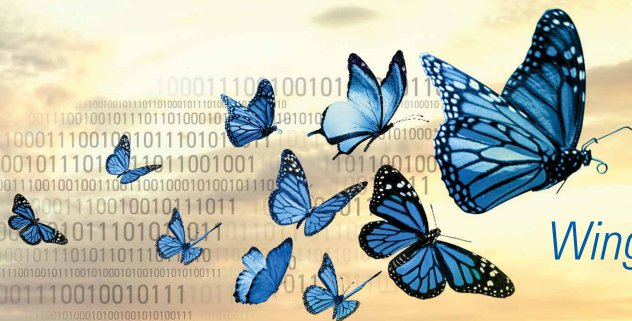


# SBM HOLDINGS LTD



*Wings Unfold*

**SBM** | ANNUAL REPORT | **2014**  
BRN: C10099120

## ABBREVIATIONS

| REFERENCE  | Also referred as:  |
|--|--|
| SBM Holdings Ltd including its subsidiaries        | SBM Group or The Group   |
| SBM Holdings Ltd                                   | SBMH or The Holding Company or The Bank Investment Holding Company |
| SBM (Bank) Holdings Ltd including its subsidiaries | SBM Bank Group   |
| SBM Bank (Mauritius) Ltd                           | SBM Bank (Mauritius) Ltd or The Bank                               |
| SBM (NBFC) Holdings Ltd including its subsidiaries | SBM Non-Bank Group   |
| SBM (NFC) Holdings Ltd                             | SBM Non-Financial Investment Holding Company                       |
| Bank of Mauritius                                  | BOM  |
| Financial Services Commission                      | FSC  |
| Reserve Bank of India                              | RBI  |
| Wholly Owned Subsidiary                            | WOS  |
| Special Purpose Vehicle                            | SPV  |
| Basel Committee on Banking Supervision             | BCBS   |
| African Currency Unit                              | AfCU   |
| Stock Exchange of Mauritius                        | SEM  |
| Capital Adequacy Ratio                             | CAR  |

### Caution regarding forward-looking statements

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

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



|  |     |
|--|-----|
| ABBREVIATIONS  | 2   |
| OVERVIEW OF GROUP STRUCTURE  | 6   |
| GROUP KEY FINANCIAL HIGHLIGHTS                                       | 9   |
| GROUP KEY FINANCIAL CHARTS   | 10  |
| BOARD OF DIRECTORS   | 13  |
| CHAIRMAN'S STATEMENT   | 14  |
| CERTIFICATE FROM THE COMPANY SECRETARY                               | 20  |
| FINANCIAL STATEMENTS   | 22  |
| Statement of Directors' Responsibility                               | 23  |
| Independent Auditor's Report to the Shareholders of SBM Holdings Ltd | 25  |
| Financial Statements   | 27  |
| Notes to the Financial Statements                                    | 32  |
| MANAGEMENT DISCUSSION AND ANALYSIS                                   | 108 |
| RISK MANAGEMENT  | 129 |
| CORPORATE GOVERNANCE   | 168 |
| CORPORATE PROFILE  | 182 |
| RECOGNITION AND INTERNATIONAL AWARDS                                 | 184 |
| PROFILE OF DIRECTORS   | 186 |
| BOARD COMMITTEES OF SBM HOLDINGS LTD & SBM BANK (MAURITIUS) LTD      | 190 |
| DIRECTORS OF SBMH SUBSIDIARIES                                       | 191 |
| EXECUTIVE MANAGEMENT   | 192 |
| GROUP ADDRESSES  | 195 |

# CONTENTS

## LIST OF TABLES

|          |  |     |
|----------|--|-----|
| Table 1  | Group Key Financial Highlights   | 9   |
| Table 2  | Key Financial Indicators - SBM Holdings Ltd  | 109 |
| Table 3  | 2014 Performance against Objectives and Objectives for 2015 - SBM Holdings Ltd   | 111 |
| Table 4  | Summarised Income Statement - SBM Holdings Ltd   | 111 |
| Table 5  | Key Financial Indicators – SBM (Bank) Holdings Ltd   | 113 |
| Table 6  | 2014 Performance against Objectives and Objectives for 2015 - Banking Segment  | 114 |
| Table 7  | Summarised Income Statement – SBM (Bank) Holdings Ltd  | 115 |
| Table 8  | Impairment Ratios and Provisions – SBM (Bank) Holdings Ltd   | 120 |
| Table 9  | Group Advances by Line of Business   | 124 |
| Table 10 | Summarised Income Statement - SBM (NBFC) Holdings Ltd  | 126 |
| Table 11 | Performance of in-house funds v/s benchmarks   | 126 |
| Table 12 | Breakdown of Top 5 Countries' Risk-Weighted Exposures as at 31 December 2014   | 142 |
| Table 13 | Regulatory Credit Concentration Limit - Mauritius  | 145 |
| Table 14 | Aggregate of large credit exposures to customers or group of closely related customers above 15% of SBM Bank Group's capital base as at 31 December 2014 | 146 |
| Table 15 | Value at Risk  | 150 |
| Table 16 | Liquidity Coverage Ratio   | 153 |
| Table 17 | Capital Ratios as at 31 December 2014  | 161 |
| Table 18 | Components of Capital Base of SBM Bank Group   | 162 |
| Table 19 | On-Balance Sheet Assets - SBM Bank Group   | 164 |
| Table 20 | Off-Balance Sheet Assets - SBM Bank Group  | 165 |
| Table 21 | Aggregate Net Open Foreign Exchange Position – SBM Bank Group  | 165 |
| Table 22 | Capital Charge for Operational Risk – SBM Bank Group   | 165 |
| Table 23 | Board Attendance of Directors of SBM Holdings Ltd – 02 October to December 2014  | 171 |
| Table 24 | Direct & Indirect Shareholding of Directors  | 172 |
| Table 25 | Fees of Directors of SBMH & its subsidiaries   | 172 |
| Table 26 | Remuneration of Executive Directors of SBMH Subsidiaries   | 173 |
| Table 27 | Top 10 Shareholders  | 175 |
| Table 28 | Shareholders' Spread   | 176 |
| Table 29 | Local And Foreign Shareholders   | 176 |
| Table 30 | Shareholder Diary  | 177 |
| Table 31 | Audit Fees   | 177 |

**LIST OF CHARTS**

|          |  |     |
|----------|--|-----|
| Chart 1  | Profit for the year attributable to shareholders                           | 10  |
| Chart 2  | Earnings per share and Dividend per share                                  | 10  |
| Chart 3  | Market Price per share   | 10  |
| Chart 4  | Price Earnings Ratio   | 10  |
| Chart 5  | Tier 1 Capital Adequacy Ratio  | 10  |
| Chart 6  | Capital Adequacy Ratio   | 10  |
| Chart 7  | Cost to Income Ratio   | 11  |
| Chart 8  | Impaired Advances  | 11  |
| Chart 9  | Share Performance - SBM Holdings Ltd                                       | 113 |
| Chart 10 | Breakdown of Non Interest Revenue – SBM (Bank) Holdings Ltd                | 117 |
| Chart 11 | Breakdown of Non Interest Expense – SBM (Bank) Holdings Ltd                | 118 |
| Chart 12 | Cost to Income Ratio – SBM (Bank) Holdings Ltd                             | 119 |
| Chart 13 | Impaired Advances – SBM (Bank) Holdings Ltd                                | 120 |
| Chart 14 | Asset Mix – SBM (Bank) Holdings Ltd  | 121 |
| Chart 15 | Deposits – SBM (Bank) Holdings Ltd   | 122 |
| Chart 16 | Liabilities Mix – SBM (Bank) Holdings Ltd                                  | 122 |
| Chart 17 | Capital Adequacy – SBM Bank Group  | 132 |
| Chart 18 | Risk-Weighted Exposures  | 132 |
| Chart 19 | Rating-wise Risk-Weighted Exposures as at 31 December 2014                 | 142 |
| Chart 20 | Sovereign Risk Exposures as at 31 December 2014                            | 143 |
| Chart 21 | Rating-wise Bank Risk-Weighted Exposures as at 31 December 2014            | 144 |
| Chart 22 | Mauritius Operations - Concentration by Risk-Weighted Exposures            | 144 |
| Chart 23 | India Operations - Concentration by Risk-Weighted Exposures                | 145 |
| Chart 24 | Madagascar Operations - Concentration by Risk-Weighted Exposures           | 145 |
| Chart 25 | Expected Loss as a % of Exposure by Rating as at 31 December 2014          | 147 |
| Chart 26 | Operational Loss Events by Risk Category - % of Total Loss Events by Value | 155 |
| Chart 27 | Capital Adequacy & Tier 1 Capital– SBM Bank Group                          | 163 |

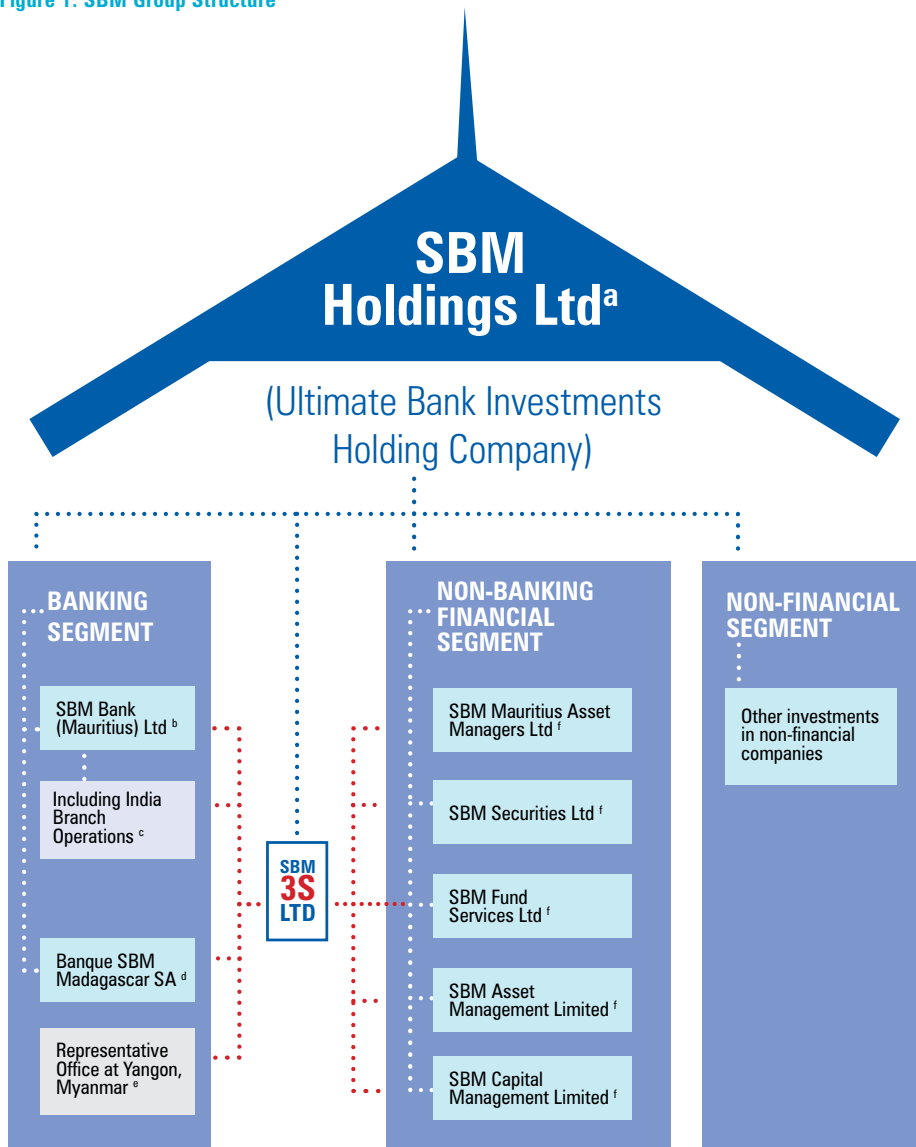
**LIST OF FIGURES**

|           |                                       |     |
|-----------|---------------------------------------|-----|
| Figure 1  | SBM Group Structure                   | 6   |
| Figure 2  | Policy Governance Principles          | 131 |
| Figure 3  | Risk Management Framework             | 134 |
| Figure 4  | Risk Appetite Framework               | 135 |
| Figure 5  | Credit Risk Principles                | 137 |
| Figure 6  | Credit Risk Management Process        | 138 |
| Figure 7  | Internal Rating Tools                 | 139 |
| Figure 8  | Credit Risk Mitigation Chart          | 140 |
| Figure 9  | Enterprise-wide Limit Structure       | 141 |
| Figure 10 | Components of Expected Loss           | 147 |
| Figure 11 | Operational Risk Management Framework | 154 |



**OVERVIEW OF GROUP STRUCTURE**

**Figure 1: SBM Group Structure**



<sup>a</sup> Supervised by Bank of Mauritius  
<sup>b</sup> Licensed and Regulated by Bank of Mauritius  
<sup>c</sup> In-principle approval of Wholly Owned Subsidiary (WOS) licence from the Reserve Bank of India was obtained on 07 April 2015 and creation of a new subsidiary in India is under process  
<sup>d</sup> Licensed and Regulated by Central Bank of Madagascar  
<sup>e</sup> Licensed and Regulated by Central Bank of Myanmar  
<sup>f</sup> Licensed and Regulated by Financial Services Commission

In line with regulatory requirement, SBM Group embarked on a restructuring exercise since 2009 with a view, among others, to segregate the non-banking activities/assets from the banking activities/assets and to ring-fence capital and risks from each of the banking operating entity.

As a result of the restructuring under Section 32(A) of the Banking Act, SBM Holdings Ltd (SBMH), till then a subsidiary of State Bank of Mauritius Ltd (now renamed as SBM Bank (Mauritius) Ltd) became the bank investment holding company of SBM Group on 02 October 2014 after transferring shares from State Bank of Mauritius Ltd to SBM Holdings Ltd (SBMH) and exchanging shares on a 1:1 ratio basis for SBMH shares. Thus, on 02 October 2014, the existing shareholders of State Bank of Mauritius Ltd became the shareholders of SBM Holdings Ltd through the above process with the same underlying pool of assets and liabilities. The listed senior subordinated bonds were also transferred along with matching investments, such as traded bank bonds and gilt securities, on the same day. SBMH was listed on the Official Market of the Stock Exchange of Mauritius Ltd (SEM) as from 03 October 2014.

Structurally, as from 02 October 2014, the activities of the SBM Group are divided into banking and non-banking investment business in the financial services sector. Furthermore, it has been undertaken through the Constitution of SBM Holdings Ltd, that as part of the restructuring, SBM Holdings Ltd shall invest not less than 90 percent of its capital, funds and borrowings in banking business and that it shall be supervised by the Bank of Mauritius (BOM).

### **SBM (Bank) Holdings Ltd**

The Banking segment is clustered under SBM (Bank) Holdings Ltd which was incorporated in 2013, is wholly owned by SBMH, is a non-operating, segmental Special Purpose Vehicle (SPV), and holds investments in all bank operating companies through their respective dedicated SPVs. The banking operations for each different country/geography/major segment will be carried out by a separate and independent bank subsidiary which will itself be held, if permitted under relevant laws and regulations, through an individual SPV. In this manner, the banking operations in each operating company will be ring-fenced from the rest of the Group operations.

- (a) SBM Mauritius Ltd is the SPV holding the investments in SBM Bank (Mauritius) Ltd, which is the banking operating company in Mauritius; regulated and supervised by BOM since 02 October 2014.
- (b) SBM Madagascar Ltd is the SPV incorporated in Mauritius as a Category 1 Global Business Licence Company in 1998, licensed by FSC and supervised by BOM, and is holding the investment in Banque SBM Madagascar SA (BSBMM), which is licensed, regulated and supervised as a domestic bank in Madagascar since 1996 by the Banque Centrale de Madagascar.
- (c) SBM India Ltd is the SPV incorporated in Mauritius in 2011 as a Category 1 Global Business Licence Company, licensed by FSC, to be used as a conduit to route investment into the wholly owned subsidiary (WOS) which will be set up in India. The in-principle approval from the Reserve Bank of India has already been received on 07 April 2015.
- (d) SBM Bank (Mauritius) Ltd has a Representative Office, which is licensed by the Central Bank of Myanmar and is established and operational in Yangon since June 2014.



## OVERVIEW OF GROUP STRUCTURE (cont'd)

### SBM (NBFC) Holdings Ltd

SBM (NBFC) Holdings Ltd, a wholly owned subsidiary of SBMH and a non-operating SPV company holding SBM Group's non-bank financial investments, is domiciled in Mauritius since 1999.

