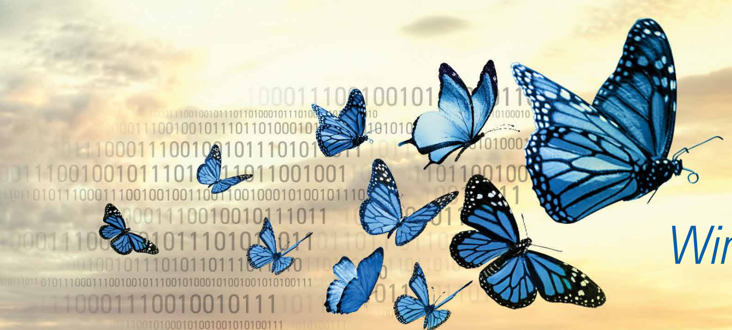
SBM BANK (MAURITIUS) LTD



Wings Unfold

SBM | ANNUAL REPORT | 2014

BRN: C07002193

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VISION

To be the leading provider of premier banking services through a dedicated and competent professional team

MISSION

Value creation for all stakeholders by consistently delivering enhancement in returns and in customer experience

GOAL

To continuously improve and innovate the Bank's lines of business and achieve strong and sustained returns for all stakeholders. The Bank aims to achieve its goals by continuously enhancing customer service, competencies, delivery channels and operating efficiency as well as maintaining a balanced, acceptable and quality risk profile while effectively managing its balance sheet

Caution regarding forward-looking statements

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

By their nature, forward-looking statements require the company 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, 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 SBM Bank (Mauritius) Ltd, 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. SBM Bank (Mauritius) Ltd does not undertake to update any forward-looking statement that may be made, from time to time, by the organisation or on its behalf.

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ABBREVIATIONS

SBM Holdings Ltd including its subsidiaries	SBM Group or The Group
SBM Holdings Ltd	SBMH or The Holding Company or The Bank Investments Holding Company
SBM Bank (Mauritius) Ltd	The Bank
Bank of Mauritius	BOM
Reserve Bank of India	RBI
Wholly Owned Subsidiary	WOS

Special Purpose Vehicle	SPV
Financial Services Commission	FSC
Basel Committee on Banking Supervision	BCBS
African Currency Unit	AfCU
Stock Exchange of Mauritius	SEM
Capital Adequacy Ratio	CAR

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SBM Bank (Mauritius) Ltd, formerly State Bank of Mauritius Ltd, became a subsidiary of SBM Holdings Ltd effective from 02 October 2014 following the restructuring of the SBM Group approved by the Bank of Mauritius (BOM) under section 32A of the Banking Act 2004. SBM Bank (Mauritius) Ltd is 100 percent held by SBM Holdings Ltd through a special purpose vehicle (SPV) namely SBM Mauritius Ltd. Please refer to the figure on page 7 for the latest SBM Group structure.

SBM Bank (Mauritius) Ltd, being held by a single shareholder pursuant to the Group restructuring, no longer met the criteria for listing and therefore its listing on the Official Market of the Stock Exchange of Mauritius (SEM) was withdrawn on 30 September 2014. The new holding company, SBMH, was listed on the SEM as from 03 October 2014.

It is envisaged to convert our branches in India into a wholly owned subsidiary (WOS) upon approval from the Reserve Bank of India (RBI) which will be held through an SPV, namely SBM India Ltd. SBM Bank (Mauritius) Ltd will sell the investment in Indian Operations to SBM Holdings Ltd. Of note, in-principle approval for the wholly owned subsidiary (WOS) implementation from the Reserve Bank of India was obtained on 07 April 2015.

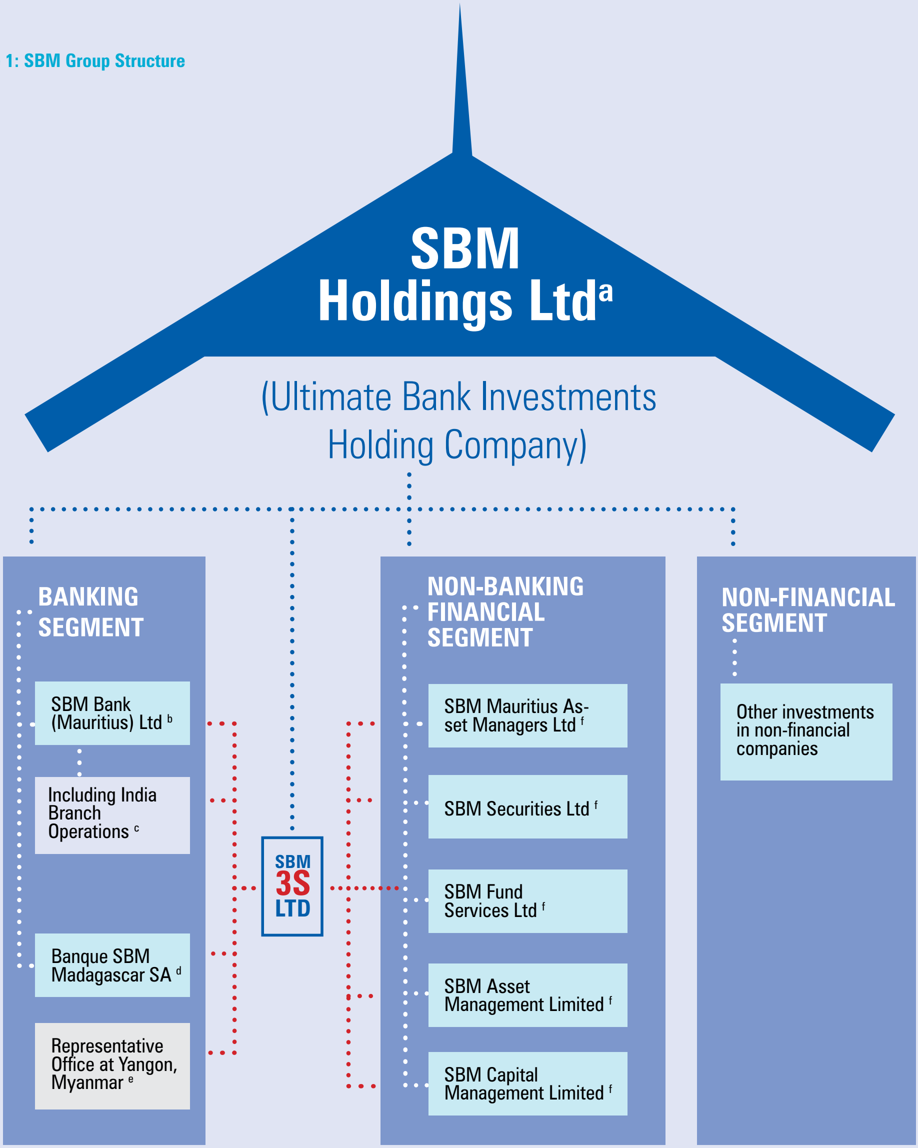
One of the main objectives of the restructuring is to segregate the non-banking activities of the Group from the banking activities, effectively ring-fencing the capital at the banking segment which is further ring-fenced at each of the banking operating company by jurisdiction. As a consequence of the restructuring, the equity investments in Mauritius Telecom (MT) and State Insurance Company of Mauritius Ltd (SICOM) have been transferred to SBMH, whereas the non-banking financial investments/subsidiaries including SBM Securities Ltd, SBM Mauritius Asset Managers Ltd and SBM Fund Services Ltd are held in SBM (NBFC) Holdings Ltd and other investments in the non-financial segment are held by SBM (NFC) Holdings Ltd.

BOM has granted SBMH a derogation to maintain the existing directors of SBM Bank (Mauritius) Ltd, except for the two executive directors, on the SBMH Board until the next annual meeting of SBMH expected in June 2015 when new directors will be elected. In view of the above, the same existing Board Committees will handle SBM Bank (Mauritius) Ltd and SBMH until the next annual meeting. Please refer to the Annual Report 2014 of SBMH for a detailed Corporate Governance report.

The figure on pages 8-9 illustrates how the Bank is organised.

It is to be noted that further fine-tuning of the above structure is underway following the recent Group restructuring exercise and implementation of a new core banking system and IT platform. In particular, a new subsidiary, namely, SBM 3S Ltd has been set up where certain middle and back office functions across the whole Group are being centralised. And as the Holding Company expands in the region, it is envisaged to have a regional head for a line of business across the Group/region, once a level of business which demands a head is reached.

Figure 1: SBM Group Structure



a Supervised by Bank of Mauritius

b Licensed and regulated by Bank of Mauritius

c In-principle approval of Wholly Owned Subsidiary (WOS) license from the Reserve Bank of India was obtained on 07 April 2015 and creation of a new subsidiary in India is in process

d Licensed and regulated by Central Bank of Madagascar

e Licensed and regulated by Central Bank of Myanmar

f Licensed and regulated by Financial Services Commission

ORGANOGRAM OF THE BANK

Figure 2: Organogram of the Bank

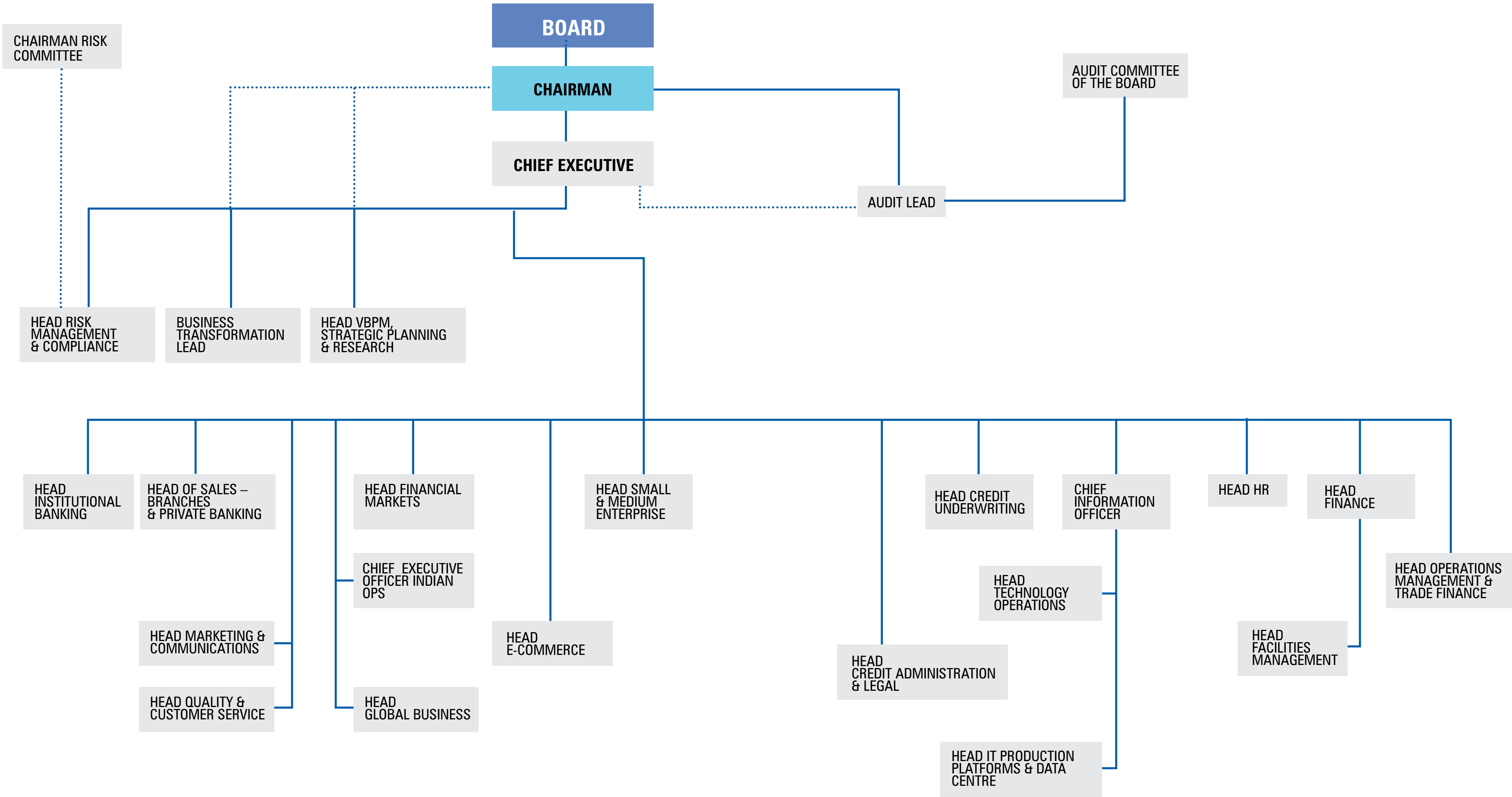


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Table 1: Key Financial Highlights

	12 MONTHS DEC 2014	12 MONTHS DEC 2013[ac]	18 MONTHS DEC 2013[a]	12 MONTHS JUN 2012[a]
Shareholders' equity (MUR million)	**16,768**	15,371	15,371	13,953
Capital adequacy ratio (%)	**20.67**	19.36	19.36	17.76
Tier 1 capital ratio (%)	**19.56**	17.97	17.97	17.23
Profit before income tax (MUR million)	**3,555**	3,603	5,350	4,576
Profit attributable to equity holder of the parent (MUR million)	**2,882**	3,057	4,492	4,014
Return on average assets (%)[b]	**2.61**	2.98	2.99	4.28
Return on average risk-weighted assets (%)[b]	**4.00**	4.28	4.36	6.47
Return on average shareholders' equity (%)[b]	**17.94**	20.44	20.37	28.55
Return on average Tier 1 capital (%)[b]	**21.29**	24.63	24.73	39.62
Credit deposit ratio (%)	**75.75**	87.07	87.07	83.68
Cost to income (excluding dividend income) (%)	**34.84**	40.21	39.19	35.64
Gross impaired advances to gross advances (%)	**2.11**	1.96	1.96	0.92
Net impaired advances to net advances (%)	**0.95**	0.89	0.89	0.28
Electronic to gross transactions (%)	**91**	89	89	87

Notes:
[a] Restated for comparative purposes.
[b] Averages are calculated using period/year-end balances.
[c] Figures for 18 months ended 31 December 2013 actualised to 12 months.

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Chart 1: Profit for the year

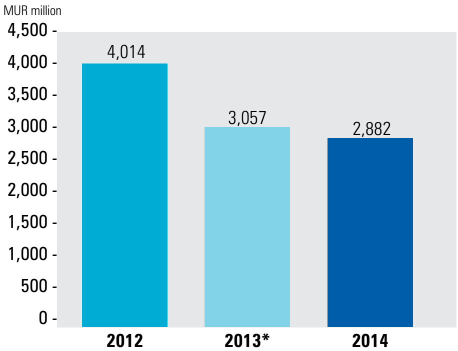


Chart 2: Capital adequacy ratio

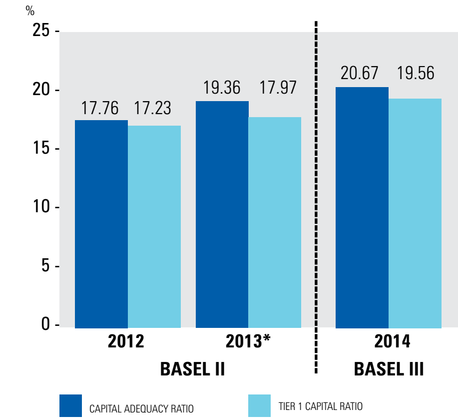


Chart 3: Cost to income ratio (exluding dividend income)

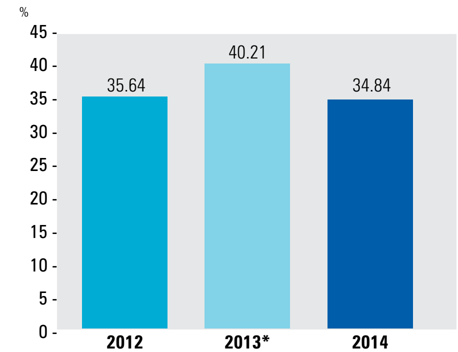
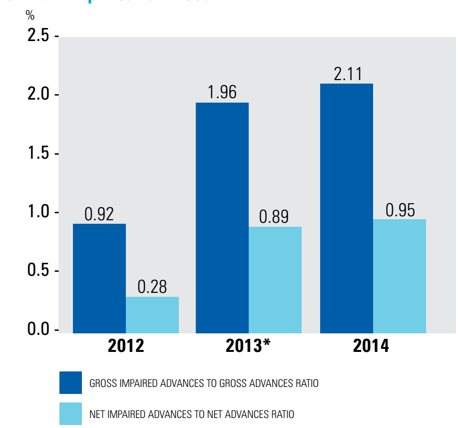


Chart 4: Impaired advances



* Figures for 2013 relate to the 12-month period from 01 January 2013 to 31 December 2013 and have been restated for comparative purposes

Ratings

SBM Bank (Mauritius) Ltd is rated by Moody's Investors Service, as tabulated below.

Table 2: Moody's rating

Parameter	Moody's Rating
Long term bank deposits (Foreign)	Baa3
Long term bank deposits (Domestic)	Baa3
Long term Issuer Rating (Foreign)	Baa3
Short term bank deposits (Foreign)	P-3
Short term bank deposits (Domestic)	P-3
Bank Financial Strength	D+


At the heart of the
Indochinese Peninsula

Independent Non-Executive Directors

REDDY, Muni Krishna T., *G.O.S.K., F.S.I.D.* Chairman of the Board

KALACHAND, Aakash Krishan

Dr KHADAROO, Jameel*

RAULT, Joël *

REY, Alfred Joseph Gerard Robert Alain

Professor SCOTT, Andrew**

YAT SIN, Régis, *C.S.K., G.O.S.K.*

Non-Executive Directors

DABEE, Dheerendra Kumar, *S.C., G.O.S.K.*

GUNPUTH, Medha***

Executive Directors

APPADOO, Chandradev

SONOO, Jairaj, *C.S.K.*

The profiles of the directors are at pages 188 to 191 of the Annual Report.

Secretary to the Board

KALLEE, Bruj Madhav

Notes:

* appointed as director with effect from 04 February 2015 following the resignation of Mr Rohit Ramnawaz and Mr Shakeel M.A. Summun as independent non-executive directors, effective 31 December 2014.

** resigned as director with effect from 01 January 2015.

*** appointed as director with effect from 04 February 2015 following the resignation of Mrs Kalindee Bhanji as non-executive director, effective 31 December 2014.

CHAIRMAN'S STATEMENT

REDDY Muni Krishna T., *G.O.S.K., F.S.I.D.*

I am pleased to report to you on the evolution of the Bank during 2014. The year gone by marked a milestone in the history of State Bank of Mauritius Ltd, now renamed as SBM Bank (Mauritius) Ltd. The Group restructuring exercise was implemented on 02 October 2014 so as to segregate non-bank activities from bank activities. This exercise positions the Bank to better focus on its core business activity - banking, and utilise its capital in a more efficient manner. SBM Bank (Mauritius) Ltd remains the flagship company of the SBM Group and accounted for 90.21 percent of the Holding Company assets as at 31 December 2014 and 70.05 percent of the Holding Company's after tax profits for the year ended 31 December 2014.

I feel honoured to share with you some of the key indicators of the financial performance of the Bank for the year ended 31 December 2014. Although faced with a difficult operating environment and lingering excess liquidity in the domestic economy, the Bank preserved its profitability and good capitalisation level, supported by strong revenue generation capacity, which reflects the Bank's healthy net interest margins and low operational cost base. For the year under review, the Bank reported a net profit of MUR 2,882 million compared to MUR 3,057 million for the 12 months ended 31 December 2013, in spite of lower demand for credit and higher percentage level of deployment of surplus liabilities in lower interest earning gilt-edged securities. Suitable action has been initiated to strike an appropriate mix of assets to maximise interest rate revenue. The Bank managed a relatively lower cost to income ratio at around 34.84 percent coupled with a low net impairment ratio of below 1 percent for the last few years. The low impairment ratio reflects the Bank's prudent stance and robust risk management practices. Well-capitalised, the Bank confirms its commitment to maintaining a strong capital base. The Bank's capital adequacy ratio remained comfortable at 20.67 percent for December 2014 (December 2013: 19.36 percent), well above the regulatory minimum level under Basel III.

I am also pleased to report that the Bank continued to implement, with satisfaction, the ambitious business-aligned technology transformation initiatives embarked upon since 2012. Several players of international repute, namely HP, Accenture and Quinnox, are supporting the Bank in the implementation of the transformation project. The transformation project, which is expected to reach an important milestone in 2015, would be aligned to best-in-class, standardised, and streamlined business and operational processes, once fully implemented.

Amongst the various initiatives successfully implemented during the year, it is worth to highlight that the risk management platform has been significantly strengthened, keeping in view the regulatory requirements as well as the Bank's expansion and diversification plans aligned to the Group strategy; the Bank has consolidated its position in the domestic retail banking market with commendable growth in market share, particularly in respect of mortgage portfolio. The Bank has successfully revamped several existing products/augmented its existing product offering to include new products to better cater to the needs/aspirations of customers, amongst others. A more detailed coverage of performance and key achievements broken down by line of business is provided in latter sections of the Annual Report.

Going forward, the Bank is actively studying opportunities to diversify its sources of revenue particularly in areas like SME and Cross Border where relationship has been established.

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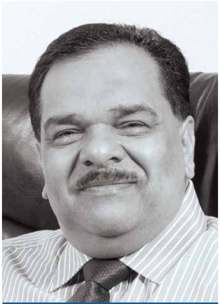
The Bank expects its operating environment to improve gradually during the years ahead. The Bank will seek to actively pursue its business development, keep attracting talents as well as strengthen in-house capabilities and improve quality on customer service. The Government of Mauritius declared intention to improve the environment for doing business and its express commitment to support the development of SMEs is expected to have a positive impact on the local economy. Going forward, the Bank stands ready to embrace growth opportunities that are expected to unfold, while also keeping focus on compliance with regulatory frameworks within appropriate and robust risk management framework and policies. Simultaneously, the Bank will continue with the implementation of its ambitious business-aligned technology transformation initiatives.

On behalf of the Board, I would like to express thanks and acknowledge the contribution of each and every stakeholder who has helped, in one way or the other, in the successful completion of a challenging year for the Bank. In the same vein, I would like to congratulate all stakeholders alike for the international recognitions received during the year, which underscores the beautiful mix of customers' trust, staff hard work, management dedication, directors' wise-counsel as well as regulators' support to the Bank.



SONOO, Jairaj, *C.S.K.*,
Masters in Business
Administration (MBA)

2014 has marked the 42nd successful year of existence of SBM Bank (Mauritius) Ltd, previously State Bank of Mauritius Ltd. The year under review has not been without headwinds. Nonetheless, SBM Bank (Mauritius) Ltd remained broadly profitable and well capitalised. Profit for the year ended December 2014 stood at MUR 2,882 million for the Bank. The key contributors to gross revenue, which stood at MUR 5,855 million for the year under review, remain net interest income, non interest income, fees, trading income and investment income. Despite the challenges faced during the year 2014, we managed to improve the cost to income ratio to 34.84 percent, compared to 40.21 percent last year.

Amidst difficult operating conditions, the assets mix rebalanced in favour of investment securities and other assets. Credit quality remained relatively strong, despite observations of a slight deterioration. Gross impaired advances to gross advances ratio worked out to 2.11 percent [December 2013: 1.96 percent] and net impaired advances to net advances ratio worked out to 0.95 percent [December 2013: 0.89 percent]. Deposits grew by 11.40 percent year-on-year, driven by lower cost savings and current account deposits.

I am also pleased to share with you that the technology upgrade project involving the overhaul of the core banking system and other applications has reached an advanced stage with over MUR 2 billion disbursed to our partners as at date and over 100 staffs from business dedicated to the project for User Acceptance Testing. The project is evolving satisfactorily. In parallel, several lines of business have adopted initiatives to improve their effectiveness in light of the upcoming technology platform. Given the magnitude of the project and its potential impact on process, people and business, a Change Management team was set up to create awareness, communicate, prepare and train our employees to better adopt the upcoming changes and engage with stakeholders. A number of related activities took place including the conduct of change impact assessments, identification of gaps and remedial actions, team building activities, and staff engagement surveys to name a few.

On the business side, a number of corporate events and the implementation of a number of initiatives marked the year under review. These include the launch of Union Pay International (UPI) cards - the debit card is denominated in Mauritian Rupees while the prepaid card (Travelmate) is in Renminbi. It is worth noting that SBM Bank (Mauritius) Ltd is the first bank in Africa region to issue these cards. Moreover, Mastercard Titanium cards were also launched with the objective of targeting up-market segments. A branch has been opened in Flacq based on a new prototype and hosts a Private Banking and Wealth Management Lounge. In an attempt to reach out to a wider customer base, the Bank also augmented presence on social media platforms.

Further, as a caring bank, we have again, under our Corporate Social Responsibility (CSR), laid emphasis on empowering the society around us via continued support in the fields of education, health and sports. The Bank has awarded some 1,500 scholarships to bright and needy students from Mauritius and Rodrigues to pursue studies at tertiary level or for vocational courses at the Mauritius Institute of Training & Development (MITD). The Bank has also lent support to several associations, including the Global Rainbow Foundation, ABAIM, Gandhian Basic School, Sailing Pour Tous and Teen Hope. More details on the Bank's CSR activities are provided in the Corporate Governance section of the Annual Report.

I would like to share the feeling of pride and encouragement I felt when SBM Bank (Mauritius) Ltd was awarded in recognition to its strong fundamentals, consistent financial performance, financial soundness and reputation to be innovative and flexible in 3 international award ceremonies, all held in London. Of note, SBM Bank (Mauritius) Ltd won the award for Best Bank of the Year 2014 in Mauritius by The Banker Awards, Best Bank in Mauritius 2014 by Capital Finance International (CFI.co) and Best Retail Bank in Africa by the African Banker Awards 2014.

To end, I would like to express sincere thanks to the Bank's valued customers who are the motivation behind the Bank's continuous drive for improvement, to the staff and the management personnel for the hard work and dedicated service, and all stakeholders for their steadfast support and trust throughout 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

The directors confirm, to the best of their knowledge and belief, that:

(i) an effective system of internal controls and robust risk management practices, including compliance, has been put in place to safeguard the assets and for the prevention and detection of fraud and other irregularities;

(ii) the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations in the foreseeable future;

(iii) the Financial Statements give a true and fair view of the state of affairs of the Bank for the twelve months ended 31 December 2014 and have been prepared in accordance with the International Financial Reporting Standards, the Banking Act, 2004, applicable Bank of Mauritius (BOM) guidelines and those of other Central Banks, where the Bank has operations, and appropriate accounting policies. These were supported by reasonable and prudent judgments, and estimates have been used consistently;

(iv) they continuously review the implications of corporate governance best practices and are of the opinion that the Bank complies with the requirement of the Code of Corporate Governance for Mauritius in all material aspects or has explained non-compliance; and

(v) proper accounting records have been kept, in accordance with the requirements of the Mauritius Companies Act, 2001, subject to any material departure disclosed and explained in the Financial Statements, and are free from misstatements.

The external auditors, Deloitte, Chartered Accountants have independently reported on whether the Financial Statements are fairly presented.

Alain A.J.G.R. Rey
Chairman, Audit Committee

Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*
Chairman

Company secretary's certificate

CERTIFICATE FROM THE COMPANY SECRETARY

I certify that, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act, 2001.

B.M. Kallee
Company Secretary

COMPANY SECRETARY'S CERTIFICATE

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Back to the
Cradle of Humanity

FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Bank have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards, as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder, have been applied and management has exercised its judgement and made best estimates where deemed necessary.

The Bank has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well-defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the Bank's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the Bank.

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

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

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

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

Jairaj Sonoo, *C.S.K.*
Chief Executive-Banking
(Indian Ocean Islands)

Alain A.J.G.R. Rey
Chairman, Audit Committee

Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*
Chairman

30 March 2015

Independent auditor's report to the shareholder of
SBM Bank (Mauritius) Ltd (formerly known as State Bank of Mauritius Ltd)

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

Report on the financial statements

We have audited the financial statements of the Bank set out on pages **27** to **119** which comprise the statement of financial position as at 31 December 2014 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages **27** to **119** give a true and fair view of the financial position of the Bank as at 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

We have no relationship with, or interests in, the Bank, other than in our capacities as auditor and tax advisor and arm's length dealings in the ordinary course of business;

We have obtained all information and explanations that we have required; and

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

Banking Act 2004

In our opinion, after having regard to the changes in accounting policies as stated in Note 38, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

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

The Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the Corporate Governance Report is consistent with the requirements of the Code.

Deloitte

Deloitte
Chartered Accountants

Pradeep Malik, FCA
Licensed by FRC

30 March 2015

SBM BANK (MAURITIUS) LTD (Formerly known as State Bank of Mauritius Ltd)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	NOTE	31 December 2014 MUR'000	31 December 2013 (Restated) MUR'000	30 June 2012 (Restated) MUR'000
ASSETS				
Cash and cash equivalents	5	**7,643,760**	6,485,251	6,964,275
Mandatory balances with Central Banks		**6,333,742**	5,223,056	4,671,915
Loans to and placements with banks	6	**702,133**	932,428	1,511,936
Trading assets	7	**205,138**	249,504	269,498
Loans and advances to non-bank customers	8	**67,577,748**	69,776,577	62,568,574
Investment securities	9	**25,611,877**	17,164,615	13,115,277
Equity investments	9	**370**	397,947	1,926,645
Investment in subsidiaries	9	**-**	1,332	122
Property and equipment	10	**2,714,936**	2,585,401	2,664,445
Intangible assets	11	**1,067,723**	638,857	85,437
Deferred tax assets	17b	**162,190**	145,100	-
Other assets	12	**2,789,003**	2,167,910	495,337
Total assets		**114,808,620**	105,767,978	94,273,461
LIABILITIES				
Deposits from banks	14	**620,334**	271,802	214,657
Deposits from non-bank customers	15	**90,542,433**	81,276,155	75,533,152
Other borrowed funds	16	**5,113,005**	6,110,051	2,924,795
Trading liabilities	7	**146,548**	238,469	169,999
Current tax liabilities		**87,721**	246,591	287,558
Deferred tax liabilities	17b	**77,329**	114,459	162,551
Other liabilities	18	**1,453,314**	2,135,022	1,028,057
Subordinated debts	39	**-**	4,200	-
Total liabilities		**98,040,684**	90,396,749	80,320,769
SHAREHOLDERS' EQUITY				
Stated capital	19	**310,000**	303,740	303,740
Capital Contribution	19	**8,063,106**	-	-
Retained earnings		**6,485,822**	15,395,534	13,358,328
Other reserves		**1,909,008**	2,005,241	2,623,910
		16,767,936	17,704,515	16,285,978
Less treasury shares		**-**	(2,333,286)	(2,333,286)
Total equity		**16,767,936**	15,371,229	13,952,692
Total equity and liabilities		**114,808,620**	105,767,978	94,273,461

Approved by the Board of Directors and authorised for issue on 30 March 2015.

Jairaj Sonoo, *C.S.K.*
Chief Executive - Banking
(Indian Ocean Islands)

Alain A.J.G.R. Rey
Chairman, Audit Committee

Muni Krishna T Reddy
G.O.S.K., F.S.I.D
Chairman

FINANCIAL STATEMENTS

SBM BANK (MAURITIUS) LTD (Formerly known as State Bank of Mauritius Ltd)

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	Year ended 31 December 2014 MUR'000	18 months ended 31 December 2013 (Restated) MUR'000	12 months ended 30 June 2012 (Restated) MUR'000
Interest income		**6,273,081**	9,095,940	5,687,956
Interest expense		**(2,312,269)**	(3,302,038)	(2,593,942)
Net interest income	25	**3,960,812**	5,793,902	3,094,014
Fee and commission income		**869,531**	1,486,003	1,121,496
Fee and commission expense		**(27,462)**	(42,719)	(30,805)
Net fee and commission income	26	**842,069**	1,443,284	1,090,691
Dividend income	27	**61,903**	871,403	1,699,771
Net trading income	28	**357,009**	497,143	447,288
Other operating income	29	**633,359**	460,122	11,806
Non interest income		**1,894,340**	3,271,952	3,249,556
Operating income		**5,855,152**	9,065,854	6,343,570
Personnel expenses	30	**(1,065,309)**	(1,666,645)	(964,045)
Depreciation and amortisation		**(163,978)**	(277,666)	(177,737)
Other expenses	31	**(638,826)**	(942,473)	(451,425)
Non interest expense		**(1,868,113)**	(2,886,784)	(1,593,207)
Profit before net impairment loss on financial assets		**3,987,039**	6,179,070	4,750,363
Net impairment loss	32	**(432,008)**	(829,086)	(173,897)
Profit before income tax		**3,555,031**	5,349,984	4,576,466
Tax expense	17a	**(672,538)**	(857,800)	(562,323)
Profit for the year / period		**2,882,493**	4,492,184	4,014,143

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Year ended 31 December 2014 MUR'000	18 months ended 31 December 2013 (Restated) MUR'000	12 months ended 30 June 2012 (Restated) MUR'000
Profit for the year / period	**2,882,493**	4,492,184	4,014,143
Other comprehensive income :			
Items that will not be reclassified subsequently to profit or loss:			
Decrease in revaluation of property	**(6,849)**	-	-
Deferred tax on revaluation surplus of property	**4,788**	-	13,484
Deferred tax on disposal of property	**-**	200	-
Effect of change in deferred tax rate	**-**	(804)	-
Remeasurement of defined benefit pension plan	**11,855**	(25,220)	(68,243)
	9,794	(25,824)	(54,759)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**104,194**	(520,100)	(252,980)
Increase in value of available-for-sale investments	**25,188**	282,106	148,294
Fair value realised on disposal of available-for-sale investments	**(369,699)**	(357,127)	(3,387,334)
	(240,317)	(595,121)	(3,492,020)
Other comprehensive loss	**(230,523)**	(620,945)	(3,546,779)
Total comprehensive income for the year / period	**2,651,970**	3,871,239	467,364

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SBM BANK (MAURITIUS) LTD (Formerly known as State Bank of Mauritius Ltd)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Stated Capital MUR'000	Capital Contribution MUR'000	Treasury Shares MUR'000	Statutory Reserve MUR'000	Capital conservation reserve MUR'000	Revenue reserve (Restated) MUR'000	Net unrealised investment fair value reserve MUR'000	Net property revaluation reserve (Restated) MUR'000	Net translation reserve MUR'000	Total equity MUR'000
At 01 July 2011										
- As previously stated	303,740	-	(2,333,286)	460,906	448,029	10,155,831	3,659,957	287,267	(11,199)	12,971,245
- Surplus on revaluation of buildings on leasehold land	-	-	-	-	-	-	-	1,049,838	-	1,049,838
- Adjustment of supplementary depreciation	-	-	-	-	-	-	-	130,349	-	130,349
- Effect of adopting IAS 19 (revised)	-	-	-	-	-	20,786	-	-	-	20,786
- As restated	303,740	-	(2,333,286)	460,906	448,029	10,176,617	3,659,957	1,467,454	(11,199)	14,172,218
Profit for the year	-	-	-	-	-	4,014,143	-	-	-	4,014,143
Other comprehensive loss for the year	-	-	-	-	-	(68,243)	(3,239,040)	13,484	(252,980)	(3,546,779)
Reversal of portfolio provision, net of tax	-	-	-	-	-	87,648	-	-	-	87,648
Transfer to capital conservation reserve	-	-	-	-	103,116	(103,116)	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	41,378	-	(41,378)	-	-
Transfer to statutory reserve	-	-	-	15,561	-	(15,561)	-	-	-	-
Dividend	-	-	-	-	-	(774,538)	-	-	-	(774,538)
At 30 June 2012 (as Restated)	303,740	-	(2,333,286)	476,467	551,145	13,358,328	420,917	1,439,560	(264,179)	13,952,692
At 01 July 2012 (as Restated)	303,740	-	(2,333,286)	476,467	551,145	13,358,328	420,917	1,439,560	(264,179)	13,952,692
Profit for the period	-	-	-	-	-	4,492,184	-	-	-	4,492,184
Other comprehensive loss for the period	-	-	-	-	-	(25,220)	(75,021)	(604)	(520,100)	(620,945)
Revaluation reserve realised on disposal of property	-	-	-	-	-	6,749	-	(6,749)	-	-
Transfer to retained earnings	-	-	-	-	-	61,613	-	(61,613)	-	-
Transfer to statutory reserve	-	-	-	45,418	-	(45,418)	-	-	-	-
Dividend	-	-	-	-	-	(2,452,702)	-	-	-	(2,452,702)
At 31 December 2013 (as Restated)	303,740	-	(2,333,286)	521,885	551,145	15,395,534	345,896	1,370,594	(784,279)	15,371,229

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014 (CONT'D)

	Stated Capital MUR'000	Capital Contribution MUR'000	Treasury Shares MUR'000	Statutory Reserve MUR'000	Capital conservation reserve MUR'000	Revenue reserve (Restated) MUR'000	Net unrealised investment fair value reserve MUR'000	Net property revaluation reserve (Restated) MUR'000	Net translation reserve MUR'000	Total equity MUR'000
At 01 January 2014	303,740	-	(2,333,286)	521,885	551,145	15,395,534	345,896	1,370,594	(784,279)	15,371,229
Increase in stated capital	6,260	-	-	-	-	-	-	-	-	6,260
Transfer of treasury shares upon restructure	-	-	2,333,286	-	-	-	-	-	-	2,333,286
Capital contribution arising on transfer of treasury shares	-	2,541,744	-	-	-	-	-	-	-	2,541,744
Capital contribution received upon restructure	-	5,521,362	-	-	-	-	-	-	-	5,521,362
Profit for the year	-	-	-	-	-	2,882,493	-	-	-	2,882,493
Other comprehensive loss for the year	-	-	-	-	-	11,855	(344,511)	(2,061)	104,194	(230,523)
Transfer to capital conservation reserve	-	-	-	-	174,096	(174,096)	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	34,211	-	(34,211)	-	-
Transfer to statutory reserve	-	-	-	6,260	-	(6,260)	-	-	-	-
Dividend	-	-	-	-	-	(11,657,915)	-	-	-	(11,657,915)
At 31 December 2014	**310,000**	**8,063,106**	**-**	**528,145**	**725,241**	**6,485,822**	**1,385**	**1,334,322**	**(680,085)**	**16,767,936**

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STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTE	Year ended 31 December 2014 MUR'000	18 months ended 31 December 2013 (Restated) MUR'000	12 months ended 30 June 2012 (Restated) MUR'000
Net cash from / (used in) operating activities	33	**307,920**	(3,314,696)	5,259,905
Cash flows from / (used in) financing activities				
(Decrease) / increase in other borrowed funds		**(997,046)**	3,185,256	(4,199,879)
Increase in subordinated debts raised		**3,561,322**	4,200	-
Dividend paid on ordinary shares		**(1,777,881)**	(1,936,344)	(774,538)
Net cash from / (used in) financial activities		**786,395**	1,253,112	(4,974,417)
Cash flows from investing activities				
Acquisition of property and equipment		**(280,226)**	(215,418)	(61,666)
Acquisition of intangible assets		**(443,912)**	(589,332)	(56,422)
Disposal of property and equipment		**104**	31,384	856
Dividend received from associate and subsidiaries		**410,000**	516,000	251,078
Investment in subsidiary		**-**	(1,210)	(25)
Dividend in specie realised into cash		**-**	1,446,146	-
Acquisition of other equity investments		**-**	-	(33,664)
Disposal of investment in subsidiaries		**175**	-	-
Disposal of investment in associate		**-**	-	14,000
Disposal of other equity investments		**378,053**	394,989	62,583
Net cash from investing activities		**64,194**	1,582,559	176,740
Net change in cash and cash equivalents		**1,158,509**	(479,025)	462,228
Cash and cash equivalents at start of year / period		**6,485,251**	6,964,275	6,502,047
Cash and cash equivalents at end of year / period		**7,643,760**	6,485,251	6,964,275

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1. GENERAL INFORMATION

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

During the current year, Bank of Mauritius, the regulator for State Bank of Mauritius Ltd (renamed SBM Bank (Mauritius) Ltd), referred to as the "Bank", has approved the restructuring of the Group under Subsection 1 and Subsection 11 of Section 32A of the Banking Act 2004, as amended, with effect from 02 October 2014 ("the appointed day"). The Stock Exchange of Mauritius Ltd approved the withdrawal of the listing of State Bank of Mauritius Ltd (renamed as SBM Bank (Mauritius) Ltd) as at 30 September 2014 and listing of SBM Holdings Ltd as at 03 October 2014.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the current year, the Bank has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 January 2014.

New and revised IFRS applied with no material effect on the financial statements

The following revised standards have been applied in these financial statements. Their application has not had any material effect on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

IAS 1:
Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 cycle (comparative information)

IAS 16:
Property, plant and equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)

IAS 19:
Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects

IAS 32:
Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 cycle (tax effect of equity distributions)

IAS 32:
Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities

IAS 34
Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)

IAS 36
Impairment of Assets – Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets

IAS 39
Financial instruments: Recognition and Measurement – Amendments for novations of derivatives

IFRS 7
Financial Instruments: Disclosures - Amendments relating to the offsetting of assets and liabilities

IFRS 13
Fair Value Measurement

New and revised IFRS in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant standards and interpretations were in issue but effective on annual periods beginning on or after the respective dates as indicated.

IAS 1:
Presentation of financial statements – Amendments resulting from the disclosure initiative (effective 1 January 2016)

IAS 16:
Property, plant and equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation) (effective 1 July 2014)

IAS 16:
Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)

IAS 16 :
Property, Plant and Equipment - Amendments bringing bearer plants into the scope of IAS 16 (effective 1 January 2016)

IAS 19:
Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service (effective 1 July 2014)

IAS 19:
Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs (effective 1 January 2016)

IAS 24:
Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities) (effective 1 July 2014)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONT'D)

IAS 34:
Interim Financial Reporting Amendments resulting from September 2014 Annual Improvements to IFRSs (effective 1 January 2016)

IAS 38:
Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)(effective 1 July 2014)

IAS 38:
Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)

IAS 39:
Financial instruments: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective 1 January 2018)

IAS 40:
Investment Property - Amended by *Annual Improvements to IFRSs 2011-2013 Cycle* (interrelationship between IFRS 3 and IAS 40) (effective 1 July 2014)

IFRS 2:
Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition') (effective 1 July 2014)

IFRS 5:
Non-current Assets Held for Sale and Discontinued Operations - Amended by *Improvements to IFRSs 2014* (changes in methods of disposal) (effective 1 January 2016)

IFRS 7:
Financial Instruments: Disclosures. Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2018)

IFRS 7:
Financial Instruments: Disclosures. Amendments resulting from September 2014 Annual Improvements to IFRSs (effective 1 January 2016)

IFRS 8:
Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets) (effective 1 July 2014)

IFRS 9:
Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (effective 1 January 2018)

IFRS 13:
Fair Value Measurement - Amendments resulting from Annual Improvements 2010-2012 Cycle (short-term receivables and payables) (Amendments to basis for conclusions only) (effective 1 July 2014)

IFRS 13:
Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52) (effective 1 July 2014)

IFRS 15:
Revenue from Contracts with Customers (effective 1 January 2017)

The directors anticipate that these amendments will be applied in the financial statements of the Bank at the above effective dates in future periods. The directors have not yet had an opportunity to consider the potential impact of the application of these amendments.

3. ACCOUNTING POLICIES

The principal accounting policies adopted by the Bank 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 the Mauritian Rupee, which is the Bank's functional and presentation currency.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability the Bank takes into account the characteristics of the asset or liability if market participants would take into account those characteristics 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 IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

(b) Statement of compliance

The financial statements have been prepared on the basis of preparation as explained in 3(a) above and in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs).

3. ACCOUNTING POLICIES (CONT'D)

(c) Revenue recognition

Revenue is generally recognised at the fair value of the consideration received or receivable.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Bank 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.

Dividend income from equity investments is accounted for in the *Statement of profit or loss* when the right to receive payment is established.

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

(d) Foreign currency translation

Assets, liabilities, income and expense items denominated in other currencies are translated into Mauritian Rupees, the currency of the primary economic environment in which the entity operates ('functional currency') in accordance with IAS 21.

(i) Transactions denominated in foreign currency are converted at the rate prevailing at the date of the transactions.

(ii) Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into Mauritian Rupees at the rates of exchange ruling at that date.

(iii) Non-monetary assets and liabilities denominated in foreign currency are reported using the exchange rates at the date of the transactions, if carried at cost, or the exchange rates that existed when the fair values were determined, if carried at fair value.

(iv) Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the *Statement of profit or loss and other comprehensive income* for the period. When a gain or loss on a non-monetary item is recognised in equity, any exchange component of that gain or loss shall be recognised in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the *Statement of profit or loss and other comprehensive income*, any exchange component of that gain or loss shall be recognised in the *Statement of profit or loss and other comprehensive income*.

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

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

	31 December 2014	31 December 2013	30 June 2012
USD / MUR	**31.78**	30.00	30.93
INR / MUR	**0.504**	0.485	0.556

Their statements of profit or loss are translated into Mauritian Rupees at weighted average rates. Any translation differences arising are recognised in other comprehensive income and accumulated in equity. Such translation differences are recognised in the *Statement of profit or loss and other comprehensive income* as part of *Other operating income* in the period in which the foreign entity is disposed of.

(e) Financial Instruments

Financial assets and liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at 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 or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(f) Financial Assets

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 and other comprehensive income*. Interest earned on the financial asset is included in Interest income line while dividend received is included in the *Dividend income* line.

The fair values of the instrument securities at FVTPL are determined based on quoted market prices in active markets.

3. ACCOUNTING POLICIES (CONT'D)

(f) Financial Assets (Cont'd)

(ii) Held-to-maturity (HTM) investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate.

If the Bank sells or reclassifies more than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), the entire category will be tainted and will be reclassified as available-for-sale investments. Furthermore, the Bank will not classify any financial asset as held-to-maturity during the following two years.

(iii) Loans-and-receivables (L&R)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

(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 dividend growth, discounted cash flows or net assets value. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates are recognised in the *Statement of profit or loss*. Other changes in the carrying amount of AFS investment securities are recognised in *Other comprehensive income* and accumulated under the heading of *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 Bank's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

(g) Loans and advances and allowance for credit impairment

(i) Loans and advances are classified under loans-and-receivables and are measured at amortised cost, less allowance for credit impairment. In cases where, as part of the Bank's asset and liability management activity, fair value hedge accounting is applied to loans and advances measured at amortised cost, their carrying amount is adjusted for changes in fair value related to the hedged exposure – refer to item (ab) for further details on hedge accounting. Allowance for credit impairment consists of specific and portfolio allowances.

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.

(ii) A portfolio allowance for credit impairment is maintained on the aggregate amount of all loans and advances to allow for potential losses not specifically identified but which experience indicates are present in the portfolio of loans and advances. The portfolio allowance is estimated based upon historical patterns of losses in each component of the portfolio of loans and advances as well as on current economic and other relevant conditions. The charge for portfolio allowance is recognised in the *Statement of profit or loss*. Additional regulatory loan loss reserve requirements are recognised in the Capital conservation reserve as an appropriation of retained earnings.

(iii) 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 *Statement of financial position*. Changes in the carrying amount of the allowance accounts are recognised in the *Statement of profit or loss*. When an advance is uncollectible, it is written off against the specific allowance. Subsequent recoveries of amounts previously written off are credited to the *Net impairment loss on financial assets* in the *Statement of profit or loss*.

(iv) Interest income is recognised after impairment based on the recoverable amount and the rate of interest used to discount the future cash flows to determine the recoverable amount.

(h) 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 loans-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*.

3. ACCOUNTING POLICIES (CONT'D)

(i) 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 Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

(j) 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.

(k)Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered to be impaired, its carrying amount is reduced by the impairment loss directly for all financial assets with the exception of loans and advances to customers where the carrying amount is reduced through the use of an allowance account (refer to 3(g)). 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*.

(l) Financial liabilities and equity instruments

(i) Classification as debt or equity

Debt and equity instruments issued by the Bank 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.

(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 Bank are recognised at the proceeds received, net of direct issue costs.

(iii) Financial liabilities

Financial liabilities include deposits from banks and non-bank customers, other borrowed funds, subordinated debts 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 Bank's obligations are discharged, cancelled or they expire.

(iv) Financial guarantee contract

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.

(v) Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank'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.

(m) Derivative financial instruments

Derivative financial instruments are initially recorded at fair value and are remeasured to fair value at subsequent reporting dates. The resulting gain or loss is recognised in the *Statement of profit or loss* immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(n) Property and equipment

Property and equipment are stated at cost (except for freehold and leasehold 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 Bank's policy to revalue its freehold and leasehold 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 any net property revaluation reserve held in respect of the same 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.

