goals; creating jobs and contributing to the growth of the economy.

Strategy Process and Governance

The Group has an established framework defining the approach and methodologies used to conduct analysis, make choices, formulate strategies, implement those strategies and monitor progress against set objectives and targets.

The Board of Directors, in consultation with the Strategy Committee, defines the strategic objectives of the Group. Information flows from the management teams of the different operating entities of the Group to the Board through the Strategy Committee where the financial and the non-financial performance of the Group is assessed against its strategic objectives and the evolution of the operating environment, including the performance of peers. Business strategies, defined in terms of initiatives and action plans, are approved and monitored by the Board of each entity and by the Board of SBM Holdings Ltd on a quarterly basis.

The strategy process is illustrated as follows:

Strategic Analysis

Action

Analysis of:
> External Environment
- Economic
- Political
- Social
- Legal
- Environmental

Analysis of:
> Internal Environment
- Strategy
- Structure
- Processes
- Systems
- People & culture

Benchmarking with:
> Local competitors
> International competitors
> Best practices

Performance Review:
> Financial
> Non-financial

Responsibility

Management:
> Conduct analysis
> Summarise insights

Board:
> Take note of insights
> Direct further analysis

Strategic Choice

Action

Growth Strategy:
> Organic
> Inorganic

Target-Setting:
> Risk appetite
> Capital allocation
> Financial and non-financial targets

Business Choices:
> Markets
> Business lines
> Products/services

Reward Mechanism:
> Financial rewards
> Non-financial rewards

Responsibility

Management:
> Propose strategic plan and initiatives

Board:
> Approve strategic plan and initiatives
> Validate financial targets
> Approve budgets

Strategic Implementation

Action

Formulation of Key Strategic Initiatives

Cascading down of Strategic Plans:
> Ownership of strategic initiatives by sponsors
> Onboarding of project management team

Performance Management and Reward

Responsibility

Management:
> Ensure end-to-end communication of strategy across the Group
> Monitor and report on key strategic initiatives
> Monitor and report on entity/business lines performance

Board:
> Direct analysis to areas warranting attention
> Approve performance, reward mechanisms and quantum

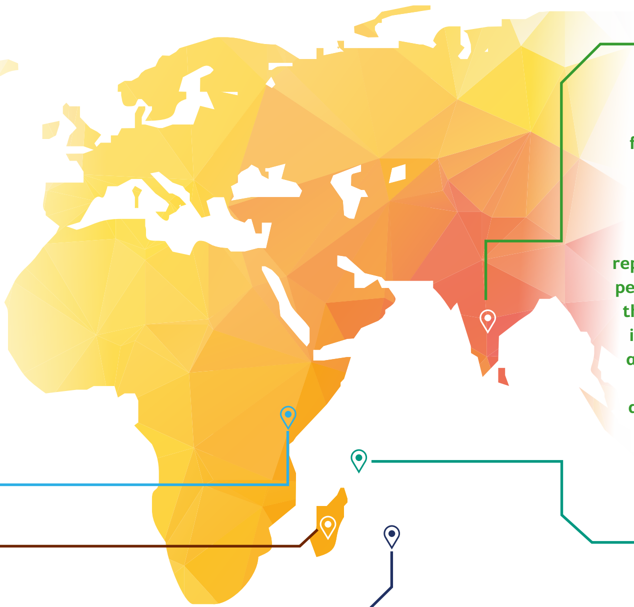
The Operating Environment

The Group is attentive to the evolution of the environment it operates in and uses several tools and methods of analysis to shape appropriate strategies so as to tap into identified opportunities and prepare to sail through risks and foreseeable threats.

The macroeconomic environment was fairly stable during the first half of 2019 but started to show signs of slight weakening during the second half of the year, which led to the downward revision of growth forecasts and the adoption of an accommodative stance by central banks in the geographies where SBM Group is present. The downtrend is expected to persist and worsen in 2020 with the outbreak of the COVID-19 pandemic early during the year, which has seen most of the world population getting locked down for weeks and is leading to unprecedented economic disruptions and distress. Governments and central banks around the world are taking bold social, fiscal and monetary measures to support hard-hit households and sectors of economic activity. These are being accompanied by heightened regulatory scrutiny and costs of compliance are expected to remain elevated. From a technology and innovation perspective, interesting trends and developments are being observed which are redefining the way markets are being organised and served. Nonetheless, the path to post-lockdown recovery remains subject to high levels of uncertainty across geographies of presence.

Kenya

Kenya's economy grew by an estimated 5.6% in 2019, strongly supported by the tourism, construction, financial services and ICT sectors. The banking sector enjoyed a faster expansion in credit growth and witnessed the repeal of the interest rate cap on bank lending during the second half of 2019. The macroeconomic fallout from the novel coronavirus outbreak and its spill-overs to the financial and commodity markets render the outlook for 2020 dim. The economy is projected to recover in 2021. In the meantime, rapid development and deployment of mobile and digital banking technologies can be expected to influence business and operating models going forward.



India

The Indian economy slowed down in 2019, mainly due to stress from the non-banking financial services sector, weakened demand, and a slump in the manufacturing sector. The banking sector continued to face asset quality challenges, necessitating higher provisioning and leading to many banks reporting losses. Macroeconomic and financial performance is likely to worsen in the wake of the current pandemic, although the economy is projected to recover as a result of reforms adopted to develop infrastructure, stimulate economic activity, promote consumption and boost lending. The use of innovation and technology to promote financial inclusion is also expected to accelerate.

Madagascar

Macroeconomic conditions in Madagascar have been relatively stable over the past few years. Real GDP growth is estimated at 4.8% in 2019, on account of public and private investment in infrastructure and strong activity in the export processing zone. The banking sector was generally healthy with sound profitability, liquidity and capital ratios, although it is dominated by a few large players. In 2020, the economy is expected to slow down significantly as a result of the virus outbreak before starting to recover in 2021.

Mauritius

The economy grew by an estimated rate of 3% in 2019, driven by the financial services, trade and construction sectors. The banking sector performed fairly well with an uptrend in credit sector growth, particularly retail. Although recent regulatory changes would have provided some strength to the capital and liquidity positions of banks, the COVID-19 outbreak does not augur well. Economic prospects are grim, given a near-halt in domestic economic activity during the lockdown period and the island's strong travel, trade and investment linkages with an ailing international economy.

Seychelles

The Seychelles grew by an estimated rate of 3.9% in 2019, led by the services sector. The banking sector recorded a sound performance, with rising credit growth, improving asset quality, and comfortable capital adequacy ratios. Going forward, the Seychelles is expected to bear the impact of a general slowdown in key trade markets in view of the prominence of exports in the economy. The outlook for 2020 is negative and a recovery is expected in 2021.

STRATEGY
REPORT (CONT'D)

Delivering our Strategy

Consolidation of our Mauritius Business

Given a sophisticated and well-served domestic banking market, SBM Bank (Mauritius) Ltd attaches importance to consolidating its position as the second-largest domestic bank, enjoying a relatively strong retail franchise. The Bank undertook a number of initiatives to this end, including: the recruitment of a Head of Service Excellence with the aim of improving service quality and customer engagement; the conduct of SME forums across the island to increase proximity with customers, promote financial literacy and create awareness around SBM's value proposition to SMEs; the initiation of the re-branding programme; the renovation of the SBM Tower in a phased manner and the launch of an affluent banking lounge; among others.

Diversification of our Product Offering

In a bid to serve customer needs and preferences better, SBM is continuously attempting to grow and diversify its product offering.

In Mauritius, the Bank developed tie-ups with Fund Houses and presented a wider range of investment solutions to customers such as capital protected structured products. The non-banking arm also partnered with investment management companies Principal Global Investors (USA) and Principal Islamic Asset Management (Ireland) Plc to distribute Shariah-compliant ASEAN Fund and Global Sukuk Fund in Mauritius, Kenya and Madagascar.

Regionalisation

SBM Group has been diversifying its geographical presence since some time now, mindful that growth and scale in the relatively small, mature and highly-banked Mauritian market would be limited. SBM has grown its cross-border business, widened its distribution network in Madagascar, Kenya and India and has established footprint in the Seychelles.

During 2019, SBM opened three additional branches in Kenya, namely in Eastleigh and Gikomba in Nairobi and in Jubilee in Mombassa; two additional branches in India, namely in New Delhi and Bangalore; and 1 additional branch in Talatamaty in Madagascar. The Group commenced operations in the Seychelles on 12 August 2019.

In India, where the product offering has been selectively corporate until the conversion of the Group's branches into a WOS, the Bank made significant progress in diversifying its product offering, particularly to the retail banking segment. SBM Bank (India) Limited added internet banking services, debit cards, dual account in INR and USD and a full suite of NRI products to its offering.

SBM Bank (Kenya) Limited has pursued product diversification through partnership with UPI to roll out prepaid cards and launched its affluent banking value proposition branded as 'Elite Banking'. The Bank was also licensed by the Capital Markets Authority (CMA) during the year under review to operate as an Authorised Depository and an Authorised Dealer - thus being amongst the 3 only banks in Kenya to act as an Authorised Securities Dealer and amongst the 20 only banks to operate as an Authorised Depository - enabling further diversification of the range of products and services offered to customers.

While serving the domestic markets in the new geographies of presence, SBM is increasingly pursuing the opportunity to become a regional player. Indeed, 2019 has seen increased collaboration between the different entities of the Group in order to provide comprehensive financial solutions to customers.

Leveraging the regional network built by the Group, SBM Bank (Mauritius) Ltd (SBMBM) has appointed SBM Bank (Kenya) Limited as a sub-custodian, which significantly enables the former to provide custody services to a wider range of customers across several new markets.

Modernisation

The Group maintains its quest to modernise its operations with a view to improving efficiency and productivity. In Mauritius, enhanced use of robotics has been made. Encouraged with positive results, the Bank is contemplating to increase the number of robots employed. Besides, in a bid to improve the channels of service delivery, 'intelligent' ATMs have been deployed across the island - these ATMs enable SBM customers to deposit local currency notes directly through the ATM. The Bank has also embarked on a project to renovate its branch network.

In India, the physical infrastructure was modernised and ATM added to the channels of service delivery. SBM Bank (India) Limited inaugurated a new modern corporate office in Bandra in January 2019 and carried out rebranding of its remaining branch network. The IT infrastructure was also upgraded.

Having consolidated and stabilised the two acquisitions made in Kenya, SBM Bank (Kenya) Limited is now stepping into modernising its IT infrastructure, paving the way for interesting developments ahead.

Capacity Building

In order to implement its strategy and achieve its goals, the Group is continuously engaged in identifying development needs to build new capabilities and complement existing ones. The Group also reviewed its Performance Management Framework to take on board behavioural KPIs in addition to traditional financial, customer, process and learning and growth KPIs.

SBM Bank (Kenya) Limited implemented a Change Management Programme following the acquisition of selected assets and liabilities of ex-CBLR. The executive and leadership team engaged in culture visioning sessions and culture dialogue focus groups, contributing to the documentation of a Culture Code. Raising awareness on service excellence, SBM Bank (Kenya) Limited celebrated the Global International Customer Service Week in October. More than 1,000 women participated in training sessions organised by SBM Bank (Kenya) Limited in collaboration with the African Women Entrepreneurship Program, Kenya Association of Manufacturing, International Trade Centre-SheTrades and BIDCO Africa, among others. The Bank carried out several staff engagement events such as team building activities, quarterly town halls, culture and change readiness surveys, staff newsletters, formation of squads, among others. The Bank also participated actively in interbank sports games and quiz competitions, earning recognition at national level.

SBM Bank (India) Limited strengthened its workforce with key recruitment across business and support functions and provided extensive training to staff members. Training provided to staff members covered, *inter alia*, information management, compliance, fraud risk management and reporting, internal audit, IT and cyber security, KYC, anti-money laundering, RBI's prudential framework, FX analytics and transaction banking.

SBMBM conducted several risk awareness workshops across the Bank and provided targeted training to the risk, compliance, sales and support services teams in a continuous effort to ameliorate the identification and management of risk. The recovery mechanism has also been reinforced.

CORPORATE GOVERNANCE REPORT

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

- **PRINCIPLE ONE: GOVERNANCE STRUCTURE**
- **PRINCIPLE TWO: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES**
- **PRINCIPLE THREE: DIRECTOR APPOINTMENT PROCEDURES**
- **PRINCIPLE FOUR: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE**
- **PRINCIPLE FIVE: RISK GOVERNANCE AND INTERNAL CONTROL**
- **PRINCIPLE SIX: REPORTING WITH INTEGRITY**
- **PRINCIPLE SEVEN: AUDIT**
- **PRINCIPLE EIGHT: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS**

CORPORATE GOVERNANCE REPORT

"The Board of SBM Holdings Ltd is committed to maintaining the highest standards of corporate governance. The Governance Framework has been established to ensure that Directors and employees fulfill their functions responsibly, whilst protecting and furthering the interests of stakeholders."

Principle One - Governance Structure

Governance Framework

Governance refers to the framework of rules, relationships, systems and processes by which an enterprise is directed, controlled and held to account and whereby authority within an organisation is exercised and maintained. It encompasses authority, accountability, stewardship, leadership, direction and control in any organisation.

Our Corporate Governance Philosophy

SBM believes that corporate governance adds to the performance of the Group, creates shareholder value in the short, medium and long terms and engenders the confidence of our various stakeholders.

The Group operates within a clearly defined Governance Framework that promotes transparency, fairness and accountability. The Board believes that corporate governance principles should be embedded in our corporate culture, which is anchored on: (a) competent leadership, (b) effective internal controls, (c) a strong risk culture, and (d) accountability to shareholders. The internal controls cover financial, operational, compliance and technology, as well as risk management policies and systems.

The diagram on the right-hand side of this page illustrates the main corporate governance practices of SBM Holdings Ltd (SBMH).

Organisational and Governance Structure

SBM Holdings Ltd is a public company listed on the Official Market of the Stock Exchange of Mauritius since 03 October 2014 following a restructuring exercise of the Group approved by the Bank of Mauritius (BOM) under section S32A of the Banking Act. Prior to this, the State Bank of Mauritius Ltd (now SBM Bank (Mauritius) Ltd) which was the holding company was listed since 1995. SBMH is a public interest entity as defined by law.

The Board is responsible for the overall governance and operations of the Company, guiding the strategic direction, monitoring risk, overseeing the activities of Senior Management and meeting all legal and regulatory requirements. All material issues affecting the Company are considered by the Board, with advice from internal and external advisers as and when required. The Board is committed to maintaining the highest standards of corporate governance and acknowledges its responsibility for applying and implementing the principles contained in The National Code of Corporate Governance for Mauritius (2016) (the Code). The Board confirms that it has applied all the requirements and provisions of the Code, except for Principle Two, for the year ended 31 December 2019. Reasons for non-application have been provided at page 52.

Board Charter and Code of Ethics

The Board has approved the following key guiding documents and policies, which are available for consultation on the Group's website.

Code of Ethics and Business Conduct

The main objective of SBM is to achieve long term growth and sustainability through great service provision and high ethical behaviours. The purpose of the Code of Ethics and Business Conduct (COE) is to guide appropriate behaviour to meet a number of organisational goals, both internally and externally.

Board Charter

The aim of the Board is to adopt best practices that are consistent with the principles of good corporate governance and best practice recommendations.

The key guiding documents are reviewed at least once annually to keep abreast of the developments in law, regulations and governance best practices. Any change proposed is approved by the Board.

CORPORATE GOVERNANCE REPORT (CONT'D)

Key Governance Positions

Whilst the Chairman and the Group Chief Executive Officer (Group CEO) are collectively responsible for the leadership of the Group and for promoting the highest standards of integrity and probity, there is a clear and effective division of accountability and responsibility between both positions. Each plays a distinctive role and at the same time complements each other to ensure that there is a proper balance of power and authority and that no individual has unfettered powers of decision and control.

Mr Sattar Hajee Abdoula has been appointed as Chairman of the Board of SBMH following the resignation of Mr Kee Chong Li Kwong Wing, *G.O.S.K.* as Chairman effective 13 March 2020. The Chairman is committed to ensuring that the Board comprises a majority of Independent Non-Executive Directors who objectively challenge the Senior Management and ensure continuity on the Board.

The Board is in process of recruiting a Group CEO following the retirement of Mr Andrew Bainbridge (former Group CEO) in August 2019. SBMH initially entered into an agreement with Mr Andrew Bainbridge to provide limited scope consultancy services in the field of banking, finance, credit risk and strategy up to the end of December 2019. The consultancy agreement was subsequently extended until 31 August 2020. Mr Bainbridge was also appointed on the SBMH Board as Non-Executive Director on 12 August 2019.

The key governance positions, which are set out below, have been approved by the Board and are critical to ensure the Board's performance towards the Group's strategy and achievement of a high level of good governance. A clear definition of the respective roles and responsibilities of the key positions is provided below:

Chairman

The Chairman provides leadership and governance to the Board so as to create the conditions for the overall Board's and individual Directors' effective performance delivery, and ensures that all key and appropriate issues are discussed by the Board in a timely manner. He chairs all the Board Meetings and ensures that the Board "as a whole" plays a full and constructive part in the development and determination of the Group's strategies and policies, and that Board decisions taken are in the Group's best interests and fairly reflect consensus of the Board. He ensures that the strategies and policies agreed by the Board are effectively implemented by the Group CEO and the Management. In consultation with the Group CEO and the Company Secretary, he sets the Board meeting schedules and agendas to take full account of the important issues facing the Group and the concerns of all Directors, and also ensures that adequate time is available for thorough discussion of critical and strategic matters. He arranges informal meetings of the Directors at least annually, including meetings amongst the Non-Executive Directors during which the Group CEO is not present, and ensures that sufficient time and consideration is given to complex, contentious or sensitive issues. He is also responsible for the induction of new Directors and their continuing development, board evaluations and succession planning.

Group CEO

The Group CEO will be responsible for promoting and conducting the affairs of the Group with the highest standard of integrity, probity and corporate governance and in accordance with the business plans and within the budgets approved by the Board. He will act as a liaison between the Board and the Management Team. He will develop and propose the Group's strategies and policies for the Board's consideration. He will also implement, with the support of the Management Team, the strategies and policies as approved by the Board and its Committees in pursuit of the Group's objectives. He will maintain regular dialogue with the Chairman on important and strategic issues facing the Group, and will ensure that these issues are brought to the Board's attention. He will assess the principal risks of the Group to ensure that they are being monitored and managed and will also ensure that the Group has a sound internal control system. In addition, he will chair the Executive Committees with a view to ensuring that the Management Team pursues and achieves the objectives of the Group as approved by the Board.

The Board is in process of recruiting a Group CEO.

Directors

The Directors promote the success of the Group. They analyse and monitor the performance of the Management Team against the objectives and ensure that the Group has adequate and proper internal controls as well as a robust system of risk management. They participate actively in the Board/Committees decision-making, exercise independent judgement and bring valuable knowledge and experience to the Board. The Directors exercise reasonable care, skills and diligence in discharging their duties.

The Board of SBMH comprises ten Directors.

Chairperson of the Corporate Governance & Conduct Review Committee

The Chairperson of the Corporate Governance & Conduct Review Committee (CG & CR Committee) provides expertise in the areas of corporate governance and ensures that the Board is up to standard with local and international good governance standards. She ensures that the Board receives regular training and development. She also ensures that the policies on conduct and ethical standards are being consistently upheld and transparency is adhered to by the Board and the Senior Management Team.

Ms Shakilla Bibi Jhungeer is the Chairperson of the CG & CR Committee.

Chairperson of the Risk Management Committee

The Chairperson of the Risk Management Committee provides risk expertise to the Committee and ensures compliance with the regulatory framework. She guides and advises the Board in the approval of appropriate risk management frameworks. She also ensures that appropriate and effective risk management training is provided to the Directors and Senior Management Team.

Ms Sharon Ramdenee is the Chairperson of the Risk Management Committee.

Group Chief Financial Officer

The Group Chief Financial Officer (Group CFO) will provide leadership and direction, with particular focus in the fields of Strategy, Finance and Accounting. The Group CFO will manage the processes for financial forecasting and budgets and will oversee the preparation of all financial reporting in addition to tax related matters. The Group CFO will also advise on long-term strategy, business and financial planning.

The Group is in the process of recruiting a Group CFO. Meanwhile, Mr Sivakrisna Goinden (Team Leader - Finance) has been assigned some of the duties of the Group CFO effective February 2020.

Company Secretary

The Company Secretary is responsible for the efficient administration of the Group, particularly with regards to ensuring compliance with statutory and regulatory requirements. She provides guidance to the Board in respect of its duties, responsibilities and powers, as well as all applicable laws and regulations. She arranges meetings of the Directors and the Shareholders and ensures that minutes of all these meetings are properly recorded in accordance with paragraph 6 of the Eighth Schedule and paragraph 8 of the Fifth Schedule of the Companies Act 2001 (the Act) respectively. She ensures that all statutory registers are properly maintained and certifies in the annual financial statements of the Company that all returns as required under the Act have been filed with the Registrar. She also ensures that a copy of the annual financial statements and, where applicable, the Annual Report are sent in accordance with sections 219 and 220 to every person entitled to such statements or report as per the Act.

Mrs D Ramjug Chumun is the Company Secretary of SBMH.

Of note that the Board has also approved a statement of accountabilities.

Senior Management Team

> **"Our Senior Management Team is responsible for the overall conduct of operations and resulting profitability of the Group. Our experienced leadership team collaborates with the different entities of the Group to support the delivery of our strategic objectives."**

The Senior Management Team at SBMH level comprises the Head of Project Implementation and Capital Planning and the Team Leader - Finance. Furthermore, the Chief Executive of each operating entity collaborates effectively to achieve the goals and objectives which contribute towards the overall success of the Group.

The profiles of the Senior Management Team are found at pages 24 and 25.

Principle Two - The Structure of the Board and its Committees

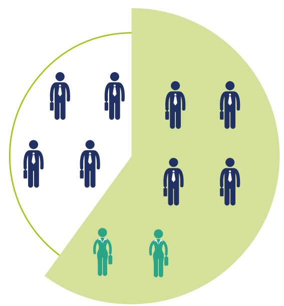
Board Structure

> **"Governance of the Group and the responsibility for driving good corporate citizenship is vested in a unitary Board, supported by several Board Committees."**

The Board's key purpose is to ensure the Company's prosperity by collectively directing its affairs to create sustainable value for the benefit of its shareholders and other stakeholders. In addition to business and financial matters, the Board must deal with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics.

SBMH has a unitary Board of ten Directors, consisting of six Independent Directors (including the Chairman) and four Non-Executive Directors. The Board acknowledges that Principle Two of the Code requires that "*All Boards should consider having a strong executive management presence with at least two Executives as Members.*" The recruitment of Senior Executives of SBMH is in process.

The SBMH Board was reconstituted in March 2020. A sufficient number of Directors do not have any relationship with the organisation and with the majority shareholder.



Independent Non-Executive: 60%

Non-Executive: 40%

Type of Mandate: Unitary Board of ten Directors
Constitution: Not less than seven (7) nor more than eleven (11) Directors

Board Diversity

The SBMH Board recognises and embraces the benefits of a diverse board. Diversity at the board level is seen as an essential element to maintain competitive advantage. The Board is structured to ensure diversity in terms of age, gender, education/qualifications, professional background, sector expertise and specialised skills. When recommending new Directors to the Board, the Nomination & Remuneration Committee (REMCO) has regard to the balance of skills, knowledge and experience required for the Board and its Committees to operate effectively.

The Board consists of an appropriate mix of diverse skills and experience in the fields of banking, financial services, public administration, accounting, economics, tourism, manufacturing, operations, services, legal and retail. The Board also acknowledges the requirement for gender representation in its membership. The following illustrations provide an overview of the current structure of the SBMH Board:

Gender Balance

2 Females

8 Males

Non-Executive Directors Tenure

60% 0-1 year

30% 1-3 years

10% over 3 years

Residence in Mauritius

9 Residents

1 Non-Resident

Board Changes for period January 2019 to April 2020

Appointment		Departure	
Name	**Date**	**Name**	**Date**
Executive Director			
None		Mr Andrew Bainbridge	09 August 2019
Non-Executive Director			
Mr Jean Paul Emmanuel Arouff	11 March 2020	Mr Medha Gunputh	12 March 2020
Mr Andrew Bainbridge	12 August 2019	Mr Vidianand Lutchmeeparsad	10 March 2020
Mr Sarwansingh Purmessur	13 March 2020		
Mr Visvanaden Soondram	11 March 2020		
Independent Non-Executive Director			
Mr Sattar Hajee Abdoula	11 March 2020	Mr Azim Fakhruddin Currimjee	12 March 2020
Ms Shakilla Bibi Jhungeer	13 March 2020	Mr Maxime Hardy	12 March 2020
Mr Patrice Georges Maxime Robert	29 April 2020	Mr Kee Chong Li Kwong Wing, *G.O.S.K*	13 March 2020
		Mr Ramprakash Maunthrooa	13 November 2019

Powers of the Board

The Board is responsible for establishing the Group's purpose, values and strategy, promoting its culture and overseeing its conduct and affairs to create sustainable value for the benefit of the shareholders over the short, medium and long terms. The objectives of the Board are to work in unity with the Senior Management Team so as to achieve not only profitability, but also long term sustainability of the Group. The Group CEO and the other Senior Executives are expected to deliver on agreed performance targets which are aligned to the organisation's strategy and to act in the best interests of the Group and its stakeholders. The role and responsibilities of the Board are set out in the Board Charter.

The Board acknowledges that it should be of sufficient size to meet the requirement of the business and the criteria for determining the sufficiency, which include among others the following: (a) the size of the Group, (b) each operating entities having a strong Board and Management Team and (c) the activities of each operating entities being subject to their respective regulatory requirements. The Board is aware of its fiduciary duties and ensures that SBMH adheres to all relevant rules and legislations in force in Mauritius.

Board Meetings

At the beginning of each financial year, the Chairman of the Board and the Company Secretary, in consultation with the Group CEO, work out and communicate to the Directors and Senior Management the annual board calendar. The Chairman of the Board sets, in consultation with the Group CEO and the Company Secretary, the Board Meeting schedule and agenda to take into account and address the challenges and concerns being faced by the Group and its Directors, and ensures that adequate time is allocated for thorough discussion of critical and strategic matters. Board notes are circulated to the Directors well ahead of the Meetings to facilitate meaningful, informed and focused decisions during the Meetings. Where physical attendance is not possible, Meetings are conducted by means of audio and/or video conferences in accordance with the Constitution of the Company.

The SBMH Board held 18 Meetings during the financial year ended 31 December 2019 and the attendance of the Directors is labelled below.

Members	Board Member Since	Meeting Attendance
● Mr Kee Chong Li Kwong Wing, G.O.S.K *(Chairman)*	April 2015	18
● Mr Andrew Bainbridge*	June 2018	13
● Mr Andrew Bainbridge**	August 2019	4
● Mr Azim Fakhruddin Currimjee	June 2016	17
● Mr Medha Gunputh	February 2015	15
● Mr Maxime Hardy	June 2015	16
● Mr Vidianand Lutchmeeparsad	June 2015	12
● Mr Ramprakash Maunthrooa***	June 2015	12
● Mr Roodesh Muttylall	June 2015	16
● Ms Sharon Ramdenee	December 2018	15
● Mr Subhas Thecka	June 2017	17

*Retired as Group CEO on 09 August 2019 and attended all Meetings held during the period when he was the Group CEO

**Was appointed as Non-Executive Director effective 12 August 2019 and attended 4 out of 5 Meetings held over the remaining period

***Ceased to be a Board Member effective 13 November 2019

Key to Directors

● Executive Director | ● Non-Executive Director | ● Independent Non-Executive Director

Key Focus Areas for FY 2019

During the year, the Board focused on the matters outlined in the table below:

Strategy and Performance	Technology
• Reviewed the strategic orientations and budget plans of all the banking and non-banking entities of the Group • Monitored the expansion initiatives in the following countries: (a) Kenya, (b) Madagascar, (c) Seychelles and (d) India • Monitored the evolution of SBMH share price and reviewed the feedback/comments from the investors for an appropriate share price strategy • Monitored the implementation of selected initiatives proposed by McKinsey, an international consultancy firm hired to devise a strategy roadmap for the Group in 2015	• Monitored the implementation of the IT projects undertaken by the Group • Tracked the IT expenditure across the Group • Brought focus on the need for digitalisation within the Group
Financial Matters	**Others**
• Reviewed and approved the Group's financial statements on a quarterly basis • Assessed and monitored the Group's financial performance and its main businesses through reports from the Team Leader - Finance • Approved the declaration and payment of dividend • Reviewed the valuation of equity investments held by the Group • Reviewed the reports from the Audit Committee, Internal Audit and Anti-Fraud Teams • Reviewed the capital requirements of the Group and its subsidiaries • Monitored the implementation of IFRS 9 which became effective as from 01 January 2018 • Took note of the financial statements of the operating entities of the Group • Reviewed and recommended the appointment of Deloitte as the new statutory auditor for SBM Group to the shareholders	• Approved/took note of the minutes of proceedings • Reviewed reports from Chairpersons of Committees • Took note of developments in the operating environment • Approved the remuneration/productivity bonus for SBMH employees • Approved the appointment of a Consultant in the absence of a Group CEO • Took note of the Declaration of Assets Act 2018 and the Declaration of Assets (Amendment) Act 2019 • Reviewed and approved the Annual Report 2018

Governance, Legal and Risk
• Reviewed and approved the Directors' training needs for FY 2019 • Reviewed and approved amendments proposed to existing/new policies for the Group • Approved the appointment of an External Facilitator for the Board and individual evaluation for FY 2019 and reviewed the findings for improvement • Reviewed related party transactions on a quarterly basis • Considered matters relating to board succession and approved appointments to the Board Committees • Ensured that the Group has a solid risk management system in place in terms of people, systems, policies, controls and reporting • Monitored the implementation of a governance review remediation plan on a quarterly basis • Monitored the share dealings by Directors and Associates as defined by the internal policies • Reviewed and approved the Terms of Reference of the Board Committees/Management Forums

CORPORATE GOVERNANCE REPORT (CONT'D)

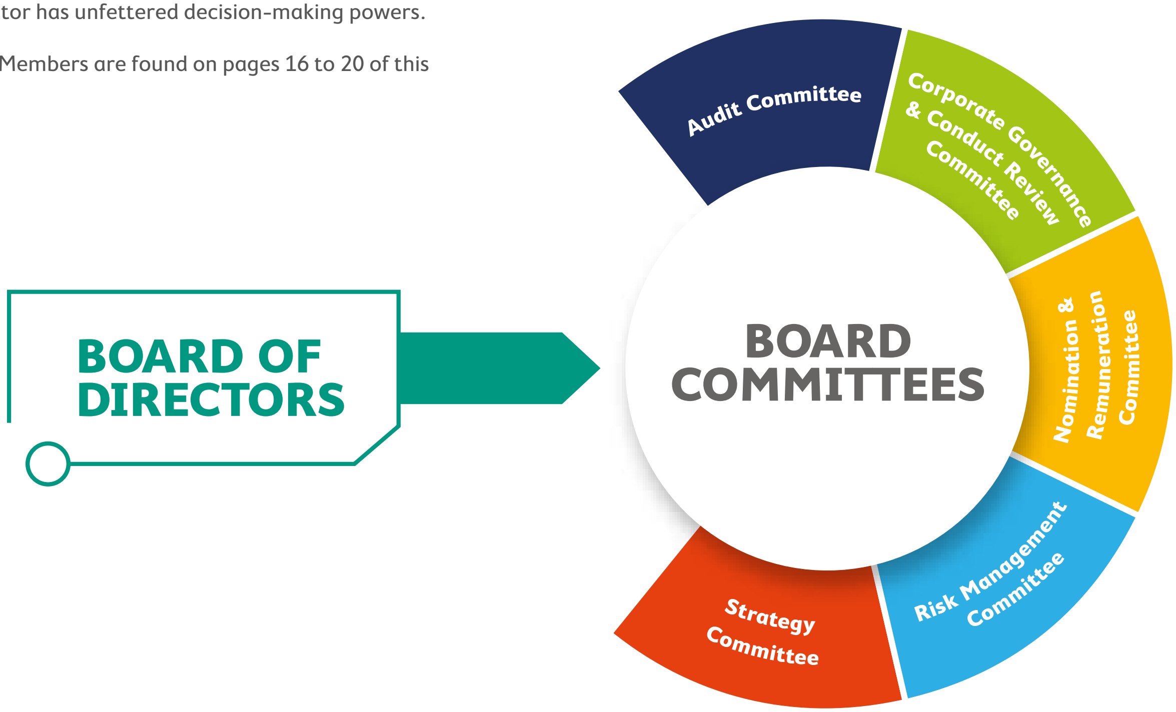
Board Meetings are attended by the Board Members. However, for specific matters, officers of the Company and its subsidiaries, advisors and subject matter experts are also invited.

In line with good governance practices, separate meetings of: (a) the Independent Non-Executive Directors without the Non-Executive and Executive Directors and (b) Independent Non-Executive Directors with the Non-Executive Directors and without the Executive Director are conducted in closed sessions by the Chairman. The primary objective of these sessions is to provide the Independent Non-Executive and Non-Executive Directors with the opportunity to discuss among peers and to raise matters which they may not wish to discuss in the presence of the Executive Director. A clear division of responsibilities at the Board level ensures that no one Director has unfettered decision-making powers.

The profiles of the Board Members are found on pages 16 to 20 of this Annual Report.

Board Governance Structure

The Board has established Committees to assist in fulfilling its responsibilities in line with the provisions of its Charter, promote independent judgement and ensure a balance of power. The Board acknowledges that delegating authorities to these Committees does not detract from its responsibility to discharge its fiduciary duties to the Company. Board Committee Meetings are held at least once quarterly and each Board Committee has its formal written Terms of Reference that are reviewed at least annually. The Board monitors these responsibilities to ensure effective coverage of and control over the operations of the Group.



The Board Committees of SBMH were reconstituted in March 2020 and each of them currently comprises three Members. The Regional Expansion Steering Committee and the IT Committee were discontinued effective 9 August 2019 and 13 March 2020 respectively. The Terms of Reference of the Board Committees are available on www.sbmgroup.mu

Other committees may be established from time to time with specific responsibilities as delegated by the Board. Please refer to page 21 to learn more about the current composition of the Board Committees.

Audit Committee

The Audit Committee assists the Board in fulfilling its responsibilities with respect to: (i) safeguarding of assets; (ii) operation of adequate systems and control processes; (iii) oversight of the Group's consolidated financial statements, financial reporting process, systems of internal accounting and financial controls; (iv) statements in compliance with all applicable legal requirements and accounting standards; (v) the performance of the internal audit function and (vi) the engagement of the Group's External Auditors and the evaluation of the latter's qualifications, independence and performance.

Committee Membership

The Committee comprises solely of Independent Directors and is chaired by Mr Subhas Thecka.

Meetings Held in 2019

The Committee held nine (9) Meetings during the year, with Members of the Senior Management invited to attend as and when specialist and technical knowledge was required. The Committee met without Senior Management before each Meeting and also met separately with the Head of Internal Audit, Head of Anti-Fraud and the External Auditors respectively.

Members	Member Since	Number of Meetings Attended
● Mr Subhas Thecka	August 2017	8
● Mr Azim Fakhruddin Currimjee	June 2016	8
● Mr Maxime Hardy	July 2015	7
● Mr Roodesh Muttylall	July 2015	6
● Ms Sharon Ramdenee*	April 2019	4
In Attendance		
● Ms Sharon Ramdenee**	April 2019	1
● Mr Andrew Bainbridge (Group CEO)		7

* Appointed as Member of the Committee in April 2019 and attended 4 of the 6 Meetings held during the period when she was in office as Member
**Attended 1 of the 3 Meetings held in March 2019 by invitation

Key to Directors
● Executive Director | ● Non-Executive Director | ● Independent Non-Executive Director

Principal Activities and Significant Issues Considered During 2019

Financial Reporting

- Considered, analysed, reviewed and debated information, key judgements and significant matters raised by Senior Management, Internal Audit Team and the External Auditors to ensure that the results and the financial statements of the Group at the end of the year provide a fair representation
- Monitored the integrity of the annual and interim financial statements during the year, with a focus on key accounting policies, financial reporting issues and judgements together with the findings set out in the reports from the External Auditors
- Considered the clarity and completeness of the disclosures within the financial reports

External Audit

- Maintained the integrity of the relationship with the External Auditors
- Monitored the independence and effectiveness of the External Auditors in terms of their audit quality and expertise
- Significant audit matters were considered regarding the audit opinion
- Recommended the appointment of the new External Auditors for FY 2020

Internal Audit

- Monitored and reviewed the effectiveness of the Internal Audit function in terms of its scope, execution of its plan, coverage, independence, skills, staffing, overall performance and position within the organisation
- Reviewed quarterly reports from the Internal Audit Team which covered progress with audit plan delivery and approved proposed amendments to the plan to ensure its alignment to the changing nature of the Group's risk profile
- Ensured that the work completed by the Internal Audit Team during the year was directed towards key areas including information and data security and cross-business risks mitigation such as management of third parties
- Ensured that timely actions were taken by Senior Management to address the adverse findings from the Internal Audit Team
- Where it was appropriate, Senior Management was invited to attend meetings to present an update on the status of measures implemented to address audit findings and recommendations
- Ensured that effective communication was in place between the External Auditors and the Internal Audit Team to check for reliability of evidence

Internal Control Systems

- Reviewed the internal controls and processes of the Group on a quarterly basis. The regular monitoring of the Internal Control Framework allowed the identification of issues and formal tracking of remediation plans
- Ensured significant controls were in place with regards to cyber security
- Ensured integrity and accountability from everyone working for the Group

Looking Ahead

For 2020, the Committee plans to:

- Further develop the relationship with the Audit Committees of all operating entities to ensure that the Group operates effectively and in a streamlined manner
- Review policies and procedures to ensure that they are in line with the rapidly changing competitive environment
- Actively promote ethical and responsible decision making

Corporate Governance & Conduct Review Committee

The Corporate Governance & Conduct Review Committee (CG & CR Committee) ensures that the Group's policies on corporate governance are in accordance with the applicable laws, regulations and best practices and that sound governance principles are adopted across the Group.

Committee Membership

The CG & CR Committee is chaired by Ms Shakilla Bibi Jhungeer since March 2020 and was previously chaired by Mr Roodesh Muttylall.

Meetings Held in 2019

The Committee held six (6) Meetings during the year. Mr Ramprakash Maunthrooa resigned as Member effective November 2019 and Mr Andrew Bainbridge ceased to be a Member as from August 2019 following his retirement.

Members	Committee Member Since	Number of Meetings Attended
● Mr Roodesh Muttylall	July 2015	6
● Mr Andrew Bainbridge	August 2018	4
● Mr Medha Gunputh	July 2015	6
● Mr Maxime Hardy	July 2015	6
● Mr Vidianand Lutchmeeparsad	July 2015	4
● Mr Ramprakash Maunthrooa	July 2015	1

Key to Directors
● Executive Director | ● Non-Executive Director | ● Independent Non-Executive Director

Principal Activities and Significant Issues Considered During 2019

- Reviewed the Corporate Governance Report for the Group's Annual Report 2018
- Reviewed the Governance Review Report and monitored progress relating to actions initiated
- Reviewed the Directors' training needs for FY 2019
- Reviewed new policies and the amendments proposed to existing policies for the Group
- Reviewed the Board's and Board Committees' composition
- Reviewed the Related Party Transactions for reporting quarters
- Reviewed the Terms of Reference of Board Committees/ Management Forums
- Considered other governance matters

Looking Ahead

For 2020, the Committee plans to:

- Review and update the major policies and ensure alignment across the Group
- Ensure that specialised training sessions are regularly provided to Directors
- Continue to oversee and monitor the Group Governance Framework

IT Committee

The IT Committee, which was established to approve (within an approval threshold as set out in its Terms of Reference approved by the Board) or recommend to the Board of SBMH for approval all budgeted IT projects be it at the Group or individual operating entity level as well as monitor their implementation as per the approved plan, was discontinued in March 2020. All the IT related matters are being dealt at the respective entity Board/Committee levels and any material issues are escalated to the SBMH Board.

Meetings Held in 2019

The Committee held nine (9) Meetings during the year and was chaired by Mr Vidianand Lutchmeeparsad. Messrs Mahmadally Burkutoola and Andrew Bainbridge ceased to be Members of the Committee effective February 2019 and August 2019 respectively while Mr Rishikesh Hurdoyal joined as Member effective March 2019. The Group Chief Information Officer (Group CIO) and his team regularly attended the Meeting.

Members	Committee Member Since	Number of Meetings Attended
Representatives of the Board of SBM Holdings Ltd		
● Mr Vidianand Lutchmeeparsad	August 2018	8
● Mr Andrew Bainbridge	August 2018	6
● Mr Azim Fakhruddin Currimjee	January 2017	5
● Mr Medha Gunputh	January 2016	7
● Mr Kee Chong Li Kwong Wing, *G.O.S.K*	July 2015	6
Representatives of the Board of SBM Bank (Mauritius) Ltd		
● Mr Mahmadally Burkutoola	July 2015	2
● Mr Ishwar Anoopum Gaya	June 2016	8
● Mr Rishikesh Hurdoyal	March 2019	6

Key to Directors
● Executive Director | ● Non-Executive Director | ● Independent Non-Executive Director

Principal Activities and Significant Issues Considered During 2019

- Reviewed and updated the Committee's mandate considering relevant legislations, regulations and governance principles
- Considered regular updates on new projects being initiated across the Group
- Reviewed the IT resource requirements
- Monitored the project pertaining to the relocation of the Data Centre and Disaster Recovery to Mauritius to comply with regulatory requirements
- Monitored the cyber-security aspects across the Group
- Tracked the financial amount spent on the IT projects on a regular basis

Nomination & Remuneration Committee

The Board of SBMH has established the Nomination & Remuneration Committee (REMCO) to ensure that employees are paid based on performance and also that pay is set at a level which allows the Group to attract, retain and motivate employees. The REMCO also reviews the leadership and succession needs of the organisation and ensures that appropriate procedures are in place for nominating, training and evaluating Directors.

Committee Membership

The REMCO is chaired by Mr Sarwansingh Purmessur since March 2020 and was previously chaired by Mr Medha Gunputh.

Meetings Held in 2019

The Committee held ten (10) Meetings during the year. Mr Ramprakash Maunthrooa resigned as Member of the Committee effective November 2019 and Mr Andrew Bainbridge ceased to be a Member as from August 2019 following his retirement. The Officer-in-Charge of Human Resources (HR) usually attends the REMCO Meetings.

Members	Committee Member Since	Number of Meetings Attended
● Mr Medha Gunputh	July 2015	10
● Mr Azim Fakhruddin Currimjee	August 2017	9
● Mr Maxime Hardy	July 2015	9
● Mr Vidianand Lutchmeeparsad	June 2016	8
● Mr Ramprakash Maunthrooa	July 2015	5
● Mr Roodesh Muttylall	August 2017	8
● Mr Andrew Bainbridge	August 2019	2
In Attendance		
● Mr Andrew Bainbridge (Group CEO)		7

Key to Directors
● Executive Director | ● Non-Executive Director | ● Independent Non-Executive Director

Principal Activities and Significant Issues Considered During 2019

- Considered matters relating to Board succession, including the recruitment and appointment of a Group CEO and appointment of Members to the Board Committees
- Monitored the recruitment of senior personnel across all subsidiaries
- Ensured transparent and fair recruitment
- Reviewed the remuneration and HR related policies
- Recommended the payment of the productivity bonus and salary review of SBMH staff to the SBMH Board for approval
- Discussed on the proposed HR matrix to be rolled out across the Group

Board Diversity

Over the past years, board diversity has been increasingly considered as a significant mechanism of good corporate governance. The REMCO is committed to promoting diversity at the Board level, with diversity and inclusion being key considerations in the board selection processes. More details are provided at page 53.

Directors' Time Commitment

All Directors ensure that sufficient time is allocated to the Company in order to discharge their responsibilities effectively. In line with its mandate, the REMCO monitors the attendance, committee composition and length of service amongst others on an on-going basis. The letters of appointment for Non-Executive Directors set out the time commitment expected from them so as to perform their duties effectively.

Looking Ahead

For 2020, the Committee will continue to:

- Consider recruitment and appointment of key Senior Management positions
- Review succession plans for the Board and the key roles in a fair and transparent manner across the Group
- Review future talent pipeline and ensure the gaps are plugged in a timely manner
- Review the training needs of the Directors in conjunction with the CG & CR Committee
- Employees are remunerated fairly and based on merit

Risk Management Committee

The Board has established the Risk Management Committee to supervise the Group's overall current and future risk appetite, oversee Senior Management's implementation of the Risk Appetite Framework and reporting on the state of risk. It assists the Board in fulfilling its responsibilities with respect to: (i) oversight of SBM Risk Management Framework, including policies and practices in managing credit, market, operational, legal, compliance and other risks, and (ii) oversight of SBM policies and practices related to funding risk, liquidity risk and price risk which are significant components of market risk and risks pertaining to capital management.

Committee Membership

The Risk Management Committee is chaired by Ms Sharon Ramdenee since March 2020 and was previously chaired by Mr Azim Fakhruddin Currimjee.

Meetings Held in 2019

The Committee held four (4) Meetings during the year 2019. Mr Vidianand Lutchmeeparsad was replaced as Member of the Committee by Ms Sharon Ramdenee in July 2019 while Mr Ramprakash Maunthrooa resigned as Member of the Committee in November 2019. Additionally, following his retirement as Group CEO, Mr Andrew Bainbridge was appointed as Member effective August 2019. The Acting Head of Risk Management of SBM Bank (Mauritius) Ltd (SBMBM) currently attends the Meeting.

Members		Committee Member Since	Number of Meetings Attended
●	Mr Azim Fakhruddin Currimjee	June 2016	4
●●	Mr Andrew Bainbridge	August 2018	4
●	Mr Medha Gunputh	March 2015	3
●	Mr Kee Chong Li Kwong Wing, *G.O.S.K*	July 2015	2
●	Mr Vidianand Lutchmeeparsad*	July 2015	2
●	Mr Ramprakash Maunthrooa	August 2017	-
●	Ms Sharon Ramdenee**	July 2019	-
●	Mr Subhas Thecka	August 2017	4

**Attended the 2 Meetings held during the period when he was in office as Member*

***Did not attend the 2 Meetings held during the period when she was in office as Member*

Key to Directors
● Executive Director | ● Non-Executive Director | ● Independent Non-Executive Director

Principal Activities and Significant Issues Considered During 2019

- Ensured that the Group has a robust risk management system in terms of people, systems, policies, controls and reporting
- Reviewed the risk appetite of the Group as approved by the Board
- Monitored the Group's financial, operational and legal risk profile and the risk heat map on a quarterly basis
- Reviewed its mandate to ensure compliance with the statutory laws and obligations
- Evaluated the stress testing scenarios
- Reviewed the Group's policies for management of risks particularly in the areas of credit, market, interest rate, liquidity, operational and technological risks and made recommendations thereon to the Board for approval
- Reviewed new products introduced/revamped at SBMBM level on a quarterly basis
- Reviewed material litigation against the Group and its subsidiaries on a quarterly basis
- Reviewed new policies and the amendments proposed to existing policies for the Group

Looking Ahead

During the FY 2020, the Committee undertakes to continue to:

- Oversee the effectiveness of the Group's risk management system, including the identification of the principal risks facing SBM
- Maintain a sound risk management and internal control system
- Review the new products introduced by the operating entities of the Group
- Monitor closely the risks associated with the new Accounting Standards on Business

Strategy Committee

The Strategy Committee: (i) discusses matters of strategic nature and makes proposals to the Board on the Group's strategy, (ii) monitors performance against targets set in line with the strategy and (iii) reviews the strategic investments made and the utilisation of capital to ensure that they are in compliance with the Group's mission, vision and objectives.

Committee Membership

The Strategy Committee is chaired by Mr Sattar Hajee Abdoula since March 2020 and was previously chaired by Mr Kee Chong Li Kwong Wing, *G.O.S.K.*

Meetings Held in 2019

The Committee held four (4) Meetings during the year. Mr Azim Currimjee was replaced as Member of the Committee by Ms Sharon Ramdenee in July 2019 while Mr Ramprakash Maunthrooa resigned as Member of the Committee effective November 2019. Additionally, following his retirement as Group CEO, Mr Andrew Bainbridge was appointed as Member effective August 2019. Some key Strategy Team members usually attend the Committee Meetings.

	Members	Committee Member Since	Number of Meetings Attended
●	Mr Kee Chong Li Kwong Wing, *G.O.S.K (Chairman)*	July 2015	4
●●	Mr Andrew Bainbridge	August 2018	4
●	Mr Azim Fakhruddin Currimjee*	July 2016	-
●	Mr Maxime Hardy	August 2017	4
●	Mr Vidianand Lutchmeeparsad	July 2015	3
●	Mr Ramprakash Maunthrooa	July 2015	-
●	Ms Sharon Ramdenee**	July 2019	1
●	Mr Subhas Thecka	August 2017	3

**Did not attend the 2 Meetings held during the period when he was in office as Member*
***Attended 1 out of the 2 Meetings held during the period when she was in office as Member*

Key to Directors
● Executive Director | ● Non-Executive Director | ● Independent Non-Executive Director

Principal Activities and Significant Issues Considered During 2019

- Reviewed the Group's strategy
- Ensured the strategy investments or divestments made are in line with the Group's strategy
- Monitored the implementation of selected strategic initiatives proposed by McKinsey, an international consultancy firm hired to devise a strategy roadmap for the Group in 2015
- Reviewed the performance and outlook of the operating environment including the economy and competing peers
- Monitored the evolution of SBMH share price and reviewed the feedback/comments from the investors for improvement

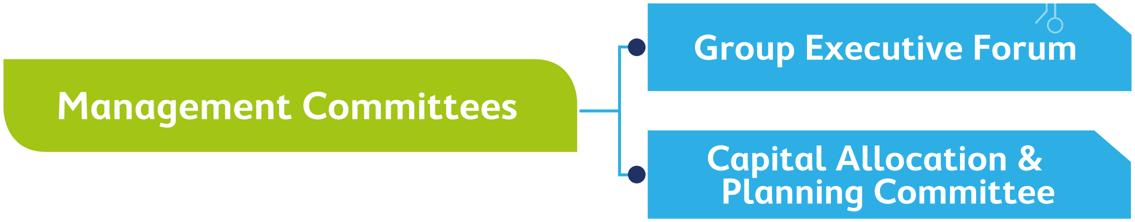
Looking Ahead

The Committee will ensure the following:

- Monitor the progress of the selected growth initiatives and critical enabling initiatives
- Continue to monitor the evolution of the share price of SBMH and take appropriate actions based on feedback/comments from investors
- Continue to ensure all future strategic investment decisions are implemented as approved by the Board

Management Committees

The Board delegates responsibility for the day to day operational management of the Company to the Group CEO/Senior Management Team, who is supported by the following Management Committees:



The Company Secretary

"The Company Secretary plays a leading role in the good governance of the Company by supporting the Chairman and helping the Board and its Committees to function efficiently."

Mrs Dayawantee (Poonam) Ramjug Chumun is the Company Secretary of SBMH. She is an Associate of the Institute of Chartered Secretaries and Administrators (UK) and an ACCA Affiliate. She started her career with SBM in 2002 and joined the SBM Corporate Affairs function in 2007. Formerly Company Secretary of the SBM NBFC Cluster and SBMBM, she was appointed as the Company Secretary of SBMH in March 2015. She has extensive experience in company secretarial and corporate governance matters and has been instrumental in the implementation of a number of recent Group corporate governance initiatives.

The Company Secretary works closely with the Chairman to ensure effective functioning of the Board and its Committees. Under the direction of the Chairman, the Company Secretary is responsible for ensuring proper information flow within the Board and its Committees and between Senior Management and Non-Executive Directors, as well as facilitating induction and assisting with professional development of Non-Executive Directors, as required. All Directors receive accurate, timely and clear information on all relevant matters and have access to the advice and services of the Company Secretary.

The Company Secretary attends all Board Meetings and is also responsible for advising the Board on corporate governance matters. The appointment or removal of the Company Secretary is approved by the Board.

The roles and responsibilities of the Company Secretary are found at page 51.

Principle Three - Director Appointment Procedures

"The Board of Directors is in charge of the management of the Company's business. The Directors make the strategic and operational decisions of the Company and are responsible for ensuring that the Company meets its statutory obligations."

Appointment

Sections 14.1, 14.3 and 14.6 of the Constitution of SBMH require the following:

- *''The number of Directors shall not be less than Seven (7) nor more than Eleven (11). The Chief Executive of the Company shall be an ex officio member of the Board."*
- *"Each Non-Executive Director shall be elected by a separate resolution at the Annual Meeting of Shareholders and shall hold office until the next Annual Meeting and subject to any BOM restrictions, shall be eligible for re-election.''*
- *"Notwithstanding Articles 14.1 and 14.2, the Board may at any time appoint any person as Director provided the total number of Directors does not at any time exceed eleven. Any Director so appointed shall hold office only until the next Annual Meeting, and shall be eligible for re-election."*

The Directors are the agents of the Company, appointed by the shareholders. As set out in the Board Charter, the Board carefully considers the needs of the organisation when appointing Directors.

All appointments to the Board are based on merit and the criteria used to assess the prospective candidates relate amongst others to the gender diversity, social and ethnic backgrounds, cognitive and personal strengths, as well as skills, knowledge and experience required for the Board to be effective. In addition, due consideration is given to their existing directorships to minimise any potential conflicts of interest and time management to enable them to discharge their duties and responsibilities diligently. Appointments are made following a formal, rigorous and transparent process as illustrated below:

Review the composition of the Board

Due diligence process to determine eligibility and fit and proper status of the prospective Director

Following recommendation from CG & CR Committee/ REMCO, the Board either approves, if the appointment is made out of the normal annual appointment cycle, or recommends to the shareholders at the Annual Meeting for approval

A Letter of Appointment is issued once the Board's/ shareholders' approval is received

The Board assumes responsibilities for the induction of new Directors to facilitate their understanding of the business and ensures familiarity with the structure of the Group, its activities, its staff and the laws and documentation necessary for the effective performance of their duties. The Board affirms that all the new Directors participated in an induction and orientation process during the reporting and current period. Each new Director also received a tailored induction pack.

The Board with the assistance of the CG & CR Committee continuously reviews the professional development and ongoing training of Directors. Further details are provided under Principle Four below.

Succession Planning

The Board gives full consideration to succession planning for Directors and the Senior Management Team and keeps under review the leadership needs of the Company. The Board believes that succession planning contributes to the delivery of the Group's strategy by ensuring continuity and the desired mix of skills and experience of current and future Board Members and Senior Management Team.

The REMCO, in collaboration with the CG & CR Committee, proactively reviews the succession requirements for the Board and envisages considering for the Senior Management Team once they are onboarded. The Board is considering defining a succession planning policy which will be applicable for the Senior Management Team and Directors.

Principle Four - Director Duties, Remuneration and Performance

Legal Duties

All Directors on the Board are fully apprised of their legal duties as laid out in the Companies Act 2001.

Code of Ethics and Business Conduct

The Board is fully committed to abide by the Group's COE which assists in achieving long term growth and sustainability through exceptional service delivery and high ethical standards. The COE guides employees of the Group as to how to be responsible and respectful in their dealings with all stakeholders. This document was drafted in a structured way with the joint consensus of the Board and Senior Management of various SBM entities. The COE applies to anyone who is employed by or works within the SBM Group (both permanent and temporary) as well as contractors and consultants. SBM Group also encourages its banking partners (such as related corporate bodies, joint venture partners or companies in which SBM Group is a strategic investor) to adopt and maintain similar conduct and ethics to those outlined in the Group's COE. Directors and staff are made aware of the COE and the implications for non-compliance. The Board regularly monitors and evaluates compliance with the COE.

Training and Development for Directors

Over the course of this year, a number of steps were taken to further strengthen capabilities at Board level. The induction process for Directors was reviewed and catered for two categories: (i) newly appointed Directors and (ii) newly appointed Members of any Committee. A Training and Personal Development Policy for Directors was implemented to ensure that they have access to a wide range of professional development opportunities.

Induction

The Board ensures that all new Directors receive a comprehensive induction programme that is tailored to their previous experience and covers specific listed company responsibilities. The tailored induction process aims to provide newly appointed Directors or newly appointed Members of any Committee with the necessary information to enable them to perform and discharge their responsibilities and duties as effectively as possible within the shortest practicable time. The induction programme ensures that new Directors are acquainted with the vision, strategic direction, values, COE, corporate governance practices and other key policies of the Group. In addition to online access to the board portal, face-to-face interactions with other Directors and key Senior Management are also organised.

On completion of the induction programme, the newly inducted Directors will have the required knowledge and understanding of the nature of the business, the opportunities and challenges facing SBMH, to enable them to effectively contribute to strategic discussions and oversight of the Group.

Continuous Development Programme

> **"The Board strongly believes in the development of the Directors and the Group's employees."**

The Board of Directors' Training and Personal Development Policy aims at: (i) setting out the Board competencies requirements and (ii) outline training and development requirements for Board Directors. In this respect, a comprehensive training calendar is set on a yearly basis, taking into consideration the training needs of the Directors and recent changes in the financial services business environment.

Training courses and personal development initiatives undertaken by Directors are closely monitored by the Chairman and the Company Secretary.

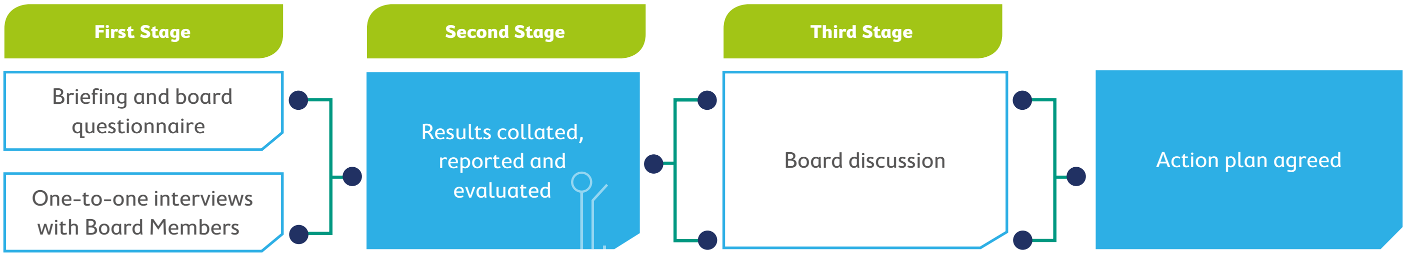
During 2019, Board Directors attended the following training sessions to enhance effective governance across geographies and cultures and to be better equipped to address challenges in the modern banking landscape including:

- Governance challenges in a changing banking world
- Value creation in banking from a board perspective
- Effective decision-making in the boardroom
- Best practices in strategy execution and organisational performance
- Enhance governance and Board performance to national and organisational contexts
- General issues of information access between Management and the Board
- The role and tasks of an effective Bank Board
- Banking governance compliance for Directors
- Evaluating the effectiveness of an effective Bank Board

Performance Evaluation

In accordance with the requirement of the Code, the Board undertakes a review of the effectiveness of its performance and that of its Committees and Directors annually. During the reporting period, the Board engaged Value Alpha Limited (led by Mr Seamus Gillen), an independent external corporate governance consultancy firm, to conduct a full review of the Board, Board Committees and individual Directors. This has been driven by the Board's belief that an effective Board is key to the delivery of a company's strategy and that an objective and external perspective helps to: (i) identify attributes, (ii) set priorities for improvement and (iii) promote open discussion, all of which lead to a more effective Board. The External Board Evaluation process is set as follows:

External Board Evaluation Process



The findings were shared with the Board and the Directors got the assurance that the Board is effective and engaged. Directors' individual and collective contributions were noted, as was the collective commitment to the role.

The Board has also agreed on an action plan for the year ahead, focusing on the following key areas:

- Increase the effectiveness of the Board and its Committees, and their ability to oversee the delivery of the Group's strategic objectives
- An assessment of the composition and diversity of the Board, including Director capabilities and effectiveness, on-going developmental needs and succession planning, with individual feedback for Directors to address
- Deliver a practical business-focused governance work programme for the year ahead.

Conflict of Interest

A Group Related Party Transactions and Conflict of Interest Policy (the Policy) was revisited in a well-structured way with the consensus of the Board and the Senior Management Team and was adopted during 2019. The objective of this Policy is to ensure proper approval, disclosure and reporting of transactions as applicable between the Group and any of its related parties in the best interests of the Group and its stakeholders. The Policy will be updated at least annually.

The Directors and Senior Management Team (wherever applicable) have a continuing duty to immediately inform the Board of any potential conflict for consideration and, if authorised, to be included in the Interests Register, which is maintained and updated on a regular basis. The Interests Register is also available to the shareholders of the Company upon request to the Company Secretary.

The Group recognises that the Non-Executive Directors have other business interests and directorships outside the Company. All the existing directorships are detailed within the Directors' profile at pages 16 to 20. The Directors and Senior Management Team (wherever applicable) have a continuing duty to update any change to these conflicts and to abstain from discussions at Board or Board Committee Meetings in case of conflict.

Directors' Interests and Dealings in SBMH Shares

The Directors of SBMH confirm that they have adhered to the absolute prohibition principles and notification requirements of the Model Code for Securities Transactions by Directors of Listed Entities as set out in Appendix 6 of the Stock Exchange of Mauritius Listing Rules.

During the year, the Board adopted an Insider and Share Dealing Policy to provide guidance to Directors, Senior Management and employees of SBM Group. The objective of the Insider and Share Dealing Policy is to ensure compliance with the laws and regulations relating to insider dealing and trading in SBMH securities as well as setting minimum standards of observance. In accordance with good governance and best practices, the Company Secretary maintains a register detailing the dealing in securities of SBMH by the following persons:

- Directors, Senior Management and any of their associates of the following entities: (a) SBM Holdings Ltd (SBMH), (b) SBM (Bank) Holdings Ltd (SBMBH), (c) SBM (NBFC) Holdings Ltd (SBM NBFC), (d) SBM (NFC) Holdings Ltd (SBM NFC) and (e) the operating entities of the Group.
- Staff of selected departments and any of their associates.