The following companies are 100% held by SBM (NBFC) Holdings Ltd:

- (i) SBM Securities Limited, operating since 1989;
- (ii) SBM Mauritius Asset Managers Ltd, operating since 1995;
- (iii) SBM Fund Services Ltd, operating since 1987;
- (iv) SBM Capital Management Limited, operating since 2007; and
- (v) SBM Asset Management Limited, operating since 2007.

All the operating companies within this cluster are licensed and supervised by the Financial Services Commission of Mauritius.

SBM Capital Management Limited and SBM Asset Management Limited each hold a Category 1 Global Business License from FSC. Furthermore, by virtue of the Foreign Institutional Investor License held by SBM Capital Management Limited, it is also licensed by the Securities and Exchange Board of India (SEBI), Mumbai, since 2010, and is registered with them to facilitate as a vehicle, not only for SBM Group's but also third parties' investments into India securities markets.

### SBM (NFC) Holdings Ltd

SBM (NFC) Holdings Ltd is a wholly owned subsidiary of SBMH and a non-operating company incorporated in 2011 holding SBM Group's investments in non-financial companies.

### SBM 3S Ltd

**SBM 3S Ltd** is a company to be owned by SBM Group's operating companies and is domiciled in Mauritius since 2014.

As part of the approved restructuring by BOM, one of the key initiatives is to achieve operational excellence through the set-up of global centralised services via the setting up of a separate entity, **SBM 3S Ltd**. The entity will deliver centralised services including business-aligned technology transformation, back office, middle office and enterprise support services mainly to different entities of the SBM Group. **SBM 3S Ltd** will be able to achieve greater efficiency by generating economies of scale across the geographies where SBM Group is and plans to be present. It will also position itself by adopting global best practices and upholding the brand via consistency in enhanced service delivery and tapping into appropriate talent pool at efficient cost levels without sacrificing targeted benchmark of talent. These services would also enable rapid deployment of overseas expansion initiatives and knowledge transfer to local teams.



**Table 1: Group Key Financial Highlights**

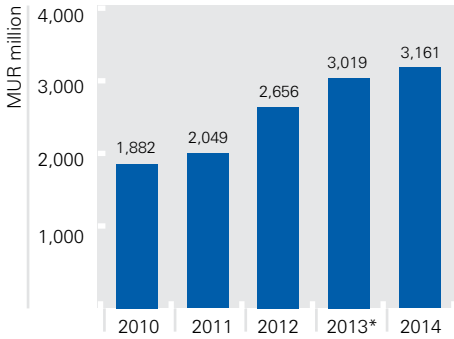
|   | 2014   | 2013 <sup>a,d</sup> | 2012 <sup>a</sup> | 2011 <sup>a</sup> | 2010 <sup>a</sup> |
|---|--------|---------------------|-------------------|-------------------|-------------------|
| Shareholders' equity (MUR million)                                | 24,347 | 20,324              | 18,345            | 15,171            | 13,773            |
| Capital adequacy ratio (%) <sup>f</sup>                           | 32.84  | 21.16               | 21.54             | 21.87             | 25.86             |
| Earnings per share (cents) <sup>b</sup>                           | 12.25  | 11.69               | 10.29             | 7.94              | 7.29              |
| Dividend payout ratio (%)   | 36.75  | 34.20               | 34.03             | 37.80             | 38.20             |
| Profit before income tax (MUR million)                            | 3,857  | 3,587               | 3,268             | 2,517             | 2,239             |
| Profit attributable to equity holders of the parent (MUR million) | 3,161  | 3,019               | 2,656             | 2,049             | 1,882             |
| Return on average assets (%) <sup>c</sup>                         | 2.64   | 2.78                | 2.74              | 2.36              | 2.39              |
| Return on average risk-weighted assets (%) <sup>c</sup>           | 4.01   | 4.00                | 4.13              | 3.96              | 4.26              |
| Return on average shareholders' equity (%) <sup>c</sup>           | 14.15  | 15.78               | 15.85             | 14.16             | 14.39             |
| Cost to income (%) <sup>e</sup>                                   | 34.27  | 37.43               | 34.33             | 37.46             | 38.26             |
| Gross impaired advances to gross advances (%)                     | 2.12   | 2.03                | 1.07              | 1.40              | 1.87              |
| Net impaired advances to net advances (%)                         | 0.96   | 0.92                | 0.36              | 0.46              | 0.81              |

**Notes:**

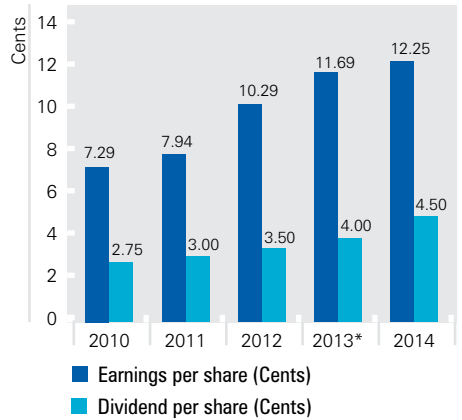
- <sup>a</sup> Restated for comparative purposes.
- <sup>b</sup> As from 01 March 2013, SBM Group share of nominal value of MUR 1 each was split into 100 shares. For comparative purpose, EPS and market price per share are based on the new number of shares of nominal value of 1 cent each for all years.
- <sup>c</sup> Averages are calculated using year-end balances.
- <sup>d</sup> Figures for 2013 relate to the 12-month period from 01 January 2013 to 31 December 2013.
- <sup>e</sup> Cost to income ratio for the 12 months of 2013 includes some exceptional expenses and timing difference for recognition. If same was adjusted, the ratio would stand at 33.57 percent.
- <sup>f</sup> Capital adequacy ratio was computed under Basel III for 2014 whereas the ratios for 2010 to 2013 were according to Basel II.



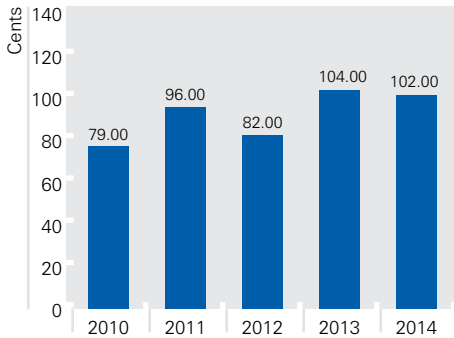
**Chart 1: Profit for the year attributable to shareholders**



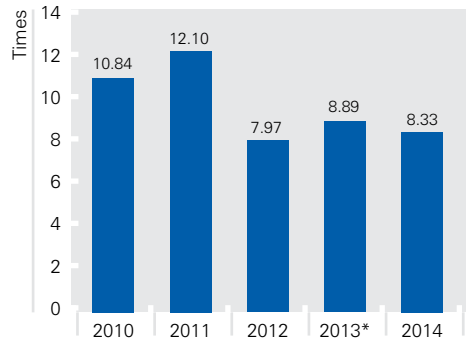
**Chart 2: Earnings per share and Dividend per share\*\***



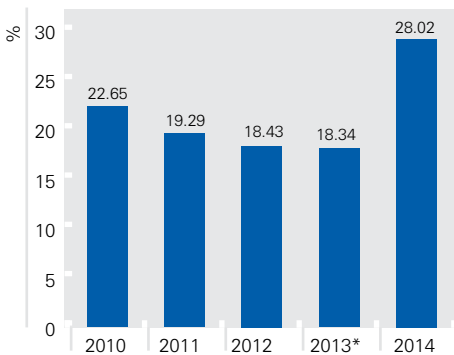
**Chart 3: Market Price per share**



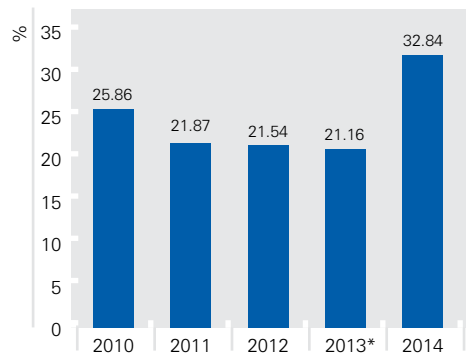
**Chart 4: Price Earnings Ratio**



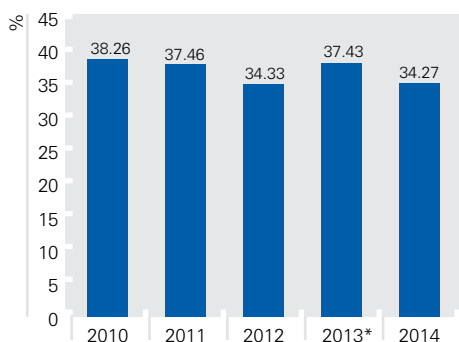
**Chart 5: Tier 1 Capital Adequacy Ratio\*\*\*\***



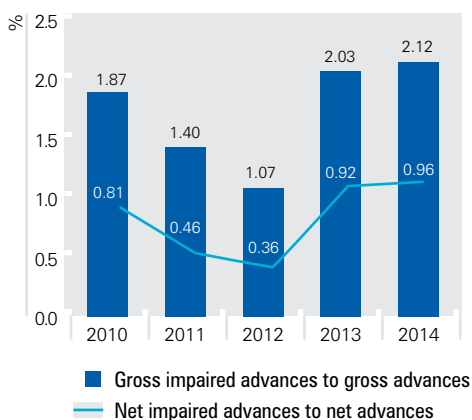
**Chart 6: Capital Adequacy Ratio\*\*\*\***



**Chart 7: Cost to Income Ratio\*\*\***



**Chart 8: Impaired Advances**



**Notes:**

- \* Figures for 2013 relate to the 12-month period from 01 January 2013 to 31 December 2013 and have been restated for comparative purposes.
- \*\* Dividend per share for 2014 includes a final dividend of 0.80 cents payable in 2015.
- \*\*\* Cost to income ratio for the 12 months of 2013 includes some exceptional expenses and timing difference for recognition. If same was adjusted, the ratio would stand at 33.57 percent.
- \*\*\*\* Significant increase from 2013 to 2014 is mostly due to the adoption of Basel III.





At the heart of the  
Indochinese Peninsula



### Independent Non-Executive Directors

---

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

---

Aakash Krishan KALACHAND

---

Dr Jameel KHADAROO \*

---

Joël RAULT \*

---

Alfred Joseph Gerard Robert Alain REY

---

Professor Andrew SCOTT \*\*

---

Régis YAT SIN, *C.S.K., G.O.S.K.*

### Non-Executive Directors

---

Medha GUNPUTH \*\*\*

---

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

### Secretary & Legal Counsel to the Board

---

Dovinassy PILLAY

---

Dayawantee RAMJUG CHUMMUN

---

(The profiles of the directors are at pages 186 to 189 of the Annual Report.)

#### 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 from 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 from 31 December 2014.



# CHAIRMAN'S STATEMENT





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

Dear Shareholders,

I am pleased to present to you the first operating results of your Group - SBM Holdings Ltd (SBMH), post restructuring, for the year ended 31 December 2014. SBM Group remained broadly profitable and is substantially over capitalised.

1. SBMH recorded a pre-tax profit of MUR 3,857 million for the year 2014 compared to MUR 3,587 million for 2013. Furthermore, SBM Group recorded a net profit of MUR 3,161 million for the year ended 31 December 2014 compared to MUR 3,019 million for 2013, indeed a modest growth. Despite the challenges in the economic environment and the persistent excess liquidity in Mauritian Rupee for the last few years, SBM Group has consistently sustained its profitability levels reflecting its strong and consistent financial fundamentals, characterised by healthy levels of net interest margin and fee based income coupled with low operational cost base. SBM Group has been commanding good ratings on these financial fundamentals – *Safe, Sound and Sustainable* – for over a decade. Suitable action has been initiated to maximise the interest revenue by addressing the composition of assets as well as liabilities based on targeted optimum yields. This measure will further enhance the net interest revenue in the months to come.

2. SBM Group continues to maintain a relatively lower cost to income ratio comfortably below 40 percent – a ratio other peer players would be envious to achieve. Moreover, SBM Group has relatively lower non-performing assets compared to its peer group in Mauritius with a relatively higher provision coverage ratio of more than 50 percent and net impairment ratio of below 1 percent. The low impairment ratios reflect SBM Group's keen urge to continue to adopt sound and sustainable risk policies and practices; reinforced with robust and effective risk management programme framework; across all business lines, portfolios, products and services. The Group also defines risk appetite levels at the beginning of every year with a healthy direct correlation between "risk and reward".

A dedicated allocation of capital to each major risk at all banking operating entities ensures sustainability of capital preservation comfortably, even after taking into account the probability of "expected loss of capital". This measure also avoids excessive concentration in the first five, ten and twenty single largest credit exposures, as also exposures to portfolios, countries, amongst others, at the entity level and at SBM Bank Group level, both for credit aggregating of all currencies and deposits currency-wise.

3. SBM Group is well capitalised and continues to maintain strong capital base year-on-year. Capital Adequacy Ratios (CAR), including both Common Equity Tier 1 and Tier 1 Capital Ratios, consistently improved for the last two decades. This has been achieved through internally generated accruals to Tier 1 Capital, which also ensured improvement in the CAR ratios even after the regular and competitive dividend payouts, in comparison to many African banks. On the back of the Group's strong capital position and consistent, sustained satisfactory operating results, the Board of Directors has approved the policy to pay dividend to its shareholders on a quarterly basis.

4. I am pleased to share that the "maiden public issue of MUR and USD Senior Subordinated Bonds in 2014, qualifying as Tier II Capital, amounting to MUR 1.5 billion and USD 65 million" respectively, were oversubscribed reflecting the continued trust and confidence from the investor community in your Group. The Bank has received an award for the "No 1 Bank in the Retail Banking Segment" by the Acquisition International Offshore Excellence Awards 2015.



The Group's Capital Adequacy Ratio (CAR) is 32.84 percent and Tier 1 CAR is 28.02 percent whereas the CAR is 21.58 per cent and Tier 1 CAR is 21.08 percent as at end of December 2014 for SBM Bank Group - SBM (Bank) Holdings Ltd - which stand well above the regulatory requirement under Basel III Accord.

5. The first week of October 2014 was a momentous week for SBM Group and goes as another "land-mark event" in the history of the Group. Following regulatory directive in 2009, to comply with the segregation of non-banking activities from banking activities, the SBM Group embarked on a "Group Restructure Initiative". After careful examination and evaluation of various available options, SBM Holdings Ltd became the new bank investments holding entity of the Group on 02 October last year, following the adoption of the Bank of Mauritius's approved "Restructure Exercise", under Section 32(A) of the Banking Act, as depicted in the diagram on page 6.

By transferring and exchanging the shares of State Bank of Mauritius Ltd, now known as SBM Bank (Mauritius) Ltd, to SBM Holdings Ltd on 02 October 2014, till then State Bank of Mauritius Ltd's subsidiary, SBM Holdings Ltd, became SBM Group's Ultimate Holding Company. Thus, the non-banking operations and assets were separated from the banking operations and assets and clustered under SBM (NBFC) Holdings Ltd. The new structure further improved our operating model, ring-fenced our capital and risks from each of the bank operating entity, thus enhancing shareholder value and also avoiding excessive build-up of single group concentration across SBM Bank Group entities. This exercise also facilitates retaining excess capital in SBM Holdings Ltd with well defined "Capital Management Policy" in compliance with Basel III Capital Ratios Requirements at individual entity level and thus ensures effective distribution of capital and robust risk management practices among bank operating subsidiary companies of the Group.

6. SBM Group's strong fundamentals and sustained sound financial performance have earned international recognition:

- (a) In November 2014, SBM Bank (Mauritius) Ltd was awarded with the prestigious "Bank of the Year Mauritius" award at The Banker Awards 2014 in London, for the second consecutive year;
- (b) In May 2014, SBM Bank (Mauritius) Ltd was awarded "Best Retail Bank in Africa" at the African Banker Awards 2014 for having demonstrated excellence in African banking and finance; and
- (c) For the third consecutive year, London-Headquartered Capital Finance International (CFI.co) awarded SBM Bank (Mauritius) Ltd, "Best Bank in Mauritius in 2014".

Over the years, SBM Bank (Mauritius) Ltd has established itself firmly as the second largest domestic bank in Mauritius. In fact, based on certain qualitative parameters, namely (a) profits on capital, (b) return on assets and (c) capital assets ratio, the SBM Group has been ranked as Number 1 in Mauritius from among the largest 1,000 banks in the World by "The Banker" - the world's premier banking and finance resource periodical from The Financial Times Group, London.