3. ACCOUNTING POLICIES (CONT'D)

(n) Property and equipment (Cont'd)

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, plant 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 the *Revenue reserve*.

(o) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight line basis over their estimated useful lives of 3 to 10 years. Costs directly associated with the production of identifiable and software products controlled that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets.

(p) 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.

(q) Leasing

(i) The Bank 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 Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

(ii) The Bank as lessee

Assets held under finance leases are recognised as assets at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments and are depreciated over their estimated useful lives. The corresponding liability to the lessor is included in *Other borrowed funds* on the *Statement of financial position*. Lease finance charges are charged to the *Statement of profit or loss* over the term of the leases so as to produce a constant periodic rate of interest on the outstanding obligations under finance leases.

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.

(r) Borrowing costs

All borrowing costs are charged to the *Statement of profit or loss* in the period in which they are incurred.

(s) Provisions

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

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash, balances with banks and central banks excluding mandatory balances, loans to and placements with banks having an original maturity of up to 3 months. Cash and cash equivalents are measured at amortised cost.

(u) 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.

(v) Deferred taxation

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. ACCOUNTING POLICIES (CONT'D)

(v) Deferred taxation (cont'd)

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

Deferred tax is charged or credited to the *Statement of profit or loss*, except when it relates to items credited or charged to equity, in which case the deferred tax is also dealt with in equity.

(w) Employee benefits

(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 60. 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 consolidated statement of financial position represents the actual deficit or surplus in the Bank's defined benefits plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(ii) Pension benefits for employees under term contracts and all employees who joined after 31 December 2004

Employees under term contracts are entitled to defined contribution pension arrangements. Employer contributions are expensed in the *Statement of profit or loss* in the period in which they fall due.

(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 on a straight-line and undiscounted basis over the remaining periods until the benefits are payable.

(iv) Equity compensation benefits for senior executives

The Bank issues to certain employees, phantom share options which are share appreciation rights that require the Bank to pay the intrinsic value of the phantom share option at the date of exercise. A phantom share option liability equal to the portion of the services received is recognised at the current fair value determined at each reporting date.

(x) Share capital

(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) Dividends on ordinary shares

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 within the *notes to the financial statements.*

(iii) Treasury shares

Where the Bank 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.

(y) Related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if they have the ability, directly or indirectly, to control the Bank or exercise significant influence over the Bank in making financial and operating decisions, or vice versa, or if they and the Bank are subject to common control. Related parties may be individuals or other entities.

(z) Segmental reporting

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 Bank is the only reportable segment.

(aa) 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.

3. ACCOUNTING POLICIES (CONT'D)

(ab) Hedge accounting

The Bank designates certain hedging instruments, which include derivatives in respect of interest rate risk, as cash flow hedge. At the inception of the hedge relationship, the Bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Bank documents whether the hedging Instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

(i) Fair value hedges

Fair value hedges are particularly used to hedge interest rate risk on fixed rate assets and liabilities, both for identified financial instruments (loans and deposits) and for portfolios of financial instruments (in particular term deposits and fixed rate loans).

Changes in the fair value of hedging instruments that are designated and qualify as fair value hedges are recognised in the *Statement of profit or loss*, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If a hedging relationship no longer meets the criteria for fair value hedge, the cumulative adjustment to the carrying amount of the hedged item is amortised to the *Statement of profit or loss* over the residual period to maturity based on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is released to the *Statement of profit or loss* immediately.

(ii) Cash flow hedges

Cash flow hedges are particularly used to hedge interest rate risk on floating rate assets and liabilities, including rollovers, and foreign exchange risks on highly probable forecast foreign currency revenues.

A gain or loss on the effective portion of the hedging instrument is recognised in *Other comprehensive income* and a gain or loss on the ineffective portion is recognised immediately in the *Statement of profit or loss*. The accumulated gains and losses recognised in *Other comprehensive income* are reclassified to the *Statement of profit or loss* in the periods in which the hedged item will affect profit or loss. However, when the hedge results in the recognition of a non financial asset or a non financial liability, the gains and losses previously recognised in *Other comprehensive income* are removed from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in *Other comprehensive income* at that time remains separately in equity until the forecast transaction is eventually recognised in the *Statement of profit or loss*. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in *Other comprehensive income* is immediately reclassified to the *Statement of profit or loss*.

(iii) Hedge of net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. A gain or loss on the effective portion of the hedging instrument is recognised in *Other comprehensive income* and a gain or loss on the ineffective portion is recognised immediately in the *Statement of profit or loss*. Gains and losses previously recognised in *Other comprehensive income* are reclassified to the *Statement of profit or loss* on the disposal of the foreign operation.

(ac) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for financial assets which are measured as described above.

(ad) 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. ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Actual results could differ as a result of changes in these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The notes to the financial statements include areas where management has applied judgements that have a significant effect on the amounts recognised in the financial statements and include the classification of financial instruments into the

4. ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

FVTPL category, L&R category, HTM category and AFS category. 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) Fair value of equity investments

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.

(ii) Fair value of other financial assets and liabilities

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.

(iii) Specific allowance for credit impairment

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 *Portfolio allowance for credit impairment*.

The portfolio allowance is estimated based upon historical patterns of losses in each component of the portfolio of loans and advances as well as management estimate of the impact of current economic and other relevant conditions on the recoverability of the loans and advances portfolio.

(iv) Defined benefit pension plan

The Bank operates a defined benefit pension plan for its employees. The amount shown in the Statement of financial position in respect of retirement benefit obligations is subject to estimates in respect of periodic costs which would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan. The value of the defined benefit pension fund is based on report submitted by an independent actuarial firm on an annual basis.

5. CASH AND CASH EQUIVALENTS

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Cash in hand	**1,996,620**	2,151,863	753,536
Foreign currency notes and coins	**180,825**	156,607	95,204
Unrestricted balances with central banks [1]	**589,914**	885,395	1,066,193
Loans and placements with banks [2]	**3,056,778**	878,166	3,936,128
Balances with banks	**1,819,623**	2,413,220	1,113,214
	7,643,760	6,485,251	6,964,275

[1] Unrestricted balances with central banks represent amounts above the minimum cash reserve requirement.

[2] The balances above relate to loans and placements with banks having an original maturity of up to three months.

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6. LOANS TO AND PLACEMENTS WITH BANKS

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Loans to and placements with banks			
in Mauritius	**-**	165,746	-
outside Mauritius	**702,133**	766,682	1,511,936
	702,133	932,428	1,511,936
Remaining term to maturity			
Up to 3 months	**93,025**	106,700	111,152
Over 3 months and up to 6 months	**152,619**	299,767	700,171
Over 6 months and up to 12 months	**296,721**	525,961	390,295
Over 1 year and up to 2 years	**159,768**	-	310,318
	702,133	932,428	1,511,936

7. TRADING ASSETS / LIABILITIES

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Assets			
Government securities	**25,590**	893	41,119
Equities	**2,887**	1,742	12,324
Derivative assets	**176,661**	246,869	216,055
	205,138	249,504	269,498
Liabilities			
Derivative liabilities	**146,548**	238,469	169,999

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

	Notional Principal Amount MUR' 000	Assets MUR' 000	Liabilities MUR' 000	Net MUR' 000
31 December 2014				
Foreign exchange contracts*	**21,187,749**	**169,014**	**(139,548)**	**29,466**
Interest rate swap contracts	**581,723**	**647**	**-**	**647**
Other derivative contracts	**2,582,216**	**7,000**	**(7,000)**	**-**
	24,351,688	**176,661**	**(146,548)**	**30,113**
31 December 2013				
Foreign exchange contracts*	22,791,844	239,610	(231,980)	7,630
Interest rate swap contracts	141,141	139	(368)	(229)
Other derivative contracts	925,640	7,120	(6,121)	999
	23,858,625	246,869	(238,469)	8,400
30 June 2012				
Foreign exchange contracts*	18,479,926	205,207	(162,886)	42,321
Interest rate swap contracts	3,958,095	3,410	(1,327)	2,083
Other derivative contracts	1,345,982	7,438	(5,786)	1,652
	23,784,003	216,055	(169,999)	46,056

Foreign exchange contracts include forward and spot contracts

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
1. Governments	**208**	-	5,985
2. Retail customers	**28,169,350**	27,724,398	21,077,341
2.1. Credit cards	**528,015**	501,113	414,595
2.2. Mortgages	**17,043,288**	16,414,566	12,616,986
2.3. Other retail loans	**10,598,047**	10,808,719	8,045,760
3. Corporate customers	**30,332,515**	32,628,569	30,902,840
4. Entities outside Mauritius (including offshore/ Global Business license holders)	**10,087,065**	10,415,344	11,219,197
	68,589,138	70,768,311	63,205,363
Less allowance for credit impairment	**(1,011,390)**	(991,734)	(636,789)
	67,577,748	69,776,577	62,568,574

a. Remaining term to maturity

Up to 3 months	**7,680,075**	11,876,328	13,195,701
Over 3 months and up to 6 months	**2,265,325**	2,510,272	4,503,118
Over 6 months and up to 12 months	**6,092,203**	4,585,534	3,039,554
Over 1 year and up to 2 years	**3,403,249**	3,665,047	2,023,577
Over 2 years and up to 5 years	**16,907,148**	16,081,037	12,300,112
Over 5 years	**32,241,138**	32,050,093	28,143,301
	68,589,138	70,768,311	63,205,363

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

b. Net investment in finance 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:-

	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 2014				
Gross investment in finance leases	602,352	1,196,106	43,033	1,841,491
Less: Unearned finance income	(133,341)	(122,499)	(2,197)	(258,037)
Present value of minimum lease payments	469,011	1,073,607	40,836	1,583,454
Allowance for credit impairment				**(46,081)**
				1,537,373
31 December 2013				
Gross investment in finance leases	667,576	1,515,899	119,678	2,303,153
Less: Unearned finance income	(174,365)	(179,956)	(6,181)	(360,502)
Present value of minimum lease payments	493,211	1,335,943	113,497	1,942,651
Allowance for credit impairment				(43,431)
				1,899,220
30 June 2012				
Gross investment in finance leases	551,113	1,249,696	105,569	1,906,378
Less: Unearned finance income	(153,364)	(160,239)	(6,331)	(319,934)
Present value of minimum lease payments	397,749	1,089,457	99,238	1,586,444
Allowance for credit impairment				(26,760)
				1,559,684

Finance lease contracts give the lessees the option to purchase the assets for a residual value at the conclusion 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. Allowance for credit impairment

	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total
	MUR'000	MUR'000	MUR'000
At 01 July 2011	375,061	255,962	631,023
Exchange adjustment	(9,664)	(6,021)	(15,685)
Transfer to reserve	-	(103,116)	(103,116)
Loans written off	(80,478)	-	(80,478)
Allowance for credit impairment for the year (*Note 32*)	119,343	85,702	205,045
At 30 June 2012	404,262	232,527	636,789
Exchange adjustment	(19,024)	(5,464)	(24,488)
Loans written off	(463,238)	-	(463,238)
Allowance for credit impairment for the period (*Note 32*)	841,326	1,345	842,671
At 31 December 2013	**763,326**	**228,408**	**991,734**
Exchange adjustment	**8,142**	**3,994**	**12,136**
Loans written off	**(435,759)**	**-**	**(435,759)**
Allowance for credit impairment for the year (*Note 32*)	**467,802**	**(24,523)**	**443,279**
At 31 December 2014	**803,511**	**207,879**	**1,011,390**

d. Allowance for credit impairment by industry sectors

	31 DECEMBER 2014					31 December 2013	30 June 2012
	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
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Agriculture and fishing	**2,688,958**	**164,386**	**54,922**	**795**	**55,717**	6,588	2,727
Manufacturing	**4,547,678**	**143,844**	**50,420**	**67,221**	**117,641**	113,350	106,362
of which EPZ	***809,131***	***2,294***	***2,294***	***25,046***	***27,340***	*34,415*	*23,727*
Tourism	**12,016,737**	**8,462**	**5,355**	**7,780**	**13,135**	14,572	8,165
Transport	**1,743,214**	**23,614**	**12,621**	**678**	**13,299**	3,248	2,578
Construction	**3,379,875**	**214,339**	**134,998**	**38,770**	**173,768**	166,912	116,608
Financial and business services	**3,168,817**	**-**	**-**	**9,474**	**9,474**	8,741	18,165
Traders	**7,384,119**	**78,094**	**48,739**	**33,289**	**82,028**	123,340	40,415
Personal	**27,759,621**	**648,124**	**452,864**	**32,513**	**485,377**	395,883	282,991
of which credit cards	***528,015***	***49,197***	***49,197***	***8,766***	***57,963***	*45,157*	*18,539*
Professional	**174,703**	**-**	**-**	**604**	**604**	684	393
Global Business Licence holders	**488,421**	**-**	**-**	**1,881**	**1,881**	6,440	9,466
Others	**5,236,995**	**166,048**	**43,592**	**14,874**	**58,466**	151,976	48,919
	68,589,138	**1,446,911**	**803,511**	**207,879**	**1,011,390**	991,734	636,789

Total impaired loans for 2013 for the Bank were MUR 1,387 million (2012: MUR 582 million).

9. INVESTMENT SECURITIES

Remaining term to maturity

	31 December 2014										
	Up to 3 months MUR'000	3-6 months MUR'000	6-9 months MUR'000	9-12 months MUR'000	1-2 years MUR'000	2-5 years MUR'000	Over 5 years MUR'000	No specific maturity MUR'000	Total MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
(a) Held-to-maturity investment securities											
Government bonds and treasury notes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	861,955
Treasury bills	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	357,392
Securities issued by government bodies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	54,998
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	1,274,345
(b) Loans and receivables - investment securities											
Government bonds and treasury notes	**-**	**1,483,036**	**406,408**	**353,547**	**1,910,581**	**4,908,128**	**1,024,596**	**-**	**10,086,296**	7,468,002	4,770,385
Treasury bills	**734,706**	**1,395,795**	**988,822**	**1,500,016**	**-**	**-**	**-**	**-**	**4,619,339**	2,807,318	3,869,646
Bank of Mauritius bills / notes	**192,719**	**198,036**	**-**	**937,380**	**-**	**362,827**	**-**	**-**	**1,690,962**	2,062,288	593,556
Corporate bonds	**-**	**136,491**	**-**	**-**	**-**	**200,158**	**-**	**-**	**336,649**	450,224	-
	927,425	**3,213,358**	**1,395,230**	**2,790,943**	**1,910,581**	**5,471,113**	**1,024,596**	**-**	**16,733,246**	12,787,832	9,233,587
(c) Available-for-sale investment securities											
Government bonds	**14,354**	**8,136**	**-**	**-**	**-**	**482,285**	**869,342**	**-**	**1,374,117**	826,492	451,021
Treasury bills / notes	**126,007**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**126,007**	865,490	-
Securities issued by government bodies	**-**	**-**	**90**	**176**	**88**	**-**	**-**	**-**	**354**	345	-
Equity shares of companies:											
- Investment in subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	1,332	122
- Other equity investments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**370**	**370**	397,947	1,926,645
Bank bonds	**41,769**	**778,027**	**-**	**544,355**	**1,449,413**	**889,627**	**2,452,183**	**-**	**6,155,374**	1,712,006	1,903,716
Corporate paper and preference shares	**176,206**	**436,796**	**246,978**	**-**	**147,510**	**126,031**	**89,258**	**-**	**1,222,779**	972,450	252,608
	358,336	**1,222,959**	**247,068**	**544,531**	**1,597,011**	**1,497,943**	**3,410,783**	**370**	**8,879,001**	4,776,062	4,534,112
Total investment securities	**1,285,761**	**4,436,317**	**1,642,298**	**3,335,474**	**3,507,592**	**6,969,056**	**4,435,379**	**370**	**25,612,247**	17,563,894	15,042,044

10. PROPERTY AND EQUIPMENT

	Freehold land and buildings MUR'000	Buildings on leasehold land MUR'000	Other tangible fixed assets MUR'000	Motor vehicles MUR'000	Total MUR'000
Cost or Valuation					
At 01 July 2011					
- As previously stated	633,406	649,031	1,539,313	18,648	2,840,398
- Revaluation	-	1,258,104	-	-	1,258,104
- As restated	633,406	1,907,135	1,539,313	18,648	4,098,502
Translation adjustment	(26,234)	-	(3,648)	(272)	(30,154)
Additions	205	936	84,853	4,083	90,077
Disposals	-	-	(33,037)	(760)	(33,797)
At 30 June 2012 (restated)	**607,377**	**1,908,071**	**1,587,481**	**21,699**	**4,124,628**
Translation adjustment	(22,715)	-	(3,889)	(236)	(26,840)
Additions	61,027	-	96,818	3,725	161,570
Disposals	(30,829)	-	(100,841)	(6,451)	(138,121)
At 31 December 2013 (restated)	**614,860**	**1,908,071**	**1,579,569**	**18,737**	**4,121,237**
Translation adjustment	**6,079**	**-**	**1,176**	**63**	**7,318**
Revaluation	**64,138**	**(336,424)**	**-**	**-**	**(272,286)**
Additions	**245,841**	**-**	**39,800**	**-**	**285,641**
Disposals	**-**	**-**	**(8,756)**	**(479)**	**(9,235)**
At 31 December 2014	**930,918**	**1,571,647**	**1,611,789**	**18,321**	**4,132,675**
Accumulated Depreciation					
At 01 July 2011					
- As previously stated	14,855	190,484	1,275,107	6,429	1,486,875
- Depreciation adjustment	-	(130,349)	-	-	(130,349)
- As restated	14,855	60,135	1,275,107	6,429	1,356,526
Translation adjustment	(1,109)	-	(3,441)	(134)	(4,684)
Disposals	-	-	(33,026)	(760)	(33,786)
Charge for the year	12,277	55,524	80,591	3,078	151,470
At 30 June 2012 (restated)	26,023	115,659	1,319,231	8,613	1,469,526
Translation adjustment	(2,143)	-	(3,254)	(178)	(5,575)
Disposals	(257)	-	(100,605)	(5,888)	(106,750)
Charge for the period	17,860	83,297	135,092	5,577	241,826
At 31 December 2013 (restated)	**41,483**	**198,956**	**1,350,464**	**8,124**	**1,599,027**
Translation adjustment	**858**	**-**	**846**	**52**	**1,756**
Revaluation	**(29,465)**	**(235,972)**	**-**	**-**	**(265,437)**
Disposals	**-**	**-**	**(8,302)**	**(479)**	**(8,781)**
Charge for the year	**12,747**	**54,337**	**78,202**	**3,664**	**148,950**
At 31 December 2014	**25,623**	**17,321**	**1,421,210**	**11,361**	**1,475,515**

10. PROPERTY AND EQUIPMENT (CONT'D)

	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Net Book Value					
At 31 December 2014	**905,295**	**1,554,326**	**190,579**	**6,960**	**2,657,160**
Progress payments on tangible fixed assets					**57,776**
					2,714,936
At 31 December 2013 (restated)	573,377	1,709,115	229,105	10,613	2,522,210
Progress payments on tangible fixed assets					63,191
					2,585,401
At 30 June 2012 (restated)	581,354	1,792,412	268,250	13,086	2,655,102
Progress payments on tangible fixed assets					9,343
					2,664,445

Other tangible fixed assets, included within Property and equipment, consist of plant, machinery, furniture, fittings and computer equipment.

Details of the Bank's land and buildings and information about the fair value hierarchy are as follows:

	31 December 2014	31 December 2013	30 June 2012
Level 2 fair value	MUR'000	MUR'000	MUR'000
Freehold land and buildings	**930,918**	614,860	607,377
Buildings on leasehold land	**1,571,647**	1,908,071	1,908,071
	2,502,565	2,522,931	2,515,448

The carrying amounts of land and buildings, that would have been included in the financial statements had the assets been carried at cost, are as follows:

	31 December 2014	31 December 2013	30 June 2012
	MUR'000	MUR'000	MUR'000
Freehold land and buildings	**531,724**	268,623	245,375
Buildings on leasehold land	**412,947**	426,245	451,514
	944,671	694,868	696,889

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 September 2014 by an independent Chartered Valuation Surveyor, on a basis of capitalisation of income approach. The freehold land and building in India were revalued in March 2014 by independent Chartered Valuation Surveyors, on an open market value basis.

11. INTANGIBLE ASSETS

	2014 MUR'000	2013 MUR'000	2012 MUR'000
Cost			
At 01 January 2014 / 01 July 2012 / 01 July 2011	**895,501**	900,056	867,151
Translation adjustment	**596**	(2,060)	(2,379)
Additions	**4,429**	19,954	35,284
Disposals	**-**	(22,449)	-
At 31 December / 31 December / 30 June	**900,526**	895,501	900,056
Accumulated amortisation			
At 01 January 2014 / 01 July 2012 / 01 July 2011	**860,097**	848,695	824,241
Translation adjustment	**615**	(1,989)	(1,813)
Disposals	**-**	(22,449)	-
Charge for the year / period	**15,028**	35,840	26,267
At 31 December / 31 December / 30 June	**875,740**	860,097	848,695
Net book value	**24,786**	35,404	51,361
Progress payments on software	**1,042,937**	603,453	34,076
	1,067,723	638,857	85,437

Intangible assets disclosed above consist mainly of acquired computer software.

12. OTHER ASSETS

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Accounts receivable [1]	**339,747**	771,337	103,221
Balances due in clearing	**208,828**	242,197	233,627
Tax paid in advance[2]	**79,286**	93,196	53,699
Balances with Clearing Corporation of India	**29,882**	23,554	19,968
Non-banking assets acquired in satisfaction of debts[3]	**63**	161	366
Amount paid in advance[4]	**2,020,237**	965,480	-
Others	**110,960**	71,985	84,456
	2,789,003	2,167,910	495,337

1 Amounts receivable are generally receivable within three months.

2 The tax paid in advance is incurred by the Indian Operations. The amount is shown net of current tax payable.

3 The Bank's policy is to dispose of such assets as rapidly as the market permits.

4 Amount paid in advance are payments relating to the IT project under progress.

13. PENSION LIABILITY

The amount included in the statement of financial position arising from the Bank's obligation in respect of its defined benefit plans is as follows:

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Reconciliation of net defined benefit liability / (asset)			
Present value of funded defined benefit obligation	**836,905**	769,668	656,449
Fair value of planned assets	**(761,332)**	(672,727)	(601,575)
Funded status	**75,573**	96,941	54,874
Restrictions on assets recognised	**-**	-	-
Net liability arising from defined benefit obligation (*Note 18*)	**75,573**	96,941	54,874
Reconciliation of net defined benefit liability / (asset)			
Balance at start of the year / period (restated)	**96,941**	54,874	(26,282)
Amount recognised in statement of profit or loss	**33,089**	43,391	17,493
Amount recognised in other comprehensive income	**(13,947)**	29,670	80,286
Less employer contributions	**(40,510)**	(30,994)	(16,623)
Balance at end of the year / period	**75,573**	96,941	54,874
Reconciliation of fair value of planned assets			
Balance at start of the year / period (restated)	**672,727**	601,575	615,839
Interest income	**51,314**	92,700	61,790
Employer contributions	**40,510**	30,994	16,623
Benefits paid	**(17,166)**	(27,706)	(12,391)
Return on planned assets excluding interest income	**13,947**	(24,836)	(80,286)
Balance at end of the year / period	**761,332**	672,727	601,575
Reconciliation of present value of defined benefit obligation			
Balance at start of the year / period	**769,668**	656,449	589,557
Current service cost	**27,310**	37,255	20,932
Interest expense	**57,093**	98,836	58,351
Other benefits paid	**(17,166)**	(27,706)	(12,391)
Liability experience gain	**-**	(27,621)	-
Liability gain due to change in demographic assumptions	**-**	(35,560)	-
Liability loss due to change in financial assumptions	**-**	68,015	-
Balance at end of the year / period	**836,905**	769,668	656,449

13. PENSION LIABILITY (CONT'D)

	Year ended 31 December 2014 MUR'000	18 months ended 31 December 2013 MUR'000	12 months ended 30 June 2012 MUR'000
Components of amount recognised in statement of profit or loss			
Service cost	**27,310**	37,255	20,932
Net interest on net defined benefit liability	**5,779**	6,136	(3,439)
Total expense as above *(Note 30)*	**33,089**	43,391	17,493
Components of amount recognised in other comprehensive income			
Return on planned assets (above) / below interest income	**(13,947)**	24,836	80,286
Liability experience gain	**-**	(27,621)	-
Liability experience gain due to change in demographic assumptions	**-**	(35,560)	-
Liability experience loss due to change in financial assumptions	**-**	68,015	-
Total	**(13,947)**	29,670	80,286

	31 December 2014	31 December 2013	30 June 2012
Allocation of planned assets at end of year / period	%	%	%
Equity - Overseas quoted	**34**	32	23
Equity - Local quoted	**31**	35	38
Equity - Local unquoted	**3**	1	5
Debt - Local unquoted	**25**	29	26
Cash and other	**7**	3	8
Total	**100**	100	100
Allocation of planned assets at end of year / period	%	%	%
Reporting entity's own transferable financial instruments	**8**	10	7
Principal assumptions used at end of period			
Discount rate	**7.5%**	7.5%	10.0%
Rate of salary increases	**6.0%**	6.0%	9.0%
Rate of pension increases	**2.5%**	2.5%	3.0%
Average retirement age (ARA)	**62**	62	60
Average life expectancy for:			
- Male at ARA	**18.0 years**	18.0 years	19.5 years
- Female at ARA	**22.5 years**	22.5 years	24.2 years

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13. PENSION LIABILITY (CONT'D)

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Sensitivity Analysis on defined benefit obligation at end of year / period			
Increase due to 1% decrease in discount rate	**138,926**	N/A	N/A
Decrease due to 1% increase in discount rate	**112,145**	N/A	N/A

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.

Future cashflows

The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.

The Bank expects to make a contribution of around MUR 35 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 15 years.

Pension amounts and disclosures have been based on the report dated 12 February 2015 submitted by an independent firm of Actuaries and Consultants.

14. DEPOSITS FROM BANKS

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Demand deposits	**620,334**	271,802	214,657

15. DEPOSITS FROM NON-BANK CUSTOMERS

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
(i) Retail customers			
Current accounts	**11,353,877**	10,117,115	8,718,022
Savings accounts	**34,312,829**	31,226,586	26,488,646
Time deposits with remaining term to maturity:			
Up to 3 months	**1,471,621**	1,659,391	1,415,778
Over 3 months and up to 6 months	**1,133,352**	950,699	991,298
Over 6 months and up to 12 months	**2,365,906**	2,823,829	2,248,941
Over 1 year and up to 5 years	**6,195,927**	5,756,393	4,275,890
Over 5 years	**1,261**	1,213	9,781
Total time deposits	**11,168,067**	11,191,525	8,941,688
	56,834,773	52,535,226	44,148,356
(ii) Corporate customers			
Current accounts	**20,359,058**	15,492,030	12,872,824
Savings accounts	**5,398,503**	4,529,067	4,255,266
Time deposits with remaining term to maturity:			
Up to 3 months	**2,316,605**	2,849,899	7,969,132
Over 3 months and up to 6 months	**414,240**	788,867	1,029,517
Over 6 months and up to 12 months	**618,294**	436,529	535,198
Over 1 year and up to 5 years	**619,989**	762,783	567,404
Over 5 years	**2,773**	2,424	169,972
Total time deposits	**3,971,901**	4,840,502	10,271,223
	29,729,462	24,861,599	27,399,313
(iii) Government			
Current accounts	**1,888,248**	1,759,774	2,194,523
Savings accounts	**1,950,402**	1,994,242	1,784,196
Time deposits with remaining term to maturity:			
Up to 3 months	**136,729**	122,509	2,306
Over 3 months and up to 6 months	**407**	407	333
Over 6 months and up to 12 months	**2,245**	2,398	4,125
Over 1 year and up to 5 years	**167**	-	-
Total time deposits	**139,548**	125,314	6,764
	3,978,198	3,879,330	3,985,483
	90,542,433	81,276,155	75,533,152

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16. OTHER BORROWED FUNDS

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Borrowings from Central Banks			
- For refinancing	**250,967**	367,018	24,875
Other financial institutions			
- For refinancing	**1,959,843**	1,480,060	665,572
- Other	**2,385,460**	2,250,000	2,233,957
Borrowings from banks			
- In Mauritius	**428,535**	1,411,383	-
- Abroad	**88,200**	601,590	391
	5,113,005	6,110,051	2,924,795
Up to 3 months	**927,430**	1,817,777	7,826
Over 3 months and up to 6 months	**54,120**	-	17,049
Over 6 months and up to 12 months	**2,447,265**	303,131	-
Over 1 year and up to 5 years	**704,714**	2,664,164	2,233,643
Over 5 years	**979,476**	1,324,979	666,277
	5,113,005	6,110,051	2,924,795

17. TAXATION

The applicable tax rate in Mauritius is 15% (2013 and 2012: 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% (2013: 43.26% and 2012: 42.23%).

17(a). TAX EXPENSE

	Year ended 31 December 2014 MUR'000	18 months ended 31 December 2013 MUR'000	12 months ended 30 June 2012 MUR'000
Accounting profit	**3,555,031**	5,349,984	4,576,466
Tax on accounting profit at 15%	**533,255**	802,498	686,470
Net tax effect of non-taxable and other items	**(160,397)**	(187,358)	(326,473)
Current tax provision for the year / period	**372,858**	615,140	359,997
Translation adjustment	**108**	20,627	2,477
Corporate Social Responsibility contribution	**48,799**	64,962	26,815
Special levy on banks	**319,314**	379,410	219,036
(Over) / under provision in previous periods / years	**(22,260)**	(34,312)	20,752
Withholding tax	**-**	18	-
Current tax expense	**718,819**	1,045,845	629,077
Deferred tax income (*Note 17 b*)	**(46,281)**	(188,045)	(66,754)
Total tax expense	**672,538**	857,800	562,323
The total tax expense can also be analysed as being incurred as follows:			
In Mauritius	**701,405**	903,051	475,852
Overseas	**(28,867)**	(45,251)	86,471
Total tax expense	**672,538**	857,800	562,323

17. TAXATION (CONT'D)

17(b). DEFERRED TAX (ASSETS) / LIABILITIES

	MUR'000
At 01 July 2011	
- As previously stated	36,184
- Adjustment on revaluation of leasehold buildings	208,266
- Adjustment on allowance for credit impairment	(3,668)
As restated	240,782
Exchange difference	(8,753)
Deferred tax income (*Note 17a*)	(66,754)
Deferred tax on allowance for credit impairment	15,467
Deferred tax on retirement benefit obligations	(4,707)
Deferred tax on revaluation of property	(13,484)
At 30 June 2012 (as restated)	162,551
At 01 July 2012 (as restated)	162,551
Exchange difference	(1,301)
Effect of change in deferred tax rate	804
Deferred tax income (*Note 17a*)	(188,045)
Deferred tax on retirement benefit obligations	(4,450)
Deferred tax reversed on disposal of property	(200)
At 31 December 2013 (as restated)	(30,641)
At 01 January 2014	**(30,641)**
Exchange difference	**(5,243)**
Deferred tax income (*Note 17a*)	**(46,281)**
Deferred tax on retirement benefit obligations	**2,092**
Deferred tax on revaluation of property	**(4,788)**
At 31 December 2014	**(84,861)**

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Deferred tax assets	**(162,190)**	(145,100)	-
Deferred tax liabilities	**77,329**	114,459	162,551
	(84,861)	(30,641)	162,551
Analysed as resulting from:			
Accelerated capital allowances	**41,610**	46,048	49,640
Allowances for credit impairment	**(176,700)**	(195,502)	(136,192)
Carried forward losses	**(167,328)**	(109,125)	-
Revaluation of property	**235,925**	246,268	262,952
Other provisions	**(18,368)**	(18,330)	(13,849)
	(84,861)	(30,641)	162,551

18. OTHER LIABILITIES

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Bills payable	**147,169**	93,847	162,127
Accruals for expenses	**456,994**	391,656	302,686
Dividend payable (*Note 20*)	-	516,358	-
Accounts payable	**418,024**	396,385	175,683
Deferred income	**30,722**	36,269	45,313
Balance due in clearing	**184,946**	252,560	184,855
Balances in transit	**122,345**	325,936	54,117
Pension liability (*Note 13*)	**75,573**	96,941	54,874
Others	**17,541**	25,070	48,402
	1,453,314	2,135,022	1,028,057

19. STATED CAPITAL

	NUMBER	MUR'000
Issued and paid up share capital		
At 31 December 2014	31,000,000,000	310,000
At 30 June 2012 and 31 December 2013	30,374,022,300	303,740
Capital Contribution		
At 31 December 2014		8,063,106
At 30 June 2012 and 31 December 2013		-
Treasury shares held		
At 31 December 2014	-	-
At 30 June 2012 and 31 December 2013	4,556,103,300	45,561

Fully paid ordinary shares carry one vote per share and the right to dividend.

The capital contribution refers to additional capital over and above the actual stated capital. It is fully paid up, unsecured, interest free and is perpetual with no maturity date. The shareholder shall not demand, sue for or receive payment of the whole or any part of the capital contribution or claim any set-off which would result in the principal amount of the capital contribution outstanding to be reduced. The Bank reserves the right to issue ordinary shares against the amount of capital contribution at any time at prevailing market rates.

20. DIVIDEND

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Dividend declared after the reporting date:			
2014: 6.21 cents (2012: 3.5 cents per share of nominal 1 cent)	**1,925,100**	-	903,627
Dividend declared during the year / period:			
2014: 3.7 cents per share of nominal 1 cent; 2013: 6 cents per share of nominal 1 cent	**955,263**	1,549,075	-
2014: Dividend declared upon restructure	**10,702,652**	-	-
Less dividend paid (2014: 3.7 cents per share; 2013: 4 cents per share)	**(955,263)**	(1,032,717)	-
Less dividend paid on restructure	**(10,702,652)**	-	-
Dividend payable	**-**	516,358	-

Dividend amounting to MUR 1,925 million declared after the reporting date is not included as a liability in the financial statements.

21. MEMORANDUM ITEMS

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
a. Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers			
Acceptances on account of customers	**496,007**	293,067	238,339
Guarantees on account of customers	**4,429,688**	4,130,084	6,689,480
Money guarantees	**560,371**	739,828	587,899
Letters of credit and other obligations on account of customers	**978,489**	997,206	769,122
Other contingent items	**437,398**	24,230	-
	6,901,953	6,184,415	8,284,840
b. Commitments			
Undrawn credit facilities	**7,375,831**	8,190,974	10,331,384
	7,375,831	8,190,974	10,331,384
c. Other			
Inward bills held for collection	**85,617**	122,432	116,015
Outward bills sent for collection	**1,666,954**	2,816,547	1,105,806
	1,752,571	2,938,979	1,221,821
Total	**16,030,355**	17,314,368	19,838,045

22. ASSETS PLEDGED

The aggregate carrying amount of assets that have been pledged to secure the credit facilities of the Bank with Central Banks and with Clearing Corporation of India Limited are as follows:

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Treasury bills / Government bonds	**3,549,240**	2,723,000	1,395,346
Balance with Central Banks	**-**	307,784	-
	3,549,240	3,030,784	1,395,346
Analysed as:			
In Mauritius	**2,448,000**	2,439,084	-
Overseas	**1,101,240**	591,700	1,395,346
	3,549,240	3,030,784	1,395,346

23. CAPITAL COMMITMENTS

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Approved and contracted for	**224,930**	231,800	681,942
Approved and not contracted for	**17,048**	3,603	7,150

24. OPERATING LEASE

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Leasing arrangements - The Bank as lessee			
Operating lease expense	**53,431**	38,196	31,955

Operating lease payments represent rentals payable for property, equipment and motor vehicles. Operating lease contracts contain renewal clauses in the event that the Bank exercises its option to renew the contracts. The Bank does not have an option to purchase the assets at the expiry of the lease period.

The future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Up to 1 year	**139,898**	25,089	17,675
After 1 year and before 5 years	**136,898**	320,250	31,217
After 5 years and up to 25 years	**10,914**	89,890	12,003
	287,710	435,229	60,895

25. NET INTEREST INCOME

	Year ended 31 December 2014 MUR'000	18 months ended 31 December 2013 MUR'000	12 months ended 30 June 2012 MUR'000
Interest income			
Cash and cash equivalents	**39,740**	27,285	43,330
Loans to and placements with banks	**26,170**	39,228	59,303
Loans and advances to non-bank customers	**5,207,571**	7,790,160	4,651,480
Investment securities	**983,616**	1,172,065	893,461
Trading assets	**(8,780)**	67,126	40,360
Other	**24,764**	76	22
Total interest income	**6,273,081**	9,095,940	5,687,956
Interest expense			
Deposits from banks	**-**	(47)	(350)
Deposits from non-bank customers	**(2,134,482)**	(3,048,498)	(2,348,344)
Other borrowed funds	**(112,637)**	(253,493)	(245,248)
Subordinated debts	**(64,902)**	-	-
Other	**(248)**	-	-
Total interest expense	**(2,312,269)**	(3,302,038)	(2,593,942)
Net Interest Income	**3,960,812**	5,793,902	3,094,014

26. NET FEE AND COMMISSION INCOME

	Year ended 31 December 2014 MUR'000	18 months ended 31 December 2013 MUR'000	12 months ended 30 June 2012 MUR'000
Fee and commission income			
Retail banking customer fees	**325,667**	549,797	323,515
Corporate banking customer fees	**227,243**	383,940	278,869
Card income	**316,618**	552,266	519,112
Other	**3**	-	-
Total fee and commission income	**869,531**	1,486,003	1,121,496
Fee and commission expense			
Interbank transaction fees	**(13,810)**	(18,997)	(10,284)
Other	**(13,652)**	(23,722)	(20,521)
Total fee and commission expense	**(27,462)**	(42,719)	(30,805)
Net fee and commission income	**842,069**	1,443,284	1,090,691

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27. DIVIDEND INCOME

	Year ended 31 December 2014 MUR'000	18 months ended 31 December 2013 MUR'000	12 months ended 30 June 2012 MUR'000
Available-for-sale securities	**61,903**	871,123	1,699,577
Trading securities	**-**	280	194
	61,903	871,403	1,699,771

28. NET TRADING INCOME

	Year ended 31 December 2014 MUR'000	18 months ended 31 December 2013 MUR'000	12 months ended 30 June 2012 MUR'000
Fixed income securities	**602**	2,350	300
Equities	**(266)**	(507)	133
Foreign exchange gain	**356,831**	481,224	456,961
Other	**(158)**	14,076	(10,106)
	357,009	497,143	447,288

29. OTHER OPERATING INCOME

	Year ended 31 December 2014 MUR'000	18 months ended 31 December 2013 MUR'000	12 months ended 30 June 2012 MUR'000
Gain on sale of available-for-sale securities:			
Investment securities	**255,270**	113,391	4,806
Equity investments	**377,946**	361,481	6,278
Other	**143**	(14,750)	722
	633,359	460,122	11,806

30. PERSONNEL EXPENSES

	Year ended 31 December 2014 MUR'000	18 months ended 31 December 2013 MUR'000	12 months ended 30 June 2012 MUR'000
Wages and salaries	**739,038**	1,111,658	702,559
Other social security obligations	**12,260**	16,704	9,817
Contributions to defined contribution plans	**60,724**	85,986	53,600
Cash-settled share-based payments	**6,471**	30,140	15,266
Increase in liability for defined benefit plans (*Note 13*)	**33,089**	43,391	17,493
Staff welfare cost	**17,996**	49,442	11,727
Management and professional charges	**37,174**	143,496	45,414
Security and cleaning services	**53,788**	75,144	47,369
Other	**104,769**	110,684	60,800
	1,065,309	1,666,645	964,045

31. OTHER EXPENSES

	Year ended 31 December 2014 MUR'000	18 months ended 31 December 2013 MUR'000	12 months ended 30 June 2012 MUR'000
Software licensing and other information technology cost	**313,208**	554,517	148,600
Auditors' remuneration (audit and other services):			
-Principal auditors	**15,706**	7,140	4,691
-Other auditors	**451**	211	451
Utilities	**52,948**	74,375	50,598
Professional charges	**57,616**	81,018	42,500
Marketing costs	**37,726**	42,900	26,133
Rent, repairs and maintenance	**69,860**	81,562	63,488
Licence and other registration fees	**19,587**	18,395	11,294
Other	**71,724**	82,355	103,670
	638,826	942,473	451,425

32. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	Year ended 31 December 2014 MUR'000	18 months ended 31 December 2013 MUR'000	12 months ended 30 June 2012 MUR'000
Portfolio and specific provisions:			
- On-balance sheet advances (*Note 8c*)	**443,279**	842,671	205,045
- Off-balance sheet exposure	**-**	-	(16,287)
Bad debts written off for which no provisions were made	**124**	153	330
Recoveries of advances written off	**(11,032)**	(30,316)	(21,189)
Other	**(363)**	16,578	5,998
	432,008	829,086	173,897
Of which:			
Credit exposure	**432,371**	812,508	167,899
Other financial assets	**(363)**	16,578	5,998
	432,008	829,086	173,897

33. NET CASH FROM / (USED IN) OPERATING ACTIVITIES

	Year ended 31 December 2014 MUR'000	18 months ended 31 December 2013 (Restated) MUR'000	12 months ended 30 June 2012 (Restated) MUR'000
Cash flows from operating activities			
Profit for the year / period / year	**2,882,493**	4,492,184	4,014,143
Adjustments to determine net cash flows:			
Depreciation of tangible assets	**148,950**	241,826	151,470
Amortisation of intangible assets	**15,028**	35,840	26,267
Pension expense	**33,089**	43,391	17,493
Net impairment loss on financial assets	**432,008**	829,086	173,897
Exchange difference	**102,839**	(541,464)	(244,655)
Net gain on sale of available-for-sale equity investments	**(377,946)**	(361,481)	(6,278)
Net (gain) / loss from dealings in trading securities	**(179)**	(15,920)	9,673
Net loss / (gain) on disposal of property and equipment	**349**	(14)	(722)
Tax expense	**672,538**	857,800	562,323
Dividend income	**(61,903)**	(871,403)	(1,699,771)
Operating profit before working capital changes	**3,847,266**	4,709,845	3,003,840
Change in operating assets and liabilities			
Decrease / (increase) in trading assets	**44,545**	35,914	(145,718)
Decrease / (increase) in loans to and placements with banks	**230,295**	579,508	(568,577)
Decrease / (increase) in loans and advances to non-bank customers	**1,753,908**	(7,981,259)	(6,135,849)
(Increase) / decrease in gilt-edged investment securities	**(7,428,463)**	(3,070,979)	4,941,582
(Increase) / decrease in other investment securities	**(4,526,799)**	(1,038,999)	336,786
Increase in mandatory balances with central banks	**(1,110,686)**	(551,141)	(805,201)
Increase in other assets	**(1,008,896)**	(1,307,588)	(84,533)
Increase / (decrease) in deposits from banks	**348,532**	57,145	(47,874)
Increase in deposits from non-bank customers	**9,266,278**	5,743,003	5,137,071
(Decrease) / increase in trading liabilities	**(91,921)**	68,470	28,791
(Decrease) / increase in other liabilities	**(143,981)**	548,537	48,149
Other dividend received	**1,903**	5,403	2,547
Income tax paid	**(874,061)**	(1,112,555)	(451,108)
Net cash from / (used in) operating activities	**307,920**	(3,314,696)	5,259,905

Non cash transactions

During the current year, the Bank entered into the following non cash investing and financial transactions which are not reflected in the consolidated statement of cash flows:

- An amount of MUR 10,396 million was distributed as dividends to the ultimate holding company, SBM Holdings Ltd on 02 October 2014.
- Subordinated bonds raised by the Bank during the year amounting to MUR 3,565 million were transferred to the ultimate holding company on 02 October 2014.
- Investment securities amounting to MUR 3,565 million were transferred to the ultimate holding company on 02 October 2014.
- Treasury shares held by the Bank were bought back by SBM Holdings Ltd for MUR 4,875 million out of which MUR 2,541 million was considered as capital contribution.
- SBM Holdings Ltd invested MUR 5,521 million as capital contribution to the Bank through the SPVs.

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34. CHANGE IN ACCOUNTING PERIOD

On 29 December 2011, the Board of Directors resolved to change the Bank's financial year end from 30 June to 31 December to be in line with the fiscal year in Mauritius and with other global organisations. The prior financial period has been presented for the 18 months ended 31 December 2013 and the comparative amounts for the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and related notes are not entirely comparable.

35. RELATED PARTY TRANSACTIONS

	KEY MANAGEMENT PERSONNEL INCLUDING DIRECTORS			ASSOCIATES AND OTHER ENTITIES IN WHICH THE BANK HAS SIGNIFICANT INFLUENCE			IMMEDIATE HOLDING COMPANY AND ENTITIES UNDER COMMON CONTROL			ENTITIES IN WHICH DIRECTORS, KEY MANAGEMENT PERSONNEL AND THEIR CLOSE FAMILY MEMBERS HAVE SIGNIFICANT INFLUENCE		
	31 Dec 2014	31 Dec 2013	30 Jun 2012	31 Dec 2014	31 Dec 2013	30 Jun 2012	31 Dec 2014	31 Dec 2013	30 Jun 2012	31 Dec 2014	31 Dec 2013	30 Jun 2012
	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 / period	**6,609**	5,085	11,173	**-**	-	-	**-**	-	-	**-**	-	-
Loans of directors / entities who ceased to be related parties during the year / period	**-**	-	(11,121)	**-**	-	-	**-**	-	-	**98,305**	-	-
Existing loans of new related parties	**-**	116	4,690	**-**	-	-	**-**	-	-	**-**	-	-
Other net movements	**(1,045)**	1,408	343	**-**	-	-	**-**	-	-	**-**	-	-
Balance at end of year / period	**5,564**	6,609	5,085	**-**	-	-	**-**	-	-	**98,305**	-	-
(ii) Off-balance sheet obligations												
Balance at end of year / period	**-**	-	60	**-**	779	1,083	**-**	-	-	**-**	-	-
(b) Deposits at end of year / period	**56,075**	42,059	26,563	**-**	477,001	1,827,484	**191,286**	113,047	127,621	**65,052**	5,301	36,485
(c) Interest income	**250**	535	522	**56,486**	-	-	**1**	-	3,723	**4**	-	-
(d) Interest expense	**1,393**	1,718	1,158	**58,059**	49,834	39,885	**2,394**	3,025	12,723	**1,397**	872	623
(e) Other income	**45**	69	112	**13,611**	2,316	1,472	**1,157**	153	1,657	**3,967**	74	61
(f) Dividend income	**-**	-	-	**-**	-	-	**60,000**	-	-	**-**	-	-
(g) Purchase of goods and services	**-**	-	-	**-**	10,167	2,768	**-**	-	-	**-**	-	-
(h) Emoluments	**100,064**	165,940	135,871	**-**	-	-	**-**	-	-	**-**	-	-
(i) Dividends paid	**-**	-	-	**-**	-	-	**335,633**	-	-	**-**	-	-

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35. RELATED PARTY TRANSACTIONS (CONT'D)

Related party transactions in relation to Post Employment Benefit plans are as follows:

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Deposits at end of year / period	**82,422**	36,919	8,297
Interest expense	**1,183**	2,167	656
Other income	**287**	367	5
Contributions paid	**82,657**	113,693	60,834
Transactions of the Bank with the ultimate holding company and the subsidiaries within the Group are disclosed below:			
Loans and advances	**-**	-	303,034
Deposits	**176,454**	175,630	237,042
Interest income	**-**	4,227	4,999
Interest expense	**2,394**	3,122	5,334
Non interest income	**60,012**	866,132	1,697,299
Non interest expense	**1,195**	1,249	1,852
Transfer / disposal of investment securities	**3,565,522**	33,664	3,457,651
Disposal of freehold land and buildings	**-**	30,277	-
Transfer of subordinated debts	**3,565,522**	-	-
Transfer of treasury shares	**4,875,031**	-	-
Capital contribution arising on treasury shares	**2,541,744**	-	-
Capital contribution	**5,521,361**	-	-
Distribution of reserves	**10,702,652**	-	-

Credit facilities to key management personnel and executive directors are as per their contract of employment. All other transactions with key management personnel and directors, whether credit facilities, deposits or purchase of goods and services, are at market terms and conditions and will be settled in cash. 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.