The register is updated on a regular basis.

The table below outlines the interests of the SBMH Directors in the Company as at 31 December 2019:

Directors	Direct Shareholdings	Indirect Shareholdings
Mr Kee Chong Li Kwong Wing, *G.O.S.K*	-	26,310
Mr Andrew Bainbridge	205,000	-
Mr Azim Fakhruddin Currimjee	-	86,500
Mr Maxime Hardy	265,000	-

No other Director of SBMH has an equity stake in SBMH or its subsidiaries either directly or indirectly as at 31 December 2019.

Remuneration

Board of Directors

The remuneration of the Non-Executive Directors is approved by the shareholders and is determined on the basis of market standards and reflects the demand, competencies and efforts in light of the scope of their work and the number of meetings attended.

The table below depicts the total fees earned by Directors in 2018 and 2019 in their capacity as Board and Committee Members of SBMH and its subsidiaries:

Name of Directors	SBM Holdings Ltd	Other Subsidiaries	SBM Holdings Ltd	Other Subsidiaries
	2019		2018	
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Directors of SBM Holdings Ltd				
Mr Kee Chong Li Kwong Wing, *G.O.S.K*[1]	1,640	3,472	2,220	3,376
Mr Andrew Bainbridge[2]	17,270	-	24,122	-
Mr Andrew Bainbridge[3]	250	412	-	-
Mr Azim Fakhruddin Currimjee[4]	1,150	1,122	1,410	307
Mr Medha Gunputh[4]	1,080	662	1,340	661
Mr Maxime Hardy[4]	840	-	900	-
Mr Vidianand Lutchmeeparsad[5]	970	126	1,020	-
Mr Ramprakash Maunthrooa[6]	780	785	1,070	720
Mr Roodesh Muttylall	900	-	1,010	-
Ms Sharon Ramdenee	450	-	20	-
Mr Subhas Thecka	780	-	980	-
Directors of SBM Bank (Mauritius) Ltd				
Mr Mahmadally Burkutoola[7]	45	240	180	1,430
Mr Ishwar Anoopum Gaya[8]	180	1,520	180	1,415
Mr Rishikesh Hurdoyal	150	1,310	-	-

[1]*Ceased to be Director effective 13 March 2020*

[2]*As Group CEO of SBMH for period January 2019 to August 2019*

[3]*As Non-Executive Director of SBMH and its subsidiaries for period August 2019 to December 2019*

[4]*Ceased to be Director effective 12 March 2020*

[5]*Ceased to be Director effective 10 March 2020*

[6]*Ceased to be Director effective 13 November 2019*

[7]*Ceased to be Member of the IT Committee in February 2019*

[8]*Ceased to be Member of the IT Committee in February 2020*

None of the Non-Executive Directors received remuneration in the form of share options or bonuses associated with the organisation's performance.

Executive Management

The overall remuneration philosophy creates an environment in which employees are challenged and rewarded to achieve a required sustainable result. The approach to remuneration is aimed at encouraging and rewarding performance that is aligned to the Group's business model and delivery against the Group's strategy. The remuneration packages of the Senior Management are approved by the Board upon recommendation of the REMCO.

Information Technology and IT Security

SBM Group has embarked on a digital transformation journey, focusing on new technology areas and driving innovation. Several new products and platforms are being rolled out by the Group's entities to deliver a differentiated customer experience. These initiatives also cover innovative business and partnership models to achieve our strategic business objectives. The IT function has built up considerable knowledge and experience following the previous acquisitions which will add value to any future expansion plans.

Regarding the cyber security posture of the Group, it has been enhanced by implementing various measures including technological upgrades, streamlining of the processes, carrying out awareness sessions, enhancing compliance to standards and benchmarks to strengthen the Security Team across various entities. Also, a managed security approach was adopted with homogeneous technology platforms across the Group's entities to enhance synergy. SBM Group has a Security Policy which covers the Group's entities. In addition, SBM Bank (India) Limited (SBMBI) and SBM Bank (Kenya) Limited (SBMBK) have their own local security policies as well. Furthermore, the local Security Teams' capabilities have been augmented and upgraded to manage the geographical and regulatory challenges supported by the centralised team from Mauritius.

The Group has an Information Technology Risk Policy in place. Confidentiality of information and data protection requirements are captured in the corresponding policy documents.

We invite you to read more on our digital approach to doing business in our Sustainability Report at pages 110 to 111.

Principle Five - Risk Governance and Internal Control

The Board considers it important to have a regular and systematic approach to the management of risks in order to provide assurance that strategic and operational goals can be met and the Group's reputation is protected.

Risk Governance and Internal Control

SBM Group has a well-established Risk and Governance Framework which is founded on the three lines of defence principle. It enables Management to maximise risk adjusted returns while remaining within the Board-approved risk appetite and risk tolerance levels. This approach ultimately promotes transparency, accountability and consistency through clear identification and segregation of risks. Moreover, it ensures the protection of the Group's reputation while being aligned to its objective of increasing shareholder value.

Board	Ultimately responsible for risk governance and ensures that risks are adequately identified, measured, managed and monitored. The Board delegates its duty to Sub-Committees which ensure that decision making is aligned to Board approved policies and frameworks.
Management Forums	Manage business operations within Board approved risk framework. Cascades down Board guidance, monitors and reports back to the Board Sub-Committees/Board.
3rd Line of Defence Internal and External Audit	Independently reviews and tests business units' compliance to risk policies and procedures. Also assesses the overall adequacy and effectiveness of the Risk Management Framework.
2nd Line of Defence Risk Management and Compliance	Responsible for providing independent risk management expertise, monitoring and oversight.
1st Line of Defence Business Units and Branch Management	Responsible to identify, evaluate and manage risk at origination of business within set risk appetite and policies.

More details can be found in our Risk Management Report at pages 134 to 162.

Risk governance further ensures that regulatory and business requirements are fully embedded in our business processes and governance frameworks across all risk functions.

Hence, in addition to ensuring adequacy of credit risk governance, it facilitates identification and escalation of major risks such as operational risk, market risk and liquidity risk whilst providing assurance to the Board. This role falls under the responsibility of the Acting Head of Risk Management who has direct access to the Board Chairman and the Risk Management Committee without impediment.

Whistle Blowing Policy

The employees are invited to promptly report their concerns over malpractices to their direct reports, or the HR department, or through whistleblowing. The Group Whistleblowing and Complaints Handling Policy is reviewed annually and the outcomes of any potential incident are reported internally or through the confidential whistleblowing hotline. Following preliminary enquiries, full investigations are launched where such action is deemed appropriate. All investigations are subsequently reported to the Audit Committee. A copy of the Group Whistleblowing and Complaints Handling Policy is available on the Group's website.

Principle Six - Reporting with Integrity

In accordance with the Practice Direction (No 5 of 2020) issued by the Registrar of Companies pursuant to Section 20A of the Companies Act 2001 on "Sending of Annual Report", the Annual Report 2019 of SBM Holdings Ltd can be viewed on the Group's website. A hard copy may also be available upon request.

Directors' Responsibilities

The Directors are responsible for the fair preparation of the financial statements in accordance with the International Financial Reporting Standards and all the requirements of the Companies Act 2001, Banking Act 2004 and Financial Reporting Act 2004 and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to oversight or error.

Any deviation from the above will be reported in the Independent Auditor's Report attached to the financial statements.

The Financial Review is set out at pages 112 to 133 of this Annual Report, while the Risk Management Report can be read at pages 134 to 162.

Organisation's Financial, Environmental, Social and Governance Position

Human Resources Report

> **"Human Capital remains at the heart of the organisation's success."**

Human capital management at SBM includes a rigorous selection process, continuous development opportunities and an enriching employee experience. A robust HR strategy starting with a robust HR function is a critical success factor when it comes to building the human capital required to deliver the Group's objectives.

Our people strategy is aimed at developing an agile workforce as we continue to attract, retain, develop and motivate the right people for our current and future business needs. SBM continues its efforts to encourage diversity and create a positive working environment for our people. Further details are provided in the Sustainability Report at pages 100 to 101.

Training and Development

Details on how the Group builds capabilities are provided at pages 101 to 103 of the Sustainability Report.

Environmental Protection

The Group is committed to protect the environment by constantly identifying and implementing new, sustainable and environmentally friendly initiatives. Further details are provided in the Sustainability Report at pages 98 to 100.

Corporate Social Responsibility Activities

Through the SBM Foundation, the Group continues to give back to the community by engaging in various CSR initiatives. The Group is proud to say that it has allocated some 2,600 scholarships to bright and needy students through its SBM Scholarship Scheme to date.

SBM employees are also very committed to the society and remain actively engaged in various social initiatives. More details on SBM's CSR activities can be found in the Sustainability Report at pages 104 to 109.

Donations

The Group does not make any political donation to any party or any politically affiliated organisation.

Principle Seven - Audit

External Audit

Appointment Process

At the Annual Meeting of the Shareholders held in June 2019, Ernst & Young (EY) was re-appointed as the statutory auditors of SBMH for the financial year ended 31 December 2019. This was the fifth and final year of audit for EY. The Board would like to extend their appreciation to the EY Team for their years of service to SBM Group and its shareholders including the 2019 financial year.

Appointment of Auditors for FY 2020

As reported in the Group's Annual Report 2018, the Board launched a competitive audit tender process for the rotation of the audit firm in respect of FY 2020. The tender process was overseen by the SBMH Audit Committee and Finance Team. The key objective was to deliver a fair, transparent and successful tender process with minimum disruption to the business. Following this formal tender process, Deloitte was appointed as the Group's statutory auditor for financial year 2020, at the last Annual Meeting of the Shareholders held in June 2019, to hold office until the next Annual Meeting of Shareholders.

Meetings with the Audit Committee

Once quarterly, the External Auditors meet the Members of the Audit Committee without the presence of Senior Management to discuss on the potential threat to independence. Then along with the Senior Management Team, the financial performance of SBMH and its subsidiaries, the accounting principles adopted, and audit-related issues are discussed.

Kindly refer to pages 18 to 20 for the financial literacy or expertise of the Members of the Audit Committee.

Evaluation of the Auditors

The Audit Committee evaluates the External Auditors' performance in fulfilling their duty annually, to make an informed recommendation to the Board for their re-appointment. The evaluation encompasses an assessment of the qualifications and performance of the External Auditors, the quality and candour of the External Auditors' communications with the Audit Committee and the Group, as well as the Auditors' independence, objectivity and professional scepticism.

Audit Fees and Fees for Other Services

The table below sets out the fees paid to the External Auditors for financial years 2018 and 2019:

	2019 MUR' 000	2018 MUR' 000
SBM Holdings Ltd		
Statutory audit and quarterly reviews - Ernst & Young	759	518
Other services - Ernst & Young	14	1,908
SBM Bank (Mauritius) Ltd		
Statutory audit and quarterly reviews - Ernst & Young	8,712	6,400
Other auditors	1,466	5,750
SBM Bank (India) Limited		
Statutory audit - S.R Batliboi & Associates LLP (member of Ernst & Young)	2,066	3,527
Other services - Ernst & Young	-	1,772
Banque SBM Madagascar SA		
Statutory audit - Delta Audit Deloitte Associates	182	372
Statutory audit - Ernst & Young	47	372
SBM Bank (Kenya) Limited		
Statutory audit - Ernst & Young	3,311	3,200
Other services - Ernst & Young	-	1,179
SBM Bank (Seychelles) Limited		
Statutory audit - Ernst & Young	421	-
SBM (Bank) Holdings Ltd		
Statutory audit and quarterly reviews - Ernst & Young	152	100
Other services - Ernst & Young	8	8
SBM Africa Holdings Ltd		
Statutory audit - Ernst & Young	84	71

	2019 MUR' 000 (cont'd)	2018 MUR' 000 (cont'd)
SBM (NBFC) Holdings Ltd		
Statutory audit - Ernst & Young	121	118
Other services - Ernst & Young	139	-
SBM MAM		
Statutory audit - Ernst & Young	144	118
Other services - Ernst & Young	38	-
SBM Fund Services Ltd		
Statutory audit - Ernst & Young	156	118
Other services - Ernst & Young	22	-
SBM Securities Ltd		
Statutory audit - Ernst & Young	227	118
Other services - Ernst & Young	38	-
SBM Factors Ltd		
Statutory audit - Ernst & Young	120	94
Other services - Ernst & Young	13	-
SBM (NFC) Holdings Ltd		
Statutory audit - Ernst & Young	120	109
Other services - Ernst & Young	8	-
SBM Capital Markets Ltd		
Statutory audit - Ernst & Young	125	58
Other services - Ernst & Young	20	-
SBM Insurance Agency Ltd		
Statutory audit - Ernst & Young	108	58
Other services - Ernst & Young	15	-
	18,636	25,968

CORPORATE GOVERNANCE REPORT (CONT'D)

The non-audit work is performed by a separate team who holds the necessary expertise and which is independent of the Audit Review Team. The non-audit services provided by the EY Team are special regulatory assignments and their objectivity and independence are safeguarded as the non-audit services are carried out by different teams under the supervision of different Partners/Managers.

Internal Audit

The role of the Internal Audit Team at SBM Group is to provide independent and objective assurance to the Group's Management and to the Board through the Audit Committee. By following a systematic and disciplined approach, the Internal Audit Team helps the Group to accomplish its objectives by evaluating and recommending improvements to operations, internal controls, risk management systems and governance processes.

The Group's Internal Audit is governed by a Group Internal Audit Charter/ Policy approved by the Audit Committee of SBMH. The Group's Internal Audit function is being handled by the Internal Audit Team of SBMBM. Within the Group, SBMBM, SBMBI, BSBMM, SBMBK and SBM NBFC have their own permanent Internal Audit function, reporting directly and functionally to their respective Audit Committees. The annual audit plan for each entity is approved by their respective Audit Committees. The Internal Audit of each entity has a dotted reporting line to the Group's Internal Audit function, currently sitting at SBMBM. The Head of Internal Audit has a direct reporting line to the Chairman of the Audit Committee of SBMH. The Head of Internal Audit has regular meetings with the Chairman of the Audit Committee of SBMH in the absence of Management representatives, thereby further establishing the independence of the Internal Audit Team and reports to the Audit Committee at least once quarterly. Also, in order to maintain objectivity, the Internal Audit Team is not involved or responsible for any area of operations within the Group. The Internal Audit Team has unrestricted access to key personnel, documents, records and explanations required for the performance of its duties.

The Audit Committee of SBMH reviews and approves the internal audit's plan and resources, and evaluates the effectiveness of the function and also takes note of the audit plans of all entities within the Group, as well as monitors progress in the execution of the plans. Furthermore, the Audit Committee ensures that across the Group, a consistent risk-based audit methodology is applied and audits are conducted in line with the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing (Standards).

All areas of activity across the Group fall under the scope of the Internal Audit Team. The very basic principle in all audit plans is that high risk areas (such as credit, NPAs, treasury, payments, finance, and investments) are covered on a more frequent basis. All key processes are audited to identify key risks and assess control adequacy and effectiveness. Audit procedures are designed in response to the risks identified. All key risk areas are covered and findings are discussed and finalised with the respective Heads of Departments and Management. A summary of the audit reports is thereafter tabled at the respective entity's Audit Committee and the Group Audit Committee on a quarterly basis. The findings as well as the methodologies are duly reviewed and discussed with the Chairmen and other Members of the Audit Committee.

The Internal Audit Teams across the Group are composed of auditors with a mix of banking and auditing experience. Senior team members are fully qualified auditors/accountants, while the other members are pursuing their qualifications. IT Audit Teams at SBMBM and SBMBK are staffed with certified information systems auditors.

One of the key initiatives in 2020 for the Internal Audit Team will be the second phase of the implementation of a data analytics tool, which will allow analysis of large volumes of data in order to detect anomalies up to the transaction level in near real time. Implementation has already started at SBMBM and will then be potentially deployed across the other subsidiaries. Another important initiative being carried over from 2019 is the strengthening of the IT Audit Team with additional qualified and experienced resources.

In the years to come, along with the Group's targeted growth and expansion, the Internal Audit will be called upon to be an important player in providing valuable assurance services.

SBM Holdings Ltd

During the year 2019, the audit plan for SBMH was fully completed. Audit findings and recommendations are tabled and discussed with the Audit Committee of SBMH. Follow up on open items are made on a quarterly basis to ensure timely and adequate implementation of remedial actions.

Over and above the audit plan being executed by the entities' local Internal Audit Team, the following overseas audits were carried out by the Internal Audit Team from a Group perspective:

i. BSBMM in January and September 2019

ii. SBMBK in February 2019

iii. SBMBI in September 2019

SBM Bank (Mauritius) Ltd

The Internal Audit Team is structured into four clusters namely: credit, operations, IT and others. Each cluster is under the supervision of an Audit Lead. The Audit Leads, who report to the Head of Internal Audit, are responsible for supervising, reviewing and directing the audit field work of their respective clusters. With regards to IT Audit, SBMBM is pursuing its efforts to recruit an IT Audit Lead.

During the year under review, Internal Audit has completed 89% of its planned audits. The key risk areas such as credit, treasury, finance, anti-money laundering and operations were fully covered. 40 branch audits were carried out, with all branches covered at least once.

Moreover, due to resource constraints, the IT audit plan could not be achieved to its full extent, especially with the IT Audit Team being engaged in the implementation of the data analytics tool to support audit work. An independent review of the Bank's IT system is planned to be performed during 2020 by one of the top audit firm in Mauritius.

The Internal Audit Team has also extended its capabilities and specialisation to non-audit services such as conducting analytics, validation of interest computation on specific accounts and investigations amongst other special assignments. In 2019, 25 investigations were completed by the team at the request of Management.

SBM Bank (India) Limited

In September 2019, the Internal Audit Team was strengthened with one Internal Audit Manager. The team achieved over 70% of the audit plan. Areas that could not be covered were outsourced to independent audit firms. With regards to IT audit, one of the Big Four audit firms was appointed in 2019 to carry out an independent review of the IT general controls and SWIFT systems.

Banque SBM Madagascar SA

At Banque SBM Madagascar SA (BSBMM), the 2019 audit plan was 95% achieved. All the core audit areas, which were categorised as high and medium risks, have been covered at least twice and the low risk areas at least once, thus providing reasonable assurance for those activities. Quarterly reviews were performed on high risk areas and all the six branches were covered. There is a permanent team of two Internal Audit Officers carrying out regular audits. For the year 2020, focus will remain on the key risk areas comprising of credit, anti-money laundering and IT.

SBM Bank (Kenya) Limited

During the FY 2019, SBMBK achieved its internal audit plan at 82%. The team has automated the audit process through the use of Team Mate, an audit management system designed to help auditors and audit department leadership to manage all aspects of the audit process.

In addition, the team uses ACL, a data analytics tool, to perform advanced extraction and analysis of system data. An IT Audit Team was set up and a Head of IT Audit was recruited in April 2019. Two Information System Auditors also joined the team. Due to resources limitations, the IT Audit Team completed 50% of its approved plan. However high risk areas were prioritised and addressed.

SBM Bank (Seychelles) Limited

The first onsite audit for SBM Bank (Seychelles) Limited (SBMBS) is planned for 2020. In 2019 no such audits were carried out as operations started in August 2019.

SBM (NBFC) Holdings Ltd

SBM NBFC has its own dedicated audit team since April 2017 with a functional reporting line to its Audit Committee. The team reports administratively to its Chief Executive. Internal audit covers the following subsidiaries:

i. SBM Factors Ltd

ii. SBM Capital Markets Ltd

iii. SBM Insurance Agency Ltd

iv. SBM Fund Services Ltd

v. SBM Mauritius Asset Managers Ltd

For the FY 2019, the audit plan was fully achieved.

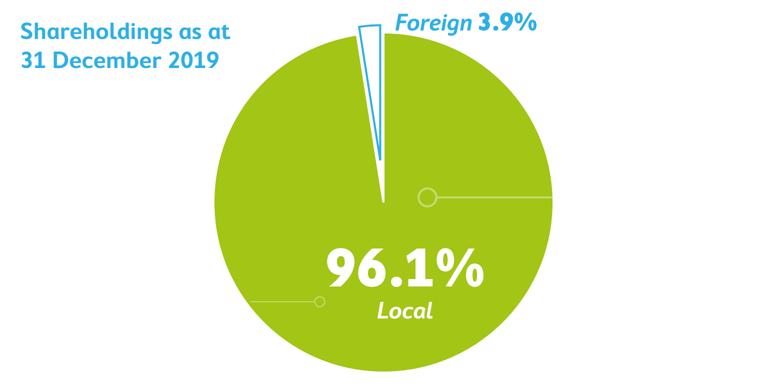
Principle Eight - Relations with Shareholders and Other Key Stakeholders

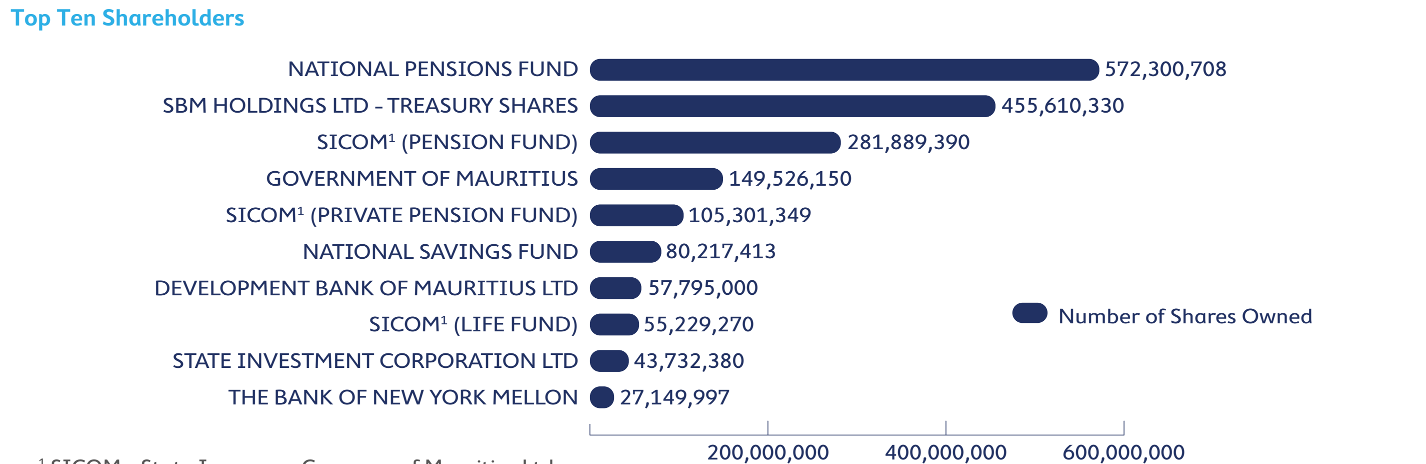
"Our rich network of stakeholder relationships supports the values on which SBM was founded. These relationships are even more vital during this period of regional expansion."

Shareholders

18,154

Total number of shareholders as at 31 December 2019, 434 of whom are foreign shareholders



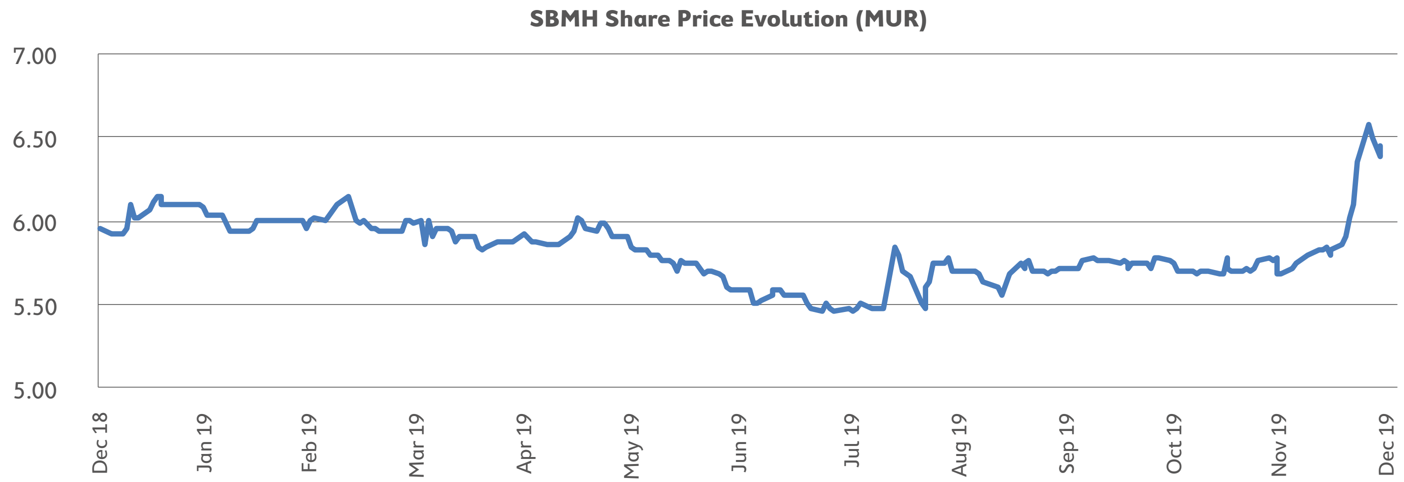


[1] SICOM - State Insurance Company of Mauritius Ltd

Shareholders Spread

Size of Shareholdings	Number of Shareholders	% of Shareholders	Number of Shares Owned	% of Shares Owned
1-50,000	15,857	87.35	151,910,276	5.00
50,001-100,000	900	4.95	66,411,608	2.19
100,001-500,000	1,013	5.58	223,906,870	7.37
500,001-1,000,000	179	0.99	126,503,063	4.16
1,000,001-5,000,000	159	0.87	324,751,347	10.69
5,000,001-10,000,000	18	0.10	122,943,500	4.05
10,000,001-25,000,000	14	0.08	201,579,524	6.64
25,000,001-50,000,000	7	0.04	231,072,037	7.61
50,000,001-100,000,000	2	0.01	112,334,670	3.70
>100,000,000	5	0.03	1,475,989,335	48.59
TOTAL	**18,154**	**100.00**	**3,037,402,230**	**100.00**

SBMH Share Price Evolution



Key points

1. Intra-day high of MUR 7.00 on 23 December 2019

2. Based on closing prices:

Max: MUR 6.58

Min: MUR 5.48

Average: MUR 5.82

Volume Weighted Average Price: MUR 5.74

Total Value Traded: MUR 889.9 million

Market Capitalisation as at end December 2019: MUR 19.6 billion

3. Is a constituent of SEM Sustainability Index since 16 January 2019

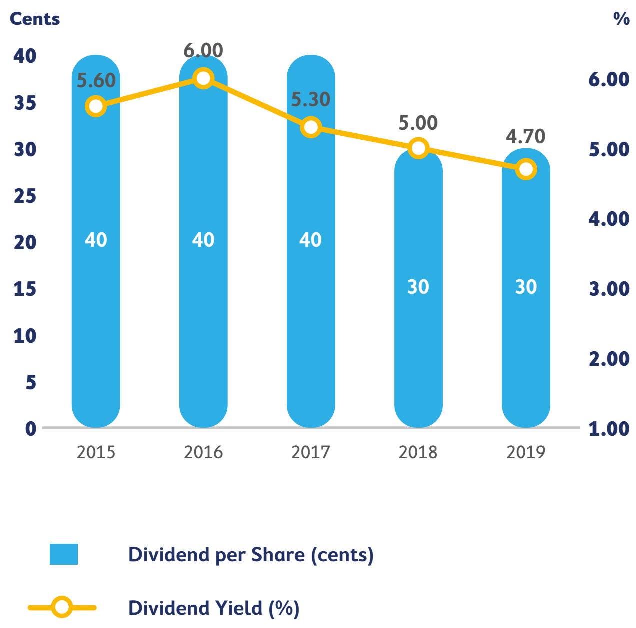
CORPORATE GOVERNANCE REPORT (CONT'D)

Share Capital Structure

SBMH's stated share capital is MUR 32,500,203,861 consisting of 3,037,402,230 fully paid ordinary shares of no par value which includes 455,610,330 shares held in treasury as at 31 December 2019.

Dividend

Dividend declared and paid for the year amounted to 30 cents per share. The illustration below shows the dividend per share and dividend yield for FY 2015 to FY 2019.



Shareholders Information

All shareholders have the same voting rights.

Stakeholder Relations and Communications

The Board of SBMH strongly believes that fair treatment and strong relationships with our key stakeholders is crucial to maintain long-term profitability and a sustainable business. The Board hence ensures that the Group maintains constructive relationships and dialogue with its stakeholders. The main stakeholders of SBM Group are:

Via various communication channels, the Investor Relations Team ensures that shareholders are kept updated on all material matters pertaining to the Group, in compliance with applicable rules and regulations. Our communication channels are mainly investor meetings and press communiqués. In addition, Management participates in international roadshows and engages with existing and potential investors from different countries. Key topics discussed during the year 2019 were: financial performance, our remediation plan, risk management and control policies, our regional strategy, implication of national budget measures and changes in tax regimes on the Group, amongst others.

The Board confirms that the relevant stakeholders have been considered in the organisational position, performance and outlook in an endeavour to meet their expectations and interests.

Shareholders of the Company are strongly encouraged to visit the website of the Group to remain updated on its initiatives, projects and goals. We have also made some improvements on the website whereby investors can now register to our Email Alerts Subscription under the Investor Relations section to receive notifications on financial reports, dividend announcements, corporate events and presentations as they get published.

Within a click, subscribe to our Email Alerts Subscription on https://investors.sbmgroup.mu/email-alerts-subscriptions

Below are the Key Investor Relations Events for FY 2019:

January/February
- Roadshow in UK and South Africa

March
- Roadshow/Conference in Dubai
- Release of FY 2018 Results & Declaration of Dividend

April
- Analyst Meeting and Investor Call for FY 2018 Results

May
- Release of Quarter 1 2019 Results & Declaration of Dividend
- One-to-one Meeting with Key Local Brokers

June
- Publication of Annual Report 2018
- Annual Meeting of Shareholders

August
- Release of Quarter 2 2019 Results & Declaration of Dividend

September
- Roadshow/Conference in London

November
- Release of Quarter 3 2019 Results & Declaration of Dividend

Ad-hoc meetings/calls with Fund Managers, Investment Analysts and Foreign Investors as per request

CORPORATE GOVERNANCE REPORT (CONT'D)

Shareholders' Diary

Financial Year 2020

Release of FY 2019 Results	April 2020
Release of Quarter 1 2020 Results	June 2020
Annual Meeting of Shareholders	July 2020
Release of Quarter 2 2020 Results and Declaration of Dividend (if applicable)	August 2020
Release of Quarter 3 2020 Results and Declaration of Dividend (if applicable)	November 2020
Release of FY 2020 Results and Declaration of Dividend (if applicable)	March 2021

Annual Meeting of Shareholders

The Annual Meeting of the Shareholders is an important day in the Group's calendar and is an opportunity for the Board to present the Group's performance and strategy to the shareholders as well as listen and respond to their queries. The Board ensures that the Notice of Meeting along with the proxy forms are sent to the shareholders not less than 21 days before the meeting in accordance with the Companies Act 2001. The Notice of Meeting clearly defines the procedures on proxy voting and includes the deadline for receiving proxies.

The Board of SBMH is pleased to invite the shareholders to the next Annual Meeting scheduled on Friday 31 July 2020 at Landscope Mauritius - Conference Hall, 1st Floor, Shri Atal Bihari Vajpayee Tower, Cybercity, Ebène, Mauritius. The Registration will be opened as from 08h30. A separate Notice of Meeting, which includes details of the ordinary and special business to be considered at the meeting, is enclosed with the Annual Report 2019. A copy of the Notice of Meeting can be found on our website.

Other Statutory Disclosures

Significant Contracts

In order to safeguard the interests of SBMH, the Group and its shareholders, and ensure that instructions from SBMH are being safely, soundly and sustainably implemented across the Group, SBMH has entered into shareholders' agreements with some subsidiary entities.

Directors and Officers Liability Insurance

The Group has subscribed to a Directors and Officers Liability Insurance Policy in respect of legal action or liability that can arise against its Directors and Officers. The cover does not provide insurance against fraudulent, malicious or wilful acts or omissions.

Statement of Compliance

(S 75(3) of the Financial Reporting Act)

Name of Public Interest Entity: SBM Holdings Ltd

Reporting Period: 01 January 2019 to 31 December 2019

We, the Directors of SBM Holdings Ltd, confirm to the best of our knowledge, that SBM Holdings Ltd has not applied Principle Two of The National Code of Corporate Governance of Mauritius (2016). Reasons for non-application have been provided at page 52.

Mr Sattar Hajee Abdoula
Chairman

Ms Shakilla Bibi Jhungeer
Chairperson - Corporate Governance & Conduct Review Committee

Date: 29 April 2020

Company Secretary's Certificate

For the Financial Year ended 31 December 2019

I certify to the best of my knowledge and belief that the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 in terms of Section 166(d).

Mrs D Ramjug Chumun
Company Secretary

Date: 29 April 2020

CORPORATE GOVERNANCE REPORT (CONT'D)

Banking Cluster

- **SBM (Bank) Holdings Ltd**

SBM (Bank) Holdings Ltd (SBMBH) is a wholly owned subsidiary of SBMH, a public company listed on the Official Market of the Stock Exchange of Mauritius. The Company is a Non-Operating Investment Holding entity having investments in the banking operating and non-operating holding entities of the SBM Group.

As defined in the Financial Reporting Act, SBMBH qualifies as a public interest entity by virtue of the total consolidated revenue and assets of its subsidiaries. The governance structures and policies for the effective oversight of the Company are principally embedded at the level of SBMH.

The SBM Group is now also present in Kenya, India, Madagascar and Seychelles. In order to effectively oversee and monitor the performance of the banking subsidiaries, the Board of SBMBH has set up a Performance Review Committee in 2019.

Board Focus Areas 2019

The Board of Directors of SBMBH met regularly during the financial year ended 31 December 2019 and deliberated on the following matters:

- Reviewed and approved the financial statements of the Company on a quarterly basis
- Reviewed the financial performance of SBMBH and its subsidiaries on a quarterly basis
- Reviewed the development and progress of its subsidiaries
- Approved the declaration and payment of dividends
- Reviewed the board committee structure and approved the setting up of the Performance Review Committee to monitor the performance of the banking operating subsidiaries on a monthly basis.

Subsidiaries of SBMBH

The subsidiaries of SBMBH carrying out banking activities are:

Entity	Country of Incorporation
SBM Bank (Mauritius) Ltd	Mauritius
SBM Bank (India) Limited	India
SBM Bank (Kenya) Limited	Kenya
SBM Bank (Seychelles) Limited	Seychelles
Banque SBM Madagascar SA	Madagascar

The list of Directors of all of the above mentioned entities can be found at page 299.

Brief Overview of Banking Operating Entities

- **SBM Bank (Mauritius) Ltd**

SBM Bank (Mauritius) Ltd (SBMBM) is the flagship banking entity and the main driver of profits for SBM Group. Through its presence of 43 branches and counters across Mauritius, SBMBM caters for a wide range of customer segments including retail, private wealth, treasury, custody, High Net Worth, SME, corporate and international clients as well as financial, government and non-government institutions. This diversified customer base is serviced through multi-channel capabilities including branches, Internet and Mobile Banking solutions, ATMs, POS terminals, e-commerce gateways and digital products and services such as SBM easy-pay, SBM ShopNCash, Custody Client Portal, Online Loan Application, e-Statement and SBM Now amongst others. All these services allow customers to enjoy a seamless banking experience anytime, anywhere.

- **SBM Bank (India) Limited**

SBM Bank (India) Limited (SBMBI) became the first bank in India to be granted a universal banking license, under the Wholly Owned Subsidiary (WOS) mode, by the Reserve Bank of India. SBMBI commenced operations effective 01 December 2018 pursuant to a scheme of amalgamation wherein the assets and liabilities of SBMBM - Indian Operations were transferred to SBMBI. After commencing operations, SBMBI has taken steps to expand its business footprint in line with the strategy of the SBM Group to, for instance, facilitate cross-border banking opportunities in the areas of trade and investment along the Asia-Africa corridor. SBMBI provides a range of banking products to its customers and has branches in the major metro cities of Mumbai, Chennai, Hyderabad and the latest ones being in New Delhi and Bengaluru.

- **SBM Bank (Kenya) Limited**

In line with its regional expansion strategy, the SBM Group marked its entry in Kenya in 2017 by acquiring the Fidelity Commercial Bank Limited through its subsidiary SBM Africa Holdings Ltd. With the acquisition of the carved out assets and assumption of specific liabilities of Chase Bank (Kenya) Limited (In Receivership) (CBLR) in 2018, SBM Bank (Kenya) Limited (SBMBK) reinforced its presence in the Kenyan banking environment. SBMBK currently has a network of 52 branches in Kenya and also serves its clients through its digital channels. SBMBK provides a range of banking services to the corporate, SME and consumer banking customers whilst providing cross-border banking opportunities in SBM presence countries.

- **SBM Bank (Seychelles) Limited**

SBM Bank (Seychelles) Limited (SBMBS) started its operations on 12 August 2019. SBMBS currently has one branch in Mahé and provides a range of core banking products such as home loan, car loan, opening of savings and current accounts, business loans and overdraft facilities.

- **Banque SBM Madagascar SA**

Banque SBM Madagascar SA (BSBMM) is operating in Madagascar since January 1998 and currently has a total of 6 branches, with 5 in Antananarivo and 1 in Toamasina. It offers a range of banking products and services. Over the past few years, the Management has been working on strategies to build a strong liability and customer base as well as identifying opportunities for further growth.

Financial Performance

An overview of the Financial Performance of the Banking Operating Entities are found at pages 129 to 131.

Brief Overview of Non-Operating Holding Entities

- **SBM Africa Holdings Ltd**

SBM Africa Holdings Ltd (SBMAH) was incorporated to hold investments in the banking operations in Africa. Its governance structure is embedded at the level of SBMH. SBMAH is the immediate sole shareholder of SBMBK.

- **SBM Overseas One Ltd, SBM Overseas Two Ltd, SBM Overseas Three Ltd, SBM Overseas Four Ltd, SBM Overseas Five Ltd and SBM Overseas Six Ltd**

SBM Overseas One Ltd, SBM Overseas Two Ltd, SBM Overseas Three Ltd, SBM Overseas Four Ltd, SBM Overseas Five Ltd and SBM Overseas Six Ltd (the Overseas Companies) are non-operating holding companies which are ultimately wholly owned by SBMH. The Overseas Companies have minor shareholdings in SBM Group's foreign banking entities. Their governance structure is embedded at the level of SBMH.

Non-Banking Financial Cluster

SBM (NBFC) Holdings Ltd

The SBM Non-Banking Financial Cluster (NBFC) has been in operation for more than 15 years and provides services in asset management, trading and structuring, corporate finance advisory, capital raising, registry, fund administration, factoring and insurance agency.

NBFC's services complement the range of financial products available within other clusters of the SBM Group.

Over the years, the NBFC has strengthened SBM Group's position as a strong and reputable financial services group through the end-to-end provision of value-added services to its clients.

The activities of the cluster are currently being run through the following subsidiaries:

- SBM Capital Markets Ltd
- SBM Mauritius Asset Managers Ltd
- SBM Fund Services Ltd
- SBM Factors Ltd
- SBM Insurance Agency Ltd
- SBM eBusiness Ltd

SBM Capital Markets Ltd

SBM Capital Markets Ltd is licensed by the Financial Services Commission (FSC) to conduct investment banking activities. It has been granted an Investment Banking licence by the FSC under Section 79A of the Financial Services Act and the Financial Services (Consolidated Licensing and Fees) Rules 2008.

During the year, the Board of Directors of the Company, by way of resolution on 28 May 2019, decided to merge SBM Securities Ltd with the Company through a short-form amalgamation in accordance with Section 247(2) of the Companies Act 2001. The effective date of the said amalgamation was 01 August 2019 and the Company was the surviving entity.

The Company offers corporate finance advisory services, capital raising, trading and structuring services and portfolio management services.

SBM Mauritius Asset Managers Ltd

SBM Mauritius Asset Managers Ltd (SBM MAM) is the asset management arm of the SBM Group. SBM MAM is licensed and regulated by the FSC, and acts as CIS Manager, specialising in fund management.

As from the second half of FY 2019, the Company surrendered its licence for advisory services and distribution of financial products since these services are now being carried out by its immediate Holding Company, SBM Capital Markets Ltd. As from that period, management fees accounted for in SBM MAM were received only from CIS Funds and structured products.

The in-house funds under SBM MAM are as follows:

- SBM Growth Fund
- SBM India Fund
- SBM International Fund*
- SBM Maharaja Fund
- SBM Perpetual Fund*
- SBM Universal Fund
- SBM Yield Fund
- SBM Alternative Investments Ltd
- Africa Infrastructure Investment Holdings Company Ltd*
- SBM Infrastructure General Partner Limited*
- Africa Infrastructure and Industrialisation Fund, LP*

**in process of winding up*

SBM Fund Services Ltd

SBM Fund Services Ltd, licensed and regulated by the FSC, manages fund administration and conducts Registry & Transfer agent services and CIS administrator services. The Company is moreover authorised by the Ministry of Finance to act as Debenture Holder's Representative.

The Company acts as Registry & Transfer Agent for SBMH, supporting over 20,000 investors and processing over 75,000 dividend payments per annum, and provides registry services to the SBM Group for its USD and MUR bonds. It also provides registry services to some other local companies, and acts as registrar for a number of local and foreign investment funds.

SBM Factors Ltd

SBM Factors Ltd, established in August 2016 and launched in 2017, is licensed and regulated by the FSC as a factoring service provider.

SBM Insurance Agency Ltd

SBM Insurance Agency Ltd, incorporated in October 2017, was set up in order to conduct the activities of an Insurance Agent. The Company acts as intermediary between partner insurance companies and the clients.

SBM eBusiness Ltd

SBM eBusiness Ltd's principal activity is to provide payment intermediary services and it holds a licence for this activity with the FSC. The company is still exploring business opportunities on the African continent and has not yet started operations.

Overall performance

Despite a challenging environment, characterised by unfavourable market conditions for stock trading activities and fierce competition, among others, the NBFC made further progress during the year, growing assets under management to more than MUR 9 billion and increasing its contribution to Group revenue and profit after tax.

Summary of Board Discussions

Restructuring of the Non-Banking Financial Cluster

The re-organisation of the cluster, which aimed at bringing more efficiency at the level of the different operating units, has been approved during the year and covered the following main changes:

- Setting up of four main pillars as business lines under SBM Capital Markets Ltd namely: corporate finance, fund management, trading & structuring and research
- CIS Manager's Licence has been housed under SBM MAM whilst all other permissible activities under the Investment Banking Licence are carried out by SBM Capital Markets Ltd
- Regrouping of all existing Funds under SBM MAM
- Regrouping of all MUR Funds under a single structure, the SBM Investment Unit Trust
- Transfer of the Microfinance operations to SBMBM

Procurement Policy

A Procurement Policy was approved during the year in order to ensure that goods and services are availed at the best price, in a cost effective, transparent and consistent manner and that deals are concluded with reliable suppliers offering quality products and services.

Outlook for 2020

NBFC's strategic orientations for FY 2020 and the years ahead are being shaped around (a) growing and diversifying the customer base, (b) simplifying the legal and the operating structure for higher levels of efficiency, and (c) synergising with other entities of the Group with the overall goal of firming up an investment banking function.

The uncharacteristically challenging conditions set forth by the COVID-19 pandemic will exert pressures on the bottom lines as a result of reduced demand as a result of client revenues being impacted as well as higher risk aversion leading to lower supply of liquidity in the market, which is a key ingredient of capital raising efforts. NBFC will continue to accompany clients during these difficult times and endeavour to develop adapted solutions to the changing client needs.

Non-Financial Cluster (NFC)

SBM (NFC) Holdings Ltd

The Non-Financial Cluster (NFC) has been in operation since 2011 and acts as a vehicle through which its holding company, SBMH, routes funds by way of equity and/or borrowings to finance investments (other than in an operating company) in Mauritius and other jurisdictions.

The objects of the Company are to act as a non-operating, investment holding company and carry out any activities which are not prohibited under the laws of Mauritius or in any other jurisdiction and in particular to:

- Act as a conduit to route funds or investments from SBMH into any company or body corporate which is not an operating company.
- Invest in any trade, sector, industry or business whether directly or through the creation of a company or body corporate.
- Invest in, acquire, hold, sell, dispose of or deal in shares, stocks, bonds, debentures, debenture stock, securities, negotiable instruments or other interest in any company or body corporate whether in Mauritius or elsewhere, except in a company or body corporate engaged in banking business and/or financial services.
- Do all such things as are incidental or conducive to the attainment of the aforesaid objects including the holding of immoveable property and the raising of funds and borrowing of money.

SUSTAINABILITY REPORT

“OUR SUSTAINABILITY INITIATIVES ARE DRIVEN BY OUR WILL TO MAKE A POSITIVE IMPACT IN THE COMMUNITIES IN WHICH WE OPERATE.”

- **OUR APPROACH TO SUSTAINABILITY**
- **SHAPING A SUSTAINABLE BRAND**
- **ENGAGING WITH OUR STAKEHOLDERS**
- **GROWING INTO AN ENVIRONMENTAL STEWARD**
- **OUR PEOPLE**
- **OUR COMMUNITY ENGAGEMENT**
- **OUR DIGITAL APPROACH TO DOING BUSINESS**

SUSTAINABILITY REPORT

Our Approach to Sustainability

At SBM, we recognise that success depends on the economic, social and environmental consequences of our operations. We believe that, as a responsible citizen, it is our duty to take sustainable actions to maintain performance and value creation, while making optimal use of resources and improving quality of life for our stakeholders. With the adoption of sustainable practices, we aim to develop and valorise the communities in which we evolve.

Over the years, our endeavour to craft a sustainable business led us to build a strong and diversified institution, generate sound financial performance, adopt good corporate governance practices, champion a greener environment and commit to a long term corporate social responsibility agenda.

This Sustainability Report aims to showcase how we create and deliver value to, and engage with, our stakeholders. Our approach to sustainability focuses on: our people and how we build capabilities for the future, our responsibility towards the environment and our offering to financing green initiatives, our engagement with the community, and the adoption of a digital approach to doing business.

Shaping a Sustainable Brand

While continuing to strengthen its sustainable future, SBM will further enhance its brand and reputation.

Our Group has recently embarked on a rebranding exercise, which was carried out group-wide to build and reinforce SBM's brand identity and image. The Group's new brand values revolve around customer centricity, innovation, environmental stewardship and trustworthiness.

Engaging with our Stakeholders

At SBM, we believe that one of the ways through which we can make a difference is by engaging with our stakeholders to create sustainable value for them.

Partnering with stakeholders who share our values and have an interest in our business and a sustainable future is of utmost importance for us to be able to make a difference both as a corporate citizen and as a social partner. Our stakeholder engagement hence allows us to build positive and lasting relationships that help us deliver on our strategic and sustainable goals.

The way we engage with our stakeholders involves communicating our performance, strategic aspirations, decisions and activities that impact or are of significant interest to them. Keeping our stakeholders at the heart of everything we do, we relentlessly try to understand our stakeholders' needs and concerns. This is an important input into the way we respond to their expectations and conduct business and allows us to improve our performance and manage potential risks better. Our engagement is chiefly based on fair access to information, transparency, consistency, accountability, inclusiveness and professionalism.

SUSTAINABILITY REPORT (CONT'D)

Our Stakeholders	How We Engage with Them	Their Contribution to Our Sustained Value Creation
Shareholders, Debt Holders and Investment Analysts	✓ Publish interim results on a quarterly basis ✓ Stock Exchange announcements ✓ Annual Meeting ✓ Regular analyst briefings, calls and investor presentations ✓ Regular roadshows ✓ Electronic communications ✓ External newsletters ✓ The Group's website ✓ SBM Group's Investor Relations Team ✓ Reviews by rating agencies	✓ Investors, shareholders and debt holders are a key source of financial capital to support the business operations and sustain growth
Customers	✓ Promotional and marketing campaigns ✓ Relationship managers, customer meetings and site visits ✓ Events ✓ Customer service ✓ Communication including electronic, phone calls amongst others ✓ Delivery channels ✓ Roadshows ✓ Media (including social media and website) ✓ Give aways	✓ Customers avail of our products and services to achieve their financial goals and provide the basis for our continued growth
Employees, Management and Directors	✓ Induction course ✓ On-going training and team building ✓ Conferences, team engagement sessions and performance management discussions ✓ Regular internal meetings and workshops ✓ CEO and other Executive Members roadshows (e.g. town-hall events) ✓ Team members survey and feedback ✓ Internal newsletters and electronic communications ✓ Welfare activities ✓ Staff Children Education Fund ✓ Cultural events	✓ Employees and management supply the necessary skills and expertise to deliver on our promises to stakeholders

What our Stakeholders Expect From Us and Key Issues Raised	Our Response to Stakeholders' Concern
✓ Sustainable and attractive return on investment realised over time through dividends, interest and share price growth ✓ Strong leadership which provides strategic direction and execution ✓ Focus on exemplary corporate governance and ethics ✓ Managing risk, capital and liquidity within an appropriate risk appetite	✓ Management has clear financial targets which are communicated. These targets are being monitored by Top Management and aim to increase profitability and improve key operational ratios ✓ The Board and its various subcommittees have oversight responsibilities in relation to risk management, corporate governance, and adherence to internal policies. The Board ensures that the proper strategies and decisions are being adopted and taken respectively for long term value creation ✓ No major shareholder's influence on operations
✓ Reliable client service, experience and quick turnaround time ✓ Enhanced customer-staff interactions ✓ Proper handling of complaints ✓ Access to financial services that are cost-effective, easy to use and convenient ✓ Offering innovative and tailor-made products that meet their financial needs ✓ Trading fairness ✓ Protection against fraud and safety of personal data (customer privacy and data security) ✓ Timely direct communications on changes ✓ Physical infrastructure	✓ We aim to provide a unique customer service experience via investment in technology ✓ We have articulated expected employee behaviours and are rolling out related training programmes in that respect ✓ We are investing into new product and service offerings based on customer feedback and market insights, and we ensure that they are easily accessible ✓ We have a dedicated contact centre and complaints desk ✓ We continually increase customers' awareness of cyber threats and how to prevent them. We invest significantly in secured IT systems and we are committed to protect the privacy of our client data ✓ We have guidelines to prevent our Sales Team from misselling ✓ We listen to our customers through various channels including face-to-face interactions, social media, our dedicated contact centre and complaints desk
✓ A safe, stimulating and rewarding work environment with open communication ✓ Fair remuneration and benefits ✓ Opportunities for career and personal development ✓ Effective performance management and recognition ✓ Timely circulation of Board/Committees papers to enable informed and effective deliberations	✓ We provide competitive remuneration and benefits packages ✓ We provide ongoing training and education ✓ There is open communication between employees and management ✓ Employee wellness programmes are aligned to local and international best practices/trends ✓ Performance management is integrated into development programmes for skills and personal development of employees, management and directors ✓ We use the findings of our employee surveys to create tailored action plans to address areas needing improvement ✓ Collective bargaining agreement is in place

SUSTAINABILITY REPORT (CONT'D)

Our Stakeholders	How We Engage with Them	Their Contribution to Our Sustained Value Creation
Government and Regulators	✓ Onsite visits and compliance inspections ✓ Written communications ✓ Filing of returns and reports with all regulators ✓ Participation in forums, conferences and workshops ✓ Regular meetings with regulators	✓ Government and regulators provide us with our license and regulatory framework in which to operate
Suppliers and Strategic Partners	✓ Expressions of interest ✓ Vendor assessments ✓ Tender process ✓ Contract management and renewal ✓ Ongoing supplier relationship management, supplier visits and one-to-one meetings ✓ Fairs and exhibitions ✓ Incident handling and escalation	✓ Suppliers are critical for our business by supporting us in delivering high quality and innovative products and services to sustain growth ✓ Critical to support our systems and fixing issues
Communities	✓ CSR programmes ✓ Donations ✓ Sponsorships ✓ Staff engagement ✓ Media coverage and other social networks	✓ Being actively engaged in the community is an effective way to hear from the people we serve and this enables us to grow further and achieve our goals ✓ Communities act as brand ambassadors for us

What our Stakeholders Expect From Us and Key Issues Raised	Our Response to Stakeholders' Concern
✓ Compliance with relevant legislation and operating in a transparent manner	✓ Engage constructively on new policies and regulations affecting Group operations ✓ Compliance with existing rules and regulations ✓ Transparency in disclosures of any relevant information ✓ Ensure on-time filing of reports and returns and payment of relevant fees and taxes ✓ Proper composition and well defined duties of the Board and Board Committees in place ✓ Fair business practices ✓ Continuous training to our employees to remain abreast of changes in legislations
✓ Fair and reasonable contract terms ✓ Timely payment and renewal of contract ✓ Trade fairness ✓ Participation in events ✓ Timely decisions ✓ Work in a spirit of partnership ✓ Understanding of business roadmap ✓ Good supplier relationship	✓ Fair procurement practices ✓ Build and maintain professional relationship with suppliers and strategic partners through regular interaction
✓ Contributing to the community at large by undertaking community development programmes in areas of need ✓ Empowering vulnerable groups ✓ Supporting the economic development of the country	✓ Providing tools, resources and opportunities for vulnerable groups ✓ Investment and involvement in CSR projects ✓ Supporting initiatives bearing high impact to society ✓ Sponsorships and partnerships ✓ Job creation ✓ We have an Environmental and Social Risk Policy which guides us for responsible business activities and which helps us balance the risks and opportunities for the communities we serve

SUSTAINABILITY
REPORT (CONT'D)

Growing into an Environmental Steward

SBM Group recognises stakeholders' interests on matters related to environmental, social and good governance, and hence implemented an Environmental and Social Risk (ESR) Policy.

The Group endeavours not to knowingly engage with entities infringing applicable environmental and social laws as well as moral and ethical norms. As part of its commitment to the ESR Policy, the Group actively promotes equality and ensures that it provides equal opportunity to everyone for all its activities. Furthermore, SBM Group supports the development of green and inclusive finance. In line with this, SBM Bank (Mauritius) Ltd has, for instance, engaged with Agence Française de Développement (AFD), under the SUNREF (Sustainable Use of Natural Resources and Energy Finance) programme, since 2009 for onward lending to the private sector for investment in projects related to energy efficiency, renewable energy and environmentally sound technologies. Through this partnership, AFD provides technical assistance to these projects as long as they meet specific eligibility criteria.

SBM Group evaluates and benchmarks requests for green financing against requirements spelt out by AFD. These include:

- The AFD Exclusion List
- The applicable national laws on environment, health, safety and social issues and other relevant standards established therein
- The International Finance Corporation (IFC) Performance Standards
- The Equator Principles

Under AFD's lending programme, our clients have benefitted from a wider product offering to invest in environmentally-friendly projects at a lower cost. As one of AFD's partner banks, SBM also has access to a niche market to support sustainable development.

Moreover, our partnership with AFD has enabled us to finance numerous green projects - both for corporates and individuals - in the manufacturing, tourism, trade and education sectors. The clients have benefitted from subsidies and lower cost of borrowing and these projects have relatively lower impact on the environment. SBM has benefitted from greater awareness of green financing opportunities, besides having built expertise in assessing green projects.

More than 100 projects financed under our green offering

~20% energy saving estimated by our corporate clients having availed of SBM ECOLOAN

More than EUR 40 million disbursed under credit lines with AFD/SUNREF

Driven by our encouraging performance, SBM has signed a third line of credit with AFD. The three thematic projects under AFD (SUNREF programme) are:

- Renewable Energy and Energy Efficiency
- Adaptation to Climate Change
- Gender Equality

Our Group firmly believes that the integration of sustainability and equality in its way of doing business has contributed to enhance its name on the local and regional markets.

Our Sustainable Environment Initiatives

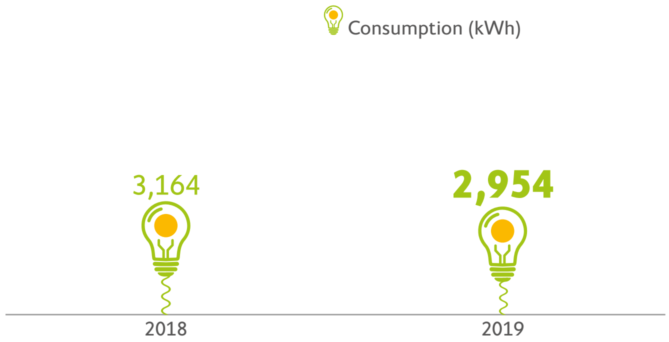
The Group's attempt to protect the natural environment is also reflected in terms of optimisation of use of resources, for example energy and water consumption and paper usage.

Given that we are at early stages into sustainability reporting, and we have only recently started to track some key metrics like paper usage and CO_2 emissions for the Group, we are making an attempt to report our data in a meaningful and consistent manner so that same can be compared over time and across our geographies of presence. We are making an attempt to demonstrate our commitment to reducing our environmental footprint.

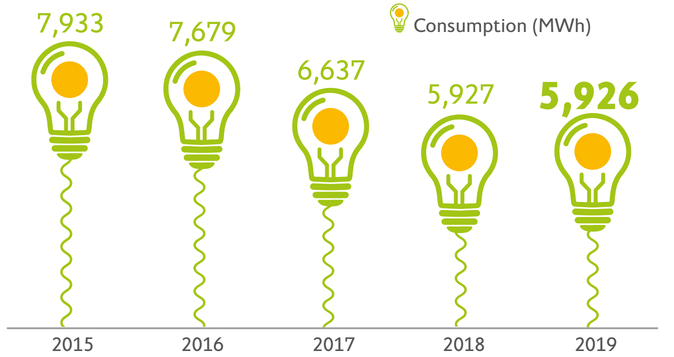
The illustrations below showcase our progress regarding water and electricity consumption, paper usage and CO_2 emissions:

Key Highlights of How We Created a Lighter Footprint in 2019

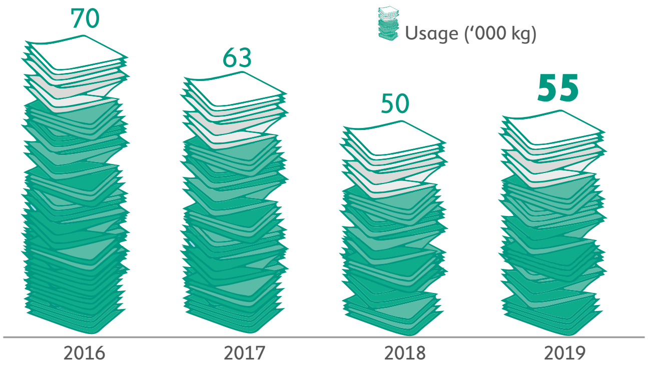
Energy Consumption per Staff: Group



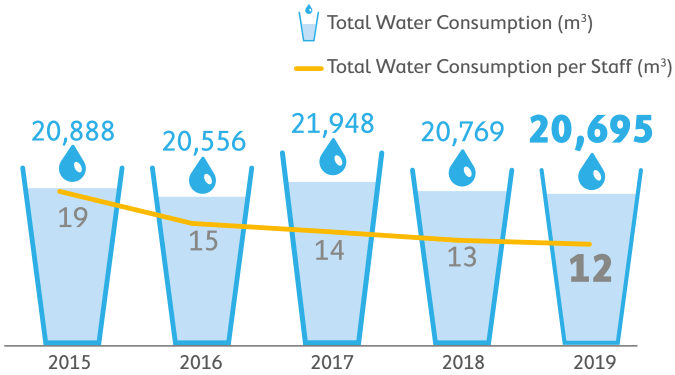
Overall Energy Consumption: Mauritius



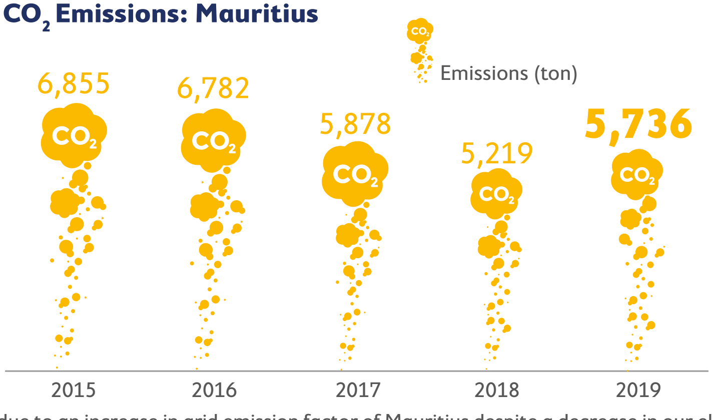
Paper Usage: Mauritius



Water Consumption: Mauritius



CO_2 Emissions: Mauritius



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

SUSTAINABILITY REPORT (CONT'D)

SBM constantly identifies and implements new, sustainable and environmentally-friendly production and consumption activities.

In line with this philosophy, renovation works have already started at SBM Tower and will be carried out in a phased manner, using the latest technology and energy-efficient materials such as reinforced access control system and led dimmable lights, motion sensor, and use of natural lighting with a view to reducing electricity consumption. The LED lights use 75% less electricity, emit more brightness and have an extended service life of 25 times more than conventional lights. High quality self-adhesive solar film with high heat reduction for the full indoor mounting has been used and reflects 82% of solar energy, thereby reducing the overheating of rooms. Following the replacement of our R22 air conditioning equipment, CFC gas is also expected to be significantly reduced going forward.

The renovation of our reception lobby and selected floors has been completed in early 2020 and refurbishment of other floors and our service units in Mauritius will be carried out gradually.

Our employees are encouraged to reduce paper usage by favouring digital ways of communicating and consuming information. Visitors of SBM Park are also encouraged to reduce consumption of plastic through the use of reusable water bottles instead of disposable plastic ones.

All our overseas entities are shifting to LED and energy saving bulbs to reduce electricity consumption. SBM Bank (Kenya) Limited has gone a step further with the installation of motion sensors in their corporate office. Moreover, regular mechanical and electrical preventive measures are taken for the efficient running of equipment leading to low consumption of power and energy.