7. SBM Group recognises that the scope for long term sustainable growth in the domestic market is constrained due to the relatively small size of the economy and population besides the significant number of banks operating and competing for the same slice of business. Hence, SBM Group is pursuing opportunities to expand its footprint beyond borders. Alongside, SBM Group plans to overcome, systematically via "execution risks mitigation plans", risks associated with the Group's expansion strategy across India, Myanmar and Eastern Africa, over the next 10 years.

Due to the relatively small size of the domestic economy and to sustain continued profitability growth, diversification of revenue streams is becoming crucial and inevitable. Therefore, the SBM Group needs to embark, unavoidably but cautiously, on the geographical expansion of its business to preserve and retain its well-deserved "safe, sound and sustainable" domestic bank built over the years. This strategy will also enhance the Group's ability to withstand any unexpected global economic woes and to reduce concentration in a single economy, so as to also avoid a scenario of moving from being a "small" to a "tiny" bank in this increasingly competitive environment.



SBM Bank Group is building the following capabilities, as necessary pre-requirements before implementation of the geographic expansion strategy:

- (a) Implementation of business-aligned Technology Transformation Programme, on a managed service provider partnership with Hewlett-Packard in mid-2012, driven by the upcoming expansion strategy beyond Mauritius borders. The Group is also assisted by Accenture, our long trusted Technology Partner for over 25 years, in realising the above objective on:-
  - (i) Sound and proven operating business model(s), such as "Common Model";
  - (ii) Straight-through business processes; and
  - (iii) World class risk management matrix for improved, sound and carefully planned sustainable growth strategy through diversification programme in the African and Asian Regions. The project, namely, "Flamingo Programme", is planned to go live in 2015 and is aligned to best-in-class business and operating business models with straight-through business processing capabilities based on world high-performing banks' practices. When the programme is fully implemented successfully and rolled over to all operating entities by end of 2016, the Group will have technological competitive advantage in the markets and jurisdictions where the Group is planning to expand and operate - "a Bank in a Box or Common Model" to provide our customers with a "unique customer service experience".
- (b) During the period under review, the risk management framework has been further reinforced to take into consideration regulatory requirements under Basel III as also to mitigate execution risks associated with the expansion in India and in Eastern Africa, which should entail additional types of risks.
- (c) In India where the Group is already present with four branches, SBM Bank (Mauritius) Ltd/SBM Holdings Ltd's application to convert its branches into a wholly owned subsidiary was given an "in-principle approval" on 07 April 2015.
  - (i) This option allows the Group, by converting our branches into a domestic bank, to benefit from a more liberalised branch expansion policy, adopt more flexible policies and operating models, coinciding with the roll-out of the core banking suite within the "Flamingo Programme" in India, and also benefit from the recently announced liberalised initiative by Reserve Bank of India - "International Financial Services" centre, for building cross-border business from India itself;
  - (ii) Give the Bank access to lower cost retail deposits and to the large base of emerging high income to middle income retail personal segments, and thus providing opportunity for diversified growth on a sound footing;
  - (iii) By benefitting from the access to retail customer segments including new high net worth individuals (termed as first time seekers), this option provides an opportunity to diversify and obtain substantial revenue streams with healthy net interest margins from these customer base and also attain well diversified risk landscape over large number of ever-growing prosperous customer base in the years to come along with the launching of numerous new and upgraded products.
- (d) Moreover, as part of its diversification strategy in Asia, SBM Group opened a Representative Office in Yangon, Myanmar in June 2014 conscious that Myanmar is a country with enormous emerging growth potential.



- (e) SBM Group is evaluating opportunities to acquire, establish and to expand its presence in the Eastern African Region, preferably through joint partnership or small size acquisition strategy, readying for “in-time catching up” with the present emerging growth momentum in Eastern African Region.

8. In view of our Group Restructuring and expansion strategy beyond borders, your Group has already retained the services of International Recruitment Agencies - Head Hunters - to start the process of identifying proven international talent pool wherever necessary for key positions such as the Group's CEO, Head of Shared Services, Head of Human Resources and other senior positions. These key resources are critical and are required to execute prudently these initiatives for the Group in the years to come.

The Board of Directors concludes and firmly believes that the above strategies are essential for continued revenue growth from diversified streams with the objective of building a “safe, sound and sustainable” Regional Bank, in this ever-changing global market. The SBM Group expects its operating environments, both domestic and overseas, to improve gradually during the years ahead.

The Group will actively pursue its business development by also strengthening in-house capabilities, attracting talents, improving delivery of “quality customer service” and adopting step-by-step diversification of the revenue streams. Going forward, the SBM Group stands ready to embrace growth opportunities that are expected to unfold in the domestic market. The Group remains committed to pursue its diversification strategy through its regional expansion with focus on compliance with:

- (a) Regulatory Framework;
- (b) Planned, appropriate and robust risk management framework to mitigate the risks associated with these new growth markets; and by
- (c) Culturally integrating with local people and economy.

SBM Group will continue its focus to implement successfully the ambitious business-aligned technology transformation initiatives and recruiting competent and talented top management to support its international expansion ambitions, on a sound footing. The Board believes that by carefully executing the above strategies systematically over the next 10 years, the Group will obtain diversified expected improved revenue streams on a medium to long term basis year-on-year.

9. SBM Group believes that part of its value created in the society must be redirected towards social uplifting. We also believe in laying a strong and sustainable foundation by providing the economic assistance as a stepping stone to the less favoured segment of the society. We channel our economic assistance into two main areas of intervention through our Corporate Social Responsibility projects. Firstly, as at December 2014, the Group has awarded around 1,500 scholarships to bright, deserving and needy students from Mauritius and Rodrigues to follow their full tertiary or vocational courses subject to constant and defined academic performance. Our objective is to provide the financial means to facilitate their access to the required academic and educational skills to enhance their employability such that they may sustain the needs of their family. Likewise, since 2012, we have participated in the funding of the Social Housing Scheme for National Empowerment Foundation for the construction of 200 houses which has helped many families to have their own shelter. We remain focused in providing the financial assistance soundly to create sustainable and long term social uplifting.

10. On behalf of the Board of Directors and on my own behalf, I want to thank our customers for their continued trust and support in SBM Group. It is a privilege for us to endeavour to improve our service offering to our valued customers. The Group shall give its best to continue to enhance their unique experience with the implementation of business-aligned technology transformation initiatives. I would like to extend gratitude to all our shareholders and stakeholders for their unflinching support throughout 2014 and seek their continued trust and support to SBM Group in the years to come. I thank all staff and management for their continued hard work and relentless efforts for continued progress of the Group despite the challenging environment.

I rely on the unwavering trust and support of all stakeholders alike to undertake yet another challenging year 2015 and the years ahead of us which should witness a momentum in growth. In closing, I thank our outgoing Directors, namely (a) Professor Andrew Scott (b) Mrs Kalindee Bhanji (c) Mr Rohit Ramnawaz, G.O.S.K. and (d) Mr Shakeel Summun, for their support given to the Board and for their valuable counsel to the Group. I wish them all the best in the years in front of them. I welcome the directors who joined me on the Board in February 2015, namely (a) Mr Medha Gunpath (b) Dr Jameel Khadaroo and (c) Mr Joël Rault and seek their co-operation and open discussion on issues confronting the Financial Industry and SBM Group and also to make SBM Board an "Effective Board".

11. On behalf of the Board of Directors and on my own behalf, I wish every one of you all the best in 2015 and beyond.



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

**Group Chairman**



**Certificate from the Company Secretary**

We certify that, to the best of our 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 as applicable.



**D.G. Pillay / D. Ramjug Chumun**  
**Company Secretaries**



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# FINANCIAL STATEMENTS





## STATEMENT OF DIRECTORS' RESPONSIBILITY

Company law requires the directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Group. In preparing those Financial Statements, the directors are required to: ensure that adequate accounting records and an effective system of internal controls and risk management have been maintained; select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business. The directors confirm that they have complied with these requirements in preparing the Financial Statements.

The external auditors are responsible for reporting on whether the Financial Statements are fairly presented. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group while ensuring that: the Financial Statements fairly present the state of affairs of the Group, as at the financial year end, and the results of its operations and cash flow for that period; and they have been prepared in accordance with and comply with International Financial Reporting Standards as well as the requirements of the Banking Act 2004 and the guidelines issued thereunder.



Directors are also responsible for safeguarding the assets of the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities. Other main responsibilities of the directors include the assessment of the Management's performance relative to corporate objectives; overseeing the implementation and uploading of the Code of Corporate Governance and ensuring timely and comprehensive communication to all stakeholders on events significant to the Group.

The Board of SBM Holdings Ltd, recognising that the Group, as a financial organisation, encounters risk in every aspect of its business, has put in place the necessary committees to manage such risks, as required by Basel III. The Board, whilst approving risk strategy, appetite and policies, has delegated the formulation thereof and the monitoring of their implementation to the Risk Management Committee.

The structures, processes and methods through which the Board gains assurance that risk is effectively managed, are fully described in the Risk Management Report.

On behalf of the Board.



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

Chairman



**Alain A.J.G.R Rey**

Chairman- Audit Committee



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SBM HOLDINGS LTD

This report is made solely to the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders 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 **SBM Holdings Ltd (the "Company") and its Subsidiaries (collectively referred to as the "Group")** on pages 27 to 106 which comprise the statements of financial position as at 31 December 2014 and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and a summary of significant accounting policies and other information.

#### *Directors' responsibilities for the financial statements*

The 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 and Financial Reporting 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.

#### *Auditor's 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 auditor's judgement, 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 auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 106 give a true and fair view of the financial position of the Group and the Company as at 31 December 2014, and of their 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 Financial Reporting Act 2004.



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SBM HOLDINGS LTD (CONT'D)

### Report on other legal and regulatory requirements

#### *Mauritius Companies Act 2001*

We have no relationship with, or interests in, the Company and its subsidiaries 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 Company as far as appears from our examination of those records.

#### *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**  
Chartered Accountants



**Pradeep Malik, FCA**  
Licensed by FRC

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

|   | Note    | GROUP              |                             |                         | COMPANY           |                  |              |
|---|---------|--------------------|-----------------------------|-------------------------|-------------------|------------------|--------------|
|   |         | 31 December 2014   | 31 December 2013 (Restated) | 30 June 2012 (Restated) | 31 December 2014  | 31 December 2013 | 30 June 2012 |
|   |         | MUR' 000           | MUR' 000                    | MUR' 000                | MUR' 000          | MUR' 000         | MUR' 000     |
| <b>ASSETS</b>   |         |                    |                             |                         |                   |                  |              |
| Cash and cash equivalents                                 | 5       | 7,720,105          | 6,900,534                   | 6,993,395               | 3,702             | 111              | 2            |
| Mandatory balances with Central Banks                     |         | 6,548,749          | 5,494,981                   | 4,966,156               | -                 | -                | -            |
| Loans to and placements with banks                        | 6       | 702,133            | 932,428                     | 1,511,936               | -                 | -                | -            |
| Trading assets  | 7       | 205,223            | 249,571                     | 269,532                 | -                 | -                | -            |
| Loans and advances to non-bank customers                  | 8       | 68,054,252         | 70,093,266                  | 62,824,618              | -                 | -                | -            |
| Investment securities                                     | 9 (i)   | 30,369,883         | 18,176,133                  | 14,720,727              | 3,915,754         | -                | -            |
| Equity investments  | 9 (ii)  | 6,721,917          | 4,189,429                   | 3,962,310               | 6,319,881         | -                | -            |
| Investment in associate                                   | 9 (iii) | -                  | 845,175                     | 747,754                 | -                 | -                | -            |
| Investment in subsidiaries                                | 9 (iii) | -                  | -                           | -                       | 20,999,183        | -                | -            |
| Property and equipment                                    | 10      | 2,753,303          | 2,623,065                   | 2,672,885               | -                 | -                | -            |
| Intangible assets   | 11      | 1,067,774          | 638,914                     | 86,865                  | -                 | -                | -            |
| Deferred tax assets                                       | 17b     | 162,190            | 145,100                     | -                       | -                 | -                | -            |
| Other assets  | 12      | 2,954,753          | 2,238,899                   | 535,824                 | 287,791           | 14               | 23           |
| <b>Total assets</b>                                       |         | <b>127,260,282</b> | <b>112,527,495</b>          | <b>99,292,002</b>       | <b>31,526,311</b> | <b>125</b>       | <b>25</b>    |
| <b>LIABILITIES</b>  |         |                    |                             |                         |                   |                  |              |
| Deposits from banks                                       | 14      | 593,899            | 217,281                     | 115,946                 | -                 | -                | -            |
| Deposits from non-bank customers                          | 15      | 91,784,990         | 83,016,635                  | 76,158,615              | -                 | -                | -            |
| Other borrowed funds                                      | 16      | 5,113,005          | 6,110,051                   | 2,924,795               | -                 | -                | -            |
| Trading liabilities                                       | 7       | 146,634            | 238,555                     | 170,025                 | -                 | -                | -            |
| Current tax liabilities                                   |         | 87,953             | 247,198                     | 287,931                 | -                 | -                | -            |
| Deferred tax liabilities                                  | 17b     | 77,329             | 114,459                     | 162,588                 | -                 | -                | -            |
| Other liabilities   | 18      | 1,510,880          | 2,255,222                   | 1,126,946               | 8,919             | -                | -            |
| Subordinated debts  | 40      | 3,598,209          | 4,200                       | -                       | 3,598,209         | -                | -            |
| <b>Total liabilities</b>                                  |         | <b>102,912,899</b> | <b>92,203,601</b>           | <b>80,946,846</b>       | <b>3,607,128</b>  | <b>-</b>         | <b>-</b>     |
| <b>SHAREHOLDERS' EQUITY</b>                               |         |                    |                             |                         |                   |                  |              |
| Stated capital  | 19      | 32,500,204         | 303,740                     | 303,740                 | 32,500,204        | 125              | 25           |
| Retained earnings   |         | 439,068            | 16,554,996                  | 14,310,409              | 307,529           | -                | -            |
| Other reserves  |         | (3,716,858)        | 5,798,444                   | 6,064,293               | (13,519)          | -                | -            |
|   |         | 29,222,414         | 22,657,180                  | 20,678,442              | 32,794,214        | 125              | 25           |
| Less treasury shares                                      |         | (4,875,031)        | (2,333,286)                 | (2,333,286)             | (4,875,031)       | -                | -            |
| Total equity attributable to equity holders of the parent |         | 24,347,383         | 20,323,894                  | 18,345,156              | 27,919,183        | 125              | 25           |
| <b>Total equity and liabilities</b>                       |         | <b>127,260,282</b> | <b>112,527,495</b>          | <b>99,292,002</b>       | <b>31,526,311</b> | <b>125</b>       | <b>25</b>    |