36. PHANTOM SHARE OPTIONS

In November 2012, on the recommendation of the Board of Directors approved an Employee Share Option Plan "ESOP" which replaced the Phantom Shares Option scheme implemented by the Bank since the last 15 years shall phase out by 2015. As at 31 December 2014, the outstanding potential liability of the Bank on the Phantom Shares Options stood at MUR 4.5 million. No shares have been granted under the ESOP scheme as at the reporting date.

37. CAPITAL MANAGEMENT

The Bank manages its capital to ensure that it will be able to continue as a going concern and maximise returns to shareholders. It also ensures that adequate capital is maintained to support its growth strategies, its risk appetite and depositors' confidence, while complying with statutory and regulatory requirements. The capital resources of the Bank are disclosed in the Statement of Changes in Equity.

The Bank has met the respective minimum capital requirements set out by the relevant regulatory body and, where applicable, appropriate transfers have also been made to statutory reserves, ranging from 10% to 25% of annual profits.

The Bank has also met their respective minimum capital adequacy ratio requirements. Banks in Mauritius are required to maintain a ratio of eligible capital to risk weighted assets of at least 10%, whereas for India the minimum ratio is set at 9%.

	31 December 2014	31 December 2013	30 June 2012
	MUR'000	MUR'000	MUR'000
Tier 1 capital	**14,203,704**	12,870,149	11,283,601
Eligible capital base	**15,012,028**	13,870,319	11,632,643
Risk weighted assets	**72,627,202**	71,626,435	65,497,224
Capital adequacy ratio (%)	**20.67**	19.36	17.76

38. CHANGE IN ACCOUNTING POLICIES

(a) The Bank has changed its accounting policies for the following:

(i) Accounting policy note 3 (n) Property and equipment

The Bank has changed its accounting policy with respect to the valuation of buildings on leasehold land in the context of the Group restructuring to state all assets and liabilities of the Bank at fair value. Thus, buildings on leasehold land are now shown at their revalued amounts based on economic expected income (rental) basis of valuation. Comparative amounts have been restated accordingly. The effect of this restatement is shown below:

	Previously reported	Adjustment	As reported
	MUR'000	MUR'000	MUR'000
31 December 2013			
Effect on the statement of financial position			
Assets			
Property and equipment	1,302,531	1,282,870	2,585,401
Deferred tax asset	210,245	(65,145)	145,100
Impact on total assets	1,512,776	1,217,725	2,730,501
Liabilities			
Deferred tax liabilities	-	127,284	127,284
	-	127,284	127,284
Impact on net assets	1,512,776	1,090,441	2,603,217
Shareholders' Equity			
Other reserves			
- *Net property revaluation reserve*	280,150	1,090,441	1,370,591
Total Equity	280,150	1,090,441	1,370,591
Effect on the statement of profit or loss			
Non interest expense			
Depreciation and amortisation	(214,316)	(63,349)	(277,665)
Taxation			
Deferred tax income	(178,543)	(9,502)	(188,045)
30 June 2012			
Effect on the statement of financial position			
Assets			
Property and equipment	1,318,225	1,346,220	2,664,445
Deferred tax asset	59,296	(59,296)	-
Impact on total assets	1,377,521	1,286,924	2,664,445
Liabilities			
Deferred tax liabilities	28,290	142,635	170,925
	28,290	142,635	170,925
Impact on net assets	1,349,231	1,144,289	2,493,520
Shareholders' Equity			
Other reserves			
- *Net property revaluation reserve*	295,271	1,144,289	1,439,560
Total Equity	295,271	1,144,289	1,439,560
Effect on the statement of profit or loss			
Non interest expense			
Depreciation and amortisation	(135,504)	(42,233)	(177,737)
Taxation			
Deferred tax income	(60,419)	(6,335)	(66,754)

38. CHANGE IN ACCOUNTING POLICIES (CONT'D)

(ii) Accounting policy note 3 (w) Employee benefits

In the current year, the Bank has adopted IAS 19 Employee Benefits (Revised 2011) and the related consequential amendments. The Bank has applied IAS 19 (Revised 2011) retrospectively in accordance with the transitional provisions as set out in IAS 19 (Revised 2011), paragraph 173. These transitional provisions do not have an impact on future periods. The opening Statement of Financial Position of the earliest comparative period presented (01 July 2011) has been restated as if IAS 19 (Revised 2011) had always been applied.

The amendments to IAS 19 changed the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs.

All actuarial gains and losses are recognised immediately through the Statement of Other Comprehensive Income in order for the net pension asset or liability recognised in the consolidated Statement of Financial Poisition to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on planned assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (Revised 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (Revised 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

	Previously reported MUR'000	Adjustment MUR'000	As reported MUR'000
Effect on the Statement of financial position:			
31 December 2013			
Employee benefits liabilities	11,439	85,502	96,941
Deferred tax liabilities	127,284	(12,825)	114,459
30 June 2012			
Employee benefits (assets) / liabilities	(958)	55,832	54,874
Deferred tax liabilities	170,925	(8,374)	162,551
Effect on the Statement of other comprehensive income:			
31 December 2013			
Remeasurement of defined benefit obligations	-	29,670	29,670
Deferred tax on remeasurement of defined benefit obligations	-	(4,450)	(4,450)
30 June 2012			
Remeasurement of defined benefit obligations	-	80,286	80,286
Deferred tax on remeasurement of defined benefit obligations	-	(12,043)	(12,043)

There is no impact on earnings per share of the above change in accounting policy.

39. SUBORDINATED DEBTS

Subordinated Bonds:	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Class A 1 series bond of MUR 1 billion			
- Applications received	-	4,200	-
Issued during the year plus interest accrued up to 02 October 2014:			
Class A 1 series bond of MUR floating interest rate senior unsecured bonds maturing in 2024 (level 1)	1,505,500	-	-
Class B 1 series bond of USD floating interest rate senior unsecured bonds maturing in 2021(level 1)	2,060,022	-	-
	3,565,522	-	-
Transferred on 02 October 2014 as part of the Group Restructure:			
Class A 1 series bond of MUR floating interest rate senior unsecured bonds maturing in 2024 (level 1)	(1,505,500)	-	-
Class B 1 series bond of USD floating interest rate senior unsecured bonds maturing in 2021(level 1)	(2,060,022)	-	-
	(3,565,522)	-	-

39. SUBORDINATED DEBTS (CONT'D)

The subordinated senior unsecured multicurrency floating interest rate bonds, are eligible as Tier II Capital. SBM Bank (Mauritius) Ltd retained a maximum of MUR 1.5 billion for the Class A 1 series bond and USD 65.0 million for the Class B 1 series bond.

These bonds were quoted on the official market of the Stock Exchange of Mauritius (SEM).

Pursuant to the restructuring exercise, these subordinated debts have been transferred to SBM Holdings Ltd.

40. RISK MANAGEMENT

The Board of Directors and Senior Management are ultimately responsible for risk management. Boards approve the risk policies and sets prudential limits and risk tolerance limits, besides regulatory limits, within which the Bank operates. The Senior Management monitors risks totally on an ongoing basis at regular intervals as necessary and is accountable to ensure its operations are within approved policies, prudential limits besides regulatory limits and risk appetite appoved framework. Any deviation and non-compliance are reported to Board Risk Committee who are responsible as over-sight role. 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) . Categories of financial assets and liabilities

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Financial assets			
Loans and receivables	**99,591,741**	96,242,182	85,346,189
Held-to-maturity (Note 9a)	**-**	-	1,274,346
Available-for-sale (Note 9c)	**8,879,001**	4,774,729	4,533,990
Fair-value-through-profit-or-loss (Note 7)	**205,138**	249,504	269,498
	108,675,880	101,266,415	91,424,023
Financial liabilities			
Measured at amortised cost	**97,622,791**	89,664,020	79,606,122
Fair-value-through-profit-or-loss (Note 7)	**146,548**	238,469	169,999
	97,769,339	89,902,489	79,776,121

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 2014		31 DECEMBER 2013		30 JUNE 2012	
	Carrying Value MUR'000	Fair Value MUR'000	Carrying Value MUR'000	Fair Value MUR'000	Carrying Value MUR'000	Fair Value MUR'000
Financial assets						
Cash and cash equivalents	**7,643,760**	**7,643,760**	6,485,251	6,485,251	6,964,275	6,964,275
Mandatory balances with Central banks	**6,333,742**	**6,333,742**	5,223,056	5,223,056	4,671,915	4,671,915
Loans to and placements with banks	**702,133**	**702,133**	932,428	932,428	1,511,936	1,511,936
Trading assets	**205,138**	**205,138**	249,504	249,504	269,498	269,498
Loans and advances to non-bank customers	**67,577,748**	**67,590,575**	69,776,577	69,674,916	62,568,574	62,602,270
Investment securities	**25,611,877**	**25,591,313**	17,164,615	16,955,302	13,115,277	13,202,382
Equity investments	**370**	**370**	397,947	397,947	1,926,645	1,926,645
Other assets	**601,112**	**601,112**	1,037,037	1,037,037	395,903	395,903
	108,675,880	**108,668,143**	101,266,415	100,955,441	91,424,023	91,544,824
Financial liabilities						
Deposits from banks	**620,334**	**620,334**	271,802	271,802	214,657	214,657
Deposits from non-bank customers	**90,542,433**	**90,585,030**	81,276,155	81,288,611	75,533,152	75,505,420
Other borrowed funds	**5,113,005**	**5,113,005**	6,110,051	6,110,051	2,924,795	2,924,795
Subordinated debts	**-**	**-**	4,200	4,200	-	-
Trading liabilities	**146,548**	**146,548**	238,469	238,469	169,999	169,999
Other liabilities	**1,347,019**	**1,347,019**	2,001,812	2,001,812	933,518	933,518
	97,769,339	**97,811,936**	89,902,489	89,914,945	79,776,121	79,748,389

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.

(a) (iii) Fair value measurement hierarchy

Fair value measurements of financial instruments can be grouped into level 1 to 3 based on the degree to which the fair value is observable, namely:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) 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 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data.

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.

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40. RISK MANAGEMENT (CONT'D)

(a) (iii) Fair value measurement hierarchy (cont'd)

	Level 1 MUR'000	Level 2 MUR'000	Level 3 MUR'000	Total MUR'000
31 December 2014				
Trading assets	**28,477**	**176,661**	**-**	**205,138**
Loans and advances at fair value	**-**	**-**	**482**	**482**
Investment securities - available-for-sale	**7,655,852**	**-**	**1,223,149**	**8,879,001**
	7,684,329	**176,661**	**1,223,631**	**9,084,621**
Trading Liabilities	**-**	**146,548**	**-**	**146,548**
31 December 2013				
Trading assets	893	248,611	-	249,504
Loans and advances at fair value	-	-	896	896
Investment securities - available-for-sale	3,803,241	-	972,821	4,776,062
	3,804,134	248,611	973,717	5,026,462
Trading liabilities	-	238,469	-	238,469
30 June 2012				
Trading assets	12,324	257,174	-	269,498
Loans and advances at fair value	-	-	15,661	15,661
Investment securities - available-for-sale	888,219	3,695,893	-	4,584,112
	900,543	3,953,067	15,661	4,869,271
Trading liabilities	-	169,999	-	169,999

Reconciliation for Level 3 fair value measurements:

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Balance at start of year/period	**973,717**	15,661	3,432,651
Additions	**250,328**	972,821	15,661
Disposals	**-**	-	(3,432,651)
Movement in fair value	**(414)**	(14,765)	-
Balance at end of year/period	**1,223,631**	973,717	15,661

There was no transfer between Level 1 and 2 during the year.

(b) Credit risk

The Bank is exposed to credit risk through its lending, trade finance, treasury, asset management and leasing activities. Credit risk is the risk of loss arising from the failure of a counterparty to fulfil its contractual or financial obligations to the Bank as and when they fall due. The Bank's credit risk is managed through a portfolio approach with prudential limits set across country, bank, industry, group and individual exposures. The Credit Underwriting team, independent of the origination process, ensures the accumulation of assets within acceptable risk norms using internal and external rating systems for the standardisation of credit assessment. The Bank has a tiered credit sanctioning process depending on the credit quality, exposure type and amount. Credit exposures and risk profile are monitored by the Credit Risk Management unit and reported regularly to the Board Risk Management Committee.

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:

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Fund-based exposures:			
Cash and cash equivalents	**5,466,315**	4,176,783	6,115,534
Mandatory balances with Central Banks	**6,333,742**	5,223,056	4,671,915
Loans to and placements with banks	**702,133**	932,428	1,511,936
Trading assets	**28,477**	2,635	53,443
Loans and advances to non-bank customers	**67,085,633**	70,527,101	62,913,204
Investment securities	**25,611,877**	17,164,615	13,115,277
Equity investments	**370**	397,947	1,926,645
Investment in subsidiaries	**-**	1,332	122
Other assets	**601,112**	1,037,037	395,903
	105,829,659	99,462,934	90,703,979
Non-fund based exposures:			
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	**5,899,209**	6,105,695	7,619,061
Credit commitments	**7,375,831**	8,190,974	10,331,384
	13,275,040	14,296,669	17,950,445

(ii) Credit quality

Corporate borrowers are assigned a Customer Risk Rating using Moody's Risk Advisor which is based on the borrower's financial condition and outlook, industry and economic conditions, access to capital and management strength. For the small and medium enterprises, the rating is derived from the Small Business Underwriting Matrix which is primarily based on the customer's financial position / debt repayment capacity and quality of collateral. Individuals are rated using Experian-Transact tool based on a set of personal attributes including income and repayment capacity.

An analysis of credit exposures, including non-fund based facilities, for advances to non-bank customers that are neither past due nor impaired using the Bank's credit grading system is given below:

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Grades:			
1 to 3 - Strong	**41,822,461**	42,370,373	41,140,088
4 to 6 - Satisfactory	**24,952,479**	26,860,614	24,204,809
7 to 10 (including unrated) - Weak	**11,331,408**	13,455,635	14,373,302
	78,106,348	82,686,622	79,718,199

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40. RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

(ii) Credit quality (cont'd)

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 1,055.1 million (2013: MUR 2,607.3 million and 2012: MUR 1,232.6 million) for the Bank.

(iii) Collateral and other credit enhancements

The use of credit risk mitigants is an integral part of the credit risk management process and is documented in the Bank Credit Risk policy. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types taken include:

- Fixed / floating charge on assets of borrowers
- Pledge of deposits / securities / life insurance policy / shares
- Government guarantee / bank guarantee / corporate guarantee / personal guarantee
- Lien on vehicle
- Letter of comfort

(iv) Ageing of receivables that are past due but not impaired:

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Up to 1 month	**433,204**	351,485	523,379
Over 1 month and up to 3 months	**374,213**	398,368	40,456
	807,417	749,853	563,835

(v) Impaired financial assets

Loans and advances are assessed for impairment when objective evidence, such as default or delinquency in interest or principal payments, significant financial difficulty of the counterparty or evidence that the borrower will enter bankruptcy or financial re-organisation, indicate that the account may be impaired.

The carrying amount of impaired financial assets and specific allowance held are shown below:

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Loans and advances *(Note 8d)*	**1,446,911**	1,387,295	581,615
Specific allowance held in respect of impaired advances *(Note 8d)*	**803,511**	763,326	404,262
Fair value of collaterals of impaired advances	**627,236**	710,326	172,906

(vi) Credit concentration of risk by industry sectors

Total outstanding credit facilities, net of deposits where there is a right of set off, including guarantees, acceptances, and other similar commitments extended by the Bank to any one customer or group of closely-related customers for amounts aggregating more than 15% of its capital base, classified by industry sectors:

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Portfolio			
Agriculture	**3,071,913**	2,821,745	2,249,858
Commerce	**-**	3,357,301	4,310,766
Job Contractors	**-**	-	2,128,151
Manufacturing	**-**	-	1,996,698
Real Estate	**-**	-	1,917,250
Services	**-**	-	2,241,768
Tourism	**3,450,210**	6,088,113	6,250,678
	6,522,123	12,267,159	21,095,169

40. RISK MANAGEMENT (CONT'D)

(c) Liquidity risk

Liquidity risk is the potential earnings volatility arising from being unable to fund assets at reasonable rates over required maturities. The Bank ensures that sufficient liquidity is maintained to fund its day-to-day operations, meet deposit withdrawals and loan disbursements. Liquidity risk is managed by setting prudential limits on maturity mismatches, liquid assets ratios, concentration of deposits by type and by entity. Liquidity gap analysis is used to measure and monitor the mismatches by time bucket and currency under realistic and stress scenarios.

(i) The tables below show the expected timing of cash flows for financial assets and liabilities of the Bank, slotted as per the rules defined by the Bank of Mauritius.

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
31 December 2014						
Financial Assets						
Cash and cash equivalents	**7,147,297**	**496,462**	**-**	**-**	**-**	**-**
Mandatory balances with Central Banks	**712,444**	**293,180**	**389,887**	**479,561**	**875,521**	**3,583,149**
Loans to and placements with banks	**30,464**	**62,553**	**-**	**296,721**	**159,776**	**152,619**
Loans and advances to non-bank customers	**5,940,466**	**3,629,920**	**4,106,078**	**7,234,646**	**17,058,900**	**30,619,128**
Investment securities	**717,746**	**859,719**	**3,455,436**	**5,132,305**	**8,291,798**	**7,155,242**
Other assets	**601,112**	**-**	**-**	**-**	**-**	**-**
	15,149,529	**5,341,834**	**7,951,401**	**13,143,233**	**26,385,995**	**41,510,138**
Financial liabilities						
Deposits from banks	**620,334**	**-**	**-**	**-**	**-**	**-**
Deposits from non-bank customers	**10,184,561**	**4,191,081**	**5,573,534**	**6,855,448**	**12,515,796**	**51,222,014**
Other borrowed funds	**494,442**	**568,727**	**52,682**	**2,453,404**	**456,088**	**1,087,663**
Other liabilities	**1,347,019**	**-**	**-**	**-**	**-**	**-**
	12,646,356	**4,759,808**	**5,626,216**	**9,308,852**	**12,971,884**	**52,309,677**
Liquidity Gap	**2,503,173**	**582,026**	**2,325,185**	**3,834,381**	**13,414,111**	**(10,799,539)**
31 December 2013						
Financial assets	15,991,563	9,061,926	6,078,020	10,887,845	23,793,059	35,798,012
Financial liabilities	13,360,191	4,099,420	5,220,942	7,006,833	13,985,136	45,987,927
Liquidity Gap	2,631,372	4,962,506	857,078	3,881,012	9,807,923	(10,189,915)
30 June 2012						
Financial assets	16,326,481	8,644,896	7,433,880	7,743,811	17,373,308	32,358,867
Financial liabilities	14,917,443	6,790,914	4,764,622	5,562,831	10,125,646	37,440,780
Liquidity Gap	1,409,038	1,853,982	2,669,258	2,180,980	7,247,662	(5,081,913)

40. RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(ii) The table below shows the remaining contractual maturities of financial liabilities:

	On demand	Up to 3 months	3-6 months	6-12 months	1-2 years	Over 2 years
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Financial liabilities						
Deposits	**75,099,331**	**3,971,398**	**1,620,064**	**3,045,436**	**3,972,002**	**3,205,513**
Subordinated debts	**-**	**-**	**-**	**-**	**-**	**143,252**
Other borrowed funds	**-**	**532,734**	**705,474**	**2,588,164**	**387,836**	**1,108,098**
Other liabilities	**-**	**1,578,978**	**-**	**-**	**-**	**-**
31 December 2014	**75,099,331**	**6,083,110**	**2,325,538**	**5,633,600**	**4,359,838**	**4,456,863**
31 December 2013	65,594,937	7,937,557	1,821,132	3,735,337	5,850,211	5,109,455
30 June 2012	56,467,005	10,558,856	2,678,809	3,504,139	4,228,535	5,628,941

(iii) The tables below show the expected timing of cash flows for financial assets and liabilities of the Bank in their respective currencies:

MUR	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
31 December 2014						
Financial Assets						
Cash and cash equivalents	**2,443,965**	**-**	**-**	**-**	**-**	**-**
Mandatory balances with Central Banks	**410,555**	**254,015**	**349,860**	**406,049**	**799,636**	**3,410,055**
Loans to and placements with banks	**-**	**-**	**-**	**-**	**-**	**152,619**
Loans and advances to non-bank customers	**3,625,605**	**2,517,875**	**2,788,215**	**4,484,759**	**11,840,756**	**25,285,871**
Investment securities	**294,613**	**632,813**	**3,076,867**	**4,186,173**	**5,155,966**	**3,258,016**
Other assets	**362,859**	**-**	**-**	**-**	**-**	**-**
	7,137,597	**3,404,703**	**6,214,942**	**9,076,981**	**17,796,358**	**32,106,561**
Financial liabilities						
Deposits from banks	**620,334**	**-**	**-**	**-**	**-**	**-**
Deposits from non-bank customers	**4,759,084**	**2,944,501**	**4,055,523**	**4,706,856**	**9,269,241**	**39,528,779**
Other borrowed funds	**352,053**	**15,048**	**7,564**	**-**	**-**	**-**
Other liabilities	**886,857**	**-**	**-**	**-**	**-**	**-**
	6,618,328	**2,959,549**	**4,063,087**	**4,706,856**	**9,269,241**	**39,528,779**

40. RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(iii) The tables below show the expected timing of cash flows for financial assets and liabilities of the Bank in their respective currencies (cont'd)

MUR	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
On Balance Sheet Gap	**519,269**	**445,154**	**2,151,855**	**4,370,125**	**8,527,117**	**(7,422,218)**
Off Balance Sheet Gap	**739,804**	**222,410**	**(178,173)**	**213,663**	**-**	**-**
Net Gap	**1,259,073**	**667,564**	**1,973,682**	**4,583,788**	**8,527,117**	**(7,422,218)**
Cummulative Gap	**1,259,073**	**1,926,637**	**3,900,319**	**8,484,107**	**17,011,224**	**9,589,006**
31 December 2013						
On Balance Sheet Gap	1,391,717	4,699,427	745,781	2,846,823	7,177,437	(7,824,095)
Off Balance Sheet Gap	486,681	(285,036)	(360,417)	(139,314)	-	-
Net Gap	1,878,398	4,414,391	385,364	2,707,509	7,177,437	(7,824,095)
Cummulative Gap	1,878,398	6,292,789	6,678,153	9,385,662	16,563,099	8,739,004
30 June 2012						
On Balance Sheet Gap	6,335,482	1,329,997	308,353	806,506	3,656,190	(4,820,497)
Off Balance Sheet Gap	376,556	(119,206)	(354,591)	(105,155)	-	-
Net Gap	6,712,038	1,210,791	(46,238)	701,351	3,656,190	(4,820,497)
Cummulative Gap	6,712,038	7,922,829	7,876,591	8,577,942	12,234,132	7,413,635

USD	Up to 1 month USD' 000	1-3 months USD' 000	3-6 months USD' 000	6-12 months USD' 000	1-3 years USD' 000	Over 3 years USD' 000
31 December 2014						
Financial Assets						
Cash and cash equivalents	**36,583**	**-**	**-**	**-**	**-**	**-**
Mandatory balances with Central Banks	**2,197**	**359**	**449**	**523**	**861**	**4,186**
Loans to and placements with banks	**954**	**1,973**	**-**	**5,004**	**5,028**	**-**
Loans and advances to non-bank customers	**50,385**	**26,154**	**27,851**	**44,194**	**109,671**	**82,633**
Investment securities	**-**	**1,323**	**-**	**-**	**66,770**	**89,648**
Other assets	**2,318**	**-**	**-**	**-**	**-**	**-**
	92,437	**29,809**	**28,300**	**49,721**	**182,330**	**176,467**
Financial liabilities						
Deposits from non-bank customers	**115,466**	**18,852**	**23,572**	**27,503**	**45,222**	**219,945**
Other borrowed funds	**-**	**16,765**	**12**	**75,000**	**3,241**	**13,113**
Other liabilities	**4,819**	**-**	**-**	**-**	**-**	**-**
	120,285	**35,617**	**23,584**	**102,503**	**48,463**	**233,058**

40. RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(iii) The tables below show the expected timing of cash flows for financial assets and liabilities of the Bank in their respective currencies (cont'd)

USD	Up to 1 month USD' 000	1-3 months USD' 000	3-6 months USD' 000	6-12 months USD' 000	1-3 years USD' 000	Over 3 years USD' 000
On Balance Sheet Gap	**(27,848)**	**(5,808)**	**4,716**	**(52,782)**	**133,867**	**(56,591)**
Off Balance Sheet Gap	**(21,141)**	**(10,452)**	**(16,213)**	**(13,515)**	**21,976**	**51,802**
Net Gap	**(48,989)**	**(16,260)**	**(11,497)**	**(66,297)**	**155,843**	**(4,789)**
Cummulative Gap	**(48,989)**	**(65,249)**	**(76,746)**	**(143,043)**	**12,800**	**8,011**
31 December 2013						
On Balance Sheet Gap	2,425	(3,115)	5,987	25,666	(13,416)	(38,558)
Off Balance Sheet Gap	(35,715)	(14,445)	(5,287)	5,775	22,400	52,802
Net Gap	(33,290)	(17,560)	700	31,441	8,984	14,244
Cummulative Gap	(33,290)	(50,850)	(50,150)	(18,709)	(9,725)	4,519
30 June 2012						
On Balance Sheet Gap	17,688	8,691	17,531	14,955	90,415	(44,848)
Off Balance Sheet Gap	(123,046)	(3,716)	5,858	16,516	(47,917)	-
Net Gap	(105,358)	4,975	23,389	31,471	42,498	(44,848)
Cummulative Gap	(105,358)	(100,383)	(76,994)	(45,523)	(3,025)	(47,873)

GBP	Up to 1 month GBP' 000	1-3 months GBP' 000	3-6 months GBP' 000	6-12 months GBP' 000	1-3 years GBP' 000	Over 3 years GBP' 000
31 December 2014						
Financial Assets						
Cash and cash equivalents	**32,401**	**10,017**	**-**	**-**	**-**	**-**
Mandatory balances with Central Banks	**321**	**111**	**91**	**77**	**173**	**680**
Loans and advances to non-bank customers	**-**	**-**	**-**	**4**	**-**	**-**
Investment securities	**-**	**-**	**-**	**-**	**2,405**	**1,811**
Other assets	**71**	**-**	**-**	**-**	**-**	**-**
	32,793	**10,128**	**91**	**81**	**2,578**	**2,491**
Financial liabilities						
Deposits from non-bank customers	**10,555**	**3,658**	**2,995**	**2,535**	**5,675**	**22,359**
Other borrowed funds	**1,002**	**-**	**-**	**-**	**-**	**-**
Other liabilities	**237**	**-**	**-**	**-**	**-**	**-**
	11,794	**3,658**	**2,995**	**2,535**	**5,675**	**22,359**

40. RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(iii) The tables below show the expected timing of cash flows for financial assets and liabilities of the Bank in their respective currencies (cont'd)

GBP	Up to 1 month GBP' 000	1-3 months GBP' 000	3-6 months GBP' 000	6-12 months GBP' 000	1-3 years GBP' 000	Over 3 years GBP' 000
On Balance Sheet Gap	**20,999**	**6,470**	**(2,904)**	**(2,454)**	**(3,097)**	**(19,868)**
Off Balance Sheet Gap	**(2,599)**	**-**	**-**	**3,447**	**-**	**-**
Net Gap	**18,400**	**6,470**	**(2,904)**	**993**	**(3,097)**	**(19,868)**
Cummulative Gap	**18,400**	**24,870**	**21,966**	**22,959**	**19,862**	**(6)**
31 December 2013						
On Balance Sheet Gap	16,297	(663)	(1,137)	(3,161)	(684)	(15,632)
Off Balance Sheet Gap	(309)	-	-	2,158	3,047	-
Net Gap	15,988	(663)	(1,137)	(1,003)	2,363	(15,632)
Cummulative Gap	15,988	15,325	14,188	13,185	15,548	(84)
30 June 2012						
On Balance Sheet Gap	(22,308)	(1,216)	(1,182)	(1,613)	(3,092)	(7,879)
Off Balance Sheet Gap	36,191	1,050	2,000	-	-	-
Net Gap	13,883	(166)	818	(1,613)	(3,092)	(7,879)
Cummulative Gap	13,883	13,717	14,535	12,922	9,830	1,951

EUR	Up to 1 month EUR' 000	1-3 months EUR' 000	3-6 months EUR' 000	6-12 months EUR' 000	1-3 years EUR' 000	Over 3 years EUR' 000
31 December 2014						
Financial Assets						
Cash and cash equivalents	**23,661**	**-**	**-**	**-**	**-**	**-**
Mandatory balances with Central Banks	**1,025**	**296**	**360**	**330**	**503**	**3,549**
Loans and advances to non-bank customers	**4,701**	**6,390**	**11,104**	**32,776**	**27,468**	**43,284**
Investment securities	**-**	**-**	**-**	**17,634**	**2,540**	**2,730**
Other assets	**2,323**	**-**	**-**	**-**	**-**	**-**
	31,710	**6,686**	**11,464**	**50,740**	**30,511**	**49,563**
Financial liabilities						
Deposits from non-bank customers	**26,122**	**7,538**	**9,165**	**8,412**	**12,821**	**90,409**
Other borrowed funds	**-**	**600**	**1,170**	**2,988**	**12,370**	**13,032**
Other liabilities	**3,718**	**-**	**-**	**-**	**-**	**-**
	29,840	**8,138**	**10,335**	**11,400**	**25,191**	**103,441**

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40. RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(iii) The tables below show the expected timing of cash flows for financial assets and liabilities of the Bank in their respective currencies (cont'd)

EUR	Up to 1 month EUR' 000	1-3 months EUR' 000	3-6 months EUR' 000	6-12 months EUR' 000	1-3 years EUR' 000	Over 3 years EUR' 000
On Balance Sheet Gap	**1,870**	**(1,452)**	**1,129**	**39,340**	**5,320**	**(53,878)**
Off Balance Sheet Gap	**7,193**	**(2,505)**	**(268)**	**-**	**-**	**-**
Net Gap	**9,063**	**(3,957)**	**861**	**39,340**	**5,320**	**(53,878)**
Cummulative Gap	**9,063**	**5,106**	**5,967**	**45,307**	**50,627**	**(3,251)**
31 December 2013						
On Balance Sheet Gap	17,746	8,702	1,690	2,815	28,790	(43,200)
Off Balance Sheet Gap	6,382	853	(1)	(2,500)	(3,500)	-
Net Gap	24,128	9,555	1,689	315	25,290	(43,200)
Cummulative Gap	24,128	33,683	35,372	35,687	60,977	17,777
30 June 2012						
On Balance Sheet Gap	40,851	6,197	5,996	8,858	(5,204)	(36,023)
Off Balance Sheet Gap	(13,652)	(8,283)	1,002	-	(20,932)	-
Net Gap	27,199	(2,086)	6,998	8,858	(26,136)	(36,023)
Cummulative Gap	27,199	25,113	32,111	40,969	14,833	(21,190)

INR	Up to 1 month INR' 000	1-3 months INR' 000	3-6 months INR' 000	6-12 months INR' 000	1-3 years INR' 000	Over 3 years INR' 000
31 December 2014						
Financial Assets						
Cash and cash equivalents	**70,130**	**-**	**-**	**-**	**-**	**-**
Mandatory balances with Central Banks	**24,377**	**16,057**	**23,244**	**45,821**	**121,534**	**16,771**
Loans and advances to non-bank customers	**1,031,746**	**103,006**	**15,398**	**168,272**	**2,392,610**	**968,785**
Investment securities	**838,556**	**366,711**	**750,896**	**526,197**	**1,580,445**	**1,338,803**
Other assets	**68,357**	**-**	**-**	**-**	**-**	**-**
	2,033,166	**485,774**	**789,538**	**740,290**	**4,094,589**	**2,324,359**
Financial liabilities						
Deposits from banks	**17,232**	**-**	**-**	**-**	**-**	**-**
Deposits from non-bank customers	**274,612**	**180,880**	**261,843**	**516,180**	**1,369,100**	**188,928**
Other borrowed funds	**174,946**	**-**	**-**	**-**	**-**	**-**
Other liabilities	**291,497**	**-**	**-**	**-**	**-**	**-**
	758,287	**180,880**	**261,843**	**516,180**	**1,369,100**	**188,928**

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40. RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(iii) The tables below show the expected timing of cash flows for financial assets and liabilities of the Bank in their respective currencies (cont'd)

INR	Up to 1 month INR' 000	1-3 months INR' 000	3-6 months INR' 000	6-12 months INR' 000	1-3 years INR' 000	Over 3 years INR' 000
On Balance Sheet Gap	**1,274,879**	**304,894**	**527,695**	**224,110**	**2,725,489**	**2,135,431**
Off Balance Sheet Gap	**(295,921)**	**425,114**	**1,407,467**	**104,070**	**-**	**-**
Net Gap	**978,958**	**730,008**	**1,935,162**	**328,180**	**2,725,489**	**2,135,431**
Cummulative Gap	**978,958**	**1,708,966**	**3,644,128**	**3,972,308**	**6,697,797**	**8,833,228**
31 December 2013						
On Balance Sheet Gap	3,001,207	1,929,057	960,284	(159,290)	1,065,913	(655,310)
Off Balance Sheet Gap	930,366	1,027,455	1,041,323	(74,580)	(1,385,556)	(3,266,080)
Net Gap	3,931,573	2,956,512	2,001,607	(233,870)	(319,643)	(3,921,390)
Cummulative Gap	3,931,573	6,888,085	8,889,692	8,655,822	8,336,179	4,414,789
30 June 2012						
On Balance Sheet Gap	1,345,447	(222,316)	1,571,565	385,611	(142,574)	524,917
Off Balance Sheet Gap	1,588,248	483,231	45,367	(402,571)	-	-
Net Gap	2,933,695	260,915	1,616,932	(16,960)	(142,574)	524,917
Cummulative Gap	2,933,695	3,194,610	4,811,542	4,794,582	4,652,008	5,176,925

MGA	Up to 1 month MGA' 000	1-3 months MGA' 000	3-6 months MGA' 000	6-12 months MGA' 000	1-3 years MGA' 000	Over 3 years MGA' 000
31 December 2014						
Financial Assets						
Cash and cash equivalents	**1,787,068**	-	-	-	-	-
	1,787,068	-	-	-	-	-
Financial liabilities						
Other liabilities	**4,788,037**	-	-	-	-	-
	4,788,037	-	-	-	-	-

40. RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(iii) The tables below show the expected timing of cash flows for financial assets and liabilities of the Bank in their respective currencies (cont'd)

MGA	Up to 1 month MGA' 000	1-3 months MGA' 000	3-6 months MGA' 000	6-12 months MGA' 000	1-3 years MGA' 000	Over 3 years MGA' 000
On Balance Sheet Gap	**(3,000,969)**	**-**	**-**	**-**	**-**	**-**
Off Balance Sheet Gap	**(249,407)**	**-**	**-**	**-**	**-**	**-**
Net Gap	**(3,250,376)**	**-**	**-**	**-**	**-**	**-**
Cummulative Gap	**(3,250,376)**	**(3,250,376)**	**(3,250,376)**	**(3,250,376)**	**(3,250,376)**	**(3,250,376)**
31 December 2013						
On Balance Sheet Gap	49,432	-	-	-	-	-
Off Balance Sheet Gap	-	-	-	-	-	-
Net Gap	49,432	-	-	-	-	-
Cummulative Gap	49,432	49,432	49,432	49,432	49,432	49,432
30 June 2012						
On Balance Sheet Gap	40,495	-	-	-	-	-
Off Balance Sheet Gap	-	-	-	-	-	-
Net Gap	40,495	-	-	-	-	-
Cummulative Gap	40,495	40,495	40,495	40,495	40,495	40,495

OTHER CURRENCIES	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
31 December 2014						
Financial Assets						
Cash and cash equivalents	**964,016**	**-**	**-**	**-**	**-**	**-**
Loans to and placements with banks	**-**	**-**	**-**	**137,693**	**-**	**-**
Investment securities	**370**	**-**	**-**	**-**	**-**	**178,339**
Other assets	**36,958**	**-**	**-**	**-**	**-**	**-**
	1,001,344	**-**	**-**	**137,693**	**-**	**178,339**
Financial liabilities						
Deposits from non-bank customers	**86,185**	**83,984**	**134,672**	**563,960**	**342,993**	**10,003**
Other liabilities	**4,596**	**-**	**-**	**-**	**-**	**-**
	90,781	**83,984**	**134,672**	**563,960**	**342,993**	**10,003**

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40. RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

(iii) The tables below show the expected timing of cash flows for financial assets and liabilities of the Bank in their respective currencies (cont'd)

OTHER CURRENCIES	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
On Balance Sheet Gap	**910,563**	**(83,984)**	**(134,672)**	**(426,267)**	**(342,993)**	**168,336**
Off Balance Sheet Gap	**(64,684)**	**(7,896)**	**(5,876)**	**(7,492)**	**(698,320)**	**(1,646,104)**
Net Gap	**845,879**	**(91,880)**	**(140,548)**	**(433,759)**	**(1,041,313)**	**(1,477,768)**
Cummulative Gap	**845,879**	**753,999**	**613,451**	**179,692**	**(861,621)**	**(2,339,389)**
31 December 2013						
On Balance Sheet Gap	(4,459,537)	(5,863,877)	(1,404,103)	(3,495,226)	(8,437,463)	11,847,096
Off Balance Sheet Gap	(113,641)	186,291	16,256	720	1,357	(3,775)
Net Gap	(4,573,178)	(5,677,586)	(1,387,847)	(3,494,506)	(8,436,106)	11,843,321
Cummulative Gap	(4,573,178)	(10,250,764)	(11,638,611)	(15,133,117)	(23,569,223)	(11,725,902)
30 June 2012						
On Balance Sheet Gap	(8,142,421)	(1,655,773)	(1,897,954)	(1,748,100)	(6,014,455)	7,692,758
Off Balance Sheet Gap	1,330,272	237,079	12,619	(181,841)	2,296,582	-
Net Gap	(6,812,149)	(1,418,694)	(1,885,335)	(1,929,941)	(3,717,873)	7,692,758
Cummulative Gap	(6,812,149)	(8,230,843)	(10,116,178)	(12,046,119)	(15,763,992)	(8,071,234)

(d) Market risk

Market risk is the risk of loss resulting from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices. The Bank's market risks are monitored by the Market Risk Team and reported to the Market Risk Forum and Board Risk Committee on a regular basis.

(i) Interest rate risk

The Bank's interest rate risk arises mostly from mismatches in the repricing of its assets and liabilities. The Bank uses an interest rate gap analysis to measure and monitor the interest rate risk. Prudential limits for currency wise gaps, expressed as a percentage of assets, have been set for specific time buckets and earnings at risk is calculated based on different shock scenarios across major currencies.

The table below analyses the Bank's interest rate risk exposure in terms of the remaining period to the next contractual repricing date or to the maturity date, whichever is the earlier. The 'up to 3 months' column 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.

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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
31 December 2014						
Assets						
Cash and cash equivalents	**3,056,778**	**-**	**-**	**-**	**-**	**-**
Loans to and placements with banks	**409,969**	**-**	**137,026**	**-**	**151,750**	**-**
Trading assets	**25,221**	**-**	**-**	**-**	**-**	**-**
Loans and advances to non-bank customers	**61,872,800**	**1,384,809**	**858,564**	**692,039**	**2,404,069**	**1,084,360**
Investment securities	**1,781,824**	**3,571,894**	**5,446,092**	**3,359,995**	**9,725,883**	**1,726,560**
Total assets	**67,146,592**	**4,956,703**	**6,441,682**	**4,052,034**	**12,281,702**	**2,810,920**
Liabilities						
Deposits from non-bank customers	**78,413,637**	**783,735**	**842,837**	**170,012**	**3,010,701**	**1,323**
Other borrowed funds	**1,699,201**	**3,414,532**	**-**	**-**	**-**	**-**
Total liabilities	**80,112,838**	**4,198,267**	**842,837**	**170,012**	**3,010,701**	**1,323**
On balance sheet interest rate sensitivity gap	**(12,966,246)**	**758,436**	**5,598,845**	**3,882,022**	**9,271,001**	**2,809,597**
Off balance sheet interest rate sensitivity gap	**610,242**	**-**	**9,924**	**(342,930)**	**(277,236)**	**-**
	(12,356,004)	**758,436**	**5,608,769**	**3,539,092**	**8,993,765**	**2,809,597**
31 December 2013						
Total assets	69,459,673	2,941,780	3,314,023	3,272,617	9,210,608	1,248,167
Total liabilities	75,175,397	1,854,643	1,388,279	136,196	2,647,735	4,200
On balance sheet interest rate sensitivity gap	(5,715,724)	1,087,137	1,925,744	3,136,421	6,562,873	1,243,967
Off balance sheet interest rate sensitivity gap	819,232	-	(43,845)	10,199	(785,586)	-
	(4,896,492)	1,087,137	1,881,899	3,146,620	5,777,287	1,243,967
30 June 2012						
Total assets	63,460,180	4,634,160	3,201,039	1,815,466	6,615,737	1,351,376
Total liabilities	67,542,374	1,733,766	1,155,041	264,582	767,114	165,718
On balance sheet interest rate sensitivity gap	(4,082,194)	2,900,394	2,045,998	1,550,884	5,848,623	1,185,658
Off balance sheet interest rate sensitivity gap	561,205	342,568	-	-	(903,773)	-
	(3,520,989)	3,242,962	2,045,998	1,550,884	4,944,850	1,185,658

40. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

(i) Interest rate risk (cont'd)

Various scenarios are used to measure the effect of the changing interest rates on net interest income including the standardised approach of 200bp parallel shock over a 12-month period assuming a static balance sheet, as shown below.

	31 December 2014	31 December 2013 (Restated)	30 June 2012 (Restated)
	MUR' 000	MUR' 000	MUR' 000
Decrease in profit	**189,467**	65,750	13,051

(ii) Fair value hedges

The Bank establishes fair value hedge accounting relationships for interest rate risk on some of its fixed rate customer loans. At 31 December 2014, the aggregate notional principal of interest rate swaps designated as fair value hedges was **MUR 626.7 million** (2013: MUR 792.3 million and 2012: MUR 794.5 million) with a net fair value liability of **MUR 13.1 million** (2013: 19.3 million and 2012: MUR 18.4 million). The hedge was more than 85% effective in hedging the fair value exposure to interest rates movements and as a result the carrying amount of the loans being hedged was adjusted by MUR 13.6 million, which was included in the Statement of profit or loss at the same time that the fair value of the interest rate swap was included.

40. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

(iii) The table below analyses the Bank's interest rate risk exposure in terms of the remaining period to the next contractual repricing date or to the maturity date, whichever is the earlier in their respective currency. 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.