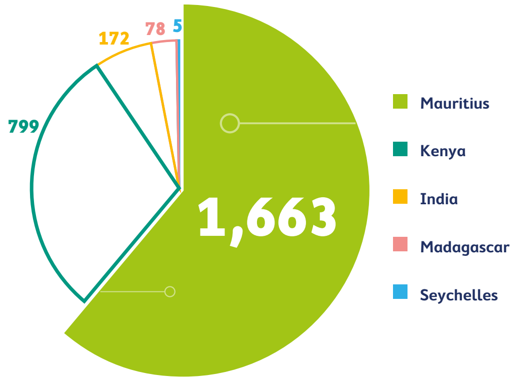
Our People

Our people are at the centre of our activities and create value in everything we do. SBM aims to build a work environment that is safe, healthy, collaborative and supportive to achieving excellence. SBM is an equal opportunity employer and encourages both diversity and inclusion. We are actively present on both the social and economic fronts, contributing to the growth of the different economies in which we are present, through continuous people development and job creation.

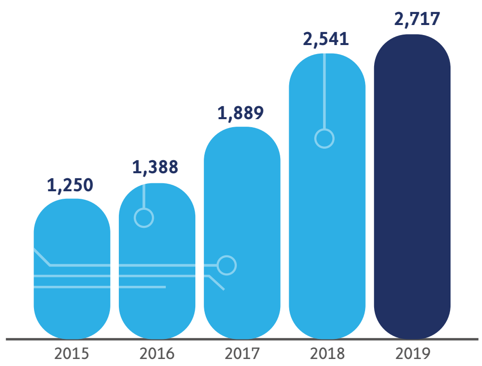
We aim to be an ‘Employer of Choice’. We therefore encourage an organisation culture that promotes great work ethics, high level of commitment, a fine sense of responsibility, continuous learning and growth, and a passion for excellence.

SBM has a diversified talent base of 2,717 employees across geographies where the Group is present.

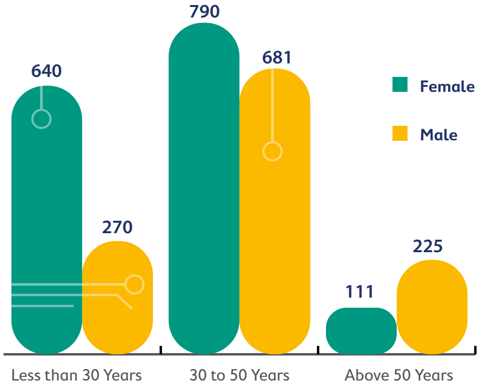
SBM Group’s Headcount



A Growing Talent Base over the Years



Age and Gender Demographics



Creating an Engaging and Supportive Work Environment for our People

The Group carries out various staff engagement initiatives such as engagement surveys, team building activities, town halls, health checks, cultural festival celebrations and get-together events to uphold team spirit and foster inclusion across the organisation. Last year, several team workshops were also organised to strengthen team relations, in less formal settings, to help address various team challenges in a fun and experiential way.

At SBM Bank (Kenya) Limited, a relatively new addition to the SBM family, we initiated a culture change and leadership programme to ensure greater synergy and better integration within the Group.

Across entities of the Group, we have also enhanced our new employee onboarding process and experience to ensure that the new recruits are well versed with the Group's philosophy.

SBM practises an 'open door' policy where regular dialogue between the Management Team and employees is encouraged for better sharing, understanding and close collaboration. SBM holds regular discussions with employees' representatives and unions to preserve a harmonious employer-employee relationship.

The Group has adopted a proactive approach to health and safety risk identification and information dissemination through regular site visits, health checks and surprise inspections. The Group has well-defined procedures to deal with emergencies.

Periodic performance appraisal exercises are conducted to better identify and understand employees' strengths and development needs.

Feedback gathered from all of the above-mentioned activities are used to identify areas for improvement and design action plans to improve employee experience, identify, develop and manage talent, enhance productivity, drive succession planning and leadership development and hence boost the level of employee engagement.

We have also planned a series of wellness activities and should carry out employee engagement surveys during the year 2020.

Capacity Building: Training and Talent Development

The setting up of a dedicated cluster, SBM Academy, to manage training and talent development programmes across the Group reinforces the Board's commitment to grow our human capital. Training Needs Analysis is performed in collaboration with the Head of each business unit and training programmes are accordingly designed. Our training programmes include accreditations and certification level trainings.

SUSTAINABILITY REPORT (CONT'D)

In 2019, we conducted, facilitated and recorded more than 190 training sessions and workshops for the employees and the Management Team across the Group. MUR 16.7 million and more than 37,000 hours were invested in training and development.

Focus was laid on service excellence; ethics and governance; emerging technologies in financial services; cyber security, risk and compliance, among others.

Our Year in Review:

Greater Focus on Onboarding

In Mauritius, the SBM Academy conducted 13 induction workshops for around 250+ employees during the course of 2019. Besides mandatory trainings, new recruits were given an overview of the different key divisions across the Group. Induction workshops also provide a great platform to convey and share our values, while fostering a greater understanding of the Group. The classroom sessions are followed by online training, through our dedicated Learning Management System (LMS), to ensure that new recruits get acquainted with our internal processes and policies.

Enhancing Our Customer Experience

A number of immediate measures have been adopted to improve customer experience in our service units.

Product training programmes have been designed and are being rolled out across the Group. The team has been further strengthened with the recruitment of a Head of Service Excellence and a Product Lead. The induction programme for our sales team has also been reviewed to include role plays requiring demonstration of the expected behaviours when interacting with our valued customers.

Cyber Security

Our IT Security Team is trained through local and overseas workshops/seminars and is equipped to successfully respond to cyber security threats. The team also delivers training to other employees to raise awareness and ensure preparedness. Moreover, regular awareness messages on cyber security threats are communicated to all employees across the Group through electronic mails and memos.

Risk and Compliance Training

A comprehensive mandatory training is conducted during onboarding, and on an annual basis, for all Senior Management and employees of the Group on topics such as Anti-Money Laundering and Combatting Financing of Terrorism with the objective of raising risk awareness and fostering a culture of compliance with international best practices.

Our Compliance Team is trained through workshops and interactive forums on new compliance risks facing the banking and non-banking financial services industry.

Occupational Health and Employee Well-Being

Several programmes were run during the year to sensitise our people on occupational health and well-being. In 2019, we have facilitated more than 1,286 hours of first aid and fire safety training for our designated first aiders and fire wardens.

Wellness programmes focusing on improving self-awareness, emotional stability, stress management, effective communication and building self-confidence were designed and rolled out.

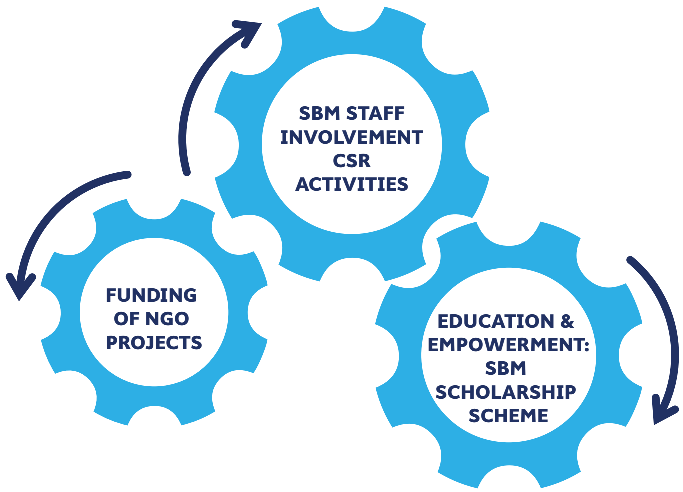
SUSTAINABILITY REPORT (CONT'D)

Our Community Engagement

Our Group Corporate Social Responsibility Strategy

SBM Foundation, the social arm of SBM Group, drives our Corporate Social Responsibility (CSR) agenda with a view to creating and promoting a positive impact on society. Our Group CSR strategy focuses on supporting high-impact sustainable projects, targeted at needy and vulnerable groups. These projects have a special focus on education and empowerment, on providing required tools, promoting employability and combatting social ills with a view to alleviating poverty.

The Group is convinced that education is of primary importance in empowering the present and forthcoming generations to participate actively in the transformation of our fast evolving society. Since 2010, a significant part of the Group's CSR funding is channelled to our unique SBM Scholarship Scheme, in addition to funding other initiatives of social partners.



Educating and Empowering through our SBM Scholarship Scheme

At SBM, we acknowledge that the long-term economic and social development and success of the communities in which we evolve also rest on the shoulders of the new generations. By contributing, in our own ways, to providing young people with the right support to succeed in life, we hope to shape a more sustainable future for them and the society, while at the same time creating a shared value.

This year marks the 10th edition of our flagship CSR initiative, the SBM Scholarship Scheme. The aim of this scheme is to provide bright students from low-income households the opportunity to pursue further studies, hence aspiring to a better future.

We are proud to be the largest provider of scholarships in Mauritius. Since 2010, we have provided some 2,600 scholarships (including some 60 students from Rodrigues Island) with some 1,400 scholarships for the tertiary sector and more than 1,200 for the vocational and technical sector. Our scholarship scheme covers full-time undergraduate courses at Higher Education Commission recognised institutions in Mauritius as well as vocational courses run at any of the Mauritius Institute of Training and Development (MITD) Centres.

Poverty Alleviation through Education in Collaboration with our Social Partners

We have a multi-pronged approach to alleviate poverty. Over the years, our Group has supported various projects of NGO Partners around concepts like *'Learning through Play (Sports/Music/Culture)', 'Women Empowerment and Child Care', 'Education for Disabled Persons', and 'Education for Out of School Youth'*.

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

We are providing support to 120 infants in kindergartens in partnership with 3 NGOs. Mothers from poor households are offered the opportunity to bring their infants aged between 3 months and 3 years in these kindergartens so that they have time to undertake paid employment to support their families. Social workers also work closely with these families to address other social challenges they face.

We also support 17 different NGOs, all working towards providing education to some 1,200 out-of-school youths. Through our funding to their umbrella organisation, we ensure a consistent approach in the pedagogy.

We firmly believe in the concept of learning through play and are supporting 6 projects to facilitate learning through non-conventional ways for 1,000 underprivileged children covering themes like music, culture and sports.

In addition, we are providing support to facilitate the education and rehabilitation of some 600 disabled children through 8 other NGOs by funding the services of professionals like speech and language therapists, physiotherapists and occupational therapists.

Staff Involvement Activities in Mauritius

The Vacoas service unit organised lunch for the residents of the Balgobeen Ashram in St Paul

Colleagues from the SME and Eastern Cluster service units spent a day with elderly people at the Chiranjiv Bhardwaj Ashram in Belle Mare

SUSTAINABILITY REPORT (CONT'D)

Lunch for residents of Foolbasseea Babooram Sewa Ashram of Chemin Grenier by the Southern Cluster service units

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

Lunch for residents of Association des Amis de Don Bosco of Baie du Tombeau by the Cassis service unit

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

Christmas Celebration at the Shelter for Women & Children in Distress Trust Fund in Curepipe by the Port Louis Main Branch

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

Blood Donation Events at SBM Tower and SBM Service Units

- 7 blood donation events: Head Office, Goodlands, Rose Hill, Vacoas, Quatre Bornes, Flacq and Rose Belle service units
- 1,002 volunteers
- 791 pints

SUSTAINABILITY REPORT (CONT'D)

Staff Involvement Activities in Kenya

The SBM Bank (Kenya) Limited (SBMBK) Team focuses its CSR around sustainable development for micro SMEs, entrepreneurs and start-ups through training, use of its facilities and sponsorship in kind.

On 02 March 2019, colleagues from the Corporate Banking Team of SBMBK organised a donation initiative among staff members in favour of the beneficiaries of the Nyumbani Children's Home in Nairobi under the theme 'Who's Your Valentine' to bring a smile on the faces of more than 100 children. Nyumbani Children's Home provides life-saving care to HIV-positive children.

"I love children so it was such a joy seeing them light up. It was also very touching to see the caregivers offering such a selfless service and caring for the kids as if they were their own. I felt challenged as to what more I can/should do in society. Definitely worth it and something that should become a habit" Wambui Karanja from SBMBK, Corporate Banking Division

On 12 November 2019, the Risk Debt Management Unit and the Special Assets Team visited the "Compassionate Hands for the Disabled Foundation" in Ruai, a Home serving some 85 children with disabilities. The staff members participated in cleaning the kitchen and classrooms, preparing dinner, and feeding the children. Toiletries, diapers and medications were donated to the Home. The Home's compound was also upgraded with a spread of loose chippings. The day ended in a positive spirit and the staff members felt great satisfaction for carrying out this initiative.

Staff Involvement Activities in India

SBM Bank (India) Limited defines its CSR priority areas as follows:

- Promotion of Healthcare and Sanitation
- Old Age Homes/Day Care Facilities for Senior Citizens
- Education and Skills Development
- Women Empowerment
- Poverty Alleviation and Measures to Reduce Inequalities
- Environmental Sustainability and Rural Development
- Armed Forces Veterans

SBM Bank (India) Limited also believes in the preservation and promotion of the diverse artistic heritage, cultural characters and traditions and took up the initiative to empower and encourage artisans across India by promoting their craft, by providing patronage to their talent through financial and non-financial means, thereby ensuring that these artistic communities continue to thrive.

Staff Involvement Activities in Madagascar

Banque SBM Madagascar aims to contribute to the society by promoting local activities that help to address social issues.

January 2019: One day career guidance activity at Lycée Faravohitra, focus on banking sector

July 2019: Partnership with South African Embassy on Mandela Day - various humanitarian activities organised in penitentiary institutions

December 2019: Christmas celebrations with homeless people staying around the Antsahavola SBM Head Office. Donation of food items and toys to kids and parents

SUSTAINABILITY REPORT (CONT'D)

Our Digital Approach to Doing Business

SBM's quest to build a responsible and sustainable business calls upon the Group to adopt innovative technologies in a meaningful and cost-efficient way in line with global trends. As such, a Group IT and Governance Framework is being shaped so as to synergise the IT systems and architecture being built by the various entities of the Group. The result is expected to promote scale and reusability of components such as extending of existing software applications from one entity to other entities of the Group. A group-wide digitalisation programme is also being shaped to leverage on emerging technologies as a means to further adopt sustainable business practices.

A series of IT initiatives were implemented across the Group. Some of the key projects are listed below:

Mauritius

- Implementation of the Instant Pay Service, which allows customers to link their electronic wallet to their SBM bank account and transfer funds on a 24/7 basis.
- A software has been developed to enable corporates to format and encrypt their salary files for onward processing at the Bank. This has enhanced security and enabled faster processing to the benefit of both the client and the Bank.
- Procurement of new Intelligent ATMs.
- Upgrade of SBMBM's enterprise digital storage platform to deliver better performance.
- Upgraded server infrastructure for production systems operating from the Mauritius Data Centres for optimisation and expansion.
- Implementation of a local desktop authentication system to improve response time for employees based in Mauritius and Madagascar.
- Innovation portal developed on the Bank's intranet for employees to share their ideas on how the Bank can explore new innovative solutions.
- Launch of a Private Wealth Client Portal that provides a unique online interactive experience and real time access, allowing clients to track their investment portfolios and monitor their performance anytime and anywhere.
- Upgrade of non-banking system to ease the running of business operations, reduce manual operations and providing enhanced capabilities which include compliance controls on investments and front office/sales modules.
- New solution deployed to cover the Bank's insurance business lines (life, general and medical). Similar to the above mentioned system, this one also facilitates business operations and reduces manual operations. In addition, it also improves compliance on policies, proposals, commissions due and staff incentives besides making reporting more efficient.

Kenya

- Partnered with China Union Pay to provide issuance (debit and prepaid cards) and acquiring of UPI cards on the Bank's ATMs. This has provided SBMBK with the opportunity to partner with new clients and provide them with global financial payment solutions and thus moving a step further towards a cashless society.
- Implementation of a new customer onboarding solution on tablets and iPads which has improved the turnaround time to open customer accounts.

India

- Centralised Know Your Customer (CKYC) project with the Indian government agency. This has enabled regulatory compliance and online verification of KYC details of the customer.
- Customer data cleansing on the system. This activity has helped the Bank to improve customer identification and customer reach-out, positively impacting the level of customer satisfaction.

The Seychelles

- System implementation for SBMBS, opened in August 2019, including the roll-out and adoption of signature pads.

In a bid to ensure that upgrades or new changes to existing systems, applications and infrastructure landscape are sustainable, a rigorous internal process of review and validation is complied with. The Business Continuity Planning (BCP) Team advises on business disruption and restoration to ensure that the Group's activities do not get impacted. The Risk Management Team analyses the change from a risk perspective, be it at Group or stakeholder level. In parallel, the Compliance Team reviews adherence to both internal policies and applicable guidelines and regulations from the Bank of Mauritius and other relevant supervisory bodies.

Cybersecurity is always a major consideration; our Group constantly reviews, updates and innovates in terms of security tools and processes deployed to secure its data, prevent intrusion and safeguard customers' interest. Security scans and simulations are performed regularly to uncover any breach and also sensitise employees in the process.

Sustainably Yours

We remain committed to sustainability and shall remain alert to new ways of doing business, learning from our accomplishments and challenges to carve out a more successful and sustainable organisation, with the ultimate objective of making a difference in the communities where we operate.

FINANCIAL
REVIEW

"IMPROVEMENT IN OPERATING INCOME WITH SUSTAINABLE GROWTH IN TOTAL ASSETS."

- **GROUP HIGHLIGHTS**
- **SUMMARY OF GROUP RESULTS**

FINANCIAL REVIEW

Group Highlights

MUR 24,518 million
Shareholders' Equity
2018: MUR 24,177 million

22.1%
Capital Adequacy Ratio
2018: 24.6%

MUR 260,476 million
Total Assets
2018: MUR 226,374 million

MUR 199,397 million
Deposits from Non-Bank Customers
2018: MUR 169,384 million

MUR 121,733 million
Gross Advances to Non-Bank Customers
2018: MUR 112,426 million

MUR 94,277 million
Investments Securities
2018: MUR 71,594 million

4.0%
Net Impaired Advances to Net Advances
2018: 6.4%

MUR 949.6 cents
Net Asset Value per Share
2018: MUR 936.4 cents

MUR 44 million
Corporate Social Investment
2018: MUR 24 million

MUR 4,712 million
Wealth Distributed
2018: MUR 4,400 million

Summary of Group Results

The Group financial results disclosed below comprise of the consolidated figures of SBM Holdings Ltd and its subsidiaries (together referred to as the 'Group' or 'SBM Group').

Five Year Financial Summary

SBM GROUP	2019	2018	2017	2016	2015
Key Financial Highlights (MUR Mn)					
Profit before credit loss expense on financial assets	3,419	5,081	4,184	3,705	3,985
Profit before income tax	563	1,622	3,160	2,989	2,048
Profit for the year	15	1,246	2,575	2,309	1,608
Gross loans and advances to non-bank customers	121,733	112,426	107,198	75,776	72,296
Investment securities	94,277	71,594	40,000	39,431	37,376
Total assets	260,476	226,374	194,021	146,896	136,162
Deposits from non-bank customers	199,397	169,384	144,851	109,241	104,281
Shareholders' equity	24,518	24,177	25,165	23,805	22,188
Tier 1 capital	19,915	19,717	20,010	18,598	18,254
Risk-weighted assets (including market and operational risks)	136,690	122,052	125,684	93,480	83,935
Average assets[a]	243,425	210,198	170,459	141,529	130,882
Average shareholders' equity[a]	24,347	24,671	24,485	22,997	22,131
Key Financial Ratios (%)					
Capital adequacy ratio	22.1	24.6	20.0	25.7	28.3
Tier 1 capital adequacy ratio	14.6	16.2	15.9	19.9	21.7
Return on risk-weighted assets	0.0	1.0	2.0	2.6	2.0
Return on average assets[a]	0.0	0.6	1.5	1.6	1.2
Return on average shareholders' equity[a]	0.1	5.0	10.5	10.0	7.3
Cost to income	63.8	48.0	44.7	42.5	36.3
Provision coverage ratio	69.1	57.6	57.3	62.1	65.4
Gross impaired advances to gross advances	11.7	13.6	4.5	6.6	5.1
Net impaired advances to net advances	4.0	6.4	2.0	2.6	1.9

FINANCIAL
REVIEW (CONT'D)

SBM GROUP	2019	2018	2017	2016	2015
Share Information (based on nominal value of 10 cents each)					
Earnings per share (cents)	0.6	48.3	99.7	89.4	62.3
Dividend per share (cents)[b]	30.0	30.0	40.0	40.0	40.0
Net asset value per share (MUR)	9.5	9.4	9.7	9.2	8.6
Share price to book value (times)	0.7	0.6	0.8	0.7	0.8
Dividend yield (%)	4.7	5.0	5.3	6.0	5.6
Earnings yield (%)	0.1	8.1	13.3	13.5	8.8
Total yield (cents)	78.0	(124.0)	126.0	(6.0)	(270.0)
Cumulative yield (cents)	1,103.5	1,025.5	1,149.5	1,023.5	1,029.5
Price earnings ratio (times)	1,105.8	12.4	7.5	7.4	11.4
Dividend cover (times)	0.0	1.6	2.5	2.2	1.6
Market capitalisation (MUR Mn)	19,561	18,103	22,781	20,168	21,566
Market price per share (MUR)	6.4	6.0	7.5	6.6	7.1
Highest	6.6	8.0	8.0	6.6	10
Lowest	5.4	5.9	6.5	6.3	6.9
Average	5.8	7.1	7.4	6.7	8.8
Value of shares traded (MUR Mn)	889.9	987.5	2,850.9	1,167.3	3,157.6
Value of shares traded as a percentage of market (%)	6.4	7.4	7.7	9.3	17.4
Other Key Data					
Number of employees	2,717	2,541	1,890	1,527	1,223
Number of employees (Mauritius)	1,663	1,610	1,593	1,409	1,117
Number of employees (Overseas)	1,054	931	297	118	106
Number of service units	108	104	62	51	47
Exchange rate (USD: MUR)	36.6	34.3	33.4	35.9	35.9
Exchange rate (INR: MUR)	0.5	0.5	0.5	0.5	0.5
Exchange rate (100 MGA: MUR)	1.0	1.0	1.0	1.1	1.1
Exchange rate (KES: MUR)	0.4	0.3	0.3	0.4	-
Exchange rate (SCR: MUR)	2.7	-	-	-	-

[a] Averages are calculated using year-end balances.
[b] On 19 October 2016, SBM share of nominal was reverse share split. The share-related information presented for prior periods are restated based on the new number of shares.

The total assets of the Group have continued the year on year momentum growth which stood at MUR 260.5 billion as at 31 December 2019 as compared to MUR 226.4 billion as at 31 December 2018. The increase of MUR 34.1 billion or 15.1% is mainly attributable to a growth in investment securities from MUR 71.6 billion as at 31 December 2018 to MUR 94.3 billion as at 31 December 2019. Gross loans and advances have also increased by 8.3% to reach MUR 121.7 billion as at 31 December 2019 while net loans have witnessed an increase of 7.1%. Deposits from non-bank customers have also increased from MUR 169.4 billion as at 31 December 2018 to MUR 199.4 billion as at 31 December 2019.

The growth in business volumes demonstrates the strong fundamentals of the Group which contributed to an increase of 11.0% in net interest income for the financial year 2019. Interest income has gone up by MUR 1.8 billion driven primarily by an increase of MUR 22.7 billion in investment securities. This was partly offset by an increase of MUR 1.2 billion in interest expenses on account of growth in deposits base along with increase in borrowed funds. Net fees and commissions income for the Group have also improved by MUR 296.9 million, mainly on account of retail and corporate fees. Overall, the Group booked MUR 3.0 billion of non-interest income for the financial year 2019 as compared to MUR 3.9 billion for 2018 which included a one-off bargain purchase gain of MUR 957.9 million, net of deferred tax, made in 2018 on the acquisition of selected assets and assumption of certain liabilities of Chase Bank Limited (in Receivership) (CBLR). As such, the Group ended up with an operating income of MUR 9.4 billion for 2019.

Non-interest expenses went up by MUR 1.3 billion on account of add-on cost of operations with the full impact of the CBLR acquisition, set-up of a wholly-owned subsidiary in India, building of human capabilities across the Group, along with introduction of IFRS 16 during the year. Special levy amounting to MUR 171.4 million has also been reclassified from income tax expense to non-interest expenses following amendment to the Finance Act in 2019. Cost to income ratio stood at 63.8% for the financial year 2019 as compared to 48.0% in 2018 due to the above increases in interest expenses and higher operational expenses.

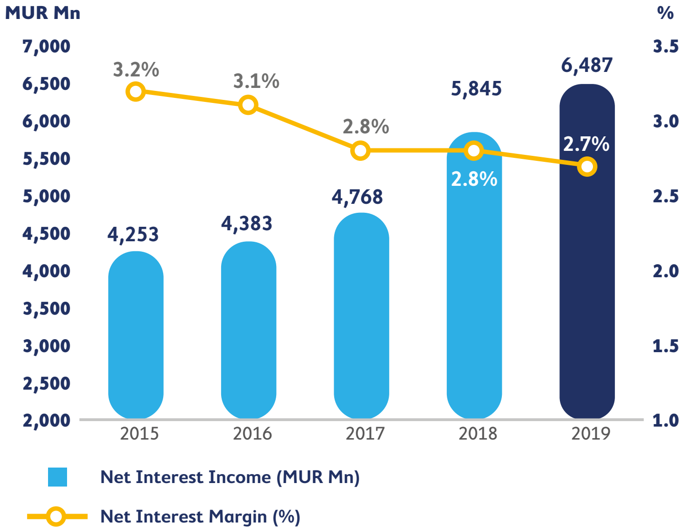
The Group therefore reported a profit before credit loss expense on financial assets of MUR 3.4 billion for the financial year 2019. However, the Group results have been hit by exceptionally high credit charge again this year. The large credit loss expense of MUR 3.0 billion relates mostly to some Segment B customers at the level of SBM Bank (Mauritius) Ltd (SBMBM) partly offset by significant recoveries made by SBM Bank (Kenya) Limited (SBMBK) on its impaired accounts.

The Group, as such, ended up with a net profit after tax of MUR 15.0 million for the financial year 2019, which explains the substantial fall in earnings per share.

Gross impaired advances net of cash collaterals decreased to MUR 14.0 billion as at 31 December 2019 from MUR 14.8 billion as at 31 December 2018. The net impaired advances to net advances ratio has improved from 6.4% as at 31 December 2018 to 4.0% as at 31 December 2019 due to higher provision coverage ratio of 69.1% for this year (2018: 57.6%) along with an increase in the loan books.

Revenue Growth

Net Interest Income



The Group's net interest income remains the main component of operating income with a contribution of 68.7% (2018: 59.8%). A growth of 11.0% was recorded in 2019, as net interest income increased from MUR 5.8 billion in 2018 to MUR 6.5 billion in 2019, with an increase of MUR 1.8 billion in interest income while interest expense has increased by only MUR 1.2 billion.

The table below shows the breakdown of the net interest income earned in 2019 and 2018 by entity:

	2019	2018
	MUR Mn	MUR Mn
SBM Bank (Mauritius) Ltd	5,666	5,491
SBM Bank (India) Limited	210	186
Banque SBM Madagascar SA	53	80
SBM Bank (Kenya) Limited	904	304
SBM Holdings Ltd	(409)	(231)
Others	63	15
Total net interest income	6,487	5,845

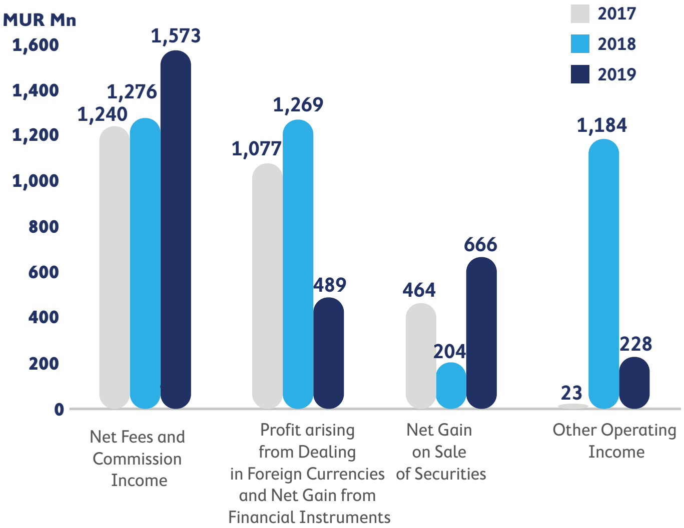
FINANCIAL REVIEW (CONT'D)

The increase in interest income of MUR 1.8 billion or 20.7% compared to 2018 is supported mainly by higher interest income from investment securities by MUR 1.7 billion.

A rise of MUR 1.2 billion in interest expenses is mainly driven by an increase in deposits from non-bank customers. Deposits from non-bank customers increased by 17.7% to reach MUR 199.4 million as at 31 December 2019 (2018: MUR 169.4 million). The increase in interest expense is also explained by the full year impact of the subordinated debts raised in June 2018 amounting to MUR 154.0 million additional for the year 2019.

The net interest margin stood at 2.7% in 2019 compared to 2.8% in 2018. The slight decrease is on account of a higher proportion of liquid assets in our book, which is at lower yield.

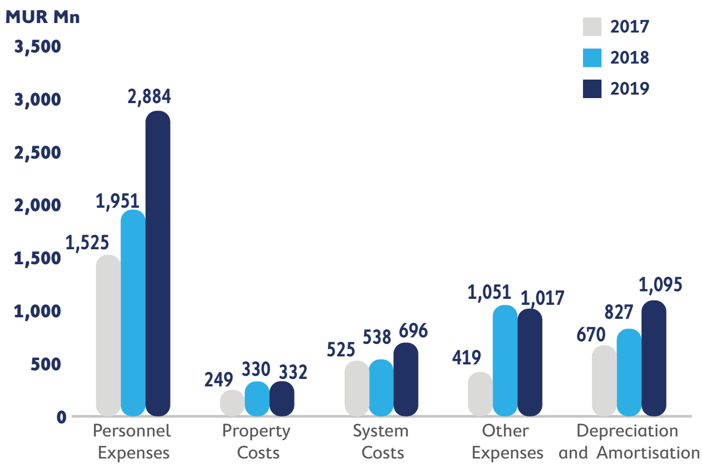
Non-Interest Income



The Group booked a total non-interest income of MUR 3.0 billion for 2019 which represents a slight drop of 0.6% over 2018, if we exclude the one-time gain of MUR 957.9 million, net of deferred tax, on the fair value of all the assets and liabilities taken over of CBLR in August 2018. The business combination done in 2018 has resulted in a bargain purchase gain of MUR 1.3 billion which was subject to deferred tax of MUR 356.0 million is in accordance with International Financial Reporting Standards (IFRS).

The key drivers in the growth of the non-interest income are net gain on sale of securities which have increased by 225.7% or MUR 461.4 million and net fee and commission income which increased by 23.3% or MUR 296.9 million on account of retail and corporate fees, asset management fees, card income and credit activities. On the other hand, the Banking Group has slowed down disbursements of loans in Segment B as the Banking Group had been focusing on the strengthening of its risk and control framework in this Segment during the year. These were partly mitigated by a drop in profit arising from dealing in foreign currencies and net gains from financial instruments during the year under review.

Non-Interest Expenses



Non-interest expenses have increased by 28.2% from MUR 4.7 billion in 2018 to MUR 6.0 billion in 2019 and the increase is mainly explained by:

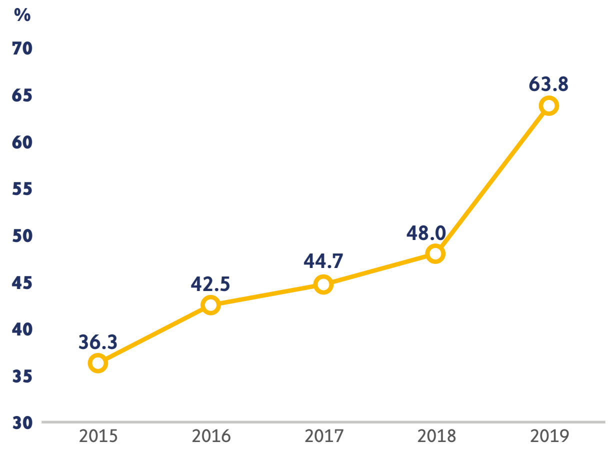
- Personnel expenses have increased by MUR 932.7 million or 47.8% which is mostly from SBMBK with an uplift of 109.0% or MUR 391.0 million, following the full impact of the acquisition of CBLR. The personnel costs of the Mauritian subsidiary has increased by MUR 448.4 million which is explained by the conversion of staff from Contract of Determinate Duration (CDD) to Contract of

Indeterminate Duration (CID) and impact in the defined contribution liability following a change in Legislation Workers' Rights Act 2019. The increase in the number of staffs in the Indian subsidiary, SBM Bank (India) Limited (SBMBI), has resulted in an increase of 84.3% from MUR 88.6 million in 2018 to MUR 163.2 million in 2019 following its conversion into a Wholly Owned Subsidiary (WOS). In addition, SBMBI has a full-fledged management team now. SBM Bank (Seychelles) Limited (SBMBS) has just started its operations and has on boarded some staffs with a cost of MUR 6.6 million during the year under review.

- The higher depreciation and amortisation of MUR 267.5 million for 2019 is explained by the adoption of IFRS 16, *Leases* which has increased depreciation and amortisation expense by MUR 207.1 million (2018: nil). In addition the new system go live for SBMBI in May 2018 and the full impact of the acquisition of CBLR in August 2018, along with the new systems and enforcement put in place, have also contributed to this increase.
- Property cost, IT costs and other expenses are grouped together under "other expenses" in the statement of profit or loss. Other expenses have decreased by MUR 45.2 million or 2.4% from 2018 to 2019.
- However, included in Non interest expenses, is a reclassification of MUR 171.4 million of bank levy arising from the Mauritian subsidiary previously being classified under tax expenses following change in tax regulations.

This has also resulted in an increase in the cost to income ratio (productivity ratio) from 48.0% in 2018 to 63.8% in 2019. The cost to income ratio has increased year on year as shown below:

Cost to Income Ratio



Credit Loss Expense on Financial Assets

Credit Loss Expense

The Group booked total credit loss expense on financial assets of MUR 3.0 billion for 2019, a drop of 15.8% or MUR 563.2 million over 2018. The high level of credit loss expense for 2019 is mostly for SBMBM and SBMBI which booked an amount of MUR 3.6 billion and MUR 111.0 million respectively. These were partly mitigated by significant recoveries made by the Banking Group amounting to MUR 882.1 million (2018: MUR 204.5 million), especially by SBMBK.

FINANCIAL REVIEW (CONT'D)

Loans and Advances to Non-Bank Customers

During the year 2019, SBM Group's gross advances increased by 8.3% to reach MUR 121.7 billion as at December 2019 (2018: MUR 112.4 billion). In 2019, the Group focused more on tightening its control in Segment B and restrained from increasing its loan book even though the market in this segment was still on high demand for credit facilities. The gross advances by subsidiary are disclosed in the table below.

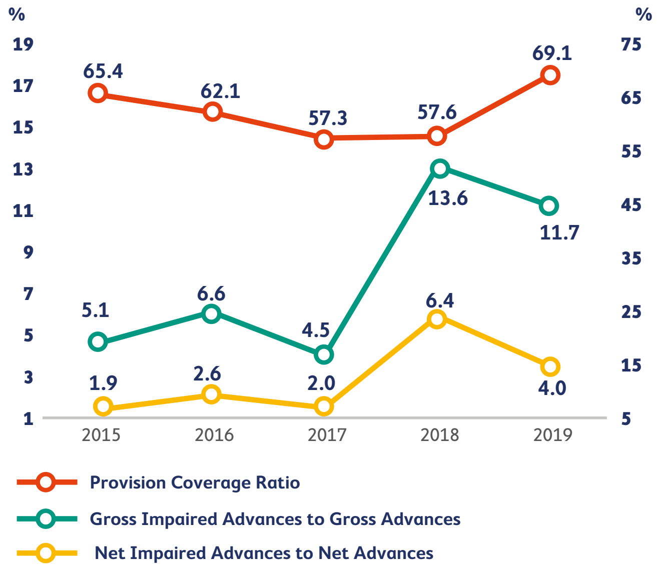
Gross Advances by Subsidiary	2019	2018	Change	
	MUR Mn	MUR Mn	MUR Mn	%
SBM Bank (Mauritius) Ltd	106,049	99,680	6,369	6.4
SBM Bank (India) Limited	5,593	3,795	1,798	47.4
Banque SBM Madagascar SA	862	827	35	4.2
SBM Bank (Kenya) Limited	9,229	8,124	1,105	13.6
Total of Gross Advances	121,733	112,426	9,307	71.6

A breakdown of the credit portfolio by economic sectors and level of provisions held has been disclosed in Note 8 to the Consolidated Financial Statements.

Credit Quality

Gross impaired advances net of cash collateral have decreased from MUR 14.8 billion as at December 2018 to MUR 14.0 billion as at December 2019 and the movement mostly relate to SBMBM and SBMBK.

The Group has ensured adequate provisions were maintained as per the guidelines of the respective central banks and International Financial Reporting Standards (IFRS). Specific allowance for credit impairment stood at MUR 9.7 billion (2018: MUR 8.5 billion), representing a provision coverage ratio of 69.1% (2018: 57.6%). The uncovered portion is adequately secured by collateral, suitably discounted to reflect prevailing market conditions and expected time of recovery. The Group's gross impaired advances to gross advances ratio (net of cash collateral) has decreased from 13.6% in December 2018 to 11.7% in December 2019, mainly due to fall in impaired advances and increase in the loan portfolio. The net impaired advances to net advances ratio (net of cash collateral) improved from 6.4% to 4.0% with reduction in impaired advances, coupled with additional specific provision made during the year and an uplift in the overall loan portfolio. Also, the Group has made additional ECL provision as per IFRS 9.

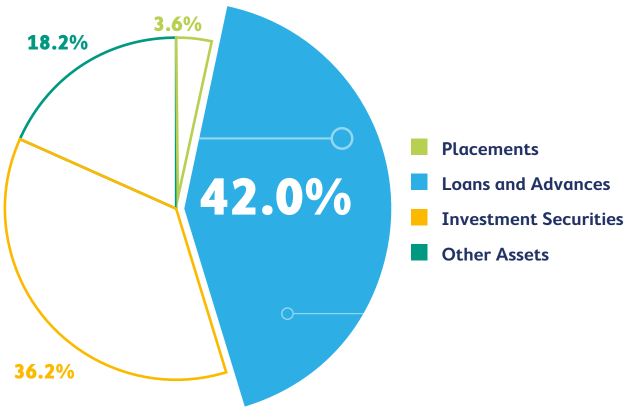


Impairment ratios and provisions held are shown in the table below:

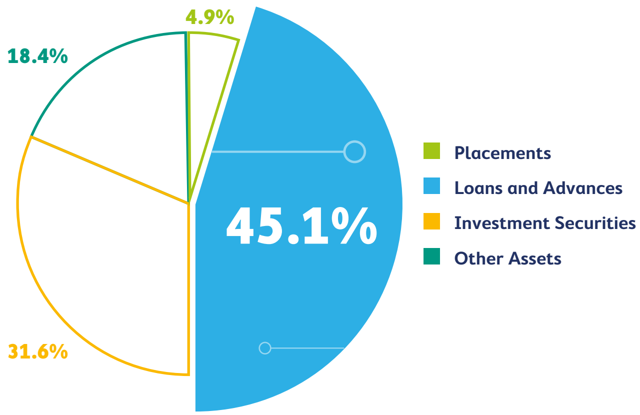
		2019	2018
Gross advances (net of cash collateral)	MUR Mn	119,335	109,003
Impaired advances (net of cash collateral)	MUR Mn	13,981	14,810
Specific provision held	MUR Mn	9,666	8,536
Net impaired advances	MUR Mn	4,315	6,274
Net impaired advances to Net advances	%	4.0	6.4
Gross impaired advances to Gross advances	%	11.7	13.6
Provision coverage ratio	%	69.1	57.6

Assets Growth

Asset Mix 19



Asset Mix 18



Total assets of SBM Group grew by MUR 34.1 billion or 15.1% from MUR 226.4 billion as at 31 December 2018 to MUR 260.5 billion as at 31 December 2019.

Loans and Advances

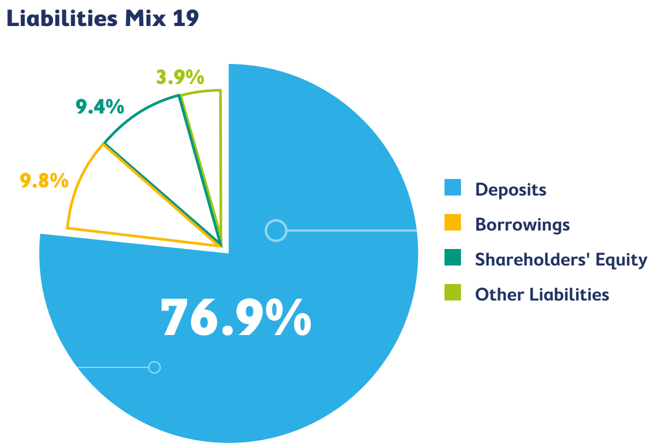
As at 31 December 2019, SBM Group's gross advances have increased by 8.3% to reach MUR 121.7 billion as at December 2019 (2018: MUR 112.4 billion). In the financial year 2019, the Group, mainly SBMBM has witnessed major challenges in the Segment B business and a remediation programme was implemented during the year. Moreover, the Group is currently assessing its risk appetite and evaluating the potential impact that the COVID-19 pandemic might have on the Group, as disclosed in Note 42 event after reporting date.

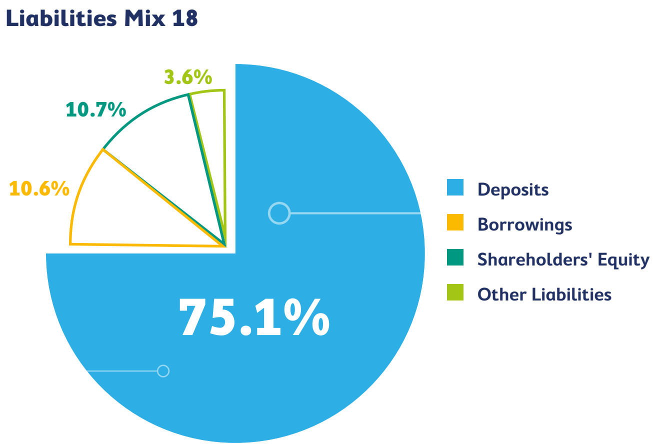
Investment Securities and Equity Investments

Investment securities grew by 31.7% from MUR 71.6 billion as at December 2018 to MUR 94.3 billion as at December 2019. Given the excess market liquidity and lower credit take off in the Mauritian domestic market, excess deposits of the domestic bank were invested in fixed income gilt-edged securities, foreign bank bonds and corporate bonds.

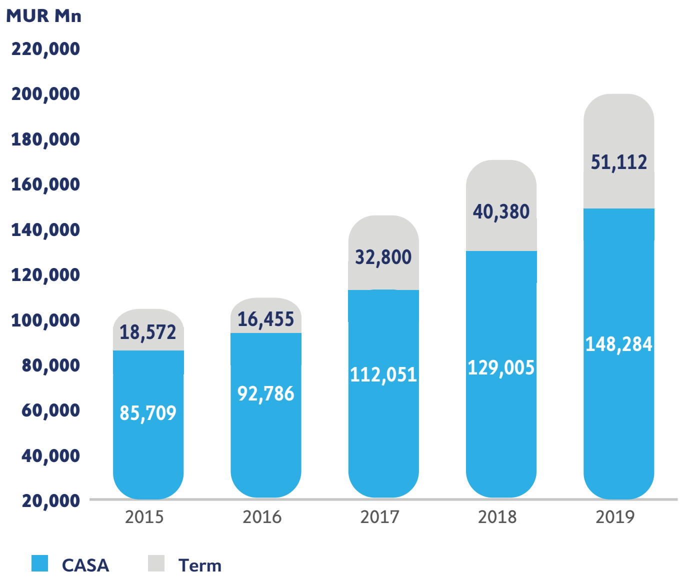
FINANCIAL REVIEW (CONT'D)

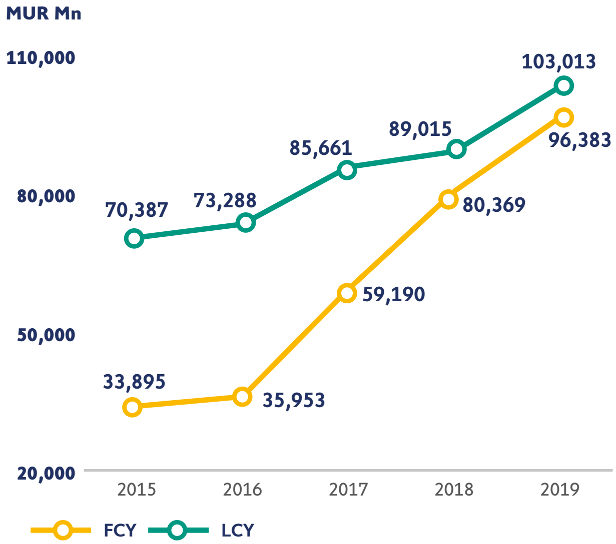
Liabilities and Equity





Deposits from Non-Bank Customers





SBM Group's deposits base increased by 17.7% to reach MUR 199.4 billion as at 31 December 2019 (2018: MUR 169.4 billion). The growth emanated mostly from SBMBM with an uplift of MUR 25.7 billion in their deposits base. Overall, CASA deposits accounted for 74.4% of total deposits as at 31 December 2019 (2018: 76.2%).

Borrowings

SBM Group's borrowings stood at MUR 15.6 billion as at 31 December 2019 (2018: MUR 14.5 billion), the bulk of which relate to borrowings for SBMBM raised in USD and EURO from financial/development institutions and being used to refinance activity for certain specific purposes.

Subordinated Debts

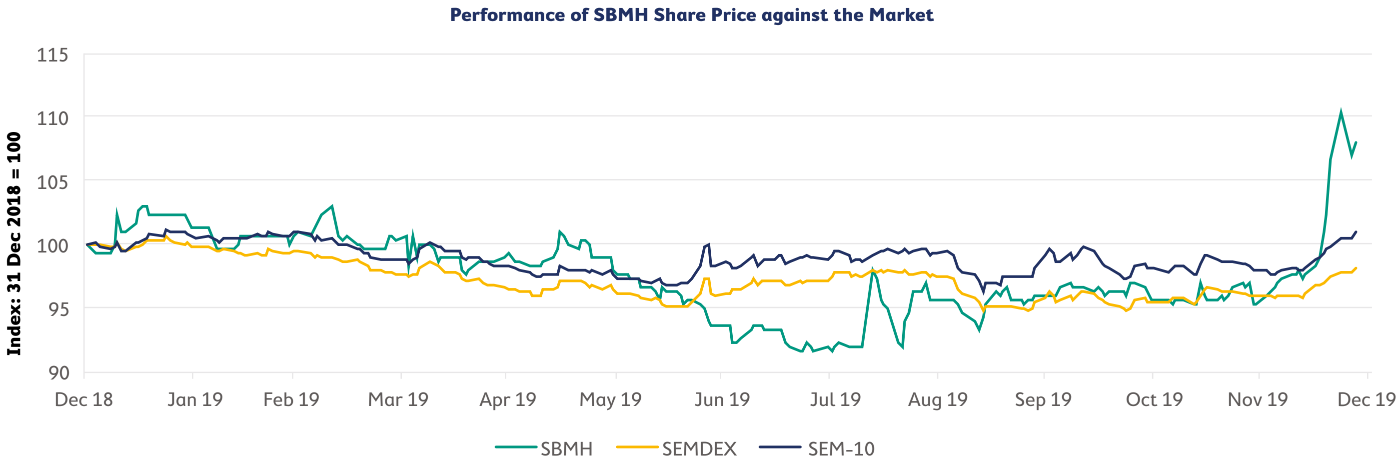
The Group's subordinated debts stood at MUR 9.7 billion as at 31 December 2019 (2018: MUR 9.4 billion) which is due to the revaluation of the USD bonds. The table to the right shows the details of the Group's subordinated debts.

	AMOUNT RAISED	
	MUR Mn	USD Mn
First issue of subordinated debts in 2014		
Class A 1 series bond of MUR senior unsecured bonds	1,500	
Class B 1 series bond of USD senior unsecured bonds		65
Second issue of subordinated debts in 2018		
Class A 2 series bond of MUR senior unsecured bonds	3,061	
Class B 2 series bond of USD senior unsecured bonds		76

Shareholders' Equity

SBM Group shareholders' equity stood at MUR 24.5 billion as at 31 December 2019 (2018: MUR 24.2 billion) with the retention of the current year profit of MUR 15.0 million, partly offset by dividend payments of MUR 903.6 million during the year. Other comprehensive income movement for the year under review is MUR 1.2 billion.

Share Price Evolution



FINANCIAL REVIEW (CONT'D)

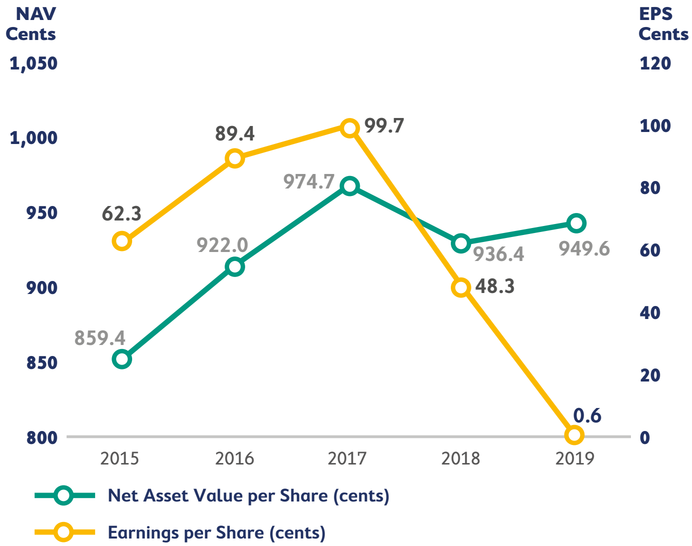
Sentiment on the local market was in contrast to the global markets performance. Both SEMDEX and DEM indices ended 2019 in negative territory, losing 1.9% and 0.9% respectively. However, SEM-10 ended slightly in positive territory (+0.9%) mostly supported by MCBG - which posted record profits in 2019. MSCI Frontier Markets were nevertheless positive with the Frontier Index up by 18.3% for the year. One of the main observations in 2019 was the continuous disinvestment by foreigners which stood at MUR 6.3 billion against foreign purchases of MUR 4.5 billion for the market.

Based on the foreign activity report provided by the Stock Exchange of Mauritius, 91.9 million of SBMH shares were disposed by foreigners in 2019 against 10.6 million purchased. Nevertheless, SBMH share managed to eke out an approximate return of 8.1% over year 2019 compared to the SEMDEX's negative performance of 1.9%. Annualised volatility of SBMH for 2019 was 13.7%.

Net Assets Value

The Net Asset Value per share has increased by 1.4% from 936.4 cents as at 31 December 2018 to 949.6 cents as at 31 December 2019.

Earnings per share decreased from 48.3 cents as at 31 December 2018 to 0.6 cents as at 31 December 2019.



Performance 2019 Against Objectives

SBM Group

Indicator	Target for 2019	Performance 2019
Return on Average Assets (ROA)	ROA is expected to pick up to around 1.4% for 2019.	Amidst challenges, the Group was able to grow its asset book by an average double digit of 15.1%, edged mostly towards investment securities. The loan book grew prudently, but at a lower than targeted level resulting in shortfall in interest income and fees and commission. Moreover, the results have been severely impacted by high level of credit loss expense. As such, the Group concluded with a profit of MUR 15.0 million and ROA of 1 bp for FY 2019.
Return on Average Equity (ROE)	The Group aims to attain a minimum ROE of 12.0%.	The Group achieved a lower ROE of 6 bps for 2019 as stated above.
Operating Income *(excluding Dividend)*	Operating income is forecast to grow by at least 12.0% in FY 2019 in line with projected growth in business volumes.	Excluding the one-off net gain of MUR 957.9 million, net of deferred tax, on the fair value of all the Selected assets and liabilities taken over of CBLR in FY 2018, operating income grew by 6% in 2019 due to lower loan disbursements.
Operating Expense	Operating expenses are expected to grow with the Group's continued investment in capacity building.	With full impact of the Group's expansion strategy, building human capabilities across all entities, introduction of IFRS 16 in 2019 and reclassification of special levy, the Group has witnessed an increase in operating expenses which is within budget.
Cost to Income (CI) Ratio	With overseas expansion, the CI is expected to pick up in the initial stage and then gradually decrease as the Group reaps the benefit of these investments.	As a result of the above, CI ratio stood at 63.8% for 2019.
Asset Quality	Gross and Net Impairment ratios are expected to improve in FY 2019.	Gross and Net Impairment ratios improved from 13.6% and 6.4% respectively as at December 2018 to 11.7% and 4.0% respectively as at December 2019 as a result of growth in loan book, reduced impaired assets balance and higher provision coverage ratio of 69.1% for 2019 (2018: 57.6%).
Capital Management	The Group shall continue to maintain a strong Capital Adequacy Ratio (CAR) as required under the Basel III provisions.	The Group's CAR ratio and Tier 1 ratio stood at 22.1% and 14.6% respectively, which are well above the prescribed minimum requirement.

Objectives for 2020 have not been disclosed given that projections for the year are in process of being reviewed taking into account the impact of COVID-19.

FINANCIAL REVIEW (CONT'D)

SBM (Bank) Holdings Ltd

Indicator	Target for 2019	Performance 2019
Return on Average Assets (ROA)	ROA is expected to pick up and be around 1.6%.	Amidst challenges and roadblocks, the Banking Cluster was able to grow its assets book by an average double digit of 16%, edged mostly towards investment securities. The loan book grew prudently, but at a lower than targeted level resulting in a shortfall in interest income and fee and commission income. Moreover, the results have been adversely impacted by high level of credit loss expense. As such, the Banking Cluster concluded with a lower than expected profit of MUR 434.0 million and ROA of only 19 bps for FY 2019.
Return on Average Equity (ROE)	The target is to attain a minimum ROE of 15.0% for FY 2019.	The Banking Cluster achieved a lower ROE of 1.9% for 2019 as stated above.
Operating Income *(excluding Dividend)*	Operating income is projected to grow by at least 15.0% in FY 2019 in line with growth in business volumes.	Excluding the one-off net gain of MUR 957.9 million, net of deferred tax, on the fair value of all the Selected assets and liabilities taken over of CBLR in FY 2018, operating income grew by 10% in 2019 due to lower loan disbursements.
Operating Expense	Operating expenses are expected to grow with the continued investment in capacity building.	With full impact of the Group's expansion strategy, building human capabilities across all entities, introduction of IFRS 16 in 2019 and reclassification of special levy, the banking cluster has witnessed an increase in operating expenses which is within target.
Cost to Income (CI) Ratio	With overseas expansion, the CI is expected to pick up in the initial stage and then gradually decrease as the Banking Cluster reaps the benefit of these investments.	As a result of the above, CI ratio stood at 58.9% for 2019.
Assets Quality	Gross and Net Impairment ratios are expected to improve in FY 2019.	Gross and Net Impairment ratios improved from 13.6% and 6.4% respectively as at December 2018 to 11.6% and 4.0% respectively as at December 2019 as a result of growth in the loan book and higher provision coverage ratio of 69.1% for 2019 (2018: 57.6%).
Capital Management	The Banking Cluster shall comply with the BOM minimum requirement.	The Banking Cluster's CAR ratio and Tier 1 ratio stood at 17.4% and 15.7% respectively, which are well above the prescribed minimum requirement.

Objectives for 2020 have not been disclosed given that projections for the year are in process of being reviewed taking into account the impact of COVID-19.

Segment Results - SBM (Bank) Holdings Ltd

Three Year summary - SBM (Bank) Holdings Ltd

	2019	2018	2017
Consolidated statement of profit or loss (MUR Mn)			
Net interest income	6,835	6,061	4,773
Non-interest income	2,837	3,658	2,513
Non-interest expenses	5,701	4,301	3,204
Depreciation and amortisation	1,081	823	668
Profit before credit loss expense on financial assets	3,971	5,418	4,083
Profit before income tax	959	1,861	3,115
Profit for the year	434	1,527	2,547
Consolidated statement of financial position (MUR Mn)			
Total assets	250,248	215,677	184,583
Gross loans and advances to non-bank customers	122,753	112,545	107,198
Investment securities	92,206	68,099	38,189
Deposits from non-bank customers	199,756	169,538	145,029
Shareholders' equity	24,148	22,766	19,307
Tier 1 capital	19,568	18,325	14,160
Risk-weighted assets (including market and operational risks)	124,530	111,470	115,517
Consolidated statement of financial position (average[a] MUR Mn)			
Average assets	232,963	200,130	159,860
Average loans and advances to customers	117,649	109,872	91,487
Average investment securities	80,153	53,144	36,482
Average deposits from non-bank customers	184,647	157,283	127,181
Average shareholders' equity	23,457	21,037	17,606
Efficiciency ratios			
Cost to income (%)	58.9	44.3	44.0
Earnings per share (cents)	5,786.1	20,354.5	33,961.0
Net asset value per share (MUR' 000)	312.8	280.5	234.7
Performance ratios (%)			
Capital adequacy ratio	17.4	18.0	13.9
Tier 1 capital adequacy ratio	15.7	16.4	12.3
Return on average[a] risk-weighted assets	0.4	1.3	2.6
Return on average[a] assets	0.2	0.8	1.6
Return on average[a] shareholders' equity	1.9	7.3	14.5
Return on average[a] Tier 1 capital	2.3	9.4	20.5
Asset quality ratios (%)			
Gross impaired advances to gross advances	11.6	13.6	4.5
Net impaired advances to net advances	4.0	6.3	2.0

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

FINANCIAL
REVIEW (CONT'D)

Banking Segment Results

Year ended 31 December	SBM BANK (MAURITIUS) LTD		SBM BANK (KENYA) LIMITED		SBM BANK (INDIA) LIMITED		BANQUE SBM MADAGASCAR SA		SBM BANK (SEYCHELLES) LIMITED
	2019	2018	2019	2018	2019	2018	2019	2018	2019
	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn	MUR Mn
Net interest income	5,665	5,491	904	304	210	186	53	80	2
Net fee and commission income	1,175	1,039	167	66	31	2	18	15	-
Other non-interest income	1,280	1,353	115	1,140	25	16	25	33	-
Operating income	8,120	7,883	1,186	1,510	266	204	96	128	2
Non-interest expense	(3,631)	(2,735)	(1,546)	(776)	(408)	(269)	(104)	(100)	(20)
Profit before credit loss expense on financial assets	4,489	5,148	(360)	734	(142)	(65)	(8)	28	(18)
Credit loss expense on financial assets	(3,607)	(3,010)	709	(329)	(111)	(160)	(2)	(59)	-
Profit before tax	882	2,138	349	405	(253)	(225)	(10)	(31)	(18)
Tax expense	(332)	(677)	(96)	352	(5)	3	(8)	(2)	-
Profit after tax	550	1,461	253	757	(258)	(222)	(18)	(33)	(18)
Total assets	212,037	183,986	26,158	23,685	10,322	7,460	1,876	1,518	265
Gross loans and advances to customers	107,070	99,798	9,229	8,124	5,593	3,795	861	827	-
Investment securities	73,457	50,934	15,525	14,587	2,552	2,267	607	311	67
Deposits from non-bank customers	173,259	147,531	18,034	16,954	6,774	3,642	1,682	1,419	7
Total equity attributable to equity holders of the parent	18,069	17,465	2,969	2,510	2,940	2,518	14	32	249
Cost to income	44.7%	34.7%	130.3%	51.4%	153.6%	131.8%	107.9%	78.5%	1002.6%

Analysis by Entity

SBM Bank (Mauritius) Ltd

SBMBM is still the main contributor to the SBM Group's profit for the financial year 2019 with a lower profit after tax of MUR 550 million compared to MUR 1.5 billion last year. This is mostly on account of an increase of MUR 596.3 million in credit loss expense and MUR 902.5 million in non-interest expense. The cost to income ratio stood at 44.7% for the year ended 31 December 2019 (2018: 34.7%).

The large credit loss expense is on account of additional impairment charges and provisions amounting to MUR 3.6 billion (2018: MUR 3.0 billion) mainly as a result of the remediation plan on Segment B exposures and increase in provisions.

The personnel expenses which represent a significant proportion of total non-interest expense have increased from MUR 1.3 billion in 2018 to MUR 1.7 billion, representing an increase of MUR 448.4 million or 35.3%. This is in line with the Group's long term strategy to invest in its human capital resource and converting the employment contracts of most of the work force into contracts of indeterminate duration.

SBMBM has adopted IFRS 16, *Leases* effective as from 01 January 2019. The total profit or loss impact is an increase in depreciation and amortisation expense of MUR 49.9 million and interest on finance lease of MUR 15.1 million.

The tax expense has decreased by 51.0% from MUR 677.1 million in 2018 to MUR 331.8 million in 2019. The lower tax expense is partly due to the reclassification of bank levy amounting to MUR 171.4 million following change in tax regulations from tax expense to non-interest expense in 2019 and lower taxable income for the year 2019.

Deposits from non-bank customers have increased by 17.4% from MUR 147.5 billion as at 31 December 2018 to reach MUR 173.3 billion as at 31 December 2019. This increase was mostly from a mix of low cost current and savings accounts and foreign currency term deposits. Total assets grew by MUR 28.1 billion or 15.2%, from MUR 184.0 billion as at 31 December 2018 to MUR 212.0 billion as at 31 December 2019 on account of an increase in investment securities by MUR 22.5 billion (44.2%), net loans and advances to non-bank customers by MUR 5.0 billion (5.3%) and cash and cash equivalents by MUR 4.2 billion (37.2%). The increase in total assets was mitigated by a drop in loans and placements with banks of MUR 4.3 billion (36.5%).