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



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



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



## STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014

|  | Note         | GROUP                                   |   |   | COMPANY                                 |  |  |
|--|--------------|---|---|---|---|--|--|
|  |              | Year ended 31 December 2014<br>MUR' 000 | 18 months ended 31 December 2013 (Restated)<br>MUR' 000 | 12 months ended 30 June 2012 (Restated)<br>MUR' 000 | Year ended 31 December 2014<br>MUR' 000 | 18 months ended 31 December 2013<br>MUR' 000 | 12 months ended 30 June 2012<br>MUR' 000 |
| Interest income  |              | 6,451,246                               | 9,333,865   | 5,897,800   | 29,631                                  | -  | -  |
| Interest expense   |              | (2,400,808)                             | (3,417,785)   | (2,699,107)   | (32,650)                                | -  | -  |
| <b>Net interest income</b>   | 25           | <b>4,050,438</b>                        | <b>5,916,080</b>  | <b>3,198,693</b>                                    | <b>(3,019)</b>                          | -  | -  |
| Fee and commission income  |              | 930,238                                 | 1,579,549   | 1,187,424   | -                                       | -  | -  |
| Fee and commission expense   |              | (29,345)                                | (45,283)  | (32,525)  | -                                       | -  | -  |
| Net fee and commission income  | 26           | 900,893                                 | 1,534,266   | 1,154,899   | -                                       | -  | -  |
| Dividend income  | 27           | 179,339                                 | 823,026   | 230,714   | 6,971,350                               | -  | -  |
| Net trading income   | 28           | 403,700                                 | 571,266   | 487,879   | 185                                     | -  | -  |
| Other operating income   | 29           | 712,116                                 | 460,200   | 34,094  | -                                       | -  | 23                                       |
| <b>Non interest income</b>   |              | <b>2,196,048</b>                        | <b>3,388,758</b>  | <b>1,907,586</b>                                    | <b>6,971,535</b>                        | -  | 23                                       |
| <b>Operating income</b>  |              | <b>6,246,486</b>                        | <b>9,304,838</b>  | <b>5,106,279</b>                                    | <b>6,968,516</b>                        | -  | 23                                       |
| Personnel expenses   | 30           | (1,117,287)                             | (1,719,604)   | (992,133)   | (792)                                   | -  | -  |
| Depreciation and amortisation  |              | (166,022)                               | (283,039)   | (176,527)   | -                                       | -  | -  |
| Other expenses   | 31           | (695,082)                               | (1,010,898)   | (497,085)   | (4,681)                                 | -  | -  |
| <b>Non interest expense</b>  |              | <b>(1,978,391)</b>                      | <b>(3,013,541)</b>                                      | <b>(1,665,745)</b>                                  | <b>(5,473)</b>                          | -  | -  |
| <b>Profit before net impairment loss on financial assets</b>                     |              | <b>4,268,095</b>                        | <b>6,291,297</b>  | <b>3,440,534</b>                                    | <b>6,963,043</b>                        | -  | 23                                       |
| Net impairment loss on financial assets  | 32           | (473,732)                               | (830,273)   | (253,560)   | (6,319,881)                             | -  | -  |
| <b>Operating profit</b>  |              | <b>3,794,363</b>                        | <b>5,461,024</b>  | <b>3,186,974</b>                                    | <b>643,162</b>                          | -  | 23                                       |
| Share of profit of associate   | 9(iv)<br>(b) | 62,993                                  | 141,671   | 81,515  | -                                       | -  | -  |
| <b>Profit before income tax</b>  |              | <b>3,857,356</b>                        | <b>5,602,695</b>  | <b>3,268,489</b>                                    | <b>643,162</b>                          | -  | 23                                       |
| Tax expense  | 17a          | (695,944)                               | (896,336)   | (612,923)   | -                                       | -  | -  |
| <b>Profit for the year / period attributable to equity holders of the parent</b> |              | <b>3,161,412</b>                        | <b>4,706,359</b>  | <b>2,655,566</b>                                    | <b>643,162</b>                          | -  | 23                                       |
| Earnings per share (Cents)   | 33           | 12.25                                   | 18.23   | 10.29   |   |  |  |

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014**

|  | GROUP                       |   |   | COMPANY                     |                                  |                              |
|--|-----------------------------|---|---|-----------------------------|----------------------------------|------------------------------|
|  | Year ended 31 December 2014 | 18 months ended 31 December 2013 (Restated) | 12 months ended 30 June 2012 (Restated) | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 |
|  | MUR' 000                    | MUR' 000                                    | MUR' 000                                | MUR' 000                    | MUR' 000                         | MUR' 000                     |
| <b>Profit for the year / period attributable to equity holders of the parent</b> | 3,161,412                   | 4,706,359                                   | 2,655,566                               | 643,162                     | -                                | 23                           |
| <b>Other comprehensive income :</b>  |                             |   |   |                             |                                  |                              |
| <i>Items that will not be reclassified subsequently to profit or loss:</i>       |                             |   |   |                             |                                  |                              |
| Decrease in revaluation of property  | (4,397)                     | -   | -                                       | -                           | -                                | -                            |
| 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)                                       | -                                       | -                           | -                                | -                            |
| Share of other comprehensive (loss) / income of associate                        | (9,535)                     | (5,668)                                     | 5,687                                   | -                           | -                                | -                            |
| Remeasurement of defined benefit pension plan (net of deferred tax)              | 11,855                      | (25,220)                                    | (68,243)                                | -                           | -                                | -                            |
|  | 2,711                       | (31,492)                                    | (49,072)                                | -                           | -                                | -                            |
| <i>Items that may be reclassified subsequently to profit or loss:</i>            |                             |   |   |                             |                                  |                              |
| Exchange differences on translation of foreign operations                        | 87,574                      | (438,836)                                   | (366,252)                               | -                           | -                                | -                            |
| Increase / (decrease) in value of available-for-sale investments                 | 2,104,952                   | 552,536                                     | 441,214                                 | (13,519)                    | -                                | -                            |
| Fair value realised on disposal of available-for-sale investments                | (377,897)                   | (357,127)                                   | (21,524)                                | -                           | -                                | -                            |
|  | 1,814,629                   | (243,427)                                   | 53,438                                  | (13,519)                    | -                                | -                            |
| Other comprehensive income / (loss)  | 1,817,340                   | (274,919)                                   | 4,366                                   | (13,519)                    | -                                | -                            |
| <b>Total comprehensive income attributable to equity holders of the parent</b>   | 4,978,752                   | 4,431,440                                   | 2,659,932                               | 629,643                     | -                                | 23                           |



| GROUP  | Stated capital<br>MUR' 000 | Treasury shares<br>MUR' 000 | Statutory reserve<br>MUR' 000 | Capital conservation reserve<br>MUR' 000 | Revenue reserve<br>(Restated)<br>MUR' 000 | Net property revaluation reserve<br>(Restated)<br>MUR' 000 | Other reserves<br>(Note 43)<br>(Restated)<br>MUR' 000 | Total equity<br>MUR' 000 |
|--|----------------------------|-----------------------------|-------------------------------|--|---|--|---|--------------------------|
| At 01 July 2011                                      |                            |                             |                               |  |   |  |   |                          |
| - As previously stated                               | 303,740                    | (2,333,286)                 | 504,572                       | 448,029                                  | 12,807,549                                | 287,267  | 3,153,270   | 15,171,141               |
| - Revaluation of buildings on leasehold land         | -                          | -                           | -                             | -  | -   | 1,049,838  | -   | 1,049,838                |
| - Adjustment of supplementary depreciation           | -                          | -                           | -                             | -  | -   | 130,349  | -   | 130,349                  |
| - Transfer of translation loss to profit or loss     | -                          | -                           | -                             | -  | (341,060)                                 | -  | 341,060   | -                        |
| - Effect of adopting IAS 19 (revised)                | -                          | -                           | -                             | -  | 20,786                                    | -  | -   | 20,786                   |
| - As restated  | 303,740                    | (2,333,286)                 | 504,572                       | 448,029                                  | 12,487,275                                | 1,467,454  | 3,494,330   | 16,372,114               |
| Profit for the year                                  | -                          | -                           | -                             | -  | 2,655,566                                 | -  | -   | 2,655,566                |
| Other comprehensive income for the year              | -                          | -                           | -                             | -  | (68,243)                                  | 13,484   | 59,125  | 4,366                    |
| 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)                |
| <b>At 30 June 2012 (as Restated)</b>                 | <b>303,740</b>             | <b>(2,333,286)</b>          | <b>520,133</b>                | <b>551,145</b>                           | <b>14,310,409</b>                         | <b>1,439,560</b>   | <b>3,553,455</b>                                      | <b>18,345,156</b>        |
| At 01 July 2012 (as Restated)                        | 303,740                    | (2,333,286)                 | 520,133                       | 551,145                                  | 14,310,409                                | 1,439,560  | 3,553,455   | 18,345,156               |
| Profit for the period                                | -                          | -                           | -                             | -  | 4,706,359                                 | -  | -   | 4,706,359                |
| Other comprehensive income for the period            | -                          | -                           | -                             | -  | (25,220)                                  | (604)  | (249,095)   | (274,919)                |
| Revaluation reserve realised on disposal of property | -                          | -                           | -                             | -  | 6,749                                     | (6,749)  | -   | -                        |
| Transfer to retained earnings                        | -                          | -                           | -                             | -  | 61,614                                    | (61,614)   | -   | -                        |
| Transfer to statutory reserve                        | -                          | -                           | 52,213                        | -  | (52,213)                                  | -  | -   | -                        |
| Dividend   | -                          | -                           | -                             | -  | (2,452,702)                               | -  | -   | (2,452,702)              |
| <b>At 31 December 2013 (as Restated)</b>             | <b>303,740</b>             | <b>(2,333,286)</b>          | <b>572,346</b>                | <b>551,145</b>                           | <b>16,554,996</b>                         | <b>1,370,593</b>   | <b>3,304,360</b>                                      | <b>20,323,894</b>        |
| At 01 January 2014                                   | 303,740                    | (2,333,286)                 | 572,346                       | 551,145                                  | 16,554,996                                | 1,370,593  | 3,304,360   | 20,323,894               |
| Profit for the year                                  | -                          | -                           | -                             | -  | 3,161,412                                 | -  | -   | 3,161,412                |
| Other comprehensive income for the year              | -                          | -                           | -                             | -  | 11,855                                    | 391  | 1,805,094   | 1,817,340                |
| Transfer to restructure reserve                      | 32,196,464                 | (2,541,745)                 | -                             | -  | (18,155,810)                              | (1,063,164)  | (10,435,745)  | -                        |
| Transfer to capital conservation reserve             | -                          | -                           | -                             | 174,097                                  | (174,097)                                 | -  | -   | -                        |
| Transfer to retained earnings                        | -                          | -                           | -                             | -  | 7,086                                     | (34,211)   | 27,125  | -                        |
| Transfer to statutory reserve                        | -                          | -                           | 11,111                        | -  | (11,111)                                  | -  | -   | -                        |
| Dividend   | -                          | -                           | -                             | -  | (955,263)                                 | -  | -   | (955,263)                |
| <b>At 31 December 2014</b>                           | <b>32,500,204</b>          | <b>(4,875,031)</b>          | <b>583,457</b>                | <b>725,242</b>                           | <b>439,068</b>                            | <b>273,609</b>   | <b>(5,299,166)</b>                                    | <b>24,347,383</b>        |

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

| COMPANY   | Stated capital<br>MUR' 000 | Treasury shares<br>MUR' 000 | Revenue reserve<br>MUR' 000 | Net unrealised investment fair value reserve<br>MUR' 000 | Total equity<br>MUR' 000 |
|---|----------------------------|-----------------------------|-----------------------------|--|--------------------------|
| At 01 July 2011   | 25                         | -                           | (23)                        | -  | 2                        |
| Profit for the year   | -                          | -                           | 23                          | -  | 23                       |
| At 30 June 2012   | 25                         | -                           | -                           | -  | 25                       |
| At 01 July 2012   | 25                         | -                           | -                           | -  | 25                       |
| Issue of shares   | 100                        | -                           | -                           | -  | 100                      |
| At 31 December 2013   | 125                        | -                           | -                           | -  | 125                      |
| At 01 January 2014  | 125                        | -                           | -                           | -  | 125                      |
| Shares held by SBM Bank (Mauritius) Ltd cancelled                       | (125)                      | -                           | -                           | -  | (125)                    |
| Profit for the year   | -                          | -                           | 643,162                     | -  | 643,162                  |
| Other comprehensive loss for the year                                   | -                          | -                           | -                           | (13,519)   | (13,519)                 |
| Transfer of shares from SBM Bank (Mauritius) Ltd upon group restructure | 32,500,204                 | -                           | -                           | -  | 32,500,204               |
| Transfer of treasury shares upon group restructure                      | -                          | (4,875,031)                 | -                           | -  | (4,875,031)              |
| Dividend  | -                          | -                           | (335,633)                   | -  | (335,633)                |
| <b>At 31 December 2014</b>  | <b>32,500,204</b>          | <b>(4,875,031)</b>          | <b>307,529</b>              | <b>(13,519)</b>  | <b>27,919,183</b>        |

## STATEMENTS OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

|  | NOTE | GROUP                                   |  |  | COMPANY                                 |  |  |
|--|------|---|--|--|---|--|--|
|  |      | Year ended 31 December 2014<br>MUR' 000 | 18 months ended 31 December 2013<br>(Restated)<br>MUR' 000 | 12 months ended 30 June 2012<br>(Restated)<br>MUR' 000 | Year ended 31 December 2014<br>MUR' 000 | 18 months ended 31 December 2013<br>MUR' 000 | 12 months ended 30 June 2012<br>MUR' 000 |
| <b>Net cash (used in) / from operating activities</b>    | 34   | (91,435)                                | (932,784)  | 5,322,990  | (333,881)                               | 9  | -  |
| <b>Cash flows from / (used in) financing activities</b>  |      |   |  |  |   |  |  |
| Increase / (decrease) in other borrowed funds            |      | (997,046)                               | 3,185,256  | (4,199,879)  | -                                       | -  | -  |
| Increase in subordinated debts                           |      | 3,594,009                               | 4,200  | -  | 21,462                                  | -  | -  |
| Dividend paid on ordinary shares                         |      | (1,471,621)                             | (1,936,344)  | (774,538)  | (335,633)                               | -  | -  |
| Buy back and cancellation of own share capital           |      | -                                       | -  | -  | (125)                                   | -  | -  |
| <b>Net cash from / (used in) financing activities</b>    |      | <b>1,125,342</b>                        | <b>1,253,112</b>   | <b>(4,974,417)</b>                                     | <b>(314,296)</b>                        | -  | -  |
| <b>Cash flows (used in) / from investing activities</b>  |      |   |  |  |   |  |  |
| Acquisition of property and equipment                    |      | (281,067)                               | (218,385)  | (65,136)   | -                                       | -  | -  |
| Acquisition of intangible assets                         |      | (443,949)                               | (589,349)  | (56,695)   | -                                       | -  | -  |
| Disposal of property and equipment                       |      | 105                                     | 812  | 856  | -                                       | -  | -  |
| Disposal of intangible assets                            |      | -                                       | -  | 272  | -                                       | -  | -  |
| Dividend received from associate / subsidiaries          |      | -                                       | 38,583   | 7,250  | 651,893                                 | -  | -  |
| Investment in subsidiaries                               |      | -                                       | -  | -  | (125)                                   | -  | -  |
| Acquisition of other equity investments                  |      | -                                       | (6,174)  | (41,205)   | -                                       | -  | -  |
| Increase in stated capital                               |      | -                                       | -  | -  | -                                       | 100  | -  |
| Disposal of other equity investments                     |      | 510,575                                 | 361,325  | 55,058   | -                                       | -  | -  |
| <b>Net cash (used in) / from investing activities</b>    |      | <b>(214,336)</b>                        | <b>(413,189)</b>   | <b>(99,600)</b>  | <b>651,768</b>                          | <b>100</b>                                   | <b>-</b>                                 |
| <b>Net change in cash and cash equivalents</b>           |      | <b>819,571</b>                          | <b>(92,861)</b>  | <b>248,973</b>   | <b>3,591</b>                            | <b>109</b>                                   | <b>-</b>                                 |
| Cash and cash equivalents at start of year / period      |      | 6,900,534                               | 6,993,395  | 6,744,422  | 111                                     | 2  | 2  |
| <b>Cash and cash equivalents at end of year / period</b> |      | <b>7,720,105</b>                        | <b>6,900,534</b>   | <b>6,993,395</b>                                       | <b>3,702</b>                            | <b>111</b>                                   | <b>2</b>                                 |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 1. General information

SBM Holdings Ltd (the "Company") is a public company incorporated on 10 November 2010 and domiciled in Mauritius. The Company is listed on the Stock Exchange of Mauritius, as from 03 October 2014 pursuant to the Group restructuring approved by the Bank of Mauritius (refer to Note 38 of this consolidated financial statements). The address of its registered office is SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

The Group operates in the financial services sector, principally commercial banking.

### 2. Application of new and revised International Financial Reporting Standards (IFRS)

In the current year, the Group 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 27 Separate Financial Statements
- IAS 27 Separate Financial Statements – Amendments for investment entities
- IAS 28 Investments in Associates and Joint ventures
- 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 10 Consolidated Financial Statements



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

### 2. Application of new and revised International Financial Reporting Standards (IFRS) (Cont'd)

- IFRS 10 Consolidated Financial Statements – Amendments to transitional guidance
- IFRS 10 Consolidated Financial Statements – Amendments for investment entities
- IFRS 12 Disclosure of Interests in Other Entities – Amendments for Investment Entities
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 12 Disclosure of Interests in Other Entities – Amendments to transitional guidance
- 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)
- IAS 27 Separate Financial Statements - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective 1 January 2016)
- IAS 28 Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (effective 1 January 2016)
- IAS 28 Investment in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception (effective 1 January 2016)
- IAS 34 Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs (effective 1 January 2016)



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

### 2. Application of new and revised International Financial Reporting Standards (IFRS) (Cont'd)

#### New and revised IFRS in issue but not yet effective (Cont'd)

- 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 Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortization (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 3 Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) (effective 1 July 2014)
- IFRS 3 Business Combinations - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope exception for joint ventures) (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 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (effective 1 January 2016)
- IFRS 10 Consolidated Financial Statements - Amendments regarding the application of the consolidation exception (1 January 2016)
- IFRS 12 Disclosure of interests in other entities – Amendments regarding the application of the consolidation exception (1 January 2016)
- 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)

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

### 2. Application of new and revised International Financial Reporting Standards (IFRS) (Cont'd)

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 Group 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 Group 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. The consolidated financial statements are presented in the Mauritian Rupee, which is the Company'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 Group takes into account the characteristics of the asset or liability if market participants would take into account those characteristics when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated 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 in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs).