MUR	Up to 3 months MUR'000	3-6 months MUR'000	6-12 months MUR'000	1-2 years MUR'000	3-5 years MUR'000	Over 5 years MUR'000
31 December 2014						
Financial Assets						
Loans to and placements with banks	**-**	**-**	**-**	**-**	**151,750**	**-**
Loans and advances to non-bank customers	**48,209,898**	**239,902**	**707,204**	**88,553**	**435,093**	**862,428**
Investment securities	**927,425**	**3,076,867**	**4,263,275**	**1,910,581**	**5,478,804**	**947,495**
	49,137,323	**3,316,769**	**4,970,479**	**1,999,134**	**6,065,647**	**1,809,923**
Financial liabilities						
Deposits from non-bank customers	**58,030,119**	**410,195**	**34,393**	**163,500**	**82,600**	**-**
Other borrowed funds	**371,321**	**7,564**	**-**	**-**	**-**	**-**
	58,401,440	**417,759**	**34,393**	**163,500**	**82,600**	**-**
On Balance Sheet Gap	**(9,264,117)**	**2,899,010**	**4,936,086**	**1,835,634**	**5,983,047**	**1,809,923**
Off Balance Sheet Assets	**3,515,358**	**455,408**	**656,810**	**-**	**-**	**-**
Off Balance Sheet Liabilities	**(2,553,144)**	**(633,581)**	**(443,147)**	**-**	**-**	**-**
Off Balance Sheet Gap	**962,214**	**(178,173)**	**213,663**	**-**	**-**	**-**
Bucket-wise Gap	**(8,301,903)**	**2,720,837**	**5,149,749**	**1,835,634**	**5,983,047**	**1,809,923**
Cummulative Gap	**(8,301,903)**	**(5,581,066)**	**(431,317)**	**1,404,317**	**7,387,364**	**9,197,287**
31 December 2013						
On Balance Sheet Gap	(8,009,735)	5,503,153	1,802,145	2,790,369	5,473,138	644,689
Off Balance Sheet Gap	201,645	(360,417)	(139,314)	-	-	-
Bucket-wise Gap	(7,808,090)	5,142,736	1,662,831	2,790,369	5,473,138	644,689
Cummulative Gap	(7,808,090)	(2,665,354)	(1,002,523)	1,787,846	7,260,984	7,905,673
30 June 2012						
On Balance Sheet Gap	3,847,197	392,054	2,357,498	(43,696)	4,642,840	1,393,001
Off Balance Sheet Gap	257,350	(354,591)	(105,155)	-	-	-
Bucket-wise Gap	4,104,547	37,463	2,252,343	(43,696)	4,642,840	1,393,001
Cummulative Gap	4,104,547	4,142,010	6,394,353	6,350,657	10,993,497	12,386,498

40. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

USD	Up to 3 months USD' 000	3-6 months USD' 000	6-12 months USD' 000	1-2 years USD' 000	3-5 years USD' 000	Over 5 years USD' 000
31 December 2014						
Financial Assets						
Cash and cash equivalents	**10,000**	**-**	**-**	**-**	**-**	**-**
Loans to and placements with banks	**12,900**	**-**	**-**	**-**	**-**	**-**
Loans and advances to non-bank customers	**250,214**	**20,482**	**3,011**	**18,988**	**44,636**	**301**
Investment securities	**1,323**	**-**	**-**	**39,440**	**92,503**	**24,476**
	274,437	**20,482**	**3,011**	**58,428**	**137,139**	**24,777**
Financial liabilities						
Deposits from non-bank customers	**368,822**	**2,467**	**5,643**	**-**	**66,316**	**-**
Other borrowed funds	**16,680**	**11,354**	**75,000**	**-**	**5,000**	**-**
	385,502	**13,821**	**80,643**	**-**	**71,316**	**-**
On Balance Sheet Gap	**(111,065)**	**6,661**	**(77,632)**	**58,428**	**65,823**	**24,777**
Off Balance Sheet Assets	**151,244**	**43,238**	**46,433**	**21,976**	**51,802**	**-**
Off Balance Sheet Liabilities	**(182,837)**	**(59,451)**	**(59,948)**	**-**	**-**	**-**
Off Balance Sheet Gap	**(31,593)**	**(16,213)**	**(13,515)**	**21,976**	**51,802**	**-**
Bucket-wise Gap	**(142,658)**	**(9,552)**	**(91,147)**	**80,404**	**117,625**	**24,777**
Cummulative Gap	**(142,658)**	**(152,210)**	**(243,357)**	**(162,953)**	**(45,328)**	**(20,551)**
31 December 2013						
On Balance Sheet Gap	(211,945)	73,474	(9,373)	(2,610)	95,252	-
Off Balance Sheet Gap	(48,698)	(5,287)	4,313	-	75,201	-
Bucket-wise Gap	(260,643)	68,187	(5,060)	(2,610)	170,453	-
Cummulative Gap	(260,643)	(192,456)	(197,516)	(200,126)	(29,673)	(29,673)
30 June 2012						
On Balance Sheet Gap	39,114	29,964	(4,621)	1,208	40,963	1,023
Off Balance Sheet Gap	(119,697)	5,858	16,516	-	(7,065)	-
Bucket-wise Gap	(80,583)	35,822	11,895	1,208	33,898	1,023
Cummulative Gap	(80,583)	(44,761)	(32,866)	(31,658)	2,240	3,263

40. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

GBP	Up to 3 months GBP' 000	3-6 months GBP' 000	6-12 months GBP' 000	1-2 years GBP' 000	3-5 years GBP' 000	Over 5 years GBP' 000
31 December 2014						
Financial Assets						
Cash and cash equivalents	**40,000**	**-**	**-**	**-**	**-**	**-**
Loans and advances to non-bank customers	**-**	**4**	**-**	**-**	**-**	**-**
Investment securities	**-**	**-**	**-**	**2,405**	**1,811**	**-**
	40,000	**4**	**-**	**2,405**	**1,811**	**-**
Financial liabilities						
Deposits from non-bank customers	**46,460**	**1,115**	**203**	**-**	**-**	**-**
Other borrowed funds	**1,002**	**-**	**-**	**-**	**-**	**-**
	47,462	**1,115**	**203**	**-**	**-**	**-**
On Balance Sheet Gap	**(7,462)**	**(1,111)**	**(203)**	**2,405**	**1,811**	**-**
Off Balance Sheet Assets	**2,810**	**6,400**	**5,447**	**-**	**-**	**-**
Off Balance Sheet Liabilities	**(5,409)**	**(6,400)**	**(2,000)**	**-**	**-**	**-**
Off Balance Sheet Gap	**(2,599)**	**-**	**3,447**	**-**	**-**	**-**
Bucket-wise Gap	**(10,061)**	**(1,111)**	**3,244**	**2,405**	**1,811**	**-**
Cummulative Gap	**(10,061)**	**(11,172)**	**(7,928)**	**(5,523)**	**(3,712)**	**(3,712)**
31 December 2013						
On Balance Sheet Gap	(26,642)	(732)	(1,337)	3,129	-	-
Off Balance Sheet Gap	(309)	-	2,158	3,047	-	-
Bucket-wise Gap	(26,951)	(732)	821	6,176	-	-
Cummulative Gap	(26,951)	(27,683)	(26,862)	(20,686)	(20,686)	(20,686)
30 June 2012						
On Balance Sheet Gap	(33,242)	(1,113)	(1,476)	(1,268)	-	-
Off Balance Sheet Gap	37,241	2,000	-	-	-	-
Bucket-wise Gap	3,999	887	(1,476)	(1,268)	-	-
Cummulative Gap	3,999	4,886	3,410	2,142	2,142	2,142

40. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

EUR	Up to 3 months EUR '000	3-6 months EUR '000	6-12 months EUR '000	1-2 years EUR '000	3-5 years EUR '000	Over 5 years EUR '000
31 December 2014						
Financial Assets						
Loans and advances to non-bank customers	**111,451**	**12,503**	**1,077**	**3**	**-**	**340**
Investment securities	**-**	**-**	**17,634**	**1,993**	**3,277**	**-**
	111,451	**12,503**	**18,711**	**1,996**	**3,277**	**340**
Financial liabilities						
Deposits from non-bank customers	**151,414**	**237**	**397**	**-**	**2,418**	**-**
Other borrowed funds	**17,093**	**13,056**	**-**	**-**	**-**	**-**
	168,507	**13,293**	**397**	**-**	**2,418**	**-**
On Balance Sheet Gap	**(57,056)**	**(790)**	**18,314**	**1,996**	**859**	**340**
Off Balance Sheet Assets	**26,674**	**2,179**	**8,522**	**-**	**-**	**-**
Off Balance Sheet Liabilities	**(21,985)**	**(2,447)**	**(8,522)**	**-**	**-**	**-**
Off Balance Sheet Gap	**4,689**	**(268)**	**-**	**-**	**-**	**-**
Bucket-wise Gap	**(52,367)**	**(1,058)**	**18,314**	**1,996**	**859**	**340**
Cummulative Gap	**(52,367)**	**(53,425)**	**(35,111)**	**(33,115)**	**(32,256)**	**(31,916)**
31 December 2013						
On Balance Sheet Gap	(17,630)	(6,029)	2,365	8,405	531	-
Off Balance Sheet Gap	26,424	(1)	(2,500)	(3,500)	(19,188)	-
Bucket-wise Gap	8,794	(6,030)	(135)	4,905	(18,657)	-
Cummulative Gap	8,794	2,764	2,629	7,534	(11,123)	(11,123)
30 June 2012						
On Balance Sheet Gap	26,945	(1,182)	(3,071)	(10)	(13)	(2,366)
Off Balance Sheet Gap	(485)	1,002	-	-	(21,450)	-
Bucket-wise Gap	26,460	(180)	(3,071)	(10)	(21,463)	(2,366)
Cummulative Gap	26,460	26,280	23,209	23,199	1,736	(630)

40. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

INR	Up to 3 months INR' 000	3-6 months INR' 000	6-12 months INR' 000	1-2 years INR' 000	3-5 years INR' 000	Over 5 years INR' 000
31 December 2014						
Financial Assets						
Trading assets	**50,026**	**-**	**-**	**-**	**-**	**-**
Loans and advances to non-bank customers	**2,396,901**	**22,429**	**57,913**	**-**	**1,039,201**	**1,163,373**
Investment securities	**1,610,614**	**981,890**	**995,665**	**-**	**1,810,867**	**2,572**
	4,057,541	**1,004,319**	**1,053,578**	**-**	**2,850,068**	**1,165,945**
Financial liabilities						
Deposits from non-bank customers	**22,417**	**389,664**	**861,348**	**-**	**1,442,840**	**2,624**
Other borrowed funds	**174,946**	**-**	**-**	**-**	**-**	**-**
	197,363	**389,664**	**861,348**	**-**	**1,442,840**	**2,624**
On Balance Sheet Gap	**3,860,178**	**614,655**	**192,230**	**-**	**1,407,228**	**1,163,321**
Off Balance Sheet Assets	**2,927,088**	**2,220,225**	**1,965,334**	**-**	**-**	**-**
Off Balance Sheet Liabilities	**(2,797,895)**	**(812,758)**	**(1,861,264)**	**-**	**-**	**-**
Off Balance Sheet Gap	**129,193**	**1,407,467**	**104,070**	**-**	**-**	**-**
Bucket-wise Gap	**3,989,371**	**2,022,122**	**296,300**	**-**	**1,407,228**	**1,163,321**
Cummulative Gap	**3,989,371**	**6,011,493**	**6,307,793**	**6,307,793**	**7,715,021**	**8,878,342**
31 December 2013						
On Balance Sheet Gap	3,515,649	950,948	288,974	-	(1,569,781)	1,713,457
Off Balance Sheet Gap	1,957,821	1,041,323	(74,580)	-	(4,651,636)	-
Bucket-wise Gap	5,473,470	1,992,271	214,394	-	(6,221,417)	1,713,457
Cummulative Gap	5,473,470	7,465,741	7,680,135	7,680,135	1,458,718	3,172,175
30 June 2012						
On Balance Sheet Gap	2,954,766	972,336	(258,295)	-	721,750	1,163,293
Off Balance Sheet Gap	2,071,479	45,367	(402,571)	-	-	-
Bucket-wise Gap	5,026,245	1,017,703	(660,866)	-	721,750	1,163,293
Cummulative Gap	5,026,245	6,043,948	5,383,082	5,383,082	6,104,832	7,268,125

40. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

MGA	Up to 3 months MGA' 000	3-6 months MGA' 000	6-12 months MGA' 000	1-2 years MGA' 000	3-5 years MGA' 000	Over 5 years MGA' 000
31 December 2014						
On Balance Sheet Gap	**-**	**-**	**-**	**-**	**-**	**-**
Off Balance Sheet Assets	**-**	**-**	**-**	**-**	**-**	**-**
Off Balance Sheet Liabilities	**(249,407)**	**-**	**-**	**-**	**-**	**-**
Off Balance Sheet Gap	**(249,407)**	**-**	**-**	**-**	**-**	**-**
Bucket-wise Gap	**(249,407)**	**-**	**-**	**-**	**-**	**-**
Cummulative Gap	**(249,407)**	**(249,407)**	**(249,407)**	**(249,407)**	**(249,407)**	**(249,407)**
31 December 2013						
On Balance Sheet Gap	-	-	-	-	-	-
Off Balance Sheet Gap	-	-	-	-	-	-
Bucket-wise Gap	-	-	-	-	-	-
Cummulative Gap	-	-	-	-	-	-
30 June 2012						
On Balance Sheet Gap	-	-	-	-	-	-
Off Balance Sheet Gap	-	-	-	-	-	-
Bucket-wise Gap	-	-	-	-	-	-
Cummulative Gap	-	-	-	-	-	-

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40. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

OTHER CURRENCIES	Up to 3 months MUR' 000	3-6 months MUR' 000	6-12 months MUR '000	1-2 years MUR' 000	3-5 years MUR' 000	Over 5 years MUR' 000
31 December 2014						
Financial Assets						
Cash and cash equivalents	**756,488**	**-**	**-**	**-**	**-**	**-**
Loans to and placements with banks	**39**	**-**	**137,026**	**-**	**-**	**-**
Investment securities	**370**	**-**	**-**	**-**	**178,339**	**-**
	756,897	**-**	**137,026**	**-**	**178,339**	**-**
Financial liabilities						
Deposits from non-bank customers	**503,510**	**34,257**	**169,518**	**6,512**	**-**	**-**
	503,510	**34,257**	**169,518**	**6,512**	**-**	**-**
On Balance Sheet Gap	**253,387**	**(34,257)**	**(32,492)**	**(6,512)**	**178,339**	**-**
Off Balance Sheet Assets	**1,202,232**	**218,921**	**5,286**	**6,512**	**-**	**-**
Off Balance Sheet Liabilities	**(664,570)**	**(224,797)**	**(2,853)**	**(1,047,763)**	**(1,923,340)**	**-**
Off Balance Sheet Gap	**537,662**	**(5,876)**	**2,433**	**(1,041,251)**	**(1,923,340)**	**-**
Bucket-wise Gap	**791,049**	**(40,133)**	**(30,059)**	**(1,047,763)**	**(1,745,001)**	**-**
Cummulative Gap	**791,049**	**750,916**	**720,857**	**(326,906)**	**(2,071,907)**	**(2,071,907)**
31 December 2013						
On Balance Sheet Gap	8,993,958	(6,796,622)	233,128	(77,750)	(1,027,782)	(232,433)
Off Balance Sheet Gap	52,450	13,587	(1,454)	3,754	8,592	-
Bucket-wise Gap	9,046,408	(6,783,035)	231,674	(73,996)	(1,019,190)	(232,433)
Cummulative Gap	9,046,408	2,263,373	2,495,047	2,421,051	1,401,861	1,169,428
30 June 2012						
On Balance Sheet Gap	(10,225,714)	1,140,626	165,780	1,618,809	(461,996)	(793,685)
Off Balance Sheet Gap	1,075,413	355,187	(181,841)	-	149,371	-
Bucket-wise Gap	(9,150,301)	1,495,813	(16,061)	1,618,809	(312,625)	(793,685)
Cummulative Gap	(9,150,301)	(7,654,488)	(7,670,549)	(6,051,740)	(6,364,365)	(7,158,050)

(iv) Currency risk

Foreign exchange risk arises from open and imperfectly offset or hedged positions. Imperfect correlations across currencies and international interest rate markets pose particular challenges to the effectiveness of foreign currency hedging strategies. The Bank exercises strict control over its foreign currency exposures. The Bank reports on foreign currency positions to the Central Bank and has set up conservative internal limits in order to mitigate foreign exchange risk. To manage their foreign currency exposures, dealers operate within prudential limits approved by the Board including intraday/overnight open exposures, stop loss and authorised currencies. These trading limits for Mauritius and Indian Operations are reviewed at least once annually by the Board / Board Risk Management Committee. The Middle Office closely monitors the Front Office and reports any excesses and deviations from approved limits to the Market Risk Forum and to the Board Risk Management Committee.

40. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

(iv) 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.

	USD	GBP	EURO	INR	OTHER	TOTAL
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2014						
ASSETS						
Cash and cash equivalents	**1,162,514**	**2,102,328**	**913,526**	**6,036**	**985,962**	**5,170,366**
Mandatory balances with Central Banks	**272,465**	**72,059**	**234,115**	**-**	**-**	**578,639**
Loans to and placements with banks	**411,821**	**-**	**-**	**-**	**137,693**	**549,514**
Trading assets	**121,295**	**15,583**	**5,712**	**3,452**	**1,980**	**148,022**
Loans and advances to non-bank customers	**10,786,478**	**212**	**4,854,075**	**-**	**-**	**15,640,765**
Investment securities	**5,012,546**	**208,961**	**884,327**	**-**	**178,339**	**6,284,173**
Other assets	**73,645**	**3,530**	**89,673**	**-**	**36,958**	**203,806**
Total monetary financial assets	**17,840,764**	**2,402,673**	**6,981,428**	**9,488**	**1,340,932**	**28,575,285**
LIABILITIES						
Deposits from non-bank customers	**14,317,463**	**2,368,001**	**5,963,814**	**25**	**1,221,796**	**23,871,099**
Other borrowed funds	**3,436,082**	**49,650**	**1,164,409**	**-**	**-**	**4,650,141**
Trading liabilities	**1,785**	**20,974**	**35,992**	**7,658**	**23,942**	**90,351**
Other liabilities	**153,141**	**11,726**	**143,544**	**242**	**4,596**	**313,249**
Total monetary financial liabilities	**17,908,471**	**2,450,351**	**7,307,759**	**7,925**	**1,250,334**	**28,924,840**
On balance sheet position	**(67,707)**	**(47,678)**	**(326,331)**	**1,563**	**90,598**	**(349,555)**
Off balance sheet position	**(316,267)**	**42,818**	**173,546**	**98,782**	**(64,111)**	**(65,232)**
Net currency position	**(383,974)**	**(4,860)**	**(152,785)**	**100,345**	**26,487**	**(414,787)**
31 December 2013						
Total monetary financial assets	13,787,946	1,199,113	6,074,191	2,049	1,191,830	22,255,129
Total monetary financial liabilities	14,418,230	1,445,881	6,018,513	490	1,233,742	23,116,856
On balance sheet position	(630,284)	(246,768)	55,678	1,559	(41,912)	(861,727)
Off balance sheet position	1,100,854	219,041	(130,381)	(256)	66,604	1,255,862
Net currency position	470,570	(27,727)	(74,703)	1,303	24,692	394,135
30 June 2012						
Total monetary financial assets	15,036,011	765,378	5,922,336	281	789,080	22,513,086
Total monetary financial liabilities	11,805,948	2,659,064	5,117,765	116	1,434,696	21,017,589
On balance sheet position	3,230,063	(1,893,686)	804,571	165	(645,616)	1,495,497
Off balance sheet position	(3,091,492)	1,863,951	(801,367)	-	659,358	(1,369,550)
Net currency position	138,571	(29,735)	3,204	165	13,742	125,947

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40. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

Value-at-risk analysis

The Bank uses Value-at-Risk (VAR) to estimate the potential foreign exchange loss arising from adverse movements in an ordinary market environment. To calculate VAR, State Bank of Mauritius Ltd (now known as SBM Bank (Mauritius) Ltd) 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. SBM 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, SBM would expect to incur losses greater than the VAR estimates, or about two to three times a year. The use of 10 days holding period and a one-year historical observation period are in line with the Basel II recommendation.

The Bank's VAR amounted to:

	31 December 2014 MUR' 000	31 December 2013 MUR' 000	30 June 2012 MUR' 000
Minimum for the year	**241**	143	156
Maximum for the year	**3,925**	3,848	7,432
Year - End	**1,268**	837	2,916

(v) Equity price sentivity analysis

The Bank is exposed to equity price risks arising from equity investments. Available-for-sale equity investments are held for strategic rather than for trading purposes and the Bank does not actively trade in these investments. Changes in prices / valuation of these investments are reflected in the statement of comprehensive income, except for impairment losses which are reported in the statement of profit or loss. Changes in prices of held-for-trading investments are reflected in the statement of profit or loss.

A 5% increase in the price of equities held at the reporting date would have resulted in an unrealised gain to the statement of comprehensive income or statement of profit or loss as reflected below. A 5% decrease would have resulted in an equivalent loss being booked.

	31 December 2014 MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Statement of comprehensive income	**18**	19,897	23,597
Statement of profit or loss	**144**	87	616
	162	19,984	24,213

(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 3 to the financial statements (accounting policies).

41. SEGMENT INFORMATION

(a) Information about the reportable segment revenue from products and services

	BANKING		
	31 December 2014 MUR' 000	31 December 2013 MUR' 000	30 June 2012 MUR' 000
Gross revenue from external customers arising from:			
Loans and advances to non-bank customers	**5,430,335**	8,259,000	4,967,175
Loans to and placements with banks	**59,344**	53,239	108,497
Exchange income	**356,831**	481,224	456,961
Card income	**306,757**	546,226	517,314
Trade finance services	**182,729**	286,935	176,067
Deposit and other products /services	**149,296**	183,066	112,459
	6,485,292	9,809,690	6,338,473

(b) Information about revenue of the reportable segment by geographical areas

	BANKING		
	Mauritius MUR' 000	Other Countries MUR' 000	Total MUR' 000
31 December 2014			
Gross revenue from external customers	**6,253,828**	**1,941,055**	**8,194,883**
Tangible and intangible assets	**3,488,259**	**294,400**	**3,782,659**
31 December 2013			
Gross revenue from external customers	9,262,327	3,148,283	12,410,610
Tangible and intangible assets	3,002,150	222,108	3,224,258
30 June 2012			
Gross revenue from external customers	5,433,656	3,534,661	8,968,317
Tangible and intangible assets	2,547,638	202,244	2,749,882

(c) Information about major customers of the reportable segment

Gross revenue from the major customer of the Bank represents 2.3% (31 December 2013: 3.3% and 30 June 2012: 2.5%) of the Banking segment's total revenue.

(d) Information about the assets and liabilities of the reportable segment

	31 December 2014 MUR' 000	31 December 2013 MUR' 000	30 June 2012 MUR' 000
Segment assets	**114,808,620**	105,767,978	94,273,461
Segment liabilities	**98,040,684**	90,396,749	80,320,769
Additions to tangible and intangible assets	**724,139**	804,750	118,088
Depreciation and amortisation	**163,978**	277,666	177,737

42. GROUP RESTRUCTURING

In line with the international trend and at the direction of the regulator, namely - Bank of Mauritius, State Bank of Mauritius Ltd (renamed as SBM Bank (Mauritius) Ltd) had been considering and acting step-by-step since year 2010, the restructuring exercise of the Group by segregating the non-banking operations from the banking operations and the foreign operations from its domestic operations.

Bank of Mauritius in September 2014 approved the "Restructuring Exercise" under Subsection 1 and Subsection 11 of Section 32A of the Banking Act 2004 as amended. The approved structure became effective as from 02 October 2014 ("the appointed day").

By operation of Section 32A of the Banking Act, on the appointed day, the shares of the Bank were transferred by operation of the law to SBM Holdings Ltd and in exchange, shares of SBM Holdings Ltd were issued to existing shareholders of the Bank on the basis of a 1:1 ratio. As a result of the above, the shareholders of SBM Holdings Ltd hold the same underlying value of assets and liabilities of the Group pre and post restructuring. Upon restructuring, stated capital of SBM Holdings Ltd was credited at the last quoted price of the shares before the appointed day. Similarly, all the subordinated senior unsecured Class A 1 Series and Class B 1 Series Bonds of MUR 1,500 million and USD 65.04 million respectively issued by State Bank of Mauritius Ltd (renamed as SBM Bank (Mauritius) Ltd) were transferred to SBM Holdings Ltd on the same day with corresponding matching investments. Furthermore, Bank of Mauritius also approved the transfer of the Indian Operations to SBM Holdings Ltd; same is currently in progress and will be completed upon receipt of the Wholly Owned Subsidiary license from the Reserve Bank of India.

As part of the restructure, the Bank distributed as dividends excess capital to SBM Holdings Ltd except for the optimum capital required to comply with Basel III and the additional buffers factored under the CAMEL rating and as also Domestic Systemically Important Bank as required by Bank of Mauritius. Part of the excess capital built from operations over the period of last two decades will remain in SBM Holdings Ltd, which will be made available primarily (a) to support any loss made by existing operations and any shortfall in operating banking companies to meet their growth strategies; (b) to ensure that the individual subsidiaries/ operations do not build excessively, the credit concentration exposure beyond optimum capital for credit; and (c) finally for any diversification of revenue streams. The excess capital is to be used in the above order of priority.

These transfers were effected in the context of the "Restructuring Exercise" as approved by the Bank of Mauritius. SBM Holdings Ltd is the new bank financial investments holdings company of the Group which is listed on the Official Market of the Stock Exchange of Mauritius as from 03 October 2014 and the Bank a downstream subsidiary of SBM Holdings Ltd.

Pursuant to the re-structuring, all the subsidiaries of SBM Bank (Mauritius) Ltd became the subsidiaries of SBM Holdings Ltd and it ceased to be the holding company for the Group. Accordingly, it has not prepared any consolidated financial statements for the year. SBM Holdings Ltd will prepare consolidated financial statements for the Group under the predecessor accounting method as the restructuring is not a business combination within the meaning of IFRS 3: Business Combinations.

As per the constitution of SBM Holdings Ltd, not less than 90% of its capital, reserves and borrowings of SBM Holdings Ltd shall be invested in banking activities/operations as approved by Bank of Mauritius. With a view to ensure the above, all operating companies both banking and non-banking, intend to declare all eligible profits as dividend to SBM Holdings Ltd every year on an ongoing basis for redistribution as capital management strategy.

The Stock Exchange of Mauritius Ltd also approved the withdrawal of the listing of State Bank of Mauritius Ltd (renamed as SBM Bank (Mauritius) Ltd) as at 30 September 2014 and listing of SBM Holdings Ltd as from 03 October 2014. The senior unsecured bonds previously raised in the name of the Bank have been transferred to SBM Holdings Ltd and were listed on the same day.

Following the restructuring exercise of the Group which became effective as from 02 October 2014, SBM Bank (Mauritius) Ltd has maintained separate books for Segment A and Segment B activities. Furthermore, Bank of Mauritius has approved that segment B unit be renamed "African Currency Unit" which shall bear the acronym "AfCU". This acronym will be used for Segment B activities in line with the Group's expansion strategies in African countries. In this context, the trademark/service mark has already been registered under The Patents, Industrial Designs and Trademarks Act 2002 in Mauritius and relevant procedures have already been initiated for registration under the Madrid Convention for the International Registration of Marks.

43. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors regard SBM Holdings Ltd, a company incorporated in Mauritius as its ultimate holding company and SBM Mauritius Ltd, a company incorporated in Mauritius as its immediate holding company.

44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS

The Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure classified into Domestic and AfCU. AfCU is referred to segment B activity which includes Indian operations as well and is essentially directed to the provision of international financial services that give rise to 'foreign source income'.

Domestic is segment A activity and relates to all banking business other than AfCU. Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

a. STATEMENTS OF FINANCIAL POSITION

		Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
		31 December 2014	31 December 2014	31 December 2014	31 December 2013 (restated)	31 December 2013 (restated)	31 December 2013 (restated)	30 June 2012 (restated)	30 June 2012 (restated)	30 June 2012 (restated)
	NOTE	MUR '000	MUR '000	MUR '000	MUR '000	MUR '000	MUR '000	MUR '000	MUR '000	MUR '000
ASSETS										
Cash and cash equivalents	44l	**2,594,243**	**5,049,517**	**7,643,760**	3,037,258	3,447,993	6,485,251	2,121,925	4,842,350	6,964,275
Mandatory balances with Central Banks		**6,208,810**	**124,932**	**6,333,742**	5,113,319	109,737	5,223,056	4,523,046	148,869	4,671,915
Loans to and placements with banks	44m	**290,312**	**411,821**	**702,133**	165,746	766,682	932,428	-	1,511,936	1,511,936
Trading assets	44n	**165,523**	**39,615**	**205,138**	39,194	210,310	249,504	68,606	200,892	269,498
Loans and advances to non-bank customers	44o	**56,151,385**	**11,426,363**	**67,577,748**	57,696,261	12,080,316	69,776,577	49,130,208	13,438,366	62,568,574
Investment securities	44p	**16,733,246**	**8,878,631**	**25,611,877**	12,388,600	4,776,015	17,164,615	9,233,587	3,881,690	13,115,277
Equity Investment		**-**	**370**	**370**	397,947	-	397,947	33,664	1,892,981	1,926,645
Investment in subsidiaries		**-**	**-**	**-**	1,285	47	1,332	75	47	122
Property and equipment	44q	**2,568,548**	**146,388**	**2,714,936**	2,439,291	146,110	2,585,401	2,490,896	173,549	2,664,445
Intangible assets	44r	**919,708**	**148,015**	**1,067,723**	562,859	75,998	638,857	56,741	28,696	85,437
Deferred tax assets		**-**	**162,190**	**162,190**	65,145	79,955	145,100	-	-	-
Other assets	44s	**2,624,452**	**164,551**	**2,789,003**	1,886,332	281,578	2,167,910	345,876	149,461	495,337
Total assets		**88,256,227**	**26,552,393**	**114,808,620**	83,793,237	21,974,741	105,767,978	68,004,624	26,268,837	94,273,461
LIABILITIES										
Deposits from banks	44t	**488,368**	**131,966**	**620,334**	69,736	202,066	271,802	67,603	147,054	214,657
Deposits from non-bank customers	44u	**73,531,583**	**17,010,850**	**90,542,433**	65,858,636	15,417,519	81,276,155	61,025,418	14,507,734	75,533,152
Other borrowed funds	44v	**679,502**	**4,433,503**	**5,113,005**	1,778,401	4,331,650	6,110,051	24,875	2,899,920	2,924,795
Trading liabilities	44n	**76,164**	**70,384**	**146,548**	27,425	211,044	238,469	24,504	145,495	169,999
Current tax liabilities		**87,721**	**-**	**87,721**	246,591	-	246,591	242,276	45,282	287,558
Deferred tax liabilities		**77,329**	**-**	**77,329**	114,459	-	114,459	134,261	28,290	162,551
Other liabilities	44w	**1,298,453**	**154,861**	**1,453,314**	2,015,004	120,018	2,135,022	930,102	97,955	1,028,057
Subordinated debts		**-**	**-**	**-**	4,200	-	4,200	-	-	-
Total liabilities		**76,239,120**	**21,801,564**	**98,040,684**	70,114,452	20,282,297	90,396,749	62,449,039	17,871,730	80,320,769
SHAREHOLDERS' EQUITY										
Stated capital				**310,000**			303,740			303,740
Capital Contribution				**8,063,106**			-			-
Retained earnings				**6,485,822**			15,395,534			13,358,328
Other reserves				**1,909,008**			2,005,241			2,623,910
				16,767,936			17,704,515			16,285,978
Less treasury shares				**-**			(2,333,286)			(2,333,286)
Total equity				**16,767,936**			15,371,229			13,952,692
Total equity and liabilities				**114,808,620**			105,767,978			94,273,461

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44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

b. STATEMENTS OF PROFIT OR LOSS

		Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
		Year ended 31 December 2014	Year ended 31 December 2014	Year ended 31 December 2014	18 months to 31 December 2013 (Restated)	18 months to 31 December 2013 (Restated)	18 months to 31 December 2013 (Restated)	12 months to 30 June 2012 (Restated)	12 months to 30 June 2012 (Restated)	12 months to 30 June 2012 (Restated)
	NOTE	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income		5,122,005	1,151,076	6,273,081	7,363,184	1,732,756	9,095,940	4,384,745	1,303,211	5,687,956
Interest expense		(1,879,067)	(433,202)	(2,312,269)	(2,572,736)	(729,302)	(3,302,038)	(1,908,310)	(685,632)	(2,593,942)
Net interest income	44c	3,242,938	717,874	3,960,812	4,790,448	1,003,454	5,793,902	2,476,435	617,579	3,094,014
Fee and commission income		661,563	207,968	869,531	966,858	519,145	1,486,003	551,823	569,673	1,121,496
Fee and commission expense		(24,298)	(3,164)	(27,462)	(22,478)	(20,241)	(42,719)	(19,276)	(11,529)	(30,805)
Net fee and commission income	44d	637,265	204,804	842,069	944,380	498,904	1,443,284	532,547	558,144	1,090,691
Dividend income	44e	60,000	1,903	61,903	587,206	284,197	871,403	230,440	1,469,331	1,699,771
Net trading income	44f	238,432	118,577	357,009	340,164	156,979	497,143	255,841	191,447	447,288
Other operating income	44g	171,830	461,529	633,359	4,915	455,207	460,122	10,807	999	11,806
Non interest income		1,107,527	786,813	1,894,340	1,876,665	1,395,287	3,271,952	1,029,635	2,219,921	3,249,556
Operating income		4,350,465	1,504,687	5,855,152	6,667,113	2,398,741	9,065,854	3,506,070	2,837,500	6,343,570
Personnel expenses	44h	(900,635)	(164,674)	(1,065,309)	(1,413,889)	(252,756)	(1,666,645)	(802,379)	(161,666)	(964,045)
Depreciation and amortisation		(146,957)	(17,021)	(163,978)	(251,943)	(25,723)	(277,666)	(153,228)	(24,509)	(177,737)
Other expenses	44i	(556,197)	(82,629)	(638,826)	(821,376)	(121,097)	(942,473)	(371,863)	(79,562)	(451,425)
Non interest expense		(1,603,789)	(264,324)	(1,868,113)	(2,487,208)	(399,576)	(2,886,784)	(1,327,470)	(265,737)	(1,593,207)
Profit before net impairment loss on financial assets		2,746,676	1,240,363	3,987,039	4,179,905	1,999,165	6,179,070	2,178,600	2,571,763	4,750,363
Net impairment loss	44j	(235,766)	(196,242)	(432,008)	(257,095)	(571,991)	(829,086)	(144,045)	(29,852)	(173,897)
Operating profit		2,510,910	1,044,121	3,555,031	3,922,810	1,427,174	5,349,984	2,034,555	2,541,911	4,576,466
Tax expense	44k	(662,364)	(10,174)	(672,538)	(880,108)	22,308	(857,800)	(430,571)	(131,752)	(562,323)
Profit for the year/period		1,848,546	1,033,947	2,882,493	3,042,702	1,449,482	4,492,184	1,603,984	2,410,159	4,014,143

44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

c. NET INTEREST INCOME

	Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
	Year ended 31 December 2014	Year ended 31 December 2014	Year ended 31 December 2014	18 months to 31 December 2013	18 months to 31 December 2013	18 months to 31 December 2013	12 months to 30 June 2012	12 months to 30 June 2012	12 months to 30 June 2012
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Interest income									
Cash and cash equivalents	**6,945**	**32,795**	**39,740**	7,805	19,480	27,285	8,663	34,667	43,330
Loans to and placements with banks	**-**	**26,170**	**26,170**	-	39,228	39,228	-	59,303	59,303
Loans and advances to non-bank customers	**4,488,477**	**719,094**	**5,207,571**	6,599,852	1,190,308	7,790,160	3,780,955	870,525	4,651,480
Investment securities	**626,577**	**357,039**	**983,616**	752,621	419,444	1,172,065	594,325	299,136	893,461
Trading assets	**6**	**(8,786)**	**(8,780)**	2,842	64,284	67,126	800	39,560	40,360
Other	**-**	**24,764**	**24,764**	64	12	76	2	20	22
Total interest income	**5,122,005**	**1,151,076**	**6,273,081**	7,363,184	1,732,756	9,095,940	4,384,745	1,303,211	5,687,956
Interest expense									
Deposits from banks	**-**	**-**	**-**	-	(47)	(47)	-	(350)	(350)
Deposits from non-bank customers	**(1,806,166)**	**(328,316)**	**(2,134,482)**	(2,555,654)	(492,844)	(3,048,498)	(1,887,216)	(461,128)	(2,348,344)
Other borrowed funds	**(7,751)**	**(104,886)**	**(112,637)**	(17,082)	(236,411)	(253,493)	(21,094)	(224,154)	(245,248)
Subordinated debts	**(64,902)**	**-**	**(64,902)**	-	-	-	-	-	-
Other	**(248)**	**-**	**(248)**	-	-	-	-	-	-
Total interest expense	**(1,879,067)**	**(433,202)**	**(2,312,269)**	(2,572,736)	(729,302)	(3,302,038)	(1,908,310)	(685,632)	(2,593,942)
Net interest income	**3,242,938**	**717,874**	**3,960,812**	4,790,448	1,003,454	5,793,902	2,476,435	617,579	3,094,014

d. NET FEE AND COMMISSION INCOME

	Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
	Year ended 31 December 2014	Year ended 31 December 2014	Year ended 31 December 2014	18 months to 31 December 2013	18 months to 31 December 2013	18 months to 31 December 2013	12 months to 30 June 2012	12 months to 30 June 2012	12 months to 30 June 2012
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fee and commission income									
Retail banking customer fees	**320,531**	**5,136**	**325,667**	536,610	13,187	549,797	316,134	7,381	323,515
Corporate banking customer fees	**217,981**	**9,262**	**227,243**	231,353	152,587	383,940	137,157	141,712	278,869
Card Income	**123,048**	**193,570**	**316,618**	198,895	353,371	552,266	98,532	420,580	519,112
Other	**3**	**-**	**3**	-	-	-	-	-	-
Total fee and commission income	**661,563**	**207,968**	**869,531**	966,858	519,145	1,486,003	551,823	569,673	1,121,496
Fee and commission expense									
Interbank transaction fees	**(11,631)**	**(2,179)**	**(13,810)**	-	(18,997)	(18,997)	-	(10,284)	(10,284)
Other	**(12,667)**	**(985)**	**(13,652)**	(22,478)	(1,244)	(23,722)	(19,276)	(1,245)	(20,521)
Total fee and commission expense	**(24,298)**	**(3,164)**	**(27,462)**	(22,478)	(20,241)	(42,719)	(19,276)	(11,529)	(30,805)
Net fee and commission income	**637,265**	**204,804**	**842,069**	944,380	498,904	1,443,284	532,547	558,144	1,090,691

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44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

e. DIVIDEND INCOME

	Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
	Year ended 31 December 2014	Year ended 31 December 2014	Year ended 31 December 2014	18 months to 31 December 2013	18 months to 31 December 2013	18 months to 31 December 2013	12 months to 30 June 2012	12 months to 30 June 2012	12 months to 30 June 2012
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Available-for-sale securities	**60,000**	**1,903**	**61,903**	587,000	284,123	871,123	230,246	1,469,331	1,699,577
Trading securities	**-**	**-**	**-**	206	74	280	194	-	194
	60,000	**1,903**	**61,903**	587,206	284,197	871,403	230,440	1,469,331	1,699,771

f. NET TRADING INCOME

	Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
	Year ended 31 December 2014	Year ended 31 December 2014	Year ended 31 December 2014	18 months to 31 December 2013	18 months to 31 December 2013	18 months to 31 December 2013	12 months to 30 June 2012	12 months to 30 June 2012	12 months to 30 June 2012
	MUR'000	MUR'000	MUR'000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Fixed income securities	**17**	**585**	**602**	64	2,286	2,350	37	263	300
Equities	**(29)**	**(237)**	**(266)**	(302)	(205)	(507)	(68)	201	133
Foreign exchange	**238,444**	**118,387**	**356,831**	340,402	140,822	481,224	256,360	200,601	456,961
Other	**-**	**(158)**	**(158)**	-	14,076	14,076	(488)	(9,618)	(10,106)
	238,432	**118,577**	**357,009**	340,164	156,979	497,143	255,841	191,447	447,288

g. OTHER OPERATING INCOME

	Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
	Year ended 31 December 2014	Year ended 31 December 2014	Year ended 31 December 2014	18 months to 31 December 2013	18 months to 31 December 2013	18 months to 31 December 2013	12 months to 30 June 2012	12 months to 30 June 2012	12 months to 30 June 2012
	MUR'000	MUR'000	MUR'000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gain on sale of available-for-sale securities:									
Investment securities	**171,790**	**83,480**	**255,270**	19,668	93,723	113,391	3,766	1,040	4,806
Equity investments	**-**	**377,946**	**377,946**	-	361,481	361,481	6,278	-	6,278
Other	**40**	**103**	**143**	(14,753)	3	(14,750)	763	(41)	722
	171,830	**461,529**	**633,359**	4,915	455,207	460,122	10,807	999	11,806

h. PERSONNEL EXPENSES

	Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
	Year ended 31 December 2014	Year ended 31 December 2014	Year ended 31 December 2014	18 months to 31 December 2013	18 months to 31 December 2013	18 months to 31 December 2013	12 months to 30 June 2012	12 months to 30 June 2012	12 months to 30 June 2012
	MUR'000	MUR'000	MUR'000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Wages and salaries	**610,544**	**128,494**	**739,038**	926,031	185,627	1,111,658	574,180	128,379	702,559
Other social security obligations	**10,994**	**1,266**	**12,260**	14,952	1,752	16,704	8,741	1,076	9,817
Contributions to defined contribution plans	**52,441**	**8,283**	**60,724**	72,966	13,020	85,986	43,601	9,999	53,600
Cash-settled share-based payments	**6,471**	**-**	**6,471**	26,293	3,847	30,140	13,164	2,102	15,266
Increase in liability for defined benefit plans	**31,373**	**1,716**	**33,089**	41,532	1,859	43,391	16,488	1,005	17,493
Staff welfare cost	**14,428**	**3,568**	**17,996**	43,414	6,028	49,442	10,741	986	11,727
Management and professional charges	**32,176**	**4,998**	**37,174**	123,955	19,541	143,496	38,746	6,668	45,414
Security and cleaning services	**49,469**	**4,319**	**53,788**	69,103	6,041	75,144	44,845	2,524	47,369
Other	**92,739**	**12,030**	**104,769**	95,643	15,041	110,684	51,873	8,927	60,800
	900,635	**164,674**	**1,065,309**	1,413,889	252,756	1,666,645	802,379	161,666	964,045

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44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

i. OTHER EXPENSES

	Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
	Year ended 31 December 2014	Year ended 31 December 2014	Year ended 31 December 2014	18 months to 31 December 2013	18 months to 31 December 2013	18 months to 31 December 2013	12 months to 30 June 2012	12 months to 30 June 2012	12 months to 30 June 2012
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Software licensing and other information technology cost	**281,209**	**31,999**	**313,208**	502,666	51,851	554,517	118,147	30,453	148,600
Auditors' remuneration (audit and other services):									
-Principal auditors	**14,797**	**909**	**15,706**	6,175	965	7,140	4,057	634	4,691
-Other auditors	**-**	**451**	**451**	-	211	211	-	451	451
Utilities	**46,924**	**6,024**	**52,948**	66,129	8,246	74,375	45,371	5,228	50,599
Professional charges	**46,358**	**11,258**	**57,616**	53,911	27,107	81,018	22,749	19,751	42,500
Marketing costs	**37,449**	**277**	**37,726**	37,449	5,451	42,900	24,661	1,472	26,133
Rent, repairs and maintenance	**64,079**	**5,781**	**69,860**	75,737	5,825	81,562	59,588	3,901	63,489
Licence and other registration fees	**18,000**	**1,587**	**19,587**	16,860	1,535	18,395	10,351	943	11,294
Other	**47,381**	**24,343**	**71,724**	62,449	19,906	82,355	86,939	16,729	103,668
	556,197	**82,629**	**638,826**	821,376	121,097	942,473	371,863	79,562	451,425

j. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
	Year ended 31 December 2014	Year ended 31 December 2014	Year ended 31 December 2014	18 months to 31 December 2013	18 months to 31 December 2013	18 months to 31 December 2013	12 months to 30 June 2012	12 months to 30 June 2012	12 months to 30 June 2012
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR'000	MUR'000	MUR'000	MUR'000
Portfolio and specific provisions:									
- On-balance sheet advances	**240,306**	**202,974**	**443,280**	280,598	562,074	842,672	175,675	29,369	205,044
- Off-balance sheet exposure	**-**	**-**	**-**	-	-	-	(15,406)	(881)	(16,287)
Bad debts written off for which no provisions were made	**123**	**-**	**123**	152	-	152	331	-	331
Recoveries of advances written off	**(4,663)**	**(6,369)**	**(11,032)**	(23,655)	(6,661)	(30,316)	(21,189)	-	(21,189)
Other loss	**-**	**(363)**	**(363)**	-	16,578	16,578	4,634	1,364	5,998
	235,766	**196,242**	**432,008**	257,095	571,991	829,086	144,045	29,852	173,897
Of which:									
Credit exposure	**235,766**	**196,605**	**432,371**	257,095	555,413	812,508	139,411	28,488	167,899
Other financial assets	**-**	**(363)**	**(363)**	-	16,578	16,578	4,634	1,364	5,998
	235,766	**196,242**	**432,008**	257,095	571,991	829,086	144,045	29,852	173,897

k. TAX EXPENSE

	Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
	Year ended 31 December 2014	Year ended 31 December 2014	Year ended 31 December 2014	18 months to 31 December 2013	18 months to 31 December 2013	18 months to 31 December 2013	12 months to 30 June 2012	12 months to 30 June 2012	12 months to 30 June 2012
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Income tax expense	**696,797**	**22,021**	**718,818**	895,259	150,586	1,045,845	461,493	167,584	629,077
Deferred tax income	**(34,433)**	**(11,847)**	**(46,280)**	(15,151)	(172,894)	(188,045)	(30,922)	(35,832)	(66,754)
	662,364	**10,174**	**672,538**	880,108	(22,308)	857,800	430,571	131,752	562,323

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44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

l. CASH AND CASH EQUIVALENTS

	Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
	31 December 2014	31 December 2014	31 December 2014	31 December 2013	31 December 2013	31 December 2013	30 June 2012	30 June 2012	30 June 2012
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Cash in hand	**1,996,620**	**-**	**1,996,620**	2,151,863	-	2,151,863	753,531	5	753,536
Foreign currency notes and coins	**-**	**180,825**	**180,825**	-	156,607	156,607	-	95,204	95,204
Unrestricted balances with central banks [1]	**565,843**	**24,071**	**589,914**	885,395	-	885,395	1,064,189	2,004	1,066,193
Loans and placements with banks [2]	**31,780**	**3,024,998**	**3,056,778**	-	878,166	878,166	304,205	3,631,923	3,936,128
Balances with banks	**-**	**1,819,623**	**1,819,623**	-	2,413,220	2,413,220	-	1,113,214	1,113,214
	2,594,243	**5,049,517**	**7,643,760**	3,037,258	3,447,993	6,485,251	2,121,925	4,842,350	6,964,275

[1] Unrestricted balances with central banks represent amounts above the minimum cash reserve requirement.