The shareholder's equity stood at MUR 18.1 billion as at 31 December 2019 compared to MUR 17.5 billion as at December 2018. The increase is explained mainly by a capital injection of MUR 900.0 million made by the holding company in the third quarter of 2019 and a profit of MUR 550.5 million and other comprehensive income movement of MUR 470.3 million recorded during the year mitigated by dividend distribution of MUR 1.3 billion.

SBMBM has maintained an adequate level of capital with a Capital Adequacy Ratio (CAR) of 14.7% (2018: 15.1%), and Common Equity Tier 1 capital (CET1) of 13.0% (2018: 13.5%). Both ratios were above the minimum regulatory requirement.

SBM Bank (Kenya) Limited

The Banking Group has completed the acquisition of CBLR in August 2018. The figures presented in the condensed statement of profit or loss incorporate the full costs of operations for FY 2019 as opposed to 2018 which were for the period 18 August 2018 to 31 December 2018.

The profit after tax for FY 2019 is MUR 252.3 million (2018: MUR 757.0 million). Last year, SBMBK made a one-off bargain purchase gain of MUR 957.9 million, net of deferred tax on the acquisition of CBLR. The operating income of SBMBK has increased significantly from MUR 552.3 million (excluding the one-off bargain purchase gain) in 2018 to MUR 1.2 billion in 2019. This was partly offset by an increase of MUR 770.3 million in non-interest expenses.

SBMBK has made significant recoveries for FY 2019 resulting in a net recovery of MUR 708.6 million in 2019 (2018: credit loss expense of MUR 328.8 million). As at 31 December 2019, the provision coverage ratio was 68.7% (2018: 75.0%). The gross and net impairment ratios stood at 54.9% and 28.4% respectively.

SBMBK's total assets grew by MUR 2.5 billion from MUR 23.7 billion as at 31 December 2018 to MUR 26.2 billion as at 31 December 2019. Growth was mainly in net loans and advances to non-bank customers and investment securities which increased by 36.0% and 6.4% respectively. These were funded primarily by growth in their deposits base which went up from MUR 17.0 billion as at 31 December 2018 to reach MUR 18.0 billion as at 31 December 2019.

The shareholder's equity also improved from MUR 2.5 billion to MUR 3.0 billion as at 31 December 2019 mostly on account of retained profit for the year and translation reserve of MUR 194.2 million.

SBM Bank (India) Limited

SBMBI ended the financial year 2019 with a loss of MUR 258.0 million compared to a loss of MUR 221.9 million in 2018. The cost to income ratio has increased from 131.8% in 2018 to 153.6% in 2019.

The additional loss for the year of MUR 36.1 million is explained by a significant increase in non-interest expenses of MUR 139.0 million or 51.8%. The increase is mainly on system cost and staff cost due to an increase in headcount. The impact of IFRS 16, *Leases* on SBMBI has resulted in an increase in depreciation expense of MUR 26.5 million and MUR 13.9 million as interest on finance leases. All the revenue verticals witnessed an increase with an operating income of MUR 265.5 million in 2019 (2018: MUR 203.8 million). The credit loss expense has decreased by 30.5% from MUR 159.6 million in 2018 to MUR 110.9 million in 2019. SBMBI has bad debts recovery of MUR 1.8 million and MUR 158.8 million credit loss expense under stage 3 for loans and advances to non-bank customers in 2019.

Total assets grew by MUR 2.9 billion or 38.4%, from MUR 7.5 billion as at 31 December 2018 to reach MUR 10.3 billion as at 31 December 2019, mainly on account of an increase in placements with banks and net loans and advances to non-bank customers by MUR 1.6 billion and MUR 1.7 billion respectively. The loan book has increased by 47.4% from 2018 to 2019. The increase in total assets is mitigated by a fall in cash and cash equivalents by MUR 1.1 billion. The impact of IFRS 16, *Leases* is an increase in the carrying value of right of use assets of MUR 159.1 million in 2019.

The impaired advances have increased from MUR 598.8 million in 2018 to MUR 719.2 million in 2019. The provision coverage ratio stood at 81.7% as at 31 December 2019 (2018: 68.6%). The gross and net impairment ratios stood at 12.9% and 2.7% respectively.

Deposits from non-bank customers have increased by MUR 3.2 billion or by 86.0% during the year under review. The increase was used to finance the increase in the gross loans and advances, placements and investment securities.

Shareholder's equity stood at MUR 2.9 billion as at 31 December 2019 compared to MUR 2.5 billion as at December 2018 which was primarily on account of an injection of additional capital of INR 1.0 billion (MUR 514.7 million) into SBMBI to meet the minimum capital requirements during the year 2019.

Banque SBM Madagascar SA

During FY 2019, BSBMM managed to grow its deposits from non-bank customers by MUR 263.5 million or by 18.6%. These funds were, however, deployed mostly in lower yielding investment securities which went up by MUR 295.9 million. The loan book has increased marginally by 5.3% while also hit by high level of credit loss expense. Overall, total assets grew by MUR 358.0 million or 23.6%, from MUR 1.5 billion as at 31 December 2018 to reach MUR 1.9 billion as at 31 December 2019.

BSBMM booked operating income of MUR 96.5 million for FY 2019, a drop of MUR 31.5 million over FY 2018, despite the growth in total assets in 2019. This is mainly on account of a reduction of 33.4% or MUR 26.6 million in net interest income as a result of lower yields on interest earning assets, claw-back of interest on the impaired loan accounts coupled with increase in cost of deposits.

Non-interest expenses have grown by 4% over the previous year, mostly on account of capacity building and the opening of new branches. IFRS 16, *Leases* has also added on interest expense by MUR 5.8 million and depreciation and amortisation by MUR 16.9 million for FY 2019. The cost to income ratio stood at 107.9% (2018: 78.5%).

Impairment remains an area of concern though credit loss expense dropped significantly from MUR 58.7 million in 2018 to MUR 2.5 million in 2019. Total specific allowance stood at MUR 143.9 million as at 31 December 2019 (2018: MUR 135.9 million) but impaired advances increased from MUR 171.1 million to MUR 273.4 million. This has resulted into a provision coverage ratio of 52.6% (2018: 79.5%). The gross and net impairment ratios stood at 31.7% and 20.1% respectively.

BSBMM ended up with a net loss of MUR 17.7 million as opposed to a loss of MUR 33.1 million in 2018.

Shareholders' equity stood at MUR 14.0 million (2018: MUR 31.5 million). The movement is mainly explained by the loss incurred for the year 2019 and translation reserve.

SBM Bank (Seychelles) Limited

SBMBS has started operations as from 12 August 2019 with shareholder's equity standing at MUR 249.3 million as at 31 December 2019. Total assets stood at MUR 264.6 million as at 31 December 2019, with funds deployed mainly in placements with banks of MUR 132.5 million and investment securities of MUR 66.7 million.

Deposits from non-bank customers stood at MUR 7.3 million as at 31 December 2019 as SBMBS started on-boarding clients only in the 4th quarter of 2019.

For this first year of operation, SBMBS ended up with a loss of MUR 17.9 million. SBMBS booked interest income of MUR 3.2 million on placements and securities while an amount of MUR 0.5 million has been provided for as ECL with respect to the placements.

Personnel expenses amounted to MUR 6.6 million which included mainly salaries and related expenses of Seychelles staff force. Property costs amounting to MUR 0.5 million relates to IFRS 16, *leases* during the financial year 2019.

SBMBS is currently operating with 5 staff members and has already embarked some 80 customers as at 31 December 2019.

FINANCIAL REVIEW (CONT'D)

SBM (NFC) Holdings Ltd

Year ended 31 December	SBM (NFC) Holdings Ltd 2019 MUR Mn	SBM (NFC) Holdings Ltd 2018 MUR Mn
Net interest income	-	13
Net fee and commission income	-	4
Other non interest income	3.6	2
Operating income	3.6	19
Non interest expense	(3.1)	(3)
Profit before credit loss expense on financial assets	0.5	16
Credit loss expense on financial assets	-	-
Profit before tax	0.5	16
Tax expense	(0.2)	(5)
Profit after tax	0.3	11
Total assets	651	704
Total equity attributable to equity holders of the parent	651	702

SBM (NFC) Holdings Ltd (NFC) is an investment holding company having passive equity investments. During the year under review, the Company reported a lower profit of MUR 0.3 million.

Total assets decreased by MUR 51.7 million from MUR 702.4 million to MUR 650.7 million mostly on account of a fall in the fair value of the investment portfolio.

SBM (NBFC) Holdings Ltd

Year ended 31 December	SBM (NBFC) Holdings Ltd 2019 MUR Mn	SBM (NBFC) Holdings Ltd 2018 MUR Mn
Net interest income	30	3
Net fee and commission income	7	201
Other non interest income	247	59
Operating income	284	263
Non-interest expense	(142)	(128)
Profit before credit loss expense on financial assets	142	135
Credit loss expense on financial assets	-	-
Profit before tax	142	135
Tax expense	(18)	(25)
Profit after tax	124	110
Total assets	3,308	1,678
Total equity attributable to equity holders of the parent	1,767	1,387

The SBM Non-Banking Financial Cluster (NBFC) has been in operations for more than 15 years and provides services in Asset Management, Securities Brokerage, Private Equity, Factoring, Investment Advisory, Registry, Fund Management and Insurance Agency. NBFC also holds an Investment Banking Licence, which allows it to offer solutions like Transaction Advisory, Mergers and Acquisition and Capital Raising to clients.

NBFC's services complement the range of financial products available within other clusters of the SBM Group. Over the years, the Non-Banking Financial Cluster has strengthened the Group's position as a reputable financial services firm through the continuous provision of value-added services to its clients. During the year under review, the cluster made a profit after tax of MUR 124.0 million compared to a profit of MUR 110.0 million in the previous year. The increase is mainly attributable to higher interest income. Total assets of the NBFC cluster increased from MUR 1.7 billion as at 31 December 2018 to MUR 3.3 billion as at 31 December 2019.

SBM MAM's in-house funds' performances against their respective benchmarks were as follows:

Performance of In-House Funds v/s Benchmarks

Fund Name	Fund Size	2019 (%)	2018 (%)	2017 (%)
SBM Perpetual Fund	MUR 2,589.4 Mn	3.9	3.9	5.0
Benchmark		2.8	2.7	3.0
SBM Universal Fund	MUR 390.2 Mn	7.8	(3.0)	10.5
Benchmark		10.1	(1.7)	12.2
SBM Yield Fund	MUR 164.6 Mn	4.1	4.0	7.4
Benchmark		7.4	3.7	4.1
SBM India Fund	USD 5.4 Mn	(11.1)	(34.5)	39.8
Benchmark		5.3	(11.2)	44.5
SBM Growth Fund	MUR 128.1 Mn	9.7	(6.3)	13.5
Benchmark		12.6	(1.7)	20.3
SBM Maharaja Fund	USD 12.3 Mn	2.1	(4.8)	7.5
Benchmark		4.0	(4.0)	4.0
SBM International Fund	-	-	(16.7)	22.3
Benchmark	-	-	(16.1)	18.1

RISK MANAGEMENT
REPORT

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

ROBERT N. CHARETTE

RISK MANAGEMENT REPORT

Introduction

SBM Group has, during the past year, continued to reinforce its Risk Management Framework. This has been achieved by further strengthening its enterprise risk management culture to maintain a conservative approach to risk, helping to ensure that we protect shareholders' funds, lend responsibly and support economies. By carefully aligning our risk appetite to our strategy, we aim to deliver sustainable long-term shareholders' returns.

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

SBM Group adopts a 3 lines of defence model to govern risk and support the relationship between (i) business units, (ii) risk management and compliance functions, (iii) internal and external audit and (iv) the Board. For more details on risk governance and internal control, please refer to page 71 at Principle Five - Risk Governance and Internal Control.

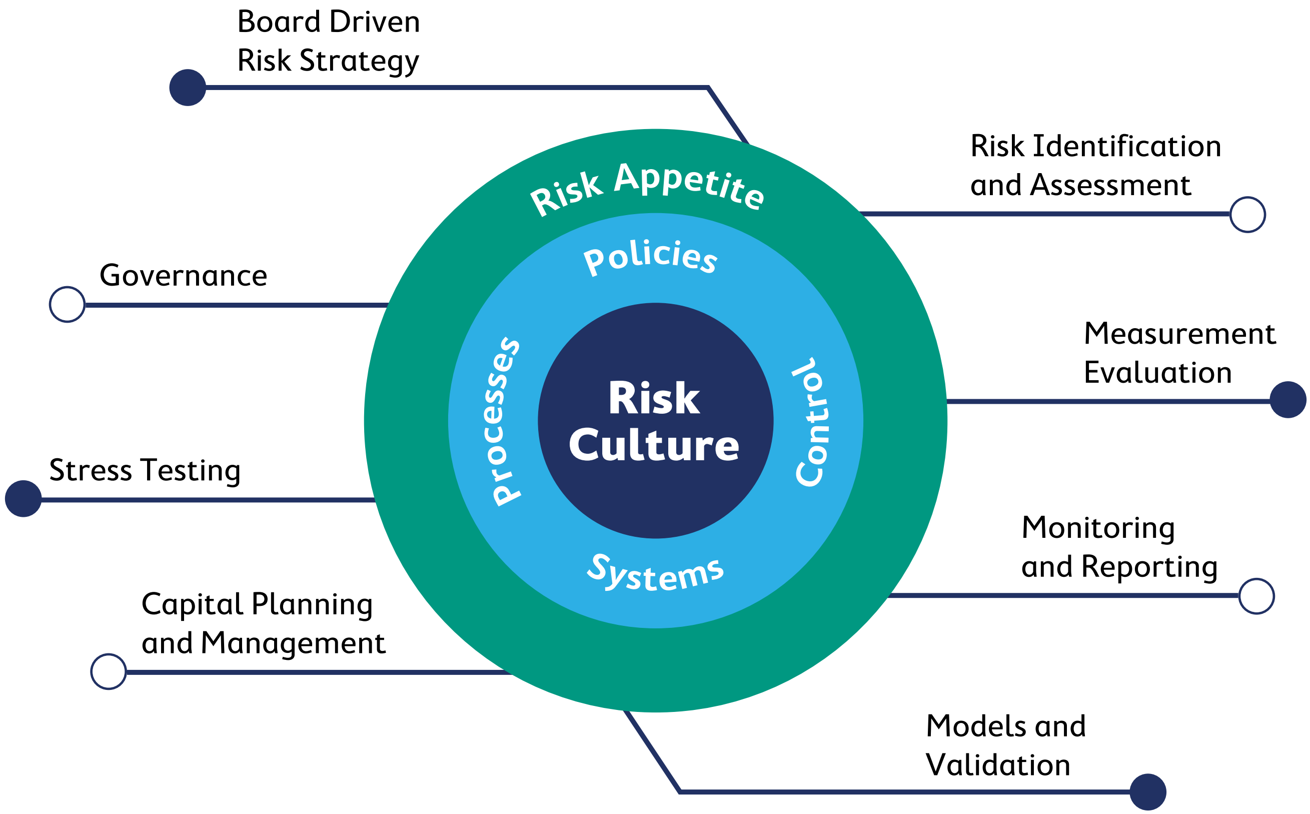
Executive Summary

Key Risk Oversight	Highlights 2019	Likelihood of Risk	Target 2020	Capitals Impacted
EXTERNALLY DRIVEN				
Macroeconomic	Stress testing its portfolio considering potential macroeconomic events including probable US recession, Brexit, trade war between US and China showed the Group's capital and liquidity position resiliency in the face of mild shocks.	Medium	The Group aims to maintain a comfortable capital adequacy and liquidity position while remaining alert to any probable change in market conditions including possible negative impact of COVID-19 on the world's economy. For a preliminary assessment of COVID-19, please refer to Note 42 of our Financial Statements on page 290.	
Cyber Threat	Cyber threat has been on the rise worldwide. Measures implemented to reinforce the security posture of the Group have been effective with a single incident and a marginal loss.	High	Cyber security will continue to be high in the agenda. The Group's response to cyber threat will be enhanced by addressing gaps identified with continuous training of personnel and awareness among customers.	
Country Risk	Remediation plan with respect to cross-border lending was successfully implemented with an enhanced policy, country risk framework and revised prudential limits.	Medium	The Group will maintain a prudent approach to cross border lending during FY 2020 with ongoing refinement of its country risk framework and governance to manage country specific risks.	
Capital Management	The Group remained adequately capitalised in relation to its strategic objectives and risk appetite. The Capital Adequacy Ratio (CAR) stood at 22.06%, comfortably above the regulatory requirement of 13.375%.	Medium	The Group aims to prudentially maintain a CAR above the minimum regulatory requirement.	

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

Enterprise Risk Management Framework

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



The Framework is guided by the following strategic risk objectives:

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

SBM Group Enterprise Risk Management Framework is supported by sub-frameworks to cover the different aspects of risk to ensure that proper corrective and mitigating measures are implemented to maintain risk levels within their tolerance level.

1. Types of Risk

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

Financial Risks

Credit Risk

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

Market Risk

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

Liquidity and Funding Risk

Risk that the Group will not be able to meet its obligations as they fall due.

Non-Financial Risks

Operational Risk

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

Compliance and Legal Risk

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

IT Risk

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

Transversal Risks

Reputational Risk

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

Strategic Risk

Risk of financial forfeiture arising due to unsuccessful business decisions.

Model Risk

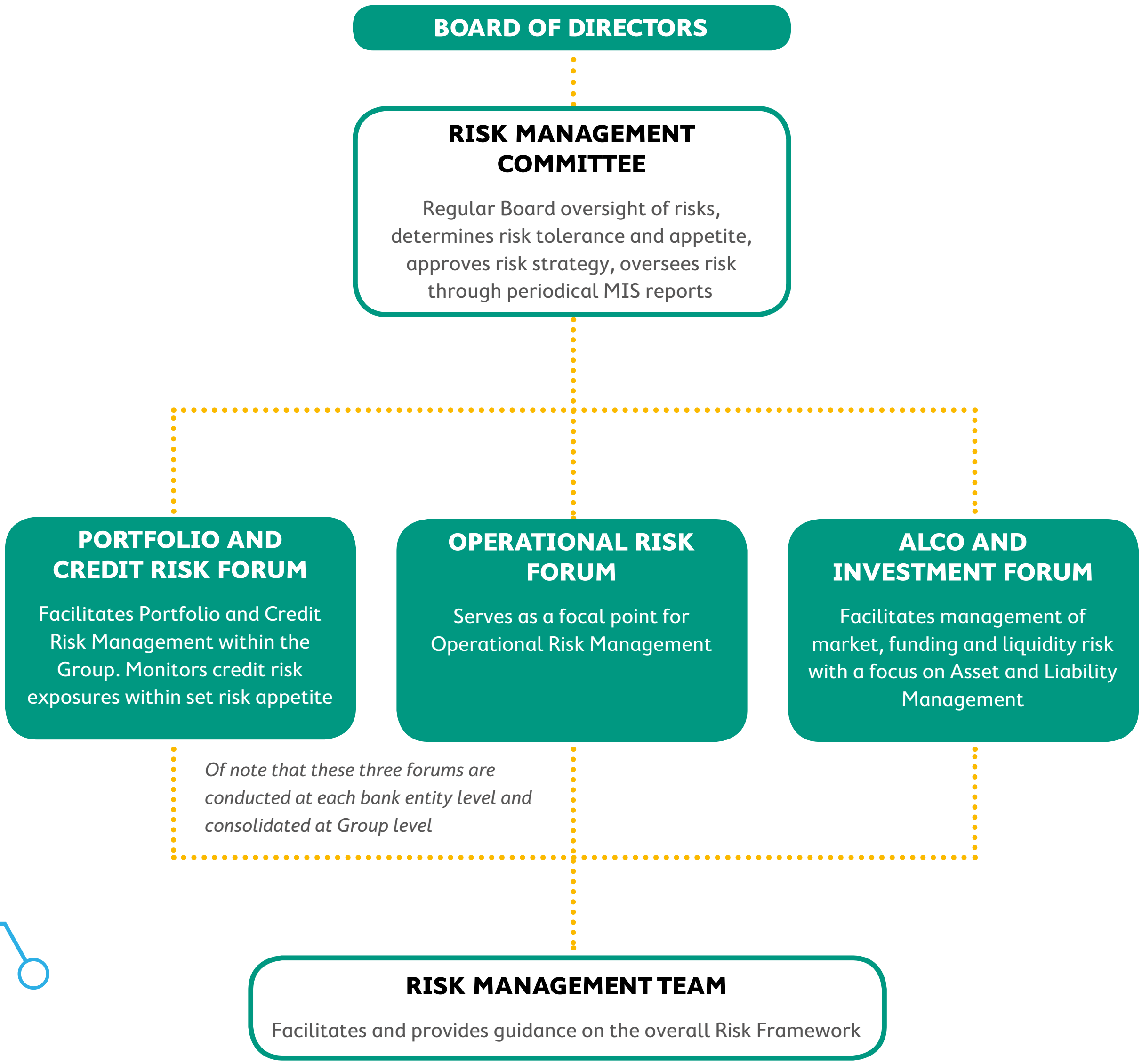
Risk of loss arising from inaccurate predictions, resulting in inaccurate decisions.

Business Disturbance Risk

Risk of loss due to disruption in normal business operations.

RISK MANAGEMENT REPORT (CONT'D)

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



2. Hierarchy of Risk Appetite Principles

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

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

2.1. Risk-Bearing Capacity

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

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

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

RISK MANAGEMENT REPORT (CONT'D)

2.2. Risk Appetite and Tolerance

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

2.3. Limit Setting

SBM Group measures and expresses risk appetite in terms of quantitative risk metrics. SBM Group sets specific-risk limits at appropriate levels balancing risks and returns so as to minimise risks that could lead to unexpected losses. Limits are monitored and reported to the Risk Management Committee on a quarterly basis.

2.3.1. Credit Risk

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

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

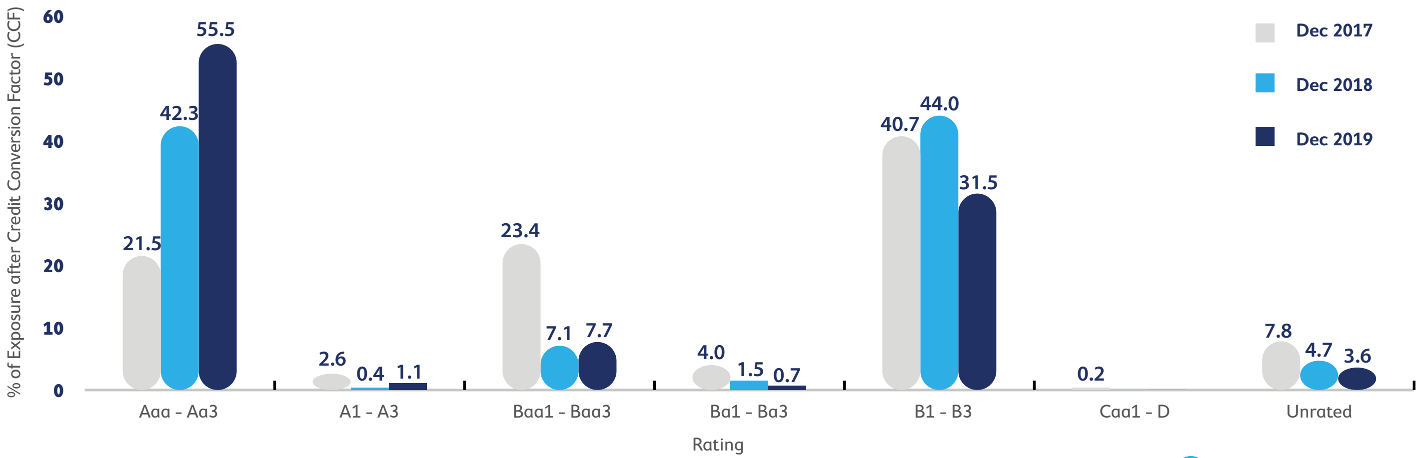
2.3.1.1. Country Risk

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

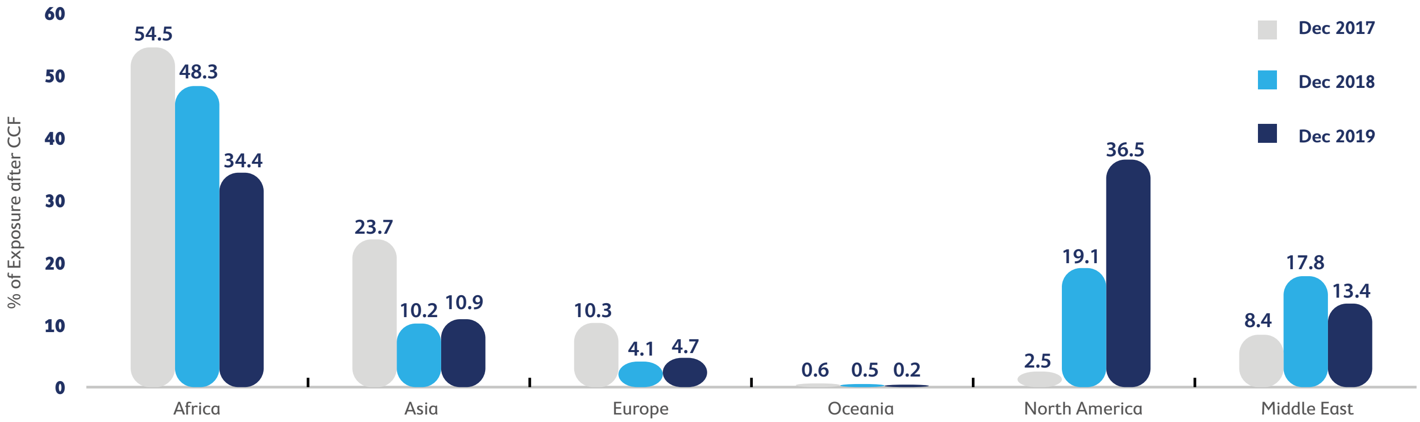
SBM Bank (Mauritius) Ltd (SBMBM), being the main entity with cross-border lending, applies a Board approved comprehensive Country Risk Framework in line with the Bank of Mauritius Guideline on Country Risk Management to contain risk within acceptable risk tolerance levels. Country limits have been revamped to focus primarily on presence countries. Notwithstanding potential business opportunities, SBMBM has allocated appropriate limits for specific countries taking into consideration the country rating, macroeconomic risk, political risk, technological and infrastructural risk, legal risk, environmental risk and the social structure effectiveness.

As of 31 December 2019, the total SBM Group's credit equivalent exposure to cross-border lending accounted to 294.4% of Group Tier 1 Capital. Exposure to Supranationals represented 13.1% of total cross-border lending.

Distribution of Country Risk by Rating (%)



Distribution of Country Risk by Region (%)

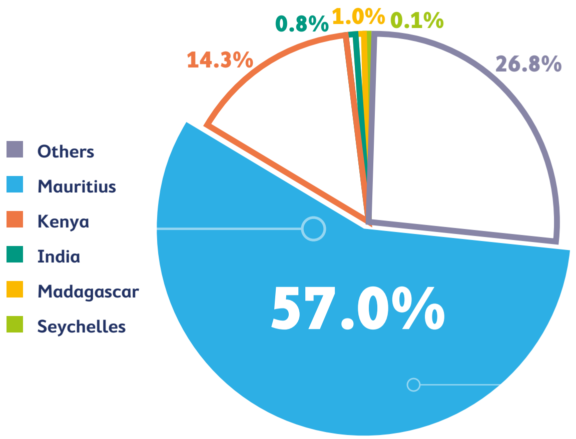


2.3.1.2. Sovereign Risk

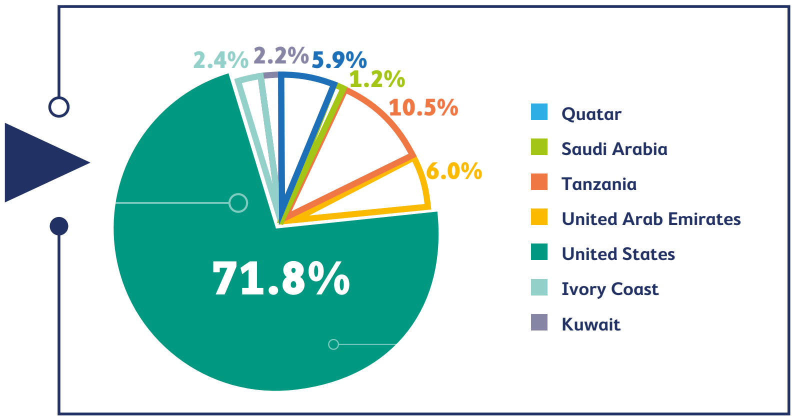
Sovereign risk can be encompassed under country risk in the sense that it relates to the ability of a foreign nation to meet its debt obligations. Sovereign risk arises when the Group takes an exposure on a governmental entity or a central bank.

As at 31 December 2019, sovereign exposures accounted for 327.7% of Group Tier 1 Capital of which sovereign exposures in SBM's countries of presence accounted for 239.7% of Group Tier 1 Capital.

Distribution of Sovereign Exposures of the Group (%)



Overall Distribution: Countries of Presence & Others



Other Countries

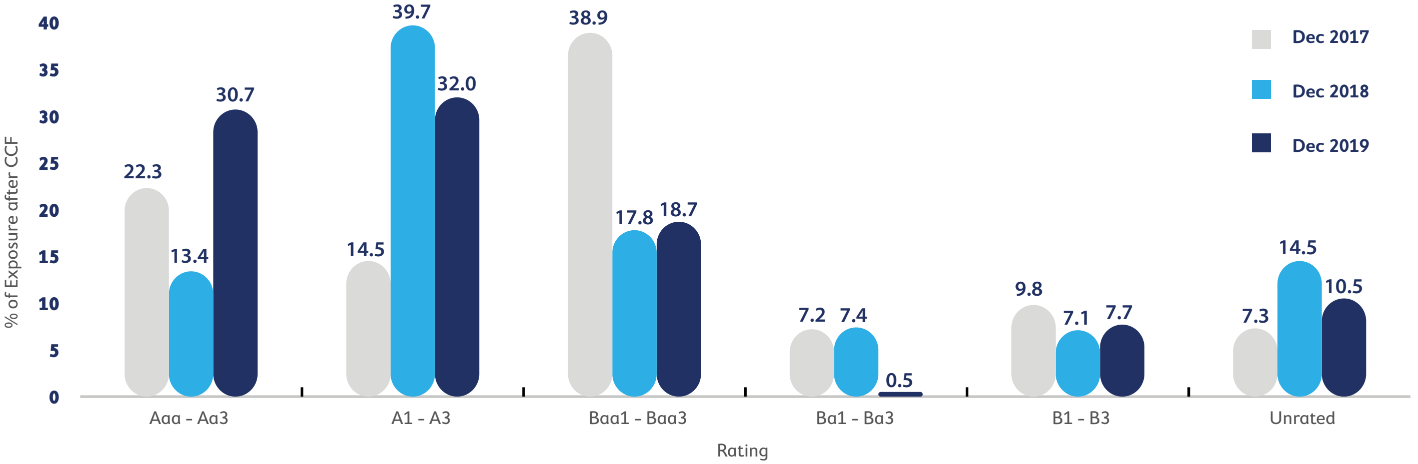
RISK MANAGEMENT REPORT (CONT'D)

2.3.1.3. Bank Counterparty Risk

SBM Group is exposed to bank counterparty risk, or the risk that a bank defaults on its obligations through different types of exposures varying from money market, treasury products, trade finance deals to standby letters of credits. In order to contain the risk, individual bank limits are set considering the risk profile of the bank. The limit also adheres to the bank's country limit and the regulatory limit on single counterparty exposure.

As at 31 December 2019, the Group's bank counterparty credit equivalent exposure accounted for 111.1% of the Group's Tier 1 Capital.

Distribution of Group Counterparty Risk by Rating (%)



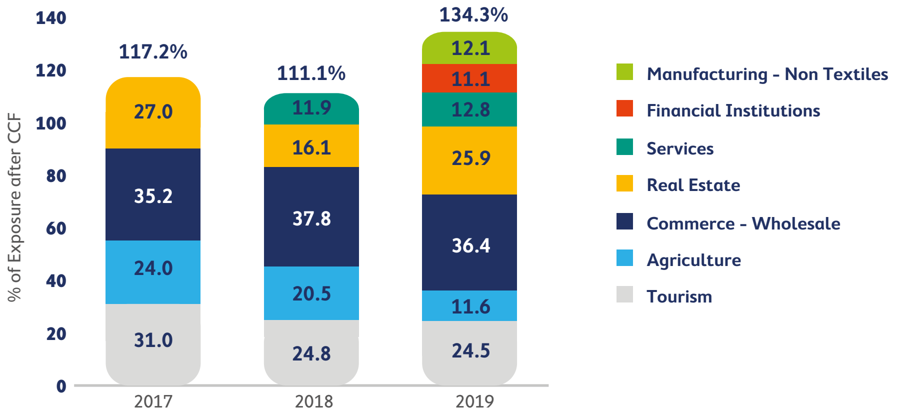
2.3.1.4. Credit Concentration Risk

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

As at 31 December 2019, the credit concentration exposures were well within the regulatory limits.

Regulatory Credit Concentration Limit	
Credit exposure to any single customer shall **not exceed 25 %** of the Group's Tier 1 Capital	**9.7%**
Credit exposure to any group of closely-related customers shall **not exceed 40 %** of the Group's Tier 1 Capital	**21.5%**
Aggregate large credit exposures to all customers and groups of closely related customers above 10% of the Group's Tier 1 Capital shall **not exceed 800 %** of the Group's Tier 1 Capital	**134.3%**

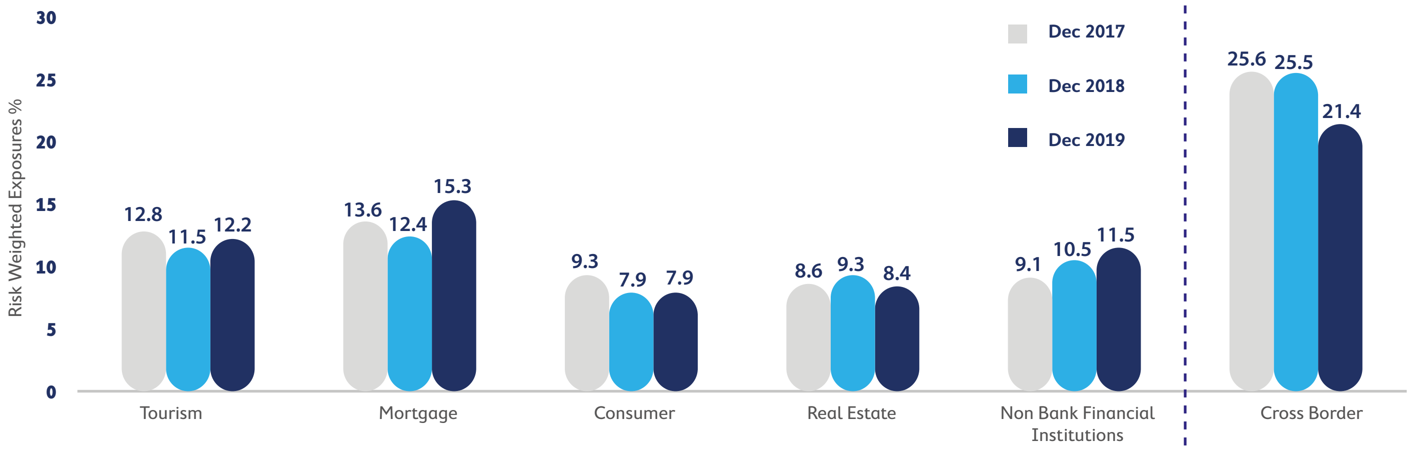
Top Group of Closely Related Customers' Exposure by Sector as a % of Tier 1 Capital



2.3.1.5. Portfolio Risk

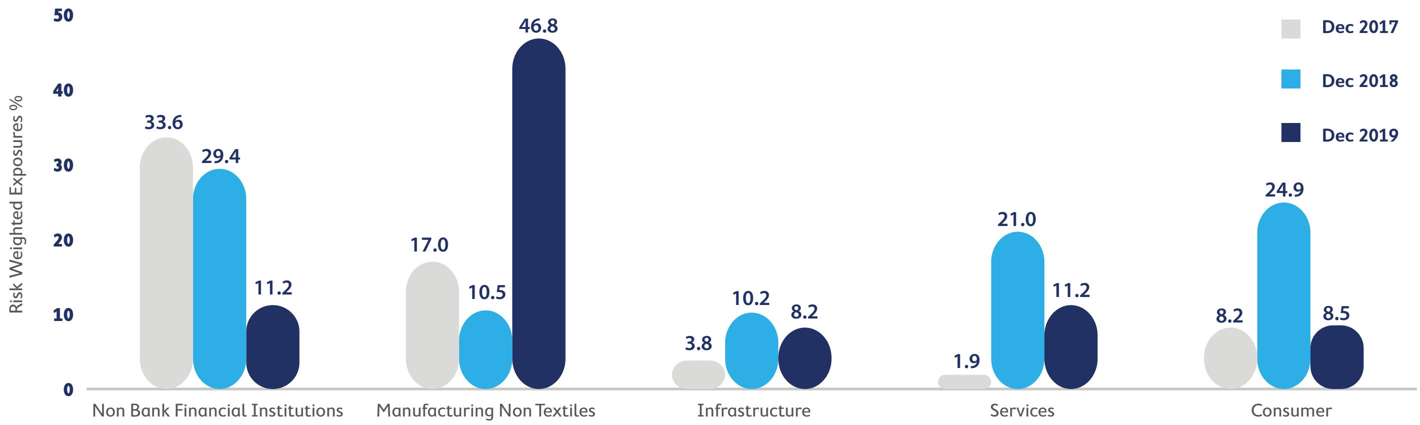
SBM Group aims to maintain a well-diversified credit portfolio that adapts to the structure of its presence entities and economies. This objective is reflected in the limit setting by segment, portfolios and sub-portfolios where necessary.

SBMBM's Top Portfolio by Risk Weighted Exposures (%)

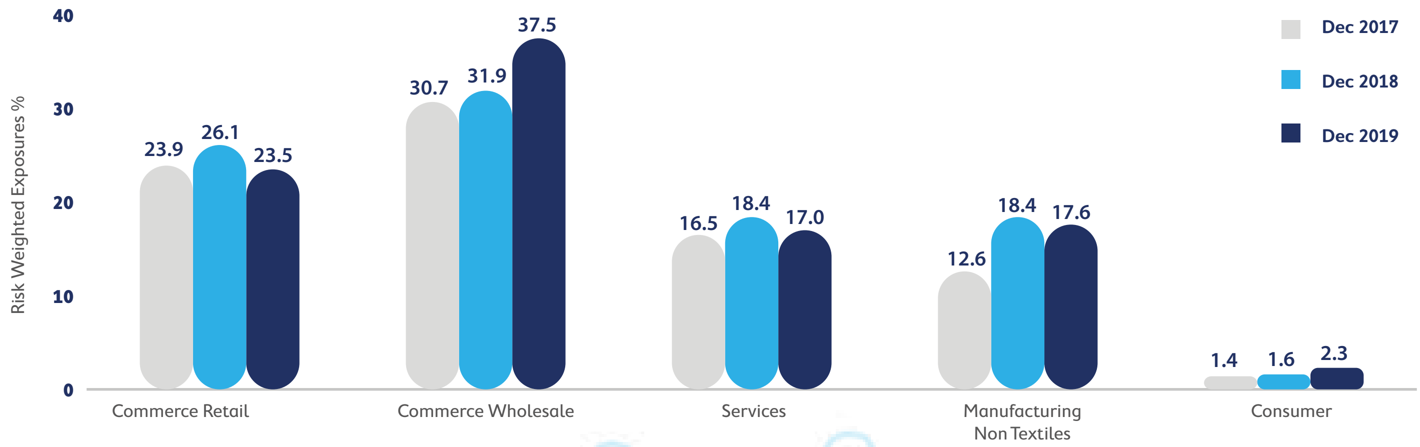


RISK MANAGEMENT REPORT (CONT'D)

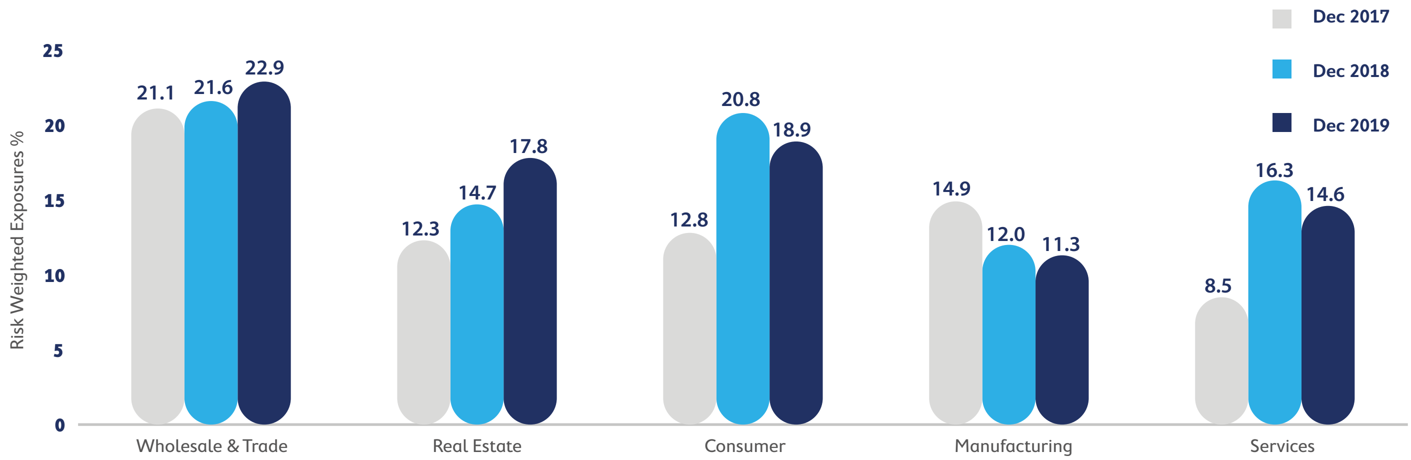
SBMBI's Top Portfolio by Risk Weighted Exposures (%)



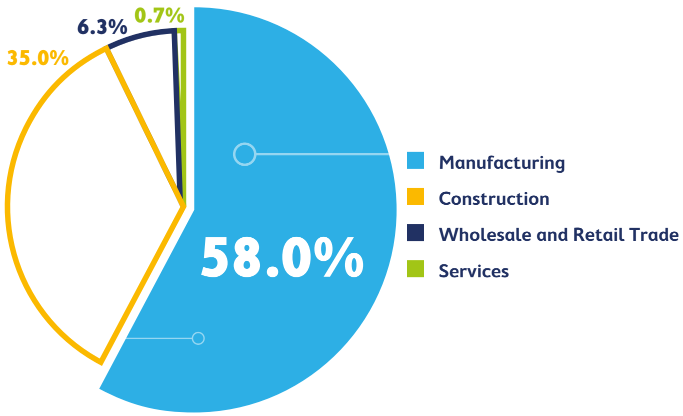
BSBMM's Top Portfolio by Risk Weighted Exposures (%)



SBMBK's Top Portfolio by Risk Weighted Exposures (%)



SBM Factors Ltd Portfolio (%)



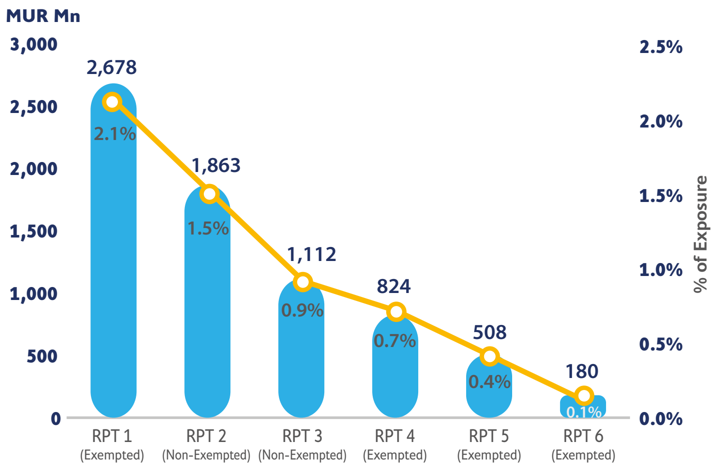
RISK MANAGEMENT REPORT (CONT'D)

2.3.1.6. Related Party Risk

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

As at 31 December 2019, the aggregate non-exempted Related Party Transactions (RPT) represented 13.9% of the Group's Tier 1 Capital, which is well within the regulatory limit of 60% and 150% for category 1 and categories 1 and 2 respectively.

Top 6 Related Party Exposures



2.3.1.7. Credit Quality

In line with its Credit Risk Management Framework, the Group uses risk mitigation techniques to minimise loss in the event of default.

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

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

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

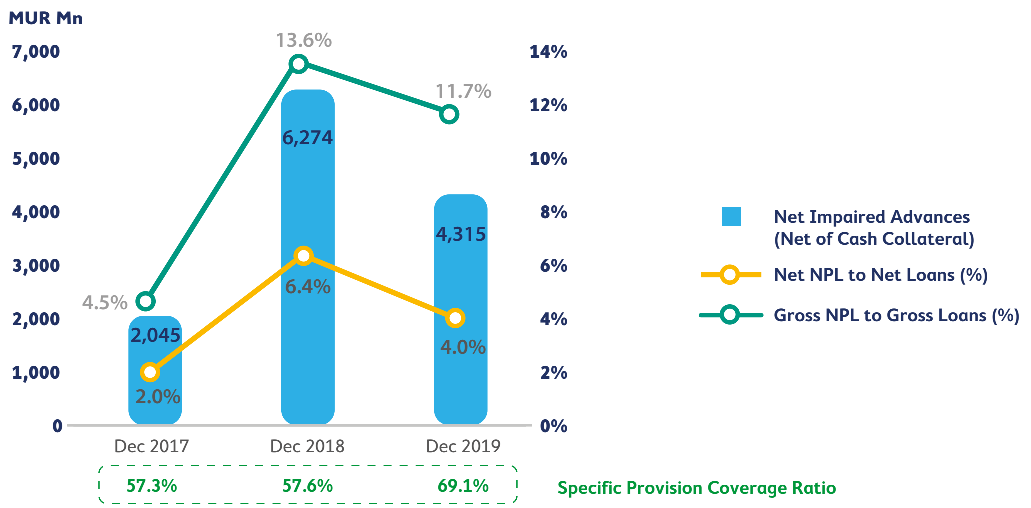
SBM Bank (Mauritius) Ltd has enhanced its governance around provisioning under IFRS9 Financial Instruments Standard. A Watchlist Review Forum is held on a quarterly basis with Senior Management representatives to review customer-wise exposures satisfying a detailed list of 'watch-list' criteria enabling better control over these exposures. These exposures are further classified under 'Stage 2' where a lifetime Expected Credit Loss (ECL) is allocated. The ECL parameters, namely the Probability of Default (PD), the Loss Given Default (LGD) and the Credit Conversion Factor (CCF) components of the Exposure at Default (EAD) are subject to revalidation and the macroeconomic indicators incorporated in the models are updated on a regular basis.

2.3.1.7.1. Impairment

The Group's subsidiaries have a proactive framework with an early-stage tracking of clients to meet contractual obligations.

A non-performing asset is classified and allocated a specific provision in accordance with the Bank of Mauritius Guideline (BOM) on Credit Impairment Measurement and Income Recognition. The Group ensures that a maximum debt is recovered through a comprehensive recovery plan and adheres to the BOM Guideline for write-off of non-performing assets.

Impairment Trend



2.3.1.7.2. Rescheduled Advances

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

As at 31 December 2019, total rescheduled loans stood at 14.2% of the total credit portfolio.

2.3.2. Market Risk

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

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

2.3.2.1. Interest Rate Risk

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

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

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

Entity	Impact of 200 bps Parallel Rate Change on NII
SBM Bank (Mauritius) Ltd	5.57%
SBM Bank (India) Limited	5.35%
Banque SBM Madagascar SA	0.41%
SBM Bank (Kenya) Limited	3.35%
SBM Bank (Seychelles) Limited	-

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

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

Additional information on interest rate gap figures are provided in Note 42 (d) to the Financial Statements at pages 277 to 281).

2.3.2.2. Foreign Exchange Rate Risk

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

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

Exposures in foreign currency are given in Note 42 (d) to the Financial Statements on pages 283 to 285.

2.3.2.2.1. Value at Risk

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

Entity	Min	Max	Year End
	Figures in MUR Equivalent		
SBM Bank (Mauritius) Ltd	763,701	11,026,891	2,932,605
SBM Bank (India) Limited	34,669	8,115,068	77,287
Banque SBM Madagascar SA	5	437	41
SBM Bank (Kenya) Limited	51,653	445,205	261,273
SBM Bank (Seychelles) Limited	-	-	-

Although the VaR for SBMBM is higher, it represented less than 1% of the Group's Tier 1 Capital.

2.3.2.3. Price Risk

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

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

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

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

2.3.3. Liquidity Risk

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

Additional information on Liquidity Gap figures are provided in Note 42 (c) to the Financial Statements at pages 273 to 276.

2.3.3.1. Liquidity Coverage Ratio (LCR)

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

The LCR across the Banking Group, as at 31 December 2019, are shown in the table below:

Entity	LCR
SBM Bank (Mauritius) Ltd	149.1%
SBM Bank (India) Limited	217.2%
Banque SBM Madagascar SA	113.4%
SBM Bank (Kenya) Limited	199.7%
SBM Bank (Seychelles) Limited	-

The LCR consolidated for the Banking Group stood at 154.6% as at 31 December 2019 (2018: 154.1%). The average LCR for SBM Bank (Mauritius) Ltd and the Banking Group were at 160.1% and 172.6% respectively. Both are significantly above the Basel III requirement of 100%. As from end of January 2020, the regulatory requirement for Mauritius operations has been aligned to that of Basel, at 100%. The Group's strong liquidity profile is already geared for this adjustment. The average stock of HQLA amounts to MUR 54.8 billion for SBM Bank (Mauritius) Ltd and MUR 71.4 billion for the Banking Group. The Group's portfolio of HQLA comprises mostly of A-rated sovereign and Multilateral Development Banks (MDBs) bonds.

2.3.3.2. Funding

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

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

2.3.4. Operational Risk

Over the years, the trend of the risks in the operational area has been evolving. To keep pace with the growing risks, the Group has constantly enhanced its techniques coupled with widely accepted risk management systems, processes and methodologies for operational risk.

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

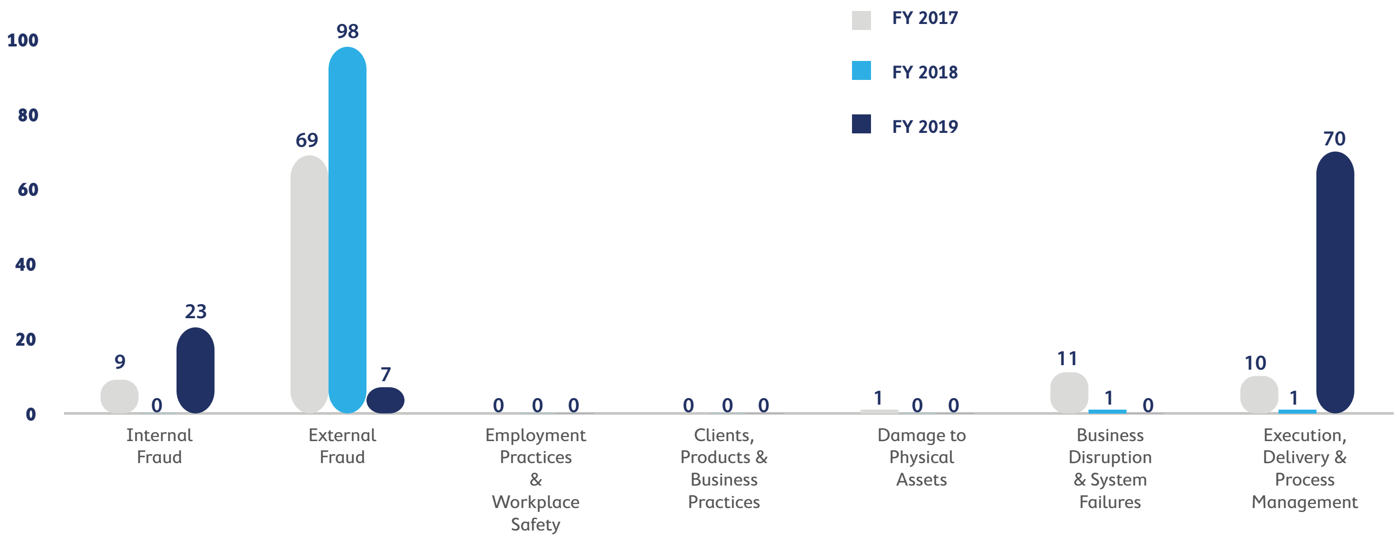
2.3.4.1. Operational Loss

In 2019, there was a significant decrease in operational loss on account of improved risk identification process and enhanced operational controls. Losses relating to external fraud registered the most significant improvements as compared to the previous two years.

As per the bar chart, an increase in the absolute loss amount was observed in two categories mainly due to failure to comply with established procedures at SBMBM and non-compliance with time-bound implementation and strengthening of SWIFT operational controls and Cyber Security Framework at SBMBI.

The Group's processes have since been tightened to prevent reoccurrences.

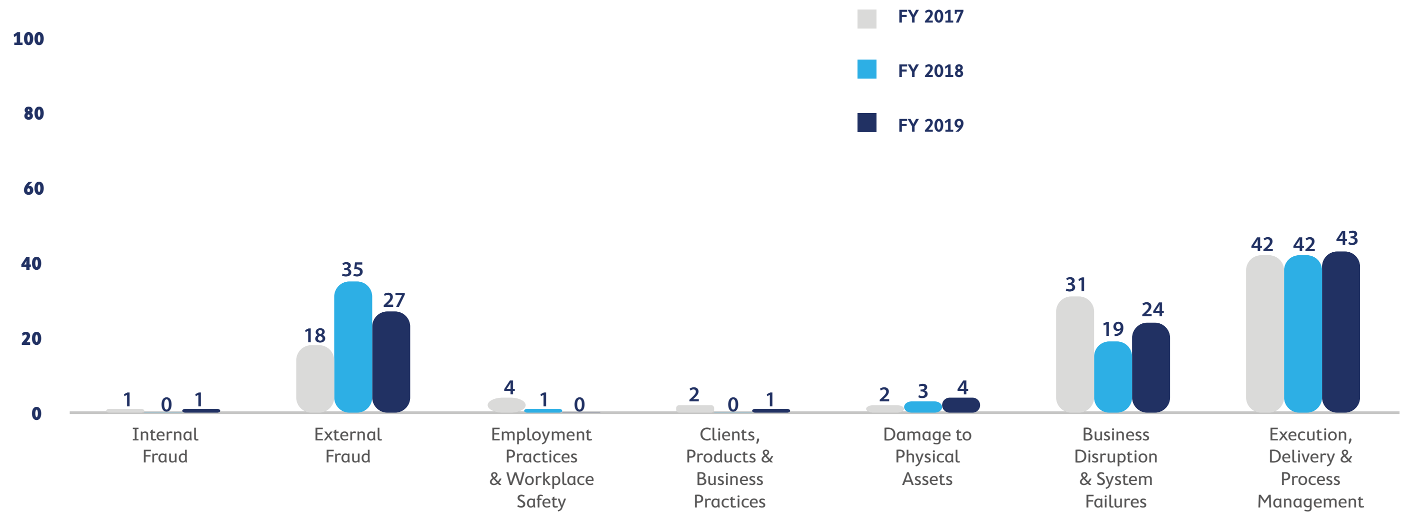
% of Total Loss



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

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

% of Total Count



2.3.5. IT Risk

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

During the year, the Group has undergone a number of unforeseen and longer than expected system downtimes, which has negatively impacted customer service, one of our key strategic levers for growth. Even though the Group has a robust Information Security Framework in place, SBMBM was hit by a cyber-attack where an amount of MUR 3.4 million was recognised as operational loss for the year ended 31 December 2019.

SBM Group's Information System Security Framework has been reviewed and strengthened. All our payment systems including SWIFT have been further fortified and calibrated to face the new and growing cyber security threat environment.

Business continuity procedures are regularly being reviewed to ensure business continuity in case there is any cyber-attack at any banking entity.

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

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

2.3.6. Reputational Risk

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

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

2.3.7. Compliance Risk

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

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

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

2.3.8. Anti-Fraud Risk

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

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

The Group operates within the following key guiding principles:

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

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

2.3.9. Business Continuity Management

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

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

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

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

These arrangements have also been complemented by technical drills to establish effective and sound cyber resilience. Indeed, a cyber drill was organised for the first-time in 2019 for Mauritius with the collaboration of relevant stakeholders to ensure preparedness to handle cyber-attack while minimising the impact on the Group's image and reputation.

The main factors in building cyber resilience are:

1. Human factor - a challenge to Business Continuity and Cyber Security Teams to raise awareness, an essential element to counter this type of threat
2. Collaboration throughout the Group is essential to contribute to the Group's resilience
3. Perform regular cyber drills to close gaps and build awareness
4. Leadership - Senior Management's commitment is the key driver to furthering efforts in improving cyber resilience

Capital Management

The Group's Capital Management Framework reflects the integration of risk, capital, strategy and performance measurement across the organisation.

Going concern capital requirements are examined on a forward-looking basis and included as part of the annual strategy and budgeting process. These assessments consider the resilience of capital adequacy under a range of hypothetical future states. The assessments incorporate assumptions regarding a range of regulatory and accounting aspects such as IFRS 9, taking account of a number of factors including economic variables and impairments. These plans seek to demonstrate that the Group and its operating subsidiaries maintain sufficient CET1 capital under different conditions. Capital ratios are also monitored against internal capital targets that are set by the Board over and above the minimum capital requirements set by the regulator.

1. Regulatory Capital Requirements

As a financial holding company, SBM Holdings Ltd (SBMH) is subject to capital adequacy rules issued by the BOM. These standards/rules are largely consistent with international standards set by the Basel Committee on Banking Supervision (BCBS).

The Group and its banking entities are required to report regulatory risk-based capital ratios and risk-weighted assets under the standardised approach on a quarterly basis.

The Capital Adequacy Ratios are computed in accordance with the BOM guidelines on Scope of Application of Basel III and Eligible Capital which came into effect in July 2014 (Capital Components) and Capital Adequacy Framework (Basel II Risk Weighted Assets based on the BOM Guideline on Standardised Approach to Credit Risk). The total Risk Weighted Assets (RWA) are computed based on the following approaches:

1. Credit and Market Risk under the Standardised Approach
2. Operational Risk under the Alternative Standardised Approach

The BOM has implemented the Basel III capital standards in Mauritius in a phased approach since July 2014 in line with international standards and practices, taking into consideration emerging trends. Banks must comply with the regulatory limits and minima as prescribed under the Basel III capital regulations, on an ongoing basis. As per the phase-in arrangements, the minimum total Capital Adequacy Ratio required by BOM for banks operating in Mauritius presently stands at 10 % of RWA. The minimum common equity tier 1 (CET 1) requirement is 6.5 % of RWA.

Moreover, the following additional capital requirement in the form of CET 1 as prescribed by BOM has to be maintained:

- Capital Conservation Buffer (CCB) is required to absorb losses in periods of financial and economic stress. This buffer started as from 01 January 2017 and is growing gradually on a yearly basis by 0.625% to attain the required 2.5% as from 01 January 2020. For December 2019, the CCB requirement for SBM was 1.875%.
- Domestic Systemically Important Bank (D-SIB) - SBMBM remains qualified as a D-SIB based on its systemic importance, which is assessed on five factors, namely, size, exposure to large groups, interconnectedness, complexity and substitutability. As such, SBMBM has to comply with the Guideline for Dealing with Domestic-Systemically Important Banks, which came into effect in June 2014 and maintain additional capital as prescribed by BOM each year following their annual assessment. For 2019, SBMBM had to maintain additional capital of 1.5% for D-SIB.

The following table illustrates the minimum regulatory capital ratios requirement applicable to SBM Group for FY 2018 and FY 2019:

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

The above regulatory capital requirements are applicable to SBM Group on a consolidated basis which includes all the banking entities.

Capital is distributed to the operating entities by SBMH, taking into account the capital adequacy requirements imposed on each subsidiary by its respective host regulator and additional capital is injected by the Group as and when required to ensure that the entity is able to comply with regulatory requirements as it executes its business strategy in line with the Group strategy.

2. Capital Structure

The major components of regulatory capital are summarised as follows:

Category		Minimum Requirement	Capital Conservation Buffer	Additional Loss Absorbency D-SIB	Total Minimum Requirement	SBM Group Actual Dec 2019
A) COMMON EQUITY TIER 1 which includes Share Capital, Retained Earnings & OCI less regulatory deductions for items such as: • Goodwill & Intangible Assets • Deferred Tax Assets	**Common Equity Tier 1 Capital = A**	6.50%	1.875%	D-SIB 1.5%	**9.875%**	14.570%
+ **B)** ADDITIONAL TIER 1	**Tier 1 Capital = A + B**	8%			**11.375%**	14.570%
+ **C)** TIER 2 CAPITAL which includes • 45% Revaluation Reserve on Fixed Asset • Allowances for Credit Losses (restricted to 1.25% of total credit RWA) • Subordinated Debts	**Total Capital = A + B + C**	10%			**13.375%**	22.060%

Regulatory Capital = A + B + C

3. Capital Position

SBM Group currently operates at capital levels well above the prescribed minimum requirements with a Capital Adequacy Ratio of 22.06% as at 31 December 2019.