#### (c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.



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

### 3. Accounting policies (Cont'd)

#### (c) Basis of consolidation (Cont'd)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. Intragroup transactions are eliminated on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are recognised as an expense in profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the *Statement of profit or loss*. Goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses.

Business combinations involving entities under common control are accounted for, using the pooling of interest method. This involves recognising the assets and liabilities of the investee company at their carrying amounts in the books of the parent company. It is the policy of the holding company to have a coterminous financial year end for all its operations and subsidiaries except in jurisdictions where regulations impose different dates. However, in such cases, the state of affairs and results of these branches and subsidiaries are consolidated using financial statements drawn up to correspond with the financial year end of the holding company.

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

### 3. Accounting policies (Cont'd)

#### (d) 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 Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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.

#### (e) 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 and subsidiaries denominated in foreign currencies are translated into Mauritian Rupees at the rates of exchange ruling at the reporting date, as follows:



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

### 3. Accounting policies (Cont'd)

- (e) Foreign currency translation (Cont'd)

|               | 31 December<br>2014 | 31 December<br>2013 | 30 June<br>2012 |
|---------------|---------------------|---------------------|-----------------|
| USD / MUR     | 31.78               | 30.00               | 30.93           |
| INR / MUR     | 0.504               | 0.485               | 0.556           |
| 100 MGA / MUR | 1.235               | 1.351               | 1.426           |

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.

- (f) 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 recognized immediately in profit or loss.

- (g) 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.

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

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability

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

### 3. Accounting policies (Cont'd)

#### (g) Financial Assets (Cont'd)

##### (ii) *Held-to-maturity (HTM) investments (Cont'd)*

to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate.

If the Group sells or reclassifies more than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), the entire category will be tainted and will be reclassified as available-for-sale. Furthermore, the Group 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 Group'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.

#### (h) 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 Group'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 (ac) for further details on hedge accounting. Allowance for credit impairment consists of specific and portfolio allowances.



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

### 3. Accounting policies (Cont'd)

(h) Loans and advances and allowance for credit impairment (Cont'd)

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.

(i) 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*.

(j) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cashflows from the asset expire or the asset and the risk and rewards of ownership of the assets are transferred to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(k) 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.



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

### 3. Accounting policies (Cont'd)

#### (l) 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*.

#### (m) Financial liabilities and equity instruments

##### (i) Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### (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 a group entity 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 liabilities and other liabilities. Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the Group's 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 amortization, and the best estimate of the expenditure required to settle the obligations.



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

### 3. Accounting policies (Cont'd)

(m) Financial liabilities and equity instruments (Cont'd)

(v) Derecognition of financial liabilities

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

(n) 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.

(o) 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 Group'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.

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*.

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

### 3. Accounting policies (Cont'd)

(p) 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.

(q) 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.

(r) Leasing

(i) *The Group as lessor*

Amounts due from lessees under finance leases are recorded as loans and advances in the *Statement of financial position* at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

(ii) *The Group 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.

(s) Borrowing costs

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



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

### 3. Accounting policies (Cont'd)

(t) Provisions

Provisions are recognised when the Group 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.

(u) Cash and cash equivalents

For the purposes of the *Statement of cash flows*, 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.

(v) 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.

(w) 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.

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.

(x) 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 62. 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

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

### 3. Accounting policies (Cont'd)

#### (x) Employee benefits (Cont'd)

*Statement of profit or loss* in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

The retirement benefit obligation recognised in the *statement of financial position* represents the actual deficit or surplus in the Group's defined benefits plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

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

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

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

#### (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 Group issues to certain employees, phantom share options which are share appreciation rights that require the Group 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.

#### (y) 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 with in the *notes to the financial statements*.



**3. Accounting policies (Cont'd)**

(y) Share capital (Cont'd)

(iii) *Treasury shares*

Where the Group purchases its own equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(z) Related parties

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

(aa) 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 operating segments are the banking, the non-bank financial institution, the non-financial institutions and the other institutions segments. Only the banking segment is a reportable segment.

(ab) 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.

(ac) Hedge accounting

The Group 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 Group 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 Group 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.

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

### 3. Accounting policies (Cont'd)

#### (ac) Hedge accounting (Cont'd)

##### (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.

#### (ad) 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.

#### (ae) 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.



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

### 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 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 independent and qualified appraisers.

(iv) *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.

(v) *Defined benefit pension plan*

The Group 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.



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

### 5 Cash and cash equivalents

|   | GROUP                  |                        |                    | COMPANY                |                        |                    |
|---|------------------------|------------------------|--------------------|------------------------|------------------------|--------------------|
|   | 31<br>December<br>2014 | 31<br>December<br>2013 | 30<br>June<br>2012 | 31<br>December<br>2014 | 31<br>December<br>2013 | 30<br>June<br>2012 |
|   | MUR' 000               | MUR' 000               | MUR' 000           | MUR' 000               | MUR' 000               | MUR' 000           |
| Cash in hand  | 1,996,620              | 2,151,863              | 753,536            | -                      | -                      | -                  |
| Foreign currency notes and coins                      | 218,586                | 188,548                | 127,747            | -                      | -                      | -                  |
| Unrestricted balances with central banks <sup>1</sup> | 594,800                | 1,263,162              | 1,066,193          | -                      | -                      | -                  |
| Loans and placements with banks <sup>2</sup>          | 3,106,483              | 878,166                | 3,929,706          | -                      | -                      | -                  |
| Balances with banks                                   | 1,803,616              | 2,418,795              | 1,116,213          | 3,702                  | 111                    | 2                  |
|   | 7,720,105              | 6,900,534              | 6,993,395          | 3,702                  | 111                    | 2                  |

<sup>1</sup> Unrestricted balances with central banks represent amounts above the minimum cash reserve requirement.

<sup>2</sup> The balances include loans and placements with banks having an original maturity of up to three months.

### 6 Loans to and placements with banks

|                                   | GROUP                  |                        |                    |
|-----------------------------------|------------------------|------------------------|--------------------|
|                                   | 31<br>December<br>2014 | 31<br>December<br>2013 | 30<br>June<br>2012 |
|                                   | MUR' 000               | MUR' 000               | MUR' 000           |
| in Mauritius                      | -                      | 165,746                | -                  |
| outside Mauritius                 | 702,133                | 766,682                | 1,511,936          |
|                                   | 702,133                | 932,428                | 1,511,936          |
| <b>Remaining term to maturity</b> |                        |                        |                    |
| 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          |



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

### 7 Trading assets / liabilities

| Assets                 | GROUP            |                  |              |
|------------------------|------------------|------------------|--------------|
|                        | 31 December 2014 | 31 December 2013 | 30 June 2012 |
|                        | MUR' 000         | MUR' 000         | MUR' 000     |
| Government securities  | 25,591           | 893              | 41,119       |
| Equities               | 2,887            | 1,742            | 12,324       |
| Derivative assets      | 176,745          | 246,936          | 216,089      |
|                        | 205,223          | 249,571          | 269,532      |
| <b>Liabilities</b>     |                  |                  |              |
| Derivative liabilities | 146,634          | 238,555          | 170,025      |

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

| Group                        | Notional Principal Amount | FAIR VALUES |             |          |
|------------------------------|---------------------------|-------------|-------------|----------|
|                              |                           | Assets      | Liabilities | Net      |
|                              | MUR' 000                  | MUR' 000    | MUR' 000    | MUR' 000 |
| <b>31 December 2014</b>      |                           |             |             |          |
| Foreign exchange contracts*  | 21,225,492                | 169,098     | (139,634)   | 29,464   |
| Interest rate swap contracts | 581,723                   | 647         | -           | 647      |
| Other derivative contracts   | 2,582,216                 | 7,000       | (7,000)     | -        |
|                              | 24,389,431                | 176,745     | (146,634)   | 30,111   |
| <b>31 December 2013</b>      |                           |             |             |          |
| Foreign exchange contracts*  | 22,852,310                | 239,677     | (232,066)   | 7,611    |
| Interest rate swap contracts | 141,141                   | 139         | (368)       | (229)    |
| Other derivative contracts   | 925,640                   | 7,120       | (6,121)     | 999      |
|                              | 23,919,091                | 246,936     | (238,555)   | 8,381    |
| <b>30 June 2012</b>          |                           |             |             |          |
| Foreign exchange contracts*  | 18 508,802                | 205,241     | (162,912)   | 42,329   |
| 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    |
|                              | 23,812,879                | 216,089     | (170,025)   | 46,064   |

\* Foreign exchange contracts include forward and spot contracts

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

### 8 Loans and advances to non-bank customers

|  | GROUP                           |                                 |                             |
|--|---------------------------------|---------------------------------|-----------------------------|
|  | 31 December<br>2014<br>MUR' 000 | 31 December<br>2013<br>MUR' 000 | 30 June<br>2012<br>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                      | 30,599,806                  |
| 4. Entities outside Mauritius (including offshore / Global Business Licence Holders) | 10,604,640                      | 10,771,925                      | 11,848,560                  |
|  | 69,106,713                      | 71,124,892                      | 63,531,692                  |
| Less allowance for credit impairment (Note 8 (c))                                    | (1,052,461)                     | (1,031,626)                     | (707,074)                   |
|  | 68,054,252                      | 70,093,266                      | 62,824,618                  |
| <b>a Remaining term to maturity</b>  |                                 |                                 |                             |
| Up to 3 months   | 7,976,879                       | 12,073,873                      | 13,298,845                  |
| Over 3 months and up to 6 months   | 2,317,674                       | 2,589,821                       | 4,200,528                   |
| Over 6 months and up to 12 months  | 6,207,308                       | 4,646,260                       | 3,286,480                   |
| Over 1 year and up to 2 years  | 3,412,193                       | 3,673,711                       | 2,045,957                   |
| Over 2 years and up to 5 years   | 16,951,521                      | 16,090,380                      | 12,556,442                  |
| Over 5 years   | 32,241,138                      | 32,050,847                      | 28,143,440                  |
|  | 69,106,713                      | 71,124,892                      | 63,531,692                  |



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

### 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 customers and the associated allowance for impairment are as follows:-

|  | GROUP                    |   |                              |                   |
|--|--------------------------|---|------------------------------|-------------------|
|  | Up to 1 year<br>MUR' 000 | After 1 year and<br>up to 5 years<br>MUR' 000 | After<br>5 years<br>MUR' 000 | Total<br>MUR' 000 |
| <b>31 December 2014</b>                        |                          |   |                              |                   |
| 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)         |
| <b>Present value of minimum lease payments</b> | <b>469,011</b>           | <b>1,073,607</b>                              | <b>40,836</b>                | <b>1,583,454</b>  |
| Allowance for impairment                       |                          |   |                              | (46,081)          |
|  |                          |   |                              | <b>1,537,373</b>  |
| <b>31 December 2013</b>                        |                          |   |                              |                   |
| 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)         |
| <b>Present value of minimum lease payments</b> | <b>493,211</b>           | <b>1,335,943</b>                              | <b>113,497</b>               | <b>1,942,651</b>  |
| Allowance for impairment                       |                          |   |                              | (43,431)          |
|  |                          |   |                              | <b>1,899,220</b>  |
| <b>30 June 2012</b>                            |                          |   |                              |                   |
| 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)         |
| <b>Present value of minimum lease payments</b> | <b>397,749</b>           | <b>1,089,457</b>                              | <b>99,238</b>                | <b>1,586,444</b>  |
| Allowance for impairment                       |                          |   |                              | (26,760)          |
|  |                          |   |                              | <b>1,559,684</b>  |

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.

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

### 8 Loans and advances to non-bank customers (Cont'd)

#### c Allowance for credit impairment

|  | GROUP  |   |           |
|--|--|---|-----------|
|  | Specific allowance<br>for credit<br>impairment | Portfolio<br>allowance for<br>credit impairment | Total     |
|  | MUR' 000                                       | MUR' 000  | MUR' 000  |
| <b>At 01 July 2011</b>                                   | 549,289  | 266,217   | 815,506   |
| Exchange adjustment                                      | (15,379)                                       | (6,401)   | (21,780)  |
| Transfer to reserve                                      | -  | (103,116)                                       | (103,116) |
| Loans written off  | (223,441)                                      | -   | (223,441) |
| Allowance for credit impairment for the year (Note 32)   | 144,531  | 95,374  | 239,905   |
| <b>At 30 June 2012</b>                                   | 455,000  | 252,074   | 707,074   |
| Exchange adjustment                                      | (22,198)                                       | (5,940)   | (28,138)  |
| Loans written off  | (493,946)                                      | -   | (493,946) |
| Allowance for credit impairment for the period (Note 32) | 864,363  | (17,727)  | 846,636   |
| <b>At 31 December 2013</b>                               | 803,219  | 228,407   | 1,031,626 |
| Exchange adjustment                                      | 4,578  | 5,013   | 9,591     |
| Loans written off  | (474,478)                                      | -   | (474,478) |
| Allowance for credit impairment for the year (Note 32)   | 478,196  | 7,526   | 485,722   |
| <b>At 31 December 2014</b>                               | 811,515  | 240,946   | 1,052,461 |

#### d Allowance for credit impairment by industry sectors

|                                 | 31 DECEMBER 2014            |                   |   |  | 31<br>DECEMBER<br>2013                          | 30<br>JUNE<br>2012                              |         |
|---------------------------------|-----------------------------|-------------------|---|--|---|---|---------|
|                                 | Gross<br>amount of<br>loans | Impaired<br>loans | Specific<br>allowance<br>for credit<br>impairment | Portfolio<br>allowance<br>for credit<br>impairment | Total<br>allowances<br>for credit<br>impairment | Total<br>allowances<br>for credit<br>impairment |         |
|                                 | MUR' 000                    | MUR' 000          | MUR' 000  | MUR' 000   | MUR' 000  | MUR' 000  |         |
| Agriculture and fishing         | 2,692,615                   | 164,386           | 54,922  | 1,223  | 56,145  | 6,588   | 5,392   |
| Manufacturing                   | 4,616,094                   | 143,844           | 50,420  | 74,777   | 125,197   | 113,350   | 128,508 |
| 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   | 116,877 |
| Financial and business services | 3,216,339                   | -                 | -   | 9,474  | 9,474   | 8,741   | 27,827  |
| Traders                         | 7,708,507                   | 92,851            | 56,741  | 58,312   | 115,053   | 163,233   | 75,691  |
| Personal                        | 27,763,153                  | 648,124           | 452,864   | 32,569   | 485,433   | 395,883   | 283,246 |
| of which credit cards           | 528,015                     | 49,197            | 49,197  | 8,766  | 57,963  | 45,157  | 18,539  |
| Professional                    | 231,881                     | -                 | -   | 604  | 604   | 684   | 393     |
| Global Business Licence holders | 488,421                     | -                 | -   | 1,881  | 1,881   | 6,440   | 9,466   |
| Others                          | 5,249,877                   | 166,048           | 43,594  | 14,878   | 58,472  | 151,975   | 48,931  |
|                                 | 69,106,713                  | 1,461,668         | 811,515   | 240,946  | 1,052,461                                       | 1,031,626                                       | 707,074 |

Total impaired loans for 2013 for the Group were MUR 1,446 million (2012: MUR 678 million).