[2] The balances above include loans and placements with banks having an original maturity of up to three months.

m. LOANS TO AND PLACEMENTS WITH BANKS

	Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
	31 December 2014	31 December 2014	31 December 2014	31 December 2013	31 December 2013	31 December 2013	30 June 2012	30 June 2012	30 June 2012
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Loans to and placements with banks									
in Mauritius	**-**	**-**	**-**	165,746	-	165,746	-	-	-
outside Mauritius	**290,312**	**411,821**	**702,133**	-	766,682	766,682	-	1,511,936	1,511,936
	290,312	**411,821**	**702,133**	165,746	766,682	932,428	-	1,511,936	1,511,936
Remaining term to maturity									
Up to 3 months	**-**	**93,025**	**93,025**	-	106,700	106,700	-	111,152	111,152
Over 3 months and up to 6 months	**-**	**152,619**	**152,619**	-	299,767	299,767	-	700,171	700,171
Over 6 months and up to 12 months	**290,312**	**6,409**	**296,721**	165,746	360,215	525,961	-	390,295	390,295
Over 1 year and up to 2 years	**-**	**159,768**	**159,768**	-	-	-	-	310,318	310,318
	290,312	**411,821**	**702,133**	165,746	766,682	932,428	-	1,511,936	1,511,936

n. TRADING ASSETS/LIABITIES

	Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
	31 December 2014	31 December 2014	31 December 2014	31 December 2013	31 December 2013	31 December 2013	30 June 2012	30 June 2012	30 June 2012
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Assets									
Government securities	**-**	**25,590**	**25,590**	893	-	893	12,237	28,882	41,119
Equities	**-**	**2,887**	**2,887**	-	1,742	1,742	10,985	1,339	12,324
Derivative assets	**165,523**	**11,138**	**176,661**	38,301	208,568	246,869	45,384	170,671	216,055
	165,523	**39,615**	**205,138**	39,194	210,310	249,504	68,606	200,892	269,498
Liabilities									
Derivative liabilities	**76,164**	**70,384**	**146,548**	27,425	211,044	238,469	24,504	145,495	169,999

44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

o. LOANS AND ADVANCES TO NON-BANK CUSTOMERS

	Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
	31 December 2014	31 December 2014	31 December 2014	31 December 2013	31 December 2013	31 December 2013	30 June 2012	30 June 2012	30 June 2012
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
1. Governments	**208**	**-**	**208**	-	-	-	5,985	-	5,985
2. Retail customers	**28,160,330**	**9,020**	**28,169,350**	27,717,090	7,308	27,724,398	21,077,340	-	21,077,340
2.1 Credit cards	**518,995**	**9,020**	**528,015**	493,805	7,308	501,113	414,595	-	414,595
2.2 Mortgages	**17,043,288**	**-**	**17,043,288**	16,414,566	-	16,414,566	12,616,985	-	12,616,985
2.3 Other retail loans	**10,598,047**	**-**	**10,598,047**	10,808,719	-	10,808,719	8,045,760	-	8,045,760
3. Corporate customers	**28,863,435**	**1,469,080**	**30,332,515**	30,708,965	1,919,604	32,628,569	28,521,945	2,380,895	30,902,840
4. Entities outside Mauritius (including offshore/Global Business license holders)	**-**	**10,087,065**	**10,087,065**	-	10,415,344	10,415,344	-	11,219,197	11,219,197
	57,023,973	**11,565,165**	**68,589,138**	58,426,055	12,342,256	70,768,311	49,605,270	13,600,092	63,205,362
Less allowance for credit impairment	**(872,588)**	**(138,802)**	**(1,011,390)**	(729,794)	(261,940)	(991,734)	(475,062)	(161,726)	(636,788)
	56,151,385	**11,426,363**	**67,577,748**	57,696,261	12,080,316	69,776,577	49,130,208	13,438,366	62,568,574
Remaining term to maturity:									
Up to 3 months	**5,936,456**	**1,743,619**	**7,680,075**	9,930,459	1,945,869	11,876,328	8,571,119	4,624,582	13,195,701
Over 3 months and up to 6 months	**1,663,666**	**601,659**	**2,265,325**	1,540,628	969,644	2,510,272	2,704,683	1,798,434	4,503,117
Over 6 months and up to 12 months	**3,688,428**	**2,403,775**	**6,092,203**	3,417,028	1,168,506	4,585,534	2,532,019	507,535	3,039,554
Over 1 year and up to 2 years	**2,680,665**	**722,584**	**3,403,249**	1,369,790	2,295,257	3,665,047	1,352,883	670,694	2,023,577
Over 2 years and up to 5 years	**12,806,524**	**4,100,624**	**16,907,148**	11,626,060	4,454,977	16,081,037	8,465,603	3,834,509	12,300,112
Over 5 years	**30,248,234**	**1,992,904**	**32,241,138**	30,542,090	1,508,003	32,050,093	25,978,963	2,164,338	28,143,301
	57,023,973	**11,565,165**	**68,589,138**	58,426,055	12,342,256	70,768,311	49,605,270	13,600,092	63,205,362

44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

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

Allowance for credit impairment by industry sectors

	31 DECEMBER 2014					31 DECEMBER 2013	30 JUNE 2012
	Gross amount of loans MUR'000	Impaired loans MUR'000	Specific allowance for credit impairment MUR'000	Portfolio allowance for credit impairment MUR'000	Total allowances for credit impairment MUR'000	Total allowances for credit impairment MUR'000	Total allowances for credit impairment MUR'000
Domestic							
Agriculture and Fishing	**2,127,108**	**38,905**	**291**	795	1,086	1,456	1,799
Manufacturing	**2,312,931**	**72,340**	**22,908**	44,134	67,042	65,979	65,298
of which EPZ	***809,131***	***2,294***	***2,294***	*25,046*	*27,340*	*34,415*	*23,727*
Tourism	**10,867,015**	**8,462**	**5,355**	4,599	9,954	12,801	6,180
Transport	**694,502**	**23,614**	**12,621**	678	13,299	3,248	2,487
Construction	**3,379,875**	**214,339**	**134,998**	38,740	173,738	95,799	49,274
Financial and business services	**2,082,014**	**-**	**-**	4,679	4,679	2,841	4,416
Traders	**5,537,207**	**78,094**	**48,739**	30,348	79,087	122,685	39,193
Personal	**26,043,235**	**624,755**	**447,890**	32,513	480,403	385,756	282,991
of which credit cards	***518,995***	***49,197***	***49,197***	*8,766*	*57,963*	*45,157*	*18,539*
Professional	**174,703**	**-**	**-**	604	604	684	393
Others	**3,805,383**	**76,577**	**32,806**	9,890	42,696	38,545	23,031
	57,023,973	**1,137,086**	**705,608**	166,980	872,588	729,794	475,062
A/CU							
Agriculture and Fishing	**561,850**	**125,481**	**54,631**	**-**	**54,631**	5,132	928
Manufacturing	**2,234,747**	**71,505**	**27,511**	**23,087**	**50,598**	47,371	41,065
Tourism	**1,149,722**	**-**	**-**	**3,180**	**3,180**	1,771	1,986
Transport	**1,048,712**	**-**	**-**	**-**	**-**	-	90
Construction	**-**	**-**	**-**	**30**	**30**	71,113	67,334
Financial and business services	**1,086,803**	**-**	**-**	**4,795**	**4,795**	5,900	13,749
Traders	**1,846,912**	**-**	**-**	**2,941**	**2,941**	655	1,222
Personal	**1,716,386**	**23,369**	**4,974**	**-**	**4,974**	10,127	-
of which credit cards	***9,021***	**-**	**-**	**-**	**-**	-	-
Global Business Licence holders	**488,421**	**-**	**-**	**1,881**	**1,881**	6,440	9,466
Others	**1,431,612**	**89,470**	**10,787**	**4,985**	**15,772**	113,431	25,886
	11,565,165	**309,825**	**97,903**	**40,899**	**138,802**	261,940	161,726

44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

p. INVESTMENT SECURITIES

Remaining term to maturity

	31 DECEMBER 2014										
	Up to 3 months MUR'000	3-6 months MUR'000	6-9 months MUR'000	9-12 months MUR'000	1-2 years MUR'000	2-5 years MUR'000	Over 5 years MUR'000	No specific maturity MUR'000	Total MUR'000	31 December 2013 MUR'000	30 June 2012 MUR'000
Domestic											
Investment securities - loans and receivables											
Government bonds and treasury notes	-	1,483,036	406,408	353, 547	1,910,581	4,908,128	1,024,596	-	10,086,296	7,068,770	4,770,385
Treasury bills	734,706	1,395,795	988,822	1,500,016	-	-	-	-	4,619,339	2,807,318	3,869,646
Bank of Mauritius bills / notes	192,719	198,036	-	937,380	-	362,827	-	-	1,690,962	2,062,288	593,556
Corporate bonds	-	136,491	-	-	-	200,158	-	-	336,649	450,224	-
	927,425	3,213,358	1,395,230	2,790,943	1,910,581	5,471,113	1,024,596	-	16,733,246	12,388,600	9,233,587
Available-for-sale investment securities											
Equity shares of companies:											
- Investment in subsidiaries	-	-	-	-	-	-	-	-	-	1,285	75
- Other equity investments	-	-	-	-	-	-	-	-	-	397,947	33,664
	-	-	-	-	-	-	-	-	-	399,232	33,739
Total Domestic	927,425	3,213,358	1,395,230	2,790,943	1,910,581	5,471,113	1,024,596	-	16,733,246	12,787,832	9,267,326
A/CU											
Held-to-maturity investment securities											
Government bonds and treasury notes	-	-	-	-	-	-	-	-	-	-	861,955
Treasury bills	-	-	-	-	-	-	-	-	-	-	357,392
Securities issued by government bodies	-	-	-	-	-	-	-	-	-	-	54,998
	-	-	-	-	-	-	-	-	-	-	1,274,345
Available-for-sale investment securities											
Government bonds	14,354	8,136	-	-	-	482,285	869,342	-	1,374,117	826,492	451,021
Treasury bills / notes	126,007	-	-	-	-	-	-	-	126,007	865,490	-
Securities issued by government bodies	-	-	90	176	88	-	-	-	354	345	-
Equity shares of companies:											
- Investment in subsidiaries	-	-	-	-	-	-	-	-	-	1,332	47
- Other equity investments	41,769	778,027	-	544,355	1,449,413	889,627	2,452,183	-	6,155,374	397,947	1,892,981
Bank bonds	176,206	436,796	246,978	-	147,510	126,031	89,258	-	1,222,779	1,712,006	1,903,716
Corporate paper and preference shares	-	-	-	-	-	-	-	-	-	972,450	252,608
	358,336	1,222,959	247,068	544,531	1,597,011	1,497,943	3,410,783	-	8,878,631	4,776,062	4,500,373
Available-for-sale investment securities											
Equity shares of companies:											
- Other equity investments	-	-	-	-	-	-	-	370	370	-	-
	-	-	-	-	-	-	-	370	370	-	-
TOTAL A/CU	358,336	1,222,959	247,068	544,531	1,597,011	1,497,943	3,410,783	370	8,879,001	4,776,062	5,774,718
Total	1,285,761	4,437,317	1,642,298	3,335,474	3,507,592	6,969,056	4,435,379	370	25,612,247	17,563,894	15,042,044

FINANCIAL STATEMENTS

SBM BANK (MAURITIUS) LTD (Formerly known as State Bank of Mauritius Ltd)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONT'D)

44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

q. PROPERTY AND EQUIPMENT

	Freehold land and buildings	Buildings on leasehold land	Other tangible fixed assets	Motor vehicles	Progress payments	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Net book value at 31 December 2014						
Domestic	**765,854**	**1,554,326**	**183,705**	**6,887**	**57,776**	**2,568,548**
AfCU	**139,441**	**-**	**6,874**	**73**	**-**	**146,388**
Bank	**905,295**	**1,554,326**	**190,579**	**6,960**	**57,776**	**2,714,936**
Net book value at 31 December 2013						
Domestic	434,712	1,709,115	221,960	10,313	63,191	2,439,291
AfCU	138,665	-	7,145	300	-	146,110
Bank	573,377	1,709,115	229,105	10,613	63,191	2,585,401
Net book value at 30 June 2012						
Domestic	414,786	1,792,412	262,009	12,346	9,343	2,490,896
AfCU	166,568	-	6,241	740	-	173,549
Bank	581,354	1,792,412	268,250	13,086	9,343	2,664,445

r. INTANGIBLE ASSETS

SOFTWARE	31 December 2014	31 December 2013	30 June 2012
	MUR'000	MUR'000	MUR'000
Net Book Value			
Domestic	**919,708**	562,859	56,741
AfCU	**148,015**	75,998	28,696
	1,067,723	638,857	85,437

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44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

s. OTHER ASSETS

	Domestic	A/CU	Bank	Domestic	A/CU	Bank	Domestic	A/CU	Bank
	31 December 2014	31 December 2014	31 December 2014	31 December 2013	31 December 2013	31 December 2013	30 June 2012	30 June 2012	30 June 2012
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Accounts receivable	**288,749**	**50,998**	**339,747**	611,560	159,777	771,337	51,148	52,073	103,221
Balances due in clearing	**208,791**	**37**	**208,828**	241,412	785	242,197	233,627	-	233,627
Tax paid in advance	**-**	**79,286**	**79,286**	-	93,196	93,196	-	53,699	53,699
Balances with Clearing Corporation in India	**-**	**29,882**	**29,882**	-	23,554	23,554	-	19,968	19,968
Non-banking assets acquired in satisfaction of debts	**63**	**-**	**63**	161	-	161	366	-	366
Expenses paid in advance	**2,020,107**	**130**	**2,020,237**	962,809	2,671	965,480	-	-	-
Others	**106,742**	**4,218**	**110,960**	70,390	1,595	71,985	60,735	23,721	84,456
	2,624,452	**164,551**	**2,789,003**	1,886,332	281,578	2,167,910	345,876	149,461	495,337

t. DEPOSITS FROM BANKS

	Domestic	A/CU	Bank	Domestic	A/CU	Bank	Domestic	A/CU	Bank
	31 December 2014	31 December 2014	31 December 2014	31 December 2013	31 December 2013	31 December 2013	30 June 2012	30 June 2012	30 June 2012
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Demand Deposits	488,368	131,966	620,334	69,736	202,066	271,802	67,603	147,054	214,657

FINANCIAL STATEMENTS

SBM BANK (MAURITIUS) LTD (Formerly known as State Bank of Mauritius Ltd)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONT'D)

44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

u. DEPOSITS FROM NON-BANK CUSTOMERS

	Domestic	A/CU	Bank	Domestic	A/CU	Bank	Domestic	A/CU	Bank
	31 December 2014	31 December 2014	31 December 2014	31 December 2013	31 December 2013	31 December 2013	30 June 2012	30 June 2012	30 June 2012
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
(i) Retail customers									
Current accounts	**9,289,568**	**2,064,309**	**11,353,877**	8,432,550	1,684,565	10,117,115	7,247,647	1,470,375	8,718,022
Savings accounts	**33,192,040**	**1,120,789**	**34,312,829**	30,117,318	1,109,268	31,226,586	25,351,868	1,136,778	26,488,646
Time deposits with remaining term to maturity:									
Up to 3 months	**1,142,479**	**329,142**	**1,471,621**	1,161,609	497,782	1,659,391	935,111	480,667	1,415,778
Over 3 months and up to 6 months	**794,346**	**339,006**	**1,133,352**	757,341	193,358	950,699	647,660	343,638	991,298
Over 6 months and up to 12 months	**1,524,312**	**841,594**	**2,365,906**	1,512,636	1,311,193	2,823,829	1,656,254	592,687	2,248,941
Over 1 year and up to 5 years	**3,209,072**	**2,986,855**	**6,195,927**	3,211,132	2,545,261	5,756,393	2,974,108	1,301,782	4,275,890
Over 5 years	**-**	**1,261**	**1,261**	-	1,213	1,213	-	9,781	9,781
Total time deposits	**6,670,209**	**4,497,858**	**11,168,067**	6,642,718	4,548,807	11,191,525	6,213,133	2,728,555	8,941,688
	49,151,817	**7,682,956**	**56,834,773**	45,192,586	7,342,640	52,535,226	38,812,648	5,335,708	44,148,356
(ii) Corporate customers									
Current accounts	**12,315,306**	**8,043,752**	**20,359,058**	9,497,923	5,994,107	15,492,030	7,358,504	5,514,320	12,872,824
Savings accounts	**5,397,562**	**941**	**5,398,503**	4,527,989	1,078	4,529,067	4,255,266	-	4,255,266
Time deposits with remaining term to maturity:									
Up to 3 months	**2,040,994**	**275,611**	**2,316,605**	2,064,756	785,143	2,849,899	5,023,708	2,945,424	7,969,132
Over 3 months and up to 6 months	**84,323**	**329,917**	**414,240**	63,540	725,327	788,867	895,760	133,757	1,029,517
Over 6 months and up to 12 months	**271,070**	**347,224**	**618,294**	183,402	253,127	436,529	116,322	418,876	535,198
Over 1 year and up to 5 years	**292,313**	**327,676**	**619,989**	449,110	313,673	762,783	407,763	159,641	567,404
Over 5 years	**-**	**2,773**	**2,773**	-	2,424	2,424	169,964	8	169,972
Total time deposits	**2,688,700**	**1,283,201**	**3,971,901**	2,760,808	2,079,694	4,840,502	6,613,517	3,657,706	10,271,223
	20,401,568	**9,327,894**	**29,729,462**	16,786,720	8,074,879	24,861,599	18,227,287	9,172,026	27,399,313

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44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

u. DEPOSITS FROM NON-BANK CUSTOMERS (CONT'D)

	Domestic	A/CU	Bank	Domestic	A/CU	Bank	Domestic	A/CU	Bank
	31 December 2014	31 December 2014	31 December 2014	31 December 2013	31 December 2013	31 December 2013	30 June 2012	30 June 2012	30 June 2012
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
(iii) Government									
Current accounts	**1,888,248**	**-**	**1,888,248**	1,759,774	-	1,759,774	2,194,523	-	2,194,523
Savings accounts	**1,950,402**	**-**	**1,950,402**	1,994,242	-	1,994,242	1,784,196	-	1,784,196
Time deposits with remaining term to maturity:									
Up to 3 months	**136,729**	**-**	**136,729**	122,509	-	122,509	2,306	-	2,306
Over 3 months and up to 6 months	**407**	**-**	**407**	407	-	407	333	-	333
Over 6 months and up to 12 months	**2,245**	**-**	**2,245**	2,398	-	2,398	4,125	-	4,125
Over 1 year and up to 5 years	**167**	**-**	**167**	-	-	-	-	-	-
Total time deposits	**139,548**	**-**	**139,548**	125,314	-	125,314	6,764	-	6,764
	3,978,198	**-**	**3,978,198**	3,879,330	-	3,879,330	3,985,483	-	3,985,483
	73,531,583	**17,010,850**	**90,542,433**	65,858,636	15,417,519	81,276,155	61,025,418	14,507,734	75,533,152

v. OTHER BORROWED FUNDS

	Domestic	A/CU	Bank	Domestic	A/CU	Bank	Domestic	A/CU	Bank
	31 December 2014	31 December 2014	31 December 2014	31 December 2013	31 December 2013	31 December 2013	30 June 2012	30 June 2012	30 June 2012
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Borrowings from central banks	**250,967**	**-**	**250,967**	367,018	-	367,018	24,875	-	24,875
Other financial institutions									
for refinancing	**-**	**1,959,843**	**1,959,843**	-	1,480,060	1,480,060	-	665,572	665,572
other	**-**	**2,385,460**	**2,385,460**	-	2,250,000	2,250,000	-	2,233,957	2,233,957
Borrowings from banks									
in Mauritius	**428,535**	**-**	**428,535**	1,411,383	-	1,411,383	-	-	-
abroad	**-**	**88,200**	**88,200**	-	601,590	601,590	-	391	391
	679,502	**4,433,503**	**5,113,005**	1,778,401	4,331,650	6,110,051	24,875	2,899,920	2,924,795

SBM BANK (MAURITIUS) LTD (Formerly known as State Bank of Mauritius Ltd)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONT'D)

44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

w. OTHER LIABILITIES

	Domestic	A/CU	Bank	Domestic	A/CU	Bank	Domestic	A/CU	Bank
	31 December 2014	31 December 2014	31 December 2014	31 December 2013	31 December 2013	31 December 2013	30 June 2012	30 June 2012	30 June 2012
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Bills payable	**141,543**	**5,626**	**147,169**	85,570	8,277	93,847	154,396	7,731	162,127
Accruals for expenses	**444,688**	**12,306**	**456,994**	379,332	12,324	391,656	285,402	17,284	302,686
Dividend payable	**-**	**-**	**-**	516,358	-	516,358	-	-	-
Accounts payable	**283,712**	**134,312**	**418,024**	303,756	92,629	396,385	135,806	39,877	175,683
Deferred income	**29,911**	**811**	**30,722**	32,573	3,696	36,269	31,388	13,925	45,313
Balance due in clearing	**184,909**	**37**	**184,946**	251,775	785	252,560	184,855	-	184,855
Balances in transit	**122,345**	**-**	**122,345**	325,936	-	325,936	54,117	-	54,117
Pension liability	**75,573**	**-**	**75,573**	96,941	-	96,941	-	-	-
Others	**15,772**	**1,769**	**17,541**	22,763	2,307	25,070	84,138	19,138	103,276
	1,298,453	**154,861**	**1,453,314**	2,015,004	120,018	2,135,022	930,102	97,955	1,028,057

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44. SUPPLEMENTARY INFORMATION AS REQUIRED BY BANK OF MAURITIUS (CONT'D)

x. MEMORANDUM ITEMS

	Domestic	AfCU	Bank	Domestic	AfCU	Bank	Domestic	AfCU	Bank
	31 December 2014	31 December 2014	31 December 2014	31 December 2013	31 December 2013	31 December 2013	30 June 2012	30 June 2012	30 June 2012
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
(a) *Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers*									
Acceptances on account of customers	**477,581**	**18,426**	**496,007**	291,273	1,794	293,067	232,528	5,811	238,339
Guarantees on account of customers	**4,005,469**	**424,219**	**4,429,688**	3,911,411	218,673	4,130,084	5,546,871	1,142,609	6,689,480
Money guarantees	**513,386**	**46,985**	**560,371**	708,855	30,973	739,828	554,849	33,050	587,899
Letters of credit and other obligations on account of customers	**597,124**	**381,365**	**978,489**	649,693	347,513	997,206	515,786	253,336	769,122
Other contingent items	**118,620**	**318,778**	**437,398**	-	24,230	24,230	-	-	-
	5,712,180	**1,189,773**	**6,901,953**	5,561,232	623,183	6,184,415	6,850,034	1,434,806	8,284,840
(b) *Commitments*									
Undrawn credit facilities	**6,030,794**	**1,345,037**	**7,375,831**	7,617,922	573,052	8,190,974	9,867,359	464,025	10,331,384
	6,030,794	**1,345,037**	**7,375,831**	7,617,922	573,052	8,190,974	9,867,359	464,025	10,331,384


At the heart of the Tiger Economy

MANAGEMENT DISCUSSION & ANALYSIS

Financial Review

Cautionary note: The analysis of the Bank's financial information should be read in conjunction with the Audited Financial Statements for the Bank presented on pages 27 to 119. The financial information given is based on the period under review and may not necessarily reflect the financial results and conditions of operations of the Bank going forward. Readers are also advised to refer to the statement on page 2 relating to forward-looking statements.

Table 3: Key financial indicators

	12 MONTHS DEC 2014 (Audited)	12 MONTHS DEC [bd] 2013 (Unaudited)	18 MONTHS DEC [ab] 2013 (Restated)	12 MONTHS JUN [b] 2012 (Restated)
Statement of profit or loss (MUR million)				
Interest income	**6,273**	6,120	9,096	5,688
Interest expense	**2,312**	2,184	3,302	2,594
Net interest income	**3,961**	3,936	5,794	3,094
Non interest income	**1,894**	2,337	3,272	3,250
Gross revenue	**5,855**	6,273	9,066	6,344
Non interest expense	**1,868**	2,002	2,887	1,593
Depreciation and amortisation	**164**	186	278	178
Net impairment loss on financial assets	**432**	667	829	174
Profit before income tax and net impairment loss on financial assets	**3,987**	4,271	6,179	4,750
Profit before income tax	**3,555**	3,603	5,350	4,576
Profit for the year / period	**2,882**	3,057	4,492	4,014
Statement of financial position (MUR million)				
Total assets	**114,809**	105,768	105,768	94,273
Gross loans and advances to non-bank customers	**68,589**	70,768	70,768	63,205
Gilt-edged securities	**18,234**	14,480	14,480	10,508
Bank bonds	**6,155**	1,712	1,712	1,904
Other investments	**1,223**	1,372	1,372	2,630
Deposits from non-bank customers	**90,542**	81,276	81,276	75,533
Shareholders' equity	**16,768**	15,371	15,371	13,953
Tier 1 capital	**14,204**	12,870	12,870	11,284
Risk-weighted assets	**72,627**	71,626	71,626	65,497
Statement of financial position (average[c] MUR million)				
Assets	**110,288**	102,510	100,021	93,866
Loans and advances to non-bank customers	**69,679**	69,203	66,987	60,168
Gilt-edged securities	**16,357**	13,140	12,494	13,538
Bonds	**3,934**	1,836	1,808	1,764
Deposits from non-bank customers	**85,909**	79,323	78,405	72,965
Shareholders' equity	**16,070**	14,959	14,662	14,062
Working funds	**112,578**	104,510	101,959	93,458
Tier 1 capital	**13,537**	12,414	12,077	10,133
Interest earning assets	**95,478**	90,070	87,173	82,058
Interest bearing liabilities	**91,239**	84,695	82,595	77,372

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Table 3: Key financial indicators (cont'd)

	12 MONTHS DEC 2014 (Audited)	12 MONTHS DEC [bd] 2013 (Unaudited)	18 MONTHS DEC [ab] 2013 (Restated)	12 MONTHS JUN [b] 2012 (Restated)
Performance ratios (%)				
Risk adjusted return on capital (RAROC)[d]	**53.86**	62.61	61.17	53.22
Capital adequacy ratio	**20.67**	19.36	19.36	17.76
Tier 1 Capital adequacy ratio	**19.56**	17.97	17.97	17.23
Profit before income tax[d]/ average risk-weighted assets	**4.93**	5.04	5.19	7.37
Profit before income tax[d]/ average assets	**3.22**	3.52	3.56	4.88
Profit before income tax[d]/ average shareholders' equity	**22.12**	24.09	24.26	32.54
Profit before income tax[d]/ average Tier 1 capital	**26.26**	29.03	30.14	45.16
Return on average risk-weighted assets[d]	**4.00**	4.28	4.36	6.47
Return on average assets[d]	**2.61**	2.98	2.99	4.28
Return on average shareholders' equity[d]	**17.94**	20.44	20.37	28.55
Return on average Tier 1 capital[d]	**21.29**	24.63	24.73	39.62
Efficiency ratios (%)				
Cost to income (excluding dividend income)	**34.84**	40.21	39.19	35.64
Asset quality ratios (%)				
Gross impaired advances to gross advances	**2.11**	1.96	1.96	0.92
Net impaired advances to net advances	**0.95**	0.89	0.89	0.28
Other key data				
Number of employees	**1,103**	1,098	1,098	1,109
Number of service units	**47**	47	47	46
Exchange rate (USD : MUR)	**31.78**	30.00	30.00	30.93
Exchange rate (INR : MUR)	**0.504**	0.485	0.485	0.556

Notes:
[a] Change in financial year end from June to December. Balances are not entirely comparable.
[b] Restated for retrospective change in accounting policies.
[c] Averages are calculated using period/year-end balances.
[d] Figures for 18 months ended 31 December 2013 actualised to 12 months.

A high level review of the operating environment and regulatory framework is described below for a better understanding of the financial performance of SBM Bank (Mauritius) Ltd for the year under review.

The domestic economic environment was characterised by negative private sector investment growth for the last 3 years, affected by muted business confidence, corporate indebtedness and slow recovery in our main export markets. The construction sector contracted for the last 4 years. The private sector credit growth was negligible, exacerbated by refinancing of bank loans from rights/equity and debt issues and also the macro prudential policy measures enacted by the BOM to contain lending to the residential, personal and tourism sectors. The excess liquidity situation deteriorated further with excess cash increasing to record level of above MUR 11 billion despite measures taken by the competent authorities to frontloading of government papers and government borrowings in MUR rather than in foreign currency and issue of bonds by the BOM to individuals. The excess liquidity situation has seen banks providing short term loans at very fine pricing and a substantial drop in yields of government securities for all tenors. The quality of the assets of the banking sector has suffered as corporates face financial difficulties and persistent unemployment of around 7.5 percent.

However, encouraging signs of a pickup in the domestic economy are being observed with the installation of a new government following the December 2014 general election and the budget presented in March 2015. The feel good factor appears to be back and the economic growth rate for 2015/16 is expected at 5.7 percent. The BOM has relaxed the macro prudential policy measures referred to above in January 2015 and is not going ahead with the aggregate large credit exposure limits reduction to 400 percent of the Bank's capital base; the limit of 600 percent is maintained.

The BOM Guideline on Scope of Application of Basel III and eligible capital came into effect on 01 July 2014. The Income Tax Act 1995 was amended with regards to the special levy on banks with effect from 01 January 2014, such that a levy of 10 percent shall be applied on the chargeable income in respect of Segment A activities as opposed to 3.4 percent of book profits and 1 percent of operating income applicable in previous years.

The implementation of the core banking system and other applications has reached an advanced stage with over 100 staffs from business deputed to the project for User Acceptance Testing. This invariably impacted business and performance. The Bank has changed its accounting policy with respect to the valuation of buildings on leasehold land in the context of the Group restructuring to state all assets and liabilities of the Bank at fair value. Buildings on leasehold land are now shown at their revalued amounts based on economic expected income (rental) basis of valuation.

Table 4: 2014 Performance versus Objectives and Objectives for 2015

Indicator	Objectives for 2014	Performance 2014	Target for 2015
Profit for the year	To grow by more than 6 percent	Decreased by 6 percent	To grow by more than 4 percent
Gross Operating Revenue (excluding dividend and other gains)	To grow by more than 15 percent	Grew by 3 percent	To grow by more than 15 percent
Return on Average Assets	ROA is to be maintained around 2.5 percent	ROA stood at 2.6 percent	To maintain above 2.5 percent
Return on Equity	Not less than 17 percent	ROE stood at 17.9 percent	Target above 15 percent
Advances and Deposits	To grow average advances and deposits by 12.6 percent and 13.5 percent respectively	Average advances and deposits increased by 0.7 percent and 8.3 percent respectively	To grow average advances and deposits by 8.4 percent and 7.7 percent respectively
Assets Quality	To maintain net impaired assets ratio below 1 percent	Net impaired assets ratio stood at 0.95 percent	To maintain net impaired assets ratio below 1 percent
Cost to Income Ratio	Not to exceed 40 percent	Cost to Income ratio stood at 34.84 percent	To contain ratio below 40 percent including expected system costs
Tier 1 Ratio	To maintain above 16 percent	Tier 1 Ratio stood at 19.56 percent	To maintain above 16 percent

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Despite all the challenges faced, the Bank has been able to achieve the majority of its objectives set in 2014. For instance, the Bank has maintained its NPL below 1 percent, generated a return on equity of 17.9 percent (above set target of 17 percent) and maintained cost to income ratio well below the set target of 40 percent, amongst others. However, the Bank has experienced lower business volume growth in advances, due to difficult economic environment and uncertainty in the local market.

Results

Despite persisting headwinds in the domestic market and on our main exports markets, the Bank realised a good performance for the financial year ended 31 December 2014. As the previous comparative figures are for a period of 18 months in view of the change in the year end from 30 June to 31 December, we provide below, comparative figures for 12 months ended 31 December 2013 for a better review and analysis of the current year performance against the corresponding period last year.

Table 5: Abridged Statement of Profit or Loss

	12 MONTHS DEC 2014 MUR 000	12 MONTHS DEC 2013* MUR 000
Interest income	6,273,081	6,120,267
Interest expense	(2,312,269)	(2,183,832)
Net interest income	**3,960,812**	**3,936,435**
Non interest income	**1,894,340**	**2,336,553**
Operating income	**5,855,152**	**6,272,988**
Non interest expense	**(1,868,113)**	**(2,002,393)**
Profit before net impairment loss on financial assets	3,987,039	4,270,595
Net impairment loss on financial assets	(432,008)	(667,235)
Profit before income tax	**3,553,031**	**3,603,360**
Tax expense	(672,538)	(546,435)
Profit for the year attributable to equity holders of the parent	**2,882,493**	**3,056,925**

* Restated

Profit after tax for the year under review amounted to MUR 2.88 billion, representing a decrease of 5.7 percent compared to 2013.

Revenue growth

The main revenue streams are (i) Net Interest Income (Interest Income less Interest Expense), (ii) Non Interest Income or fee income comprising mainly of fees and commission, income from card business and exchange income, (iii) dividend and (iv) trading income. Total revenue or operating income for 2014 amounted to MUR 5.86 billion compared to MUR 6.27 billion for 2013, a decrease of 6.66 percent, mostly because Net Interest Income which has been the locomvotive for growth for the past 3 years witnessed a flat growth for the reasons explained below and a decrease in dividend income of over MUR 550 million as same is now booked at the holding company level following the Group restructuring.

Net Interest Income

Net interest income, a key driver of growth for the past 2 years has been under pressure due to the prevailing market conditions described above; squeezing of margins as a result of the continuing excess liquidity has witnessed corporates tapping short-term loans and rolling them at fine pricing to fund long-term requirements and/or refinancing overdrafts at higher pricing. The yields on government securities witnessed significant decrease with 91 days T-bills, 3-year Bonds and 5-year Bonds showing yields of 2.21 percent, 3.11 percent and 4.68 percent respectively as at 31 December 2014 against 3.26 percent, 4.96 percent and 5.70 percent respectively at 31 December 2013. The lower demand for credit impacted our credit to deposit ratio which decreased from 87.07 percent as at 31 December 2013 to 75.75 percent as at 31 December 2014 and thereby tilting the asset mix towards lower interest earning assets, namely government securities and bank bonds. On the liability side, there was not much room for manoeuvre with lower cost savings and current account deposits accounting for 83.12 percent of total deposits. Other factors such as higher impaired advances, Tier II subordinated debts raised at the beginning of the year, funding of the core banking system and business transformation initiatives and higher cash reserve requirements impacted negatively on net interest income.

Interest income grew from MUR 6.12 billion for the year ended 31 December 2013 to MUR 6.27 billion for the year under review, representing a modest growth of 2.50 percent. Interest expense increased from MUR 2.18 billion to MUR 2.31 billion over the same period, or 5.88 percent. The combined effect in net interest income was a negligible growth of 0.62 percent in 2014. Net interest margin after taking into account (i) cost of optimal capital, (ii) cost of excess capital at average cost of balance sheet liabilities, (iii) cost of Cash Reserve Ratio (CRR) and (iv) optimal cost of acquiring deposits stood at 1.65 percent.

In view of the prevailing market conditions, the Bank has, in the first quarter of 2015, reviewed the interest rate on the liabilities.

Non Interest Income

Non interest income witnessed a decrease from MUR 2.34 billion for the year ended 31 December 2013 to MUR 1.89 billion for the year ended 31 December 2014, or 18.93 percent. Excluding dividend income and profits on sale of equity investments, a satisfactory growth of 7.85 percent was achieved for the same periods. The table below shows the main components of the Bank's non interest income.

Table 6: Components of non interest income

	12 MONTHS DEC 2014	12 MONTHS DEC 2013	**VARIANCE**	
	MUR 000	MUR 000	MUR 000	%
Profit on sale of investment securities	255,270	100,134	155,136	154.93
Foreign exchange gain	356,831	309,814	47,017	15.18
Net fee and commission income	525,773	594,944	(69,171)	(11.63)
Card income including eCommerce income	316,617	343,681	(27,064)	(7.87)
Subtotal	**1,454,491**	**1,348,573**	**105,918**	**7.85**
Dividend Income	61,903	626,501	(564,598)	(90.12)
Profit on sale of equity investments	377,946	361,481	16,465	4.55
Total	**1,894,340**	**2,336,555**	**(442,215)**	**(18.93)**

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Total fees and commission income decreased by MUR 69.17 million or 11.63 percent partly due to lower number of loans disbursed. ECommerce and card income recorded a decrease of 7.87 percent against last year, impacted by lower volumes of eCommerce processing following the closing down of high-risk merchants.

Exchange income grew by MUR 47.02 million to near MUR 356.83 million for the year under review.

A key driver of the growth in non interest income, excluding dividend, was gains on dealing/sale of securities, namely gilt-edged securities and foreign bank bonds.

The decrease in dividend income was due to the Group restructuring exercise whereby equity investments in non-banking entities were transferred to the holding company and the dividends received on those investments were booked at the holding company level.

The ratio of non interest income excluding dividend income and profit on sale of equity investments to average assets stood at 1.32 percent for 2014, same as for 2013. Non interest income as a percentage of gross revenue stood at 32.35 percent for 2014 against 37.25 percent for 2013.

Non Interest Expense

Non interest expense amounted to MUR 1.87 billion for the year 2014 compared to MUR 2.00 billion for 2013, a decrease of 6.71 percent. The table below shows the components of operating expenses.

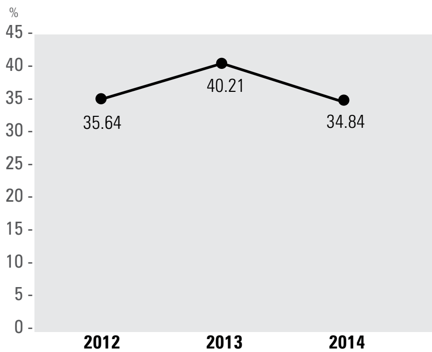
Table 7: Components of operating expenses

	12 MONTHS DEC 2014	12 MONTHS DEC 2013	VARIANCE	
	MUR 000	MUR 000	MUR 000	%
Personnel costs	1,065,309	1,179,540	(114,231)	(9.68)
Property costs (including depreciation)	210,656	183,695	26,961	14.68
System costs (including depreciation and amortisation)	411,274	514,673	(103,399)	(20.09)
Other expenses	180,873	124,485	56,388	45.30
Total	**1,868,113**	**2,002,394**	**(134,281)**	**(6.71)**

The decrease in personnel costs was mostly due to (i) 2 executives on the Bank's Payroll were transferred to the non-banking financial cluster in the wake of the Group restructuring, (ii) lower cost of stock options as the scheme is coming to a natural end with no option granted since 2009 and replaced by a new scheme besides the share price did not appreciate much in 2014 and (iii) an amount of MUR 55 million paid in 2013, represented arrears for 2011 and 2012.

Cost to income ratio (excluding dividend income) improved to 34.84 percent in 2014 compared to 40.21 percent in 2013.

Chart 5: Cost to income ratio



MANAGEMENT DISCUSSION & ANALYSIS

Net Impairment Loss on Financial Assets

Impairment loss was essentially of specific nature as the advances portfolio registered a decrease as at 31 December 2014 compared to 31 December 2013. Net impairment loss on financial assets amounted to MUR 432 million for the year ended 31 December 2014 against MUR 667 million for the corresponding year 2013. About 45 percent of the specific provision pertained to a couple of corporate accounts at our overseas branches. The balance related mostly to SMEs and personal banking segments in the domestic market. We have reinforced the recovery team for closer monitoring of advances showing arrears. The Recovery team is continuing with recovery actions to realise collateral and/or guarantees of shareholders/ directors.

Loans and Advances

Gross advances decreased by MUR 2.17 billion or 3.08 percent to reach MUR 68.59 billion as at 31 December 2014. The decrease was attributable mostly to 3 large domestic corporates in tourism and agriculture sector which made substantial repayment from sale of business and drawdown at other financial institutions and refinancing from rights issue/bonds. In view of the persistent excess liquidity situation reaching record level of above MUR 11 billion, corporates are capitalising on availing short term financing from banks/financial institutions at very fine pricing. On the other hand, while there is sustained momentum in the housing market, the Bank is growing prudently in mortgages as it reached a market share of 36 percent as at December 2014 and wants to cap it around this level. Advances growth at our overseas operations remained flat for the year under review at MUR 3.3 billion whereas Segment B advances registered a decrease of 15.65 percent compared to December 2013. Our domestic advances market share dropped from 21.96 percent as at 31 December 2013 to 20.94 percent as at 31 December 2014 whereas market grew by MUR 6.2 billion or 2.34 percent over the same period. Advances denominated in FCY accounted for 26.3 percent of total advances as at 31 December 2014, compared to 25.5 percent as at 31 December 2013. A breakdown of the credit portfolio by economic sectors and level of provision held has been disclosed in Note 8 to the Financial Statements.

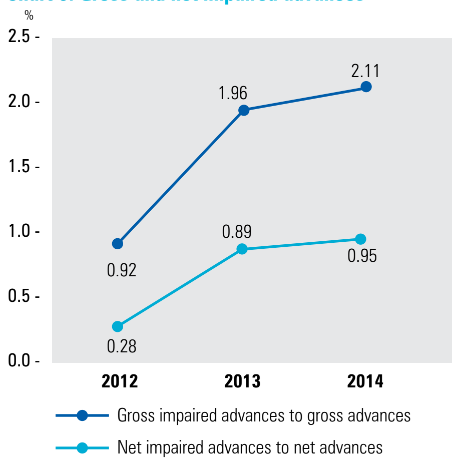
Credit Quality

The impaired advances were contained at around MUR 1.4 billion, same level as at 31 December 2013. The overseas operations accounted for 27.84 percent of the total impaired advances. The Bank has enhanced the credit process for the booking of credit at our overseas branches, in particular all advances for overseas branches are sanctioned by the Board Credit Committee and the credit book is being grown on a prudent and selective basis. Specific impairment charges have increased from MUR 763 million as at 31 December 2013 to MUR 803 million as at 31 December 2014, representing provision coverage ratio of 55.53 percent, against 55.02 percent at 31 December 2013. The uncovered portion is adequately covered by collateral, strictly discounted to reflect prevailing market conditions and expected time of recovery.

The ratio of gross impaired advances to gross advances deteriorated slightly from 1.96 percent at 31 December 2013 to 2.11 percent as at 31 December 2014 as the credit portfolio shrunk from MUR 70.77 billion to MUR 68.59 billion over the same period.

The Bank changed its policy in 2013 with respect to portfolio provisions. The credit portfolio is classified into different sectors. Based on the Bank's long term loan loss experience for each sector comprising credit having similar characteristics and the current market conditions and outlook, a statistical provision is worked out for each such sector at each period end. There was no material change in our loan loss rates. As the loan book registered a drop in the current year, the portfolio provision decreased by MUR 20.5 million to reach MUR 207.88 million at 31 December 2014.

Chart 6: Gross and net impaired advances



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Investment Securities and Placements

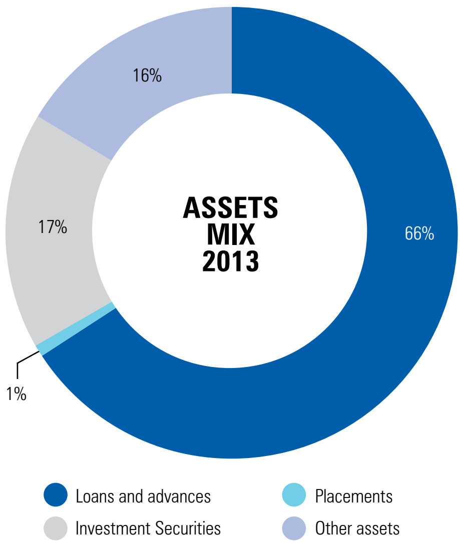
Given that domestic market advances grew by a mere 2.34 percent in 2014, opportunities for deployment of MUR were mostly in gilt-edged securities and placements with banks. Investment securities comprised fixed income government securities, corporate bonds, commercial papers and international bank bonds. Investment securities increased by almost 50 percent to reach MUR 25.61 billion as at 31 December 2014. The average yield on the investment securities portfolio for the current year was 4.80 percent against 5.12 percent for the year 2013. The lower yield coupled with a substantial increase in the investment securities portfolio impacted on NIM and profitability.

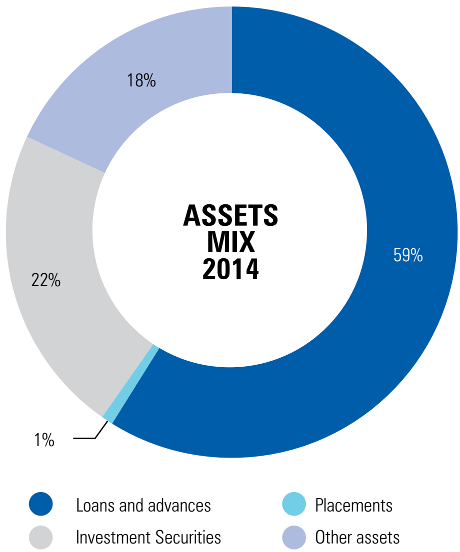
Likewise, short term loans and placements with bank increased from MUR 878.17 million as at 31 December 2013 to MUR 3.06 billion as at 31 December 2014. On 02 October 2014, the appointed day of the SBM Group restructuring, the subordinated debts of MUR 3.57 billion raised by the Bank were transferred to SBM Holdings Ltd, the ultimate holding company along with matching investment securities.

Other Assets

Other assets include an amount of MUR 2.02 billion with respect to software licenses and implementation of core banking solutions and other solutions currently in progress.

Chart 7: Assets mix for 2013 and 2014



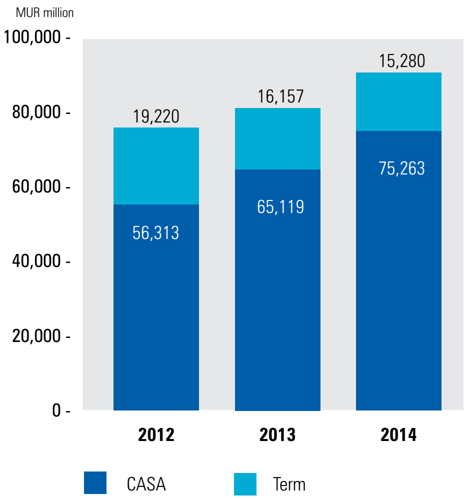


MANAGEMENT DISCUSSION & ANALYSIS

Deposits and Borrowings

Total deposits from non-bank customers increased by 11.40 percent from MUR 81.28 billion as at 31 December 2013 to reach MUR 90.54 billion as at 31 December 2014. The growth was driven by lower cost savings and current account deposits (CASA) which increased by MUR 9.27 billion from MUR 65.12 billion as at 31 December 2013 to MUR 75.26 billion as at 31 December 2014. CASA accounted for 83.12 percent of total deposits as at 31 December 2014, up from 80.12 percent at 31 December 2013. Out of the MUR 9.27 billion increase in total deposits, foreign currency (FCY) deposits accounted for MUR 4.44 billion thereby increasing the mix of FCY to total deposits from 25.06 percent at 31 December 2013 to 27.40 percent at 31 December 2014.

Chart 8: Terminal Deposits



Other borrowed funds decreased by MUR 997.05 million to reach MUR 5.11 billion as at 31 December 2014. The bulk of the borrowings were in USD and Euro from foreign financial/development institutions at competitive pricing.

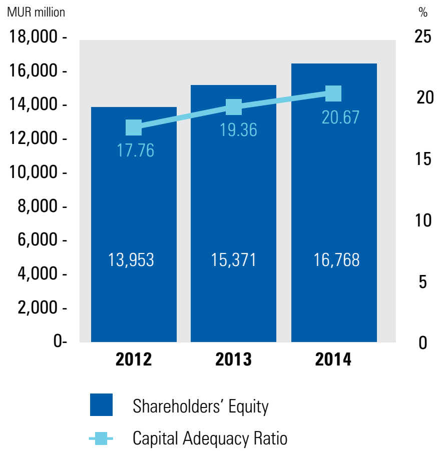
As mentioned above, the subordinated debts were transferred to SBM Holdings Ltd.

Shareholders' Fund

The shareholders' fund increased by 9.09 percent from MUR 15.37 billion at 31 December 2013 to reach MUR 16.77 billion as at 31 December 2014. On 02 October 2014, the appointed day of the Group Restructuring, dividend amounting to MUR 10.7 billion was streamed up to the ultimate holding company. The treasury shares held by the Bank were bought back by SBM Holdings Ltd (SBMH) as the Bank which became a wholly owned subsidiary of SBMH cannot hold shares of its parent company under the Companies Act. The Bank sold the shares at the market price. SBMH has injected capital contribution amounting to MUR 5.52 billion in the Bank through the segmental SPVs.

The Bank maintained adequate capitalisation levels, including capital adequacy ratio of 20.67 percent, with Common Equity Tier 1 making 19.56 percent. Please refer to section on Capital Resources at page 162 for more details.

Chart 9: Shareholders' Equity and Capital Adequacy Ratio



Business Review

Mauritius

The Mauritian economy progressed along a modest growth path, in the absence of a pickup in external demand and domestic investment. Early estimates show that the economy grew by 3.5 percent in 2014, a slight uptick from 3.2 percent in 2013. Business confidence remained low and investment contracted for the third consecutive year. Inflationary pressures stayed subdued and a low interest rate environment was maintained. Credit growth slowed down visibly and asset quality concerns cropped up. High liquidity levels continued to characterise the sector, with pressure on interest rate spreads. The introduction of macro prudential measures by the central bank during the year under review acted as a drag on growth in credit to housing and other sectors of economic activity. Nonetheless, key financial sector performance indicators provided evidence of the sound position of the banking sector in aggregate.

Banking activities grew rather satisfactorily amidst an operating environment that has not been too favourable. Personal banking swam across fiercer competition, tighter regulations and elevated consumer awareness to gain market share, particularly mortgage. Against a slowdown in demand for credit, financing/refinancing from capital market and rising asset quality concerns, Corporate Banking recorded a relatively moderate performance in 2014. SME Banking faced similar outturns. As such, greater focus was laid on training and enhancing the product offering by developing capacity in structured trade financing and project financing. Despite challenges, treasury business posted strong results as a result of greater synergies with other lines of business and strategic trading.

India

The anaemic growth phase which took over in 2012 lingered on. The Indian economy faced with a number of headwinds like policy paralysis, global economic and financial slowdown, near drought conditions, persistent high current account deficit, negative exchange rate movements, as well as the lowest GDP growth rate of the decade - at 4.7 percent for 2013-2014. GDP growth reportedly improved modestly in the second half of calendar year 2014. Inflation, although remaining at elevated levels during most of the year, eased by year end in tandem with moderating commodity and fuel prices. The policy rate of interest was kept unchanged by the regulator in 2014 despite expectations for a cut by market players. The banking sector witnessed a rising trend in restructured assets and impairment, mostly represented by Gems and Jewellery, Coal and Cement sectors.

In 2015, the banking sector is expected to benefit from an improvement in the overall business and operating environment and ensuing credit off-take. Several measures on the policy front, including but not limited to, relaxation in the Land Acquisition Act, Coal auction - leading to end uncertainty for coal availability to power and other sectors, Insurance Bill passed through ordinance for increasing FDI from 26 percent to 49 percent, and the implementation of planned state divestments, are expected to boost investment by the private sector and partly address fiscal deficit issues. Relatively low commodity price should anchor inflationary pressures and probability of interest rate hikes, auguring well for credit growth. The uptrend in impairment levels, nonetheless, warrant caution with regards to assets quality. There was a rate cut of 25 bps in January 2015 and the SLR requirement was relaxed.

Against this backdrop, SBM India operations would keep focus on improving assets quality, grow a lower-cost deposit base, building a retail customer base and a larger share of CASA deposits, and rebalancing the mix of investments towards higher-yielding securities, besides readying for the wholly owned subsidiary (WOS) structure implementation. The Bank received in-principle approval for the WOS implementation on 07 April 2015.

Personal Banking

Well entrenched in the domestic retail banking landscape, SBM Bank (Mauritius) Ltd offers, via its Personal Banking business segment, an array of products and services to meet the individual's daily banking needs. The product offering ranges from savings accounts to mortgage/educational loans, to debit and credit card products to payment solutions like SBM Billpay, and internet banking and mobile banking services.

The operating environment has been marred by a difficult economic environment coupled with fierce competition and higher sensitivity of customers to product pricing, sometimes leading to attrition of customers.

Advances growth has been below expectations. While also explained by the difficult operating environment, personal banking advances were adversely affected by the macro prudential measures imposed by the Bank of Mauritius which, amongst others, has set a sectorial concentration risk limit of 15 percent for personal advances as a share of total domestic advances. The Bank adopted a deliberate reduction strategy with regards to disbursement and has been selective in approving demand for credit.

Major initiatives undertaken by Personal Banking during the year included the revamp of the Bank's education and home loans, the conduct of Family Group Training, pursuit of greater internal synergy to deal with impairment as they appear, the opening of a hub in Flacq with a new queue management system, and improvement in ATM downtime among others.

FY 2015 is expected to be yet another testing year with a timid uptick in domestic consumption growth. In addition, the Bank expects the implementation of its technology transformation initiatives and alongside, added efforts on managing operations and customer handling.

Corporate Banking

Corporate Banking, with a dedicated team of professionals, provides comprehensive financial solutions, including lending products, deposit products, investment products as well as fee-based products, to business customers across economic sectors and operating across geographical borders.

The operating environment for corporate banking remained difficult, particularly in the second half of the year. Private sector investment contracted for the third year in a row and the demand for credit remained weak amidst persisting excess liquidity.

Against this backdrop, corporate banking advances reached MUR 30.3 billion at 31 December 2014, lower than last financial year's figure of MUR 32.6 billion. In addition to difficult operating conditions, potential borrowers of credit were observed to resort to alternative ways of raising money like rights issue or bond issue, several existing customers chose to repay their debts and the Bank chose deliberately to let go of low-yield assets. Instead, the Bank focused on maintaining the good quality assets and commensurate returns. This is reflected in a drop in the net NPL ratio from 0.31 percent in FY 2013 to 0.24 percent in FY 2014.

Several initiatives were undertaken during the year and included the setup of a pool of analysts to support the sales team in spending a greater share of their time on the field, the development of capabilities to participate in a significant manner in project financing opportunities, and the development of capabilities to offer structured trade finance services, among others.

Looking forward, 2015 appears to remain somewhat challenging, particularly in the first half of the year. Technology and business transformation initiatives previously embarked upon are expected to be rolled out towards the end of 2015. Moreover, the Bank has planned to develop its structured trade financing offering, tapping into trade flows between Asia and Africa, while at the same time, growing its Financial Institutions Group (FIG) business.

SME Banking

SBM SME Banking offers a bundle of products and services suited to the business needs of its target customers. These include import loans, term loans, leasing/asset financing, bank overdrafts, working capital loans, letter of credit, bank guarantee, bill discounting, as well as payment services.

Against the backdrop of a weak investment outturn and heightened competition, the growth of advances and deposits was below expectations and impairment emerged as a cause for concern. However, despite the inherent challenges facing SMEs and SME credit providers, the Bank maintained its support to this customer segment all year through. The Bank participated actively under the SME Financing Scheme. Some SME customers, accompanied by the Bank for a while now, were migrated to the Corporate Banking segment, having grown bigger and successful over time.

Several initiatives were also carried out with the aim to strengthen the team and ameliorate customer service. A new head was appointed to drive the SME business, the SME team was re-structured and provided with necessary training to enhance customer reach and customer service. Visits to and interaction with SME relationships were augmented. Moreover, turnaround time as well as the product offering were improved. In particular, structured loans were designed for premium customers, tie-ups were concluded with motor vehicle dealers, and treasury and trade finance products were made visible and promoted.