The consolidated Common Equity Tier 1 ratio, calculated by dividing Common Equity Tier 1 Capital including all regulatory adjustments by RWA as at the reporting date, was 14.57% which comfortably exceeds the effective minimum regulatory CET1 CAR requirement of 9.875% (inclusive of capital conservation buffer and D-SIB capital surcharge). The Tier 1 ratio also stood at 14.57% compared to a minimum requirement of 11.375%.

The Group's Tier 1 Capital and Capital Base stood at MUR 19.9 billion and MUR 30.2 billion, respectively, as at 31 December 2019.

During the year under review, all the banking entities within the Group have maintained their respective Capital Adequacy Ratios comfortably above the regulatory requirements applicable in the country of incorporation and their respective total CAR as at 31 December 2019 are provided in the following table:

	SBMBM	SBMBI	BSBMM	SBMBK	SBMBS
Minimum Regulatory Requirement (%)	13.375	11.5	8.0	14.5	12.0
Actual CAR (%)	14.7	36.4	16.7	23.2	464.0

Note: SBM Bank (Seychelles) Limited came into operation in August 2019 and its RWA was relatively insignificant as at 31 December 2019.

The following table discloses the Group's capital and the risk weighted assets with their components thereof:

Figures in MUR Mn	Dec 2019	Dec 2018	Dec 2017
CAPITAL BASE			
Common Equity Tier 1 Capital (CET 1)			
Share capital	32,500	32,500	32,500
Retained earnings	5,929	7,147	7,286
Other reserves	(10,554)	(11,739)	(10,930)
CET 1: Regulatory Adjustments			
Treasury (own) shares	(4,875)	(4,875)	(4,875)
Goodwill and intangible assets	(2,729)	(3,226)	(3,876)
Deferred tax	(356)	(89)	(95)
Common Equity Tier 1 Capital (CET 1)	**19,915**	**19,717**	**20,010**
Additional Tier 1 (AT 1)	-	-	-
Tier 1 Capital (T1 = CET1 + AT1)	**19,915**	**19,717**	**20,010**
Subordinated debts	8,019	8,434	3,238
Other reserves (45% of surplus arising from revaluation of land & buildings)	659	515	533
Portfolio provision or ECL	1,563	1,392	1,328
Tier 2 capital	**10,241**	**10,341**	**5,099**
TOTAL CAPITAL BASE	**30,156**	**30,059**	**25,109**
RISK WEIGHTED ASSETS (RWAs)			
Credit risk	**125,023**	**111,390**	**116,830**
On-balance sheet assets	116,812	103,305	107,705
Off-balance sheet exposures	8,210	8,084	9,125
Market risk	**1,143**	**979**	**783**
Aggregate net open foreign exchange position	638	572	340
Capital charge for trading book position exceeding 5% or more of its total assets	505	407	442
Operational risk	**10,525**	**9,684**	**8,072**
TOTAL RWAs	**136,690**	**122,052**	**125,684**
CAPITAL ADEQUACY RATIO (%)	**22.06**	**24.63**	**19.98**
of which Tier 1 ratio	14.57	16.15	15.92

4. Risk Weighted Assets (RWA)

Risk Weighted Assets (RWA) measure the Group's exposures, weighted for their relative risk and calculated in accordance with BOM Guidelines.

Total RWA are worked out for Credit, Market and Operational Risks using BOM Guidelines on Standardised Approach to Credit Risk, Guideline on Measurement of Market Risk and Guideline on Operational Risk Management and Capital Adequacy Determination respectively.

4.1. Credit Risk

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

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

Higher growth in assets associated with growth in lending activities as well as an increase in term and short-dated corporate lending continues to increase the RWA in accordance with the strategic direction and risk appetite of the Group.

Total RWA closed at MUR 136.7 billion increasing by 12.0% or MUR 14.6 billion from the previous year. The increase was driven mainly by growth in on-balance sheet credit risk exposure amounting to MUR 13.5 billion and higher operational risk exposure of MUR 0.84 billion.

The Group's associate, SICOM, along with some other significant investments in financial entities, have been risk weighted at 250% in line with applicable Basel III rules and represented some 4% of the Group overall risk weighted assets.

The predominant contribution emanated from the banking entities of the Group. Out of total RWA of the Group, 91.1% was accounted for by the Banking Cluster.

The following tables provide Risk Weighted Assets for the Banking Cluster after Credit Risk Mitigation (CRM) for both on-balance sheet and off-balance sheet assets:

Risk Weighted On-Balance Sheet Assets

	Dec 2019			Dec 2018	Dec 2017
Figures in MUR Mn	**Amount**	**Weight %**	**Weighted Assets**	**Weighted Assets**	**Weighted Assets**
Cash items	2,922	0-20	1	1	0
Claims on sovereigns	72,678	0-100	3,130	2,520	3,055
Claims on central banks	30,942	0-50	596	482	772
Claims on banks	25,760	0-150	8,690	8,796	12,570
Claims on non-central government public sector entities	196	50-100	149	182	196
Claims on corporates	52,322	30-100	51,106	44,821	52,643
Claims included in the regulatory retail portfolio	14,386	75	10,789	7,417	5,750
Claims secured by residential property	21,902	35-125	9,006	8,688	8,309
Claims secured by commercial real estate	6,772	100-125	6,817	4,641	2,988
Past due claims	4,109	50-150	3,200	7,169	2,329
Other assets	11,131	100	11,131	8,313	9,243
Total on-balance sheet RWAs	**243,119**		**104,616**	**93,030**	**97,855**

Risk Weighted Non-Market Related Off-Balance Sheet Assets

	Dec 2019					Dec 2018	Dec 2017
Figures in MUR Mn	**Nominal Amount**	**Credit Conversion Factor (%)**	**Credit Equivalent Amount**	**Weight %**	**Weighted Assets**	**Weighted Assets**	**Weighted Assets**
Direct credit substitutes	2,586	100	2,586	0-100	2,564	4,505	3,234
Transaction-related contingent items	5,200	50	2,600	0-100	2,435	1,738	2,012
Trade-related contingent items	482	20-100	160	0-100	155	355	488
Other commitments	14,386	0-50	2,091	0-100	2,003	506	1,412
Total off-balance sheet RWAs	**22,653**		**7,437**		**7,157**	**7,103**	**7,146**

4.2. Market Related Risk Capital

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

Market risk weighted assets reflect the capital requirements of potential changes in the fair values of financial instruments in response to market movements inherent in both on-balance sheet and off-balance sheet items.

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

Market risk-weighted off-balance sheet assets increased by MUR 72 million to MUR 1.1 billion for the year under review.

The table below provides figures for the RWAs in respect of market related off-balance sheet assets for the Banking Cluster:

Market Related Off-Balance Sheet RWAs

	Dec 2019						Dec 2018	Dec 2017
Figures in MUR Mn	**Nominal Amount**	**Credit Conversion Factor (%)**	**Potential Future Exposure**	**Current Exposure**	**Credit Equivalent Amount**	**Weighted Assets**	**Weighted Assets**	**Weighted Assets**
Interest rate contracts	20,015	0-1.5	121	63	184	104	56	22
Foreign exchange contracts	44,532	1-7.5	588	87	675	458	474	1,863
Equity contracts	435	8	35	-	35	10	2	-
Other commodity contracts	2,515	10-12	263	36	300	160	311	-
Credit derivative contracts	1,464	10-20	293	-	293	293	144	100
Other market-related contracts	589	12	71	-	71	35	-	-
Total Market RWAs	**69,550**		**1,371**	**186**	**1,557**	**1,059**	**987**	**1,985**

4.3. Foreign Exchange Risk

The banking entities are subject to foreign exchange risk from an on-balance sheet perspective, resulting from imbalances witnessed between the foreign currency composition of their assets and liabilities.

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

The table below provides the comparative figures for the aggregate net open foreign exchange position for the Banking Cluster:

Figures in MUR Mn	**Dec 2019**	Dec 2018	Dec 2017
Aggregate net open foreign exchange position	638	572	340

4.4. Operational Risk

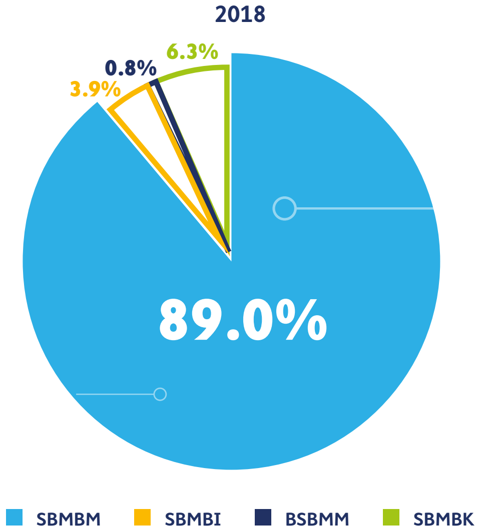
Operational risk is the risk of incurring a loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Calculation of operational risk for the Banking Groupis worked out based on the Alternative Standardised Approach (ASA). In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

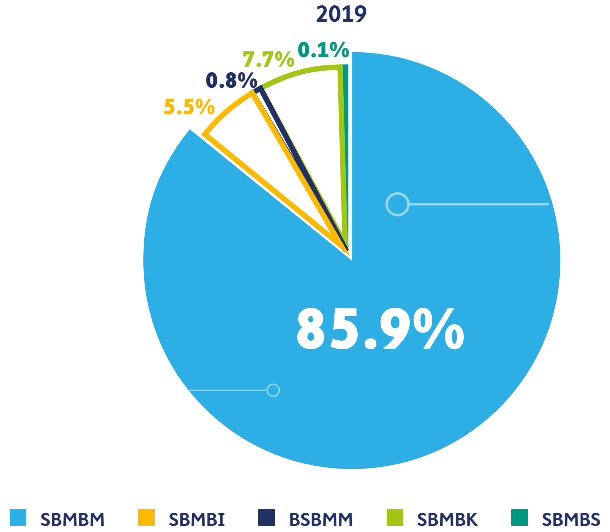
Operational risk weighted assets for the Banking Cluster increased by MUR 1.2 billion to MUR 10.6 billion, during the year, primarily due to growth in retail and commercial banking line of business.

The following table sets out the operational risk capital charge for the Banking Cluster:

Figures in MUR Mn	**Dec 2019**	Dec 2018	Dec 2017
Capital charge for operational risk	1,055	937	775

4.5. Risk Weighted Assets by Entity





5. Leverage Ratio

The leverage ratio acts as a capital floor to the Basel Risk-Adjusted Capital Adequacy Framework.

The leverage ratio for the Group and the Banking Cluster stood at 8.3% and 8.4%, respectively, as at 31 December 2019 against the Basel Committee on Banking Supervision recommended minimum of 3%. As at date, there is no regulatory requirement to compute the leverage ratio.

6. Outlook

The Group is fully committed to maintaining sound capital levels at all times despite an environment which is less predictable on account of difficult operating conditions and heightened uncertainties linked to COVID-19 as well as regulatory and technological changes, among others.

FINANCIAL STATEMENTS

“THE GROUP REPORTS WITH INTEGRITY AND TRANSPARENCY. THE AUDITORS PROVIDE INDEPENDENT ASSURANCE ON THE FINANCIAL STATEMENTS.”

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

Company law requires the Directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Group. In preparing those Financial Statements, the Directors are required to: ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained; select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business. The Directors confirm that they have complied with these requirements in preparing the Financial Statements.

The external auditors are responsible for reporting on whether the Financial Statements are fairly presented. The Group's external auditors, Ernst & Young, have full and free access to the board of Directors and its committees to discuss the audit matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group while ensuring that: the Financial Statements fairly present the state of affairs of the Group, as at the financial year end, and the results of its operations and cash flow for that period; and they have been prepared in accordance with and comply with International Financial Reporting Standards and the Companies Act 2001, as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder.

Directors are also responsible for safeguarding the assets of the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. Other main responsibilities of the Directors include the assessment of the Management's performance relative to corporate objectives; overseeing the implementation and uploading of the Code of Corporate Governance and ensuring timely and comprehensive communication to all stakeholders on events significant to the Group.

The Board of SBM Holdings Ltd, recognising that the Group, as a financial organisation, encounters risk in every aspect of its business, has put in place the necessary committees to manage such risks, as required by Basel III. The Board, whilst approving risk strategy, appetite and policies, has delegated the formulation thereof and the monitoring of their implementation to the Risk Management Committee.

The structures, processes and methods through which the Board gains assurance that risk is effectively managed, are fully described in the Risk Management Report.

On behalf of the Board.

Sattar HAJEE ABDOULA
Chairman

Subhas THECKA
Chairman, Audit Committee

29 April 2020

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SBM HOLDINGS LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion
We have audited the financial statements of SBM Holdings Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 172 to 297 which comprise the statements of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001, and Financial Reporting Act 2004.

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SBM HOLDINGS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENT (CONTINUED)

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Expected credit losses (ECL) - impaired facilities The Group has net loans and advances portfolio of MUR 109.4 billion at 31 December 2019. As explained in the accounting policies, these loans and advances are carried at amortised cost, less allowance for credit impairment MUR 9.67 billion for impaired facilities and MUR 2.67 billion for non-impaired facilities. A financial asset is considered to be credit impaired in accordance with IFRS9 when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Identification of credit-impaired facilities (i.e. those classified in Stage 3) and determination of the expected credit losses thereon involves significant judgement, estimates and assumptions regarding (i) the determination of whether a facility is credit impaired and (ii) in estimating the forecasted cash flows that the Group expects to receive from the obligors. This includes an estimate of what the Group can realise from the collaterals it holds as security on the impaired facilities. Refer to Note 8 for accounting policy on loans and advances and allowance for credit losses (Stage 3). Given the size of the loans and advances of the Group (42% of total assets), we identified the determination of the allowance for expected credit losses on loans and advances as a key audit matter.	We reviewed and assessed the design of the controls over the identification of facilities that are credit impaired and the related calculations of expected credit losses, including the quality of underlying data and systems. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers. We thus assessed the independence and the qualification of the appraisers. Areas of focus included the corporate and international banking lending portfolios which represent high value exposures. We tested the list of all credit impaired loans identified by management by performing the following procedures: • Reviewed the minutes of the impaired asset review forum, Management Credit forum, Board Credit Committee; • Obtained and tested loan arrears reports and for inclusion of all arrears exceeding 90 days in the Stage 3 impairment list of the ECL model; • Identified loan facilities meeting certain criteria such as financial difficulties of the borrower, restructured loans, insufficient collaterals and exposures to sectors in decline and for are inclusion in the list of credit impaired facilities. For loans that are credit impaired, we independently assessed the appropriateness of provisioning methodologies and policies and performed an independent view on the levels of provisions booked based on the detailed loan and counterparty information in the credit files. We re-performed calculations within a sample of discounted cash flow models and assessed the reasonableness of assumptions used to support the timing and extent of the cash flows. Where the borrowers' cash flow forecasts are used to determine recoverable amounts, we agreed these to objective and unbiassed evidence. We evaluated the underlying assumptions used in arriving at the indicative value for the collaterals by corroborating the value obtained to independent sources. Where deemed necessary, we involved our transaction advisory team to review the underlying assumptions.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SBM HOLDINGS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENT (CONTINUED)

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Expected credit losses (ECL) - facilities which are not credit impaired IFRS 9 requires the Group to recognise expected credit losses on financial instruments. The determination of ECL on loans and advances which are not credit impaired involves the highest level of management judgement, thus requiring greater audit attention. Specific areas of judgement and estimation uncertainty include: • Identification of significant increase in credit risk (SICR), and in particular the selection of criteria to identify a SICR. These criteria are highly judgemental and can materially impact the ECL recognised for certain portfolios where the life of the facilities is greater than 12 months; • Complexity of the ECL model involving a number of critical assumptions in the determination of probabilities of default (PD), loss given default (LGD) and Exposure at default (EAD). • Use of forward-looking information to determine the likelihood of future losses being incurred. • Qualitative adjustments made to model driven ECL results raised to address model limitations, emerging risks and trends in underlying portfolios which are inherently judgemental. • Accuracy and adequacy of the financial statement disclosures The carrying value of financial instruments within the scope of IFRS 9 may be materially misstated if judgements or estimates made by the Group are inappropriate. Refer to Note 8(c) for disclosure of ECL on loans and advances.	For Stage 1 and Stage 2 loans, we assessed, with the involvement of our quantitative analysis specialists, the appropriateness of the model used including the inputs and assumptions by performing the following procedures: • Reviewed the methodology adopted by the Group for calculation of ECL and in particular the segmentation of loans in appropriate portfolios reflecting different risk factors. Our review also included an assessment of the design of the models used for determination of PD, LGD and EAD for different types of loans including inter-alia term loans, overdraft facilities, credit cards, guarantees and other off-balance sheet exposures; • Assessed the adequacy and quality of the data used for the calculation of PD, LGD and EAD; • Assessed the key assumptions used in PD, LGD and EAD models by comparing such assumptions to the actual behaviours of the credit facilities; • Reviewed the criteria for staging of credit exposures and ensure these are in line with the requirements of IFRS 9 including any backstops used in the methodology. Performed data analytic procedures to identify exceptions to the staging rules such as back stops and changes in credit ratings that result in SICR; • Reviewed the minutes of Watchlist Review Committee and ensure proper classification to Stage 2 is made for all clients on watchlist; • Assessed the accuracy of critical data elements input into the system used for credit grading and the approval of credit facilities; • Reviewed the PD and LGD calculations including the incorporation of forecast macro-economic information by our data modelling specialists; • Tested the accuracy and completeness of the ECL model by reperformance; • Assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENT (CONTINUED)

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the Group and Company'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 intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above (other than the Corporate Governance Report) when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Corporate Governance Report

The Directors are responsible for preparing the Corporate Governance Report. Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance (''the Code'') disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Group has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SBM HOLDINGS LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Use of our Report

This report is made solely to the Company's members in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members 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 Company and the Company's members, for our audit work, for this report, or for the opinions we have formed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

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

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

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

ERNST & YOUNG
Ebène, Mauritius

PATRICK NG TSEUNG, A.C.A.
Licensed by FRC

Date: 29 April 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	THE GROUP			THE COMPANY		
		31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS							
Cash and cash equivalents	5	**18,181,126**	15,653,515	16,331,538	**178,632**	32,890	73,223
Mandatory balances with central banks		**10,680,287**	9,977,260	8,966,717	**-**	-	-
Loans to and placements with banks	6	**9,240,131**	11,090,361	8,897,399	**-**	-	-
Derivative financial instruments	7	**874,269**	764,077	1,356,774	**-**	-	-
Loans and advances to non-bank customers	8	**109,396,640**	102,108,174	103,128,838	**-**	-	-
Investment securities	9 (i)	**94,276,665**	71,594,287	40,000,421	**1,670,478**	3,105,326	1,461,801
Equity investments	9 (ii)	**6,014,270**	5,752,870	6,137,779	**4,227,683**	4,227,683	4,292,925
Investment in subsidiaries	9 (iii)	**-**	-	-	**29,899,918**	24,485,152	24,665,178
Investment in associate	9 (iv)	**1,479,048**	1,308,157	1,336,902	**1,272,977**	1,272,977	1,272,977
Property, equipment and right of use assets	10	**4,088,213**	3,153,914	2,854,218	**3,865**	5,780	3,106
Goodwill and other intangible assets	11	**2,729,474**	3,226,412	3,875,613	**1,157**	44	-
Deferred tax assets	17 b	**355,992**	89,440	95,461	**-**	-	-
Other assets	12	**3,159,878**	1,655,659	1,039,721	**231,515**	153,309	70,448
Total assets		**260,475,993**	226,374,126	194,021,381	**37,486,225**	33,283,161	31,839,658
LIABILITIES							
Deposits from banks	14	**907,521**	716,702	689,265	**-**	-	-
Deposits from non-bank customers	15	**199,397,188**	169,384,480	144,850,676	**-**	-	-
Other borrowed funds	16	**15,670,968**	14,522,085	13,686,203	**-**	-	-
Derivative financial instruments	7	**881,176**	799,441	1,334,641	**-**	-	-
Current tax liabilities	17 c	**536,283**	495,964	124,195	**-**	503	1,005
Deferred tax liabilities	17 b	**-**	159,477	170,905	**-**	-	-
Other liabilities	18	**8,824,992**	6,706,294	4,299,258	**117,340**	91,777	5,501
Subordinated debts	19	**9,739,981**	9,412,677	3,701,466	**9,739,981**	9,412,677	3,701,466
Total liabilities		**235,958,109**	202,197,120	168,856,609	**9,857,321**	9,504,957	3,707,972
SHAREHOLDERS' EQUITY							
Stated capital	20	**32,500,204**	32,500,204	32,500,204	**32,500,204**	32,500,204	32,500,204
Retained earnings		**1,107,260**	2,270,280	2,410,007	**825,549**	965,704	1,242,101
Other reserves		**(4,214,549)**	(5,718,447)	(4,870,408)	**(821,818)**	(812,673)	(735,588)
		29,392,915	29,052,037	30,039,803	**32,503,935**	32,653,235	33,006,717
Treasury shares	20	**(4,875,031)**	(4,875,031)	(4,875,031)	**(4,875,031)**	(4,875,031)	(4,875,031)
Total equity attributable to equity holders of the parent		**24,517,884**	24,177,006	25,164,772	**27,628,904**	27,778,204	28,131,686
Total equity and liabilities		**260,475,993**	226,374,126	194,021,381	**37,486,225**	37,283,161	31,839,658

Approved by the Board of Directors and authorised for issue on 29 April 2020.

Sattar HAJEE ABDOULA
Chairman

Subhas THECKA
Chairman, Audit Committee

The notes on pages 178 to 297 form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	THE GROUP			THE COMPANY		
		31 December 2019	31 December 2018	31 December 2017	**31 December 2019**	31 December 2018	31 December 2017
		MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Interest income		**10,644,090**	8,816,856	7,007,347	**68,079**	77,913	131,045
Interest expense		**(4,156,726)**	(2,971,513)	(2,239,586)	**(476,589)**	(309,019)	(149,011)
Net interest income/(expense)	26	**6,487,364**	5,845,343	4,767,761	**(408,510)**	(231,106)	(17,966)
Fee and commission income		**1,616,807**	1,307,329	1,268,893	**-**	-	-
Fee and commission expense		**(43,508)**	(30,919)	(29,385)	**(150)**	(199)	(339)
Net fee and commission income/(expense)	27	**1,573,299**	1,276,410	1,239,508	**(150)**	(199)	(339)
Profit/(loss) arising from dealing in foreign currencies		**381,611**	758,677	560,843	**(289,253)**	(29,695)	67,735
Net gain on sale of securities	30	**665,904**	204,458	464,433	**6,767**	27,614	12,765
Dividend income	28	**223,076**	110,051	21,501	**1,570,456**	1,233,068	1,270,535
Net gain from dealing from financial instruments	29	**107,592**	509,849	516,538	**17,879**	-	-
Other operating income	31	**4,493**	1,073,651	1,221	**-**	-	-
Non-interest income		**2,955,975**	3,933,096	2,804,044	**1,305,699**	1,230,788	1,350,696
Operating income		**9,443,339**	9,778,439	7,571,805	**897,189**	999,682	1,332,730
Personnel expenses	32	**(2,883,912)**	(1,951,225)	(1,525,027)	**(82,994)**	(104,253)	(18,843)
Depreciation of property and equipment and amortisation of right of use assets	10	**(476,839)**	(205,245)	(166,796)	**(2,142)**	(1,946)	(1,203)
Amortisation of intangible assets	11	**(617,833)**	(621,951)	(503,170)	**(208)**	(6)	-
Other expenses	33	**(1,873,960)**	(1,919,132)	(1,193,239)	**(49,096)**	(253,729)	(61,566)
Bank levy		**(171,368)**	-	-	**-**	-	-
Non-interest expense		**(6,023,912)**	(4,697,553)	(3,388,232)	**(134,440)**	(359,934)	(81,612)
Profit before credit loss expense on financial assets		**3,419,427**	5,080,886	4,183,573	**762,749**	639,748	1,251,118
Credit loss (expense)/reversal on financial assets	34	**(2,996,142)**	(3,559,350)	(1,115,280)	**1,085**	(1,646)	-
Operating profit		**423,285**	1,521,536	3,068,293	**763,834**	638,102	1,251,118
Share of profit of associate	9 (iv)	**139,237**	100,240	92,005	**-**	-	-
Profit before income tax		**562,522**	1,621,776	3,160,298	**763,834**	638,102	1,251,118
Tax (expense)/income	17 a	**(547,487)**	(375,982)	(585,375)	**(357)**	(10,867)	2,895
Profit for the year		**15,035**	1,245,794	2,574,923	**763,477**	627,235	1,254,013
Earnings per share:							
Basic (cents)	35	**0.58**	48.25	99.73			
Diluted (cents)	35	**0.58**	48.25	99.73			

The notes on pages 178 to 297 form an integral part of these financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		THE GROUP			THE COMPANY		
	Notes	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000
Profit for the year		**15,035**	1,245,794	2,574,923	**763,477**	627,235	1,254,013
Other comprehensive income :							
Items that will not be reclassified subsequently to profit or loss:							
Increase in revaluation of property		**255,148**	-	-	**-**	-	-
Deferred tax on revaluation of property		**(9,950)**	-	-	**-**	-	-
Reversal in net property revaluation reserve		**-**	(17,689)	-	**-**	-	-
Impact of change in deferred tax rate on revaluation of property		**118,392**	-	-			
Remeasurement of defined benefit pension plan	13	**(203,865)**	(27,802)	(32,876)	**-**	-	-
Deferred tax on remeasurement of defined benefit pension plan	17 (b)	**14,271**	-	-	**-**	-	-
Impact of change in deferred tax rate on defined benefit pension plan		**(7,923)**					
Share of associate-remeasurement of defined benefit pension plan	9 (iv) (a)	**(31,105)**	-	-	**-**	-	-
Share of other comprehensive income of associate	9 (iv) (a)	**76,112**	(96,235)	290	**-**	-	-
Net gain/(loss) on equity instruments designated at FVTOCI		**45,277**	(77,085)	-	**-**	(77,085)	-
		256,357	(218,811)	(32,586)	**-**	(77,085)	-
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of foreign operations	39	**327,378**	(176,373)	(65,347)	**-**	-	-
Exchange differences resulting from share of associate	9 (iv) (a)	**25,496**	-	-	**-**		
Available-for-sale investments							
Movement in fair value of available-for-sale investments		**-**	-	144,422	**-**	-	52,013
Fair value reserve re-cycled on disposal of available-for-sale investments		**-**	-	(228,618)	**-**	-	15,058
Investment securities measured at FVTOCI							-
Movement in fair value during the year	39	**395,221**	(505,354)	-	**-**	-	-
Fair value re-cycled on disposal	39	**231,379**	1,491	-	**(9,145)**	-	-
Movement in credit loss expense relating to debt instruments held at FVTOCI	39	**(6,356)**	24,686	-	**-**	-	-
		973,118	(655,550)	(149,543)	**(9,145)**	-	67,071
Total other comprehensive income/(loss)		**1,229,475**	(874,361)	(182,129)	**(9,145)**	(77,085)	67,071
Total comprehensive income for the year		**1,244,510**	371,433	2,392,794	**754,332**	550,150	1,321,084

The notes on pages 178 to 297 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

The Group	Stated capital MUR' 000	Treasury shares MUR' 000	Statutory reserve MUR' 000	Retained earnings MUR' 000	Net property revaluation reserve MUR' 000	Other reserves (Note 39) MUR' 000	Total equity MUR' 000
At 01 January 2017	32,500,204	(4,875,031)	592,187	865,100	157,777	(5,435,537)	23,804,700
Profit for the year	-	-	-	2,574,923	-	-	2,574,923
Other comprehensive loss for the year	-	-	-	(32,876)	-	(149,253)	(182,129)
Total comprehensive income/(loss) for the year	-	-	-	2,542,047	-	(149,253)	2,392,794
Transfer to statutory reserve	-	-	1,779	(1,779)	-	-	-
Transfer to retained earnings	-	-	-	37,361	(37,361)	-	-
Dividend (Note 21)	-	-	-	(1,032,722)	-	-	(1,032,722)
At 31 December 2017	32,500,204	(4,875,031)	593,966	2,410,007	120,416	(5,584,790)	25,164,772
At 01 January 2018	32,500,204	(4,875,031)	593,966	2,410,007	120,416	(5,584,790)	25,164,772
Impact of adopting IFRS 9	-	-	-	(490,560)	-	34,993	(455,567)
Restated opening balance under IFRS 9	32,500,204	(4,875,031)	593,966	1,919,447	120,416	(5,549,797)	24,709,206
Profit for the year	-	-	-	1,245,794	-	-	1,245,794
Loss allowance relating to debts instruments held at FVOCI	-	-	-	-	-	24,686	24,686
Other comprehensive loss for the year	-	-	-	(27,802)	(17,689)	(853,556)	(899,047)
Total comprehensive income/(loss) for the year	-	-	-	1,217,992	(17,689)	(828,870)	371,433
Transfer to statutory reserve	-	-	3,108	(3,108)	-	-	-
Transfer to retained earnings	-	-	-	39,581	(39,581)	-	-
Dividend (Note 21)	-	-	-	(903,632)	-	-	(903,632)
At 31 December 2018	32,500,204	(4,875,031)	597,074	2,270,280	63,146	(6,378,667)	24,177,006
At 01 January 2019	**32,500,204**	**(4,875,031)**	**597,074**	**2,270,280**	**63,146**	**(6,378,667)**	**24,177,006**
Profit for the year	-	-	-	**15,035**	-	-	**15,035**
Credit loss expense relating to debts instruments held at FVTOCI	-	-	-	-	-	**(6,356)**	**(6,356)**
Share of OCI of associate	-	-	-	-	-	**101,608**	**101,608**
Other comprehensive income/(loss) for the year	-	-	-	**(228,622)**	**363,590**	**999,255**	**1,134,223**
Total comprehensive income for the year	-	-	-	**(213,587)**	**363,590**	**1,094,507**	**1,244,510**
Transfer to statutory reserve	-	-	**90,000**	**(90,000)**	-	-	-
Transfer to retained earnings	-	-	-	**44,199**	**(43,121)**	**(1,078)**	-
Dividend (Note 21)	-	-	-	**(903,632)**	-	-	**(903,632)**
At 31 December 2019	**32,500,204**	**(4,875,031)**	**687,074**	**1,107,260**	**383,615**	**(5,285,238)**	**24,517,884**

Other reserves in the Statement of financial position comprise of statutory reserve, net property revaluation reserve and other reserve.

The notes on pages 178 to 297 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

The Company	Stated capital MUR' 000	Treasury shares MUR' 000	Retained earnings MUR' 000	Net unrealised investment fair value reserve MUR' 000	Total equity MUR' 000
At 01 January 2017	32,500,204	(4,875,031)	1,020,810	(802,659)	27,843,324
Profit for the year	-	-	1,254,013	-	1,254,013
Other comprehensive income for the year	-	-	-	67,071	67,071
Total comprehensive income for the year	-	-	1,254,013	67,071	1,321,084
Dividend (Note 21)	-	-	(1,032,722)	-	(1,032,722)
At 31 December 2017	32,500,204	(4,875,031)	1,242,101	(735,588)	28,131,686
At 01 January 2018	32,500,204	(4,875,031)	1,242,101	(735,588)	28,131,686
Profit for the year	-	-	627,235	-	627,235
Other comprehensive income for the year	-	-	-	(77,085)	(77,085)
Total comprehensive income for the year	-	-	627,235	(77,085)	550,150
Dividend (Note 21)	-	-	(903,632)	-	(903,632)
At 31 December 2018	32,500,204	(4,875,031)	965,704	(812,673)	27,778,204
At 01 January 2019	**32,500,204**	**(4,875,031)**	**965,704**	**(812,673)**	**27,778,204**
Profit for the year	**-**	**-**	**763,477**	**-**	**763,477**
Other comprehensive loss for the year	**-**	**-**	**-**	**(9,145)**	**(9,145)**
Total comprehensive income/(loss) for the year	**-**	**-**	**763,477**	**(9,145)**	**754,332**
Dividend (Note 21)	**-**	**-**	**(903,632)**	**-**	**(903,632)**
At 31 December 2019	**32,500,204**	**(4,875,031)**	**825,549**	**(821,818)**	**27,628,904**

The notes on pages 178 to 297 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	THE GROUP			THE COMPANY		
		31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
		MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Net cash from/(used in) operating activities	36	**2,560,472**	(3,844,388)	1,234,721	**2,465,688**	(984,142)	3,801,568
Financing activities							
Increase/(decrease) in other borrowed funds		**1,148,884**	(1,225,645)	7,770,802	**-**	-	-
Proceeds from subordinated liabilities debts raised		**-**	5,672,085	2,025	**-**	5,672,085	2,025
Dividend paid on ordinary shares	21	**(903,632)**	(903,632)	(1,032,722)	**(903,632)**	(903,632)	(1,032,722)
Payment of principal portion of lease liabilities	10	**(171,568)**	-	-	**-**	-	-
Net cash flow from/(used in) financing activities		**73,684**	3,542,808	6,740,105	**(903,632)**	4,768,453	(1,030,697)
Investing activities							
Investment in non-voting redeemable participating shares		**-**	-	(120,754)	**-**	-	(120,754)
Acquisition of property and equipment		**(369,769)**	(235,021)	(87,653)	**(227)**	(4,620)	-
Acquisition of intangible assets	11	**(125,695)**	(286,758)	(173,992)	**(1,321)**	(50)	-
Disposal of property and equipment		**6,808**	145,866	7,489	**-**	-	-
Acquisition of business		**-**	162,157	12,398	**-**	-	-
Investment in subsidiaries		**-**	-	-	**(1,414,766)**	(3,819,974)	(2,592,215)
Acquisition of other equity investments		**-**	32,750	(459,211)	**-**	-	-
Net cash used in investing activities		**(488,656)**	(181,006)	(821,723)	**(1,416,314)**	(3,824,644)	(2,712,969)
Net change in cash and cash equivalents		**2,145,500**	(482,586)	7,153,103	**145,742**	(40,333)	57,902
Net foreign exchange differences		**382,111**	(195,437)	(311,773)	**-**	-	-
Cash and cash equivalents at start of year		**15,653,515**	16,331,538	9,490,208	**32,890**	73,223	15,321
Cash and cash equivalents at end of year	5	**18,181,126**	15,653,515	16,331,538	**178,632**	32,890	73,223

The notes on pages 178 to 297 form an integral part of these financial statements.

1. GENERAL INFORMATION

SBM Holdings Ltd (the "Company") is a public company incorporated on 10 November 2010 and domiciled in Mauritius. The Company was listed on the Stock Exchange of Mauritius on 03 October 2014 pursuant to a Group restructuring approved by the Bank of Mauritius. The address of its registered office is SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

The Group operates in the financial services sector, principally commercial banking.

2. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS

New and amended standards and interpretations

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

The nature and the impact of each new standard or amendment are described below:

IFRS 16 - Leases

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

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

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

The Group has lease contracts for various branches and IT equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to note 10 Property, equipment and right-to-use assets for the accounting policy prior to 01 January 2019.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 10 Property, equipment and right-to-use assets for the accounting policy beginning 01 January 2019. The standard provides specific transition requirements and practical expedients, which have not been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as from 01 January 2019 apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Based on the above, as at 01 January 2019:

- Right-of-use assets of MUR 765.77 million were recognised and presented in the statement of financial position within "Property, plant and right-of-use assets".
- Additional lease liabilities of MUR 765.77 million (included in "Other liabilities") were recognised.
- The adoption of IFRS 16 had no impact on the Group's retained earnings and no material impact on its CET1 ratio.

2. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONT'D)

New and amended standards and interpretations (cont'd)

IFRS 16 - Leases (cont'd)

The lease liabilities as at 01 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	MUR' 000
Assets	
Operating lease commitments as at 31 December 2018	437,404
Weighted average incremental borrowing rate as at 01 January 2019	9%
Discounted operating lease commitments as at 01 January 2019	402,356
Less:	
Commitments relating to short-term leases	-
Commitments relating to leases of low-value asset	-
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	363,409
Lease liabilities as at 01 January 2019	765,765

IFRIC 23 Uncertainty over Income Tax Treatments

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

It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.
- The application of this IFRIC does not have any significant impact on the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

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

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

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

2. APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (CONT'D)

New and amended standards and interpretations (cont'd)

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 (cont'd)

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

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

Standards issued but not yet effective applicable to the Group

	Effective for accounting period beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards	01 January 20
Definition of Material (Amendments to IAS 1 and IAS 8)	01 January 20

Amendments to References to the Conceptual Framework in IFRS Standards

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

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

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

3.1 Judgement

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

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

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a long term ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs; Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

3.2 Estimates

The estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

(i) Assessment of useful lives - Note 10

(ii) Pension benefits - Note 13

(iii) Fair value of equity investments - Note 9

(iv) Fair value of other financial assets and liabilities - Note 40 (a)

(v) Incremental borrowing rate used to determine the value of rights of use assets - Note 10

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group and the Company are as follows:

(a) Basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid for to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. In estimating the fair value of an asset or liability the Group and the Company takes into account the characteristics of the asset or liability if market participants would take into account those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

(b) Statement of compliance

The financial statements have been prepared on the basis of preparation as explained in 4(a) above and in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and in compliance with the Companies Act 2001 and Banking Act.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of SBM Holdings Ltd and its subsidiaries as at 31 December 2019 and with comparatives of 2018 and 2017.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in statement of profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

(d) Foreign currency translation

Assets, liabilities, income and expense items denominated in other currencies are translated into Mauritian Rupees, the currency of the primary economic environment in which the entity operates ('functional currency') in accordance with IAS 21.

(i) Transactions denominated in foreign currency are converted at the rate prevailing at the date of the transactions.

(ii) Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into Mauritian Rupees at the rates of exchange prevailing at that date.

(iii) Non-monetary assets and liabilities denominated in foreign currency are reported using the exchange rates at the date of the transactions, if carried at cost, or the exchange rates that existed when the fair values were determined, if carried at fair value.

(iv) Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the statement of profit or loss for the period. When a gain or loss on a non-monetary item is recognised in equity, any exchange component of that gain or loss shall be recognised in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the statement of profit or loss and other comprehensive income, any exchange component of that gain or loss shall be recognised in the statement of other comprehensive income.

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

(vi) On consolidation, the assets and liabilities of foreign operations are translated into Mauritian Rupee at the rate of exchange prevailing at the reporting date and their *statements of profit or loss* are translated at the average rate for the period unless the average is not a reasonable approximation of the cumulative effects of the rates prevailing at the transaction dates; in which case income and expenses are translated at the rates prevailing on the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income (OCI). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

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

	31 December 2019	31 December 2018	31 December 2017
INR/MUR	**0.513**	0.491	0.523
100 MGA/MUR	**1.008**	0.988	1.036
KES/MUR	**0.362**	0.337	0.324
SCR/MUR	**2.688**	-	-

The average rates for the following years are:

	31 December 2019	31 December 2018	31 December 2017
INR/MUR	**0.505**	0.497	0.529
100 MGA/MUR	**0.983**	1.018	1.116
KES/MUR	**0.348**	0.339	0.328
SCR/MUR	**2.639**	-	-

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

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

(e) Other financial assets

Other financial assets, including placements and other receivables, that have fixed or determinable payments and that are not quoted in an active market are classified as loan and receivables. They are measured at amortised cost, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Interest accrued on placements is accounted for in the statement of profit or loss as interest income.

(f) Financial instruments

Financial instruments - initial recognition

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

Initial measurement of financial instruments

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

Day 1 profit or loss

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

Measurement categories of financial assets and liabilities

As from 01 January 2018, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

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

The Group classifies and measures its derivative and trading portfolio at FVTPL as explained in Notes 7 and 9. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 9.

Before 01 January 2019, the Group classified its financial assets as loans and receivables (amortised cost), FVTPL, available-for-sale or held-to-maturity (amortised cost), as explained in Note 9.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Note 9.

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

(f) Financial instruments (cont'd)

Business model assessment

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

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

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

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

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

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

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

The solely payments of principal and interest (SPPI) test

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

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

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

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

(g) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cashflows from the asset expire or the asset and the risks and rewards of ownership of the assets are transferred to another entity. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

(h) Sale and repurchase agreements

Gilt-edged securities sold subject to linked repurchase agreements ("repos") are retained in the statement of financial position and the counterparty liability is included in other borrowed funds. Gilt-edged securities purchased under agreements to resell ("reverse repos") are recorded as balances due from other banks. The differences between the sale and repurchase price is treated as interest and accrued over the life of the repo agreements using the effective interest method.

(i) Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments issued by the Company and/or the Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

(i) Financial instruments (cont'd)

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

(j) Financial liabilities and equity instruments

(i) Financial liabilities

Financial liabilities include deposits from banks and non-bank customers, other borrowed funds, subordinated liabilities and other liabilities. Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the Group's and/or the Company's obligations are discharged, cancelled or they expire.

Liabilities under financial guarantees are recorded initially at their fair value and subsequently measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate of the expenditure required to settle the obligations.

(ii) Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(k) Impairment of non-financial assets

The carrying amounts of assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's net selling price and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised as an expense immediately, unless the asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(l) Leasing

(i) The Group as lessor

Amounts due from lessees under finance leases are recorded as loans and advances in the statement of financial position at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

(m) Provisions

Provisions are recognised when the Group and/or the Company have a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Provisions are determine by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) Comparative figures

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

(o) Offsetting financial instruments

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

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

(p) Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

5. CASH AND CASH EQUIVALENTS

Accounting policy

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

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and balances with banks and central banks excluding mandatory balances with central banks, loans to and placements with banks having an original maturity of up to 3 months. Cash and cash equivalents are measured at amortised cost. Accounting policy for calculating allowance for impaired losses is outlined under note 8 (c).

	THE GROUP			THE COMPANY		
	31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash in hand	**2,884,293**	3,211,813	1,842,521	**-**	-	-
Foreign currency notes and coins	**33,579**	293,161	327,026	**-**	-	-
Unrestricted balances with central banks[1]	**4,480,589**	1,830,100	1,494,175	**-**	-	-
Loans to and placements with banks[2]	**2,215,105**	3,563,925	5,819,471	**-**	-	-
Balances with banks	**8,572,409**	6,797,814	6,848,345	**178,632**	32,890	73,223
	18,185,975	15,696,813	16,331,538	**178,632**	32,890	73,223
Less: allowance for impairment losses[3]	**(4,849)**	(43,298)	-	**-**	-	-
	18,181,126	15,653,515	16,331,538	**178,632**	32,890	73,223

[1] Unrestricted balances with central banks represent amounts above the minimum cash reserve requirement.

[2] The balances include loans to and placements with banks having an original maturity of up to three months.

[3] Allowance for impairment losses relates only to Stage 1.

6. LOANS TO AND PLACEMENTS WITH BANKS

Accounting policy

Prior to 01 January 2018

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

From 01 January 2018

From 01 January 2018, the Group only measures due from banks, loans and advances to non-bank customers and other financial investments at amortised cost if both of the following conditions are met:

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

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined in note 4 (f).

Accounting policy for calculating allowance for impaired losses is outlined under note 8 (c).

	THE GROUP		
	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Loans to and placements with banks			
- In Mauritius	**3,257,096**	5,588,012	1,104,288
- Outside Mauritius	**6,008,516**	5,539,316	7,793,111
	9,265,612	11,127,328	8,897,399
Less: allowance for impairment losses	**(25,481)**	(36,967)	-
	9,240,131	11,090,361	8,897,399
Remaining term to maturity			
Up to 3 months	**2,158,912**	3,140,692	1,438,472
Over 3 months and up to 6 months	**2,637,285**	3,341,796	405,513
Over 6 months and up to 12 months	**1,119,602**	1,839,650	1,910,982
Over 1 year and up to 2 years	**1,052,427**	1,926,723	3,150,402
Over 2 years and up to 5 years	**549,111**	878,467	1,992,030
Over 5 years	**1,748,275**	-	-
	9,265,612	11,127,328	8,897,399

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

Impairment allowance for due from banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system are explained in Note 40 and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 8.

	31 December 2019				31 December 2018	31 December 2017
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total Stage 1	Total Stage 1
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing						
High grade	2,003,522	-	-	2,003,522	797,769	685,427
Standard grade	5,242,219	-	-	5,242,219	8,618,008	6,190,800
Sub-standard grade	2,019,871	-	-	2,019,871	1,711,551	2,021,172
Past due but not impaired	-	-	-	-	-	-
Non-performing						
Individually impaired	-	-	-	-	-	-
Total	9,265,612	-	-	9,265,612	11,127,328	8,897,399

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

	31 December 2019				31 December 2018
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total Stage 1
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January	11,127,328	-	-	11,127,328	8,897,399
New assets originated or purchased	6,833,114	-	-	6,833,114	5,350,478
Assets derecognised or repaid	(8,850,201)	-	-	(8,850,201)	(3,119,041)
Foreign exchange adjustments	155,371	-	-	155,371	(1,508)
At 31 December	9,265,612	-	-	9,265,612	11,127,328

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total Stage 1
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January	36,967	-	-	36,967	16,091
New assets originated or purchased	5,801	-	-	5,801	54,984
Assets derecognised or repaid	(17,394)	-	-	(17,394)	(34,108)
Foreign exchange adjustments	107	-	-	107	-
At 31 December	25,481	-	-	25,481	36,967

7. DERIVATIVE FINANCIAL INTRUMENTS

Accounting policy

Derivative financial instruments

A derivative is a financial instrument or other contract with all three of the following characteristics:

• Its value changes in response to the change in a specified interest rate, financial instrument price,commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.

• It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.

• It is settled at a future date.

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

For the purpose of hedge accounting, hedges are classified as:

• Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment

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

Before 01 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

7. DERIVATIVE FINANCIAL INTRUMENTS (CONT'D)

Accounting policy (cont'd)

Fair value hedges

In accordance with its wider risk management, as set out in Note 40(d)(i), it is the Group's strategy to apply fair value hedge accounting to keep interest rate sensitivities within its established limits. Applying fair value hedge accounting enables the Group to reduce fair value fluctuations of fixed rate financial assets and liabilities as if they were floating rate instruments linked to the attributable benchmark rates. From a hedge accounting point of view, the Group designates the hedged risk as the exposure to changes in the fair value of a recognised financial asset or liability or an unrecognised firm commitment, or an identified portion of such financial assets, liabilities or firm commitments that is attributable to a particular risk and could affect profit or loss. The Group only hedges changes due to interest rates such as benchmark rates (e.g. LIBOR), which are typically the most significant component of the overall fair value change. The Group assesses hedge effectiveness by comparing fair value movements of the hedging instruments and the hedged items attributable to changes in these benchmark rates using the hypothetical derivative method as set out above.

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

Hedge ineffectiveness can arise from:

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

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the income statement in Net gain/(loss) from financial instruments. In addition, the cumulative change in the fair value of the hedged item attributable to the hedged risk is recognised in the income statement in Net gain/loss from financial instruments, and also recorded as part of the carrying value of the hedged item in the statement of financial position.

Micro fair value hedges

A fair value hedge relationship is a 'Micro fair value hedge' when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a fair value hedge relationship include fixed rate corporate and small business loans. These hedge relationships are assessed for prospective hedge effectiveness on a monthly basis.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Group decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Group discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

For fair value hedge relationships where the hedged item is not measured at amortised cost, such as debt instruments at FVOCI, changes in fair value that were recorded in the income statement whilst hedge accounting was in place are amortised in a similar way to amortised cost instruments using the EIR method. However, as these instruments are measured at their fair values in the statement of financial position, the fair value hedge adjustments are transferred from the income statement to OCI. There were no such instances in either the current year or in the comparative year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

7. DERIVATIVE FINANCIAL INTRUMENTS (CONT'D)

	THE GROUP		
	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Trading Assets			
Derivative assets	874,269	764,077	1,356,774
Trading Liabilities			
Derivative liabilities	881,176	799,441	1,334,641

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

The Group	Notional Principal Amount	Fair Values		
		Assets	Liabilities	Net
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2019				
Foreign exchange contracts*	45,599,054	631,324	(368,780)	262,544
Interest rate swap contracts	21,015,481	63,763	(325,980)	(262,217)
Cross currency swaps	1,159,579	42,897	(51,152)	(8,255)
Other derivative contracts	17,682,461	136,285	(135,264)	1,021
	85,456,575	874,269	(881,176)	(6,907)
31 December 2018				
Foreign exchange contracts*	32,522,758	258,171	(167,762)	90,409
Interest rate swap contracts	16,623,585	14,245	(148,876)	(134,631)
Cross currency swaps	1,159,362	378,697	(371,679)	7,018
Other derivative contracts	23,896,447	112,964	(111,124)	1,840
	74,202,152	764,077	(799,441)	(35,364)
31 December 2017				
Foreign exchange contracts*	35,771,192	268,858	(249,755)	19,103
Interest rate swap contracts	8,348,656	5,566	(5,426)	140
Cross currency swaps	-	1,220	(1,220)	-
Other derivative contracts	67,643,651	1,081,130	(1,078,240)	2,890
	111,763,499	1,356,774	(1,334,641)	22,133

* Foreign exchange contracts include forward and spot contracts and swaps.

Derivative financial instruments are classfied as non current assets.

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS

Accounting policy

From 01 January 2018

From 01 January 2018, the Group only measures due from banks, loans and advances to non-bank customers and other financial investments at amortised cost if both of the following conditions are met:

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

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined in note 4 (F).

		THE GROUP		
		31 December 2019	31 December 2018	31 December 2017
		MUR' 000	**MUR' 000**	**MUR' 000**
1.	Governments	**8,515**	9,315	2,458,655
2.	Retail customers	**39,586,963**	32,121,254	31,990,963
2.1	Credit cards	**584,532**	606,448	559,351
2.2	Mortgages	**25,507,821**	22,478,894	19,834,763
2.3	Other retail loans	**13,494,610**	9,035,912	11,596,849
3.	Corporate customers	**46,543,416**	44,638,968	38,364,068
4.	Entities outside Mauritius (including offshore/Global Business Licence Holders)	**35,594,084**	35,656,506	34,384,155
		121,732,978	112,426,043	107,197,841
	Less allowance for credit impairment (Note8 (c))	**(12,336,338)**	(10,317,869)	(4,069,003)
		109,396,640	102,108,174	103,128,838
a.	**Remaining term to maturity**			
	Up to 3 months	**12,705,070**	15,712,905	15,438,380
	Over 3 months and up to 6 months	**3,984,337**	3,662,406	5,618,540
	Over 6 months and up to 12 months	**7,759,014**	10,214,335	11,727,057
	Over 1 year and up to 2 years	**8,090,422**	9,471,038	6,571,306
	Over 2 years and up to 5 years	**23,850,257**	20,731,023	22,833,824
	Over 5 years	**65,343,878**	52,634,336	45,008,734
		121,732,978	112,426,043	107,197,841

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

b. Net investment in finance leases

Accounting policy

Amounts due from lessees under finance leases are recorded as loans and advances at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

The amount of net investment in finance leases included in loans and advances to non-bank customers and the associated allowance for impairment are as follows:-

	The Group			
	Up to 1 year	After 1 year and up to 5 years	After 5 years	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2019				
Gross investment in finance leases	435,140	1,081,017	97,472	1,613,629
Less: Unearned finance income	(78,465)	(124,708)	(4,386)	(207,559)
Present value of minimum lease payments	356,675	956,309	93,086	1,406,070
Credit loss expense				(45,769)
				1,360,301
31 December 2018				
Gross investment in finance leases	432,719	948,760	100,295	1,481,774
Less: Unearned finance income	(72,313)	(114,792)	(4,769)	(191,874)
Present value of minimum lease payments	360,406	833,968	95,526	1,289,900
Credit loss expense				(45,055)
				1,244,845
31 December 2017				
Gross investment in finance leases	419,939	822,981	78,637	1,321,557
Less: Unearned finance income	(63,613)	(91,106)	(4,083)	(158,802)
Present value of minimum lease payments	356,326	731,875	74,554	1,162,755
Credit loss expense				(38,373)
Net investment in finance lease				1,124,382

Finance lease contracts give the lessees the option to purchase the assets for a residual value at the termination of the lease arrangements. The term of lease contracts generally ranges from five to seven years. Finance leases are secured mainly by charges on the leased assets and/or corporate/personal guarantees.

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

c. Impairment losses on loans and advances to non-bank customers

Accounting policy

Prior to 01 January 2018

Specific allowances are made on impaired advances and are calculated as the shortfall between the carrying amounts of the advances and their recoverable amounts. The recoverable amount is the present value of expected future cash flows discounted at the original effective interest rate of the advance.

From 01 January 2018

The adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 01 January 2018, the Group has been recording allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in note 40. The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECLs

The Group calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

• PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in note 40.

• EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in note 40.

• LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in note 40.

When estimating the ECLs, the Group considers four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2')). Each of these is associated with different PDs, EADs and LGDs, as set out in note 40. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out below, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. Provisions for ECLs for undrawn loan commitments are assessed as set out in note 22. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained in note 22.

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

c. Impairment losses on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

The calculation of ECLs (cont'd)

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired , the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Group only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.

Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within provisions.

Financial guarantee contracts: The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

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

c. Impairment losses on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

Credit cards and other revolving facilities

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Group's expectations, the period over which the Group calculates ECLs for these products, is five years for corporate and seven years for retail products.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Forward looking information

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

• GDP growth;

• Unemployment rates;

• Central Bank base rates; and

• Consumer price indices.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Group's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the consolidated statements of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

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

c. Impairment losses on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

Collateral repossessed

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

Write-offs

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

Classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected.

From 01 January 2018, when the loan has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as Stage 3. In order for the loan to be reclassified out of the modified category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing
- The probation period of 9 months has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during the probation period
- The customer does not have any contract that is more than 30 days past due

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

c. Impairment losses on loans and advances to non-bank customers (cont'd)

Accounting policy (cont'd)

Statutory portfolio allowance

A portfolio allowance for credit losses is maintained in accordance with the guidelines of the Bank of Mauritius. These guidelines require that the Group maintains a provision for credit impairment on all unimpaired loans and advances of not less than 1%. In addition, the Bank of Mauritius also imposes additional macro-prudential provisioning up to 1% on exposures to certain sectors of the economy.

Allowance for credit impairment in respect of on-balance sheet items is deducted from the applicable asset whereas the allowance for credit impairment in respect of off- balance sheet items is included in Other liabilities in the consolidated statements of financial position. Changes in the carrying amount of the allowance accounts are recognised in the consolidated statement of profit or loss. When an advance is uncollectible, it is written off against the specific allowance. Recoveries of amounts previously written off are credited to "net impairment loss on financial assets".

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Significant accounting estimates and judgements

Prior to 01 January 2018

The calculation of specific allowance for credit impairment requires management to estimate the recoverable amount of each impaired asset, which is the estimated future cash flows discounted at the original effective interest rate of the advance. Where cash flows for large credits include the realisable value of collateral securing the credit, the value of such collateral is based on the opinion of independent and qualified appraisers.

From 01 January 2018

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

• The Group's internal credit grading model, which assigns PDs to the individual grades;

• The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;

• The segmentation of financial assets when their ECL is assessed on a collective basis;

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

Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs

• Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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

c. Impairment losses on loans and advances to non-bank customers (cont'd)

	The Group		
	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total
	MUR' 000	MUR' 000	MUR' 000
At 01 January 2017	3,105,952	1,044,728	4,150,680
Acquisition of business	605,704	-	605,704
Exchange differences	(37,033)	(2,400)	(39,433)
Loans written off	(1,749,383)	-	(1,749,383)
Allowance for credit impairment for the year (Note34)	815,902	285,533	1,101,435
At 31 December 2017	2,741,142	1,327,861	4,069,003

From 01 January 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system are set out in note 40 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in note 8:

	31 December 2019			
Internal rating grade	Stage 1 individual	Stage 2 individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	38,369,120	858,047	239,536	39,466,703
Standard grade	34,933,187	5,950,770	293,978	41,177,935
Sub-standard grade	8,934,272	9,076,157	-	18,010,429
Past due but not impaired	-	7,064,523	-	7,064,523
Non-performing				
Individually impaired	-	167,848	15,845,540	16,013,388
Total	82,236,579	23,117,345	16,379,054	121,732,978

At 31 December 2018 & 2017:

	THE GROUP				
	31 December 2018				31 December 2017
Internal rating grade	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing					
High grade	28,414,581	6,131,756	-	34,546,337	24,584,870
Standard grade	19,787,126	10,723,893	-	30,511,019	27,058,198
Sub-standard grade	13,065,150	13,377,335	247,519	26,690,004	34,979,636
Past due but not impaired	-	2,693,127	184,005	2,877,132	15,788,608
Non-performing					
Individually impaired	-	-	17,801,551	17,801,551	4,786,529
Total	61,266,857	32,926,111	18,233,075	112,426,043	107,197,841

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

c. Impairment losses on loans and advances to non-bank customers (cont'd)

Accounting policy

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception. To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

Significant accounting estimates and judgements

In relation to credit impaired facilities, the Group determines expected credit losses by estimating the shortfall between the present value of expected cash flows and the present value of contractual cash flows. The estimation of expected cash flows is inherently judgemental and involves an estimation of proceeds from liquidation of the borrowers, proceeds from realisation of collaterals and the timing and extent of repayments on forborne facilities.

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

	31 December 2019			
	Stage 1 individual	Stage 2 individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 01 January 2019	61,266,857	32,926,111	18,233,075	112,426,043
New assets originated or purchased	31,249,039	7,513,169	473,898	39,236,106
Assets derecognised or repaid (excluding write offs)	(16,923,064)	(11,415,773)	(3,118,382)	(31,457,219)
Assets impaired during the year	-	-	757,439	757,439
Transfers to Stage 1	11,357,786	(11,031,690)	(326,096)	-
Transfers to Stage 2	(5,950,563)	6,026,778	(76,215)	-
Transfers to Stage 3	(312,532)	(1,083,518)	1,396,050	-
Changes to contractual cash flows due to modifications not resulting in derecognition	498,461	(342,182)	(36,968)	119,311
Amounts written off	-	-	(1,438,755)	(1,438,755)
Foreign exchange adjustments	1,050,595	524,450	515,008	2,090,053
At 31 December 2019	82,236,579	23,117,345	16,379,054	121,732,978

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

c. Impairment losses on loans and advances to non-bank customers (cont'd)

At 31 December 2018:

	31 December 2018			
	Stage 1 individual	Stage 2 individual	Stage 3	Total
Gross carrying amount	MUR' 000	MUR' 000	MUR' 000	MUR' 000
As at 01 January	75,445,032	26,480,391	5,272,417	107,197,840
New assets originated or purchased	10,905,285	25,170,193	5,522,575	41,598,053
Assets derecognised or repaid (excluding write offs)	(16,425,767)	(15,837,821)	(1,442,658)	(33,706,246)
Transfers to Stage 1	12,724,891	(10,999,679)	(1,725,212)	-
Transfers to Stage 2	(8,476,034)	8,726,829	(250,795)	-
Transfers to Stage 3	(11,626,953)	(157,262)	11,784,215	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	(1,279,597)	(456,540)	(927,467)	(2,663,604)
As at 31 December	61,266,857	32,926,111	18,233,075	112,426,043

An analysis of changes in ECL allowances by staging as follows:

	31 December 2019			
	Stage 1 individual	Stage 2 individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January 2019	605,878	1,175,955	8,536,035	10,317,868
New assets originated or purchased	512,205	1,488,206	3,685,092	5,685,503
Assets derecognised or repaid (excluding write offs)	(400,042)	(279,836)	(643,564)	(1,323,442)
Transfers to Stage 1	425,462	(280,018)	(145,444)	-
Transfers to Stage 2	(73,746)	132,305	(58,559)	-
Transfers to Stage 3	(10,509)	(163,935)	174,444	-
Changes to contractual cash flows due to modifications not resulting in derecognition	27,370	(22,152)	231	5,449
Changes to models and inputs used for ECL calculations	(5,736)	(6,115)	(13,093)	(24,944)
Impact of ECL on transfers	(363,926)	(114,964)	116,623	(362,267)
Recoveries	-	-	(840,365)	(840,365)
Amounts written off	-	-	(1,423,620)	(1,423,620)
Foreign exchange adjustments	8,963	14,664	278,529	302,156
At 31 December 2019	725,919	1,944,110	9,666,309	12,336,338

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

c. Impairment losses on loans and advances to non-bank customers (cont'd)

	31 December 2018			
	Stage 1 individual	Stage 2 individual	Stage 3	Total
ECL allowance	MUR' 000	MUR' 000	MUR' 000	MUR' 000
As at 01 January	25,083	1,302,777	2,741,142	4,069,002
New assets originated or purchased	53,432	236,793	6,387,154	6,677,379
Assets derecognised or repaid (excluding write offs)	18,017	31,801	(724,703)	(674,885)
Transfers to Stage 1	6,558	(3,007)	(3,551)	-
Transfers to Stage 2	(1,000)	6,603	(5,603)	-
Transfers to Stage 3	(67,398)	(4,135)	71,533	-
Changes to contractual cash flows due to modifications not resulting in derecognition	19,574	63,386	88,656	171,616
Changes to models and inputs used for ECL calculations	93,346	-	(18,589)	74,757
At 31 December	147,612	1,634,218	8,536,039	10,317,869

d. Impairment losses on loans and advances to non-bank customers by industry sectors

	31 December 2019					31 December 2018	31 December 2017
Group	Gross amount of loans	Impaired loans	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment
							Restated
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Agriculture and fishing	4,166,340	73,571	56,223	117,110	173,333	213,832	49,165
Manufacturing	8,088,393	1,211,337	905,635	154,316	1,059,951	1,545,056	1,207,803
of which EPZ	*1,811,884*	*28,053*	*4,141*	*31,192*	*35,333*	*17,118*	*43,543*
Tourism	12,064,542	226,433	130,143	144,781	274,924	292,249	215,422
Transport	3,755,615	1,345,010	1,009,414	150,088	1,159,502	1,139,307	63,274
Construction	9,939,747	444,383	325,468	115,677	441,145	617,914	266,512
Financial and business services	9,854,807	749,797	534,231	96,410	630,641	406,414	160,343
Traders	15,350,812	9,249,445	4,576,544	160,349	4,736,893	3,482,486	588,747
Personal	39,864,948	1,543,864	1,107,704	533,968	1,641,672	1,768,163	1,211,856
of which credit cards	*584,575*	*81,055*	*41,997*	*6,258*	*48,255*	*93,484*	*94,278*
Professional	179,854	73,872	73,873	2,532	76,405	104,055	106,792
Global business licence holders	10,108,784	286,541	144,822	501,775	646,597	105,568	15,918
Others	8,359,136	1,174,801	802,252	693,023	1,495,275	642,825	183,171
	121,732,978	16,379,054	9,666,309	2,670,029	12,336,338	10,317,869	4,069,003

Total impaired loans for 2018 for the Group were MUR 18,233 million (2017: MUR 4,786 million).