9 Investments

Remaining term to maturity

31 December 2014

31 Dec  
2013

30 Jun  
2012

| Group   | 31 December 2014              |                           |                           |                            |                          |                          |                          |                                     |                   |                   | MUR' 000          | MUR' 000  |
|---|-------------------------------|---------------------------|---------------------------|----------------------------|--------------------------|--------------------------|--------------------------|-------------------------------------|-------------------|-------------------|-------------------|-----------|
|   | Up to<br>3 months<br>MUR' 000 | 3-6<br>months<br>MUR' 000 | 6-9<br>months<br>MUR' 000 | 9-12<br>months<br>MUR' 000 | 1-2<br>years<br>MUR' 000 | 2-5<br>years<br>MUR' 000 | Over 5 years<br>MUR' 000 | No specific<br>maturity<br>MUR' 000 | Total<br>MUR' 000 |                   |                   |           |
| <b>(i) Investment securities</b>                    |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                   |                   |           |
| <b>(a) Held-to-maturity investment securities</b>   |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                   |                   |           |
| Government bonds and treasury notes                 | -                             | -                         | -                         | -                          | -                        | -                        | -                        | -                                   | -                 | -                 | -                 | 861,955   |
| Treasury bills                                      | -                             | -                         | -                         | -                          | -                        | -                        | -                        | -                                   | -                 | -                 | -                 | 357,392   |
| Securities issued by government bodies              | -                             | -                         | -                         | -                          | -                        | -                        | -                        | -                                   | -                 | -                 | -                 | 54,998    |
|   | -                             | -                         | -                         | -                          | -                        | -                        | -                        | -                                   | -                 | -                 | -                 | 1,274,345 |
| <b>(b) Loans and receivables</b>                    |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                   |                   |           |
| <b>Investment securities</b>                        |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                   |                   |           |
| Government bonds and treasury notes                 | -                             | 1,483,036                 | 406,408                   | 353,547                    | 1,910,581                | 4,913,667                | 1,365,229                | -                                   | 10,432,468        | 7,468,002         | 4,770,385         |           |
| Treasury bills                                      | 1,249,017                     | 1,431,337                 | 1,281,219                 | 1,500,016                  | -                        | -                        | -                        | -                                   | 5,461,589         | 3,653,611         | 5,099,628         |           |
| Bank of Mauritius bills / notes                     | 192,719                       | 198,036                   | -                         | 937,380                    | 801,648                  | 908,217                  | 152,346                  | -                                   | 3,190,346         | 2,227,513         | 593,556           |           |
| Corporate bonds                                     | -                             | 136,491                   | -                         | -                          | -                        | 200,158                  | -                        | -                                   | 336,649           | 450,224           | -                 |           |
| Other Central Bank bills                            | -                             | -                         | -                         | -                          | -                        | -                        | -                        | -                                   | -                 | -                 | -                 | 83,652    |
|   | 1,441,736                     | 3,248,900                 | 1,687,627                 | 2,790,943                  | 2,712,229                | 6,022,042                | 1,517,575                | -                                   | 19,421,052        | 13,799,350        | 10,547,221        |           |
| <b>(c) Available-for-sale investment securities</b> |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                   |                   |           |
| 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               | -                 |           |
| Bank bonds  | 221,138                       | 778,027                   | 164,867                   | 544,355                    | 1,563,538                | 2,185,750                | 2,767,899                | -                                   | 8,225,574         | 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           | 544,424           |           |
|   | 537,705                       | 1,222,959                 | 411,935                   | 544,531                    | 1,711,136                | 2,794,066                | 3,726,499                | -                                   | 10,948,831        | 4,376,783         | 2,899,161         |           |
| <b>Total</b>  | <b>1,979,441</b>              | <b>4,471,859</b>          | <b>2,099,562</b>          | <b>3,335,474</b>           | <b>4,423,365</b>         | <b>8,816,108</b>         | <b>5,244,074</b>         | <b>-</b>                            | <b>30,369,883</b> | <b>18,176,133</b> | <b>14,720,727</b> |           |
| <b>Company</b>                                      |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                   |                   |           |
| <b>(a) - Loans and receivables</b>                  |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                   |                   |           |
| Government bonds and treasury notes                 | -                             | -                         | -                         | -                          | -                        | 346,171                  | -                        | -                                   | 346,171           | -                 | -                 |           |
| Bank of Mauritius bills / notes                     | -                             | -                         | -                         | -                          | 801,648                  | 697,736                  | -                        | -                                   | 1,499,384         | -                 | -                 |           |
| <b>(b) - Available-for-sale</b>                     |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                   |                   |           |
| Bank bonds  | 179,369                       | -                         | 164,867                   | -                          | 114,124                  | 1,296,123                | 315,716                  | -                                   | 2,070,199         | -                 | -                 |           |
| <b>Total</b>  | <b>179,369</b>                | <b>-</b>                  | <b>164,867</b>            | <b>-</b>                   | <b>915,772</b>           | <b>2,340,030</b>         | <b>315,716</b>           | <b>-</b>                            | <b>3,915,754</b>  | <b>-</b>          | <b>-</b>          |           |

## 9 Investments (Cont'd)

| 31 December 2014  |                               |                           |                           |                            |                          |                          |                          |                                     |                   | 31 Dec<br>2013 | 30 Jun<br>2012 |
|---|-------------------------------|---------------------------|---------------------------|----------------------------|--------------------------|--------------------------|--------------------------|-------------------------------------|-------------------|----------------|----------------|
| Group   | Up to<br>3 months<br>MUR' 000 | 3-6<br>months<br>MUR' 000 | 6-9<br>months<br>MUR' 000 | 9-12<br>months<br>MUR' 000 | 1-2<br>years<br>MUR' 000 | 2-5<br>years<br>MUR' 000 | Over 5 years<br>MUR' 000 | No specific<br>maturity<br>MUR' 000 | Total<br>MUR' 000 | MUR' 000       | MUR' 000       |
| <b>(ii) Equity investments</b>                            |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                |                |
| <b>Group</b>  |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                |                |
| - Available-for-sale                                      |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                |                |
| Equity shares of companies:                               |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                |                |
| - Investment in associate (Note 9 (iv) (b))               | -                             | -                         | -                         | -                          | -                        | -                        | -                        | -                                   | -                 | 845,175        | 747,754        |
| - Other equity investments                                | -                             | -                         | -                         | -                          | 6,319,881                | -                        | -                        | 402,036                             | 6,721,917         | 4,189,429      | 3,962,310      |
|   | -                             | -                         | -                         | -                          | 6,319,881                | -                        | -                        | 402,036                             | 6,721,917         | 5,034,604      | 4,710,064      |
| <b>Company</b>  |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                |                |
| - Available-for-sale                                      |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                |                |
| Equity shares of companies - Other equity investments     | -                             | -                         | -                         | -                          | 6,319,881                | -                        | -                        | -                                   | 6,319,881         | -              | -              |
|   | -                             | -                         | -                         | -                          | 6,319,881                | -                        | -                        | -                                   | 6,319,881         | -              | -              |
| <b>(iii) Investment in subsidiaries (Note 9 (iv) (a))</b> |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                |                |
| <b>Company</b>  |                               |                           |                           |                            |                          |                          |                          |                                     |                   |                |                |
| - SBM (Bank) Holdings Ltd*                                | -                             | -                         | -                         | -                          | -                        | -                        | -                        | 20,522,112                          | 20,522,112        | -              | -              |
| - SBM (NBFC) Holdings Ltd                                 | -                             | -                         | -                         | -                          | -                        | -                        | -                        | 62,406                              | 62,406            | -              | -              |
| - SBM (NFC) Holdings Ltd                                  | -                             | -                         | -                         | -                          | -                        | -                        | -                        | 414,665                             | 414,665           | -              | -              |
|   | -                             | -                         | -                         | -                          | -                        | -                        | -                        | 20,999,183                          | 20,999,183        | -              | -              |

\* The indirect investments held by the Company through SBM (Bank) Holdings Ltd (SPV - Bank Investment Holdings Segment) are as follows:

| 31 December 2014                                |            |
|---|------------|
| MUR' 000  |            |
| <b>Operating companies</b>                      |            |
| - SBM Mauritius Ltd - SBM Bank (Mauritius) Ltd  | 20,384,912 |
| - SBM Madagascar Ltd - Banque SBM Madagascar SA | 136,090    |
| <b>Special Purpose Vehicles</b>                 |            |
| - SBM India Ltd - In Progress                   | 500        |
| - SBM Myanmar Ltd - In Progress                 | 610        |
|   | 20,522,112 |

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

### 9 Investment securities (Cont'd)

#### (iv) Available-for-sale investment securities (Cont'd)

Details of subsidiaries and associate are as follows:

#### (a) Subsidiaries

EFFECTIVE % HOLDING

|   | Country of Incorporation and Operation      | Business Activity | Issued Share Capital                              | 31 Dec 2014     | 31 Dec 2013 | 30 June 2012 |     |
|---|---|-------------------|---|-----------------|-------------|--------------|-----|
| <i>1.0 Banking Segmental Subsidiaries</i>   |   |                   |   |                 |             |              |     |
| <i>1.1 Special Purpose Vehicle for Bank Investments Holding Company</i>             |   |                   |   |                 |             |              |     |
| 1.1.1   | SBM (Bank) Holdings Ltd                     | Mauritius         | Bank Investment Holding Company                   | MUR 75,000      | 100         | 100          | -   |
| <i>1.2 Special Purpose Vehicles for single Bank Investment Holding Subsidiaries</i> |   |                   |   |                 |             |              |     |
| 1.2.1   | SBM Mauritius Ltd                           | Mauritius         | Investment in SBM Bank (Mauritius) Ltd            | MUR 1           | 100         | -            | -   |
| 1.2.2   | SBM Madagascar Ltd                          | Mauritius         | Investment in Banque SBM Madagascar SA            | MUR 60,960      | 100         | 100          | 100 |
| 1.2.3   | SBM India Ltd                               | Mauritius         | In progress                                       | MUR 500,000     | 100         | 100          | 100 |
| 1.2.4   | SBM Myanmar Ltd                             | Mauritius         | In progress                                       | USD 20,000      | 100         | 100          | 100 |
| <i>1.3 Bank Operating Subsidiaries</i>  |   |                   |   |                 |             |              |     |
| 1.3.1   | SBM Bank (Mauritius) Ltd <sup>1</sup>       | Mauritius         | Commercial Banking                                | MUR 310 million | 100         | 100          | 100 |
| 1.3.2   | Banque SBM Madagascar SA                    | Madagascar        | Commercial Banking                                | MGA 7.4 billion | 100         | 100          | 100 |
| <i>2.0 Non Bank Financial Segment Subsidiaries</i>                                  |   |                   |   |                 |             |              |     |
| <i>2.1 Special Purpose Vehicle for Non-Bank Investments Holding Company</i>         |   |                   |   |                 |             |              |     |
| 2.1.1   | SBM (NBFC) Holdings Ltd                     | Mauritius         | Non Banking Financial Investments Holding Company | MUR 25,000      | 100         | 100          | 100 |
| <i>2.2 Special Purpose Vehicle</i>  |   |                   |   |                 |             |              |     |
| 2.2.1   | SPV-SBM E-Business Ltd <sup>2</sup>         | Mauritius         | In progress                                       | MUR 625,000     | 100         | -            | -   |
| <i>2.3 Non Bank Operating Subsidiaries</i>  |   |                   |   |                 |             |              |     |
| 2.3.1   | SBM Fund Services Ltd                       | Mauritius         | Fiduciary services / Back Office processing       | MUR 0.5 million | 100         | 100          | 100 |
| 2.3.2   | SBM Mauritius Asset Managers Ltd            | Mauritius         | Asset Management                                  | MUR 1.6 million | 100         | 100          | 100 |
| 2.3.3   | SBM Securities Limited                      | Mauritius         | Stockbroking                                      | MUR 1 million   | 100         | 100          | 100 |
| 2.3.4   | SBM Asset Management Limited                | Mauritius         | Asset Management                                  | USD 40,000      | 100         | 100          | 100 |
| 2.3.5   | SBM Capital Management Limited <sup>3</sup> | Mauritius         | Investments                                       | USD 125,000     | 100         | 100          | 100 |
| 2.3.6   | SBM E-Business Ltd                          | Mauritius         | Card Acquiring & Processing                       | MUR 25,000      | 100         | 100          | -   |
| 2.3.7   | SBM Custody Services Ltd                    | Mauritius         | Custody Services                                  | MUR 25,000      | 100         | 100          | -   |
| <i>3.0 Non Financial Segment</i>  |   |                   |   |                 |             |              |     |
| 3.1   | SBM (NFC) Holdings Ltd                      | Mauritius         | Non Financial Holding Company                     | MUR 25,000      | 100         | 100          | 100 |
| <i>4.0 Indirect Subsidiary</i>  |   |                   |   |                 |             |              |     |
| 4.1   | SBM 3S Ltd                                  | Mauritius         | Shared Support Services                           | MUR 25,000      | 100         | 100          | -   |



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

### 9 Investment securities (Cont'd)

#### (iv) Available-for-sale investment securities (Cont'd)

SBM Holdings Ltd has become the ultimate bank investments holding company after the Group restructuring exercise, with effect from 02 October 2014 with concentration percentage of not less than 90% to be in Bank Investments, taking into account investments under derogation given by the Bank of Mauritius for disinvestments on or before 01 October 2016.

<sup>1</sup>State Bank of Mauritius Ltd has been renamed as SBM Bank (Mauritius) Ltd with effect from 02 October 2014.

<sup>2</sup>These subsidiaries were set up during the current period and have not yet started operations.

<sup>3</sup>SBM Capital Management Ltd also holds a Foreign Institutional Investor licence issued by Securities and Exchange Board of India (SEBI, Mumbai).

#### (b) Associate

|  | 31 August<br>2014 | 31 December<br>2013 | 30 June<br>2012 |
|--|-------------------|---------------------|-----------------|
| Summarised financial information in respect of the Group's associate is set out below: | MUR' 000          | MUR' 000            | MUR' 000        |
| Total assets   | 17,948,374        | 17,382,460          | 15,938,115      |
| Total liabilities  | 13,455,208        | 13,156,587          | 12,199,343      |
| Total revenue  | 2,135,467         | 2,121,601           | 1,380,870       |
| Total profit for the period  | 314,966           | 708,357             | 407,574         |
| Share of profit  | 62,993            | 141,671             | 81,515          |
| Share of net assets  | 898,633           | 845,175             | 747,754         |

The investment in associate has been reclassified in August 2014 to other equity investments under "Available for sale investment securities" at fair value as the Group has ceased to have significant influence on the investee company. An amount of MUR 62.99 million has been recognised as the share of profits in associate through the Statement of profit or loss for the year.



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

10 Property and equipment

| Group   | Freehold land and buildings<br>MUR' 000 | Buildings on leasehold land (Restated)<br>MUR' 000 | Other tangible fixed assets<br>MUR' 000 | Motor vehicles<br>MUR' 000 | Total<br>MUR' 000 |
|---|---|--|---|----------------------------|-------------------|
| <u>Cost or Valuation</u>                          |   |  |   |                            |                   |
| At 01 July 2011                                   |   |  |   |                            |                   |
| - As previously stated                            | 633,406                                 | 649,031  | 1,577,288                               | 21,460                     | 2,881,185         |
| - Revaluation                                     | -                                       | 1,258,104  | -                                       | -                          | 1,258,104         |
| - As restated                                     | 633,406                                 | 1,907,135  | 1,577,288                               | 21,460                     | 4,139,289         |
| Translation adjustment                            | (26,234)                                | -  | (5,011)                                 | (377)                      | (31,622)          |
| Additions   | 205                                     | 936  | 88,344                                  | 4,083                      | 93,568            |
| Disposals   | -                                       | -  | (33,037)                                | (760)                      | (33,797)          |
| At 30 June 2012 (restated)                        | 607,377                                 | 1,908,071  | 1,627,584                               | 24,406                     | 4,167,438         |
| Translation adjustment                            | (22,715)                                | -  | (5,931)                                 | (378)                      | (29,024)          |
| Write off adjustment                              | -                                       | -  | (305)                                   | -                          | (305)             |
| Additions   | 61,183                                  | -  | 99,629                                  | 3,725                      | 164,537           |
| Disposals   | -                                       | -  | (101,836)                               | (6,451)                    | (108,287)         |
| At 31 December 2013 (restated)                    | 645,845                                 | 1,908,071  | 1,619,141                               | 21,302                     | 4,194,359         |
| Translation adjustment                            | 6,056                                   | -  | (2,111)                                 | (155)                      | 3,790             |
| Revaluation                                       | 66,170                                  | (336,424)  | -                                       | -                          | (270,254)         |
| Additions   | 245,841                                 | -  | 40,641                                  | -                          | 286,482           |
| Disposals   | -                                       | -  | (8,756)                                 | (479)                      | (9,235)           |
| <b>At 31 December 2014</b>                        | <b>963,912</b>                          | <b>1,571,647</b>                                   | <b>1,648,915</b>                        | <b>20,668</b>              | <b>4,205,142</b>  |
| <u>Accumulated depreciation</u>                   |   |  |   |                            |                   |
| At 01 July 2011                                   |   |  |   |                            |                   |
| - As previously stated                            | 14,855                                  | 190,484  | 1,306,744                               | 8,410                      | 1,520,493         |
| - Depreciation adjustment                         | -                                       | (130,349)  | -                                       | -                          | (130,349)         |
| - As restated                                     | 14,855                                  | 60,135   | 1,306,744                               | 8,410                      | 1,390,144         |
| Translation adjustment                            | (1,109)                                 | -  | (4,539)                                 | (201)                      | (5,849)           |
| Disposals   | -                                       | -  | (33,026)                                | (760)                      | (33,786)          |
| Charge for the year                               | 12,277                                  | 55,524   | 82,275                                  | 3,311                      | 153,387           |
| At 30 June 2012 (restated)                        | 26,023                                  | 115,659  | 1,351,454                               | 10,760                     | 1,503,896         |
| Translation adjustment                            | (2,143)                                 | -  | (4,981)                                 | (302)                      | (7,426)           |
| Write off adjustment                              | -                                       | -  | (305)                                   | -                          | (305)             |
| Disposals   | -                                       | -  | (101,600)                               | (5,887)                    | (107,487)         |
| Charge for the period                             | 17,956                                  | 83,296   | 138,628                                 | 5,927                      | 245,807           |
| At 31 December 2013 (restated)                    | 41,836                                  | 198,955  | 1,383,196                               | 10,498                     | 1,634,485         |
| Translation adjustment                            | 842                                     | -  | (1,873)                                 | (152)                      | (1,183)           |
| Revaluation                                       | (29,896)                                | (235,961)  | -                                       | -                          | (265,857)         |
| Disposals   | -                                       | -  | (8,302)                                 | (479)                      | (8,781)           |
| Charge for the year                               | 12,883                                  | 54,337   | 79,892                                  | 3,839                      | 150,951           |
| <b>At 31 December 2014</b>                        | <b>25,665</b>                           | <b>17,331</b>                                      | <b>1,452,913</b>                        | <b>13,706</b>              | <b>1,509,615</b>  |
| <u>Net book value</u>                             |   |  |   |                            |                   |
| <b>At 31 December 2014</b>                        | <b>938,247</b>                          | <b>1,554,316</b>                                   | <b>196,002</b>                          | <b>6,962</b>               | <b>2,695,527</b>  |
| <b>Progress payments on tangible fixed assets</b> |   |  |   |                            | <b>57,776</b>     |
|   |   |  |   |                            | <b>2,753,303</b>  |
| At 31 December 2013 (restated)                    | 604,009                                 | 1,709,116  | 235,945                                 | 10,804                     | 2,559,874         |
| Progress payments on tangible fixed assets        |   |  |   |                            | 63,191            |
|   |   |  |   |                            | <b>2,623,065</b>  |
| At 30 June 2012 (restated)                        | 581,354                                 | 1,792,412  | 276,130                                 | 13,646                     | 2,663,542         |
| Progress payments on tangible fixed assets        |   |  |   |                            | 9,343             |
|   |   |  |   |                            | <b>2,672,885</b>  |