Going forward, the Bank intends to focus upon internal operational efficiency initiatives, customer satisfaction, customer retention, and exploring of new business avenues while containing impairment levels.

Cross Border Banking

Cross Border Banking offers comprehensive financial solutions like foreign currency accounts, foreign currency remittances, forex transactions, trade finance, guarantees and cross border financing solutions, to business customers operating across geographical borders.

On the global landscape, cross-border lending by banks contracted in the aftermath of the 2008 global financial crisis. Although some improvement was noted in late 2013 and early 2014, with a regional bias towards Emerging Asia, cross-border lending remains below pre-crisis peak. Weak macroeconomic and financial conditions have generally affected demand for capital with businesses in many countries less willing or able to take on risk.

SBM Bank (Mauritius) Ltd maintains a prudent approach to cross-border lending, preferring to conduct business with customers with whom it has established relationship. Advances are mostly short term and deposits comprise mostly CASA deposits. Business was supported by greater synergy with other lines of business, particularly the Treasury Desk. The year ahead should witness growth in the number of new relationships established and greater focus with regards to managing non-performing advances.

Financial Institutions Group

The Financial Institutions Group (FIG) is responsible for developing and managing relationships with banks, Non-Banking Financial Institutions, Multilateral Institutions, Development Financial Institutions, Sovereigns and Public Sector Enterprises. It uses a large network of correspondent banks and focuses on providing banking services to facilitate international trade and cross border payment operations. Serving customers across geographical borders, FIG offers Trade Finance Solutions (LC Based Products, Trade Loans, and Guarantees & Risk Participation Products), Transaction Solutions (Payment, Liquidity, Cash Letter Solutions, INR Remittances), and Lending Solutions (Syndication Participation, Bilateral/Club Lending).

In 2014, FIG embarked upon a relationship building campaign by proactively and successfully reaching out to a number of banks and financial institutions in targeted markets of Africa and India. The early results of these efforts started to show in the second half of the year, by which time FIG had an expanded roster of clients and a much stronger deal pipeline.

Going forward, FIG is planning to develop and leverage its Financial Institutions relationships in Africa to facilitate growing cross-border African trade with India where it already has a strong FI relationship network. Besides, it should actively explore new opportunities in providing structured trade finance services in above-mentioned target markets.

Financial Markets

The Financial Markets division offers a comprehensive range of plain vanilla to sophisticated products and services, tailor-made to the needs of customers to manage a broad range of risks. Products/services include spots, forwards, swaps, currency options, structured products and money market instruments.

While the fragile global economic outlook proved to be dampening for business, the domestic economy is also taking a longer-than-expected pause to unfold new opportunities. These, coupled with increasing competition, exerted pressure on spreads and margins. The excess liquidity situation only worsened operating conditions.

Nonetheless, Financial Markets posted satisfactory results, indeed above targets set in the beginning of the year, with an observed increase in market making income. The introduction of structured treasury products for corporates, increased activity by the Fixed Income Desk with secondary market trading and late hours trading (Night Desk) during the year, all contributed to ramp up business volumes.

Challenges are expected to continue into 2015. While a low interest rate environment would persist in several economies, some have already been bracing themselves for a hike during 2015. The Bank is looking up to opportunities from the Indian market, African sovereigns as well as new economies.

Card Issuing

The year 2014 has been marked by several challenges, both internally and from external sources. Several issues impacted the Card business post Card System migration, which have been overcome and stabilised. The prevalence of difficult economic conditions triggered a rise in impairment levels, although the portfolio is small. Competition grew fiercer with other banking peers occupying a majority share of advertising space in card products promotion during the year. The year was also marked by enquiry from the Competition Commission on Cards and Interchange income, potentially paving the way for a reduction in Debit and Prepaid card interchange fee. Also, the market is still observed to be cash intensive with a relatively low debit card usage at merchant terminals.

Nonetheless, the Bank maintained its market position as the second-largest Card Issuer in the domestic market, with a market share of approximately 25 percent, and managed to grow revenue by 30 percent as compared to 2013. The Bank also succeeded in keeping fraud losses low.

In 2015, the integration of the Bank's card system with other systems is expected, with capabilities to enhance the existing product offering. Besides, the Bank has already planned to launch an important acquisition campaign to grow its card customer base, facilitate and promote credit card limit increase and credit card balance transfer, focus on initiatives to activate dormant cards and raise card spending, co-branding with corporate cards and revamp existing card products among many others.

ECommerce

FY 2014 has witnessed substantial growth in eCommerce Acquiring and confirmed our predominant position as a Cards Acquiring player. The good performance has been supported, *inter alia*, by appropriate risk management tools, partnerships with strategic merchants to enable online booking, tie-ups with Hotel groups to facilitate Union Pay International (UPI) cards acquiring and promote Chinese tourists, the launch of SBM-UPI prepaid cards - a first of its kind in the African region, the integration of eCommerce and POS Acquiring services to the Government sector enabling cardholders to make payments for income tax, municipal/district council services, Traffic Branch services among others, and the introduction of Dynamic Currency Conversion which allows foreign cardholders to pay in their home currency.

POS Acquiring service has also maintained its position as a preferred choice for merchants and succeeded to establish its footprint in the untapped Government and fuel services markets. In April 2014, UPI Card Acquiring became a reality following a partnership with Union Pay International. We are working towards enabling foreign UPI Cards to be accepted through POS channels in the near future.

With a keen eye on mobility and technology, SBM Group is readying to transition to the mobile channel and has already partnered with key telecommunications service providers and billing companies - like Central Water Authority, Central Electricity Board, Mauritius Telecom, and Mauritius Revenue Authority - to serve customers in an innovative way that allows for payment of transactions anywhere anytime via mobile banking at their fingertips.

Bancassurance

Bancassurance marked a new milestone in its evolution with the official launch of general insurance in May 2014. SBM Group partnered with five different general insurance providers namely SICOM General Insurance, Swan Insurance, Jubilee Insurance, Mauritius Union Assurances, and New India Assurance to also offer Motor insurance, Household comprehensive insurance, Health and travel insurance, Fire and allied perils insurance and Liability insurance.

While performance was not unaffected by the subdued economic outturn, other internal challenges including a reduced resource count on account of resources dedicated to the technology transformation project and staff turnover also had a hand in the observed underperformance.

Working in closer collaboration with the Retail, Corporate and SME teams, augmenting the product offering to also propose Group Life Plans, Group Pension Schemes and Group Personal Accident Schemes to Corporate customers, training Corporate Banking staffs on the group insurance and pension plans, and the centralisation of the insurance process were among the major initiatives carried out by the Bancassurance team in 2014.

Ahead, Bancassurance will focus on business growth, particularly targeting sales to Corporate customers. Bancassurance eventually aims to become a One-Stop-Shop for all the insurance needs of existing as well as potential customers.

Custodial services

In February 2014, the Bank augmented its service offering with the provision of global custodial services to its customers, safeguarding their financial assets across jurisdictions with access to both local as well as foreign markets. Custodial solutions include open cash and securities accounts, registration, trade settlement, safekeeping of assets, corporate action management, income collection, proxy voting, foreign exchange, reconciliation of assets as well as reporting.

Harnessing Technology at its Peak

RISK MANAGEMENT

Risk Management Philosophy and Culture

SBM Bank (Mauritius) Ltd is committed towards embedding a risk culture in its organisation and embraces risk management as a core competency that allows it to optimise risk-taking through objectivity and transparency that will ensure effective and efficient risk processes and optimised returns within a chosen risk appetite.

SBM Bank (Mauritius) Ltd has adopted a centralised Risk Management Framework which monitors risks and takes actions to ensure compliance with risk appetite and the prudential limits in an effective and efficient manner. Along with a strong risk culture, there is a robust risk management, aligning strategies, policies, people, processes, technology, regulation, legal, trust and business intelligence which enables the Bank to evaluate, manage and optimise the opportunities, threats and uncertainties it may face in its on-going efforts to maximise sustainable shareholder value.

Four Guiding Principles that SBM Bank (Mauritius) Ltd strives to apply consistently across all risk categories throughout the organisation, including its business units, are described below:

- **Clear Assignment of Responsibilities and Accountabilities**

SBM Bank (Mauritius) Ltd's operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for their actions and their incentives are aligned with the overall business objectives including risk practices.

- **Segregation of Duties and Responsibility**

SBM Bank (Mauritius) Ltd operates under sound, well-defined segregation of duties with a maker-checker principle. It seeks to operate under an appropriate organisational structure that promotes good corporate governance.

- **Risk Culture**

SBM Bank (Mauritius) Ltd seeks to build a strong risk management and control culture by setting the appropriate tone at the top, promoting awareness, ownership and proactive management of key risks, and promoting accountability. In short, SBM Bank (Mauritius) Ltd seeks to promote a risk-conscious workforce.

- **Risk Appetite & Risk Taking**

SBM Bank (Mauritius) Ltd operates within a clearly defined risk policy and risk control framework to achieve financial strength and sustainable growth. A top down approach has been adopted for the dissemination and implementation of the policies from the Board to the Management. Similarly, a top down approach is in place with respect to risk appetite, which the Board reviews and approves on an annual basis with the aim of ensuring that it is consistent with the Bank's strategy, policies, business and regulatory environment and stakeholders' requirements beside competitive-edge.

The Board approves all the policies which have clear accountability and ownership within SBM Bank (Mauritius) Ltd and the Management is responsible and accountable for the effective implementation and monitoring of risk appetite. The policies are designed with clarity on: the intended effects to be produced, the intended recipients of those effects, and the intended worth of the effects. The policies are centrally managed and are in the custodianship of the Risk Management Team and any proposal for change must go through the Head of Risk Management who ensures that the approval process is followed.

<table>
<tr><th>Policy Governance Principles</th><th>Key Objectives</th></tr>
<tr><td>
</td><td>

Align stakeholders to* SBM Bank (Mauritius) Ltd's *strategies leading to effective realisation of the Bank's strategic goals

Build strong values to strengthen our reputation and brand value

Enable compliance to regulatory norms and infusion of ***industry leading practices***

Ensure consistency of experience across group, entities and geographies

</td></tr>
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KEY HIGHLIGHTS

I. Strong capital and liquidity position

- SBM Bank (Mauritius) Ltd remains well capitalised (please refer to diagrams at page 139) and already meets the liquidity ratios thresholds under Basel III requirements ahead of the end 2019 timeframe.
- SBM Bank (Mauritius) Ltd's liquidity and funding position is supported by its large and well diversified non-bank customer deposit base by type and maturity. Customers' savings, current and call accounts accounted for 82.9 percent of the deposit base as at end of December 2014, compared to 80.1 percent in December 2013, which is adequate to counterbalance the impact of a stressed funding environment.
- SBM Bank (Mauritius) Ltd has a substantial portfolio of liquid assets that can be realised if a liquidity stress occurs.

II. Diversified portfolio

- SBM Bank (Mauritius) Ltd has a well-diversified portfolio of loans and advances and diversified income streams; no individual portfolio accounts for more than 30 percent of the total exposures.
- 90 percent of the exposures are backed by eligible collaterals in line with the BOM Guideline on Standardised Approach to Credit Risk.

III. Robust risk governance structure

- A robust risk management framework assigns accountability and responsibility for the management and control of risk. It aligns strategy, policies, people, processes, technology and business intelligence in order to evaluate, manage and optimise the opportunities, threats and uncertainties SBM Bank (Mauritius) Ltd may face in its on-going efforts to maximise sustainable shareholder value.
- SBM Bank (Mauritius) Ltd has a clear risk appetite statement, which is aligned to the Bank's strategy. The Bank ensures constant monitoring of risk profile to ensure it remains within risk appetite.
- In line with international leading practices, internal policies and prudential limits are reviewed, at least on an annual basis, to anticipate any changes in the external environment and the evolving expectations of the shareholder.
- SBM Bank (Mauritius) Ltd has embarked upon a transformation journey in the Risk function and IT infrastructure that will lead to enhanced capabilities in the area of risk identification, measurement, monitoring and reporting, supported by enhanced internal policies which are in line with international leading practices, regulatory requirements and growth needs.

Chart 10: Capital adequacy

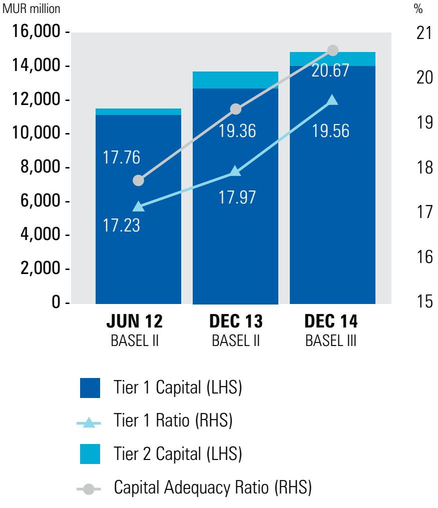
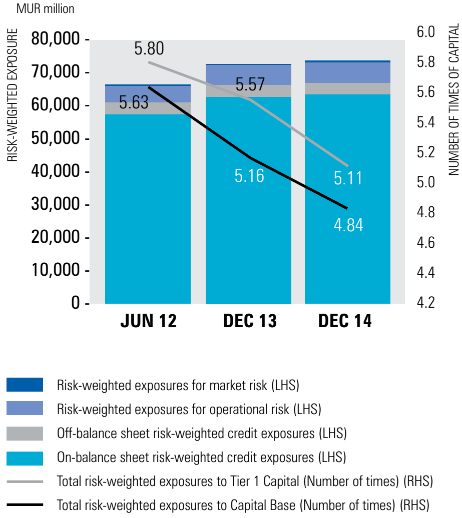


Chart 11: Total risk-weighted exposure



1. RISK MANAGEMENT FRAMEWORK

SBM Bank (Mauritius) Ltd has an integrated and robust risk management framework in place to identify, assess, manage and report risks and risk adjusted returns in a reliable and consistent manner. The risk management framework is based on transparency, management accountability and independent oversight. It expresses the maximum level of risk that the Bank would accept as it meets its business objectives while taking into account the risk-return trade-offs. It sets clear guidance on acceptable limits for all material types of risk within the organisation and ensures that they are aligned with its strategies, customer needs, shareholder expectations and regulatory requirements.

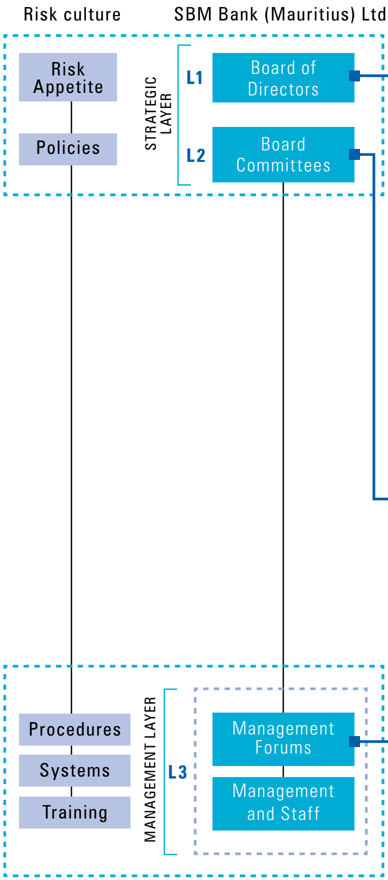
Accurate, complete and timely data is a foundation for effective enterprise risk management. SBM Bank (Mauritius) Ltd has long recognised the benefits of having robust risk data aggregation capabilities and has adopted a risk data aggregation internal policy in 2014 which is in line with the BCBS Principles for effective risk data aggregation and risk reporting issued in 2013. Continuous improvement to the risk data enables the Bank to measure effectively its performance against its risk tolerance/appetite and to produce high quality risk reports, thus enhancing the risk management and decision-making processes of SBM Bank (Mauritius) Ltd. The new IT infrastructure which the Bank is implementing will further help enhancing its risk data aggregation capabilities and in its quest for efficiency gain, reduced probability of losses, enhanced strategic decision-making, and eventually increased profitability.

1.1 Risk Governance Structure

The risk management organisational structure consists of a top down approach whereby the risk appetite of SBM Bank (Mauritius) Ltd is set by the Board of Directors in line with its business strategy, taking into account the Bank's objectives and plans. The Board, assisted by its committees – (a) the Corporate Governance & Conduct Review Committee, (b) the Audit Committee, (c) the Risk Management Committee, (d) Strategy Committee, (e) Credit Committee and (f) the Remuneration Committee - have oversight responsibilities in relation to risk management, adherence to internal policies and compliance with the prudential, regulatory and legal requirements.

The aggregate Bank-wide risk profile and portfolio appetite are discussed at the respective risk management forums. Head of Risk Management Team reports to the Chief Executive with direct access to the Board Chairman and the Risk Management Committee.

Figure 3: Risk Management Framework



BOARD COMPOSITION

- Board (constituted of both executive & independent directors)
- Clear division of responsibilities between the Chairman and the Chief Executive allows the Chairman to formally assume the role of an independent leader who chairs Board meetings and leads in its oversight of management
- Strategic outlook for business requirements
- Ensure that corporate responsibility and ethical standards are met
- Results assessment
- Risk Appetite setting

BOARD COMMITTEES

- Constituted by a mix of Independent, experts and Executive Directors wherever allowed.
- Board Committees include Audit, Risk Management, Strategy Committee, Corporate Governance & Conduct Review and Credit.

MANAGEMENT FORUMS

- Each entity within SBM Bank (Mauritius) Ltd has its own Board, Board Committees and management forums.
- The management forums comprise of key members of the management who meet on a regular basis.
- Some of the management forums are Executive Forum, Investment Forum, Risk Management Forums (ALCO, Operational Risk Forum, Portfolio and Credit Risk Forum), Management Credit Forum.
- The aggregate enterprise-wide risk profile and portfolio appetite are discussed at the respective Risk Management Forum.

Within this framework, the Board of Directors approves the risk strategy, risk policies and prudential limits within which the operations are to be carried out besides legal and regulatory compliance. The Board has also set up the Board Risk Management Committee to which is delegated some of its main responsibilities which includes monitoring, overseeing and ensuring the effectiveness of the risk processes.

All operations of SBM Bank (Mauritius) Ltd will operate by Executive Management under the overall directions given by the Board of Directors. They would be responsible for translating the high-level overall guidance into operational aspects and then monitoring and reporting them back periodically to the Bank's Board/Board Committees. Within this framework, this policy specifically sets out the roles, responsibilities and authorisation levels for the committees/executives/teams within the Bank.

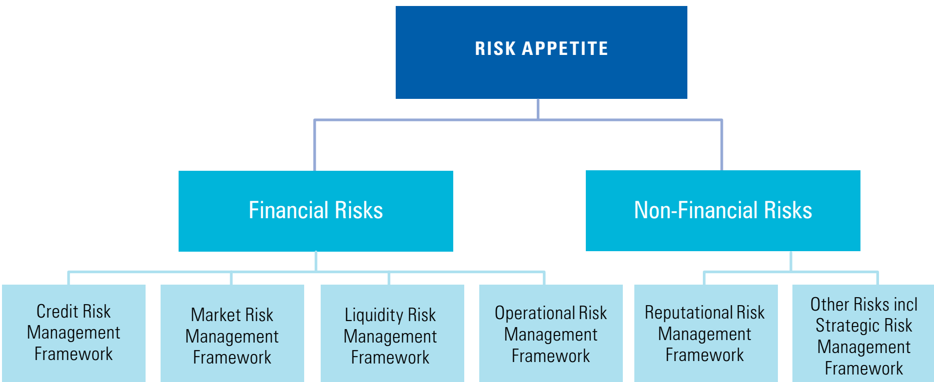
Senior Management with the support of line management and department heads have primary responsibility for the day-to-day management of risk and form the first line of defense. The risk management function is the second line of defense and has the primary responsibility to align risk-taking with strategic planning, for example in limit setting. The audit function provides an on-going independent (i.e. outside of the risk organisation) and objective assessment of the effectiveness of internal controls, including financial and operational risk management and forms the third line of defense.

1.2 Risk Appetite and Strategy

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

The following underlying risk management frameworks are in turn developed for each risk type to ensure adherence with Risk Appetite.

Figure 4: Risk appetite



SBM Bank (Mauritius) Ltd measures and expresses risk appetite both through qualitative and quantitative risk metrics. It is established with reference to the strategic objectives and business plans of the Bank, including the achievement of financial targets, payment of dividends, funding of capital growth and maintenance of target capital ratios.

A strategic planning process and continuous monitoring process against approved risk targets are in place. The Bank has taken a prudent stance regarding its risk appetite in general. Together with total Risk-Weighted Assets (RWA) to total assets and the Basel III leverage ratio, these comprise the Bank's core risk appetite metrics. Other risk appetite metrics with targets, early warnings, prudential and regulatory limits are also in place for all the financial risks, example credit, market, asset and liability management (ALM), concentration risks and operational (including legal).

For principal risks, the strategic measures are supported by management limit structures and extensive controls, as well as monitoring and reporting, which create a focus on forward-looking activities that keeps SBM Bank (Mauritius) Ltd within its risk appetite on an on-going basis.

1.3 Risk-bearing capacity and Stress Testing

The risk-bearing capacity analysis is a key part of overall bank management and Bank's Internal Capital Adequacy Assessment Process (ICAAP). The purpose is to ensure that sufficient capital is held for the risk profile of SBM Bank (Mauritius) Ltd at all times.

SBM Bank (Mauritius) Ltd complements its regular standardised risk reporting process with stress tests to capture the effect of exceptional but plausible events on capital and liquidity positions. It also provides insights on the degree of vulnerability of various business lines and portfolios to given scenarios. Key scenarios include significant movements in credit ratings, interest rates, foreign exchange rates, as well as adverse changes in counterparty default and recovery rates.

Several stress tests are applied, whether scheduled or *ad hoc*, both in the form of sensitivity and scenario analysis, either for a specific risk type or for the Bank as a whole. The stress test can represent various economic situations from mild recession to extreme shock.

Macroeconomic stress tests are used to check risk-bearing capacity in the face of assumed adverse changes in the economic environment. The underlying scenarios, which are the plausible and negative developments in the economy, are applied across all risk types. In the scenario calculations, the input parameters for the calculation of economic capital required for all material risk types are consequently simulated to reflect the forecast macroeconomic situation. In addition to the amount of capital required, the level of profitability is also stressed using the macroeconomic scenarios and then, based on this, changes in the risk coverage potential are simulated.

The independent risk management team monitors and controls major risk exposures and concentrations across the Bank. This requires the aggregation of risks, within and across businesses, as well as subjecting those risks to various stress scenarios in order to assess the potential economic impact on the Bank.

2. CREDIT RISK MANAGEMENT

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms.

The effective management of credit risk is a critical component of a comprehensive approach to risk management of banks and essential to the long-term success of the organisation. SBM Bank (Mauritius) Ltd manages the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions. It considers the relationships between credit risk and other risks as well.

Objectives of Credit Risk Management are to:

a. Identify the credit risk in each credit facility that exposes SBM Bank (Mauritius) Ltd to credit risks.

b. Utilise appropriate, accurate, and effective tools to assess and measure credit risk.

c. Set acceptable risk parameters to line of business, countries, customer type, portfolio-wise and currency-wise to manage those risks.

d. Incur, manage, and monitor risk in line with all applicable laws and regulations including prudential self-set limits.

e. Ensure that shareholder value is protected and business continuity is assured by keeping the capital required as a buffer against losses.

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Credit Risk Principles:

SBM Bank (Mauritius) Ltd's credit risk management is based on the below set of principles, that are applied in conjunction with sound policies/practices related to the assessment of asset quality, the adequacy of provisions and reserves and the disclosure of credit risk. These are as follows:

Figure 5: Credit risk principles

PRINCIPLE 1	PRINCIPLE 2	PRINCIPLE 3	PRINCIPLE 4
Establishing an appropriate credit risk environment	Operating under a sound credit granting process	Maintaining an appropriate administration, measurement and monitoring process	Ensuring adequate controls over credit risk

2.1 Credit Risk Management Process

SBM Bank (Mauritius) Ltd has adopted a centralised Risk Management Framework which controls risks. The credit risk function is headed by the Head of Risk Management and is totally independent from the other business divisions where credit decision standards are consistently applied in line with the Bank credit risk policy. Credit risk matters are discussed at the Portfolio and Credit Risk Forum and are reported to the Risk Management Committee on a quarterly basis. The chart below details the Bank's credit risk management process:

Figure 6: Credit risk management process

1. Credit Risk Identification
Identify and prioritise potential risks of losses from customers failing to repay their debts when they fall due.

2. Credit Risk Measurement
Use of quantitative and qualitative tools to measure severity of risks, including credit risk mitigating instruments.

3. Risk Control
Establish key control processes and best practices including limit setting, early warning signals.

4. Risk Monitoring
Independent monitoring of credit risk by the Risk Management Team.

5. Credit Risk Reporting
Ensures that the status of top risks is being highlighted to the management and to the Board.

Credit Risk Approval Process

The credit appraisal and measurement process, leading to approval/rejection, is segregated from loan origination in order to maintain the independence and integrity of credit decision-making and to continue to effectively build-up quality assets to achieve targeted growth. SBM Bank (Mauritius) Ltd has multiple levels of credit approval authority depending on the size of the proposed credit exposure, expected cash flows, credit worthiness of the borrower, including type of customer and their credit rating scores and security offered. The credit limit, which is proposed in the credit application, will serve as a basis to determine appropriate credit risk approval levels. The Chart of Authority is reviewed on a periodical basis based on a RACI (Responsible, Accountable, Consulted, and Informed) approach to optimise internal control and enhance operational efficiency.

2.2 Credit Risk Measurement

The Bank's main objective of credit risk measurement is to determine the potential impact and frequency of the risks that the Bank faces and thereby making use of various tools to support quantitative risk assessment from the level of individual facilities up to the total portfolio, including elements of the credit approval process, on-going credit risk management, monitoring, reporting and portfolio analysis and reporting.

Measurement tools include credit rating systems, which are used in the calculation of regulatory and economic capital, expected/unexpected losses and stress testing. SBM Bank (Mauritius) Ltd considers that determination of numerous robust parameters is of paramount importance for sound and knowledgeable judgement, and this is the most effective risk mitigation technique against any risk, and avoids over reliance on quantitative risk methodologies and models.

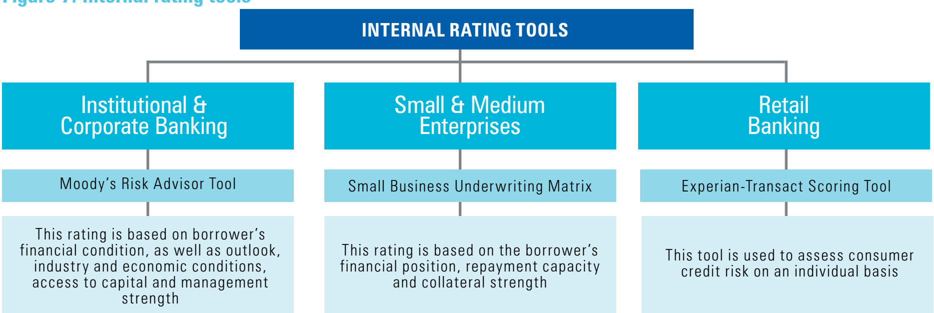
Internal Rating System

The Bank has a robust internal rating system to assess the credit risk on Institutional and Corporate Banking clients, SME clients and Retail Banking and personal clients. The default risk management is driven by a well calibrated risk rating scale. It uses a rating scale ranging from 1–10 whereby the 1–6 risk rates are tagged as acceptable risks whilst above 6 risk rates are considered as high risk.

At the time of initial credit approval and review, relevant quantitative data (such as financial statements and financial projections) and qualitative factors relating to the counterparty are input in the measurement tools and result in the assignment of a credit rating or probability of default, which measures the counterparty's risk of default over a one-year period.

The internal rating tools used by the Bank are as follows:

Figure 7: Internal rating tools



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2.3 Credit Risk Control

The Bank has a framework for credit risk mitigation (CRM) which includes guidelines on acceptable types of collateral, on-going review and monitoring of collateral including the frequency and basis of valuation and application of credit risk mitigation technique as per current and advanced credit risk approaches.

It employs various credit risk mitigation techniques to optimise credit exposures and reduce credit losses. These techniques are used in a consistent manner and are acceptable ways of mitigation that are reviewed periodically to meet operational management risk requirements for their legal, practical and timely enforceability. The use and approach to credit risk mitigation varies by product type, customer and business strategy. Mitigation techniques used are:

Figure 8: Credit risk mitigation techniques

Credit Risk Limits

A set of prudential limits approved by the Board is used to address concentration of risk for each operation by counterparties. E.g. Limits on country, sovereign, bank and institutional customers, single and group borrower, products and line of business including services are reported quarterly to the Board

Eligible Collateral

SBM Bank (Mauritius) Ltd has an acceptable list of collaterals in line with BOM guidelines. The list undergoes periodic eligibility valuation ensuring their continuous legal enforceability and realisation value. Collateral/s received is segregated into the following two types:

- Financial and other collateral, which enables 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.
- Guarantee collateral, which substitutes the borrower's ability to fulfil its obligation under the legal contract and as such is provided by third parties.

Risk Transfer

SBM Bank (Mauritius) Ltd in some cases holds guarantees, letters of credit and similar instruments from third parties which enable it to claim settlement from them in the event of default on the part of the counterparty. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties.

Netting Agreements

Netting agreements are utilised in accordance with relevant regulatory and internal policies and require a formal agreement with the customer to net the balances.

2.4 Credit Risk Monitoring

On-going monitoring of the Bank's credit risk positions is a fundamental part of its credit risk management activities. The key monitoring focus is on concentrations along the dimensions of country, industry, counterparty and product-specific risks to avoid undue concentrations of credit risk and monitor quality of credits.

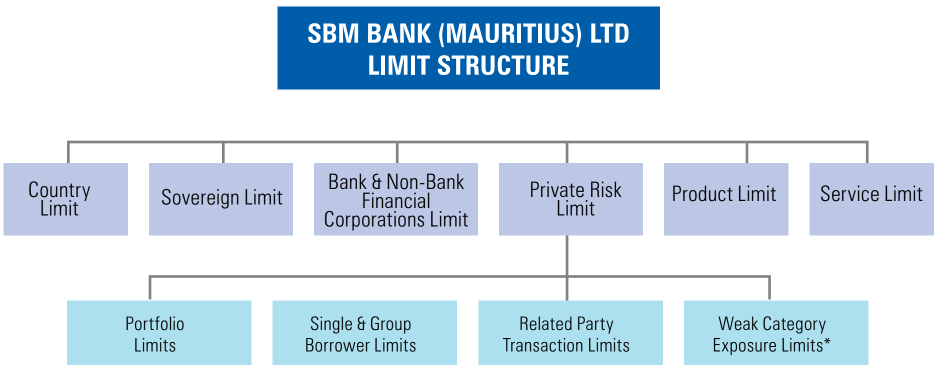
SBM Bank (Mauritius) Ltd has in place procedures and key benchmarks intended to identify at an early stage – through the early warnings – credit exposures for which there may be increased levels of loss, as a preventive basis to manage impaired exposures. In instances where high risk counterparties have been identified, their respective exposures are generally placed on a watch list. The Bank aims to identify counterparties that demonstrate the likelihood of problems well in advance, on the basis of the application of the risk management tools in order to effectively manage the credit exposure and maximise the recovery. This entails the production and analysis of regular portfolio monitoring reports for review by senior management.

The credit risk management team in turn produces an aggregated review of credit risk throughout SBM Bank (Mauritius) Ltd, including reports on significant credit exposures and on the quality of credits. The performance of all rating models is monitored on a regular basis, in order to ensure that models provide appropriate risk differentiation capability, the generated ratings remain as accurate and robust as practical, and the models assign appropriate risk estimates to grades/pools. All models are monitored against a series of agreed key performance indicators. In the event that the monitoring identifies material exceptions or deviations from expected outcomes, these will be escalated in accordance with the governance framework.

2.5 Credit Risk Reporting: The Credit Risk Profile

SBM Bank (Mauritius) Ltd's exposures to various countries, industries and types of borrowers are well diversified and with less than 10 percent of the portfolio unsecured, that is, with no eligible collaterals. The concentration risks are actively monitored by the Risk Management team against a set of internal prudential limits and any factor that may impact the credit risk profile of the portfolio under normal or stressed condition. Any deviation from the tolerance limits would be brought to the attention of management and reported to the Risk Management Committee for appropriate steps including revising the internal limits on concentration risk or reviewing the allocated internal capital to credit risk. The structure of the internal prudential limits is as below:

Figure 9: Structure of internal prudential limits



*Including unsecured exposures

More details on the diversification of credit exposures are given in the following sections.

I. COUNTRY RISK

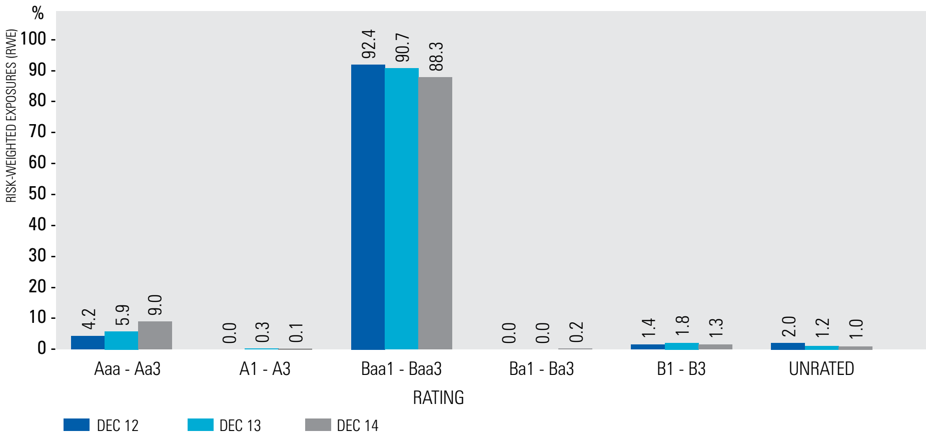
Country risk is the risk of loss arising when political or economic conditions or events in a particular country reduce the ability of counterparties including the relevant sovereign in that country to fulfil their financial obligations to SBM Bank (Mauritius) Ltd

Country risk is managed within an established framework that includes limits setting for each country. The country limits which are reviewed at least annually by management and the Board/RMC are based on SBM Bank (Mauritius) Ltd's risk appetite, the country's risk rating, economic potential measured by its

GDP, as well as the Bank's business strategy.

The following chart which shows the distribution of Risk-Weighted Exposures by rating as at 31 December 2014, includes Mauritius, the country of domicile and where SBM Bank (Mauritius) Ltd has physical presence. As at 31 December 2014, the risk-weighted exposures to Mauritius and India accounted for 3.17 times and 1.09 times of the Bank's Tier 1 capital.

Chart 12: Risk-Weighted exposures on countries by rating



The following table shows the breakdown of the Top 5 Countries' risk-weighted exposures to the Bank's Tier 1 Capital as at 31 December 2014:

Table 8: Risk-weighted exposures to the Bank's Tier 1 Capital

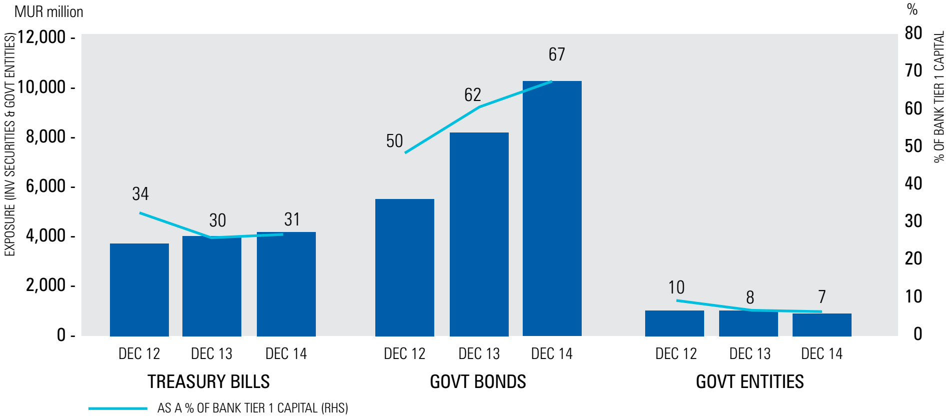
Country Name	Risk-Weighted Exposures to the Bank's Tier 1 Capital (No. of Times)			
	Bank	Sovereign	Private	Total
MAURITIUS	0.03	0.00	3.14	3.17
INDIA	0.44	0.05	0.59	1.09
MADAGASCAR	0.00	0.00	0.00	0.00
KENYA	0.00	0.01	0.03	0.04
MALDIVES	0.00	0.00	0.03	0.03

II. SOVEREIGN RISK

The risk that a government could default on its debt (sovereign debt) or other obligations.

As at December 2014, sovereign exposures stood at MUR 17.4 billion representing 106 percent of the Bank's Tier 1 capital (Dec 2013: MUR 14.5 billion, 92 percent) and comprising of the following products as per chart below. This increase in sovereign exposures is mainly on account of an increase in investment in securities (Dec 2014: MUR 16 billion; Dec 2013: MUR 12.3 billion).

Chart 13: Sovereign exposures



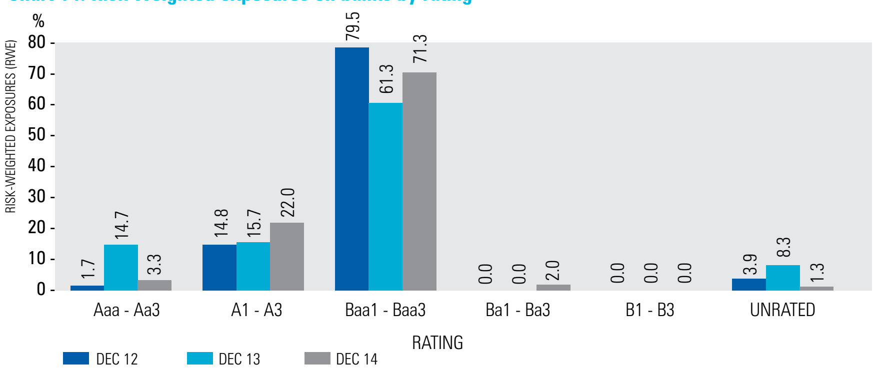
III. BANK RISK

The risk that a bank could default on its debt or other obligations.

As at December 2014, total bank risk-weighted exposures stood at USD 445 million representing 0.94 times of the Bank's Tier 1 capital (December 2013: USD 323 million, 0.68 times).

The following chart shows the distribution of Risk-Weighted Exposures by Rating as at 31 December 2014:

Chart 14: Risk-Weighted exposures on banks by rating



Note:
As at 31 December 2014 Bank Risk-Weighted Exposures was concentrated in rating range Baa1-Baa3 and where the Bank has physical presence.

IV. PRIVATE RISK

(i) Portfolio Concentration

The well-diversified portfolio is monitored against internal portfolio limits to ensure that the SBM Bank (Mauritius) Ltd's performance is not impacted by a significant concentration in any portfolio. Analysis of the portfolio is regularly performed by the Risk Management team including, but not limited to, credit quality analysis, scenario testing and stress testing on single industry and also on closely related industries.

The following charts show the top 5 portfolios for each country of operations as at 31 December 2014:

Chart 15: Mauritius Operations - Concentration by Risk-Weighted Exposures

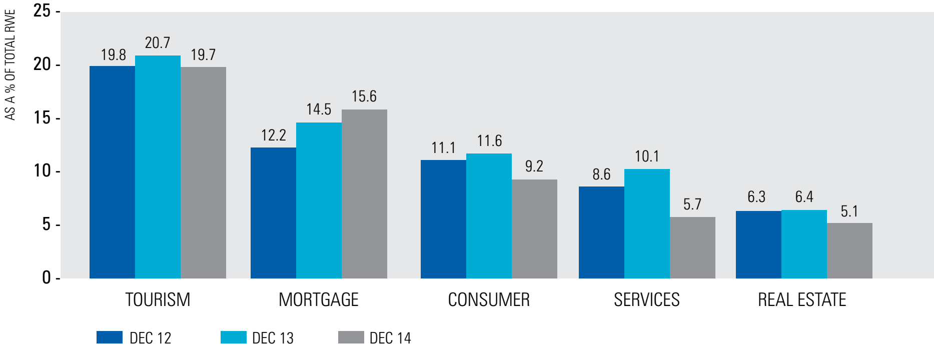
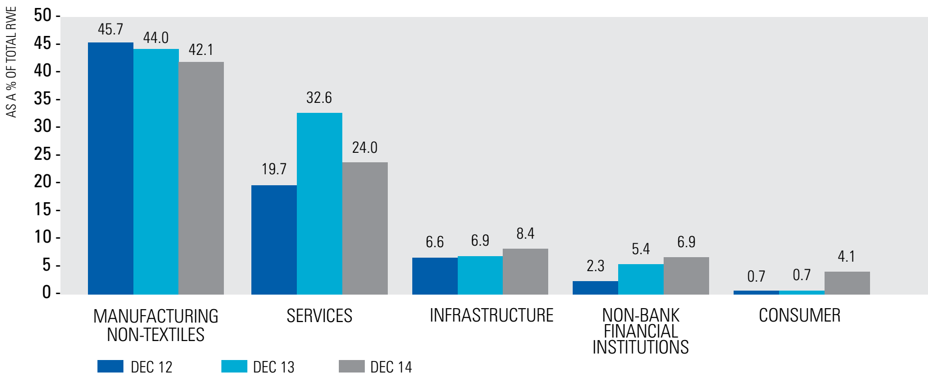


Chart 16: Indian Operations - Concentration by Risk-Weighted Exposures



(ii) Credit Concentration Risk for Large Exposures

Concentration risk is calculated and monitored for large single exposures, group of closely related customers' exposures as well as aggregate of exposures above 15 percent of capital base against both prudential and regulatory limits as defined in the Guideline on Credit Concentration Risk issued by the local regulator. The Bank has stricter internal prudential limits than those set by the Bank of Mauritius (BOM). For instance, BOM has set the aggregate of large credit exposure limit at 600 percent of the Bank's capital base while internally the Bank has adopted a more prudent limit of 400 percent of the Bank's allocated capital to credit risk. Similarly in India, a more prudent approach has been adopted.

Figure 10: Regulatory Credit Concentration Limit - Mauritius

Credit exposure to any single customer shall not exceed 25 percent of the Bank's capital base,
Credit exposure to any group of closely-related customers shall not exceed 40 percent of the Bank's capital base, and
Aggregate large credit exposures to all customers and groups of closely related customers above 15 percent of capital base shall not exceed 600 percent of the Bank's capital base.

The following table shows the distribution of customers or group of closely-related customers for amounts aggregating more than 15 percent of the Bank's capital base as at 31 December 2014:

Table 9: Aggregate of large credit exposures to customers or Group of Closely-Related Customers above 15 percent of the Bank's capital base as at 31 December 2014

Single Customers or Group of Closely-Related Customers	Portfolio	Jun 12	Dec 13	Dec 14
Company A	Commerce- Wholesale	36.6%	26.9%	-
Company B	Tourism	28.2%	30.5%	21.7%
Company C	Tourism	25.0%	18.3%	-
Company D	Agriculture	19.1%	22.6%	19.3%
Company E	Services (Transport Airline)	19.1%	-	-
Company F	Building Contractors	18.1%	-	-
Company G	Manufacturing Textiles	17.0%	-	-
Company H	Real Estate	16.3%	-	-
Company I	Agriculture	-	15.0%	-
Aggregate of large exposures above 15% of the Bank's capital base		179.3%	113.3%	41.0%

(iii) Related Party Transactions

All exposures to related parties are reported to the Corporate Governance and Conduct Review Committee as per the BOM Guideline on Related Party Transactions. A "related party" means:

a. a person who has significant interest, that is owning directly or indirectly 10 percent or more of the capital or voting rights of the financial institution or the financial institution has significant interest in the person;
b. a director or senior officer of the financial institution;
c. close family members of (a) and (b) above;
d. an entity that is controlled by a person described above;
e. a person or class of persons who has been designated by the BOM as a related party.

SBM Bank (Mauritius) Ltd adheres to the BOM Guideline on Related Party Transactions as well as the Bank policy with regards to related party. As at December 2014, the aggregate of non-exempted exposures to related parties represented 4.24 percent of SBM Bank's Tier 1 capital, which is within the regulatory limit of 150 percent (Dec 2013: 8.3 percent).

(iv) Credit Quality

The credit quality of the loan portfolio remained adequate, supported by a low net impairment to net advances ratio of 0.95 percent as at 31 December 2014. SBM Bank (Mauritius) Ltd also measures Expected Loss (EL) which is defined as a measurement of loss that is anticipated within a one-year period, as of the respective reporting date, based on the historical loss experience including available risk mitigation. EL is a function of three key components where:

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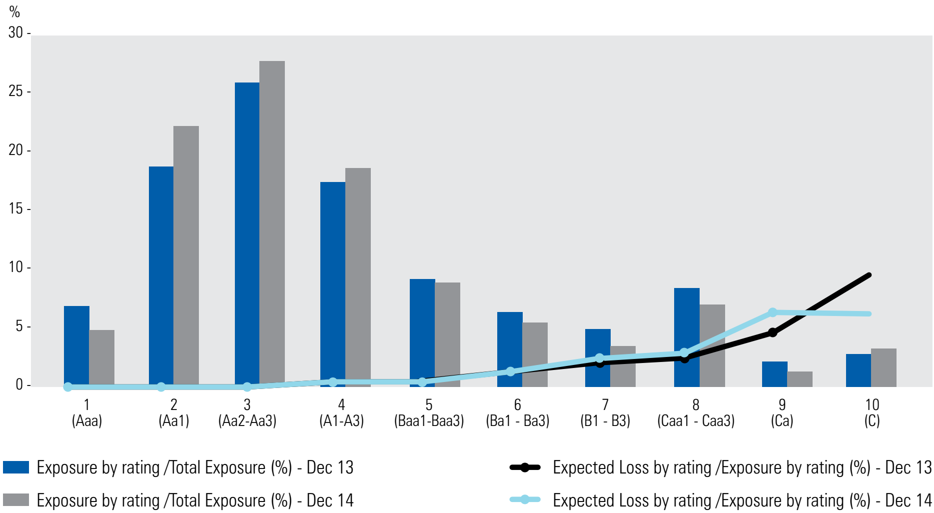
Figure 11: Expected loss function

EL= **Probability of Default (PD)** **x** **Exposure at Default (EAD)** **x** **Loss Given Default (LGD)**

Probability of Default (PD)	Exposure at Default (EAD)	Loss Given Default (LGD)
Quantifies the likelihood of the borrower being unable to repay Depends on borrower credit quality/rating	Quantifies the exposure at risk in case of default EAD is outstanding balance + interest received –specific provision	Severity of loss Estimates the amount of EAD that will be lost Depends on collateral type

As at 31 December 2014, the expected loss as a percentage of exposure by each rating was as follows:

Chart 17: Expected Loss as a percentage of exposure by rating



The risk profile curve as shown in the diagram was skewed to the left, indicating a concentration to well-rated customers.

3. MARKET RISK MANAGEMENT

SBM Bank (Mauritius) Ltd defines market risk as the risk of losses in both on- and off-balance sheet positions arising from fluctuations in market prices. Market risk losses may arise from variations in the market value of trading and non-trading positions resulting from changes in interest rate risk, foreign exchange risk and price risk, and in their implied volatilities.

SBM Bank (Mauritius) Ltd has a sound and well informed strategy to manage market risk approved by the Board. The Board, based on the recommendation of senior management, first determines the market risk appetite taking into consideration the market risk capital set aside and then sets the strategy that balances with SBM Bank (Mauritius) Ltd's business goals. In setting the market risk strategy, SBM Bank (Mauritius) Ltd considers the following:

- economic and market conditions and their impact on market risk
- whether SBM Bank (Mauritius) Ltd has the expertise and abilities to identify, monitor and control the market risk
- SBM Bank (Mauritius) Ltd's portfolio mix and how it would be affected if more market risks were assumed; and
- the stress testing outcomes.

SBM Bank (Mauritius) Ltd has an independent market risk management team to coordinate and perform daily risk management activities. The team provides an independent assessment of the market risk profile and closely monitors the market risk exposures against a set of prudential limits approved by the Board. Market risk exposures and any breaches to prudential limits are reported periodically to the Board and the Risk Management Committee.