9. INVESTMENTS SECURITIES

Accounting policy

Financial assets are recognised when an entity becomes a party to the contractual provisions of the instruments.

Prior to 01 January 2018

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

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

(i) Financial assets at FVTPL

Financial assets are classified in the FVTPL category when they are either held for trading or are designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the statement of profit or loss. Interest earned on the financial assets is included in Interest income line.

The fair values of the investment securities at FVTPL are determined based on quoted market prices in active markets.

(ii) Loans and receivables

Refer to note 8 for accounting policy on loans and receivables.

(iii) Held to maturity (HTM) investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate.

If the Group sells or reclassifies more than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), the entire category will be tainted and will be reclassified as available-for-sale investments. Furthermore, the Group will not classify any financial asset as held-to-maturity during the following two years.

(iv) Available for sale (AFS) investments

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The fair values of the AFS investment securities are subsequently remeasured based on quoted market prices in active markets or estimated using the dividend growth model, discounted cash flows or net assets value. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates are recognised in the Statement of profit or loss. Other changes in the carrying amount of AFS investment securities are recognised in Other comprehensive income and accumulated under the heading of Net unrealised investment fair value reserve.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the Net unrealised investment fair value reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's and/or the Company's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

From 01 January 2018

The investment securities included in the statement of financial position include:

- Debt investments measured at amortised cost: these instruments are initially measured at their fair value plus incremental transaction cost, and subsequently at their amortised cost using the effective interest method;

- Debt instruments mandatorily measured at FVTPL or designated at FVTPL; these are fair value with changes recognised immediately statements of profit or loss;

- Debt securities measured at FVTOCI; and

- Equity investments designated as FVTOCI.

9. INVESTMENTS SECURITIES (CONT'D)

Accounting policy (cont'd)

From 01 January 2018 (cont'd)

For debt securities measured at FVTOCI, gains and losses are recognised in OCI except for the following which are recognised in statement of profit or loss in the same manner as for financial assets measured at amortised cost:
- Interest revenue using the effective interest method;
- ECL and reversals; and
- Foreign exchange gains and lossses.

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

Investment in subsidiaries

Financial statements of the Company

Investment in subsidiary companies are carried at cost which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquirer. Acquisition-related costs are generally recognised in profit or loss as incurred. The carrying amount is reduced to recognise any impairment in the value of individual investments. The impairment loss is taken to statements of profit or loss.

Consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Business combinations are accounted for using the purchase method of accounting.

Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in the OCI of the investee company is presented as part of the movements in Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in its statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss.

Significant accounting estimates and judgements

The fair value of equity investments that are quoted on active markets are based on the quoted prices for these instruments. Valuation techniques used to estimate the fair value of unquoted equity investments include the dividend growth model, discounted cash flows and net assets. Management has made certain assumptions for inputs in the models, such as risk free rate, risk premium, dividend growth rate, future cash flows, weighted average cost of capital, and earnings before interest depreciation and tax, which may be different from actual. Inputs are based on information available at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. INVESTMENTS SECURITIES (CONT'D)

(i) Investment securities

Remaining term to maturity

The Group	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	31 December 2018	31 December 2017
	31 December 2019										
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Investment securities measured at amortised cost											
Government bonds and treasury notes	1,219,545	88,316	202,421	387,912	2,837,684	7,703,694	12,254,898	-	24,694,470	20,135,511	8,664,906
Treasury bills	205,839	-	161,894	-	231,281	-	102,286	-	701,300	9,804,650	4,633,957
Bank of Mauritius bills	1,248,969	53,085	-	100,000	50,257	151,779	-	-	1,604,090	1,232,730	3,544,186
Bank bonds	-	-	-	-	361,602	399,239	-	-	760,841	-	-
Corporate bonds	-	-	-	-	-	-	-	-	-	695,990	2,565,077
	2,674,353	141,401	364,315	487,912	3,480,824	8,254,712	12,357,184	-	27,760,701	31,868,881	19,408,126
(b) Investment securities mandatorily measured at FVTPL											
Government bonds and treasury notes	-	-	-	-	212,779	2,014,088	232,849	-	2,459,716	765,118	1,744,466
Treasury bills	1,800,754	1,017,626	874,265	327,225	-	-	-	-	4,019,870	5,142,257	1,005,925
Bank of Mauritius bills/ notes	2,482,402	866,386	123,368	780,168	-	-	-	-	4,252,324	3,107,186	1,947,439
Bank bonds	-	-	-	-	-	493,666	-	-	493,666	-	1,650,227
Corporate bonds	-	-	-	-	-	-	-	-	-	697,223	1,164,405
Redeemable participating shares	-	-	-	-	-	-	-	-	-	351,187	-
Other investment securities	-	-	-	-	-	-	220,233	-	220,233	-	-
Bank bonds secured by government	-	-	-	-	-	-	-	549,308	549,308	-	-
	4,283,156	1,884,012	997,633	1,107,393	212,779	2,507,754	453,082	549,308	11,995,117	10,062,971	7,512,462

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. INVESTMENTS SECURITIES (CONT'D)

(i) Investment securities (cont'd)

Remaining term to maturity (cont'd)

The Group (cont'd)	31 December 2019									31 December 2018	31 December 2017
	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total		
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(c) Investment securities measured at FVTOCI (both equity and debt instruments)											
Government bonds	7,083	955	303,925	503,108	680,191	10,742,520	7,296,622	-	19,534,404	7,534,159	4,424,901
Treasury bills/ notes	7,501,499	1,827,606	2,544,975	870,067	-	-	-	-	12,744,147	10,575,017	1,590,498
Bank of Mauritius bills	3,431,679	891,955	3,791	832,769	76,055	435,332	-	-	5,671,581	2,141,448	1,025,410
Other investment	-	-	-	-	-	-	-	-	-	174,752	-
Bank bonds	1,511,872	62,265	484,089	-	1,121,357	7,206,266	572,576	-	10,958,425	5,775,598	533,427
Corporate paper and preference shares	375,346	-	-	-	-	-	-	-	375,346	109,589	451,161
Corporate bonds	83,231	55,425	-	26,221	809,925	2,611,632	1,515,168	-	5,101,602	2,916,229	4,228,511
Equity shares	-	-	-	-	-	-	-	301,777	301,777	498,197	825,925
	12,910,710	2,838,206	3,336,780	2,232,165	2,687,528	20,995,750	9,384,366	301,777	54,687,282	29,724,989	13,079,833
Total investment securities	19,868,219	4,863,619	4,698,728	3,827,470	6,381,131	31,758,216	22,194,632	851,085	94,443,100	71,656,841	40,000,421
Less: allowance for credit losses									(166,435)	(62,554)	-
Total investment securities									94,276,665	71,594,287	40,000,421

9. INVESTMENTS SECURITIES (CONT'D)

(i) Investment securities (cont'd)

Remaining term to maturity (cont'd)

The Company	31 December 2019 Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
(a) Investment securities measured at amortised cost											
Government bonds and treasury notes	-	15,003	-	-	205,298	172,808	431,649	-	824,758	1,997,193	985,872
Bank of Mauritius bills/ notes	239,844	-	-	-	-	-	-	-	239,844	610,387	-
Bank bonds	-	-	-	-	-	7,738	-	-	7,738	-	-
	239,844	15,003	-	-	205,298	180,546	431,649	-	1,072,340	2,607,580	985,872
(b) Investment securities mandatorily measured at FVTPL											
Redeemable participating shares	-	-	-	-	-	-	-	598,699	598,699	351,187	-
(c) Investment securities measured at FVTOCI (both equity and debt instruments)											
Equity shares	-	-	-	-	-	-	-	-	-	148,197	475,929
	-	-	-	-	-	-	-	-	-	148,197	475,929
Total gross investment securities	239,844	15,003	-	-	205,298	180,546	431,649	598,699	1,671,039	3,106,964	1,461,801
Less: allowance for credit losses									(561)	(1,638)	-
Total investment securities									1,670,478	3,105,326	1,461,801

9. INVESTMENT SECURITIES (CONT'D)

(i) Investment securities (cont'd)

The table below shows gross balances under IFRS 9:

Debt investment securities at amortised cost	Year ended 2019				31 December 18	31 December 2017
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total	Total Stage 1	Total Stage 1
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
High grade	7,377,774	-	-	7,377,774	15,780,405	1,494,314
Standard grade	19,681,628	-	-	19,681,628	15,766,803	3,724,530
Sub Standard grade	701,299	-	-	701,299	321,673	14,189,282
Total gross carrying amount	27,760,701	-	-	27,760,701	31,868,881	19,408,126
Credit loss allowance at amortised cost	(166,338)	-	-	(166,338)	(62,554)	-
Carrying amount	27,594,363	-	-	27,594,363	31,806,327	19,408,126

	Stage 1 individual	Stage 2 individual	Stage 3	Total	Total Stage 1	Total Stage 1
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 01 January 2019	60,916	-	-	60,916	23,149	-
New assets originated or purchased	31,724	-	-	31,724	8,674	-
Assets derecognised or repaid (excluding write offs)	(2,243)	-	-	(2,243)	(11,939)	-
Impact on year end ECL of exposures	5,102			5,102		
Changes to contractual cash flows due to modifications not resulting in derecognition	63,114	-	-	63,114	42,670	-
Foreign exchange adjustments	7,725	-	-	7,725	-	-
At 31 December 2019	166,338	-	-	166,338	62,554	-

Debt investment securities at FVTOCI	Year ended 2019				Year ended 2018	Year ended 2017
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total	Total Stage 1	Total Stage 1
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
High grade	30,942,979	-	-	30,942,979	13,463,797	-
Standard grade	22,685,597	-	-	22,685,597	14,650,729	-
Sub Standard grade	1,058,706	-	-	1,058,706	1,610,463	-
Doubtful	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
Total gross carrying amount	54,687,282	-	-	54,687,282	29,724,989	-
Credit loss expense at FVTOCI	(96)	-	-	(96)	-	-
Carrying amount	54,687,186	-	-	54,687,186	29,724,989	-

No loss allowance is recognised in the statement of financial position for debt instruments measured at FVTPL as the carrying amount is at fair value.

The above investment grades is to conclude that there has been no significant increase in credit risk and hence only a 12 months ECL is recognised.

9. INVESTMENTS SECURITIES (CONT'D)

(ii) Equity investments

	31 December 2019										
The Group	**Up to 3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**No specific maturity**	**Total**	31 December 2018	31 December 2017
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Investment Securities measured at FVTOCI											
Equity shares of companies - other equity investments	-	-	-	-	-	-	-	6,014,270	6,014,270	5,752,870	6,137,779
	-	-	-	-	-	-	-	6,014,270	6,014,270	5,752,870	6,137,779
The Company											
Investment Securities measured at FVTOCI											
Equity shares of companies - other equity investments	-	-	-	-	-	-	-	4,227,683	4,227,683	4,227,683	4,292,925
	-	-	-	-	-	-	-	4,227,683	4,227,683	4,227,683	4,292,925
(iii) Investment in subsidiaries											
The Company											
- SBM (Bank) Holdings Ltd*	-	-	-	-	-	-	-	27,667,175	27,667,175	26,252,434	22,432,460
- SBM (NBFC) Holdings Ltd	-	-	-	-	-	-	-	1,470,895	1,470,895	1,470,895	1,470,895
- SBM (NFC) Holdings Ltd	-	-	-	-	-	-	-	761,823	761,823	761,798	761,798
- SBM 3s	-	-	-	-	-	-	-	25	25	25	25
	-	-	-	-	-	-	-	29,899,918	29,899,918	28,485,152	24,665,178
Total investments	239,844	15,003	-	-	205,298	180,546	431,649	34,726,300	35,798,079	35,818,161	30,419,904

* The indirect investments held by the Company through SBM (Bank) Holdings Ltd (SPV - Bank Investment Holdings Segment) are as follows:

	31 December 2019	31 December 2018	31 December 2017
Operating companies	**MUR' 000**	**MUR' 000**	**MUR' 000**
SBM Mauritius Ltd * - SBM Bank (Mauritius) Ltd	-	26,115,234	22,295,260
SBM Madagascar Ltd * - Banque SBM Madagascar SA	-	136,090	136,090
SBM Africa Holdings Ltd - SBM Bank (Kenya) Limited	25	25	25
	25	26,251,349	22,431,375
Special Purpose Vehicles			
SBM India Ltd *	-	500	500
SBM Myanmar Ltd *	-	610	610
	-	1,110	1,110

* The subsidiaries has been wound up at 31 December 2019.

9. INVESTMENTS SECURITIES (CONT'D)

(iii) Investment in subsidiaries (cont'd)

Details of subsidiaries and associate are as follows:

(a) SUBSIDIARIES

	Country of incorporation and operation	Business activity	Issued share capital	Effective % holding 31 December 2019	31 December 2018	31 December 2017
1.0 Banking Segmental Subsidiaries						
1.1 Special Purpose Vehicle for Bank Investments Holding Company						
1.1.1 SBM (Bank) Holdings Ltd	Mauritius	Bank investment holding company	MUR 75,000	**100**	100	100
1.1.2 SBM Overseas One Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.3 SBM Overseas Two Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.4 SBM Overseas Three Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.5 SBM Overseas Four Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.6 SBM Overseas Five Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.1.7 SBM Overseas Six Ltd	Mauritius	Offshore banking	MUR 25,000	**100**	100	100
1.2 Special Purpose Vehicles for Single Bank Investment Holding Subsidiaries						
1.2.1 SBM Madagascar Ltd	Mauritius	Investment in Banque SBM Madagascar SA	MUR 60,960	**-**	-	100
1.2.2 SBM Africa Holdings Ltd	Mauritius	Investment in SBM Bank (Kenya) Limited	MUR 25,000	**100**	100	100
1.3 Bank Operating Subsidiaries						
1.3.1 SBM Bank (Mauritius) Ltd	Mauritius	Commercial banking	MUR 310 million	**100**	100	100
1.3.2 Banque SBM Madagascar SA	Madagascar	Commercial banking	MGA 7.4 billion	**100**	100	100
1.3.3 SBM Bank (Kenya) Limited	Kenya	Commercial banking	USD 1	**100**	100	100
1.3.4 SBM Bank (India) Limited	India	Commercial banking	INR 6.6 billion	**100**	100	100
1.3.5 SBM Bank (Seychelles) Limited	Seychelles	Commercial banking	SCR 100 million	**100**	100	-
2.0 Non-Bank Financial Segment Subsidiaries						
2.1 Special Purpose Vehicle for Non-Bank Investments Holding Company						
2.1.1 SBM (NBFC) Holdings Ltd	Mauritius	Non-banking financial investments holding company	MUR 25,000	**100**	100	100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. INVESTMENTS SECURITIES (CONT'D)

(iii) Investment in subsidiaries (cont'd)

(a) SUBSIDIARIES (CONT'D)

	Country of incorporation and operation	Business activity	Issued share capital	Effective % holding 31 December 2019	31 December 2018	31 December 2017
2.2 Non-Bank Operating Subsidiaries						
2.2.1 SBM Fund Services Ltd	Mauritius	Fiduciary services/back office processing	MUR 0.5 million	**100**	100	100
2.2.2 SBM Mauritius Asset Managers Ltd	Mauritius	Asset management	MUR 2.2 million	**100**	100	100
2.2.3 SBM Securities Ltd	Mauritius	Stockbroking	MUR 1 million	**100**	100	100
2.2.4 SBM Capital Management Limited	Mauritius	Investments	USD 125,000	**100**	100	100
2.2.5 SBM E-Business Ltd	Mauritius	Card acquiring & processing	MUR 625,000	**100**	100	100
2.2.6 SBM Custody Services Ltd	Mauritius	Custody services	MUR 25,000	**100**	-	100
2.2.7 SBM Factors Ltd	Mauritius	Factoring	MUR 20 million	**100**	100	100
2.2.8 SBM Insurance Agency Limited	Mauritius	Insurance	MUR 1 million	**100**	100	-
2.2.9 SBM Capital Markets Limited	Mauritius	Investments	MUR 50 million	**100**	100	-
3.0 Non-Financial Segment						
3.1 SBM (NFC) Holdings Ltd	Mauritius	Non-financial holding company	MUR 50,000	**100**	100	100
4.0 Indirect Subsidiary						
4.1 SBM 3S Ltd	Mauritius	Shared support services	MUR 25,000	**100**	100	100
4.2 SBM Africa Equity Fund	Mauritius	Closed ended fund	USD 100	**100**	100	100
4.3 SBM Maharajah Bond Fund	Mauritius	Closed ended fund	USD 10	**100**	100	100

SBM Holdings Ltd is the ultimate holding company of all the subsidiaries.

The investment in subsidiaries is classified as non current assets.

9. INVESTMENTS SECURITIES (CONT'D)

(iv) Investment in Associate

(a) ASSOCIATE

	Country of incorporation and operation	Business activity	% Holding
State Insurance Company of Mauritius Ltd	Mauritius	Long term insurance business and pensions	20

	THE GROUP			THE COMPANY		
	31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January	**1,308,157**	1,336,902	1,275,880	**1,272,977**	1,272,977	1,272,977
Share of profit	**139,237**	100,240	92,005	**-**	-	-
Share of associate-remeasurement of defined benefit pension plan	**(31,105)**	-	-	**-**	-	-
Share of other comprehensive income	**76,112**	(96,235)	290	**-**	-	-
Exchange differences resulting from share of associate	**25,496**	-	-	**-**	-	-
Dividend income from associate (Note 28)	**(38,849)**	(32,750)	(31,273)	**-**	-	-
Carrying amount at 31 December	**1,479,048**	1,308,157	1,336,902	**1,272,977**	1,272,977	1,272,977

	THE GROUP		
	31 December 2019	31 December 2018	31 December 2017
Summarised financial information in respect of the Group's associate is set out below:	MUR' 000	MUR' 000	MUR' 000
Total assets	**21,880,172**	18,575,605	16,331,403
Total liabilities	**15,684,648**	13,055,152	13,951,389
Total revenue	**1,238,366**	1,033,239	963,960
Total profit for the period	**696,184**	501,200	460,027
Share of profit	**139,237**	100,240	92,005
Share of other comprehensive income	**70,503**	(96,235)	290
Share of net assets	**1,239,105**	1,104,091	1,102,159
Carrying amount at 31 December 2019	**1,479,048**	1,308,157	1,336,902

Total capital commitment of the investee company stood at MUR 24.8 million as at 30 June 2019 (2018:14.3 million);(2017:35.9 million). As at 30 June 2019, the investee did not report any contingent liability. (2018: nil)**

** The financial year end of the Investment in Associate, ends as at 30 June. The information for capital commitment and contingent liability is available only at year end.

The investment in associate is classified as non current assets.

10. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS

Accounting policy

Property and equipment are stated at cost (except for freehold land and buildings) less accumulated depreciation and any cumulative impairment loss. Land is stated at revalued amounts and buildings are stated at revalued amounts less accumulated depreciation and any impairment loss.

It is the Group's policy to revalue its freehold land and buildings at least every five years by independent valuers. Any revaluation surplus is credited to the net property revaluation reserve. Any revaluation decrease is first charged directly against the net property revaluation reserve held in respect of the respective asset, and then to the Statement of profit or loss.

Work in progress is carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other tangible fixed assets, commences when the assets are ready for their intended use.

Depreciation is calculated to write off the cost or revalued amounts of tangible fixed assets over their estimated useful lives on a straight-line basis. Depreciation is calculated from the month the asset is capitalised. No depreciation is provided on freehold land.

The estimated useful lives of property and equipment are as follows:

Buildings	50 years
Plant, machinery, furniture, fittings and computer equipment	3 to 10 years
Motor vehicles	5 years

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset. These are included within Other operating income in the Statement of profit or loss.

Each year, the difference, net of the impact of deferred tax, between the depreciation based on the revalued carrying amount of the asset (the depreciation charged to the Statement of profit or loss) and the depreciation based on the asset's original cost is transferred from the net property revaluation reserve to retained earnings.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term and are subject to impairment in line with the Group's policy as described below. Right-of-use assets are presented together with property and equipment in the statement of financial position and presented under this note.

The weighted-average incremental borrowing rate for lease liabilities initially recognized as of January 1, 2019, for the Group was 3.5% to 11.25% p.a.

Lease liabilities

Refer to note 18 Other liabilities for accounting policy on lease liabilities.

Impairment of non-financial assets

The carrying amounts of assets are assessed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's net selling price and its value in use, to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised as an expense immediately, unless the asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Significant accounting estimates and judgements

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects the rate the Group 'would be subject to', which requires either estimation when no observable rates are available or adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs which has been derived from local Government Treasury Bond yield rates for different maturities and the issued SBM Bond yield rates in order to account for entity-specific adjustments namely the risk premium.

Assessment of useful lives for right of use assets

Determining the carrying amount of the right of use assets require an estimation of the useful lives of these assets which carry a degree of uncertainty. Management has used historical information relating to the Group and the industry in which it operates in order to best determine the useful lives of the right of use assets.

10. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (CONT'D)

					Right-of-use assets			
The Group	**Freehold land and buildings**	**Buildings on leasehold land**	**Other tangible fixed assets**	**Motor vehicles**	**Land and buildings**	**Other tangible fixed assets**	**Total right-of-use assets**	**Total**
Cost or valuation	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
At 01 January 2017	985,088	1,572,882	1,757,277	21,321	-	-	-	4,336,568
Additions	-	41,052	53,479	11,290	-	-	-	105,821
Disposals	-	-	(55,774)	(3,601)	-	-	-	(59,375)
Write off	(37,874)	-	-	-	-	-	-	(37,874)
Acquisition of new business	95,189	53,334	131,998	-	-	-	-	280,521
Translation adjustment	(8,777)	(2,062)	(7,189)	(465)	-	-	-	(18,493)
At 31 December 2017	1,033,626	1,665,206	1,879,791	28,545	-	-	-	4,607,168
Additions	56,948	870	167,230	9,973	-	-	-	235,021
Disposals	-	-	(59,861)	-	-	-	-	(59,861)
Write off	(108,078)	-	(557)	(1,297)	-	-	-	(109,932)
Revaluation adjustment	(17,689)	-	-	-	-	-	-	(17,689)
Acquisition of new business	-	-	894,842	35,590	-	-	-	930,432
Translation adjustment	(6,388)	4,263	(8,107)	(390)	-	-	-	(10,622)
Transfers	94,532	(96,586)	2,054	-	-	-	-	-
At 31 December 2018	**1,052,951**	**1,573,753**	**2,875,392**	**72,421**	**-**	**-**	**-**	**5,574,517**
Effect of adoption of IFRS 16 as at 01 January 2019	**-**	**-**	**-**	**-**	**559,599**	**206,167**	**765,766**	**765,766**
Additions	**-**	**507**	**192,567**	**3,222**	**132,079**	**81,485**	**213,564**	**409,860**
Disposals	**-**	**-**	**-**	**(13,821)**	**-**	**-**	**-**	**(13,821)**
Write off	**(9,962)**	**-**	**(331)**		**-**	**-**	**-**	**(10,292)**
Revaluation adjustment	**78,837**	**(153,210)**	**-**	**-**	**-**	**-**	**-**	**(74,373)**
Discontinuation	**-**	**-**	**-**	**-**	**(8,434)**	**-**	**(8,434)**	**(8,434)**
Translation adjustment	**13,795**	**-**	**37,503**	**2,100**	**-**	**-**	**-**	**53,398**
At 31 December 2019	**1,135,621**	**1,421,050**	**3,105,131**	**63,922**	**683,244**	**287,652**	**970,896**	**6,696,620**

10. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (CONT'D)

					Right-of-use assets			
	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Land and buildings	Other tangible fixed assets	Total right-of-use assets	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accumulated depreciation								
At 01 January 2017	54,868	121,256	1,393,186	9,462	-	-	-	1,578,772
Charge for the year	14,828	51,996	95,481	4,491	-	-	-	166,796
Acquisition of new business	1,909	-	91,894	7,145	-	-	-	100,948
Disposals	-	-	(49,826)	(3,282)	-	-	-	(53,108)
Revaluation movement		-	-	-	-	-	-	-
Translation adjustment	(444)	-	(5,811)	(391)	-	-	-	(6,646)
At 31 December 2017	71,161	173,252	1,524,924	17,425	-	-	-	1,786,762
Charge for the year	14,736	51,998	131,340	7,171	-	-	-	205,245
Transfer	2,565	(2,565)	-	-	-	-	-	-
Acquisition of new business	-	-	559,491	14,737	-	-	-	574,228
Disposals	-	-	(30,841)	-	-	-	-	(30,841)
Translation adjustment	(1,965)	398	(2,442)	(228)	-	-	-	(4,237)
At 31 December 2018	**86,497**	**223,083**	**2,182,472**	**39,105**	**-**	**-**	**-**	**2,531,157**
Charge for the year	**17,846**	**52,443**	**188,807**	**10,682**	**158,762**	**48,299**	**207,061**	**476,839**
Write off	**-**	**-**	**(170)**	**-**	**-**	**-**	**-**	**(170)**
Disposals	**-**	**-**	**-**	**(11,506)**	**-**	**-**	**-**	**(11,506)**
Revaluation movement	**(56,589)**	**(272,931)**	**-**	**-**	**-**	**-**	**-**	**(329,520)**
Translation adjustment	**178**	**-**	**15,512**	**885**	**3,956**	**(26)**	**3,930**	**20,506**
At 31 December 2019	**47,932**	**2,595**	**2,386,621**	**39,166**	**162,718**	**48,273**	**210,991**	**2,687,305**
Net book value								
At 31 December 2019	**1,087,689**	**1,418,455**	**718,510**	**24,756**	**520,526**	**239,379**	**759,905**	**4,009,315**
Progress payments on tangible fixed assets								**78,898**
								4,088,213
At 31 December 2018	966,454	1,350,670	692,920	33,316	-	-	-	3,043,360
Progress payments on tangible fixed assets								33,650
Acquisition of new business								76,904
								3,153,914
At 31 December 2017	962,465	1,491,954	354,867	11,120	-	-	-	2,820,406
Progress payments on tangible fixed assets								33,812
								2,854,218

Other tangible fixed assets, included within property and equipment, consist of plant, machinery, furniture, fittings and computer equipment.

The Property, Equipment and Right Of Use Assets is classified as non current assets.

10. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (CONT'D)

The Company

	Other tangible fixed assets	Motor vehicles	Total
Cost or valuation	MUR' 000	MUR' 000	MUR' 000
At 01 January 2017	-	6,013	6,013
	-	-	-
At 31 December 2017	-	6,013	6,013
Additions	80	4,540	4,620
At 31 December 2018	80	10,553	10,633
Additions	**227**	**-**	**227**
At 31 December 2019	**307**	**10,553**	**10,860**
Accumulated depreciation			
At 01 January 2017	-	1,704	1,704
Charge for the year	-	1,203	1,203
At 31 December 2017	-	2,907	2,907
Charge for the year	9	1,937	1,946
At 31 December 2018	9	4,844	4,853
Charge for the year	**32**	**2,110**	**2,142**
At 31 December 2019	**41**	**6,954**	**6,995**
Net book value			
At 31 December 2019	**266**	**3,599**	**3,865**
At 31 December 2018	71	5,709	5,780
At 31 December 2017	-	3,106	3,106

10. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (CONT'D)

Details of the Group's land and buildings and information about the fair value hierarchy are as follows:

	THE GROUP		
	31 December 2019	31 December 2018	31 December 2017
Level 2 fair value	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	1,135,621	1,052,951	1,033,626
Buildings on leasehold land	1,421,050	1,573,753	1,665,206
	2,556,671	2,626,704	2,698,832

The carrying amounts of land and buildings, that would have been included in the financial statements had the assets been carried at cost, are as follows:

	THE GROUP		
	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Freehold land and buildings	779,955	499,869	508,905
Buildings on leasehold land	347,500	360,873	374,232
	1,127,455	860,742	883,137

The freehold land and buildings are periodically valued based on market value by independent valuation surveyor. Buildings on leasehold land in Mauritius were revalued in December 2019 by an independent Chartered Valuation Surveyor, on an open market value basis. The freehold land and building in India were revalued in March 2019 by independent Chartered Valuation Surveyors on an open market value basis.The inputs used to revalue the PPE relate to unit prices of similar market transactions.

Lease Liabilities

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 18) and the movements during the year:

	MUR' 000
As at 01 January 2019 - Effect of adoption of IFRS 16 (Note 2)	765,767
Additions	213,564
Discontinuations	(8,434)
Accretion of interest	57,750
Exchange difference	(3,982)
Payments	(229,319)
As at 31 December 2019	795,346

The following are the amounts recognised in profit or loss:	31 December 2019
Depreciation expense on right-of-use assets	207,061
Interest expense on lease liability	57,750
Expense relating to leases of low-value assets (included in administrative expenses)	6,801
Gain on contract termination of right-of-use asset	(344)
Total amount recognised in profit or loss	271,268

Maturity analysis of lease liability are as follows:

	Up to 1 year	1 to 5 years	5 to 25 years	Total
Lease liability	83,253	308,273	403,819	795,345

The Group had a total cash outflows for leases of MUR 229.32 million. The initial application of IFRS 16 resulted in non-cash additions to right-of-use assets and lease liabilities of MUR 765.77 million at 01 January 2019.

11. GOODWILL AND OTHER INTANGIBLE ASSETS

Accounting policy

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and any previous interest held over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with that disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

Intangible assets with identifiable useful lives are tested for impairment annually as at 31 December at CGU level, as appropriate, and when circumstances indicate that the carrying amount may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight line basis over their estimated useful lives of 3 to 10 years. Costs directly associated with the production of identifiable and software products controlled by the Group, that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets.

Significant accounting estimates and judgements

Assessment of useful lives

Determining the carrying amount of intangible assets requires an estimation of the useful lives of these assets which carry a degree of uncertainty. The Directors have used historical information relating to the Group and the industry in which it operates in order to best determine the useful lives of intangible assets.

(a) *Assets under construction*

The Group has embarked on a business aligned technology transformation programme since 2012. All costs incurred in respect of this project; namely the "Flamingo Project" were capitalised under "asset under construction". In September 2016, all the assets under construction were transferred to "software" as the project went live and are now being amortised over their useful lives.

(b) *Intellectual property rights*

The Group entered into an agreement in respect of Business Process Engineering and Business Transformation Initiatives to aligh both its strategies and processes with the Technology Transformation Initiative namely Flamingo Project and also high performance banks. The costs incurred in respect of these initiatives were capitalised as intellectual property rights are now being amortised after the project went live in September 2016.

(c) *WIP Software*

The Group is developing some softwares. These costs will be transferred under "Software" as soon as they will be in use in the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. GOODWILL AND OTHER INTANGIBLE ASSETS (CONT'D)

The Group	Software	WIP Software	Intellectual Property	Goodwill	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cost					
At 01 January 2017	4,116,597	265,260	322,775	-	4,704,632
Translation adjustment	(5,776)	(2,954)	-	(16,159)	(24,889)
Additions	52,414	135,269	-	-	187,683
Acquisition of new business	61,023	-	-	417,715	478,738
Transfer	312,963	(312,963)	-	-	-
At 31 December 2017	4,537,221	84,612	322,775	401,556	5,346,164
Translation adjustment	(897)	(1,795)	-	16,158	13,466
Additions	215,787	70,971	-	-	286,758
Write off	(41,334)	(2,653)	(37,860)	(417,714)	(499,561)
Disposal	(611,464)	-	-	-	(611,464)
Scrapping of assets	(1,741)	-	-	-	(1,741)
Acquisition of new business	528,498	-	-	-	528,498
Transfer	51,660	(51,660)	-	-	-
At 31 December 2018	4,677,730	99,475	284,915	-	5,062,120
Translation adjustment	**45,154**	**935**	**-**	**-**	**46,089**
Additions	**49,034**	**76,661**	**-**	**-**	**125,695**
Write off	**(4,430)**	**(9,882)**	**-**	**-**	**(14,312)**
Scrapping of assets	**-**	**(928)**	**-**	**-**	**(928)**
Transfer	**78,175**	**(78,175)**	**-**	**-**	**-**
At 31 December 2019	**4,845,663**	**88,086**	**284,915**	**-**	**5,218,664**
Accumulated amortisation					
At 01 January 2017	877,378	-	56,983	-	934,361
Translation adjustment	(14,312)	-	-	-	(14,312)
Charge for the year	446,187	-	56,983	-	503,170
Acquisition of new business	47,332	-	-	-	47,332
At 31 December 2017	1,356,585	-	113,966	-	1,470,551
Translation adjustment	11,993	-	-	-	11,993
Charge for the year	564,968	-	56,983	-	621,951
Reversal of accumulated depreciation	(1,741)	-	-	-	(1,741)
Acquisition of new business	344,320	-	-	-	344,320
Disposal adjustment	(611,366)	-	-	-	(611,366)
At 31 December 2018	1,664,759	-	170,949	-	1,835,708
Translation adjustment	**35,649**	**-**	**-**	**-**	**35,649**
Charge for the year	**560,850**	**-**	**56,983**	**-**	**617,833**
At 31 December 2019	**2,261,258**	**-**	**227,932**	**-**	**2,489,190**
Net book value					
At 31 December 2019	**2,584,405**	**88,086**	**56,983**	**-**	**2,729,474**
At 31 December 2018	3,012,971	99,475	113,966	-	3,226,412
At 31 December 2017	3,180,636	84,612	208,809	401,556	3,875,613

The goodwill and other intangible assets is classified as non current assets.

11. GOODWILL AND OTHER INTANGIBLE ASSETS (CONT'D)

The Company

Cost or valuation	Software MUR' 000	Total MUR' 000
At 01 January 2017	-	-
Additions	-	-
At 31 December 2017	-	-
At 31 December 2018	50	50
Additions	**1,321**	**1,321**
At 31 December 2019	**1,371**	**1,371**
Accumulated depreciation		
At 01 January 2017	-	-
Charge for the year	-	-
At 31 December 2017	-	-
Charge for the year	6	6
At 31 December 2018	6	6
Charge for the year	**208**	**208**
At 31 December 2019	**214**	**214**
Net book value		
At 31 December 2019	**1,157**	**1,157**
At 31 December 2018	44	44
At 31 December 2017	-	-

12. OTHER ASSETS

Accounting policy

Prior to 01 January 2018

Other assets and other receivables are those that have fixed or determinable payments and that are not quoted in an active market and classified as loan and receivables. They are measured at amortised cost, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

From 01 January 2018

Other assets and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified at amortised costs less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

12. OTHER ASSETS (CONT'D)

	THE GROUP			THE COMPANY		
	31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Accounts receivable[1]	2,644,442	1,233,103	677,651	231,000	153,108	70,448
Balances due in clearing	118,917	96,105	59,131	-	-	-
Tax paid in advance[2]	104,060	103,048	106,916	-	-	-
Dividend receivable	62,092	-	-	-	-	-
Others	230,747	223,498	196,023	515	201	-
	3,160,258	1,655,754	1,039,721	231,515	153,309	70,448
Less: allowance for impairment losses[3]	(380)	(95)	-	-	-	-
	3,159,878	1,655,659	1,039,721	231,515	153,309	70,448

[1] Amounts receivable are generally receivable within three months.Credit risk is managed for each category and is subject to the Group's established policy, procedures and control relating to customers credit risk management. The accounts receivable are mainly transition accounts that will be cleared the following day and therefore is not subject to impairment.

[2] The tax paid in advance is incurred by the Indian Operations and Kenyan Operations . The amount is shown net of current tax payable.

[3] Allowance for impairment losses relates only to Stage 1.

[4] Prepayments have a maturity of less than one year and are treated as current assets while deposits/advance payments are non-current assets.

13. PENSION LIABILITY

Accounting policy

(i) Pension benefits for eligible participating employees

Eligible participating employees are entitled to retirement pensions under the SBM Group Pension Fund, a defined benefit scheme. The average retirement age is 65. The assets of the scheme are managed presently by the SBM Mauritius Asset Managers Ltd.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets, is reflected immediately in the Statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in the Statement of profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Group's defined benefits plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(ii) Pension benefits for employees under term contracts and all employees who joined after 31 December 2004

Employees who joined after 31 December 2004 are entitled to defined contribution retirement benefit pension arrangements. Employer contributions are expensed in the statement of profit or loss in the period in which they fall due. The defined contribution benefit replaced the defined benefit pension plan as from 01 January 2005. Employees who were initially in the defined benefit pension plan remained in the said plan.

(iii) Travel tickets/allowances

Employees are periodically entitled to reimbursements of overseas travelling and allowances up to a certain amount depending on their grade. The expected costs of these benefits are recognised in the statement of profit or loss on a straight-line and undiscounted basis over the remaining periods until the benefits are payable.

13. PENSION LIABILITY (CONT'D)

Significant accounting estimates and judgements

Companies within the Group which are operating in Mauritius maintain a defined benefit pension plan for their employees. The amount shown in the Statement of financial position in respect of retirement benefit obligations is subject to estimates in respect of periodic costs which would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan. The value of the defined benefit pension fund is based on report submitted by an independent actuarial firm on an annual basis.

(a) Defined benefit plans

The pension liability is computed under the provisions of the Employment Rights Act 2008. The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	THE GROUP			THE COMPANY
	31 December 2019	31 December 2018	31 December 2017	31 December 2019
Reconciliation of net defined benefit liability	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Present value of funded defined benefit obligation	**1,315,862**	1,044,716	1,037,762	**7,425**
Fair value of planned assets	**(1,074,234)**	(935,095)	(946,010)	**(6,062)**
Net liability arising from defined benefit obligation (Note 18)	**241,628**	109,621	91,752	**1,363**
Reconciliation of net defined benefit liability				
Balance at start of the year	**109,621**	91,752	67,707	-
Amount recognised in statement of profit or loss (Note 32)	**34,166**	30,274	26,471	**1,363**
Amount recognised in other comprehensive income	**204,365**	33,496	39,703	-
Less employer contributions	**(106,524)**	(45,901)	(42,129)	-
Balance at end of the year (Note 18)	**241,628**	109,621	91,752	**1,363**
Reconciliation of fair value of planned assets				
Balance at start of the year	**935,095**	946,010	846,495	-
Interest income	**59,075**	52,493	55,063	-
Employer contributions	**106,524**	45,901	42,129	-
Transfer from another entity	-	-	-	**6,062**
Benefits paid	**(38,813)**	(28,872)	(40,871)	-
Return on planned assets excluding interest income	**12,353**	(80,437)	43,194	-
Balance at end of the year	**1,074,234**	935,095	946,010	**6,062**
Reconciliation of present value of defined benefit obligation				
Balance at start of the year	**1,044,716**	1,037,762	914,202	-
Current service cost	**30,680**	26,473	23,418	-
Past service cost	-	-	-	**1,363**
Interest expense	**62,561**	56,294	58,116	-
Other benefits paid	**(38,813)**	(28,872)	(40,871)	-
Transfer from another entity	-	-	-	**6,062**
Liability experience loss	**226,181**	-	-	-
Liability gain due to change in demographic assumptions	-	-	-	-
Liability (gain)/loss due to change in financial assumptions	**(9,463)**	(46,941)	82,897	-
Balance at end of the year	**1,315,862**	1,044,716	1,037,762	**7,425**

13. PENSION LIABILITY (CONT'D)

(a) Defined benefit plans (cont'd)

	THE GROUP			THE COMPANY
	31 December 2019	31 December 2018	31 December 2017	31 December 2019
Components of amount recognised in statement of profit or loss	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Service cost	30,680	26,473	23,418	1,363
Net interest on net employee defined benefit liability	3,486	3,801	3,053	-
Total expense (Note 32)	34,166	30,274	26,471	1,363
Components of amount recognised in other comprehensive income				
Return on planned assets (above)/below and interest income	(12,353)	80,437	(43,194)	-
Liability experience loss	226,181	-	-	-
Liability experience gain due to change in demographic assumptions	-	-	-	-
Liability experience loss/(gain) due to change in financial assumptions	(9,463)	(46,941)	82,897	-
Total	204,365	33,496	39,703	-

	THE GROUP			THE COMPANY
	31 December 2019	31 December 2018	31 December 2017	31 December 2019
Allocation of planned assets at end of year	%	%	%	%
Equity - Overseas quoted	23	18	30	23
Equity - Overseas unquoted	8	10	-	8
Equity - Local quoted	26	28	30	26
Equity - Local unquoted	7	7	7	7
Debt - Overseas quoted	1	1	-	1
Debt - Overseas unquoted	-	6	6	-
Debt - Local quoted	6	4	2	6
Debt - Local unquoted	15	23	21	15
Cash and other	14	3	4	14
Total	100	100	100	100

	31 December 2019	31 December 2018	31 December 2017	31 December 2019
Allocation of planned assets at end of year				
Reporting entity's own transferable financial instruments	3%	4%	6%	3%
Principal assumptions used at end of year				
Discount rate based on government bonds	5.3%	6.1%	5.5%	5.3%
Rate of salary increases	3.1%	4.0%	4.0%	3.1%
Rate of pension increases	0.8%	1.6%	1.0%	0.8%
Average retirement age (ARA)	65	65	65	65
Average life expectancy for:				
- Male at ARA	15.9 years	15.9 years	15.9 years	15.9 years
- Female at ARA	20.0 years	20.0 years	20.0 years	20.0 years

	31 December 2019	31 December 2018	31 December 2017	31 December 2019
Sensitivity Analysis on defined benefit obligation at end of year	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Increase due to 1% decrease in discount rate	205,990	184,915	187,452	1,157
Decrease due to 1% increase in discount rate	167,365	148,350	(150,169)	962

13. PENSION LIABILITY (CONT'D)

(a) Defined benefit plans (cont'd)

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

IAS 19 requires that the discount rate be set based on the yields of high quality corporate bonds with an appropriate term. Since no deep market in such bonds is available, IAS 19 requires that the yield on government bonds of appropriate term can be applied. The discount rate takes account of the nominal yield to redemption of government bonds traded on the secondary market as at 31 December 2019 and the duration of last year's liabilities.

Future cashflows

The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.

The Group expects to make a contribution of around MUR 48.36 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 14 years.

Pension amounts and disclosures have been based on the report dated 06 March 2020 submitted by an independent firm of Actuaries and Consultants.

The Group sponsors a final salary defined benefit pension plan for a category of its employees. The Group has recognised a net defined benefit liability of MUR 241.63 million as at 31 December 2019 for the plan (31 December 2018: MUR 109.62 million;31 December 2017: MUR 91.75 million).

The plan exposes the Group to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary rise risks.

Investment risk

The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk

A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk

The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary risk

The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

There has been no plan amendment, curtailment or settlement during the year.

(b) Residual retirement gratuities

The amount included in the statement of financial position arising from the Group's obligation in respect of its residual retirement gratuities is as follows:

	THE GROUP	THE COMPANY
	31 December 2019	31 December 2019
Reconciliation of net defined benefit liability	MUR' 000	MUR' 000
Balance at start of the year	63,434	-
Amount recognised in statement of profit or loss	34,313	1,096
Amount recognised in other comprehensive income	(500)	-
Balance at end of the year	97,247	1,096
Reconciliation of present value of defined benefit obligation		
Balance at start of the year	63,434	-
Current service cost	3,700	-
Interest expense	3,869	-
Past service cost	26,744	1,096
Liability experience loss	2,612	-
Liability gain due to change in financial assumptions	(3,112)	-
Balance at end of the year	97,247	1,096

13. PENSION LIABILITY (CONT'D)

	THE GROUP	THE COMPANY
	31 December 2019	31 December 2019
	MUR' 000	MUR' 000
Components of amount recognised in statement of profit or loss		
Service cost	3,700	-
Past service cost	26,744	1,096
Net interest on net defined benefit liability/(asset)	3,869	-
Total expense as above	34,313	1,096
Components of amount recognised in other comprehensive income		
Liability experience loss	2,612	-
Liability gain due to change in financial assumptions	(3,112)	-
Total	(500)	-

	31 December 2019	31 December 2019
Principal assumptions used at end of year	%	
Discount rate	5.3%	5.3%
Rate of salary increases	3.1%	3.1%
Rate of pension increases	0.8%	0.8%
Average retirement age (ARA)	60/65	60/65
Sensitivity Analysis on defined benefit obligation at end of year		
Increase due to 1% decrease in discount rate	13,458	471
Decrease due to 1% increase in discount rate	9,002	271

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. The results are particularly sensitive to a change in discount rate due to the nature of the liabilities being the difference between the pure retirement gratuities under the Workers' Rights Act 2019 and the deductions allowable, being five times the annual pension provided and half the lump sum received by the members at retirement from the SBM Group DC Fund with reference to the Company's share of contributions. The latter amount is MUR 340.57 million as at 31 December 2019.

Future cashflows

The funding policy is to pay benefits from the reporting entity's cashflow as and when due.

The Group expects to make a contribution of around MUR 14.37 million to the SBM Group DC Fund for the next financial year and the weighted average duration of the defined benefit obligation is 14 years.

14. DEPOSITS FROM BANKS

Accounting policy

Deposits from banks are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the Group's and/or the Company's obligations are discharged, cancelled or they expire.

	THE GROUP		
	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Demand deposits	907,521	716,702	689,265

15. DEPOSITS FROM NON-BANK CUSTOMERS

Accounting policy

Deposits from non-bank customers are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the Group's and/or the Company's obligations are discharged, cancelled or they expire.

		THE GROUP		
		31 December 2019	31 December 2018	31 December 2017
		MUR' 000	MUR' 000	MUR' 000
(i)	Retail customers			
	Current accounts	**19,411,521**	15,873,186	16,530,624
	Savings accounts	**55,538,113**	52,327,187	51,100,607
	Time deposits with remaining term to maturity:			
	- Up to 3 months	**4,687,493**	3,805,778	2,503,486
	- Over 3 months and up to 6 months	**2,146,348**	2,799,551	2,370,258
	- Over 6 months and up to 12 months	**4,464,390**	6,666,258	6,093,287
	- Over 1 year and up to 5 years	**5,033,085**	2,379,746	1,886,990
	- Over 5 years	**2,297,269**	81,228	1,339,754
	Total time deposits	**18,628,585**	15,732,561	14,193,775
	Total deposits from retail customers	**93,578,219**	83,932,934	81,825,006
(ii)	Corporate customers			
	Current accounts	**56,596,878**	46,012,337	33,787,373
	Savings accounts	**3,993,407**	4,655,279	4,428,696
	Time deposits with remaining term to maturity:			
	- Up to 3 months	**12,901,434**	10,966,221	12,447,635
	- Over 3 months and up to 6 months	**4,306,609**	2,138,845	2,126,411
	- Over 6 months and up to 12 months	**5,780,107**	7,952,025	1,698,055
	- Over 1 year and up to 5 years	**2,607,327**	474,641	667,511
	- Over 5 years	**1,033**	942	273,364
	Total time deposits	**25,596,510**	21,532,674	17,212,976
	Total deposit from corporate customers	**86,186,795**	72,200,290	55,429,045
(iii)	Government			
	Current accounts	**8,756,331**	6,167,370	3,067,666
	Savings accounts	**3,441,526**	4,090,841	3,135,643
	Time deposits with remaining term to maturity:			
	- Up to 3 months	**6,918,163**	1,622,363	22,397
	- Over 3 months and up to 6 months	**1,600**	619,611	1,357,224
	- Over 6 months and up to 12 months	**260,191**	745,285	12,961
	- Over 1 year and up to 5 years	**254,363**	5,786	734
	Total time deposits	**7,434,317**	2,993,045	1,393,316
	Total deposit from the Government	**19,632,174**	13,251,256	7,596,625
	Total deposit from non-bank customers	**199,397,188**	169,384,480	144,850,676

16. OTHER BORROWED FUNDS

	THE GROUP		
	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Borrowings from central banks			
- For refinancing	**3,334,663**	2,868,023	673,799
Other financial institutions			
- For refinancing	**5,016,521**	3,869,634	4,546,841
Borrowings from banks			
- In Mauritius	**2,448,757**	2,132,609	4,198,169
- Abroad	**4,871,027**	5,651,819	4,267,394
	15,670,968	14,522,085	13,686,203
Remaining term to maturity			
Up to 3 months	**7,901,991**	4,454,541	802,383
Over 3 months and up to 6 months	**1,162,205**	4,432,455	3,195,843
Over 6 months and up to 12 months	**36,353**	1,454,929	4,055,012
Over 1 year and up to 5 years	**4,157,326**	3,451,364	3,726,968
Over 5 years	**2,413,093**	728,796	1,905,997
	15,670,968	14,522,085	13,686,203

17. TAXATION

Accounting policy

Income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Corporate social responsibility (CSR)

Corporate social responsibility (CSR) was legislated by the government of Mauritius in July 2009. In terms of the legislation, the Group is required for all its companies domiciled in Mauritius to allocate 2% of its Segment A chargeable income of the preceding financial year to government approved CSR NGOs. As from July 2017, following amendments to the Finance Act 2017, the Group will now be required as from 01 January 2017 to 31 December 2018 to remit to the Director General at least 50% of the CSR contribution. After 01 January 2019, the Group is required to remit to the Director General of the MRA at least 75% of the CSR contribution. This is recorded as part of income tax expense.

Bank levy

SBM Bank (Mauritius) Ltd is liable to pay a special levy as a percentage of its leviable income from residents excluding Global Business Licence holders (the special levy was paid as a percentage of its segmental chargeable income for the year 2018 and 2017). As from 2019, this is recorded as an operating expenses as a result of a change in legislation.

The applicable income tax rate in Mauritius is 15% (2018 and 2017: 15%). An additional charge is applicable in respect of Corporate Social Responsibility and Special Levy on Banks. The applicable tax rate for India is 43.26% (2018: 43.26% and 2017: 43.26%); for Madagascar is 20% (2018: 20% and 2017: 20%) and for Kenya is 30% (2018: 30% and 2017: 30%). Foreign tax credit of 80 % is applicable for Segment B chargeable income thereby reducing the income tax rate for this particular segment to 3%.

17a. TAX EXPENSE

	THE GROUP			THE COMPANY		
	31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Profit before tax	**562,522**	1,621,776	3,160,298	**763,836**	638,102	1,251,118
Tax on accounting profit at 15%	**84,378**	243,266	474,045	**114,575**	95,715	187,668
Effect of tax rates in foreign jurisdiction	**16,937**	43,077	-	**-**	-	-
Non allowable expenses	**679,277**	1,202,980	594,287	**122,863**	87,501	3,092
Exempt income	**(329,043)**	(776,421)	(413,623)	**(239,174)**	(189,110)	(195,902)
Deferred tax assets not recognised	**95,676**	(2,772)	4,792	**1,736**	5,894	5,078
Deferred tax on bargain purchase	**-**	(355,833)	-	**-**	-	-
Tax loss utilised	**(1,787)**	-	-	**-**	-	-
Under/(Over) provision in previous periods	**10,396**	14,686	(70,008)	**(503)**	10,188	(3,835)
Special levy on banks	**(157)**	184,345	142,325	**-**	-	-
Corporate Social Responsibility contribution	**43,597**	24,362	40,412	**860**	679	1,004
Withholding tax	**395**	11,665	3,292	**-**	-	-
	599,669	589,355	775,522	**357**	10,867	(2,895)
Tax refund	**-**	69,233	11,608	**-**	-	-
Foreign tax credit	**(52,182)**	(282,606)	(201,755)	**-**	-	-
Total tax expense/(income)	**547,487**	375,982	585,375	**357**	10,867	(2,895)
The total tax expense can also be analysed as being incurred as follows:						
Income tax expense	**805,287**	186,133	245,100	**(503)**	10,251	(3,835)
Deferred income tax (Note 17b)	**(301,792)**	153,822	296,571	**-**	(64)	(64)
Corporate Social Responsibility contribution	**43,597**	24,362	40,412	**860**	680	1,004
Withholding tax	**395**	11,665	3,292	**-**	-	-
Total tax expense	**547,487**	375,982	585,375	**357**	10,867	(2,895)
The total tax expense can also be analysed as being incurred as follows:						
In Mauritius	**438,827**	728,094	511,366	**357**	10,867	(2,895)
Overseas	**108,660**	(352,112)	74,009	**-**	-	-
Total tax expense	**547,487**	375,982	585,375	**357**	10,867	(2,895)

17. TAXATION (CONT'D)

Accounting policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax relating to items recognised outside profit or loss are recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The deferred tax rate applied for segment A and segment B in SBM (Bank) Mauritius Ltd is 7% and 5% respectively (2018 & 2017: 17% & 3%). The change in the rate resulted in a tax credit of MUR 112.59 million in the statement of profit or loss and MUR 110.47 million in other comprehensive income. Deferred tax (assets)/liabilities are treated as non current (assets)/liabilities as they have a maturity of over more than one year.

17. TAXATION (CONT'D)

17 b. DEFERRED TAX (ASSETS)/LIABILITIES

	THE GROUP	THE COMPANY
	MUR' 000	MUR' 000
At 01 January 2017	(215,260)	64
Exchange difference	962	-
Deferred income tax (Note 17a)	296,569	(64)
Deferred tax on retirement benefit obligations	(6,827)	-
Underprovision of deferred tax liability in prior years	-	-
At 31 December 2017	75,444	-
At 01 January 2018	75,444	-
Exchange difference	7,711	-
Deferred income tax (Note 17a)	153,822	-
Deferred tax on retirement benefit obligations	(5,694)	-
Underprovision of deferred tax liability in prior years	(161,246)	-
At 31 December 2018	70,037	-
At 01 January 2019	**70,037**	**-**
Exchange difference	**(9,447)**	**-**
Deferred income tax (Note 17a)	**(189,205)**	**-**
Deferred tax on retirement benefit obligations	**(14,271)**	**-**
Deferred tax on revaluation of property	**9,950**	**-**
Change in tax rate - recognised in		
- Other comprehensive income	**(110,469)**	**-**
- Statement of profit or loss (Note 17a)	**(112,587)**	**-**
At 31 December 2019	**(355,992)**	**-**

17. TAXATION (CONT'D)

17 b. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)

	THE GROUP			THE COMPANY		
	31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Deferred tax assets	(355,992)	(89,440)	(95,461)	-	-	-
Deferred tax liabilities	-	159,477	170,905	-	-	-
	(355,992)	70,037	75,444	-	-	-
Analysed as resulting from:						
Accelerated capital allowances	131,278	543,746	420,080	-	-	-
Allowances for credit impairment	(448,423)	(669,169)	(438,390)	-	-	-
Carried forward losses	-	(218,218)	(137,810)	-	-	-
Revaluation of property	462,236	248,315	253,118	-	-	-
Other provisions	(501,083)	165,363	(21,554)	-	-	-
	(355,992)	70,037	75,444	-	-	-

17 c CURRENT TAX LIABILITIES

Current tax liabilities can be analysed as follows:

	THE GROUP			THE COMPANY		
Statement of financial position	31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
At 01 January	495,965	124,196	364,789	503	1,005	1,354
Income tax expenses	786,287	596,990	309,001	-	10,867	(2,895)
Corporate Social Responsibility contribution	43,597	24,362	37,381	860	679	(1,004)
Underprovision/(overprovision) in prior years	3,939	40,863	(62,980)	(503)	(10,188)	3,835
Paid during the year	(800,502)	(290,447)	(523,996)	(860)	(1,860)	(285)
Exchange difference	6,997	-	-	-	-	-
At 31 December	536,283	495,964	124,195	-	503	1,005

Current tax liabilities will mature within the next one year and is classified as a current liabilities.

Deferred tax assets/liabilities have maturity of more than one year and are classified as non current assets/liabilities.

18. OTHER LIABILITIES

Accounting policy

Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation, which has arisen as a result of past events and for which a reliable estimate can be made. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Leases

At the commencement date of the lease, the Group recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residul value gurantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

	THE GROUP			THE COMPANY		
	31 December 2019	31 December 2018	31 December 2017	**31 December 2019**	31 December 2018	31 December 2017
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Bills payable	**381,142**	237,305	183,037	**-**	-	-
Accruals for expenses	**953,880**	663,542	408,555	**15,420**	12,307	601
Accounts payable	**4,917,258**	4,059,709	3,047,964	**99,461**	79,470	4,900
Deferred income	**56,795**	41,505	43,377	**-**	-	-
Balance due in clearing	**15,762**	318,669	(2,755)	**-**	-	-
Balances in transit	**899,888**	772,878	413,459	**-**	-	-
Pension liability-Defined benefit (Note 13)	**241,628**	109,621	91,752	**1,363**	-	-
Pension liability-Defined contribution (Note 13)	**97,247**	63,434	-	**1,096**	-	-
ECL on memorandum Items (Note 22)	**156,426**	179,700	-	**-**	-	-
Lease liability (Note 10)	**795,345**	-	-			
Others	**309,621**	259,931	113,869	**-**	-	-
	8,824,992	6,706,294	4,299,258	**117,340**	91,777	5,501

Deferred income and pension liability have a maturity of over more than one year and are treated as non-current liabilities.

19. SUBORDINATED DEBTS

Loans and borrowings are recognised initially at fair value, net of directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

	THE GROUP AND THE COMPANY		
	31 December 2019	**31 December 2018**	**31 December 2017**
Subordinated Bonds:	**MUR' 000**	**MUR' 000**	**MUR' 000**
Class A 1 series bond of MUR floating interest rate senior unsecured bonds maturing in 2024	**1,521,542**	1,522,229	1,522,656
Class B 1 series bond of USD floating interest rate senior unsecured bonds maturing in 2021	**2,388,057**	2,237,195	2,178,810
Class A 2 series bond of MUR fixed interest rate senior unsecured bonds maturing in 2028	**3,060,520**	3,060,520	-
Class B 2 series bond of USD fixed interest rate senior unsecured bonds maturing in 2025	**2,769,862**	2,592,733	-
	9,739,981	9,412,677	3,701,466

The public offer for the issue of subordinated senior unsecured multicurrency floating interest rate bonds for Class A 1 series Bond of MUR 1,000 million opened on 20 December 2013. It was oversubscribed and a maximum amount of MUR 1.5 billion, of MUR 10,000 notes with half yearly floating coupon payment of Repo rate + 1.35% per annum maturing in 2024, was retained including the optional amount. Similarly an amount of USD 65.0 million, of USD 1,000 notes with half yearly payment of floating coupon 6-months LIBOR + 175bps per annum maturing in 2021, was retained for the issue of Class B 1 series bond of USD 50 million on 15 February 2014 including the optional amount. The public offer was issued by the State Bank of Mauritius Ltd (renamed as SBM Bank (Mauritius) Ltd) and the bonds are eligible as Tier II Capital.

As at 02 October 2014, on the appointed day of the Group restructure, all the bondholders of Class A 1 series and Class B 1 series Bonds of MUR 1.5 billion and USD 65.0 million repectively were transferred to the Company (SBM Holdings Ltd) with corresponding matching assets (investments).

The public offer for the issue of subordinated senior unsecured multicurrency fixed interest rate bonds for Class A2 and B2 Series Bonds of MUR 2 Billion and USD 50 Million respectively opened on 29 May 2018. Class A2 Series Bonds were oversubscribed and a maximum amount of MUR 3.06 Billion, of MUR 10,000 bonds with half yearly fixed coupon payment of 5.75% per annum maturing in 2028, was retained including the optional amount. Similarly an amount of USD 75.66 Million, of USD 1,000 bonds with half yearly payment of fixed coupon rate of 4.75% per annum maturing in 2025, were retained including the optional amount. The public offer was issued by the SBM Holdings Ltd (SBMH) and the bonds are eligible as Tier II Capital.

These bonds are quoted on the Official Market of the Stock Exchange of Mauritius (SEM) pre and post restructure.

20. STATED CAPITAL

Accounting policy

(i) ***Share issue costs***

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(ii) ***Treasury shares***

Where the Group purchases its own equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

	THE GROUP		THE COMPANY	
Authorised, issued and paid up share capital	Number	MUR' 000	Number	MUR' 000
At 31 December 2019	**3,037,402,230**	**32,500,204**	**3,037,402,230**	**32,500,204**
At 31 December 2018	3,037,402,230	32,500,204	3,037,402,230	32,500,204
At 31 December 2017	3,037,402,230	32,500,204	3,037,402,230	32,500,204
Treasury shares held				
At 31 December 2019	**455,610,330**	**4,875,031**	**455,610,330**	**4,875,031**
At 31 December 2018	455,610,330	4,875,031	455,610,330	4,875,031
At 31 December 2017	455,610,330	4,875,031	455,610,330	4,875,031

Fully paid ordinary shares carry one vote per share and the right to dividend, except for treasury shares which have no such rights.

As at 31 December 2019, the nominal value of the treasury shares amounted to MUR' 000 4,875,031 (2018: MUR' 000 4,875,031; 2017: MUR' 000 4,875,031).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

21. DIVIDEND

Accounting policy

Dividends on ordinary shares are recognised in equity in the period in which they are authorised by the Directors. Dividends that are declared after the reporting date are dealt with in the notes to the financial statements.

	THE GROUP			THE COMPANY		
	31 December 2019	31 December 2018	31 December 2017	**31 December 2019**	31 December 2018	31 December 2017
Dividend declared after the reporting date:	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
2019: nil; 2018: 5 cents; 2017: 10 cents (2016: 10 cents) per share of nominal 10 cents	**-**	129,090	258,179	**-**	129,090	258,179
Dividend declared in preceeding year and paid in current year:						
2018: 5 cents; 2017: 10 cents; 2016: 10 cents;	**129,090**	258,179	258,179	**129,090**	258,179	258,179
Dividend declared paid in current year:						
2019: 30 cents; 2018: 25 cents; 2017: 30 cents; 2016: 30 cents per share of nominal 10 cents	**774,542**	645,453	774,543	**774,542**	645,453	774,543
	903,632	903,632	1,032,722	**903,632**	903,632	1,032,722
Less dividend declared and paid during the year	**(903,632)**	(903,632)	(1,032,722)	**(903,632)**	(903,632)	(1,032,722)
Dividend payable	**-**	-	-	**-**	-	-

Dividend declared after the reporting date is not recognised as a liability in the financial statements as at 31 December .