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

### 10 Property and equipment (Cont'd)

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

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

|                             | GROUP                        |                              |                          |
|-----------------------------|------------------------------|------------------------------|--------------------------|
|                             | 31 December 2014<br>MUR' 000 | 31 December 2013<br>MUR' 000 | 30 June 2012<br>MUR' 000 |
| <b>Level 2 fair value</b>   |                              |                              |                          |
| Freehold land and buildings | 963,912                      | 645,845                      | 607,377                  |
| Buildings on leasehold land | 1,571,647                    | 1,908,071                    | 1,908,071                |
|                             | <b>2,535,559</b>             | <b>2,553,916</b>             | <b>2,515,448</b>         |

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:

|                             | GROUP                        |                              |                          |
|-----------------------------|------------------------------|------------------------------|--------------------------|
|                             | 31 December 2014<br>MUR' 000 | 31 December 2013<br>MUR' 000 | 30 June 2012<br>MUR' 000 |
| Freehold land and buildings | 531,724                      | 268,623                      | 245,375                  |
| Leasehold buildings         | 412,947                      | 426,245                      | 451,514                  |
|                             | <b>944,671</b>               | <b>694,868</b>               | <b>696,889</b>           |

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

|  | GROUP                        |                              |                          |
|--|------------------------------|------------------------------|--------------------------|
|  | 31 December 2014<br>MUR' 000 | 31 December 2013<br>MUR' 000 | 30 June 2012<br>MUR' 000 |
| <b>Cost</b>                                      |                              |                              |                          |
| At 01 January 2014 / 01 July 2012 / 01 July 2011 | 879,346                      | 883,880                      | 851,562                  |
| Translation adjustment                           | 596                          | (2,060)                      | (2,379)                  |
| Additions  | 4,466                        | 20,287                       | 35,555                   |
| Disposals  | -                            | (22,761)                     | (858)                    |
| At 31 December / 31 December / 30 June           | <b>884,408</b>               | <b>879,346</b>               | <b>883,880</b>           |
| <b>Accumulated amortisation</b>                  |                              |                              |                          |
| At 01 January 2014 / 01 July 2012 / 01 July 2011 | 843,885                      | 831,404                      | 810,663                  |
| Translation adjustment                           | 615                          | (1,989)                      | (1,813)                  |
| Disposals  | -                            | (22,449)                     | (586)                    |
| Write off adjustment                             | -                            | (313)                        | -                        |
| Charge for the year / period / year              | 15,071                       | 37,232                       | 23,140                   |
| At 31 December / 31 December / 30 June           | <b>859,571</b>               | <b>843,885</b>               | <b>831,404</b>           |
| <b>Net book value</b>                            | <b>24,837</b>                | <b>35,461</b>                | <b>52,476</b>            |
| Progress payments on intangibles                 | 1,042,937                    | 603,453                      | 34,389                   |
|  | <b>1,067,774</b>             | <b>638,914</b>               | <b>86,865</b>            |

Intangible assets disclosed above include acquired computer software and software under development.



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

### 12 Other assets

|   | GROUP            |                  |                | COMPANY          |                  |              |
|---|------------------|------------------|----------------|------------------|------------------|--------------|
|   | 31 December 2014 | 31 December 2013 | 30 June 2012   | 31 December 2014 | 31 December 2013 | 30 June 2012 |
|   | MUR' 000         | MUR' 000         | MUR' 000       | MUR' 000         | MUR' 000         | MUR' 000     |
| Accounts receivable <sup>1</sup>                                  | 354,827          | 811,857          | 119,257        | -                | -                | -            |
| Balances due in clearing  | 208,955          | 243,411          | 236,022        | -                | -                | -            |
| Tax paid in advance <sup>2</sup>                                  | 93,087           | 110,996          | 73,878         | -                | -                | -            |
| Dividend receivable   | 148,732          | -                | -              | 281,532          | -                | -            |
| Balances with Clearing Corporation of India                       | 29,882           | 23,554           | 19,968         | -                | -                | -            |
| Non-banking assets acquired in satisfaction of debts <sup>3</sup> | 63               | 161              | 366            | -                | -                | -            |
| Amount paid in advance <sup>4</sup>                               | 2,028,799        | 974,998          | -              | -                | -                | -            |
| Others  | 90,407           | 73,922           | 86,333         | 6,259            | 14               | 23           |
|   | <b>2,954,753</b> | <b>2,238,899</b> | <b>535,824</b> | <b>287,791</b>   | <b>14</b>        | <b>23</b>    |

<sup>1</sup> Amounts receivable are generally receivable within three months.

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

<sup>3</sup> The Group's policy is to dispose of such assets as rapidly as the market permits.

<sup>4</sup> Amount paid in advance are payments relating to the IT project under progress.

### 13 Pension liability

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

|  | GROUP            |                  |                |
|--|------------------|------------------|----------------|
|  | 31 December 2014 | 31 December 2013 | 30 June 2012   |
|  | MUR' 000         | MUR' 000         | MUR' 000       |
| <b>Reconciliation of net defined benefit liability / (asset)</b> |                  |                  |                |
| 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)  | <b>75,573</b>    | <b>96,941</b>    | <b>54,874</b>  |
| <b>Reconciliation of net defined benefit liability / (asset)</b> |                  |                  |                |
| 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 (Note 18)                    | <b>75,573</b>    | <b>96,941</b>    | <b>54,874</b>  |
| <b>Reconciliation of fair value of planned assets</b>            |                  |                  |                |
| 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                              | <b>761,332</b>   | <b>672,727</b>   | <b>601,575</b> |

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

### 13 Pension liability (Cont'd)

|   | GROUP               |                     |                 |
|---|---------------------|---------------------|-----------------|
|   | 31 December<br>2014 | 31 December<br>2013 | 30 June<br>2012 |
|   | MUR' 000            | MUR' 000            | MUR' 000        |
| <b>Reconciliation of present value of defined benefit obligation</b>  |                     |                     |                 |
| 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         |
| <b>Components of amount recognised in statement of profit or loss</b> |                     |                     |                 |
| Service cost  | 27,310              | 37,255              | 20,932          |
| Net interest on net defined benefit liability                         | 5,779               | 6,136               | (3,439)         |
| Total expense (Note 30)   | 33,089              | 43,391              | 17,493          |
| <b>Components of amount recognised in other comprehensive income</b>  |                     |                     |                 |
| 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 gain due to change in financial assumptions      | -                   | 68,015              | -               |
| <b>Total</b>  | <b>(13,947)</b>     | <b>29,670</b>       | <b>80,286</b>   |
| <b>Allocation of planned assets at end of year / period</b>           |                     |                     |                 |
|   | 31 December<br>2014 | 31 December<br>2013 | 30 June<br>2012 |
| 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               |
| <b>Total</b>  | <b>100</b>          | <b>100</b>          | <b>100</b>      |
| <b>Allocation of planned assets at end of year / period</b>           |                     |                     |                 |
| Reporting entity's own transferable financial instruments             | 8                   | 10                  | 7               |
| <b>Principal assumptions used at end of year / period</b>             |                     |                     |                 |
| 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      |



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

### 13 Pension liability (Cont'd)

|   | 31 December<br>2014 | 31 December<br>2013 | 30 June<br>2012 |
|---|---------------------|---------------------|-----------------|
|   | MUR' 000            | MUR' 000            | MUR' 000        |
| <b>Sensitivity Analysis on defined benefit obligation at end of year / period</b> |                     |                     |                 |
| 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 Group 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

|                 | GROUP               |                     |                 |
|-----------------|---------------------|---------------------|-----------------|
|                 | 31 December<br>2014 | 31 December<br>2013 | 30 June<br>2012 |
|                 | MUR' 000            | MUR' 000            | MUR' 000        |
| Demand deposits | 593,899             | 217,281             | 115,946         |

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

### 15 Deposits from non-bank customers

|  | GROUP               |                     |                 |
|--|---------------------|---------------------|-----------------|
|  | 31 December<br>2014 | 31 December<br>2013 | 30 June<br>2012 |
|  | MUR' 000            | MUR' 000            | MUR' 000        |
| (i) Retail customers                           |                     |                     |                 |
| Current accounts                               | 11,400,384          | 10,167,702          | 8,781,776       |
| Savings accounts                               | 34,572,522          | 31,670,232          | 26,685,467      |
| Time deposits with remaining term to maturity: |                     |                     |                 |
| Up to 3 months                                 | 1,471,621           | 1,659,391           | 1,447,555       |
| Over 3 months and up to 6 months               | 1,133,352           | 950,699             | 1,057,747       |
| Over 6 months and up to 12 months              | 2,365,906           | 2,823,829           | 2,340,101       |
| Over 1 year and up to 5 years                  | 6,195,927           | 5,756,393           | 4,424,375       |
| Over 5 years                                   | 1,261               | 1,213               | 9,781           |
| Total time deposits                            | 11,168,067          | 11,191,525          | 9,279,559       |
|  | 57,140,973          | 53,029,459          | 44,746,802      |
| (ii) Corporate customers                       |                     |                     |                 |
| Current accounts                               | 20,440,097          | 15,871,120          | 11,717,958      |
| Savings accounts                               | 6,025,231           | 5,217,449           | 4,858,970       |
| Time deposits with remaining term to maturity: |                     |                     |                 |
| Up to 3 months                                 | 2,316,605           | 2,849,925           | 8,033,566       |
| Over 3 months and up to 6 months               | 414,240             | 791,567             | 1,148,103       |
| Over 6 months and up to 12 months              | 618,294             | 436,529             | 699,529         |
| Over 1 year and up to 5 years                  | 625,256             | 765,208             | 798,232         |
| Over 5 years                                   | -                   | -                   | 169,972         |
| Total time deposits                            | 3,974,395           | 4,843,229           | 10,849,402      |
|  | 30,439,723          | 25,931,798          | 27,426,330      |
| (iii) Government                               |                     |                     |                 |
| Current accounts                               | 1,903,416           | 1,823,047           | 2,194,523       |
| Savings accounts                               | 2,161,330           | 2,107,017           | 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           |
|  | 4,204,294           | 4,055,378           | 3,985,483       |
|  | 91,784,990          | 83,016,635          | 76,158,615      |

### 16 Other borrowed funds

|                                   | GROUP               |                     |                 |
|-----------------------------------|---------------------|---------------------|-----------------|
|                                   | 31 December<br>2014 | 31 December<br>2013 | 30 June<br>2012 |
|                                   | MUR' 000            | MUR' 000            | 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       |
| <b>Remaining term to maturity</b> |                     |                     |                 |
| 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       |



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

### 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%), whereas that of Madagascar is 20% (2013: 20% and 2012: 21%).

#### 17a Tax expense

|  | GROUP                       |                                  |                              | COMPANY                     |                                  |                              |
|--|-----------------------------|----------------------------------|------------------------------|-----------------------------|----------------------------------|------------------------------|
|  | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 |
|  | MUR' 000                    | MUR' 000                         | MUR' 000                     | MUR' 000                    | MUR' 000                         | MUR' 000                     |
| Accounting profit                                    | 3,857,356                   | 5,602,695                        | 3,268,489                    | 643,162                     | -                                | 23                           |
| Tax on accounting profit at 15%                      | 578,603                     | 840,404                          | 490,273                      | 96,474                      | -                                | 3                            |
| Net tax effect of non-taxable and other items        | (201,460)                   | (217,850)                        | (106,068)                    | (96,474)                    | -                                | (3)                          |
| Current tax provision for the year / period          | 377,143                     | 622,554                          | 384,205                      | -                           | -                                | -                            |
| Translation adjustment                               | 111                         | 20,676                           | 2,698                        | -                           | -                                | -                            |
| Corporate Social Responsibility contribution         | 49,701                      | 65,997                           | 27,410                       | -                           | -                                | -                            |
| Special levy on banks                                | 319,314                     | 379,410                          | 219,036                      | -                           | -                                | -                            |
| (Over) / under provision in previous periods / years | (22,260)                    | (34,400)                         | 38,835                       | -                           | -                                | -                            |
| Withholding tax                                      | 18,216                      | 30,181                           | 7,559                        | -                           | -                                | -                            |
| Current tax expense                                  | 742,225                     | 1,084,418                        | 679,743                      | -                           | -                                | -                            |
| Deferred tax income (Note 17 b)                      | (46,281)                    | (188,082)                        | (66,820)                     | -                           | -                                | -                            |
| Total tax expense                                    | 695,944                     | 896,336                          | 612,923                      | -                           | -                                | -                            |

The total tax expense can also be analysed as being incurred as follows:

|                   | GROUP                       |                                  |                              | COMPANY                     |                                  |                              |
|-------------------|-----------------------------|----------------------------------|------------------------------|-----------------------------|----------------------------------|------------------------------|
|                   | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 |
|                   | MUR' 000                    | MUR' 000                         | MUR' 000                     | MUR' 000                    | MUR' 000                         | MUR' 000                     |
| In Mauritius      | 705,555                     | 909,821                          | 482,106                      | -                           | -                                | -                            |
| Overseas (Net)    | (9,611)                     | (13,485)                         | 130,817                      | -                           | -                                | -                            |
| Total tax expense | 695,944                     | 896,336                          | 612,923                      | -                           | -                                | -                            |