Market risk measurement

SBM Bank (Mauritius) Ltd has a well-defined documentation for the measurement approach and methodology. It uses a range of methodologies to monitor and limit market risk exposures while maintaining a market risk profile which suits the risk appetite of the organisation. These methodologies include:

- Sensitivity analysis - it measures how individual market factor movements will impact on instruments which include interest rates and foreign exchange rates.
- Value at Risk - it is a technique which quantifies the potential loss arising from adverse movements in market prices under normal market conditions.
- Stress testing - An analysis performed under an adverse economic situation which is undertaken in order to determine whether the Bank has enough capital to fight against the unfavourable developments.

The valuation methodologies applied by SBM Bank (Mauritius) Ltd are in line with sound market practices. In addition, any new product goes through an approval process with independent assessment by the Risk Management team prior to approval from the Board Risk Management Committee. Risks on derivatives are continually reviewed to ensure that complexities of the products are adequately monitored and controlled.

3.1 Interest Rate Risk

Interest rate risk is the exposure of SBM Bank (Mauritius) Ltd'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.

Excessive interest rate risk can engender significant threats to the Bank's earnings and its capital base. As such, with a view to achieving its targets, SBM Bank (Mauritius) Ltd manages pro-actively its mismatched positions by controlling the impact of changes in interest rates on the Bank. SBM Bank (Mauritius) Ltd has established explicit and prudent interest rate risk limits based on its overall risk profile. It takes into account strategic considerations and market conditions. The prevailing positions are monitored against the prudential limits and reported monthly to the market risk forum and quarterly to the Board Risk Management Committee.

In line with the BOM Guideline on the Measurement and Management of Market Risk, SBM Bank (Mauritius) Ltd uses risk management techniques and methodologies, such as analysis of currency-wise re-pricing gaps and sensitivity analysis on earnings. SBM Bank (Mauritius) Ltd performs currency-wise gap analysis for each major currency to evaluate the disparity between assets and liabilities (both on- and off-balance sheet) that reprice within specific time buckets. Detailed analysis of the Bank's consolidated and currency-wise Repricing Gaps are provided in the Risk Management Disclosures Note 40(d) on page 82. The up to 3 months bucket includes assets and liabilities bearing floating interest rates that do not reprice at set dates, but reprice whenever the underlying interest rates change. SBM Bank (Mauritius) Ltd also avails of hedging instruments that minimises interest rate risk and that effectively manages the impact of interest rate changes on SBM Bank (Mauritius) Ltd's assets and liabilities.

Earnings at risk measures the sensitivity of net interest revenue arising out of plausible shocks in market rates over the ensuing 12 months. It highlights the exposure of SBM Bank (Mauritius) Ltd to various sensitive factors such as changes in Repo rate and pricing strategies on the Bank's earnings. At 31 December 2014, a 25 basis points parallel rate change would have an impact of MUR 47 million on net interest income while for a 200 basis points parallel rate shock as required by the banking regulator, the impact would be MUR 186 million, representing 1.4 percent of SBM Bank (Mauritius) Ltd's core capital.

3.2 Foreign Exchange Risk

Foreign exchange risk is the likelihood that movements in exchange rates might adversely affect the foreign currency holdings in Mauritian Rupee terms, thus impinging on the SBM Bank (Mauritius) Ltd's financial condition.

Foreign exchange rates can be subject to large and unexpected sudden swings, and understanding and managing the risks associated with exchange rate volatility can be complex. SBM Bank (Mauritius) Ltd is exposed to two sources of foreign exchange risk: translational foreign currency exposure and transactional foreign exchange exposure.

SBM Bank (Mauritius) Ltd's investments in India create capital resources denominated in foreign currency. Changes in the value of the investments due to currency movements are recorded in the currency translation reserve, resulting in movement in equity (as per accounting policies) if currency risk cover is not feasible or not available or not legally allowed.

In order to manage transactional foreign currency exposures, banking operations entities operate 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 losses limits. For the financial year under review, the regulatory limit was 15 percent of the Bank's Tier 1 Capital. For Indian Operations, the Reserve Bank of India has set a limit of INR 300 million. Details of the Bank's FX Open Position calculated using the short-hand method are available at page 167 of the Annual Report.

Independent of the Financial Market Front Office, the Middle Office (MO) closely monitors foreign exchange exposure and ensures deals are done as per procedures and the delegated limits. The currency positions including excesses and deviations from approved limits are reported daily to the Head of Risk Management, Chief Executive Banking and monthly to the Market Risk Forum and quarterly to the Board Risk Management Committee.

VaR is used to quantify the potential loss arising from adverse foreign exchange movements under normal market conditions. Given that foreign exchange positions are also subject to exceptional market movements, crisis situations and worst case scenarios are also used as part of stress testing exercises. While VaR reflects the potential losses under normal market environment, stress testing captures the

Bank's exposure to plausible but low-probability events in abnormal market conditions. The methodology used to calculate VaR is based on historical data and assumes that historical changes in market values are representative of future movements. The VaR is based on data for the previous twelve months period. VaR is computed by using a ten-day holding period and based on a 99 percent one-tailed confidence interval. This implies that only once in every 100 days, one would expect to incur losses greater than the VaR estimates, or about two to three times a year. The methodology of using a ten-day holding period and a one-year historical observation period are in accordance with Basel II recommendations on quantitative standards for market risk measurement.

The VaR as detailed in the table below was insignificant relative to SBM Bank (Mauritius) Ltd's core capital, MUR 1.3 million as at 31 Dec 2014 (31 Dec 2013: MUR 0.84 million, 30 Jun 2012: MUR 2.92 million).

Table 10: Value at Risk

	As at 31 Dec 2014	As at 31 Dec 2013	As at 30 Jun 2012
	MUR 000	MUR 000	MUR 000
Bank	1,268	837	2,916

The VaR measures have been back-tested against profit and loss to validate the robustness of the methodology. The Bank also simulates for a one-day time horizon at 99 percent confidence level that would best reflect the market environment. The rationale behind this principle is that open foreign currency positions can be liquidated in the market over one single day. Exposures in foreign currency are given in Note 41 to the Financial Statements.

3.3 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 relevant portfolios.

SBM Bank (Mauritius) Ltd is exposed to risks in respect of both locally and internationally quoted securities and commodities. Changes in prices can be caused by factors specific to the individual security and/or its issuer and/or factors affecting the market (country-specific or global) as a whole.

SBM Bank (Mauritius) Ltd's Investment Policy ensures that exposures are sufficiently diversified and within the Bank's risk appetite based on available economic capital. At 31 December 2014, the Bank's trading book exposure was within the prudential limits set by the Board. Each trading portfolio has its own market risk limit framework encompassing controls including trading mandates, permitted product lists and a new product approval process. In addition the Middle Office monitors closely the positions taken to ensure that trades are within policies, dealers' experience and prevailing market volatilities. Any excesses and deviations from policies are reported on a daily basis to the Head of Risk, the Chief Executive Banking as well as on a monthly basis to the Market Risk Forum and quarterly to the Board Risk Management Committee.

3.4 Liquidity Risk

Liquidity risk is defined as the 'exposure due to the inability to unwind, offset, or hedge a particular transaction, or the inability to do so without adversely affecting the market price, or the inability to meet payment obligations or collateral requirements'.

SBM Bank (Mauritius) Ltd has established a robust liquidity risk management framework that ensures it maintains sufficient liquidity currency-wise, including a cushion of unencumbered, high quality liquid assets, to withstand stress events, including those involving the loss or impairment of both unsecured and secured funding sources. It has clearly articulated a liquidity risk tolerance that is appropriate for its business strategy. The Board is responsible for approving the strategy, policies and practices, risk tolerance related to the management of liquidity at least annually.

Liquidity risk arises from the following scenarios:

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(a) Funding Liquidity Risk – the risk that a bank will not be able to meet efficiently the expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial condition; and

(b) Market Liquidity Risk – the risk that a bank cannot easily offset or eliminate a position at the prevailing market price because of inadequate market depth or market disruption.

SBM Bank (Mauritius) Ltd's primary sources of funding include (i) deposits, which are its most stable and lowest cost source of long-term funding, (ii) long-term borrowings and (iii) shareholders' equity. These sources may be supplemented by short-term borrowings of desired level. Competitive rates and the maintenance of depositors' confidence are important factors in assuring liquidity. Such confidence is based on a number of factors including the Bank's reputation and relationship with clients, the strength of earnings and financial position. Also in order to avoid excess reliance on a particular category of customers or product type or currency, the Bank has put in place a strategy which ensures diversification and undue concentration. A wide set of funding and depositors' concentration ratios are regularly monitored and reported to Senior Management regularly.

SBM Bank (Mauritius) Ltd works to ensure that the structural tenor of these funding sources is sufficiently long in relation to the tenor of its asset base. The excess liquidity resulting from a longer-term tenor profile can effectively offset potential decreases in liquidity that may occur under stress.

To manage liquidity risk, SBM Bank (Mauritius) Ltd has devised written policies and procedures which have the threefold objectives of:

- Elaborating the process for administering liquidity;
- Detailing the lines of responsibilities; and
- Describing the different frameworks to evaluate, scrutinise and control liquidity.

The policies, coupled with a set of limits approved by the Board on the recommendation of the Risk Management Committee, have as prime purpose the handling of unanticipated falls or alterations in funding sources availability. These incorporate trimming down surplus funding concentration, by diversifying sources and profiles of funding. Such policies also aim at safeguarding a portfolio of superior quality and marketable debt securities. While SBM Bank (Mauritius) Ltd utilises derivatives to manage the interest rate and currency risks related to the aggregate liquidity resources, credit derivatives are not used by SBM Bank (Mauritius) Ltd.

While the Head of Financial Markets Division is responsible for the daily administration of liquidity, it rests with the Treasury Middle office to ensure that the effective management of cash flows is in conformity with the established Liquidity Risk Management policies and limits laid down by the Board.

The India banking operation is also required to comply with their local regulator's liquidity requirements and to be self-sufficient for their local currency funding needs. SBM Bank (Mauritius) Ltd performs currency-wise gap analysis for each major currency to evaluate the disparity between assets and liabilities (both on- and off-balance sheet) that mature within specific time buckets. SBM Bank (Mauritius) Ltd maintained a strong liquidity position for the major currencies individually and on a consolidated basis. The funding base is mainly in MUR, USD and EUR. The long term liabilities comprise of term deposits, term borrowings and core portion of non-term deposits. Based on the behavioural analysis of non-term deposits, it has been observed that a major portion of the Bank's deposits is stable and it is expected that these will remain with SBM Bank (Mauritius) Ltd over the long-term. Detailed analysis of SBM Bank (Mauritius) Ltd consolidated and currency-wise Liquidity Gaps are provided in the Risk Management Disclosures Note 40 (c) on page 74.

An array of liquidity scenarios, covering a series of explicit events, are developed, analysed, and reported to the Market Risk Forum and to the Board Risk Management Committee. In the case of a potential or actual crisis, SBM Bank (Mauritius) Ltd has a formal contingency plan in place that clearly sets out the process, responsibilities and strategies for addressing liquidity shortfalls in unexpected situations. As at 31 December 2014, the Bank had a sound, positive liquidity gap and was amply capable of meeting future expected cash flows both in local currency and major foreign currencies.

3.4.1 Liquidity Measurement

SBM Bank (Mauritius) Ltd uses multiple strategies and methodologies to monitor its liquidity perspectives. In broad terms, the liquid asset ratio provides an assessment of the extent to which assets can be readily converted into cash or cash substitutes to meet financial commitments. The Bank's liquid assets echo a sound liquidity standing, adequate to counterbalance the impact of a stressed funding environment. SBM Bank (Mauritius) Ltd is capable of utilising its own resources extensively and to invest in higher yielding assets. SBM Bank (Mauritius) Ltd always strives to attain the right trade-off between liquidity and profitability.

Basel III Liquidity Ratios

SBM Bank (Mauritius) Ltd was in compliance with Basel III Liquidity Coverage Ratio (LCR). The minimum requirement has been set initially at 60 percent by BCBS and would rise in equal steps to reach 100 percent in 2019. The LCR is designed to ensure that banks maintain an adequate level of unencumbered cash and highly liquid securities that can be converted to cash to meet liquidity needs under an acute 30-day stress scenario. For all currencies consolidated, the estimated LCR was 118 percent as at 31 December 2014 (31 December 2013: 132 percent) for Mauritius Operations and 668 percent as at December 2014 for Indian Operations. Table 11 shows the LCR for significant currencies:

Liquidity Coverage Ratio

Table 11: Liquidity coverage ratio

	Mauritius Ops	India Ops
MUR	161%	n/a
USD	115%	n/a
EUR	74%	n/a
INR	n/a	853%

In addition, loans, which comprised the largest component of the Bank's illiquid assets, as a percentage of total deposits, stood at 76 percent (December 2013: 87 percent) and, as a percentage of the total funding base, stood at 72 percent (December 2013: 81 percent). This showed that SBM Bank (Mauritius) Ltd has a stable funding base and is highly liquid.

The net stable funding ratio (NSFR), on the other hand, is a longer term measurement of a bank's funding capability over a one-year horizon. As at 31 December 2014, the NSFR stood at 101 percent (31 December 2013: 124 percent) which was already above the Basel III requirement of 100 percent.

4. OPERATIONAL RISK MANAGEMENT

Operational risk is inherent in all business activities and has been defined by the Basel Committee on Banking Supervision as 'the risk of loss resulting from inadequate or failed internal processes, people, systems or external events'.

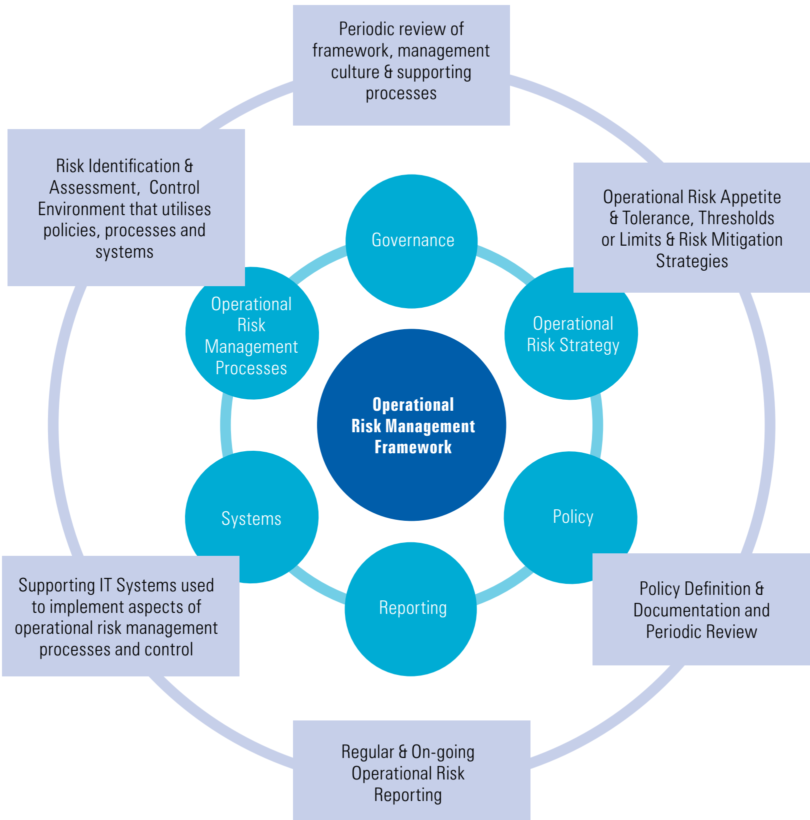
These diverse risks are explained as follows:

- **Process risk** - The risk related to the execution and maintenance of transactions, and the various aspects of running a business, including products and services.

- **People risk** - The risk of a loss intentionally or unintentionally caused by an employee – i.e. employee error, employee misdeeds – or involving employees, such as in the area of employment disputes;
- **Information Technology risk** - The risk of loss caused by a piracy, theft, failure, collective breakdown or other disruption in technology, data or information. It also includes technology that fails to meet business needs; and
- **External risk** - The risk of loss due to damage to physical property or assets from natural or non–natural causes. This category also includes the risk presented by actions of external parties, such as the perpetration of fraud, or in the case of regulators, the execution of change that would alter the Bank's ability to continue operating in certain markets. Other related risks are legal risk, reputational risk and compliance risk.

SBM Bank (Mauritius) Ltd's Operational Risk Management framework as approved by the Board Risk Management Committee has been developed with the objective to ensure that operational risks within SBM Bank (Mauritius) Ltd are identified, monitored, managed and reported in a structured systematic and consistent manner. The framework detailed below for sound operational risk management is in line with the recommendations of the Basel Committee on Banking Supervision.

Figure 12: Operational risk management framework



The details of the framework are set out as below:

1. **Governance** will help establish, approve and periodically review various aspects of the Operational Risk Management framework. It is also responsible for establishing a management culture, and supporting processes for Operational Risk Management.

2. **Operational Risk Management Processes** lay out a mechanism for Risk Identification & Assessment using the various risk assessment tools and activities, such as, Business Line Mapping, Risk Control Self-Assessment (RCSA), Internal Loss Data, Risk Register, KRI and Risk Register Heat map. The processes also include setting up the Control Environment to manage the risks which have been identified earlier.

3. **Operational Risk Strategy** leverages Risk Identification & Assessment to formalise the Operational Risk Appetite & Tolerance, Thresholds or Limits for inherent and residual risk, and Risk Mitigation Strategies and Instruments. It also aids the calculation of capital charge utilising the current Alternative Standardised Approach (ASA).

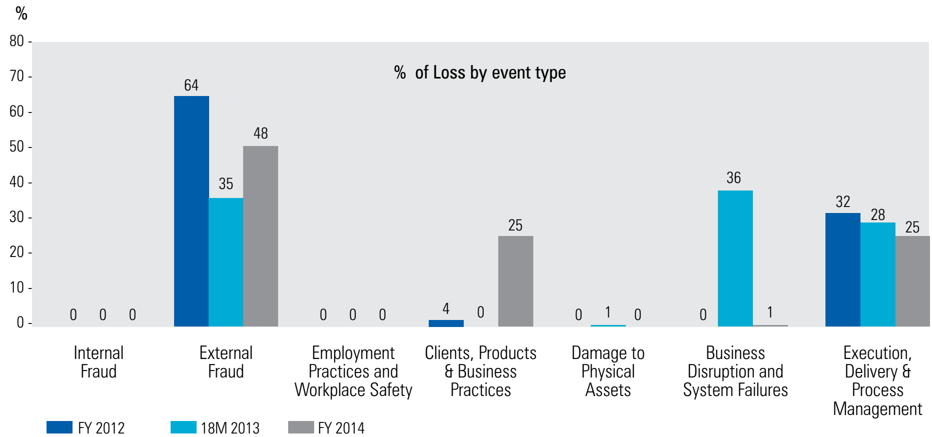
4. **Policy** helps define and document the Operational Risk within SBM Bank (Mauritius) Ltd and provide guidelines for compliance during periodic audits.

5. **Systems** form part of the supporting technology landscape used to implement aspects of Operational Risk Management processes and controls.

6. **Reporting** helps monitor operational risk profile and material exposures to losses through relevant Management Information Systems (MIS).

A conducive control environment with robust operational risk policies, processes, systems as well as appropriate risk culture within the organisation has contributed in maintaining a low operational loss experience over the years. In FY 2014, the operational loss amount was negligible relative to SBM Bank (Mauritius) Ltd's core capital (0.01 percent of the core capital as at 31 December 2014). SBM Bank (Mauritius) Ltd continues to take counter-measures to prevent recurrence of operational risk events.

Chart 18: Operational loss events by risk category



RISK MANAGEMENT

In order to protect the Bank against financial consequences of uncertain operational events, despite the adoption of best practices and rigorous compliance of same, certain operational risks can best be mitigated as follows:

a) Insurance policies acquired to mitigate the impact of operational losses when and if they occur;

b) Outsourcing of non-key processes; and

c) An effective Business Continuity Management, which is an integral part of the Bank's strategy to mitigate risks and to manage the impact of unforeseen events.

Information Technology (IT) Risk

The advancement of IT has brought about rapid changes to the way banking and financial services businesses and operations are being conducted. IT is a key enabler for achieving our business objectives and strategies including reaching out to and meeting customer needs. Usage of technology resources may however have significant risk implications as dependency on technology increases.

The IT risk management team is responsible for establishing the Information Technology risk management framework, and promotes information risk management policies and practices across the Group in order to manage technology risks and safeguard information system assets. The framework (which covers risk governance, communication, monitoring, assessment, mitigation and acceptance), supported by a set of IT policies and standards, control processes and risk mitigation programmes. These include:

- A comprehensive IT Security awareness training programme, extended to new and existing staff, contractors.
- The deployment of security solutions at the data, application, database, operating systems and network layers to monitor and contain the various forms of cyber-attacks.
- The deployment of strong access control and authentication mechanisms to protect its premises and systems (including customer data and transactions).
- The deployment and regular testing of its Disaster Recovery infrastructure and Business Contingency Procedures (DR/BCP) to minimise the duration and impact of business disruptions. This includes the implementation of a data backup and periodic testing strategy for the storage of critical information.
- The implementation of independent compliance process to assess compliance with standards and procedures.
- The development and monitoring of metrics (Risk and Performance Indicators – KRIs & KPIs) to identify and mitigate system security and performance risks promptly.
- Changes to systems, processes and controls go through the Change Management Team and Risk Management Team for impact assessment and ensuring a proper transition. Throughout 2014, the Change Management Team has been fully involved in the major business-aligned technology transformation project named Flamingo. The technology transformation initiative by the Bank is as a timely response to refresh its technology and accommodate future aspirations and geographical expansion. In a project of such scale involving the implementation of 27 key IT systems including the Core Banking System replacement, the Change Management Team plays an important role ensuring the effective management of the project resources and the transition to the new technology platforms.

Fraud Risk

All the employees of the Bank are expected to act with integrity at all times to safeguard the Bank's reputation, protect customers and the Bank's resources. The Bank follows the following key guiding principles:

- A zero tolerance towards staff fraud

- Stringent control procedures
- Timely disclosure of fraudulent activities
- Training and awareness program
- Risk-based approach to non-staff fraud
- Whistleblowing
- Human resource policy including code of ethics and business conduct and conflict of interest

The Bank is aware of business opportunities as well as the external risks primarily linked to the growth of e-business activities in Mauritius and worldwide. Through the 24/7 monitoring of e-business activities, issuing and acquiring of card transactions by the Proactive Risk Management Team using secured state of the art monitoring capabilities, the majority of fraudulent attempts are detected and prevented. The Bank has also deployed anti-skimming technology on ATMs, coupled with high quality surveillance systems, and works closely with law enforcement authority to prevent the skimming of cards.

Cybercrime

Cybercrime is ranked among the top security threat worldwide and the frequency and intensity of attacks are increasing. The Bank has taken measures on top of existing IT security measures to strengthen its resilience against e-banking fraud, while at the same time recognising that internet and digital technologies can transform customer experience and enable major business opportunities. In addition to the deployment of resources and a 24/7 monitoring system, the Bank believes that customers' awareness about cyber security is an imperative line of defence and it regularly raises awareness through its website, local newspapers and individual communication. Regular security vulnerability assessments and penetration testing are conducted on our systems and network in compliance with regulatory requirements to proactively identify and remediate security vulnerabilities.

Other related risks

a) Legal Risk

Basel defines legal risk in the context of operational risk and includes but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements. Legal risk can materialise in any of the operational risk categories as the Bank may be the subject of claims and proceedings for non-compliance with laws or statutory responsibilities.

b) Reputational Risk

Reputational risk can arise from negative perception on the part of customers, counter parties, shareholders, investors, debt holders, market analysts, other relevant parties or regulators that can adversely affect a Bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding.

SBM Bank (Mauritius) Ltd has set up a framework where all employees are responsible for identifying and managing reputational risk that may occur within their respective areas of business. These responsibilities form part of the Bank's Code of Conduct.

c) Regulatory compliance risk

Regulatory compliance risk refers to the risk of regulatory sanctions, financial loss or damage to the reputation of SBM Bank (Mauritius) Ltd that may arise from non-compliance with laws, regulations, rules, standards or code of conduct. SBM Bank (Mauritius) Ltd has an independent Compliance team which assesses compliance risk and, also, manages the risk of breaches and sanctions relating to Anti-Money Laundering and Countering the Financing of Terrorism.

The Compliance team acts as a contact point within SBM Bank (Mauritius) Ltd and delivers timely advice in relation to compliance queries emanating within the Bank.

d) Strategic Risk

Strategic risk is the risk that SBM Bank Group's future business plans and strategies may be inadequate to prevent financial loss or protect the shareholder returns and the SBM Bank Group's competitive position. The business plans and strategies including the performance and achievements are reviewed and discussed by the Board of Directors on a periodical basis.

Internal Audit and Assurance

The Internal Audit and Assurance (IAA) function of SBM Bank (Mauritius) Ltd ensures that the Bank's operations are conducted by applying highest standards of best practice and in accordance with the Bank's internal procedures/policies by providing an independent, objective assurance to the management and the Board. The department is governed by an internal audit charter and it reports directly to the Audit Committee of the Bank.

The Audit Committee of SBM Bank (Mauritius) Ltd approves Internal Audit's plan and resources and evaluates the effectiveness of the Bank's Internal Audit team. On the otherhand, it is the IAA function of SBM Holdings Ltd which evaluates the quality of the Bank's internal audit work, adequacy of audit resources, proper execution of audit plan, risk assessment of key risk areas, compliance with internal audit methodologies and policies established by the Group audit function.

Audits are conducted following the risk-based audit methodology which is in line with global best practices and the IAA charter. The areas of high risks are captured by conducting a risk assessment exercise from an audit universe document which comprises of all processes, risks, ratings, mitigating controls in place, likelihood and impact as well as the residual risks for each business unit of SBM Bank (Mauritius) Ltd. In addition, the statutory auditors consult internal audit reports and also place reliance on work covered as guidance in assessing areas where substantive or detailed level of testing should be carried out.

During the year under review, the IAA department completed audits of internal control and information systems as per its pre-approved audit plan and charter. Material or significant control weaknesses and proposed management corrective actions and remedial measures implemented were reported to the Audit Committee on a quarterly basis.

The IAA is committed to quality, robust technical approach to consultation of International Standards on Auditing, provides appropriate training to its staff for enhancement of required skills to perform its mission and emphasises on a culture that stresses the importance of independence. Whilst focusing on key areas of higher risk, the IAA has established an effective line of communication with both management and the Audit Committee to provide independent insight of the comprehensive cover and effectiveness of internal controls at the Bank. Recommendations and suggestions are made with a view to strengthen the effectiveness of these internal controls.

The IAA has, over the past few years, extended its capabilities and specialisation to non-audit services such as conducting analytics on various products and account maintenance features, exceptions identification and forensic investigations amongst other special assignments. Where in course of audit and non-audit services, areas are identified which exhibit unusual levels of specific risk, a description of the circumstances together with suggestions for improvements of controls or risk management processes are included in audit reports.

Looking ahead, in line with the on-going IT Transformation project at the Bank, the Internal Audit department shall be equipped with integrated audit software, Pentana Audit Work System (PAWS), designed to manage and automate a wide range of audit operations. The new system will contain a centralised secured repository for all the audit works, investigations and other audit related matters.

PAWS comprises of several modules which allow risks and controls to be assessed, assurance works to be planned and carried out, audit reports to be automatically produced and actions to be raised and tracked over a web-based interface. Furthermore, there is an option to interface Pentana with Retain, enabling detailed resource scheduling and time recording and management.

A team of end-users from the Internal Audit department has been extensively involved in hands-on training and testing of the system in a simulation environment. PAWS will not only provide more clarity on the work performed by the Internal Audit function but shall also standardise the way it is conducted to ensure compliance with International standards.

Capital Resources

Capital Management

SBM Bank (Mauritius) Ltd is committed to maintaining a strong capital base to support its planned growth and the risks associated within its diversified businesses. Strong capital levels provide safety for the Bank's owners, customers, foster investor confidence and allow the Bank to take advantage of growth opportunities as they arise. The Bank has a robust capital management framework to measure, deploy and monitor its capital and assess its adequacy. The capital management framework of the Bank is administered by the Risk, Finance and Value Based Performance Management teams under the supervision of the Board and the Risk Management Committee. The capital adequacy position and assessment is reported to the Board and the Risk Management Committee periodically.

On 02 October 2014, the then State Bank of Mauritius Ltd completed a restructuring plan that included the transfer of non-banking and foreign banking operations under a newly established holding company, SBM Holdings Ltd. State Bank of Mauritius Ltd changed its name to SBM Bank (Mauritius) Ltd.

Following the Group restructuring, SBM Bank (Mauritius) Ltd has transferred the excess capital to SBM Holdings Ltd except for an optimum capital required to comply with Basel III and the additional buffers factored under the Bank of Mauritius (BOM) CAMEL rating and as a Domestic Systemically Important Bank as required by BOM.

During the year under review, SBM Bank (Mauritius) Ltd issued two classes of Senior Unsecured Subordinated Bonds, namely Class A 1 Series and Class B 1 Series Bonds to finance its planned overseas expansion and Segment B business.

Class A 1 Series, 10-year Bonds is denominated in Mauritian Currency of MUR 1.5 billion and mature in 2024 while Class B 1 Series 7- year Bonds of USD 65 million mature in 2021.

The Bonds which are listed on the Stock Exchange of Mauritius are eligible as Tier 2 capital. During the restructuring exercise, these bonds have been transferred to SBM Holdings Ltd.

As at 31 December 2014, the capital adequacy ratio of SBM Bank (Mauritius) Ltd was 20.67 percent.

Regulatory Capital Components

Capital ratios are means to monitor the capital adequacy and measures of financial strength of banks. Total Capital Adequacy Ratio (CAR), is determined by dividing capital components by risk-weighted assets, including operational risk.

Capital adequacy standards for banks in Mauritius are regulated by the BOM. These standards are largely consistent with international standards set by the Basel Committee on Banking Supervision (BCBS). Till 30 June 2014, the Bank was subject to Basel II capital adequacy guidelines stipulated by BOM. The guidelines are used to evaluate capital adequacy based primarily on the credit risk associated with on-balance sheet assets, as well as certain off-balance sheet exposures such as unfunded loan commitments, letters of credit, derivatives and foreign exchange contracts. Following the publication of the revised capital adequacy requirements by the Basel Committee on Banking Supervision (BCBS) and universally referred to as Basel III, BOM has also issued guidelines, reporting requirements and disclosure guidance which are consistent with the Basel III reforms. BOM has adopted a more stringent approach than the minimum standards published by BCBS.

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As compared to previous standards, Basel III places a greater emphasis on common equity by introducing a new category of capital, Common Equity Tier 1 (CET1), which consists primarily of common shareholders' equity net of regulatory deductions. These regulatory adjustments include goodwill, intangible assets (net of deferred tax liabilities), deferred tax assets, pension assets and equity investments in financial institutions exceeding certain shareholding.

Bank regulatory capital is divided into three components - Common Equity Tier 1 (CET1), Additional Tier 1 and Tier 2 capital depending on their degree of permanency and loss absorbency. All components of capital provide support for banking operations and provide protection to depositors. Since different types of assets have different risk profiles, CAR primarily adjusts for assets that are less risky by allowing banks to assign lower risk weight. Banking regulators set a minimum capital adequacy ratio so as to provide banks with a cushion to absorb losses. This improves stability in financial markets and protects deposit-holders. Banks in Mauritius are required to maintain a minimum capital to risk-weighted assets ratio of 10 percent (excluding buffers). Our India branches abide by the minimum capital requirement set by the Reserve Bank of India which is 9 percent.

Under Basel II, a bank's capital comprised Tier 1 and Tier 2 capital with a restriction that Tier 2 capital cannot be more than 100 percent of Tier 1 capital. Within Tier 2 capital, subordinated debt is limited to a maximum of 50 percent of Tier 1 capital. However, under Basel III, the Tier 1 capital will predominantly consist of Common Equity. The qualifying criteria for instruments to be included in Additional Tier 1 capital outside the Common Equity element as well as Tier 2 capital has been strengthened.

Tier 1 (T1) Capital, made up of CET1 and Additional Tier 1 (AT1) capital, are terms used to qualify eligible capital of a bank and constitutes the components having the highest loss absorbing capacity.

As per BOM guideline on Basel III, CET 1 include 'Accumulated other comprehensive income and other disclosed reserves', excluding revaluation surpluses on land and building assets.

Tier 2 (T2) capital is supplementary capital that includes surplus arising from revaluation of land and buildings, general provisions for credit losses and subordinated debt.

Overall, the Basel III rules increase the level of regulatory deductions relative to Basel II. Basel III also increases the level of risk-weighted assets for significant investments for defined thresholds, exposures to large or unregulated financial institutions meeting specific criteria, derivative exposures to centralised counterparties and exposures that give rise to wrong way risk.

The Basel III capital regulations continue to be based on three-mutually reinforcing Pillars, viz. minimum capital requirements, supervisory review of capital adequacy, and market discipline of the Basel II capital adequacy framework.

The transparency of capital base has been improved, with all elements of capital required to be disclosed along with a detailed reconciliation to the published accounts. This requirement will improve the market discipline under Pillar 3 of the Basel II framework.

The final "Guideline on Scope of Application of Basel III and Eligible Capital" issued in June 2014 by BOM supersedes all guidelines on Basel II. The guideline which came into effect as from 01 July 2014 requires compliance with the minimum capital ratio requirements at both solo and bank group levels:

(a) the bank standalone ("solo") level capital adequacy ratio requirements, which measure the capital adequacy of the bank on its standalone capital strength and risk profile; and

(b) the consolidated ("group") level capital adequacy ratio requirements, which measure the capital adequacy of the bank based on its capital strength and risk profile after consolidating the assets and liabilities of its subsidiary entities that are engaged in financial activities, except for entities involved in insurance and non-financial (commercial) activities.

Capital is generated internally through net earnings after dividend payments.

The table below illustrates the components of the capital base for SBM Bank (Mauritius) Ltd together with RWA and ratios as required by BOM

Table 12: Components of the capital base

Regulatory Capital[1]		**MUR million**	
SBM Bank (Mauritius) Ltd	**Dec 2014**	**Dec 2013**	**Jun 2012**
	Basel III	**Basel II**	
Common Equity Tier 1 Capital			
Share Capital	310	304	304
Capital Contribution	8,063		
Statutory reserves	528	522	476
Retained Earnings	7,176	15,912	13,874
Accumulated other comprehensive income and other disclosed reserves	(644)	(749)	(229)
Treasury (own) shares		(2,333)	(2,333)
Other Intangible Assets	(1,068)	(639)	(85)
Deferred Tax	(162)	(145)	-
Other Tier 1 Capital Adjustments [2]		(1)	(723)
Common Equity Tier 1 Capital	**14,204**	**12,870**	**11,284**
Additional Tier 1			
Tier 1 capital (T1 = CET1 + AT1)	**14,204**	**12,870**	**11,284**
Tier 2 Capital			
Other Reserves	600	772	837
Portfolio Provision	208	228	235
Other Tier 2 capital adjustments[2]		(1)	(723)
Tier 2 Capital	**808**	**1,000**	**349**
Total Regulatory capital	**15,012**	**13,870**	**11,633**
Risk-Weighted Assets			
Credit risk	65,950	65,439	60,173
Market risk	487	277	553
Operational risk	6,190	5,911	4,771
Total Risk-Weighted Assets	**72,627**	**71,626**	**65,497**
Common Equity Tier 1 capital ratio	**19.6**	**18.0**	**17.2**
Tier 1 capital ratio	**19.6**	**18.0**	**17.2**
Total capital ratio	**20.7**	**19.4**	**17.8**

Notes:

[1] Effective 01 July 2014, regulatory capital ratios are determined in accordance with Basel III rules.

[2] Basel II deductions include deduction of investments in financial subsidiaries

The Guideline on Scope of Application of Basel III and Eligible Capital also outlines the operation of the capital conservation buffer (CCB) which is designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred during stressed periods. The requirement is based on simple capital conservation rules designed to avoid breaches of minimum capital requirements. Therefore, in addition to the minimum CAR of 10 percent, banks in Mauritius will have to hold CCB of 2.50 percent of RWAs in the form of Common Equity to withstand future periods of stress bringing the total Common Equity requirement to 9 percent of RWAs and total capital to RWAs to 12.5 percent. The capital conservation buffer will be phased-in a uniform manner of 0.625 percent per year commencing 01 January 2017 till 2020. The guideline also stipulates that the capital conservation buffer can be drawn down only when a bank faces a systemic or idiosyncratic stress and that a bank should not choose in normal times to operate in the buffer range. Adherence to this requirement will be closely monitored by BOM.

Furthermore, in alignment with the Basel III framework, BOM issued the final Guideline on Domestic Systemically Important Banks (DSIBs) in June 2014 to identify potential systemically important banks and ensure that these banks have the capacity to absorb losses through higher capital. The guideline sets out the assessment methodology to be applied for classifying an institution as being systemically important. DSIBs are institutions whose failure will have spill-over effects on the financial system and will affect the real economy. Banks provide information as on 30 June 2014 to enable the regulator to make an assessment. The information was processed and BOM designated five banks in Mauritius as domestic systemically important banks because of their size, exposure to large groups, interconnectedness, complexity and substitutability. Depending on the overall score obtained on the assessment of these five factors, banks classified as DSIB will have to keep additional buffer ranging from 1.0 percent-3.0 percent to become effective as from 01 January 2016 and this will be in addition to the 8.0 percent Minimum Tier 1 CAR and the 10.0 percent of Minimum total CAR and CCB. Each bank is expected to have a specific minimum requirement based on its particular business and risk profile. SBM Bank (Mauritius) Ltd, classified as a DSIB, is required to maintain additional Common Equity Tier 1 Capital of 1.5 percent as additional loss absorbency.

SBM Bank (Mauritius) Ltd is already fully in compliance with Basel III.

As at 31 December 2014, SBM Bank (Mauritius) Ltd had a Tier 1 capital ratio of 19.6 percent and a total capital adequacy ratio of 20.7 percent which is well above the minimum total capital requirement ratio of 14 percent.

Risk-Weighted assets

Capital risk-weighted assets (RWA) represent the Bank's exposure to credit, market and operational risk and are computed by applying BOM prescribed risk-weights to on-and off-balance sheet exposures. Credit risk measures the risk that a borrower or counterparty will fail to honour its financial or contractual obligations to the Bank. SBM Bank (Mauritius) Ltd has adopted the Standardised Approach to credit risk to determine the minimum regulatory requirements. Under this approach, the risk-weighted exposures are built on the type of borrowers, its associated risk weight and the credit conversion factor of the underlying credit facility. The Bank uses ratings assigned by external rating agencies such as Standard & Poor's, Moody's Investors Service and Fitch Ratings as approved by the BOM to determine the relevant risk weights applicable for its claims on banks and sovereigns. Residential secured lending products for amounts up to MUR 5 million are risk-weighted at 35 percent and other retail products receive a 75 percent risk weight.

Collateral is taken to mitigate the credit risk. Where a claim on counterparty is secured against eligible collateral, the secured portion of the claim is weighted according to the risk weight of the collateral and the unsecured portion against the risk weight of the counterparty.

During the year under review, there have been significant developments in the banking landscape. The "Guideline on Standardised Approach to Credit Risk" issued in 2008 was amended following the introduction of macro prudential measures by BOM to address potential risks and vulnerabilities. Effective 01 July 2014, relatively higher risk weights are being assigned to credit facilities secured by residential property and commercial real estate granted for the purpose of purchase/construction in Mauritius to address the systemic risk posed by loans in the construction sector. Examples of applicable risk weights are: (i) 100 percent for outstanding housing loan amounts greater that MUR 5 million and up to MUR 12 million, and 125 percent for amounts above MUR 12 million; (ii) 125 percent for outstanding facilities secured by commercial real estate.

While on-balance sheet assets grew by 8.6 percent for the year under review, credit risk-weighted assets increased by 1.2 percent only as demand for credit constraint lead to more investments in gilt edged securities carrying zero risk weight and foreign bonds carrying lower risk weight compared to the previous period.

Capital Adequacy

SBM Bank (Mauritius) Ltd has adopted a conservative and proactive approach to capital management and as reflected in the overall strength of its capital position. The Bank currently operates at capital levels well above the current minimum requirements with a capital adequacy ratio of 20.7 percent as at 31 December 2014 under the Basel III guidelines.

The difficult domestic economic environment continues to restrain growth in advances. Total banking assets grew, though at a slower pace. SBM Bank (Mauritius) Ltd, along with all banks in Mauritius, adopted a more cautious approach to lending to the construction sector after the implementation of macro-prudential measures by the regulator to address potential risks and vulnerabilities. During the year under review, the Bank's asset growth has been relatively balanced.

The following table provides comparative figures for the risk-weighted assets after credit risk mitigation for both on-balance sheet and off-balance sheet assets for the Bank

Table 13: On-balance sheet assets

On-Balance Sheet Assets MUR million	Dec 2014 Amount	Dec 2014 Weight %	Dec 2014 Risk-Weighted Assets	Dec 2013 Risk-Weighted Assets	Jun 2012 Risk-Weighted Assets
Cash Items	2,386	0-20	42	48	47
Claims on Sovereigns	18,981	0-100	491	458	11
Claims on Central banks and International Institutions	6,924	0-50	344	245	-
Claims on Banks	13,845	20-100	5,268	1,975	4,151
Claims on Non-Central Government Public Sector Entities	1,375	0-100	788	940	1,567
Claims on Corporates	27,974	100	27,974	28,678	24,768
Claims included in the Regulatory Retail Portfolio	9,299	75	6,975	7,609	6,358
Claims secured by residential property	15,220	35-125	6,123	6,304	5,081
Claims secured by Commercial Real Estate	7,676	100-125	7,770	9,829	10,172
Past due claims	663	50-150	661	781	197
Other assets	6,221	100	6,221	5,058	3,399
Total On-Balance Sheet	**110,564**		**62,656**	**61,925**	**55,752**

Table 14: Off-balance sheet assets

Off-Balance Sheet Assets MUR million	Credit Conversion Factor (%)	Nominal Amount	Credit Equivalent Amount	Weight (%)	Risk-Weighted Assets	Risk-Weighted Assets	Risk-Weighted Assets
	Dec 2014					Dec 2013	Jun 2012
Direct Credit Substitutes	100	601	584	0 - 100	527	405	414
Transaction-Related Contingent items	50	4,857	2,345	0 - 100	2,261	2,274	2,995
Trade-Related Contingencies	20	1,007	200	0 - 100	182	192	142
Other Commitments	0 - 20	7,376	349	0 - 100	324	643	871
Total non-market-related risk-weighted credit exposures		**13,840**	**3,477**		**3,294**	**3,514**	**4,422**
Interest Rate contracts	1 - 4	2,478	99	50	49	17	25
Foreign Exchange contracts	2 - 5	14,431	325	20 - 100	261	137	93
Total Foreign Exchange and Interest Rate contracts	1 - 5	16,909	424		310	154	118
Total Off-Balance Sheet					**3,604**	**3,856**	**4,539**

Note:

Risk-weighted assets are computed as per the guidelines in force at the year-ends. The 2012 and 2013 ratios are computed based on the Basel II methodology advocated by the Bank of Mauritius while the 2014 ratios are computed based on the Basel III methodology.

Market Risk Capital

The Bank follows the Standardised methodology outlined in BOM's "Guideline on Measurement and Management of Market Risk", which is largely based on Basel II Standardised Measurement Method.

As per BOM guideline, a bank is required to hold additional capital whenever its overall position in trading book activities exceeds 5 percent or more of its total assets. Furthermore, a bank is encouraged to hold a capital buffer that adequately covers the interest rate risk exposures arising from the banking book. Presently, the trading book exposure of SBM Bank (Mauritius) Ltd is confined within the 5 percent significance level and consists mainly of foreign exchange risk.

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

Table 15: Net open foreign exchange position

	Dec 2014	Dec 2013	Jun 2012
		MUR milion	
Aggregate net open foreign exchange position	176.7	122.5	435.5

Operational Risk Capital

SBM Bank (Mauritius) Ltd has adopted the Alternative Standardised Approach for the computation of capital for operational risk. The capital charge is worked out as a summation of the following:

- For Trading & Sales and Payment & Settlement business lines, a beta factor of 18 percent is applied to the average gross income over last 3 years
- For Retail and Commercial banking business lines, a beta factor of 12 percent and 15 percent respectively is applied to the last three year average outstanding balances of advances and securities for the respective line of business multiplied by a factor of 0.035 percent as prescribed in the BOM Guideline on Operational Risk Management and Capital Adequacy Determination.

The following table sets out, at the dates indicated, the operational risk capital charge for the Bank

Table 16: Operational risk capital charge

	Dec 2014	Dec 2013	Jun 2012
		MUR milion	
Capital charge for Operational Risk	619	591	477

Basel III also introduced a supplementary leverage ratio which is a non-risk based ratio that includes off-balance sheet exposures to serve as a backstop to the risk-based capital requirement. The Leverage ratio is defined as a ratio of Basel III Tier 1 capital to a leverage exposure measure which includes on-balance sheet assets and off-balance sheet commitments, derivatives and securities financing transactions, as defined within the requirements. The leverage ratio of the Bank stood at 12.1 percent as at 31 December 2014 against the BCBS recommended minimum of 3 percent. As of date there is no regulatory requirement to compute the leverage ratio.

Our India Operations also abide by the minimum capital requirement set by the Reserve Bank of India (RBI) which is at 9 percent. Basel III capital regulations have been implemented in India with effect from 01 April 2013 and would be fully phased in March 2019. As per RBI guidelines, SBM Indian Operations is reporting Capital Adequacy ratio returns as per Basel III to RBI since quarter ended June 2013. The capital position was strong with a ratio of 52.9 percent at December 2014 compared to 56.1 percent at December 2013.

Outlook

SBM Bank (Mauritius) Ltd will continue to have a strong capital to support organic growth initiatives and expansion projects while maintaining full compliance with evolving regulatory changes. The Bank expects to remain well above the fully implemented Basel III CET1 ratio of 10.5 percent (6.5 percent + 2.5 percent + 1.5 percent) inclusive of all additional buffers as required by BOM. The Bank would also endeavour to operate at all times with buffer well above the minimum capital requirements.


Spreading our wings
over Great India

CORPORATE GOVERNANCE

Brief introduction

Corporate governance is the accumulated rules, policies, procedures and laws affecting the way in which a corporation operates, makes decisions and develops its relationships with, among a broad group of stakeholders including the Board of Directors, management, employees, shareholders, regulators, customers, creditors, auditors, suppliers and the community. Governance provides the structure through which corporations set and pursue their objectives, while reflecting the context of the social, regulatory and market environment.

Corporate governance deals with determining ways to take effective strategic decisions. It gives ultimate authority and complete responsibility to the Board of Directors. In today's market-oriented economy, the need for corporate governance arises particularly in relation to accountability, given the high-profile collapses of a number of large corporations in the recent past, most of which involved accounting fraud. Also, efficiency as well as globalisation are significant factors underlining the need for corporate governance practices. Corporate governance is essential to develop added value to the stakeholders.

Corporate governance promotes transparency which ensures strong and balanced economic development. This also ensures that the interests of all shareholders are safeguarded. It ensures that all shareholders are able to exercise their rights fully and that the organisation fully recognises their rights.

The Board of Directors of SBM Bank (Mauritius) Ltd, formerly 'State Bank of Mauritius Ltd', is fully committed to achieving and sustaining the highest standards of corporate governance with the aim of maximising long-term value creation for the shareholders. Their key purpose is to ensure the Bank's prosperity by collectively directing its affairs, whilst meeting the appropriate interests of its shareholders and other stakeholders. In addition to business and financial issues, the Board of Directors must deal with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics. In line with company law and the constitution of the Bank, the directors need to obtain shareholder's approval whenever needed as per the law.

It is the responsibility of the Board of Directors to ensure that good corporate governance is in place in the Bank and that it is continually improved upon by bringing the best global practices as well as aligning the incentives of the managers with those of shareholders. They are directly accountable to the shareholders, and directors report to shareholders on the performance of the Bank, its future plans and strategies through the Annual Report besides *ad-hoc* communications on material issues. The Board of Directors sets the Bank's strategy, develops directional policy, provides leadership to put them into effect, appoints and supervises the management, and ensures accountability of the organisation to its owners and relevant authorities.

The Code of Corporate Governance for Mauritius

The Code of Corporate Governance for Mauritius (the Code) published in October 2003 became mandatory as from July 2009 and it requires all companies listed on the Official Market of the Stock Exchange of Mauritius, banks and non-banking financial institutions, large public entities, State-owned enterprises including statutory corporations and parastatal bodies, and large private companies to ensure compliance or else to provide reasons for non-compliance with any of the provisions of the Code in their financial statements or reports.