22. MEMORANDUM ITEMS

Accounting policy

Acceptances

Acceptances are obligations to pay on due date the bills of exchange drawn on customers. It is expected most of these acceptances will be honoured by the customers on due dates. Acceptances are accounted for as off-balance sheet items and are disclosed under memorandum items.

Contingent liabilities

Contingent liabilities which include certain guarantees and letters of credit pledged are possible obligations that arise from past events whose existence will be confirmed by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of SBM Holdings Ltd; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote. Contingent liabilities are accounted for as off-balance sheet items and are disclosed under memorandum items.

Financial guarantee contracts

Liabilities under financial guarantee contracts which are not classified as insurance contracts are recorded initially at fair value, which is generally the fee received or present value of the fee receivable. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation and the best estimate of the expenditure required to settle the obligations. Financial guarantee contracts are accounted for as off-balance sheet items and are disclosed under memorandum items.

22. MEMORANDUM ITEMS (CONT'D)

a. Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers

	THE GROUP		
	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Acceptances on account of customers	792,774	435,096	804,367
Guarantees on account of customers	8,037,776	8,285,833	7,565,487
Letters of credit and other obligations on account of customers	760,345	861,137	2,129,501
Other contingent items	185,584	-	-
	9,776,479	9,582,066	10,499,355
b. Commitments			
Undrawn credit facilities	13,675,505	9,071,296	14,238,833
c. Other			
Inward bills held for collection	195,680	303,789	188,954
Outward bills sent for collection	982,276	1,497,623	1,929,689
	1,177,956	1,801,412	2,118,643
Total Note (40 b(i))	24,629,940	20,454,774	26,856,831

The Group is subject to various legal claims from former employees and customers with claims totaling MUR 978.58 million (2018: MUR 1,381.75 million; 2017: MUR 544.1 million). The Group has not made any provision for those claims on the basis that it is not probable that these actions will succeed.

22. MEMORANDUM ITEMS (CONT'D)

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification.

	31 December 2019			
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing				
High grade	10,160,295	73,281	-	10,233,576
Standard grade	4,891,646	1,196,573	-	6,088,219
Sub-standard grade	7,306,494	988,646	-	8,295,140
Past due but not impaired	-	-	-	-
Non-performing				
Individually impaired	-	-	1,005	1,005
Total Note(40 b(i))	22,358,435	2,258,500	1,005	24,629,940

At 31 December 2018 & 2017:

	31 December 2018				31 December 2017
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing					
High grade	4,738,147	70,095	-	4,808,242	9,093,241
Standard grade	6,775,947	5,413,008	-	12,188,955	4,255,665
Sub-standard grade	3,419,089	34,990	-	3,454,079	13,025,352
Past due but not impaired	-	-	-	-	-
Non-performing					
Individually impaired	-	-	3,498	3,498	387,924
Total	14,933,183	5,518,093	3,498	20,454,774	26,762,182

22. MEMORANDUM ITEMS (CONT'D)

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

	31 December 2019			
Outstanding exposures	**Stage 1 individual**	**Stage 2 individual**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
As at 01 January	14,945,184	5,518,094	3,498	20,466,776
New exposures originated or purchased	12,657,043	1,167,803	-	13,824,846
Exposures derecognised or matured/lapsed	(7,714,536)	(2,090,913)	(2,533)	(9,807,982)
Transfers to Stage 1	2,424,141	(2,424,141)	-	-
Transfers to Stage 2	(87,122)	87,242	(120)	-
Transfers to Stage 3	(160)	-	160	-
Foreign exchange adjustments	145,885	415	-	146,300
At 31 December Note(40 b(i))	22,370,435	2,258,500	1,005	24,629,940

	31 December 2018			
	Stage 1 individual	**Stage 2 individual**	**Stage 3**	**Total**
Outstanding exposures	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
As at 01 January	26,847,705	9,126	-	26,856,831
New exposures	11,759,160	637,436	3,498	12,400,094
Exposures derecognised or matured/lapsed	(23,673,682)	4,871,531	-	(18,802,151)
As at 31 December	14,933,183	5,518,093	3,498	20,454,774

	31 December 2019			
	Stage 1 individual	**Stage 2 individual**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
ECL allowance as at 01 January 2018	161,446	13,664	4,590	179,700
New exposures	78,232	10,082	-	88,314
Exposured derecognised or repaid	(139,701)	(22,593)	(994)	(163,288)
Transfers to Stage 1	25,545	(25,545)	-	-
Transfers to Stage 2	(248)	248	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	3,468	39,652	4,761	47,881
Foreign exchange adjustments	7,317	-	98	7,415
At 31 December 2019	136,059	15,508	8,455	160,022

	31 December 2018			
	Stage 1 individual	**Stage 2 individual**	**Stage 3**	**Total**
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**
ECL allowance				
As at 01 January 2018	172,837	26	-	172,863
New exposures	35,015	23,544	4,590	63,149
Exposures derecognised or matured/lapsed	(46,406)	(9,906)	-	(56,312)
At 31 December 2018	161,446	13,664	4,590	179,700

23. ASSETS PLEDGED

The aggregate carrying amount of assets that have been pledged to secure the credit facilities of the Group with central bank and of the Group's Indian Operations with Clearing Corporation of India Limited are as follows:

	THE GROUP		
	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Treasury bills/Government bonds	3,638,940	7,512,485	2,077,648
Other	-	-	52,909
	3,638,940	7,512,485	2,130,557
Analysed as:			
- In Mauritius	70,000	3,542,550	1,694,900
- Overseas	3,568,940	3,969,935	435,657
	3,638,940	7,512,485	2,130,557

24. CAPITAL COMMITMENTS

	THE GROUP		
	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Approved and contracted for	187,111	116,213	58,934
Approved and not contracted for	402,998	72,333	64,757

25. OPERATING LEASE

Accounting policy

Prior to 01 January 2019

Rentals payable under operating leases are charged to the statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

From 01 January 2019

Refer to note 10 Property, equipment and right-to-use assets and note 18 other liabilities.

	THE GROUP	
	31 December 2018	31 December 2017
	MUR' 000	MUR' 000
Leasing arrangements - The Group as lessee		
Operating lease expense	155,277	102,407

Operating lease payments represent rentals payable for property, equipment and motor vehicles. Operating lease contracts contain renewal clauses in the event that the Group exercises its option to renew the contracts. The Group does not have an option to purchase the assets at the expiry of the lease period.

The future minimum lease payments under non-cancellable operating leases are as follows:

	THE GROUP	
	31 December 2018	31 December 2017
	MUR' 000	MUR' 000
Up to 1 year	96,724	92,523
After 1 year and before 5 years	219,441	142,263
After 5 years and up to 25 years	121,239	65,916
	437,404	300,702

26. NET INTEREST INCOME/(EXPENSES)

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured.

For all financial instruments measured at amortised cost and interest-bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group and the Company revise their estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

However, for a reclassified financial asset for which the Group and the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the outstanding amount of the financial asset. For all credit impaired assets, the interest income is reversed and charged against the outstanding amount of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

	THE GROUP			THE COMPANY		
	31 December 2019	31 December 2018	31 December 2017	**31 December 2019**	31 December 2018	31 December 2017
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Interest income on financial instruments at amortised cost						
Cash and cash equivalents	**265,370**	344,291	157,796	**-**	-	-
Loans to and placements with banks	**231,923**	134,339	32,376	**-**	-	-
Loans and advances to non-bank customers	**6,461,861**	6,457,991	5,387,346	**-**	-	-
Investment securities	**2,529,390**	1,114,846	778,076	**77,863**	77,913	131,045
	9,488,544	8,051,467	6,355,594	**77,863**	77,913	131,045
Interest income on financial instruments at fair value						
Investment securities	**1,222,307**	943,885	677,615	**-**	-	-
Derivative financial instruments	**(66,761)**	(178,496)	(25,862)	**(9,784)**	-	-
	1,155,546	765,389	651,753	**(9,784)**	-	-
Total interest income	**10,644,090**	8,816,856	7,007,347	**68,079**	77,913	131,045
Interest expense						
Deposits from non-bank customers	**(2,971,919)**	(2,179,998)	(1,926,008)	**-**	-	-
Other borrowed funds	**(708,218)**	(482,496)	(164,567)	**-**	-	-
Subordinated debts	**(476,589)**	(309,019)	(149,011)	**(476,589)**	(309,019)	(149,011)
Other	**-**	-	-	**-**	-	-
Total interest expense	**(4,156,726)**	(2,971,513)	(2,239,586)	**(476,589)**	(309,019)	(149,011)
Net interest income/(expense)	**6,487,364**	5,845,343	4,767,761	**(408,510)**	(231,106)	(17,966)

27. NET FEE AND COMMISSION INCOME/(EXPENSE)

Accounting policy

Fees and commission income and expense are recognized on an accrual basis when the service has been provided. Commission and fees arising from negotiation of transactions with third parties, or participating in the negotiation of a transaction for a third party is recognized on completion of the underlying transaction. Fees and commission that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

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

Other fees and commission expense relate mainly to transaction and services fee, which are expensed as the services are received.

	THE GROUP			THE COMPANY		
	31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fee and commission income						
Retail banking customer fees	**406,573**	267,980	341,847	**-**	-	-
Corporate banking customer fees	**556,093**	484,534	417,851	**-**	-	-
Brokerage income (Note 27.a.(i))	**44,272**	42,920	71,297	**-**	-	-
Asset management fees (Note 27.a.(i))	**42,956**	64,772	93,869	**-**	-	-
Card income	**411,385**	353,533	313,941	**-**	-	-
Other (Note 27.a.(i))	**155,528**	93,590	30,088	**-**	-	-
Total fee and commission income	**1,616,807**	1,307,329	1,268,893	**-**	-	-
Fee and commission expense						
Interbank transaction fees	**(18,719)**	(17,002)	(14,099)	**-**	-	-
Brokerage	**(2,344)**	(1,139)	(2,250)	**-**	-	-
Other	**(22,445)**	(12,778)	(13,036)	**(150)**	(199)	(339)
Total fee and commission expense	**(43,508)**	(30,919)	(29,385)	**(150)**	(199)	(339)
Net fee and commission income/ (expense)	**1,573,299**	1,276,410	1,239,508	**(150)**	(199)	(339)

* Out of the other fee and commission income (2019: MUR' 000 155,528) and ((2018: MUR' 000 93,590) an amount of MUR' 000 84,082 and MUR' 000 60,688 pertain to revenue from contract with customers disclosed in note 27.a.(i).

27.a REVENUE FROM CONTRACTS WITH CUSTOMERS

Accounting policy

Prior to 01 January 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The specific recognition criteria described below must also be met before revenue is recognised.

Dividend income from equity investments is accounted for in the statement of profit or loss and other comprehensive income when the right to receive payment is established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

As from 01 January 2018

Significant accounting estimates and judgements

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identify the performance obligations

SBM Mauritius Asset Managers Ltd

The Company provides asset management services. Revenue from contracts with customers is recognised when the services are rendered to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company determined that management fees, retrocession fees, arranger fees, entry and exit fees and commission from structured products are capable of being distinct since they are different services being provided and the contracts are separate.

SBM Capital Markets Ltd

The Company provides stock broking services and corporate finance advisory services. The Company acts as a broker between potential investors and investees. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company determined that commission from local equity, commission from local bonds, commission from international equity and commission from international bonds are capable of being distinct since they are different services being provided and the contracts are separate.

SBM Fund Services Ltd

The Company acts as registrar and transfer agent for numerous listed companies and mutual funds. It also provides administration services including trade and fees processing, net asset value computation and fund accounting services. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company determined that registry fees, administrative fees, trustee fees and debenture holder representative fees are capable of being distinct since they are different services being provided and the contracts are separate.

27.a REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

Identify the performance obligations (cont'd)

SBM Factors Ltd

The Company provides factoring services. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

SBM Insurance Agency Ltd

The Company acts as an agent between various insurance companies and customers who want to take up an insurance policy. The Company operates three agency business lines which are General Insurance, Life Insurance and Decreasing Term Assurance. Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company determined that commission from general insurance, commission from life insurance and commission from Decreasing Term Assurance (DTA) are capable of being distinct since they are different services being provided and the contracts are separate.

Determine the transaction price

SBM Mauritius Asset Managers Ltd

Management fees are generated through investment management agreements and are generally based on an agreed percentage of the valuation of the assets under management (AUM). Management fees are recognised as the service is provided and it is probable that the fee will be received.

Retrocession fees are based on an agreed percentage of the management fees charged to the third party funds. The fees are recognised when they are probable to be received.

Entry and exit fees represent variable consideration based on the amount invested/disinvested by the customer.

Arranger fees are based on an agreed percentage of the amount raised on behalf of the client.The fees are recognised when they are probable to be received.

Commission from structured products on the other hand represents a fixed consideration on the amount invested by third parties.

SBM Capital Markets Ltd

The commission fees represent a fixed rate which is charged to the investor. However, this may vary depending on whether the investor benefits from a discount fee or a minimum fee.

Corporate finance advisory fees are generated through agreements between the entity and the clients and are charged a fixed contract amount. Invoicing is done on a quarterly/half yearly and yearly basis and the fees are recognised when they are probable to be received.

Arranger fees are based on an agreed percentage of the amount raised on behalf of the client. The fees are recognised when they are probable to be received.

SBM Fund Services Ltd

Registry fees from Funds and administrative fees represent variable consideration which is based on each period's NAV. Registry fees from Funds and administrative fees are recognised as the service is provided and it is probable that the fee will be received.

Registry fees from other clients, trustee fees and debenture holder representative fees are generated through agreements between the entity and the clients and are charged a fixed contract amount. Invoicing is done on a quarterly/half yearly and yearly basis and the fees are recognised when they are probable to be received.

27.a REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

Accounting policy (cont'd)

SBM Factors Ltd

The Company finances its clients a fixed percentage of the invoices and a factoring fee is charged on the invoices being financed as per the agreement in place.

Signing fee is charged upon onboarding of a new client.

SBM Insurance Agency Ltd

Commission from life insurance represents a fixed consideration which is based on a percentage of the total premium amount and in some cases, on the sum assured. The percentage varies in the case of an initial policy and in the case of a renewal. The commission is recognised as the service is provided and it is probable that the commission will be received.

Commission from general insurance represents a fixed consideration which is based on a percentage of the gross premium amount. For each insurer and for every type of insurance, a specific commission rate is applied. The amount of commission received is calculated based on the commission rate multiplied by the gross premium amount. The commission is recognised as the service is provided and it is probable that the commission will be received.

For DTA commission, the policy is subscribed per client. A percentage is retained as commission prior to payment to insurer. DTA commission are recognised as the service is provided and it is probable that the commission will be received.

Allocate the transaction price to the performance obligations

SBM Mauritius Asset Managers Ltd

The transaction price which comprises the variable consideration related to the management fee is allocated to each individual month as management fee relates specifically to the entity's efforts to provide management services during the month.

Retrocession fees are allocated to each third party Fund on a monthly basis as per the respective agreement.

The entry and exit fees are allocated to each client investing or disinvesting from the Funds managed by the Company.

Arranger fees are allocated as per the agreement in place between the Company and the client.

Commission received from structured products is allocated to each product as and when it is due as per the agreement.

SBM Fund Services Ltd

The transaction price which comprises the variable consideration related to the registry and administrative fee is allocated to each individual month as the registry and administrative fee relates specifically to the entity's efforts to provide registry/administrative services during the month.

Trustee fees and debenture holder representative fees are allocated to each client on a monthly basis based on the agreement in place.

SBM Capital Markets Ltd

The corporate finance advisory fees are allocated to each client once the assignment has been completed.

Arranger fees are allocated as per the agreement in place between the Company and the client.

Commission received from trading services provided is allocated to each trading activity (equity and bond trading) as and when it is due as per the agreement.

SBM Factors Ltd

Factoring fees are allocated to each batch of invoices being financed.

Signing fee is fixed amount charged to the client.

SBM Insurance Agency Ltd

Commission from life and general insurance is allocated to each client on a monthly basis based on the premium collected by the Insurance Company.

DTA commission is allocated once the service is completed based on the agreement in place.

27.a REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

Accounting policy (cont'd)

Satisfaction of performance obligations

SBM Mauritius Asset Managers Ltd

The Company concluded that the management and retrocession fees are recognised over time as the customer simultaneously receives and consumes the benefits provided by the Company when the latter discharges the service or the Company's performance enhances the assets that the fund controls.

On the other hand, entry and exit fees are recognised at a point in time as the benefits are obtained only upon new investment or disinvestment by a customer. Arranger fees and commission from structured products are also recognised at a point in time as they are a one-off fee received upon the completion of the capital raising and at the start of the life of each product respectively.

SBM Fund Services Ltd

The Company concluded that all the fees are recognised over time as the customer simultaneously receives and consumes the benefits provided by the Company when the latter discharges the service or the Company's performance enhances the assets that the fund controls.

SBM Capital Markets Ltd

The Company concluded that the corporate finance advisory fees and arranger fees are recognised at a point in time upon completion of assignment.

SBM Factors Ltd

The Company concluded that the factoring fees are recognised at a point in time upon financing of each batch of invoice. Signing fee is also recognised at a point in time upon onboarding of new client.

SBM Insurance Agency Ltd

The Company concluded that all the commissions are recognised at a point in time upon collection of premium by the Insurance Companies.

Principal versus agent considerations

SBM Mauritius Asset Managers Ltd

The Company determined that it is a principal in the contracts as it is primarily responsible for fulfilling the promise to provide the specified service.

SBM Fund Services Ltd

The Company determined that it is a principal in the contracts as it is primarily responsible for fulfilling the promise to provide the specified service.

SBM Capital Markets Ltd

The Company determined that it is a principal in the contracts as it is primarily responsible for fulfilling the promise to provide the specified service.

SBM Factors Ltd

The Company determined that it is a principal in the contracts since it is primarily responsible for fulfilling the promise to provide the specified service.

SBM Insurance Agency Ltd

The Company determined that it is an agent in the contracts as it is not primarily responsible for fulfilling the promise to provide the specified service. The Company has no discretion in establishing the premium for the policies. The Company's consideration in these contracts is only based on a percentage of the premium being received by the Insurance Companies.

27.a REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

27.a .(i) Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	THE GROUP		
	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
	MUR' 000	MUR' 000	MUR' 000
SBM Mauritius Asset Managers Ltd			
Management fees	36,781	47,432	34,333
Retrocession fees	2,682	4,978	3,200
Entry and exit fees	3,387	6,575	3,712
Arranger fees	-	-	43,034
Commission from structured products	106	5,787	9,590
Asset management fees	42,956	64,772	93,869
SBM Capital Markets Ltd			
Commission income - Local equity	21,597	11,997	35,818
Commission income - Foreign equity	9,421	4,542	5,288
Commission income - Local bonds	793	3,179	9,481
Commission income - Foreign bonds	12,461	23,202	20,711
Brokerage income	44,272	42,920	71,298
SBM Capital Markets Ltd			
Entry and exit fees	612	-	-
Management fees	2,871	-	-
Retrocession fees	1,659	322	-
Advisory fees	8,596	-	-
SBM Fund Services Ltd			
Registry fees from Funds	3,569	3,267	3,147
Registry fees from other clients	4,357	3,854	2,116
Trustee fees	942	859	1,372
Debenture holder representative fees	-	255	302
Administrative fees	5,176	6,251	5,763
SBM Factors Ltd			
Factoring fees	17,862	2,327	9
Signing fees	96	190	10
SBM Insurance Agency Ltd			
Life commission	12,845	19,223	-
General commission	2,394	2,713	-
DTA commission	23,103	21,427	-
Others	84,082	60,688	12,719
Total revenue from contracts with customers	171,310	168,381	177,886
Geographical markets			
Mauritius	145,090	137,607	148,687
Europe	12,399	14,480	12,657
US	8,538	10,064	10,364
Asia Pacific	2,244	2,646	2,653
Africa	3,039	3,583	3,525
Total revenue from contracts with customers	171,310	168,380	177,886
Timing of revenue recognition			
Services transferred at a point in time	111,158	134,070	127,652
Services transferred over time	60,152	34,310	50,234
Total revenue from contracts with customers	171,310	168,380	177,886

28. DIVIDEND INCOME

Accounting policy

Dividend is recognised when the Group's and Company right to receive the payment is established, which is generally when the dividend is declared.

	THE GROUP			THE COMPANY		
	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000
Financial assets measured at FVOCI	151,724	53,782	20,855	148,732	49,818	-
Investment in subsidiaries	-	-	-	1,382,875	1,150,500	1,239,262
Investment in associate (Note 9(iv))	-	-	-	38,849	32,750	31,273
Trading securities	71,352	56,269	646	-	-	-
	223,076	110,051	21,501	1,570,456	1,233,068	1,270,535

29. NET GAIN FROM FINANCIAL INSTRUMENTS

Accounting policy

Results arising from trading activities and includes all gains and losses from changes in fair value for financial assets and financial liabilities held-for-trading.

	THE GROUP			THE COMPANY		
	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000
Net gain from trading instruments	103,454	337,734	519,417	-	-	-
Investment securities at fair value through profit or loss	26,402	54,921	(2,506)	17,879	-	-
Other	(22,264)	117,194	(373)	-	-	-
	107,592	509,849	516,538	17,879	-	-

30. NET GAIN FROM SALE OF SECURITIES

	THE GROUP			THE COMPANY		
Assets measured at amortised cost	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000
Net gain on derecognition of financial assets measured at fair value through other comprehensive income	231,379	4,321	164,864	371	(794)	(10,529)
Net gain on derecognition of financial assets measured at amortised cost	27,110	33,179	284,573	6,396	28,408	22,907
Net gain on derecognition of financial assets at fair value through profit or loss	407,415	166,958	14,996	-	-	387
	665,904	204,458	464,433	6,767	27,614	12,765

31. OTHER OPERATING INCOME

	THE GROUP			THE COMPANY		
	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000
Bargain purchase gain arising on acquisition	-	957,941	-	-	-	-
Gain on disposal of plant and equipment	4,493	115,710	1,221	-	-	-
	4,493	1,073,651	1,221	-	-	-

32. PERSONNEL EXPENSES

Short-term employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:

(a) wages, salaries and social security contributions;

(b) paid annual leave and paid sick leave;

(c) bonuses; and

(d) non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees.

When an employee has rendered service to an entity during an accounting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.

The Group operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense under personnel expenses. Unpaid contributions are recorded as a liability. Refer to note 14 for accounting policy on defined benefit plans.

	THE GROUP			THE COMPANY		
	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000
Wages and salaries	2,330,177	1,564,000	1,269,259	67,826	77,618	6,940
Other social security obligations	31,215	1,950	18,601	831	799	99
Contributions to defined contribution plans	221,583	172,108	101,808	7,117	6,176	603
Amount recognised in respect of defined benefit plans (Notes 13)	34,166	30,274	26,363	1,363	-	-
Staff welfare cost	116,704	54,759	27,999	215	153	-
Management and professional charges	-	-	-	-	-	-
Security and cleaning services	-	-	-	-	-	-
Others	150,067	128,134	80,997	5,642	19,507	11,203
	2,883,912	1,951,225	1,525,027	82,994	104,253	18,843

33. OTHER EXPENSES

	THE GROUP			THE COMPANY		
	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000
Software licensing and other information technology cost	**696,088**	538,223	525,345	**73**	75,151	19
Utilities	**88,368**	69,863	69,946	**-**	-	-
Professional charges	**226,592**	175,946	118,870	**22,420**	50,869	40,932
Marketing costs	**125,057**	77,260	83,970	**6,555**	7,669	1,517
Rent, repairs and maintenance	**168,345**	236,324	190,391	**-**	-	-
Licence and other registration fees	**61,087**	38,131	37,479	**15,249**	12,951	15,414
Impairment of goodwill	**-**	417,715	-	**-**	-	-
Impairment of subsidiary at cost	**-**	-	-	**-**	45,277	-
Other*	**508,423**	365,670	167,238	**4,799**	61,812	3,684
	1,873,960	1,919,132	1,193,239	**49,096**	253,729	61,566

* *Includes mainly printing,stationary,subscription and other operational cost.*

34. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS

Accounting policy

Prior to 01 January 2018

Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For available-for-sale (AFS) equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered to be impaired, its carrying amount is reduced by the impairment loss for loans and advances to customers where the carrying amount is reduced through the use of an allowance account.

For AFS financial assets the cumulative gains or losses previously recognised in Other comprehensive income are reclassified to the Statement of profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of AFS equity investments, any increase in fair value subsequent to an impairment loss is recognised in Other comprehensive income and accumulated under the net unrealised investment fair value reserve.

34. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS (CONT'D)

Accounting policy (cont'd)

From 01 January 2018

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Loans and advances to banks;

- Loans and advances to customers;

- Debt investment securities;

- Loan commitments issued;

- Financial guarantee contracts, bills and letters of credit.

With the exception of POCI assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, that is, lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- full lifetime ECL, that is, lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for fulltime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since intial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood of 'investment grade'.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

The Group measures ECL on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender would not otherwise consider.

34. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS (CONT'D)

Accounting policy (cont'd)

Credit-impaired financial asset (cont'd)

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for the financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A loan that has been renegotiatied due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairement. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

Definition of default and cure

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or

- the borrower is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different type of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators such as breach of covenants, overdue status, non-payment on another obligation of the same counterparty. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources, for example, BOM guidelines on impairment.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

34. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS (CONT'D)

The table below shows the impairment charges recorded in the income statement under IFRS 9 during 2019:

The Group

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	83,708	775,643	3,115,498	3,974,849
Loans and placements with banks*	(50,129)	-	-	(50,129)
Debt instruments measured at amortised cost**	28,213	-	-	28,213
Other receivables	284	-	-	284
Loan commitments	42,834	-	-	42,834
Off balance sheet items (guarantees, letters of credit, acceptances)	(78,973)	(37,840)	(994)	(117,807)
Total credit loss expense under IFRS 9	25,937	737,803	3,114,504	3,878,244
Write off	-	-	-	-
Bad debts recovered	-	-	-	(882,102)
	25,937	737,803	3,114,504	2,996,142

The Company

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Debt instruments measured at amortised cost	(1,085)	-	-	(1,085)	1,646
Total credit loss expense under IFRS 9	(1,085)	-	-	(1,085)	1,646

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

34. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS (CONT'D)

* ECL movement for cash and cash equivalents are included under loans and placement with banks

** ECL movement for debt instrument at FVTOCI are included under debt instruments measured at amortised cost.

At 31 December 2018:

	Stage 1	Stage 2	Stage 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Loans and advances to non-bank customers	(164,345)	358,377	3,517,715	3,711,747
Loans and placements with banks*	47,975	-		47,975
Debt instruments measured at amortised cost**	28,445	-	17,565	46,010
	(19,832)	-		(19,832)
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	(26,733)	-	4,590	(22,143)
Total credit loss expense under IFRS 9	(134,490)	358,377	3,539,870	3,763,757
Bad debts recovered	-	-	-	(204,407)
	(134,490)	358,377	3,539,870	3,559,350

	THE GROUP
	31 December 2017
	MUR' 000
Portfolio and specific provisions:	
- On-balance sheet advances (Note 8c)	1,101,435
Bad debts written off for which no provisions were made	8,720
Recoveries of advances written off	(142,873)
Other	147,998
	1,115,280
Of which:	
Credit exposure	967,282
Other financial assets	147,998
	1,115,280

35. EARNINGS PER SHARE

Earnings per share is calculated by dividing profit attributable to equity holders of the parent by the number of shares outstanding during the year, excluding treasury shares.

	THE GROUP		
	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Profit attributable to equity holders of the parent	15,035	1,245,794	2,574,923
Number of shares entitled to dividend (thousands)	2,581,792	2,581,792	2,581,792
Basic and diluted earnings per share (cents)	0.58	48.25	99.73

36. NET CASH FROM OPERATING ACTIVITIES

	Notes	THE GROUP			THE COMPANY		
		31 December 2019	31 December 2018	31 December 2017	**31 December 2019**	31 December 2018	31 December 2017
Cash flows from operating activities		**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit for the year		**15,035**	1,245,794	2,574,923	**763,477**	627,235	1,254,013
Adjustments to determine net cash flows:							
Depreciation of property and equipment	10	**476,839**	205,246	166,796	**2,142**	1,946	1,203
Amortisation of intangible assets	11	**617,833**	621,951	503,170	**208**	6	-
Write off of property plant and equipment	10	**10,122**	109,932	37,874	**-**	-	-
Pension expense	32	**34,166**	30,274	26,471	**-**	-	-
Net impairment loss on financial assets	34	**2,996,142**	3,559,350	1,115,280	**(1,085)**	-	-
Write off of Intangible assets	11	**15,240**	81,847	-	**-**	-	-
Bargain gain		**-**	(957,939)	-	**-**	-	-
Impairement of goodwill		**-**	417,714	-	**-**	-	-
Exchange difference		**895,186**	61,149	27,852	**335,822**	52,803	(163,914)
Net loss/(gain) on sale of financial assets at FVOCI investments		**-**	(200,761)	83	**-**	-	67,071
Net (gain)/loss from dealings in trading securities	29	**(103,454)**	(4,321)	(30,726)	**(6,767)**	-	-
Net gain on disposal of property and equipment	31	**(4,493)**	(115,710)	(1,222)	**-**	-	-
Net gain on financial assets at amortised cost		**-**	(16,197)	-	**-**	(27,614)	-
Fair Value Movement in FVOCI Investment		**-**	-	-	**(9,145)**	-	-
Investment securities at fair value through profit or loss	29	**(4,138)**	(509,849)	1,608	**(17,879)**	-	-
Interest income		**-**	-	-	**(68,079)**	(77,913)	(131,045)
Interest expense		**-**	-	-	**476,589**	309,019	149,011
Interest on lease liabilities	10	**(57,750)**	-	-	**-**	-	-
Tax expense	17 a	**547,487**	379,633	585,375	**357**	10,867	(2,895)
Share of profit of associate	9 (iv) (a)	**(139,237)**	(100,240)	(92,296)	**-**	-	-
Dividend income	28	**(223,076)**	(110,051)	(21,501)	**(1,570,456)**	(1,233,068)	(1,270,535)
Operating profit/(loss) before working capital changes		**5,075,902**	4,697,822	4,893,687	**(94,816)**	(336,719)	(97,091)
Change in operating assets and liabilities							
(Decrease)/increase in trading assets		**(6,737)**	597,017	(1,160,049)	**-**	-	-
(Increase)/decrease in loans to and placements with banks		**1,900,358**	2,505,522	(4,251,489)	**-**	-	-
(Increase)/decrease in loans and advances to non bank customers		**(10,387,570)**	255	(31,101,876)	**-**	-	-
(Increase)/decrease in gilt-edged investment securities		**(22,706,453)**	(28,303,861)	(3,837,429)	**1,458,121**	(1,466,430)	1,422,126
Decrease/(increase) in other investment securities		**(261,400)**	352,159	4,234,496	**-**	(178,348)	1,439,879
(Decrease)/increase in mandatory balances with central banks		**(703,027)**	10,708,544	(1,798,338)	**-**	-	-
(Increase)/decrease in other assets		**(1,442,412)**	(241,747)	(399,544)	**(78,206)**	(82,862)	(68,947)
Increase/(decrease) in trading liabilities		**81,736**	(535,200)	1,152,228	**-**	-	-
(Decrease)/increase in deposits from banks		**190,819**	27,437	(1,922,404)	**-**	-	-
Increase in deposits from non-bank customers		**30,012,707**	4,926,494	34,335,239	**-**	-	-
Increase/(decrease) in other liabilities		**1,407,218**	1,574,513	1,587,959	**25,564**	86,275	(495)
Interest received		**-**	-	-	**70,537**	77,804	202,313
Interest paid		**-**	-	-	**(485,108)**	(306,567)	(151,036)
Other dividend received		**199,833**	142,801	52,774	**1,570,456**	1,233,068	1,052,273
Income tax paid	17 c	**(800,502)**	(296,144)	(550,533)	**(860)**	(10,363)	2,546
Net cash from operating activities		**2,560,472**	(3,844,388)	1,234,721	**2,465,688**	(984,142)	3,801,568

37. RELATED PARTY DISCLOSURES

Accounting policy

For the purposes of these financial statements, parties are considered to be related to the Group if they have the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or if they and the Group are subject to common control. Related parties may be individuals or other entities.

The Group

	Key management personnel including directors			Associates and other entities in which the Group has significant influence			Entities (including their subsidiaries) in which the Group has significant influence			Entities in which directors, key management personnel and their close family members have significant influence		
	31 Dec 2019	31 Dec 2018	31 Dec 2017	**31 Dec 2019**	31 Dec 2018	31 Dec 2017	**31 Dec 2019**	31 Dec 2018	31 Dec 2017	**31 Dec 2019**	31 Dec 2018	31 Dec 2017
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
(a) Credit facilities												
(i) Loans												
Balance at beginning of year	**209,711**	170,942	100,296	**2,589,191**	2,868,421	-	**6,702**	3,205	-	**1,687,766**	5,450,405	1,320,812
Loans to directors/ entities who ceased to be related parties during the year	**(49,167)**	(23,513)	(3,799)	**-**	(391,377)	-	**-**	-	-	**(256,891)**	(3,365,943)	-
Existing loans of new related parties	**24,067**	23,208	-	**-**	-	2,868,421	**1,112,281**	65	3,205	**-**	-	4,101,901
Exchange difference	**3,578**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Other net movements	**11,709**	39,074	74,445	**239,508**	112,147	-	**1,172**	3,432	-	**(12,974)**	(396,696)	27,692
Balance at end of year	**199,898**	209,711	170,942	**2,828,699**	2,589,191	2,868,421	**1,120,155**	6,702	3,205	**1,417,901**	1,687,766	5,450,405
(ii) Off-balance sheet obligations												
Balance at end of year	**-**	50	100	**720,982**	678,424	768,315	**143,143**	12,000	12,000	**42,235**	34,535	50,600
(b) Deposits at end of year	**225,959**	237,401	154,318	**2,031,404**	1,566,800	2,142,657	**471,708**	171,484	284,721	**696,682**	2,765,967	3,948,271
(c) Interest income	**11,904**	9,317	8,054	**84,331**	84,922	54,306	**20,495**	18,781	83,239	**73,085**	70,609	260,205
(d) Interest expense	**1,720**	1,791	1,251	**29,358**	19,934	27,239	**415**	-	2,126	**968**	5,461	11,345
(e) Other income	**51**	32	36	**12,548**	13,908	13,828	**1**	2	1	**29,876**	32,153	44,384
(f) Dividend income	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
(g) Purchase of goods and services	**12,549**	8,943	9,264	**-**	-	-	**-**	-	-	**-**	-	-
(h) Emoluments	**166,466**	91,380	56,685	**-**	-	-	**-**	-	-	**-**	-	-

37. RELATED PARTY DISCLOSURES (CONT'D)

	THE GROUP		
	31 Dec 2019	31 Dec 2018	31 Dec 2017
Related party transactions in relation to Post Employment Benefit Plans are as follows:	MUR' 000	MUR' 000	MUR' 000
Deposits at end of year	**211,640**	97,051	63,809
Interest expense	**216**	-	-
Other income	**-**	-	-
Contributions paid	**172,701**	170,970	104,823

Credit facilities to key management personnel and executive Directors are as per their contract of employment. Credit facilities are secured except for credit card advances and some personal loans which are granted under an unsecured loan scheme in the normal course of business.

38. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern and maximise returns to shareholders. It also ensures that adequate capital is maintained to support its growth strategies, its risk appetite and depositors' confidence, while complying with statutory and regulatory requirements. The capital resources of the Group are disclosed in the statement of changes in equity.

All entities within the Group have met the respective minimum capital requirements set out by the relevant regulatory body and, where applicable, appropriate transfers have also been made to statutory reserves, ranging from 10% to 25% of annual profits.

Pursuant to the Group restructuring approved by the Bank of Mauritius under Section 32A of the Banking Act, which became effective on 02 October 2014, SBM Holdings Ltd is now the ultimate holding company of the SBM Group. Surplus capital held by SBM Bank (Mauritius) Ltd (formerly known as State Bank of Mauritius Ltd) have been streamed up to SBM Holdings Ltd which in turn invested in SBM (Bank) Holdings Ltd, the holding company for the Banking segment. As per the constitution of SBM Holdings Ltd, not less than 90% of its capital, reserves and borrowings shall be invested in banking activities/operations. SBM Holdings Ltd and also SBM (Bank) Holdings Ltd are supervised by the Bank of Mauritius (BOM) as per the conditions of BOM approval of the SBM Group Restructuring and BOM approval is required whenever capital will be injected in the operating companies in accordance with the order of priority specified under Section 36 of the Banking Act to ensure planned growth and regulatory compliance.

Banks in Mauritius are required to maintain a ratio of eligible capital to risk weighted assets of at least 10%, whereas for India, Kenya and Madagascar, the minimum ratio is set at 9%,10% and 8% respectively.

	THE GROUP		
	31 Dec 2019	31 Dec 2018	31 Dec 2017
	MUR' 000	MUR' 000	MUR' 000
Tier 1 capital	**19,914,644**	19,717,395	20,010,395
Eligible capital	**30,155,858**	30,058,634	25,109,218
Risk weighted assets	**136,690,101**	122,052,041	125,684,007
Capital adequacy ratio (%)	**22.06**	24.63	19.98

39. OTHER RESERVES

The Group	Net unrealised investment fair value reserve MUR' 000	Net translation reserve MUR' 000	Net other reserve MUR' 000	Earnings reserve MUR' 000	Restructure reserve MUR' 000	Total MUR' 000
At 01 January 2017	(231,667)	175,194	1,276	2,935,807	(8,316,147)	(5,435,537)
Other comprehensive income for the year	(84,196)	(65,347)	290	-	-	(149,253)
At 31 December 2017	(315,863)	109,847	1,566	2,935,807	(8,316,147)	(5,584,790)
At 01 January 2018	(315,863)	109,847	1,566	2,935,807	(8,316,147)	(5,584,790)
Impact of adopting IFRS 9	34,993	-	-	-	-	34,993
Restated opening balance under IFRS 9	(280,870)	109,847	1,566	2,935,807	(8,316,147)	(5,549,797)
Other comprehensive income for the year	(556,262)	(176,373)	(96,235)	-	-	(828,870)
At 31 December 2018	(837,132)	(66,526)	(94,669)	2,935,807	(8,316,147)	(6,378,667)
At 01 January 2019	**(837,132)**	**(66,526)**	**(94,669)**	**2,935,807**	**(8,316,147)**	**(6,378,667)**
Credit loss expense relating to debts instruments held at FVTOCI	**(6,356)**	**-**	**-**	**-**	**-**	**(6,356)**
Share of OCI of associate	**76,112**	**25,496**	**-**	**-**	**-**	**101,608**
Other comprehensive income for the year	**671,877**	**327,378**	**-**	**-**	**-**	**999,255**
Reclassification of associate to their respective reserve	**(76,785)**	**(17,884)**	**94,669**	**-**	**-**	**-**
Transfer to retained earnings	**-**	**(1,078)**	**-**	**-**	**-**	**(1,078)**
At 31 December 2019	**(172,284)**	**267,386**	**-**	**2,935,807**	**(8,316,147)**	**(5,285,238)**

Net unrealised investment fair value reserve

This reserve comprise of fair value movements recognised on fair value through other comprehensive income.

Net translation reserve

The net translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries and associates.

Statutory reserve

This reserve represents transfers from retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the profit for the year is transferred each year until the balance is equal to the amount paid as stated capital.

Earnings reserve

The earnings reserve represents retained earnings earmarked towards capital contribution upon transfer of the Indian Operations of SBM Bank (Mauritius) Ltd to SBM Holdings Ltd. We have received approval from the Reserve Bank of India (RBI) for the conversion of SBM Bank (Mauritius) Ltd's indian branch into a wholly owned subsidiary. This reserve will be converted into capital upon successful completion of the conversion.

Restructuring reserve

Restructuring reserve includes net unrealized investment fair value reserve of MUR 5,401 million, net translation reserve of MUR 646 million and net property revaluation reserve of MUR 1,063 million and shall not be reclassified to the statement of profit or loss upon disposal of the related asset.

40. RISK MANAGEMENT

The Board of Directors oversees the risk management framework and ensures decision making is aligned with the Board-driven strategic risk objectives and risk appetite. Board approves the risk policies and a set of prudential limits and risk tolerance limits, besides regulatory limits, within which the Group operates. The Senior Management monitors risks totally on an ongoing basis at regular intervals as necessary and is accountable to ensure its operations are within approved policies, prudential limits besides regulatory limits and risk appetite approved framework. Any deviation and non-compliance are reported to Board Risk Committee. The principal risks arising from financial instruments to which the Group is exposed include credit risk, liquidity risk, market risk, operational risk, strategic risk and reputational risk.

a (i) Classification of financial assets and financial liabilities

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 as at 31 December 2017	New carrying amount under IFRS 9 as at 01 January 2018	Carrying amount under IFRS 9 as at 31 December 2018
			MUR' 000	MUR' 000	MUR' 000
Financial assets					
Cash and cash equivalents	Loans and receivables	Amortised Cost	16,331,538	16,315,340	**15,653,515**
Mandatory balances with central banks	Loans and receivables	Amortised Cost	8,966,717	8,966,717	**9,977,260**
Loans to and placements with banks	Loans and receivables	Amortised Cost	8,897,399	8,881,308	**11,090,361**
Derivative financial instruments	Fair value through P&L	Fair value through P&L	1,356,774	1,356,774	**764,077**
Loans and advances to non-bank customers	Loans and receivables	Amortised Cost	103,128,838	102,876,591	**102,108,174**
Investments - AFS (equity and/or debt instruments	Available-for-sale	Fair value through OCI	13,079,833	13,079,833	**29,901,138**
Investments - HFT	Fair value through P&L	Fair value through P&L	7,512,462	7,512,462	**10,062,970**
Investments - HTM	Held-to-maturity	Amortised Cost	19,408,126	19,384,977	**31,630,179**
Other assets	Loans and receivables	Amortised Cost	765,324	765,324	**1,432,707**
Total financial assets			179,447,011	179,139,326	**212,620,381**
Financial liabilities					
Deposits from banks	Amortised Cost	Amortised Cost	689,265	689,265	**716,702**
Deposits from non-bank customers	Amortised Cost	Amortised Cost	144,850,676	144,850,676	**169,384,480**
Derivative financial instruments	Fair value through P&L	Fair value through P&L	1,334,641	1,334,641	**799,441**
Other borrowed funds	Amortised Cost	Amortised Cost	13,686,203	13,686,203	**14,522,085**
Other liabilities	Amortised Cost	Amortised Cost	2,076,706	2,076,706	**3,397,898**
Total financial liabilities			162,637,491	162,637,491	**188,820,606**

40. RISK MANAGEMENT (CONT'D)

a (ii) Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments held at the reporting date.

	31 December 2019		31 December 2018		31 December 2017	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
GROUP	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Financial assets						
Cash and cash equivalents	**18,181,126**	**18,181,126**	15,653,515	15,653,515	16,331,538	16,331,538
Mandatory balances with central banks	**10,680,287**	**10,680,287**	9,977,260	9,977,260	8,966,717	8,966,717
Loans to and placements with banks	**9,240,131**	**9,240,131**	11,090,361	11,090,361	8,897,399	8,897,399
Derivative financial instruments	**874,269**	**874,269**	764,077	764,077	1,356,774	1,356,774
Loans and advances to non-bank customers	**109,396,640**	**109,151,966**	102,108,174	102,636,234	103,128,838	103,057,726
Investment securities	**94,276,665**	**94,922,762**	71,594,287	75,496,262	40,000,421	42,525,808
Equity investments	**6,014,270**	**6,014,270**	5,752,870	5,752,870	6,137,779	6,137,779
Other assets	**2,750,495**	**2,750,495**	1,432,707	1,432,707	765,324	765,324
	251,413,883	**251,815,306**	218,373,251	222,803,286	185,584,790	188,039,065
Financial liabilities						
Deposits from banks	**907,521**	**907,521**	716,702	716,702	689,265	689,265
Deposits from non-bank customers	**199,397,188**	**199,396,303**	169,384,480	169,505,655	144,850,676	144,855,080
Other borrowed funds	**15,670,968**	**15,670,968**	14,522,085	14,522,085	13,686,203	13,686,203
Derivative financial instruments	**881,176**	**881,176**	799,441	799,441	1,334,641	1,334,641
Other liabilities	**7,350,644**	**7,350,644**	3,397,898	3,397,898	2,076,706	2,076,706
Subordinated debts	**9,739,981**	**9,739,981**	9,412,677	9,412,677	3,701,466	3,701,466
	233,947,478	**233,946,593**	198,233,283	198,354,458	166,338,957	166,343,361
COMPANY						
Financial assets						
Cash and cash equivalents	**178,632**	**178,632**	32,890	32,890	73,223	73,223
Investment securities	**1,670,478**	**2,070,619**	3,105,326	3,327,032	1,461,801	1,508,806
Equity investments	**4,227,683**	**4,227,683**	4,227,683	4,227,683	4,292,925	4,292,925
Other assets	**231,000**	**231,000**	153,309	153,309	70,448	70,448
	6,307,793	**6,707,934**	7,519,208	7,740,914	5,898,397	5,945,402
Financial liabilities						
Other liabilities	**114,880**	**114,880**	91,777	91,777	5,423	5,423
Subordinated debts	**9,739,981**	**9,739,981**	9,412,677	9,412,677	3,701,466	3,701,466
	9,854,861	**9,854,861**	9,504,454	9,504,454	3,706,889	3,706,889

For loans and advances to non-bank customers, all the fixed loans and advances maturing after one year has been fair valued based on the current prevailing lending rate.

For investment securities, all the government bonds and BOM bonds have been fair valued based on the latest weighted yield rate.

For deposits from non-bank customers, all the term deposits maturing after one year has been fair valued based on the current prevailing savings rate.

Except for the levels in which the financial assets and financial liabilities are shown in table 40 (a)(iii), the fair values of the other financial assets and financial liabilities are categorised in level 3.

40. RISK MANAGEMENT (CONT'D)

a (iii) Fair value measurement hierarchy

Significant accounting estimates and judgements

The fair value of equity investments that are quoted on active markets are based on the quoted prices for these instruments. Valuation techniques used to estimate the fair value of unquoted equity investments include the dividend growth, discounted cash flows and net assets. Management has made certain assumptions for inputs in the models, such as risk free rate, risk premium, dividend growth rate, future cash flows, weighted average cost of capital and earnings before interest, depreciation and tax, which may be different from actual. Inputs are based on information available at the reporting date.

The determination of fair values, estimated by discounting future cash flows and by determining the relative interest rates, is subjective. The estimated fair value was calculated according to interest rates prevailing at the reporting date and does not consider interest rate fluctuations. Given other interest rate assumptions, fair value estimates may differ.

Fair value measurements of financial instruments can be grouped into level 1 to 3 based on the degree to which the fair value is observable, namely:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	THE GROUP				THE COMPANY			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2019								
Derivative financial assets	-	874,269	-	874,269	-	-	-	-
Investment securities mandatorily measured at FVTPL								
Debt securities	11,445,809	-	549,308	11,995,117	-	-	-	-
Equity securities	-	383,118	-	383,118	-	-	-	-
Investments at FVTOCI (debt and equity instruments)								
Debt securities	54,062,816	-	624,466	54,687,282	-	598,699	-	598,699
Equity securities	83,111	802,286	5,128,333	6,014,270	-	-	4,227,683	4,227,683
Total assets	65,591,736	2,060,213	6,302,107	73,954,056	-	598,699	4,227,683	4,826,382
Derivative financial liabilities	-	881,176	-	881,176	-	-	-	-
Total liabilities	-	881,176	-	881,176	-	-	-	-

40. RISK MANAGEMENT (CONT'D)

a (iii) Fair value measurement hierarchy (cont'd)

	THE GROUP				THE COMPANY			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2018								
Derivative financial assets	-	764,077	-	764,077	-	-	-	-
Investment securities mandatorily measured at FVTPL								
Debt securities	8,946,665	1,116,305	-	10,062,970	-	-	-	-
Investments at FVTOCI (debt and equity instruments)								
Debt securities	21,763,457	7,678,094	459,589	29,901,140	-	680,639	-	680,639
Equity securities	111,702	631,655	5,009,513	5,752,870	-	-	4,227,683	4,227,683
Total assets	30,821,824	10,190,131	5,469,102	46,481,057	-	680,639	4,227,683	4,908,322
Derivative financial liabilities	-	799,441	-	799,441	-	-	-	-
Total liabilities	-	799,441	-	799,441	-	-	-	-
31 December 2017								
Derivative financial instruments	-	1,356,774	-	1,356,774	-	-	-	-
Investment securities								
Held-for-trading financial assets	5,767,996	1,744,466	-	7,512,462	-	-	-	-
Investment securities - available-for-sale	8,024,317	4,424,901	630,615	13,079,833	-	475,929	-	475,929
Equity investments - available-for-sale	150,289	784,139	5,203,530	6,137,958	-	-	4,292,925	4,292,925
Total assets	13,942,602	8,310,280	5,834,145	28,087,027	-	475,929	4,292,925	4,768,854
Derivative financial liabilities	-	1,334,641	-	1,334,641	-	-	-	-
Total liabilities	-	1,334,641	-	1,334,641	-	-	-	-

Fair value through other comprehensive income

Valuation technique	Significant unobservable inputs	Range of input
Discounted projected cash flow	Weighted Average Cost of Capital (WACC)	9.28%
	Favourable changes	Unfavourable changes
0.25% change in WACC **(MUR' 000)**	3,839,565	3,839,565

40. RISK MANAGEMENT (CONT'D)

a (iii) Fair value measurement hierarchy (cont'd)

Reconciliation for level 3 fair value measurements:

	THE GROUP			THE COMPANY		
	31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Balance at start of year	**5,469,102**	5,834,145	5,930,972	**4,227,683**	4,292,925	4,261,347
Additions	**714,183**	-	614,249	**-**	-	-
Impairment	**-**	-	(3,688)	**-**	-	-
Disposals	**-**	(683,731)	-	**-**	-	-
Transfer to Level 2	**-**	-	(784,139)	**-**	-	-
Exchange difference	**-**	341,939	(14)	**-**	-	-
Movement in fair value	**118,822**	(23,251)	76,765	**-**	(65,242)	31,578
Balance at end of year	**6,302,107**	5,469,102	5,834,145	**4,227,683**	4,227,683	4,292,925

There was no transfer between Level 1 and 2 during the year.

b Credit risk

The Group is exposed to credit risk through its lending, trade finance, treasury, asset management and leasing activities. Credit risk is the risk of loss arising from the failure of a counterparty to fulfil its contractual or financial obligations to the Group as and when they fall due. The Group's credit risk is managed through a portfolio approach with prudential limits set across country, bank, industry, group and individual exposures. The credit risk team, independent of the origination process, ensures the accumulation of assets within acceptable risk norms using internal and external rating systems for the standardisation of credit assessment. The Group has a tiered credit sanctioning process depending on the credit quality, exposure type and amount. Credit exposures and risk profile are monitored by the Credit Risk Management Unit and reported regularly to the Board and Risk Management Committee.

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure

The maximum exposure to credit risk at the reporting date without taking account of any collateral held and other credit enhancements is as disclosed below:

	THE GROUP			THE COMPANY		
	31 December 2019	31 December 2018	31 December 2017	**31 December 2019**	31 December 2018	31 December 2017
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**	**MUR' 000**
Fund-based exposures:						
Cash and cash equivalents	**15,268,102**	12,191,837	14,161,991	**178,632**	32,890	73,223
Mandatory balances with central banks	**10,680,287**	9,977,260	8,966,717	**-**	-	-
Loans to and placements with banks	**9,265,612**	11,127,328	8,897,399	**-**	-	-
Derivative financial instruments	**874,269**	764,077	1,356,774	**-**	-	-
Loans and advances to non-bank customers	**121,732,978**	112,426,043	107,197,841	**-**	-	-
Investment securities (excluding equity investments)	**94,443,100**	71,614,171	40,000,421	**1,671,039**	7,333,009	1,461,801
Other assets	**2,750,495**	1,432,707	765,324	**231,000**	153,309	70,448
	255,014,843	219,533,423	181,346,467	**2,080,671**	7,519,208	1,605,472
Non-fund based exposures:						
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	**10,954,435**	11,383,478	12,617,998	**-**	-	-
Credit commitments	**13,675,505**	9,071,296	14,238,833	**-**	-	-
	24,629,940	20,454,774	26,856,831	**-**	-	-

An analysis of the Group's maximum exposure to credit risk per class of financial asset, internal rating and 'stage', at the reporting date, without taking account of any collateral held and other credit enhancements have been disclosed in Notes 6 and 8.

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

An analysis of credit exposures, including non-fund based facilities, for advances to non-bank customers that are neither past due nor impaired using the Group's credit grading system is given below:

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Grades:			
1 to 3 - High Grade	**43,942,917**	43,961,314	53,825,569
4 to 6 - Standard	**46,220,106**	35,196,815	36,694,096
7 to 10 (including unrated) - Sub standard	**31,136,274**	34,593,279	33,776,743
	121,299,297	113,751,408	124,296,408

Grade 1 includes customers with low credit risk factors, strong financial conditions and excellent repayment capacities whereas grade 10 includes unrated customers which have been defaulted to 10 on a prudent basis.

The carrying amounts of loans and advances whose terms have been renegotiated during the year amounted to MUR 12,494.6 million (2018: 7,842.5 million and 2017: MUR 4,082.8 million) for the Group.

All cash and cash equivalents, loans and placements with banks and loans and receivables – investment securities are held with financial institutions having grades 1 to 5.

Internal credit risk ratings

In order to minimise credit risk, the Group has tasked its Credit Management Committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises different categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Group's exposures:

- Payment record and ageing analysis;
- Extent of utilisation of granted limit;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies; and
- For retail exposures internally generated data of customer behaviour or other metrics.

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposure analysed by type of products and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Group's internal credit risk grades to external ratings.

GROUP'S CREDIT RISK GRADES	MOODY'S RATING	DESCRIPTION
1	Aaa	High Grade
2	Aa1	High Grade
3	Aa2 to Aa3	High Grade
4	A1 to A3	Standard
5	Baa1 to Ba1	Standard
6	Ba1	Standard
7	Ba2 to Ba3	Sub-standard
8	B1	Sub-standard
9	B2 to B3	Sub-standard
10	Caa1 to NR	Sub-standard

The Group analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time and uses probability-weighted forecasts to adjust estimates of PDs.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrate otherwise.

The Group has monitoring procedures in place to ensure that the criteria used to identify significant increase in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due. The Group performs periodic back-testing of its ratings to consider whether the drivers of credit-risk that led to default were accurately reflected in the rating in a timely manner.

1. Inputs, assumptions and techniques used in estimating impairment : Refer to Note 8c Impairment losses on loans and advances to non-bank customers

2. Significant increase in credit risk

The Group monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of default that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting date. Different economic scenario will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

2. Significant increase in credit risk (cont'd)

For corporate lending, forward-looking information includes the future prospects of the industries in which the Group's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly to certain industries, as well as internally generated information of customer payment behaviour. The Group allocated its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with

- the remaining lifetime PD for the point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Group uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate a significant increase in credit risk are reflected in PD models on a timely basis. However the Group still considers separately some qualitative factors to assess if credit risk has increased significantly, such as, creditworthiness of counterparty which has deteriorated as unemployment, bankruptcy or death.

As a back-stop when an asset becomes 30 days past due (rebuttable presumption), the Group considers that a significant increase in credit risk has occurred and the asset is in Stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

3. Modified financial asset

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under this policy, renegotiation is performed on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to renegotiation policy. For financial assets modified, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal based on the Group's previous experience on similar renegotiation.

Generally modification of financial assets is a qualitative indicator of a significant increase in credit risk and may constitute evidence that the exposure is credit-impaired/ in default. A customer needs to demonstrate consistently good payment behaviour over a period of time, as prescribed by BOM guidelines on Credit Impaired Measurement (see below) before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

3. Modified financial asset (cont'd)

Where the restructuring occurs prior to the classification of a loan as impaired, the restructured loan is classified as impaired when, in the aggregate, the period of time the loan is in arrears before and after restructuring is 90 days or more.

Where the restructuring occurs after a loan has been classified as impaired, the restructured loan is continued to be classified as impaired until repayments have been received by the Group, in amount and in such stipulated time, for a continuous period of six months, strictly in accordance with the terms and conditions of the restructured loan.

Where the loan has been restructured more than once, the restructured loan shall continue to be classified as impaired until repayments have been received by the financial institutions in amount and in such stipulated time, for a continuous period of nine months, at a minimum, strictly in accordance with the terms and conditions of the restructured loan.

4. Incorporation of forward-looking information

The Group incorporates forward looking information that is available without undue cost and effort into both its assessment of whether the credit risk of an instrument has increased significantly since its intial recognition and its measurement of ECL. Based on analysis from the Group's Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. The following key indicators were considered for year ended 31 December 2019: GDP, interest rates.

Measurement of ECL : The key inputs into the measurement of ECL are the following:

(i) probability of default (PD);

(ii) loss given default (LGD);

(iii) exposure at default (EAD).

These parameters are derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(i) Maximum credit exposure (cont'd)

Internal credit risk ratings (cont'd)

5. Measurement of ECL

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property. LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques. As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

(ii) Collateral and other credit enhancements

The use of credit risk mitigants is an integral part of the credit risk management process and is documented in the Group Credit Risk Policy. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types taken include:

- Fixed/ floating charge on assets of borrowers;
- Pledge of deposits/ securities/ life insurance policy/ shares;
- Government guarantee/ bank guarantee/ corporate guarantee/ personal guarantee;
- Lien on vehicle; and
- Letter of comfort.

The Group holds collateral and other credit enhancement against certain of its credit exposure. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	31 December 2019	31 December 2018	31 December 2017	Principal type of collateral held
	MUR' 000	MUR' 000	MUR' 000	
Fund-based exposures:				
Cash and cash equivalents	**15,268,103**	12,191,839	14,161,991	*Unsecured*

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(ii) Collateral and other credit enhancements (cont'd)

Type of credit exposure	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000	Principal type of collateral held
Mandatory balances with central banks	**10,680,287**	9,977,260	8,966,717	*Unsecured*
Loans to and placements with banks	**9,265,612**	11,127,328	8,897,399	*Unsecured*
Derivative financial instruments	**874,269**	764,077	1,356,774	*Unsecured*
Loans and advances to non-bank customers	**121,732,978**	112,426,043	107,197,841	*Property, equity instruments, cash deposits and other guarantees*
Investment securities	**94,443,100**	71,614,171	40,000,421	*Unsecured*
Other assets	**2,750,495**	1,432,707	765,324	*Unsecured*
Non-fund based exposures:				
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	**10,954,435**	11,383,478	12,617,998	*Property, equity instruments, cash deposits and other guarantees*
Credit commitments	**13,675,505**	9,071,296	14,238,833	*Unsecured*

In addition to the collateral included in the table above, the Group holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral at 31 December 2019. There was no change in the Group's collateral policy during the year.

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(iii) Ageing of receivables that are past due but not impaired:

	THE GROUP		
	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Up to 1 month	183,537	393,924	458,267
Over 1 month and up to 3 months	389,921	600,625	102,881
	573,458	994,549	561,148

Under the Group's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. The table below provides an analysis of the gross carrying amount of receivables by past due status:

	31 December 2019	
	Gross carrying amount	Loss allowance
	MUR' 000	MUR' 000
0-30 days (Stage 1)	82,236,579	725,919
31-89 days (Stage 2)	23,117,345	1,944,110
Total	105,353,924	2,670,029

(iv) Impaired financial assets

Loans and advances are assessed for impairment when objective evidence, such as default or delinquency in interest or principal payments, significant financial difficulty of the counterparty or evidence that the borrower will enter bankruptcy or financial re-organisation, indicate that the account may be impaired.

The carrying amount of impaired financial assets and specific allowance held are shown below:

	THE GROUP		
	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Loans and advances (Note 8d)	16,379,054	18,233,076	4,786,528
Specific allowance held in respect of impaired advances (Note 8d)	9,666,309	8,536,038	2,741,141
Fair value of collaterals of impaired advances	7,461,298	11,018,417	3,137,676

40. RISK MANAGEMENT (CONT'D)

b Credit risk (cont'd)

(v) Credit concentration of risk by industry sectors

Total outstanding credit facilities, net of deposits where there is a right of set off, including guarantees, acceptances, and other similar commitments extended by the Group to any one customer or group of closely-related customers for amounts aggregating more than 15% of its capital base, classified by industry sectors:

	THE GROUP		
	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Portfolio			
Agriculture	**2,319,392**	5,603,930	2,478,382
Traders	**9,646,283**	15,920,016	9,190,737
Real estate	**5,150,442**	3,168,948	5,396,668
Financial institutions	**2,201,073**	-	-
Services	**2,543,437**	2,357,501	-
Tourism	**4,889,755**	2,850,973	6,212,128
	26,750,382	29,901,368	23,277,915

c Liquidity risk

Liquidity risk is the potential earnings volatility arising from being unable to fund assets at reasonable rates over required maturities. The Group ensures that sufficient liquidity is maintained to fund its day-to-day operations, meet deposit withdrawals and loan disbursements. Liquidity risk is managed by setting prudential limits on maturity mismatches, liquid assets ratios, concentration of deposits by type and by entity. Liquidity gap analysis is used to measure and monitor the mismatches by time bucket and currency under realistic and stress scenarios.

40. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

(i) The tables below show the expected timing of cash flows for financial assets and liabilities of the Group, slotted as per the rules defined by the Bank of Mauritius.

Group	Up to 1 month MUR' 000	1-3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-3 years MUR' 000	Over 3 years MUR' 000	Non-maturity bucket* MUR' 000	Total MUR' 000
31 December 2019								
Financial assets								
Cash and cash equivalents	18,181,479	4,496	-	-	-	-	(4,849)	18,181,126
Mandatory balances with central banks	3,592,349	300,317	197,619	457,473	329,940	5,537,396	265,193	10,680,287
Loans to and placements with banks	1,832,440	395,111	2,734,082	1,249,520	762,453	2,292,006	(25,481)	9,240,131
Derivative financial instruments	-	-	-	-	-	-	874,269	874,269
Loans and advances to non-bank customers	5,710,068	6,105,555	5,326,436	10,118,903	28,698,900	50,154,607	3,282,171	109,396,640
Investment securities	30,699,175	4,222,832	3,565,739	6,216,733	12,155,524	37,203,340	213,322	94,276,665
Equity investments	-	-	-	-	-	-	6,014,270	6,014,270
Other assets	-	-	-	-	-	-	2,750,495	2,750,495
Total financial assets	60,015,511	11,028,311	11,823,876	18,042,629	41,946,817	95,187,349	13,369,390	251,413,883
Financial liabilities								
Deposits from banks	871,687	23,747	12,087	-	-	-	-	907,521
Deposits from non-bank customers	27,658,415	10,660,621	7,613,939	12,384,050	7,165,911	128,249,279	5,664,973	199,397,188
Other borrowed funds	7,901,991	43,307	1,277,803	146,271	2,398,950	3,902,646	-	15,670,968
Derivative financial instruments	-	-	-	-	-	-	881,176	881,176
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	-	9,739,981
Other liabilities	-	-	-	-	-	-	7,350,644	7,350,644
Total financial liabilities	36,432,093	10,727,675	8,932,593	12,530,321	11,945,696	139,482,307	13,896,793	233,947,478
Liquidity Gap	23,583,418	300,636	2,891,283	5,512,308	30,001,121	(44,294,958)	(527,403)	17,466,405
31 December 2018								
Financial assets	48,022,258	13,142,458	13,103,990	23,148,419	38,481,097	69,095,732	13,379,297	218,373,251
Financial liabilities	31,233,262	11,124,351	10,489,791	12,421,096	13,008,246	115,759,198	4,197,339	198,233,283
Liquidity Gap	16,788,996	2,018,107	2,614,199	10,727,323	25,472,851	(46,663,466)	9,181,958	20,139,968
31 December 2017								
Financial assets	34,664,907	17,791,556	13,634,096	13,869,520	35,360,022	62,684,296	7,580,392	185,584,790
Financial liabilities	16,799,540	14,712,492	8,913,010	8,456,008	7,708,039	108,415,227	1,334,641	166,338,957
Liquidity Gap	17,865,367	3,079,064	4,721,086	5,413,512	27,651,983	(45,730,931)	6,245,751	19,245,833

40. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

(i) The tables below show the expected timing of cash flows for financial assets and liabilities of the Group, slotted as per the rules defined by the Bank of Mauritius. (cont'd)

Company	Up to 1 month MUR' 000	1-3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-3 years MUR' 000	Over 3 years MUR' 000	Non-maturity bucket* MUR' 000	Total MUR' 000
31 December 2019								
Financial assets								
Cash and cash equivalents	178,632	-	-	-	-	-	-	178,632
Investment securities	239,844	-	26,674	-	353,500	452,321	598,139	1,670,478
Equity investments	-	-	-	-	-	-	4,227,683	4,227,683
Other assets	-	-	-	-	-	-	231,000	231,000
Total financial assets	418,476	-	26,674	-	353,500	452,321	5,056,822	6,307,793
Financial liabilities								
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	-	9,739,981
Other liabilities	-	-	-	-	-	-	114,880	114,880
Total financial liabilities	-	-	28,764	-	2,380,835	7,330,382	114,880	9,854,861
Liquidity Gap	418,476	-	(2,090)	-	(2,027,335)	(6,878,061)	4,941,942	(3,547,068)
31 December 2018								
Financial assets	214,224	-	52,754	698,500	1,080,000	1,092,738	4,380,992	7,519,208
Financial liabilities	-	-	-	-	2,236,443	7,176,234	91,777	9,504,454
Liquidity Gap	214,224	-	52,754	698,500	(1,156,443)	(6,083,496)	4,289,215	(1,985,246)
31 December 2017								
Financial assets	143,671	-	8,872	-	-	977,000	4,768,854	5,898,397
Financial liabilities	5,423	28,388	-	-	-	3,673,078	-	3,706,889
Liquidity Gap	138,248	(28,388)	8,872	-	-	(2,696,078)	4,768,854	2,191,508

* Non-maturity bucket includes ECL provisions, investment in shares having no maturity, non-performing loans whose maturity date have been exceeded, derivatives, other assets and liabilities with undetermined maturity dates.

40. RISK MANAGEMENT (CONT'D)

c Liquidity risk (cont'd)

(ii) The table below shows the remaining contractual maturities of financial liabilities:

	On demand MUR' 000	1-3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-3 years MUR' 000	Over 3 years MUR' 000	Total MUR' 000
Group							
Financial liabilities							
Deposits	149,121,515	23,787,816	5,921,274	9,885,889	8,922,818	2,665,397	200,304,709
Derivative financial instruments	881,176	-	-	-	-	-	881,176
Other borrowed funds	-	7,945,298	1,277,718	146,271	2,398,950	3,902,731	15,670,968
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	9,739,981
Other liabilities	7,350,644	-	-	-	-	-	7,350,644
31 December 2019	157,353,335	31,733,114	7,227,756	10,032,160	13,702,603	13,898,510	233,947,478
31 December 2018	134,523,312	21,800,186	9,833,574	11,061,472	10,870,583	731,478	188,820,605
31 December 2017	112,720,129	23,817,220	8,824,536	8,534,226	5,550,216	6,203,364	165,649,691
Company							
Financial liabilities							
Subordinated debts	-	-	28,764	-	2,380,835	7,330,382	9,739,981
Other liabilities	114,880	-	-	-	-	-	114,880
31 December 2019	114,880	-	28,764	-	2,380,835	7,330,382	9,854,861
31 December 2018	-	-	-	-	2,236,443	7,268,011	9,504,454
31 December 2017	-	5,423	28,388	-	-	3,673,078	3,706,889

d Market risk

Market risk is the risk of loss resulting from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices. The Group's market risks are monitored by the Market Risk Team and reported to the Market Risk Forum and Board Risk Committee on a regular basis.

40. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk

The Group's interest rate risk arises mostly from mismatches in the repricing of its assets and liabilities. The Group uses an interest rate gap analysis to measure and monitor the interest rate risk. Prudential limits for currency wise gaps, expressed as a percentage of assets, have been set for specific time buckets and earnings at risk is calculated based on different shock scenarios across major currencies.

The table below analyses the Group's interest rate risk exposure in terms of the remaining period to the next contractual repricing date or to the maturity date, whichever is the earlier. The 'up to 3 months' column include the financial assets and liabilities which have floating rates of interest that do not reprice at set dates, but rather reprice whenever the underlying interest rate index changes.

Group	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
31 December 2019	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Assets								
Cash and cash equivalents	2,158,613	-	-	-	-	-	16,022,513	18,181,126
Mandatory balances with central banks	-	-	-	-	-	-	10,680,287	10,680,287
Loans to and placements with banks	4,575,917	1,651,268	334,335	346,000	549,111	1,742,896	40,604	9,240,131
Derivative financial instruments	-	-	-	-	-	-	874,269	874,269
Loans and advances to non-bank customers	91,066,455	4,414,910	7,969,455	4,609,525	6,068,393	3,347,878	(8,079,976)	109,396,640
Investment securities	20,855,890	5,066,964	8,838,982	5,580,124	31,538,981	21,328,297	1,067,427	94,276,665
Equity investments	-	-	-	-	-	-	6,014,270	6,014,270
Other assets	-	-	-	-	-	-	2,750,495	2,750,495
Total assets	118,656,875	11,133,142	17,142,772	10,535,649	38,156,485	26,419,071	29,369,889	251,413,883
Liabilities								
Deposits from banks	59,317	11,830	-	-	-	-	836,374	907,521
Deposits from non-bank customers	104,842,582	6,199,031	9,734,316	3,799,708	2,571,496	14,906	72,235,149	199,397,188
Other borrowed funds	8,359,654	1,650,689	-	-	1,644,297	1,747,180	2,269,148	15,670,968
Derivative financial instruments	-	-	-	-	-		881,176	881,176
Subordinated debts	1,500,000	2,380,835	-	-	-	5,830,382	28,764	9,739,981
Other liabilities	-	-	-	-	-	-	7,350,644	7,350,644
Total liabilities	114,761,553	10,242,385	9,734,316	3,799,708	4,215,793	7,592,468	83,601,255	233,947,478
On balance sheet interest rate sensitivity gap	3,895,322	890,757	7,408,456	6,735,941	33,940,692	18,826,603	(54,231,366)	17,466,405
Off balance sheet interest rate sensitivity gap	11,685,641	1,841,883	3,852,369	(1,187,222)	(3,001,308)	(2,169,370)	-	11,021,993
	15,580,963	2,732,640	11,260,825	5,548,719	30,939,384	16,657,233	(54,231,366)	28,488,398

40. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

	Up to 3 months	3-6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Non-interest sensitive	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2018								
Total assets	107,106,097	15,607,457	17,825,072	11,836,893	21,299,170	18,596,277	26,102,285	218,373,251
Total liabilities	89,630,781	12,420,629	10,064,212	9,152,469	166,850	5,624,778	71,173,564	198,233,283
On balance sheet interest rate sensitivity gap	17,475,316	3,186,828	7,760,860	2,684,424	21,132,320	12,971,499	(45,071,279)	20,139,968
Off balance sheet interest rate sensitivity gap	(11,887,461)	(7,650,544)	(1,122,192)	(7,684,782)	(5,176,968)	(2,900,292)	-	(36,422,239)
	5,587,855	(4,463,716)	6,638,668	(5,000,358)	15,955,352	10,071,207	(45,071,279)	(16,282,271)
31 December 2017								
Total assets	85,273,811	20,002,497	10,923,884	7,484,367	17,890,744	15,399,298	28,610,189	185,584,790
Total liabilities	86,374,078	8,578,700	4,865,057	3,657,460	3,074,444	1,506,971	58,282,247	166,338,957
On balance sheet interest rate sensitivity gap	(1,100,267)	11,423,797	6,058,827	3,826,907	14,816,300	13,892,327	(29,672,058)	19,245,833
Off balance sheet interest rate sensitivity gap	(12,670,421)	(1,844,470)	(427,923)	(997,797)	(2,873,514)	(112,278)	-	(18,926,403)
	(13,770,688)	9,579,327	5,630,904	2,829,110	11,942,786	13,780,049	(29,672,058)	319,430

40. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

The Company 31 December 2019	Up to 3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-2 years MUR' 000	2-5 years MUR' 000	Over 5 years MUR' 000	Non-interest sensitive MUR' 000	Total MUR' 000
Assets								
Cash and cash equivalents	-	-	-	-	-	-	178,632	178,632
Investment securities	240,000	15,000	-	203,500	182,321	420,000	609,657	1,670,478
Equity investments	-	-	-	-	-	-	4,227,683	4,227,683
Other assets	-	-	-	-	-	-	231,000	231,000
Total assets	240,000	15,000	-	203,500	182,321	420,000	5,246,972	6,307,793
Liabilities								
Subordinated debts	1,500,000	2,380,835	-	-	-	5,830,382	28,764	9,739,981
Other liabilities	-	-	-	-	-	-	114,880	114,880
Total liabilities	1,500,000	2,380,835	-	-	-	5,830,382	143,644	9,854,861
On balance sheet interest rate sensitivity gap	(1,260,000)	(2,365,835)	-	203,500	182,321	(5,410,382)	5,103,328	(3,547,068)
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	(1,260,000)	(2,365,835)	-	203,500	182,321	(5,410,382)	5,103,328	(3,547,068)

40. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

	Up to 3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR' 000	1-2 years MUR' 000	2-5 years MUR' 000	Over 5 years MUR' 000	Non-interest sensitive MUR' 000	Total MUR' 000
31 December 2018								
Total assets	181,611	38,500	698,500	15,000	1,215,000	445,000	4,925,596	7,519,207
Total liabilities	1,522,229	2,236,442	-	-	-	5,623,165	122,617	9,504,453
On balance sheet interest rate sensitivity gap	(1,340,618)	(2,197,942)	698,500	15,000	1,215,000	(5,178,165)	4,802,979	(1,985,246)
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	(1,340,618)	(2,197,942)	698,500	15,000	1,215,000	(5,178,165)	4,802,979	(1,985,246)
31 December 2017								
Total assets	-	-	-	-	-	977,000	4,921,397	5,898,397
Total liabilities	-	-	-	-	2,173,078	1,500,000	28,388	3,701,466
On balance sheet interest rate sensitivity gap	-	-	-	-	(2,173,078)	(523,000)	4,893,009	2,196,931
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-	-
	-	-	-	-	(2,173,078)	(523,000)	4,893,009	2,196,931

Various scenarios are used to measure the effect of the changing interest rates on net interest income including the standardised approach of 200bp parallel shock over a 12-month period assuming a static balance sheet, as shown below.

	31 December 2019 MUR' 000	31 December 2018 MUR' 000	31 December 2017 MUR' 000
Increase/(decrease) in profit	249,404	589,558	200,235

40. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(i) Interest rate risk (cont'd)

Interest rate sensitivity

The following table demonstrates the sensitivity of a 2% change in interest rates in the different countries:

	31 December 2019	31 December 2018
	MUR' 000	MUR' 000
Mauritius	(340,216)	(514,568)
India	(154,673)	(53,750)
Madagascar	(2,414)	(4,646)
Kenya	80,371	(92,596)
Others	59,929	49,030
	(357,003)	(616,530)

(ii) Fair value hedges

At 31 December 2019:	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed rate corporate loans	8,179,583	-	145,936	-
Fixed rate debt instrument	2,220,898	-	51,242	-
Fixed rate non-bank deposits	-	153,751	-	122

At 31 December 2018:	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed rate corporate loans	4,670,782	-	115,028	-
Fixed rate debt instrument	3,163,303	-	6,271	-
Fixed rate non-bank deposits	-	143,919	-	2,030

The following table provides information about the hedging instruments included in the derivative financial instruments line items of the Group's statement of financial position:

	31 December 2019			31 December 2018		
	Notional Amount	Carrying Amount		Notional Amount	Carrying Amount	
Micro fair value hedges		Assets	Liabilities		Assets	Liabilities
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest rate swaps	12,577,020	367	280,993	2,650,748	2,377	122,874

40. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(ii) Fair value hedges (cont'd)

The below table sets out the outcome of the Group's hedging strategy, set out in Notes 8 and 9, in particular, to changes in the fair value of the hedged items and hedging instruments in the current year and the comparative year, used as the basis for recognising ineffectiveness:

		31 December 2019			31 December 2018		
		Gain/(loss) attributable to the hedged risk			Gain/(loss) attributable to the hedged risk		
Hedged items	Hedging instruments	Hedged items	Hedging instruments	Hedge ineffectiveness	Hedged items	Hedging instruments	Hedge ineffectiveness
Micro fair value hedge relationships hedging assets							
Fixed rate corporate loans	Interest rate swaps	145,936	(263,848)	(117,912)	117,059	(125,251)	(8,193)
Fixed rate debt instrument	Interest rate swaps	51,242	(17,145)	34,098	6,271	-	6,271
Micro fair value hedge relationships hedging liabilities							
Fixed rate non-bank deposits	Interest rate swaps	(122)	367	244	(2,030)	2,377	347
Total micro fair value hedge relationship		197,056	(280,626)	(83,570)	121,300	(122,874)	(1,575)

The maturity profile of the hedging instruments used in micro fair value hedge relationships is as follows:

At 31 December 2019:	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	TOTAL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed rate corporate loans						
Interest rate swap (notional amount)	-	549,111	-	9,869,879	2,158,030	12,577,020

At 31 December 2018:	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	TOTAL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed rate corporate loans						
Interest rate swap (notional amount)	-	-	-	-	2,650,748	2,650,748

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

40. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk

Foreign exchange risk arises from open and imperfectly offset or hedged positions. Imperfect correlations across currencies and international interest rate markets pose particular challenges to the effectiveness of foreign currency hedging strategies. The Group exercises strict control over its foreign currency exposures. The Group reports on foreign currency positions to the Central Bank and has set up conservative internal limits in order to mitigate foreign exchange risk. To manage their foreign currency exposures, dealers operate within prudential limits approved by the Board including intraday/overnight open exposures, stop loss and authorised currencies. These trading limits are reviewed at least once annually by the Board/Board Risk Management Committee. The Middle Office closely monitors the Front Office and reports any excesses and deviations from approved limits to the Market Risk Forum and to the Board Risk Management Committee.

The tables below show the carrying amounts of the monetary assets and liabilities:

Group	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
31 December 2019	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ASSETS							
Cash and cash equivalents	7,123,704	6,998,246	605,988	1,397,285	204,115	1,851,788	18,181,126
Mandatory balances with central banks	8,231,853	972,536	94,288	26,276	215,539	1,139,795	10,680,287
Loans to and placements with banks	3,206,385	3,159,705	-	1,237,890	1,636,151	-	9,240,131
Derivative financial instruments	341,770	406,936	3	24	108,729	16,807	874,269
Loans and advances to non-bank customers	60,162,176	27,064,201	802,901	12,203,995	4,575,776	4,587,591	109,396,640
Investment securities	49,263,644	24,225,476	-	1,037,531	3,161,825	16,588,189	94,276,665
Equity investments	4,227,683	-	-	3,411	-	1,783,176	6,014,270
Other assets	1,066,799	75,797	607	45,339	50,531	1,511,422	2,750,495
Total monetary financial assets	133,624,014	62,902,897	1,503,787	15,951,751	9,952,666	27,478,768	251,413,883
LIABILITIES							
Deposits from banks	437,123	294,898	7,176	47,341	114,482	6,501	907,521
Deposits from non-bank customers	102,865,291	61,831,066	2,184,904	11,176,989	3,746,439	17,592,499	199,397,188
Other borrowed funds	673,207	6,855,762	3,254	4,258,148	545,486	3,335,111	15,670,968
Derivative financial instruments	36,073	671,594	2	61,227	93,067	19,213	881,176
Subordinated debts	4,582,051	5,157,930	-	-	-	-	9,739,981
Other liabilities	4,295,901	1,302,538	(561,503)	1,123,475	1,746	1,188,487	7,350,644
Total monetary financial liabilities	112,889,646	76,113,788	1,633,833	16,667,180	4,501,220	22,141,811	233,947,478
On balance sheet position	20,734,368	(13,210,891)	(130,046)	(715,429)	5,451,446	5,336,957	17,466,405
Off balance sheet position	685,112	(338,238)	134,314	(326,002)	(62,752)	(92,434)	-
Net currency position	21,419,480	(13,549,129)	4,268	(1,041,431)	5,388,694	5,244,523	17,466,405

40. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

The tables below show the carrying amounts of the monetary assets and liabilities, denominated in currencies other than the functional currency of each entity.

	MUR	USD	GBP	EURO	INR	OTHER	TOTAL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2018							
Total monetary financial assets	132,112,630	52,254,945	1,406,188	14,595,697	6,989,285	11,014,506	218,373,251
Total monetary financial liabilities	95,214,960	60,396,476	3,182,696	11,264,397	4,528,086	23,646,668	198,233,283
On balance sheet position	36,897,670	(8,141,531)	(1,776,508)	3,331,300	2,461,199	(12,632,162)	20,139,968
Off balance sheet position	(2,542,005)	2,868,951	122,001	150,181	(56,201)	(542,927)	-
Net currency position	34,355,665	(5,272,580)	(1,654,507)	3,481,481	2,404,998	(13,175,089)	20,139,968
31 December 2017							
Total monetary financial assets	98,848,058	52,198,821	1,785,306	18,238,362	11,716,247	2,797,996	185,584,790
Total monetary financial liabilities	88,762,872	52,396,460	1,798,348	14,943,975	6,473,190	1,964,109	166,338,954
On balance sheet position	10,085,186	(197,639)	(13,042)	3,294,387	5,243,057	833,887	19,245,836
Off balance sheet position	669,316	3,600,673	11,227	(439,675)	(3,746,111)	(95,430)	-
Net currency position	10,754,502	3,403,034	(1,815)	2,854,712	1,496,946	738,457	19,245,836

The Company is exposed to currency risk only in USD in relation to investment securities (financial assets) amounting to MUR 616.18 million (2018 MUR 181.3 and 2017: MUR NIL) and subordinated debts (financial liabilities) amounting to MUR 5,158.0 million (2018: MUR 4,829.9 million and 2017: MUR 2,213.0 million).

Currency risk sensitivity

The following table demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, and the impact on the Group's profit and equity.

	Impact on Group's profit after tax and Equity				
	USD	GBP	EURO	INR	OTHER
31 December 2019	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
5%	**(660,545)**	**(6,502)**	**(35,771)**	**272,572**	**266,848**
-5%	**660,545**	**6,502**	**35,771**	**(272,572)**	**(266,848)**
31 December 2018					
5%	(407,077)	(88,825)	166,565	123,060	(631,608)
-5%	407,077	88,825	(166,565)	(123,060)	631,608
31 December 2017					
5%	(9,882)	(652)	164,719	262,153	41,694
-5%	9,882	652	(164,719)	(262,153)	(41,694)

40. RISK MANAGEMENT (CONT'D)

d Market risk (cont'd)

(iii) Currency risk (cont'd)

Value-at-Risk Analysis

The Group uses Value-at-Risk (VAR) to estimate the potential foreign exchange loss arising from adverse movements in an ordinary market environment. To calculate VAR, the Group uses the historical method which assumes that historical changes in market values are representative of future changes. The VAR is based on the previous 12 months data. The Group calculates VAR using 10 days holding period and an expected tail-loss methodology, which approximates a 99% confidence level. This would mean that only once in every 100 trading days, The Group would expect to incur losses greater than the VAR estimates, or about two to three times a year. The use of 10 days holding period and a one-year historical observation period are in line with the Basel II recommendation.

The Group's VAR amounted to:

	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Minimum for the year	850	1,095	651
Maximum for the year	19,588	22,309	7,579
Year end	3,271	6,186	1,282

(iv) Equity price sentivity analysis

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than for trading purposes and the Group does not actively trade in these investments. Changes in prices/ valuation of these investments are reflected in the statement of comprehensive income, except for impairment losses which are reported in the statement of profit or loss. Changes in prices of held-for-trading investments are reflected in the statement of profit or loss.

A 5% increase in the price of equities held at the reporting date would have resulted in an unrealised gain to the statement of comprehensive income or statement of profit or loss as reflected below. A 5% decrease would have resulted in an equivalent loss being booked.

	THE GROUP			THE COMPANY		
	31 December 2019	31 December 2018	31 December 2017	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Statement of comprehensive income	300,713	287,643	306,889	211,384	211,384	214,646
Statement of profit or loss	-	-	-	-	-	-
	300,713	287,643	306,889	211,384	211,384	214,646

e Accounting policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability and equity instruments are disclosed in Note 4 to the financial statements (summary of accounting policies).

41. SEGMENT INFORMATION - THE GROUP

Accounting policy

Segmental reporting is based on the internal reports regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess their performance. The operating segments are the banking, the non-bank financial institution, the non-financial institutions and the other institutions segments. Only the banking segment is a reportable segment.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker i.e. the Group Chief Executive Officer in order to allocate resources to the segments and to assess their performance.

The Group has only one reportable operating segment based on its business activities, which is the Banking segment. Its revenues mainly arise from advances to customers and banks, investment in gilt-edged securities and equity instruments, bank placements, services provided on deposit products, provision of card and other electronic channel services, trade finance facilities, trading activities and foreign currency operations.

The accounting policies of the operating segment are the same as those described in the notes to these financial statements.

(a) Information about the reportable segment profit, assets and liabilities

Information about the reportable segment and the reconciliation of the reportable segment information to Group total is shown below:

	Banking	Non-bank financial institutions	Non financial institutions	Other institutions	Intersegment adjustments	Group total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2019						
Interest income from external customers	10,521,666	54,345	-	68,079	-	10,644,090
Non-interest income from external customers	2,878,639	224,223	3,621	(107,000)	-	2,999,483
Revenue from external customers	13,400,305	278,568	3,621	(38,921)	-	13,643,573
Interest income from internal customers	-	28,466	-	-	(28,466)	-
Non interest income from internal customers	1,327,881	121,277	-	1,412,849	(2,862,007)	-
Revenue from other segments of the entity	1,327,881	149,743	-	1,412,849	(2,890,473)	-
Total gross revenue	14,728,186	428,311	3,621	1,373,928	(2,890,473)	13,643,573
Interest and fee and commission expense to external customers	(3,727,578)	4,083	-	(476,739)	-	(4,200,234)
Interest expense to internal customers	(28,466)	-	-	-	28,466	-
	(3,756,044)	4,083	-	(476,739)	28,466	(4,200,234)
Operating income	10,972,142	432,394	3,621	897,189	(2,862,007)	9,443,339
Depreciation and amortisation	(1,081,376)	(10,476)	(396)	(2,424)	-	(1,094,672)
Other non-interest expenses	(4,637,246)	(152,519)	(2,763)	(132,294)	(4,418)	(4,929,240)
Credit loss (expense)/reversal on financial assets	(3,012,041)	-	(284)	1,085	15,098	(2,996,142)
Operating profit	2,241,479	269,399	178	763,556	(2,851,327)	423,285
Share of profit of associate	-	-	-	139,237	-	139,237
Profit before income tax	2,241,479	269,399	178	902,793	(2,851,327)	562,522
Tax expense	(440,514)	(21,797)	(169)	(357)	(84,650)	(547,487)
Profit for the year	1,800,965	247,602	9	902,436	(2,935,977)	15,035
Segment assets	278,248,224	4,159,936	650,743	37,486,471	(60,069,381)	260,475,993
Segment liabilities	226,416,712	1,590,353	213	9,857,987	(1,907,156)	235,958,109
Additions to tangible and intangible assets	525,517	8,490	-	1,548	-	535,555

41. SEGMENT INFORMATION - THE GROUP (CONT'D)

(a) Information about the reportable segment profit, assets and liabilities (cont'd)

	Banking	Non-bank financial institutions	Non financial institutions	Other institutions	Intersegment adjustments	Group total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2018						
Interest income from external customers	8,722,459	3,359	13,125	77,913	-	8,816,856
Non-interest income from external customers	3,749,612	208,430	5,788	185	-	3,964,015
Revenue from external customers	12,472,071	211,789	18,913	78,098	-	12,780,871
Interest income from internal customers	-	-	-	-	-	-
Non interest income from internal customers	3,580,010	163,855	225	1,230,973	(4,975,063)	-
Revenue from other segments of the entity	3,580,010	163,855	225	1,230,973	(4,975,063)	-
Total gross revenue	16,052,081	375,644	19,138	1,309,071	(4,975,063)	12,780,871
Interest and fee and commission expense to external customers	(2,692,221)	(1,008)	-	(309,203)	-	(3,002,432)
Interest expense to internal customers	(10,436)	-	-	-	10,436	-
	(2,702,657)	(1,008)	-	(309,203)	10,436	(3,002,432)
Operating income	13,349,424	374,636	19,138	999,868	(4,964,627)	9,778,439
Depreciation and amortisation	(823,310)	(1,326)	(540)	(2,020)	-	(827,196)
Other non-interest expenses	(3,052,134)	(138,700)	(2,125)	(358,276)	(319,122)	(3,870,357)
Credit loss expense on financial assets	(3,557,624)	(80)	-	(1,646)	-	(3,559,350)
Operating profit	5,916,356	234,530	16,473	637,926	(5,283,749)	1,521,536
Share of profit of associate	-	-	-	100,240	-	100,240
Profit before income tax	5,916,356	234,530	16,473	738,166	(5,283,749)	1,621,776
Tax expense	(334,115)	(25,841)	(5,159)	(10,867)	-	(375,982)
Profit for the year	5,582,241	208,689	11,314	727,299	(5,283,749)	1,245,794
Segment assets	244,608,362	1,638,394	704,063	37,283,453	(57,860,146)	226,374,126
Segment liabilities	194,136,465	173,949	1,389	9,505,393	(1,620,076)	202,197,120
Additions to tangible and intangible assets	518,840	2,939	-	-	-	521,779

41. SEGMENT INFORMATION - THE GROUP (CONT'D)

(a) Information about the reportable segment profit, assets and liabilities (cont'd)

	Banking	Non-bank financial institutions	Non financial institutions	Other institutions	Intersegment adjustments	Group total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2017						
Interest income from external customers	6,863,369	24	12,909	131,045	-	7,007,347
Non interest income from external customers	2,540,088	194,959	17,582	80,800	-	2,833,429
Revenue from external customers	9,403,457	194,983	30,491	211,845	-	9,840,776
Interest income from internal customers	-	-	-	-	-	-
Non interest income from internal customers	961,168	3,150	219,161	1,270,535	(2,454,014)	-
Revenue from other segments of the entity	961,168	3,150	219,161	1,270,535	(2,454,014)	-
Total gross revenue	10,364,625	198,133	249,652	1,482,380	(2,454,014)	9,840,776
Interest and fee and commission expense to external customers	(2,117,352)	(2,269)	-	(149,350)	-	(2,268,971)
Interest expense to internal customers	-	-	-	-	-	-
	(2,117,352)	(2,269)	-	(149,350)	-	(2,268,971)
Operating income	8,247,273	195,864	249,652	1,333,030	(2,454,014)	7,571,805
Depreciation and amortisation	(667,696)	(455)	(604)	(1,211)	-	(669,966)
Other non interest expenses	(2,536,129)	(105,408)	(2,427)	(80,734)	6,432	(2,718,266)
Credit loss (expense)/reversal on financial assets	(967,287)	(3,210)	(147,998)	-	3,215	(1,115,280)
Operating profit	4,076,161	86,791	98,623	1,251,085	(2,444,367)	3,068,293
Share of profit of associate	-	-	-	92,005	-	92,005
Profit before income tax	4,076,161	86,791	98,623	1,343,090	(2,444,367)	3,160,298
Tax expense	(568,144)	(17,436)	(2,690)	2,895	-	(585,375)
Profit for the year	3,508,016	69,355	95,933	1,345,985	(2,444,367)	2,574,923
Segment assets	187,165,686	1,654,359	737,420	31,839,977	(27,376,061)	194,021,381
Segment liabilities	165,328,710	53,339	353,050	3,708,298	(586,788)	168,856,609
Additions to tangible and intangible assets	290,565	2,939	-	-	-	293,504

41. SEGMENT INFORMATION - THE GROUP (CONT'D)

(b) Information about the reportable segment revenue from products and services

	Banking		
	31 December 2019	31 December 2018	31 December 2017
	MUR' 000	MUR' 000	MUR' 000
Revenue from external customers arising from the following products and services:			
Loans and advances to non-bank customers	**404,611**	278,949	5,798,567
Loans to and placements with banks	**497,293**	478,630	190,172
Exchange income	**657,814**	758,677	560,843
Card income	**387,850**	332,573	381,191
Trade finance services	**805,365**	1,001,780	427,305
Deposit and other products/services	**174,541**	177,238	176,006
	2,927,474	3,027,847	7,534,084

(c) Information about revenue of the reportable segment by geographical areas

	Banking		
	Mauritius	Other countries	Total
	MUR' 000	MUR' 000	MUR' 000
31 December 2019			
Revenue from external customers	**5,895,106**	**4,626,559**	**10,521,666**
Tangible and intangible assets	**5,372,893**	**1,360,438**	**6,733,331**
31 December 2018			
Revenue from external customers	5,087,515	3,634,944	8,722,459
Tangible and intangible assets	5,421,828	898,815	6,320,643
31 December 2017			
Revenue from external customers	4,805,309	2,058,059	6,863,369
Tangible and intangible assets	5,916,197	367,492	6,283,689

42. EVENT AFTER THE REPORTING DATE

SBM Bank (Mauritius) Ltd

COVID-19 Outbreak

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

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

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

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

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

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

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

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

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

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

Impact on ECL

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

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

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

• SBM Bank (Mauritius) Ltd (SBMBM) will provide a moratorium of six months on capital repayment for existing loans for economic operators that are being affected by COVID-19.

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

SBM Bank (Mauritius) Ltd (cont'd)

Impact on ECL (con'd)

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

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

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

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

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

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

Other Estimation Uncertainties

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

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

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

Derivative financial instruments:

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

Loans and advances to non-bank customers:

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

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

SBM Bank (Mauritius) Ltd (cont'd)

Other Estimation Uncertainties (cont'd)

Investment securities:

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

Property, equipment, right of use assets and intangible assets:

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

Deposits from non-bank customers and other borrowed funds:

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

Pension liabilities included in other liabilities:

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

Going concern

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

Liquidity risk

SBMBM's liquidity position has remained strong and as at 31 December 2019, Liquidity Coverage Ratio (LCR) stood at 149.0%. This is well above the LCR ratio of 100% imposed by BOM. The LCR exists to cater for this type of stress situation under which banks have to potentially face. High Quality Liquid Assets currently held by SBMBM included some MUR 70 billion, mostly in local government securities and highly rated USD sovereign securities.

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

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

Interest rate risk

SBMBM has also stress-tested the impact that COVID-19 could have on its net interest income. Albeit the reduction of interest rate would directly reduce the interest income of SBMBM, the impact of a 2.0% (worst case shock) is well within the Basel target of 10% of the budgeted net interest income. As part of its interest rate risk management framework, SBMBM uses Interest Rate Swaps to mitigate the risk, and it shall do so to keep the exposure within its risk appetite.

Capital risks

SBMBM's current Capital Adequacy Ratio at 31 December 2019 stands at 14.7% (Capital Base MUR 15,741 million) compared to the regulatory requirement of 13.375%.

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

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

Going concern (cont'd)

Other Estimation Uncertainties (cont'd)

Credit risk

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

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

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

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

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

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

SBM Bank (India) Limited

COVID-19 pandemic and the measures undertaken to combat it have resulted in an economic slowdown both in India and globally. Businesses across sectors, especially MSMEs which are relatively more susceptible to shocks, are struggling with issues arising from nation-wide lockdowns, supply chain & operations' disruptions and poorer offtake/slump in consumer demand. Nationwide lockdown was announced on 25 March 2020 and is currently to continue till 03 May 2020. S&P Global Ratings have slashed India growth forecast for the current fiscal from 3.5% to 1.8%. Reserve Bank of India (RBI) has taken various measures aiming at sustained growth and development during the crisis, in addition to making sure funds are available at reduced costs for both the end borrower and banks themselves. There exists ample liquidity in the Indian banking system as a result of the same.

Impact on ECL

Due to the disruptions in economic activities brought about by the COVID-19 pandemic, management have considered the impact on its book within different segments (Corporates and Retail) by considering baseline, mild case, and worst-case scenarios for ECL exercise. SBM Bank (India) Limited (SBMBI) has considered macroeconomic variables in the computation of the ECL on 31 March 2020, including the likely COVID-19 impact. Given the nature of the outbreak and the on-going developments, there is a high degree of uncertainty and it is not possible at this time to predict the extent and nature of the overall future impact on the ECL. However, SBMBI has developed scenarios aimed to factor in future macroeconomic conditions through management overlays to assess the impact on ECL. The impact will vary with sectors and will be influenced by the extent of trade disruptions, social distancing and resultant economic slowdown. To begin with we have classified all our exposures into three risk categories; high, medium, and low, based on the sectoral impact of COVID 19.

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

Impact on ECL (cont'd)

Basis financials as at 31 March 2020, in its mild case scenario, SBMBI has factored worsening of credit ratings of all the clients across the board by one notch. The resultant ECL is INR 959.2 million (equivalent to MUR 492.0 million) (incremental component, over Base Case ECL, of INR 146.0 million (equivalent to MUR 75.0 million)).

In its medium risk scenario, SBMBI has considered two notch downgrade of rating for its high risk accounts and one notch downgrade for medium risk accounts, with no downgrade for low risk cases. The resultant total ECL is INR 1,190.0 million (equivalent to MUR 610.0 million) (an incremental component of INR 376.9 million (equivalent to MUR 193.0 million)).

While in a worst-case scenario, rating downgrade of three notches for high risk accounts, two notches for medium risk accounts and one notch for low risk accounts have been considered. The resultant total ECL is INR 1,681.0 million (equivalent to MUR 862.0 million) (incremental ECL of INR 867.9 million (equivalent to MUR 445.0 million)).

Other Estimation Uncertainties

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

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

Derivative financial instruments:

SBMBI currently holds plain vanilla derivative transactions (short term and long term forward contracts) on fully matched basis (interbank cover back to back matching client transactions); hence the net impact on the SBMBI's financial position or profits are expected to be minimal.

Loans to non-bank customers:

The main impact on loans to non-bank customers will be on the ECL and this is discussed above.

Investment securities:

For investment securities (fixed income instruments) held in Available-for-sale and Held-for-Trading category, the main impact of COVID-19 will be due to changes in market interest rates and any changes in the credit quality of the instruments. Most of these holdings are High Quality Liquid Assets (Securities issued by Government of India) and hence safeguarded against credit risk. A small portion of securities is also held in non sovereign papers issued by issuers with highest Credit ratings. With benign interest rate scenario and comfortable liquidity environment that is expected to prevail for an extended period of time; management expects increase in the market value of these investments.

Deposits from non-bank customers and other borrowed funds:

SBMBI has been constantly monitoring the deposits from non-bank customers. The deposits from non-bank customers, between December 2019 and March 2020 have increased. There has been growth across segments like CASA, FCNR B and Term Deposits. There has been strong focus on liabilities during this period. This has also been supported to an extent by deposit rates in line with peers in the higher end of the industry. SBMBI has been dynamically moderating the interest rates keeping in view the liability strategy, liquidity management and industry trend. SBMBI has reduced the TD interest rates in the month of April 2020 and monitoring the impact of the same on the deposit balances.

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

SBM Bank India Ltd (cont'd)

Going concern

In the light of the anticipated economic impact of COVID-19, Management had conducted a risk analysis and stress test as at 31 December 2019 and 31 March 2020 on the following elements:

(i) Credit risks

See stress tests on credit risks due to Covid-19 in the above section on impact on ECL.

(ii) Liquidity risks

Liquidity position of SBMBI was comfortable as at 31 December 2019, with Liquidity Coverage Ratio (LCR) at 217.0%, as against regulatory stipulation of LCR 100.0% (since reduced to 80.0%). SBMBI has High Quality Liquid Assets (HQLA) amounting to INR 7,491.0 million (equivalent to MUR 3,842.0 million) as against total liability of INR 19,973.0 million (equivalent to MUR 10,244.0 million) and Deposit of INR 13,340.0 million (equivalent to MUR 6,842.0 million) as on 31 December 2019. These HQLA, taken for LCR, are Government Securities denominated in INR. LCR has improved to 273.0% as on 31 March 2020 and HQLA has increased to INR 9,410.0 million (equivalent to MUR 4,826.0 million). Net Stable Funding Ratio has remained above BIS stipulation of 100% at 164.0% as on 31 December 2019 and is at 154.0% as on 31 March 2020. The Contingency Funding Plan, under assumed stress condition, does not require any additional funding as on 31 December 2019. The excess liquidity, in form of cash and securities eligible for repo, available with SBMBI is expected to be sufficient to address probable outflows. SBMBI has positive gaps from overnight to six-month bucket, in the Structural Statement of Liquidity (SSL), on 31 December 2019 as well as on 31 March 2020, which signifies adequate liquidity. SBMBI has been monitoring its liquidity level regularly against the backdrop of COVID-19, there has been no significant/major outflows other than the business as usual. RBI has been pursuing easy liquidity policy to mellow the economic impact of COVID-19. SBMBI has conducted liquidity stress test for 31 December 2019, on the basis on regulatory guidelines and stress test results do not indicate major impact on cost or capital in a prescribed stress situation considering the level of extra liquidity available with SBMBI.

(iii) Interest rate risks

SBMBI has also stress-tested the impact that any adverse situation could have on its net interest income basis financial statements as at 31 March 2020. In stressed situation the impact will be INR 192.0 million (equivalent to MUR 99.0 million) on account of Interest Rate Risk in SBMBI's Book and INR 109.0 million (equivalent to MUR 56 million) on account of interest rate risk in the Investment Portfolio. SBMBI has also calculated the earnings at risk at 200 basis point adverse movement of interest rate. The earnings at risk is within 25% of annualized NII as on 31 March 2020 at INR 95.0 million (equivalent to MUR 49.0 million). SBMBI has maintained a low Modified Duration for the investment portfolio as on 31 March 2020 (of 2.96) and thus SBMBI carries moderate interest risk in the investment portfolio. In the post COVID 19 scenario, interest rates are expected to remain benign benefiting fixed income investment portfolio.

(iv) Capital risks

SBMBI's current Capital Adequacy Ratio stands at 36.4% compared to the regulatory requirement of 11.5% with effect from 31 March 2020. The leverage ratio was at 23.0% above the regulatory floor of 3.5%. Capital adequacy remained around 29.0% as on 31 March 2020 and leverage ratio remained at 18.0%.

SBMBI has conducted the stress test on Credit Risk, Forex Portfolio, Investment Book, Liquidity Risk, Interest Rate Risk in SBMBI's Book to assess the impact of Capital Adequacy under assumed stress situation, prescribed by RBI, for its book as on 31 March 2020. Based on the regulatory stressed situation, the stressed CRAR, as on 31 March 2020, came to 15.0%.

The results of stress test indicate that in case such scenario materializes, SBMBI will be within regulatory requirement of CRAR.

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

SBM Bank (Kenya) Limited

The first case of this infection was reported in Kenya on 13 March 2020 and since then some other cases have been identified. As of the date of this assessment, SBM Bank (Kenya) Limited (SBMBK) operations were still running normal and uninterrupted. As such the management of SBMBK considers the post year end pandemic outbreak as a non-adjusting event to the 2019 financial statements. However, the impact of the pandemic in China, Europe and other regions will affect future business of SBMBK. The two regions are both main source of imports and a key export market for many businesses in Kenya, either directly or indirectly. Below is an assessment of the impact of the pandemic on specific aspects of SBMBK. Key factor in this assessment is the fact that there is still uncertainty as to when the pandemic fear of infection will be contained globally. This introduces a level of uncertainty on the estimations process.

Impact on total assets

A decrease of 8.0% in total assets is expected for 2020 as compared to the full year targets. The budgeted total assets as at close of 2020 is KShs. 88.0 billion (equivalent to MUR 32 billion), an increase of 21.0% from December 2019. Due to the expected economic growth slowdown, total assets of SBMBK by end of 2020 are estimated to close at KShs. 81.0 billion (equivalent to MUR 29.0 billion). Below are the expected variances in the key asset items.

Impact on deposits growth

An economic recession, both at local and international market is expected as one of the aftermath of the pandemic. This will definitely slow down deposits mobilization as most businesses attempt to recover from the recession and lost volumes during the lockdowns. There is a likelihood of investors going for more solid and less risky investments like gold. Consequently, SBMBK assessment of the pandemic on deposits is a shortfall of about KShs 6.0 billion (equivalent to MUR 2.0 billion) from the targeted deposits balance of KShs 66.0 billion (equivalent to MUR 24.0 billion) by year end.

Impact on loans and advances

Due to the business disruptions and uncertainties arising from the pandemic, SBMBK anticipates going slow on new lending. This is in line with the indications from the industry. SBMBK planned net loans balance by end of 2020 is KShs. 34.0 billion (equivalent to MUR 12.3 billion), but in view of the credit slowdown, there is an estimated shortfall of at least KShs 13.2 billion (equivalent to MUR 4.8 billion),which is 39.0%. This shortfall will not materially reduce SBMK revenue as the funds are already invested in Government securities earning an average yield of 10.0% compared to yield on new LCY credit assets of about 12.5%.

Impact on asset impairment

SBMBK's 2020 full year budget of net impairment is a credit to income statement of KShs 872.0 million (equivalent to MUR 315.0 million). After taking into consideration impact of the pandemic on impairment of assets lend to different sectors, there is potential increase in probability of default and loss given default leading to a decrease in projected net impairment credit by KShs 571.0 million (equivalent to MUR 206.0 million). The decrease is attributable to expected increase in impairment charge of KShs. 360.0 million (equivalent to MUR 130.0 million) and a reduction in expected write back of KShs 119.0 million (equivalent to MUR 43.0 million). At the backdrop of minimal projected new lending, the incremental impairment was premised on the potential increase in credit risk of the portfolio by end of year 2020.

Impact on liquidity

It is expected that a number of borrowers will request for restructuring of their debts. However, SBMBK still expects to close 2020 at a liquidity of 77.3% compared to the initial target of 62.8% in view of the following.

a. SBMBK liquidity stood at 77.2% as at end of 2019

b. Credit squeeze expected post pandemic

Regulatory minimum liquidity is 20.0%.

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

SBM Bank (Kenya) Limited (cont'd)

Impact on capital adequacy

SBMBK capital adequacy ratio as at end of December 2019 was 23.1% compared to regulatory minimum of 14.5%. The ratio is estimated to be at about 16.8% by end of 2020, which almost equals to the initial target as shown below.

Though going forward growth in credit assets will be lesser, SBMBK had booked a growth of KShs 5.0 billion (equivalent to MUR 2.0 billion) by the time of the advent of the pandemic.

Impact on going concern

The management concludes that the impact of the COVID-19 on SBMBK future business, does not cast doubt upon SBMBK's ability to continue as a going concern.

Other subsidiaries

Impact on going concern

The management concludes that the impact of the COVID-19 on it the other subsidiaries within the Group business, does not cast doubt upon the Group's ability to continue as going concern. The Group undertakes to inject any capital requirements to any other subsidiaries.

ADDITIONAL **INFORMATION**

DIRECTORS OF SBM HOLDINGS LTD AND ITS SUBSIDIARIES

SBM Holdings Ltd

Mr Sattar Hajee Abdoula (Chairman)
Mr Jean Paul Emmanuel Arouff
Mr Andrew Bainbridge
Ms Shakilla Bibi Jhungeer
Mr Roodesh Muttylall
Mr Sarwansingh Purmessur
Ms Sharon Ramdenee
Mr Patrice Georges Maxime Robert
Mr Visvanaden Soondram
Mr Subhas Thecka

BANKING SEGMENT

SBM (Bank) Holdings Ltd

Mr Nayen Koomar Ballah, *G.O.S.K* (Chairman)
Mr Andrew Bainbridge
Mr Roodesh Muttylall

Banque SBM Madagascar SA

Mr Andriamanohisoa Damase[1]
Mr Leckram Dawonauth
Mr Roodesh Muttylall
Mr Maurice Jean Marc Ulcoq

SBM Bank (Mauritius) Ltd

Mr Mohit Dhoorundhur (Chairman)
Mr Philip Ah-Chuen
Mr Chelampet Puthukulangara Balachandran
Mr Rishikesh Hurdoyal
Mrs Imalambaal Kichenin
Mr Eric Michel Georges Leal
Mr Abdool Karrim Namdarkhan
Mr Venkateswara Rao Parvataneni
Mr Rajcoomar Rampertab
Mr Ranapartab Tacouri

SBM Bank (Kenya) Limited

Mr Andrew Bainbridge
Mr Nayen Koomar Ballah, *G.O.S.K*
Mr James McFie
Mr Moezz Mir
Mrs Flora Mutahi
Mr Jotham Mutoka
Mr Sharad Rao

SBM Bank (India) Limited

Mr Andrew Bainbridge
Mr Shyam Sundar Barik
Mr Sanjay Bhattacharyya
Mr Ameet Patel
Mr Sidharth Rath
Mrs Sudha Ravi

SBM Bank (Seychelles) Limited

Mr Sattar Hajee Abdoula (Chairman)
Mr Joseph Pierre France Albert
Mr Aneerood Chandra Dewkurrun
Ms Sharon Ramdenee
Mr Subhas Thecka

SBM Overseas One Ltd

Mr Kabirsingh Baboolall
Mr Shailendrasingh Sreekeessoon

SBM Overseas Two Ltd

Mr Kabirsingh Baboolall
Mr Shailendrasingh Sreekeessoon

SBM Overseas Three Ltd

Mr Kabirsingh Baboolall
Mr Shailendrasingh Sreekeessoon

SBM Overseas Four Ltd

Mr Kabirsingh Baboolall
Mr Ragnish Gujjalu
Mr Shailendrasingh Sreekeessoon

[1]resigned as Director effective 25 May 2020

DIRECTORS OF SBM HOLDINGS LTD AND ITS SUBSIDIARIES (CONT'D)

BANKING SEGMENT

SBM Overseas Five Ltd

Mr Kabirsingh Baboolall
Mr Shailendrasingh Sreekeessoon

SBM Overseas Six Ltd

Mr Kabirsingh Baboolall
Mr Shailendrasingh Sreekeessoon

SBM Africa Holdings Ltd

Mr Nayen Koomar Ballah, *G.O.S.K*
Mr Sattar Hajee Abdoula

NON- BANKING FINANCIAL SEGMENT

SBM (NBFC) Holdings Ltd

Mr Sattar Hajee Abdoula (Chairman)
Mr Pierre D'Unienville
Mr Thierry Hugnin
Mr Lakshmana Lutchmenarraidoo[2]
Mr Roshan Ramoly

SBM Mauritius Asset Managers Ltd

Mr Pierre D'Unienville (Chairman)
Mrs Reedhee Bhuttoo
Mr Lakshmana Lutchmenarraidoo[2]
Mr John Wallace Mc Ilraith
Mr Roshan Ramoly
Mr Shailendrasingh Sreekeessoon
Mr Eric Venpin

SBM Fund Services Ltd

Mrs Reedhee Bhuttoo
Mrs Ragini Gowrisunkur
Mr Lakshmana Lutchmenarraidoo[2]
Mr Shailendrasingh Sreekeessoon

SBM eBusiness Ltd

Mr Sattar Hajee Abdoula (Chairman)
Mr Lakshmana Lutchmenarraidoo[2]
Mr Shailendrasingh Sreekeessoon

SBM Leasing Co. Ltd

Mr Sattar Hajee Abdoula (Chairman)
Mr Lakshmana Lutchmenarraidoo[2]
Mr Shailendrasingh Sreekeessoon

SBM Capital Markets Ltd

Mr Sattar Hajee Abdoula (Chairman)
Mr Pierre D'Unienville
Mr Lakshmana Lutchmenarraidoo[2]
Mr Roshan Ramoly
Mr Shailendrasingh Sreekeessoon
Mr Eric Venpin

SBM Insurance Agency Ltd

Mr Roshan Ramoly (Chairman)
Mr Ragnish Gujjalu
Mr Lakshmana Lutchmenarraidoo[2]
Mr Shailendrasingh Sreekeessoon

SBM Factors Ltd

Mr Sattar Hajee Abdoula (Chairman)
Mr Norman Fon Sing
Mr Ragnish Gujjalu
Mr Lakshmana Lutchmenarraidoo[2]
Mr Shailendrasingh Sreekeessoon

SBM Microfinance Ltd (in process of winding up)

Mr Lakshmana Lutchmenarraidoo[2]
Mr Shailendrasingh Sreekeessoon

[2] *ceased to be Director effective 30 June 2020*

NON-FINANCIAL SEGMENT

SBM (NFC) Holdings Ltd
Mr Soondrassen Murday (Chairman)
Mr Gooroodeo Sookun

FUNDS MANAGED BY SBM MAURITIUS ASSET MANAGERS LTD

SBM India Fund Ltd
Mr Assad Abdullatif (Chairman)
Mr Shaan Kundomal
Mr Lakshmana Lutchmenarraidoo

SBM Maharaja Fund
Mr Assad Abdullatif (Chairman)
Mr Amal Autar
Mr Shaan Kundomal
Mr Lakshmana Lutchmenarraidoo

SBM International Funds Ltd[3]
Mr Shailendrasingh Sreekeessoon (Chairman)
Mr Lakshmana Lutchmenarraidoo

SBM Perpetual Fund Ltd[3]
Mr Vaughan Edward Heberden (Chairman)
Mr Ah Vee Lee Chung Fong
Mr Lakshmana Lutchmenarraidoo[2]

SBM Africa Equity Fund Ltd
Mr Lakshmana Lutchmenarraidoo
Mr Shailendrasingh Sreekeessoon

Africa Infrastructure Investment Holdings Company Ltd[3]
Mr Sattar Hajee Abdoula (Chairman)
Mr Radhakrishna Chellapermal
Mr Lakshmana Lutchmenarraidoo
Mr Namasivayen (Ken) Poonoosamy

SBM Infrastructure General Partner Limited[3]
Mr Sattar Hajee Abdoula (Chairman)
Mr Radhakrishna Chellapermal
Mr Lakshmana Lutchmenarraidoo
Mr Namasivayen (Ken) Poonoosamy
Mr Shailendrasingh Sreekeessoon

SBM Alternative Investments Ltd
Mr Shailendrasingh Sreekeessoon (Chairman)
Mrs Reedhee Bhuttoo
Mr Lakshmana Lutchmenarraidoo[2]

OTHERS

SBM 3S Ltd
Mr Sattar Hajee Abdoula (Chairman)
Mr Amrit Gayan
Mr Ragnish Gujjalu
Mr Lakshmana Lutchmenarraidoo[2]

[2] *ceased to be Director effective 30 June 2020*
[3] *in process of winding up*

GROUP ADDRESSES (CONT'D)

SBM Holdings Ltd
SBM Tower
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Fax: (230) 202 1234
Swift: STCBMUMU
Website: www.sbmgroup.mu
Email: sbm@sbmgroup.mu

BANKING OPERATING ENTITIES

SBM (Bank) Holdings Ltd
SBM Tower
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Fax: (230) 202 1234
Swift: STCBMUMU
Website: www.sbmgroup.mu
Email: sbm@sbmgroup.mu

SBM Bank (Mauritius) Ltd
Formerly 'State Bank of Mauritius Ltd'
SBM Tower
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Fax: (230) 202 1234
Swift: STCBMUMU
Website: www.sbmgroup.mu
Email: sbm@sbmgroup.mu

SBM Bank (Kenya) Limited
Riverside Mews Building
Riverside Drive,
P.O. Box 34886 - 00100
Nairobi, Kenya
Telephone: +254 709 800 000/
+254 730 175 000
Fax: +254 (020) 2243389
Swift: SBMKKENA
Website: www.sbmbank.co.ke
Email: atyourservice@sbmbank.co.ke

Banque SBM Madagascar SA
1, Rue Andrianary Ratianarivo
Antsahavola, 101 Antananarivo
Madagascar
Tel: (261) 20 22 666 07
Fax: (261) 20 22 666 08
Swift: BSBMMGMG
Website: www.sbmgroup.mu
Email: HOTLINEMADA@sbmgroup.mu

SBM Bank (India) Limited
101, Raheja Centre, 1st Floor
Free Press Journal Marg
Nariman Point
Mumbai - 400 021, India
Tel: (91) (22) 4302 8888
Fax: (91) (22) 2284 2966
Swift: STCBINBX
Website: www.sbmbank.co.in
Email: customercare@sbmbank.co.in

SBM Bank (Seychelles) Limited
Allied Plaza Building, Francis Rachel Street,
P.O. Box 1474, Victoria, Mahe,
Seychelles
Tel: (248) 430 3356
Website: www.sbmgroup.mu
Email: SBMSeychelles@sbmgroup.mu

NON-BANK OPERATING ENTITIES

SBM (NBFC) Holdings Ltd
Registered Office Address
SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Fax: (230) 210 3369
Website: www.sbmgroup.mu
Email: nbfc.leads@sbmgroup.mu

SBM Mauritius Asset Managers Ltd
Registered Office Address
SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111/1701/3515
Website: www.sbmgroup.mu
Email: sbm.assetm@sbmgroup.mu

SBM Fund Services Ltd
Registered Office Address
SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1488/1505/1551
Website: www.sbmgroup.mu
Email: sbmfundservices@sbmgroup.mu

SBM Microfinance Ltd
Registered Office Address
SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1127
Website: www.sbmgroup.mu
Email: ByeSamah.Ghoora@sbmgroup.mu

SBM Factors Ltd
Registered Office Address
SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 4899
Website: www.sbmgroup.mu
Email: sbmfactors@sbmgroup.mu

SBM eBusiness Ltd, Formerly 'SPV-SBM E-Business Ltd'
Apex Fund Services (Mauritius) Ltd
4th Floor, 19 Bank Street
Cybercity,
Ebene 72201,
Mauritius

SBM Capital Markets Ltd
SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 4135/1682
Fax: (230) 210 3369
Website: www.sbmgroup.mu
Email: sbm.corporatefinance@sbmgroup.mu

SBM Insurance Agency Ltd
SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1595
Website: www.sbmgroup.mu
Email: insurance@sbmgroup.mu

NON-FINANCIAL ENTITY

SBM (NFC) Holdings Ltd
Registered Office Address
SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Fax : (230) 211 8838
Website: www.sbmgroup.mu
Email: finance@sbmgroup.mu

GLOBAL SERVICES

SBM 3S Ltd, Formerly 'SBM Global Services Ltd' and 'SBM Global 3S Ltd'
SBM Tower,
1, Queen Elizabeth II Avenue,
Port Louis, Mauritius
Tel: (230) 202 1111
Website: www.sbmgroup.mu
Email: sbm@sbmgroup.mu

LIST OF ABBREVIATIONS

AFD	Agence Française de Development
ALCO	Asset and Liability Management Committee
AML	Anti-Money Laundering
ASA	Alternative Standardised Approach
ATM	Automated Teller Machine
AUM	Assets Under Management
BCBS	Basel Committee on Banking Supervision
BCP	Business Continuity Planning
BOM	Bank of Mauritius
BP	Basis Points
BSBMM	Banque SBM Madagascar SA
CAPCO	Capital Allocation & Planning Committee
CAR	Capital Adequacy Ratio
CARE	Credit Analysis and Research Limited
CASA	Current Account Savings Account
CBLR	Chase Bank (Kenya) Limited (In Receivership)
CCB	Capital Conversion Buffer
CCF	Credit Conversion Factor
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFC	Chlorofluorocarbons
CFT	Combatting the Financing of Terrorism
CG & CR Committee	Corporate Governance & Conduct Review Committee
CGU	Cash Generating Unit
CIS	Collective Investment Scheme
CKYC	Centralised Know Your Colleague
CO_2	Carbon Dioxide
COE	Code of Ethics and Business Conduct
CRISIL	Credit Rating Information Services of India Limited
CRM	Credit Risk Mitigation
CSR	Corporate Social Responsibility
DPA	Data Protection Act 2017
D-SIB	Domestic Systemically Important Bank
EAD	Exposure at Default
EAR	Earnings at Risk
ECAIs	External Credit Assessment Institutions
ECL	Expected Credit Loss
EIR	Effective Interest Rate
EPS	Earnings per Share
ESR	Environmental and Social Risk
EY	Ernst & Young
FCA	Financial Conduct Authority
FCY	Foreign Currency
FINRA	Financial Industry Regulatory Authority
FSC	Financial Services Commission
FVOCI	Fair Value through Other Comprehensive Income

FVTPL	Fair Value Through Profit or Loss
FX	Foreign Exchange
FY	Financial Year
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GEF	Group Executive Forum
Group CEO	Group Chief Executive Officer
Group CFO	Group Chief Financial Officer
Group CIO	Group Chief Information Officer
HQLA	High Quality Liquid Assets
HR	Human Resources
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
INR	Indian Rupee
IR	Integrated Reporting
IT	Information Technology
KYC	Know Your Customer
LCR	Liquidity Coverage Ratio
LDR	Loan to Deposit Ratio
LED	Light Emitting Diode
LGD	Loss Given Default
MDB	Multilateral Development Banks
MIS	Management Information System
MITD	Mauritius Institute of Training and Development
ML/TF	Money Laundering/Terrorist Financing
MP	Market Price
MUR	Mauritian Rupee
MUR Bn	Mauritian Rupee in Billions
MUR Mn	Mauritian Rupee in Millions
NAV	Net Assets Value
NGO	Non-Governmental Organisation
NII	Net Interest Income
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OTC	Over-The-Counter
PAT	Profit After Tax
PD	Probability of Default
PRM	Proactive Risk Management
REMCO	Nomination & Remuneration Committee
ROA	Return on Assets
ROE	Return on Equity
RPT	Related Party Transaction
RWA	Risk-Weighted Assets

LIST OF ABBREVIATIONS (CONT'D)

RWE	Risk Weighted Exposure
SBM/THE GROUP/ SBM GROUP	SBM Holdings Ltd and its Subsidiaries
SBMBH	SBM (Bank) Holdings Ltd
SBMBI	SBM Bank (India) Limited
SBMBK	SBM Bank (Kenya) Limited
SBMBM	SBM Bank (Mauritius) Ltd
SBMBS	SBM Bank (Seychelles) Limited
SBMH	SBM Holdings Ltd
SBM MAM	SBM Mauritius Asset Managers Ltd
SBM NBFC	SBM (NBFC) Holdings Ltd
SBM NFC	SBM (NFC) Holdings Ltd
SEM	Stock Exchange of Mauritius
SEMSI	SEM Sustainability Index
SME	Small and Medium Enterprises
SOFR	Secured Overnight Funding Rate
SPPI	Solely Payments of Principal and Interest
SSA	Sub Saharan Africa
SUNREF	Sustainable Use of Natural Resources and Energy Finance
SWIFT	Society for Worldwide Interbank Financial Telecommunication Code
TF	Terrorist Financing
The Board	Board of Directors of SBM Holdings Ltd
The Code	The National Code of Corporate Governance for Mauritius (2016)
The Policy	Group Related Party Transactions and Conflict of Interest Policy
The Report	Annual Report
VaR	Value at Risk
USD	US Dollar
WACC	Weighted Average Cost of Capital
WOS	Wholly Owned Subsidiary

SBM Holdings Ltd
SBM Tower, 1, Queen Elizabeth II Avenue,
Port Louis, Republic of Mauritius

T: (230) 202 1111
F: (230) 202 1234
E: sbm@sbmgroup.mu

www.sbmgroup.mu