The Code of Corporate Governance is being reviewed by the National Committee on Corporate Governance. Subsequent amendments would most likely be implemented during the year and SBM Bank (Mauritius) Ltd is looking forward to the revised Code.

Banks are also required to comply with the Guideline on Corporate Governance issued by the BOM and in the event of conflict between the Code and the Guideline, the Guideline takes precedence.

Statement of compliance

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

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

Reporting Period: 1 January 2014 to 31 December 2014

We, the Directors of SBM Bank (Mauritius) Ltd, confirm, to the best of our knowledge, that the Company has complied with the obligations and requirements under the Code of Corporate Governance in all material aspects.

Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*
Chairperson

Alain A. J. G. R. Rey
Director

30 March 2015

Governance structure

Corporate Governance framework

SBM Bank (Mauritius) Ltd's corporate governance framework includes its Board of Directors, Board committees, management, management forums, employees, regulators, internal and external auditors, customers, suppliers and other stakeholders. SBM Bank (Mauritius) Ltd complies with the Code and regulatory guideline, follows industry and international best practices as well as established policies and procedures. SBM Bank (Mauritius) Ltd requires all its employees to adopt the highest standard of business integrity, transparency, professionalism and ethical behaviour, as well as compliance with policies, best practices, applicable laws, and rules while conducting business.

SBM Bank (Mauritius) Ltd's Board Corporate Governance & Conduct Review Committee reviews the corporate governance framework, the Board Charter and policies dealing with matters/issues such as conflicts of interest and related party transactions, and ensures compliance thereof on an on-going basis. The Committee reviews at least once annually the governance framework and recommends new policies or changes to enhance the same. In addition, the Committee recommends benevolent projects/schemes to the Board for promoting corporate social responsibility initiatives.

Board Governance Structure

The Board of Directors is appointed to act on behalf of the shareholders to oversee the affairs of the business. The Board of Directors is directly accountable to the shareholders and each year the directors must provide a report to shareholders on the performance of the Bank along with its future plans and strategies.

The Code requires the Board to have an appropriate balance of executive, non-executive and independent non-executive directors under the firm and objective leadership of a chairperson to ensure that the corporate objectives are attained in an efficient, transparent and professional way, and in the best interests of the shareholders and other stakeholders of the Bank.

The SBM Bank (Mauritius) Ltd Board of Directors has a unitary structure comprising a balanced mix of independent non-executive directors (7), non-executive (2) and executive directors (2). The independent non-executive directors and non-executive directors are elected by separate resolution by the shareholders and hold office until the next Annual Meeting and are eligible for re-election subject to rotation as per the Bank's policy and the requirement of the BOM Guideline on Corporate Governance. The two executive directors including the Chief Executive are appointed by the Board as per the Constitution of the Bank. The profiles of the directors are given at pages 188 to 191 of the Annual Report.

The SBM Bank (Mauritius) Ltd Board of Directors' key objective is to ensure the Bank's prosperity and value addition by collectively directing the Bank's affairs, whilst meeting the best interests of its shareholders and stakeholders. In addition to business and financial issues, the SBM Bank (Mauritius) Ltd Board of Directors deals with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics. The members of the Board provide the Bank with a wealth of expertise and experience in banking, finance, law, commerce and industry at both local and international levels. The Chairman of the Board and the Chief Executive are the spokespersons for the Board and the Bank. The Bank has also appointed a Lead Independent Director who acts as spokesperson at the Board for the other independent directors who may raise issues directly to the Lead Independent Director if they do not want to raise it directly at the Board meeting.

The Board oversees the activities of the Bank, focusing more on strategy, performance, and management of risk and is ultimately responsible and accountable for the affairs of the Bank. The roles and responsibilities of the Board include:

- Formulate strategy of the Bank, and set its corporate objectives, mission, values and operating budget;
- Delegate authority to and empower the executive management to implement strategies, policies and plans approved by the Board ;
- Monitor and evaluate management's implementation of strategies, policies, value based performance and rewards;
- Ensure that policies, procedures and a healthy and robust risk management framework benchmarking to international best practices appropriate to financial listed institutions and system of internal controls are in place to safeguard the Bank's assets and reputation;
- Identify key risk areas and key performance indicators ('KPIs') of the business;
- Ensure that the Bank and its subsidiaries comply with all relevant laws, rules, regulations, policies, the Code and best business practice, and establish mechanisms by which breaches of policies, laws, controls and good corporate governance practices are reported and acted upon;
- Ensure adequate succession planning for senior management;
- Approve the recruitment or promotion to senior executive and above, as Directors; as also of officers and expatriates proposed by the Chairman and their remuneration, benefits and other terms and conditions of the service contract of such officers;
- Approve the interim and audited financial statements of the Bank;
- Determine the level of Board fees for Directors for onward recommendation to the shareholders;
- Approve the productivity bonus of Senior Executives & Divisional Leaders based on agreed KPIs;
- Ensure effective communication with shareholders and relevant stakeholders;
- Approve strategic capital investment of the Bank, new business lines and products;
- Assess both internal and external auditors' work; and

- Exercise leadership, enterprise, integrity and judgment in directing the Bank.

Board Committees

As stipulated in the Code, the Board is the focal point of the corporate governance system and is ultimately accountable and responsible for the performance and affairs of the Bank. The Board has delegated certain responsibilities to its committees, to assist it in carrying out its functions of ensuring independent oversight. These committees are made up of mostly independent and non-executive directors and play a key role in supporting the Board. The Chairpersons of the various committees present their respective report during Board Meetings of the Bank.

SBM Bank (Mauritius) Ltd's Board has established six Board Committees to help it in discharging its duties and responsibilities namely:

- Audit Committee
- Corporate Governance & Conduct Review Committee
- Credit Committee
- Remuneration Committee
- Risk Management Committee
- Strategy Committee

The composition of the Committees appears on page 192 of the Annual Report. Each Board Committee has its own charter or terms of reference which are reviewed and approved by the Board.

Board and Board Committee Meetings

The Board Meetings are held at least once quarterly so that directors can discharge their responsibility to control the Bank's overall situation, strategy and policy, and to monitor the exercise of any delegated authority, and so that individual directors can report on their particular areas of responsibility.

Separate sessions are held among independent non-executive directors at the start of the Board meetings, and thereafter the non-executive directors join them for further consultation and/or discussions in the absence of the executive directors. The executive directors join them after this session and the Board proceeds/resumes with the business on the agenda. This ensures that important Board decisions are taken with sufficient independence and objectivity.

Likewise, the Audit Committee members meet separately with the external auditors at the start of each meeting in the absence of management and internal auditors; followed by a separate session with the internal auditors in the absence of management and external auditors.

The executive management team is invited to attend Board and Board Committee meetings when required.

Separation of Powers between Chairman and Chief Executive

In the wake of the financial crisis, many entities have adopted a common approach of splitting the role of the Chairman and the Chief Executive to avoid the conflict of interest. Whether a corporation chooses to unify or separate the Chairman and CEO roles, it remains essential to have an independent, engaged and inquisitive board that actively involves itself in the business in order to safeguard shareholder interests.

The SBM Bank (Mauritius) Ltd Board is led by the Chairman, Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*, who is responsible to lead a unified Board, facilitating its members' interactions at its meetings, and to be responsible for ensuring that the principles and processes of the Board are maintained in line with good governance. The Chief Executive, Banking (Indian Ocean Islands), Mr Jairaj Sonoo, *C.S.K.*, is responsible for leading the development and execution of the Bank's long term strategy with a view to creating shareholder value. His leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the Bank's long and short term plans. He acts as a direct liaison between the Board and management of the Bank and communicates to the Board on behalf of management. He also communicates on behalf of the Bank to shareholders, employees, Government authorities, other stakeholders and the public. The Chairman and Chief Executive meet regularly to review issues/opportunities and take appropriate actions.

Directors' Orientation

Providing the new Board members with the information they need to perform effectively is the next critical step in developing a strong Board of Directors. The responsibility for developing and implementing an effective program of board orientation is shared between the executive director and the Board itself. There must be a commitment to developing a well-informed Board, one with the knowledge needed to lead an effective organisation.

SBM Bank (Mauritius) Ltd ensures that new directors are apprised of the functioning of the Board, Board Committees, their duties and responsibilities as director, relevant laws, rules and regulations pertaining to the Bank and the nature of activities and operations of the Bank through a formal and comprehensive orientation program. They are provided with opportunities to meet with senior management to discuss key operational, financial, legal, and environmental topics relevant to its business and operations.

New directors receive a briefing package containing critical governance information amongst others the Bank's Constitution, policies, applicable laws, regulations, guidelines and anything else that helps create an understanding of the institution's current status and culture. New issues affecting the business as well as changes in the business environment are brought to the attention of directors on an on-going basis.

In addition to this new Board member orientation, the Bank also ensures to organise an on-going board education and training program for all directors.

Evaluation of the Board/Board Committees

An effective Board should ensure that management runs a company in the long-term interests of shareholders, whom the Board is elected to represent. However, over time, a Board may become complacent or may need new skills and perspectives to respond nimbly to changes in the business environment or strategy. Regular and rigorous self-evaluations help a Board to assess its performance and identify and address potential gaps in the boardroom.

A self-evaluation questionnaire has been designed for the Bank to evaluate the performance of the Board, Board Committees and individual directors. Appropriate measures are taken from this exercise to refine the questionnaire, governance structure and responsibilities based on feedback and comments received from the directors. Board and committee evaluations conducted in past years have led to a number of enhancements to Board Meeting processes.

No Board appraisals have been conducted during Financial Year 2014 as the directors feel that the composition of the Board is stable and efficient in monitoring the affairs of the Bank.

Board attendance

The table shows the Board and Committee attendance of the directors of SBM Bank (Mauritius) Ltd for FY 2014.

Table 17: Board and committee attendance

		Board	Audit (I)	Credit (ii)	Remuneration	Risk Management (iii)	Corporate Governance & Conduct Review	Strategy Review	Annual Meeting 2014
No of meetings held		12	7	12	4	4	4	4	1
Directors	***Note***					-		-	
Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*	a	12	-	12	-	2	-	4	1
Mr Chandradev Appadoo	b	12	-	10	-	-	-	4	1
Mrs Kalindee Bhanji	c	9	-	2	2	-	-	3	1
Mr Dheerendra Kumar Dabee, *S.C., G.O.S.K.*	c	10	-	9	1	2	-	4	1
Mr George Dumbell [1]	a	5	2	-	-	2	2	-	-
Mr Aakash Kalachand [2]	a	7	4	-	-	2	1	2	-
Mr Rohit Ramnawaz, *G.O.S.K.*	a	10	-	7	4	4	-	4	-
Mr Alain Rey	a	11	7	8	4	-	3	4	1
Prof Andrew Scott	a	6	-	-	-	4	3	2	-
Mr Jairaj Sonoo, *C.S.K.*	b	12	-	12	-	4	-	4	1
Mr Shakeel Summun	a	11	7	-	-	-	4	3	1
Mr Régis Yat Sin, *C.S.K., G.O.S.K.*	a	11	-	11	4	-	4	3	1
In attendance									
Mr M.K.T. Reddy, *G.O.S.K., F.S.I.D.*	a	-	4	-	-	1	3	-	-
Mr Chandradev Appadoo	b	-	7	-	-	-	-	-	-
Mr Jairaj Sonoo, *C.S.K.*	b	-	7	-	4	-	4	-	-

Notes:
a. - Independent Non-Executive Director
b. - Executive Director
c. - Non-Executive Director

1 - Resigned on 10.06.2014
2 - Appointed on 10.06.2014

(i) – The external auditors and the internal audit team are in attendance at the Audit Committee
(ii) – The Corporate Credit team is in attendance at the Credit Committee
(iii) – The Risk Management team is in attendance at the Risk Management Committee

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Directors' interest and dealings in securities

The directors of SBM Bank (Mauritius) Ltd confirm that they have followed the absolute prohibition principles and notification requirements of the model code for securities transactions by directors as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules. All new directors are required to notify the Company Secretary in writing of their holdings in SBMH securities.

Remuneration of directors

Directors' Emoluments - Non-Executive Directors

The fees received by the non-executive directors during the financial year were as follows.

Table 18: Non-executive directors' emoluments

Name of Non-Executive Director	2014 MUR 000
Mr M. K. T. Reddy, G.O.S.K., F.S.I.D., Chairman	*2,160*
Mr Rohit Ramnawaz, G.O.S.K.	*1,320*
Professor Andrew Scott	*780*
Mr Dheerendra Kumar Dabee, S.C., G.O.S.K.	*780*
Mrs Kalindee Bhanji	*1,140*
Mr Alain Rey	*1,260*
Mr Shakeel Summun	*480*
Mr Régis Yat Sin, C.S.K., G.O.S.K.	*1,140*
Mr Aakash Krishan Kalachand (Part of the year)	*630*
Mr George Dumbell	*540*
Total	**10,230**

Directors' Emoluments - Executive Directors

As per the Group's policy, no fees are paid to the executive directors and any fees received by the Bank's executives serving on the Board of related companies in which the SBMH has an equity stake, are credited to the income account of the Bank. The remuneration and benefits received by the executive directors during the financial year, excluding one-time joining remuneration, were as follows:

Table 19: Executive directors' emoluments

Name of Executive Director	2014 MUR 000
Mr Jairaj Sonoo, C.S.K., Chief Executive, Banking (Indian Ocean Islands)	*16,095*
Mr Chandradev Appadoo	*7,608*
Total	**23,703**

Directors' service contract

Service Contracts

Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*, was elected as a Director by the shareholders at the Annual Meeting held on 17 December 2010 and was appointed as Chairman of the Bank and its Group by the Board on the same day. He has a service contract as Advisor to the Board of the Bank initially expiring on 31 December 2013 and was further extended/renewed by the Board till 31 December 2015 or so long as Chairman of the Board, whichever is earlier. The areas of professional consultation/advice of Mr Reddy and areas in which Mr Reddy shall provide advice and guidance to the Board shall be good corporate governance, risk management practices, value management practices, strategic directions, strategic issues and executives' development, placement and their compensation besides the succession plans for executives and such other cognate areas as reasonably arise therefrom.

Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*, is entitled, as per his service contract, to an annual fee of MUR 33.33 million including the bonuses, payable half yearly in advance, and was paid net of taxes besides expatriate benefits such as fully maintained house, car, travel, medical and gratuity of 25 percent of his annual emoluments, in lieu of family life-time pension for past services as Chief Executive Officer for 17 years.

In the event of early termination by the Bank for any reason other than gross misconduct, Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*, shall be entitled to a maximum of half of the yearly fee, net of all taxes.

Mr Jairaj Sonoo, *C.S.K.*, has an employment contract of 3 years with the Bank commencing 14 September 2012 whilst Mr Chandradev Appadoo's 5 years' contract with the Bank would be expiring on 31 December 2017.

Significant Contracts

No contract of significance other than loans and credit facilities granted in the ordinary course of business subsisted during the period under review between the Bank and any director of SBM Bank (Mauritius) Ltd, either directly or indirectly.

Directors and Officers Liability Insurance

The Bank has subscribed to appropriate insurance cover in respect of legal actions against its directors and officers.

Donations

An amount of MUR 1,543,232 was donated to The SBM Staff Children Education Fund during the period under review.

The Board confirms that there was no political donation, during the financial year under review, as per the policy.

Executive Management

The Board of Directors has delegated the authority to the Executive Management to manage the day to day running of the Bank's business and affairs. Matters are debated and decisions are taken collectively on a unanimous basis. The issues are escalated to the next higher authority for review in the event of no unanimity. All of the main Management Forums are chaired by the Chief Executive, Banking (Indian Ocean Islands) and include:

- **Executive Forum**

  The Forum meets weekly to review and take decisions on the day to day running of the business and affairs of the Bank with the exception of credit approvals.

- **Management Credit Forum**

  The Forum meets twice weekly to review and sanction credit proposals within its delegated authority. The Minutes of Proceedings of this Forum are put up to the Board Credit Committee for information.

- **Valued Based Performance Review Forum**

  It reviews and monitors the performance and achievement against budgets/ targets of the various lines of business on a monthly basis.

- **Asset and Liability Forum**

  It oversees the management of the Bank's liquidity risk, interest rate risk and foreign exchange risk and other market risks on a monthly basis or as often as required.

- **Operational Risk Forum**

  The Forum meets on a monthly basis to review, *inter-alia*, the reports of the internal auditors and external auditors, flaws in credit documentation, operational policies, standards and practices, and IT related issues, amongst others.

- **Portfolio & Credit Risk Forum**

  It reviews, on a quarterly basis, portfolio risk profiles and makes suitable recommendations to the Risk Management Committee.

- **Disclosure Forum**

  It reviews the adequacy of SBM Bank (Mauritius) Ltd's disclosures to comply with legal and regulatory requirements and best practices. The Minutes of Proceedings of this Forum are put up to the Corporate Governance and Conduct Review Committee.

Related Party Transactions

In accordance with the BOM Guideline on Related Party Transactions and the Bank's policy, the Corporate Governance & Conduct Review Committee reviews and approves all related party transactions above a set threshold on a quarterly basis that are conducted during the previous quarter. All transactions with a related party must be carried out on terms and conditions that are at least as favourable to the Bank as market terms and conditions. The matters reviewed by the Committee are reported to the Board of Directors after each meeting.

The BOM Guideline is more stringent than the International Accounting Standard 24 - Related Party Disclosures in that a person holding directly or indirectly 10 percent or more of the capital or voting rights of the Bank falls within the definition of a related party.

As per the BOM Guideline on Related Party Transactions, related parties are classified into 3 categories for the purpose of reporting exposures:

Category 1

This includes credit exposures to:

(a) a person who has significant interest in the financial institution;

(b) a director of the financial institution;

(c) a director of a body corporate that controls the financial institution;

(d) the spouse, child and parent of a natural person covered in (a) or (b) or (c) above;

(e) any entity that is controlled by a person described in (a) or (b) or (c) or (d) above; and

(f) any entity in which the financial institution has significant interest, excluding a subsidiary of the financial institution as mentioned in 16(e).

Category 2

This includes credit exposures to:

(a) senior officers, which are outside the terms and conditions of employment contracts;

(b) the spouse, child and parent of senior officers;

(c) senior officers of a body corporate that controls the financial institution;

(d) any entity that is controlled by a person described in (a) or (b) or (c) above; and

(e) a subsidiary of the financial institution with no shareholder (natural person) holding directly or indirectly more than a significant shareholding in the parent financial institution.

Category 3

This includes credit exposures to senior officers, which are within the terms and conditions of employment contracts.

Note 35 to the Financial Statements outlines the on- and off-balance sheet items and other related party transactions for the past years. None of the advances to related parties were impaired as at 31 December 2014. Exposure to major related parties are given at page 150.

Constitution

The Constitution of SBM Bank (Mauritius) Ltd was approved by the Bank of Mauritius as part of the approved restructuring exercise.

Shareholder agreement

A shareholders' agreement dated 02 October 2014 has been signed among SBM Holdings Ltd, SBM Bank Holdings Ltd, SBM Mauritius Ltd and the Bank.

SBM Bank (Mauritius) Ltd is a wholly owned subsidiary of SBM (Bank) Holdings Ltd with effect from 02 October 2014 and ultimately owned by SBM Holdings Ltd, a company listed on the Stock Exchange of Mauritius Ltd.

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Dividend Policy

SBM Bank (Mauritius) Ltd's dividend policy requires distribution of 100 percent of its profits for the year subject to approval from BOM and the solvency test under the S61(2) of the Companies Act, 2001 being satisfied.

Table 20: Time table of important events

Financial Year 2014	
Financial year-end	31 December 2014
Dividend payment	Quarterly
Annual Meeting	June 2015
Financial Year 2015	
Financial year-end	31 December 2015
Unaudited quarterly earnings report	within 45 days from the quarter ending March, June and September
Audited Financial Statements for the year ending 31 December 2015	within three months from end of December 2015
Dividend payment	Quarterly
Annual Meeting	June 2016

Table 21: Auditors' fees

The table below shows the fees to the statutory auditors:

Auditor's fees and other fees	2013		2014	
	Audit	Other services	Audit	Other services
	MUR 000	MUR 000	MUR 000	MUR 000
Deloitte				
SBM Bank (Mauritius) Ltd				
Statutory Audits and quarterly reviews	7,140		7,930	
Special Audit	-		1,840	
Other		4,840		5,936
Other auditors				
SBM Bank (Mauritius) Ltd (Indian Operations)				
GD Apte & Co	211	-	454	-

CORPORATE GOVERNANCE

Fees paid under other services relate mostly to other assurance services. A breakdown is tabulated below:

Table 22: Other assurance services

	2013 MUR 000	2014 MUR 000
Tax Services	115	414
Other assurance services - Report on Capital	-	345
Other assurance services - Group Restructuring	-	2,875
Other assurance services - Review of Flamingo Programme	4,359	2,302
Other assurance services – Issue of subordinated bonds	345	-
Training	21	-
TOTAL	**4,840**	**5,936**

Remuneration, Health & Safety

Statement of Remuneration Philosophy

SBM Bank (Mauritius) Ltd believes in a motivated team who is encouraged to create sustainable results, and continues to take care of its human capital as a key asset who takes care of our other valued stakeholders. Greater focus has been laid on Teamwork, Team Building, Regional Employee Connects and Training at the Bank to accompany our transformational change and other business initiatives.

SBM Bank (Mauritius) Ltd provides equal and motivational remuneration based on performance to its employees to encourage them to perform at their best and attract people with the right skills and talent to join and stay with the group. It provides a flexible menu of benefits that is matched to the needs of the work force. SBM Bank (Mauritius) Ltd endeavours to integrate talent and HR systems and allow employee and manager self-service.

SBM Bank (Mauritius) Ltd has an established Remuneration Committee. The Remuneration Committee works as a preparatory committee for the Board of Directors to prepare the Board with respect to remuneration issues, including bonus, based on performance. On the basis of the recommendation of the Remuneration Committee, the Board of Directors determines the funds to be allocated to the performance-based remuneration pools. The Board and the Remuneration Committee determine the extent and amount of remuneration, entitlements and other economic awards for Chairman and Chief Executive, where applicable, other executive directors and for the senior management staff of the Bank.

SBM Bank (Mauritius) Ltd has defined a remuneration system that is applied equitably to the staff, adapting to the various levels of responsibility and professional development in each position. The following remuneration components are combined to ensure an appropriate and balanced remuneration package.

- Fixed remuneration
- Variable remuneration
    - Ordinary variable remuneration
    - Performance-based remuneration

Equal Opportunity and Diversity

SBM Bank (Mauritius) Ltd adopts an Equal opportunity policy and is geared towards building an organisation where the employees will make full use of their talents, skills, experience and competence and where the employees feel respected and valued regardless of their status, that is, their age, caste, colour, creed, ethnic origin, impairment, marital status, place of origin, political opinion, race, sex or sexual orientation. SBM Bank (Mauritius) Ltd ensures that no employee receives less favourable treatment and that opportunities for employment, training and promotion are accessible to all candidates irrespective of their status. SBM Bank (Mauritius) Ltd values diversity and inclusion as qualities which make SBM Bank (Mauritius) Ltd a better place to work.

Code of Ethics and Business Conduct

SBM Bank (Mauritius) Ltd is renowned for its long history of financial soundness and stability demonstrating at all times and in all dealings high standards of ethics and professionalism. SBM Bank (Mauritius) Ltd encourages all its employees, stakeholders and partners to understand their responsibilities and to carry out their duties with due diligence, honesty and integrity, which are fundamental to the reputation and success of SBM Bank (Mauritius) Ltd. SBM Bank (Mauritius) Ltd fully subscribes to the Code of Ethics and Business Conducts, Banking Practices and Guidelines and International Best Practices to achieve its organisational goals. The directors of SBM Bank (Mauritius) Ltd Board and senior management staff are fully committed to warrant that that they are setting the correct example so as to encourage other employees and stakeholders to follow same.

Health and Safety

SBM Bank (Mauritius) Ltd has taken great strides on the safety and health of its employees and stakeholders. SBM Bank (Mauritius) Ltd has given lots of importance in order to ensure that safety and health considerations are integrated into the design and development of branches or offices. Our Safety and Health Policy formalises the commitment of Management to providing a healthy and safe working environment for our employees and stakeholders.

There is a programme of inspection to identify hazardous conditions at suitable intervals and, where appropriate, take remedial measures. SBM Bank (Mauritius) Ltd provides regular training on hazards within the workplace, as well as regular fire drills to staff so that they are familiar with evacuation procedures. First Aid training is done annually, both for employees at the Corporate Office and at branches, including Rodrigues.

Environmental Issues

The Bank is committed to protecting and improving the natural and built environment through a clean environmental policy and compliance to the applicable environmental laws, regulations and standards. Besides, operating in an environmentally responsible way, emphasis is placed on the use of energy efficient equipment and environmental friendly materials in the operations and maintenance of the Bank's facilities and logistics, more so, with effective waste management practices.

Corporate Social Responsibility

Our priority areas of intervention are based on Empowerment through Education. In line with the Bank's strategy of providing skills through education to combat poverty, a unique **Scholarship Scheme for bright and needy students** was launched through **The SBM Education Fund** in the financial year ended

June 2010. Following the recognition at National level for its CSR initiatives and its commitment to the community through the award of the '**Overall Winner**' of the First Edition of the **BDO CSR Awards 2010** as well as the **Winner of the 'Education and Sports' category**, SBM Bank (Mauritius) Ltd has moved a step further with the setting up of a special scheme for the Technical Vocational Education Training (TVET) sector in collaboration with the **Mauritius Institute of Training and Development** (MITD) and scholarships awarded to a first batch in the financial year ended June 2011. As at December 2014, SBM Bank (Mauritius) Ltd has already awarded some 1,500 scholarships to bright and needy students from Mauritius and Rodrigues following courses at tertiary level or vocational courses at the Mauritius Institute of Training & Development (MITD). Other major projects have been support to **Global Rainbow Foundation** (Jaipur Foot – provision of artificial limbs to 130 amputees and training), **ABAIM** (acquisition of skills to underprivileged children and youth through music, arts, culture and sports), **Gandhian Basic Schoo**l (extension project to accommodate a multimedia room and library, a fashion and fabrics workshop and a demonstration room as well as the provision of a daily balanced meal to some 120 students), **Sailing Pour Tous** (acquisition of life skills and pedagogical concepts for needy children through sailing courses in a complete and secured environment) and **Teen Hope** (provision of educational facilities to children from vulnerable groups). Most of SBM Bank (Mauritius) Ltd's projects focus on providing tools and opportunities to vulnerable groups so that they acquire the required skills to enhance their employability and thus become economically independent.

Internal CSR

SBM Bank (Mauritius) Ltd staffs are encouraged to volunteer their time and talent to support the community. Under the SBM 1:2 Matching Scheme, staff members are encouraged to organise fundraising activities in favour of NGOs/community organisations of their choice, with the Bank topping up the amount by twice the proceeds raised, subject to a ceiling. Following the launch of the scheme, an increasing number of employees are getting involved in community development initiatives. SBM Bank (Mauritius) Ltd also brings its contribution to the blood bank by regularly organising blood collections throughout the island. These initiatives are supported by both employees and customers.

PROFILE OF DIRECTORS

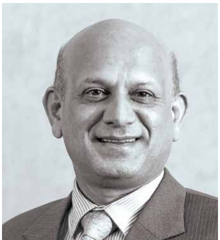
REDDY Muni Krishna T., *G.O.S.K., F.S.I.D.*

Chairman of the Board

Mr Muni Krishna T. Reddy has a master's degree with over 44 years of experience in the financial services industry. He was the Deputy Chairman and Chief Executive Officer of SBM Bank (Mauritius) Ltd, formerly State Bank of Mauritius Ltd, and its group for over 16 years until October 2003 when he was elected as Director and Chairman of the Board of SBM Bank (Mauritius) Ltd. During his tenure as Chief Executive, the Bank was listed on the Mauritian Stock Exchange in 1995 and implemented for the first time, the Bank's automation of its operations and other infrastructure projects, including SBM Tower (1994), the first and only intelligent building in Africa even today. SBM Group also expanded its presence in Madagascar and India. Over this 16-year period, the Bank, under his leadership, transformed into a viable professional financial services group. Prior to joining SBM Group, Mr Reddy has worked in the banking sector in India and Singapore for 17 years in various positions. He is a director of various boards of large companies both in Mauritius and outside Mauritius, including Arcelor Mittal Point Lisas Limited (Trinidad) and Arcelor Mittal Steel USA Inc (Chicago) and was a director of Mauritius Telecom (Mauritius), Air Mauritius, National Economic Development Council of Mauritius, India Fund, South Asia Regional Fund, VenturEast Proactive Fund LLC, Development Bank of Mauritius, State Investment Corporation, Global Capital PLC, Intercommercial Bank Ltd (Trinidad), amongst others.

Mr Reddy was conferred with the title 'Grand Officer of the Star and Key of the Indian Ocean' *(G.O.S.K.)* by the Government of Mauritius coinciding with the first anniversary of the Republic of Mauritius in 1993 for the distinguished services to the banking industry and for significant contribution to the economic development of Mauritius.

Mr Reddy has been, once again, elected as the independent non-executive director of SBM Group since 17 December 2010 and was designated as Chairman of SBM Group by the Board on the same day.



APPADOO Chandradev
FCCA, ACIB

Mr Appadoo has more than 29 years of experience in banking having worked at various divisions and levels at SBM Bank (Mauritius) Ltd (previously State Bank of Mauritius Ltd) including Retail, Corporate Banking, Finance, Legal, Compliance, Risk Management, Operations Management and Group Company Secretary. He is currently heading Finance, Value Based Performance Management, Facilities Management and Corporate Affairs of the Bank. He is a non-executive director of the SME Partnership Fund, NRF Equity Investment Ltd and various companies of the Holding Company. He joined the Board of SBM Bank (Mauritius) Ltd (previously State Bank of Mauritius Ltd) in December 2011 as executive director.

DABEE Dheerendra Kumar
S.C., G.O.S.K.,
LLB (Hons) Barrister at Law

Mr Dabee, a Birmingham University graduate in Law and Political Science, Barrister at Law of Middle Temple since 1981 and a Senior Counsel, is currently the Solicitor-General in the Attorney General's Office. He is a director of Mauritius Telecom and acts as Legal Adviser to a number of public organisations. He has much experience in advising on issues arising under laws related to employment, banking transactions and regulation of the financial sector as well as in drafting of legislations. He is also a Member of the Commonwealth Secretariat Appeal Tribunal. Mr Dabee was conferred with the title 'Grand Officer of the Star and Key of the Indian Ocean' *(G.O.S.K.)* by the Government of Mauritius in 2012 for long and distinguished service in the public service and the legal field. He joined the Board in May 2008 and is a non-executive director.

GUNPUTH Medha*
BSc (General), Diploma in Public Administration & Management

Mr Gunputh is the Permanent Secretary to the Private Office of the Prime Minister's Office as from January 2015. He has completed a BSc (General) at the University of Punjab, India and a Diploma in Public Administration & Management at the University of Mauritius. He started his career in the Government Service in 1977 and has worked in several Ministries and within the Prime Minister's Office. Mr Gunputh has also acted as Chairman of several Boards such as Sugar Planters Mechanical Pool Corporation, Tobacco Board, Town and Country Planning Board, Farmers' Service Centre and SSR Botanical Garden. He is also a member of the Board of the Tourism Authority and the Mahatma Gandhi Institute. He joined the Board of SBM Holdings Ltd in February 2015 and is a non-executive director.

KALACHAND Aakash Krishan
BSC (Hons) Accounting and Finance, ACA

Mr Kalachand is a graduate in Accounting and Finance from the London School of Economics, and qualified as a Chartered Accountant since 2010. He is currently Executive Director of J. Kalachand & Co. Ltd. Mr Kalachand has also worked in the investment team at a Private Equity Firm in London for 2 years till 2013 and was a Senior Consultant at Deloitte LLP, London where he worked for 4 years. He joined the Board in June 2014 and is an independent non-executive director.

Dr KHADAROO Jameel*
BEc (Macquarie), MSc, PhD (Bristol)

Dr Jameel Khadaroo is currently an Associate Professor of Economics at the University of Mauritius and was formerly Head of the Department of Economics and Statistics from 2010 to 2012. He was the Second Deputy Governor and Monetary Policy Committee Member of the Bank of Mauritius from 2007 to 2010. From 2008 to 2011, he was also a member on the Board of Afrexim Bank. Dr Khadaroo has widely published in internationally refereed journals and his consultancy services have been extended to the World Bank, Commonwealth Secretariat, UNDP, Government of Mauritius and banks. He joined the Board in February 2015 and is an independent non-executive director.

Notes:

* appointed with effect from 04 February 2015, following resignation of Mrs Kalindee Bhanji, Mr Rohit Ramnawaz and Mr Shakeel M.A. Summun effective from 31 December 2014

RAULT Joël*
LLM, MBA

Mr Rault is an international taxation expert and partner at Nexia Baker and Arenson, Chartered Accountants. He holds a Master's Degree in Private Law (Maritime and Transportation Law) as well as a Master's Degree in Business Law (International Taxation) from France. He additionally holds an MBA. Furthermore, he forms part of the Emerging Leaders of the Harvard Kennedy School.

Mr Rault was a Lecturer in Business Law and Taxation in various French universities and has held the post of Chairman of the National Corporate Social Responsibility Committee from 2012 to 2014. He was previously the Managing Director of the Tourism Authority. He was also the Senior Advisor to the Vice Prime Minister and Minister of Finance and Economic Development and held key positions in various ministries, including the Ministry of Finance and Economic Development. He joined the Board in February 2015 and is an independent non-executive director.

REY Alfred Joseph Gerard Robert Alain
BSc (Hons) Economics, ACA

Member of the Institute of Chartered Accountants, Mr Rey is a graduate in Economics from the London School of Economics and Political Sciences. He has worked in the financial services industry at Citibank N.A. (France) and as Regional Corporate Director of Barclays Bank Plc at their Mauritius branch, in the textile industry as Senior Vice President and Chief Financial Officer of Novel Denim Holdings Ltd, a NASDAQ listed company and has also been the CEO of the group of companies of Compagnie de Mont Choisy Ltée, involved in agricultural and property development activities until March 2015. He is a director of Rogers Co Ltd and Ciel Textile Ltd, companies listed on the Stock Exchange of Mauritius. He joined the Board in December 2009 and is an independent non-executive director.

SCOTT Professor Andrew**
BA, MSc, D Phil

Professor Scott is Professor and Deputy Dean at the London Business School. He holds a Doctorate in Philosophy from Oxford University, was previously a Fellow of All Souls, Oxford and has previously taught at Harvard and Oxford Universities. He was the Economic Advisor to the Prime Minister of Mauritius. He was previously a non-executive director of the UK's Financial Services Authority. He joined the Board in December 2009 and is an independent non-executive director.

SONOO Jairaj, *C.S.K.*
Masters in Business Administration (MBA)

Chief Executive, Banking (Indian Ocean Islands)

Mr Sonoo has re-joined the Bank on 14 September 2012 as Chief Executive, Banking (Indian Ocean Islands). He has 36 years of experience in banking of which 32 years at SBM Bank (Mauritius) Ltd (previously State Bank of Mauritius Ltd) in various positions amongst which Executive Vice-President (Indian Operations) before heading the Retail Banking Division. He resigned from the Bank in February 2010 to take up the position of Chief Executive of one of the local commercial banks. Mr Sonoo is an executive director.

YAT SIN Régis
C.S.K., *G.O.S.K.*
BA (Hons)

Mr Yat Sin, *C.S.K.*, *G.O.S.K.*, former senior civil servant, held the position of Secretary to Cabinet and Head of Civil Service. He was also Chairman of the Public Service Commission and the Disciplined Forces Service Commission from 2005 to July 2011. He served on various boards, including Bank of Mauritius, Air Mauritius, Development Bank of Mauritius and Airports of Mauritius. He has been the Chairman of the Board of SBM Bank (Mauritius) Ltd (previously State Bank of Mauritius Ltd) from December 1996 to December 1999. Mr Yat Sin was conferred with the title 'Grand Officer of the Star and Key of the Indian Ocean' *(G.O.S.K.)* by the Government of Mauritius in 2012 for significant contribution to the economic development of Mauritius. He joined the Board of SBM Bank (Mauritius) Ltd (previously State Bank of Mauritius Ltd) again in December 2011 and is an independent non-executive director.

Notes:

* appointed with effect from 04 February 2015, following resignation of Mrs Kalindee Bhanji, Mr Rohit Ramnawaz and Mr Shakeel M.A. Summun effective from 31 December 2014

** resigned as director with effect from 01 January 2015

Composition of Board Committees

Audit Committee

Chairperson
Mr Alain A.J.G.R. Rey

Members
Mr Aakash K. Kalachand
Dr Jameel Khadaroo[a]

Corporate Governance & Conduct Review Committee

Chairperson
Mr Régis Yat Sin, *C.S.K., G.O.S.K.*

Members
Mr Aakash K. Kalachand
Mr Alain A.J.G.R. Rey
Mr Joël Rault[a]

Risk Management Committee

Chairperson
Mr Aakash K. Kalachand

Members
Mr Dheerendra Kumar Dabee, *S.C., G.O.S.K.*
Mr Jairaj Sonoo, *C.S.K.*
Mr Medha Gunputh[a]
Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*

Board Credit Committee

Chairperson
Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*

Members
Mr Alain A.J.G.R. Rey
Mr Chandradev Appadoo
Mr Dheerendra Kumar Dabee, *S.C., G.O.S.K.*
Mr Jairaj Sonoo, *C.S.K.*
Dr Jameel Khadaroo[a]
Mr Joël Rault[a]
Mr Medha Gunputh[a]
Mr Régis Yat Sin, *C.S.K., G.O.S.K.*

Remuneration Committee

Chairperson
Mr Medha Gunputh[a]

Members
Mr Alain A.J.G.R. Rey
Mr Dheerendra Kumar Dabee, *S.C., G.O.S.K.*
Mr Régis Yat Sin, *C.S.K., G.O.S.K.*
Mr Joël Rault[a]

Strategy Committee

Chairperson
Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*

Members
Mr Aakash K. Kalachand
Mr Alain A.J.G.R. Rey
Mr Chandradev Appadoo
Mr Dheerendra Kumar Dabee, *S.C., G.O.S.K.*
Mr Jairaj Sonoo, *C.S.K.*
Dr Jameel Khadaroo[a]
Mr Joël Rault[a]
Mr Medha Gunputh[a]
Mr Régis Yat Sin, *C.S.K., G.O.S.K.*

Notes:

1 Mr Shakeel M.A. Summun, who sat on the Audit Committee and the Corporate Governance & Conduct Review Committee, resigned as director with effect from 31 December 2014

2 Mrs Kalindee Bhanji, who sat on the Board Credit Committee, the Remuneration Committee, the Risk Management Committee and the Strategy Committee, resigned as director with effect from 31 December 2014

3 Mr Rohit Ramnawaz, *G.O.S.K.*, who sat on the Board Credit Committee, the Remuneration Committee, the Risk Management Committee and the Strategy Committee, resigned as director with effect from 31 December 2014

a Appointed with effect from 04 February 2015

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Executive Management

SONOO Jairaj, *C.S.K.*

Chief Executive, Banking (Indian Ocean Islands)

The profile of Mr Sonoo is given at page 190 of the Annual Report

TAHER Aslam

Head of Institutional Banking

Started his banking career in Mauritius with the Banque Nationale de Paris Intercontinentale (BNP Paribas) within Private Banking and Wealth Management. Has since held senior positions in major international banking institutions, such as Barclays Bank and HSBC. Aslam originally joined the Bank in 2009 as Team Leader Corporate Banking. In July 2012 he took the position of Director – Financial Institutions Group and Domestic Corporate Banking with the Standard Chartered Bank (Mauritius) before coming back to SBM Bank (Mauritius) Ltd (previously State Bank of Mauritius Ltd) in October 2013 to head the Corporate Banking Department. Reports to the Chief Executive, Banking (Indian Ocean Islands).

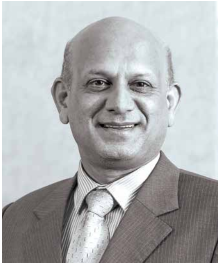
VENKATESWARA RAO Parvataneni, MBA CAIIB DBM

Head of Financial Markets

Mr Rao has joined SBM Bank (Mauritius) Ltd on 03 December 2010 as Head of Treasury Indian Operations. He has 30 years of experience in banking with SBM Bank (Mauritius) Ltd & Indian Banks. Prior to joining SBM Bank (Mauritius) Ltd, he was Head – FX, Global Markets Group, IndusInd Bank Ltd. Mr Rao is currently Head of Financial Markets Division.

Other members of Front Office

BALLOO Eddirao - *Sales, Branches & Private Banking*
GHOORA Bye Samah - *Small & Medium Enterprise*
JHA Arvind Kumar - *Global Business*
JHURRY Balkrishna - *Financial Institutions*
LUTCHMAH Rajnish - *Corporate Banking*
MANIKION Veeren - *eCommerce*
MEWASINGH Ajit Prakash - *Private Banking*
SREEKEESSOON Shailen - *Small & Medium Enterprise*



APPADOO Chandradev

Head of Finance

The profile of Mr Appadoo is given at page 188 of the Annual Report.

Mr Appadoo reports to the Chief Executive, Banking (Indian Ocean Islands).

SEEYAVE Pauline

Head of Credit Underwriting

Was previously managing a portfolio of clients in Audit and Business Assurance in an international firm of Chartered Accountants in London before joining the Bank in 2002. She has previously headed various functions within the Bank including Corporate Banking, Risk Management, Value Based Performance Management and Finance. Has been an executive director of the Board from December 2010 to December 2011. She is presently the Head of Credit Underwriting and reports to the Chief Executive Banking (Indian Ocean Islands).

Other members of Middle & Back Office

AMIRAN Eshan - *Business Transformation Lead*

AUTAR Asheesh - *Operations Management*

BHEEKA Shailendre - *Risk Management*

BHURUTH Ashvin - *BST-Corporate Support Systems & Analytics*

DABEEDOOAL Sudhir - *Retail Credit*

DAMREE Shyam - *Corporate Credit*

DURSUN Hemant Kumar - *Facilities Management*

GOINDEN Kovi - *Finance*

GONPOT Deochand - *Human Resources*

GUJJALU Anil - *Business Transformation Initiatives*

GUNESS Ravi - *Recovery & Workout*

LI PAK MAN Kwon - *Risk Management & Compliance*

MOONEESAWMY Nandrajen - *Credit Administration & Legal*

MOOROOGAN Rajan - *IT Production Platforms & Data Centre*

PAREATHUMBY Soopaya - *Technology Operations*

PERSAND-GUJADHUR Rita - *Operations Management & Trade Finance*

PILLAY Vimalah - *Change Management*

RAMLAGUN Malinee - *Corporate Credit*

SOONDRAM Sanda - *VBPM and Strategic Planning & Research*


A Mauritian Bank
going Global

SBM Bank (Mauritius) Ltd, previously State Bank of Mauritius Ltd, has carved a strong footing in the retail space and is considered to be one of the largest banks of the country with a market share of approximately 21 percent. Recently, the Bank has witnessed a remarkable increase in its domestic mortgage market share as well. Established in September 1973, the Bank has contributed to the economic development of the island. While lending support to the key sectors of the island, the Bank has accompanied various large enterprises in their journey and during their phases of growth and/or expansion. Further, promoting access to banking and financial services has been the Bank's priority since its early years, always striving to bringing banking to the doorstep of the un/under banked.

SBM Bank (Mauritius) Ltd has today grown into a leading provider of banking services, catering to the needs of more than 490,000 customers, both retail and corporate, through a wide range of products and services, which it has been diversifying over time. The Bank successfully entered the eCommerce merchant acquiring business - in fact, the Bank is a pioneer in that area on a regional basis. Today, it is among the top 3 largest eCommerce acquirers for Visa based on the Central and Eastern Europe, Middle East and Africa (CEMEA) region.

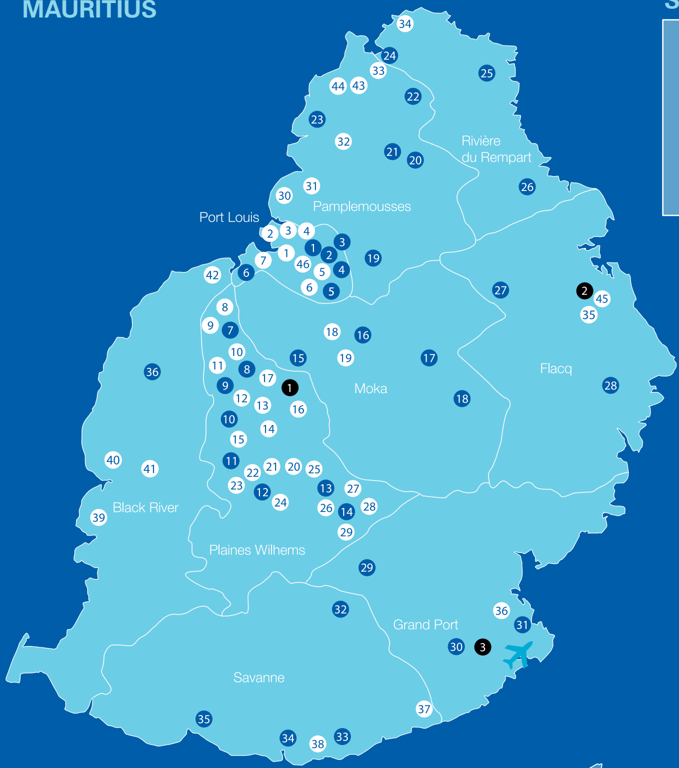
Consistent financial performance, high levels of efficiency, good corporate governance framework and robust risk management practices are achievements and practices that have enabled SBM Bank (Mauritius) Ltd to emerge as one of the leading financial institutions of the country employing more than 1,100 employees across various lines of business while at the same time servicing different customer segments through a large distribution network - which include 47 service units, 116 ATMs, approximately 4,000 POS along with eCommerce, internet and mobile banking platforms.

The Bank has ambitiously undertaken business and technology transformation initiatives which aim towards enhanced customer experience, improved operational efficiency and greater synergy between the different lines of business.

The Bank's strong fundamentals and good standing has earned itself recognition by prestigious regional and international awarding bodies. In May 2014, the Bank was awarded Best Retail Bank in Africa at the African Banker Awards 2014 which aims to reward excellence and best practices in African banking and finance. The award highlights the Bank's successful strategy and innovation in its retail banking service, through new products and facilities, as well as improved access resulting from the Bank's enhanced service delivery channels. In November 2014, the Bank was presented with the coveted Bank of the Year Mauritius award at The Banker Awards 2014 during a ceremony held in London, for the second consecutive year. While being a source of pride and encouragement, the award bears testimony to the fact that the vision, strategies and initiatives implemented by the Bank have been successful. Moreover, noting the Bank's standing as one of the largest financial institutions strengthening its leadership position year by year, London-headquartered Capital Finance International (CFI.co) awarded SBM Bank (Mauritius) Ltd for the third consecutive year, Best Bank in Mauritius in 2014.

Presence Map

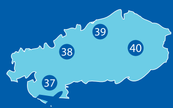
MAURITIUS



SITES

- 40 Cash / Deposit ATMs at Branches & Counters
- 46 Offsite ATMs
- 3 Cash only ATMs at Branches & Counters

RODRIGUES



INDIA

INDIA

4 Service Units

RECOGNITION AND INTERNATIONAL AWARDS

2001	THE BANKER		
2002	THE BANKER		
2003	THE BANKER		
2004	EUROMONEY		
2005	EUROMONEY		
2006	EUROMONEY		
2007	EMEAFINANCE		
2010	EUROMONEY		
2012	CFI.co		
2013	THE BANKER	EUROMONEY	CFI.co
2014	THE BANKER	AFRICAN BANKER	CFI.co

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Flying high
on Relationships

COMPANY ADDRESS & CONTACT DETAILS

Corporate Office

SBM Tower,

1, Queen Elizabeth II Avenue,

Port Louis, Mauritius

Tel: 202 1111/202 1000

Fax: 202 1234

Swift: STCBMUMU

Website: www.sbmgroup.mu

E-mail: sbm@sbmgroup.mu

Company Secretary

SBM Tower,

1, Queen Elizabeth II Avenue

Port Louis, Mauritius

Tel: (230) 202 1799

Fax: (230) 202 1666

E-mail: company.secretary@sbmgroup.mu

SBM

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