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

### 17 Taxation (Cont'd)

#### 17b Deferred tax (assets) / liabilities

|  | GROUP           |
|--|-----------------|
|  | MUR' 000        |
| At 01 July 2011                                    |                 |
| - As previously stated                             | 36,287          |
| - Adjustment on revaluation of leasehold buildings | 208,266         |
| - Adjustment on allowance for credit impairment    | (3,668)         |
| As restated  | 240,885         |
| Exchange difference                                | (8,754)         |
| Deferred tax income (Note 17a)                     | (66,820)        |
| Deferred tax on allowance for credit impairment    | 15,467          |
| Deferred tax on retirement benefit obligations     | (4,706)         |
| Deferred tax on revaluation of property            | (13,484)        |
| At 30 June 2012 (as restated)                      | <b>162,588</b>  |
| At 01 July 2012 (as restated)                      | 162,588         |
| Exchange difference                                | (1,301)         |
| Effect of change in deferred tax rate              | 804             |
| Deferred tax income (Note 17a)                     | (188,082)       |
| Deferred tax on retirement benefit obligations     | (4,450)         |
| Deferred tax reversed on disposal of property      | (200)           |
| At 31 December 2013 (as restated)                  | <b>(30,641)</b> |
| 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                                | <b>(84,861)</b> |

|                                  | GROUP               |                     |                 |
|----------------------------------|---------------------|---------------------|-----------------|
|                                  | 31 December<br>2014 | 31 December<br>2013 | 30 June<br>2012 |
|                                  | MUR' 000            | MUR' 000            | MUR' 000        |
| Deferred tax assets              | (162,190)           | (145,100)           | -               |
| Deferred tax liabilities         | 77,329              | 114,459             | 162,588         |
|                                  | <b>(84,861)</b>     | <b>(30,641)</b>     | <b>162,588</b>  |
| Analysed as resulting from:      |                     |                     |                 |
| Accelerated capital allowances   | 41,610              | 46,047              | 49,677          |
| Allowances for credit impairment | (176,700)           | (195,502)           | (136,192)       |
| Carried forward losses           | (167,328)           | (109,125)           | -               |
| Revaluation of property          | 235,925             | 246,266             | 262,953         |
| Other provisions                 | (18,368)            | (18,327)            | (13,850)        |
|                                  | <b>(84,861)</b>     | <b>(30,641)</b>     | <b>162,588</b>  |



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

### 18 Other liabilities

|                             | GROUP               |                     |                 | COMPANY             |                     |                 |
|-----------------------------|---------------------|---------------------|-----------------|---------------------|---------------------|-----------------|
|                             | 31 December<br>2014 | 31 December<br>2013 | 30 June<br>2012 | 31 December<br>2014 | 31 December<br>2013 | 30 June<br>2012 |
|                             | MUR' 000            | MUR' 000            | MUR' 000        | MUR' 000            | MUR' 000            | MUR' 000        |
| Bills payable               | 150,719             | 114,409             | 167,594         | -                   | -                   | -               |
| Accruals for expenses       | 475,021             | 403,219             | 320,905         | 2,875               | -                   | -               |
| Dividend payable (Note 20)  | -                   | 516,358             | -               | -                   | -                   | -               |
| Accounts payable            | 433,417             | 455,221             | 206,118         | -                   | -                   | -               |
| Deferred income             | 34,390              | 40,943              | 45,339          | -                   | -                   | -               |
| Balance due in clearing     | 201,874             | 277,125             | 229,596         | -                   | -                   | -               |
| Balances in transit         | 122,345             | 325,936             | 54,117          | -                   | -                   | -               |
| Pension liability (Note 13) | 75,573              | 96,941              | 54,874          | -                   | -                   | -               |
| Others                      | 17,541              | 25,070              | 48,403          | 6,044               | -                   | -               |
|                             | 1,510,880           | 2,255,222           | 1,126,946       | 8,919               | -                   | -               |

### 19 Stated capital

|   | GROUP          |            | COMPANY        |            |
|---|----------------|------------|----------------|------------|
|   | Number         | MUR' 000   | Number         | MUR' 000   |
| <u>Issued and paid up share capital</u> |                |            |                |            |
| At 31 December 2014                     | 30,374,022,300 | 32,500,204 | 30,374,022,300 | 32,500,204 |
| At 31 December 2013                     | 30,374,022,300 | 303,740    | 125,000        | 125        |
| At 30 June 2012                         | 30,374,022,300 | 303,740    | 25,000         | 25         |
| <u>Treasury shares held</u>             |                |            |                |            |
| At 31 December 2014                     | 4,556,103,300  | 4,875,031  | 4,556,103,300  | 4,875,031  |
| 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, except for treasury shares which have no such rights.

### 20 Dividend

|  | GROUP                  |                        |                    | COMPANY                |                        |                    |
|--|------------------------|------------------------|--------------------|------------------------|------------------------|--------------------|
|  | 31<br>December<br>2014 | 31<br>December<br>2013 | 30<br>June<br>2012 | 31<br>December<br>2014 | 31<br>December<br>2013 | 30<br>June<br>2012 |
|  | MUR' 000               | MUR' 000               | MUR' 000           | MUR' 000               | MUR' 000               | MUR' 000           |
| Dividend declared after the reporting date:  |                        |                        |                    |                        |                        |                    |
| 2014: 0.8 cents (2012: 3.7 cents) per share of nominal 1 cent                          | 206,543                | -                      | 903,627            | 206,543                | -                      | -                  |
| Dividend declared during the 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              | -                  | 335,633                | -                      | -                  |
| Less dividend paid (2014: 3.7 cents per share; 2013: 4 cents per share)                | (955,263)              | (1,032,717)            | -                  | (335,633)              | -                      | -                  |
| Dividend payable (Note 18)   | -                      | 516,358                | -                  | -                      | -                      | -                  |

Dividend amounting to MUR 207 million declared after the reporting date is not included as a liability in the financial statements.

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

### 21 Memorandum items

|  | GROUP                           |                                 |                             |
|--|---------------------------------|---------------------------------|-----------------------------|
|  | 31 December<br>2014<br>MUR' 000 | 31 December<br>2013<br>MUR' 000 | 30 June<br>2012<br>MUR' 000 |
| <b>a</b> <u>Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers</u> |                                 |                                 |                             |
| Acceptances on account of customers  | 593,887                         | 293,067                         | 244,742                     |
| Guarantees on account of customers   | 4,394,145                       | 4,091,821                       | 6,649,475                   |
| Money guarantees   | 597,997                         | 780,184                         | 640,401                     |
| Letters of credit and other obligations on account of customers  | 997,808                         | 1,003,645                       | 777,555                     |
| Other contingent items   | 437,398                         | 24,230                          | -                           |
|  | 7,021,235                       | 6,192,947                       | 8,312,173                   |
| <b>b</b> <u>Commitments</u>  |                                 |                                 |                             |
| Undrawn credit facilities  | 7,469,380                       | 8,274,678                       | 10,475,808                  |
| <b>c</b> <u>Other</u>  |                                 |                                 |                             |
| Inward bills held for collection   | 86,514                          | 123,063                         | 120,181                     |
| Outward bills sent for collection  | 1,671,089                       | 2,832,192                       | 1,111,004                   |
|  | 1,757,603                       | 2,955,255                       | 1,231,185                   |
| <b>Total</b>   | 16,248,218                      | 17,422,880                      | 20,019,166                  |

### 22 Assets pledged

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

|                                   | GROUP                           |                                 |                             |
|-----------------------------------|---------------------------------|---------------------------------|-----------------------------|
|                                   | 31 December<br>2014<br>MUR' 000 | 31 December<br>2013<br>MUR' 000 | 30 June<br>2012<br>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                   |

### 23 Capital commitments

|                                 | GROUP                           |                                 |                             |
|---------------------------------|---------------------------------|---------------------------------|-----------------------------|
|                                 | 31 December<br>2014<br>MUR' 000 | 31 December<br>2013<br>MUR' 000 | 30 June<br>2012<br>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

|   | GROUP                           |                                 |                             |
|---|---------------------------------|---------------------------------|-----------------------------|
|   | 31 December<br>2014<br>MUR' 000 | 31 December<br>2013<br>MUR' 000 | 30 June<br>2012<br>MUR' 000 |
| <i>Leasing arrangements - The Group as lessee</i> |                                 |                                 |                             |
| Operating lease expense                           | 65,214                          | 56,083                          | 43,967                      |



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

### 24 Operating lease (Cont'd)

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

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

|                                  | GROUP                        |                              |                          |
|----------------------------------|------------------------------|------------------------------|--------------------------|
|                                  | 31 December 2014<br>MUR' 000 | 31 December 2013<br>MUR' 000 | 30 June 2012<br>MUR' 000 |
| Up to 1 year                     | 151,358                      | 25,089                       | 29,234                   |
| After 1 year and before 5 years  | 174,577                      | 320,250                      | 74,996                   |
| After 5 years and up to 25 years | 18,768                       | 89,890                       | 41,474                   |
|                                  | <b>344,703</b>               | <b>435,229</b>               | <b>145,704</b>           |

### 25 Net interest income

|  | GROUP   |   |  | COMPANY                                       |   |  |
|--|---|---|--|---|---|--|
|  | Year ended<br>31 December<br>2014<br>MUR' 000 | 18 months<br>ended<br>31 December<br>2013<br>MUR' 000 | 12 months<br>ended<br>30 June 2012<br>MUR' 000 | Year ended<br>31 December<br>2014<br>MUR' 000 | 18 months<br>ended<br>31 December<br>2013<br>MUR' 000 | 12 months<br>ended<br>30 June 2012<br>MUR' 000 |
| <b>Interest income</b>                   |   |   |  |   |   |  |
| Cash and cash equivalents                | 40,058  | 27,314  | 44,221   | -   | -   | -  |
| Loans to and placements with banks       | 26,170  | 39,228  | 59,303   | -   | -   | -  |
| Loans and advances to non-bank customers | 5,257,649                                     | 7,876,308   | 4,725,433                                      | -   | -   | -  |
| Investment securities                    | 1,110,707                                     | 1,323,073   | 1,028,460                                      | 29,631  | -   | -  |
| Trading assets                           | (8,131)                                       | 67,866  | 40,360   | -   | -   | -  |
| Other                                    | 24,793  | 76  | 23   | -   | -   | -  |
| Total interest income                    | 6,451,246                                     | 9,333,865   | 5,897,800                                      | 29,631  | -   | -  |
| <b>Interest expense</b>                  |   |   |  |   |   |  |
| Deposits from banks                      | -   | -   | (21)   | -   | -   | -  |
| Deposits from non-bank customers         | (2,189,671)                                   | (3,164,209)   | (2,447,028)                                    | -   | -   | -  |
| Other borrowed funds                     | (113,336)                                     | (253,576)   | (252,058)                                      | -   | -   | -  |
| Subordinated debts                       | (97,552)                                      | -   | -  | (32,650)                                      | -   | -  |
| Other                                    | (249)   | -   | -  | -   | -   | -  |
| Total interest expense                   | (2,400,808)                                   | (3,417,785)   | (2,699,107)                                    | (32,650)                                      | -   | -  |
| <b>Net interest income</b>               | <b>4,050,438</b>                              | <b>5,916,080</b>                                      | <b>3,198,693</b>                               | <b>(3,019)</b>                                | -   | -  |

### 26 Net fee and commission income

|                                      | GROUP                                      |  |  |
|--------------------------------------|--|--|--|
|                                      | Year ended<br>31 December 2014<br>MUR' 000 | 18 months<br>ended<br>31 December 2013<br>MUR' 000 | 12 months<br>ended<br>30 June 2012<br>MUR' 000 |
| <b>Fee and commission income</b>     |  |  |  |
| Retail banking customer fees         | 334,186                                    | 567,318  | 332,329  |
| Corporate banking customer fees      | 238,394                                    | 399,142  | 273,350  |
| Brokerage                            | 16,015                                     | 17,307   | 9,278  |
| Asset management fees                | 24,069                                     | 41,757   | 53,016   |
| Card income                          | 316,617                                    | 552,266  | 519,112  |
| Other                                | 957  | 1,759  | 339  |
| Total fee and commission income      | 930,238                                    | 1,579,549  | 1,187,424                                      |
| <b>Fee and commission expense</b>    |  |  |  |
| Interbank transaction fees           | (13,931)                                   | (19,205)   | (10,419)                                       |
| Other                                | (15,414)                                   | (26,078)   | (22,106)                                       |
| Total fee and commission expense     | (29,345)                                   | (45,283)   | (32,525)                                       |
| <b>Net fee and commission income</b> | <b>900,893</b>                             | <b>1,534,266</b>                                   | <b>1,154,899</b>                               |

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

### 27 Dividend income

|                               | GROUP                       |                                  |                              | COMPANY                     |                                  |                              |
|-------------------------------|-----------------------------|----------------------------------|------------------------------|-----------------------------|----------------------------------|------------------------------|
|                               | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 |
|                               | MUR' 000                    | MUR' 000                         | MUR' 000                     | MUR' 000                    | MUR' 000                         | MUR' 000                     |
| Available-for-sale securities | 179,338                     | 822,746                          | 230,520                      | 6,971,350                   | -                                | -                            |
| Trading securities            | 1                           | 280                              | 194                          | -                           | -                                | -                            |
|                               | 179,339                     | 823,026                          | 230,714                      | 6,971,350                   | -                                | -                            |

### 28 Net trading income

|                         | GROUP                       |                                  |                              | COMPANY                     |                                  |                              |
|-------------------------|-----------------------------|----------------------------------|------------------------------|-----------------------------|----------------------------------|------------------------------|
|                         | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 |
|                         | MUR' 000                    | MUR' 000                         | MUR' 000                     | MUR' 000                    | MUR' 000                         | MUR' 000                     |
| Fixed income securities | 602                         | 2,192                            | 634                          | -                           | -                                | -                            |
| Equities                | (266)                       | (522)                            | 110                          | -                           | -                                | -                            |
| Foreign exchange gain   | 403,522                     | 555,520                          | 497,241                      | 185                         | -                                | -                            |
| Other                   | (158)                       | 14,076                           | (10,106)                     | -                           | -                                | -                            |
|                         | 403,700                     | 571,266                          | 487,879                      | 185                         | -                                | -                            |

### 29 Other operating income

|  | GROUP                       |                                  |                              | COMPANY                     |                                  |                              |
|--|-----------------------------|----------------------------------|------------------------------|-----------------------------|----------------------------------|------------------------------|
|  | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 |
|  | MUR' 000                    | MUR' 000                         | MUR' 000                     | MUR' 000                    | MUR' 000                         | MUR' 000                     |
| Gain on sale of available-for-sale securities: |                             |                                  |                              |                             |                                  |                              |
| Investment securities                          | 255,270                     | 113,391                          | 8,301                        | -                           | -                                | -                            |
| Equity investments                             | 456,704                     | 361,481                          | 25,071                       | -                           | -                                | -                            |
| Other  | 142                         | (14,672)                         | 722                          | -                           | -                                | 23                           |
|  | 712,116                     | 460,200                          | 34,094                       | -                           | -                                | 23                           |

### 30 Personnel expenses

|   | GROUP                       |                                  |                              | COMPANY                     |                                  |                              |
|---|-----------------------------|----------------------------------|------------------------------|-----------------------------|----------------------------------|------------------------------|
|   | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 |
|   | MUR' 000                    | MUR' 000                         | MUR' 000                     | MUR' 000                    | MUR' 000                         | MUR' 000                     |
| Wages and salaries  | 779,356                     | 1,148,672                        | 721,718                      | 641                         | -                                | -                            |
| Other social security obligations                         | 12,632                      | 17,033                           | 10,002                       | 5                           | -                                | -                            |
| Contributions to defined contribution plans               | 65,158                      | 90,606                           | 55,758                       | 135                         | -                                | -                            |
| 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  | 18,357                      | 50,036                           | 12,229                       | -                           | -                                | -                            |
| Management and professional charges                       | 37,429                      | 143,934                          | 45,674                       | -                           | -                                | -                            |
| Security and cleaning services                            | 55,496                      | 77,767                           | 48,943                       | -                           | -                                | -                            |
| Other personnel expenses                                  | 109,299                     | 118,025                          | 65,050                       | 11                          | -                                | -                            |
|   | 1,117,287                   | 1,719,604                        | 992,133                      | 792                         | -                                | -                            |



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

### 31 Other expenses

|  | GROUP                       |                                  |                              | COMPANY                     |                                  |                              |
|--|-----------------------------|----------------------------------|------------------------------|-----------------------------|----------------------------------|------------------------------|
|  | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 |
|  | MUR' 000                    | MUR' 000                         | MUR' 000                     | MUR' 000                    | MUR' 000                         | MUR' 000                     |
| Software licensing and other information technology cost | 329,283                     | 566,342                          | 154,596                      | -                           | -                                | -                            |
| Auditors' remuneration (audit and other services):       |                             |                                  |                              |                             |                                  |                              |
| -Principal auditors                                      | 20,819                      | 7,722                            | 5,095                        | 3,542                       | -                                | -                            |
| -Other auditors  | 962                         | 1,143                            | 677                          | -                           | -                                | -                            |
| Utilities  | 53,872                      | 75,822                           | 51,506                       | -                           | -                                | -                            |
| Professional charges                                     | 56,685                      | 88,662                           | 49,323                       | 323                         | -                                | -                            |
| Marketing costs  | 37,869                      | 43,064                           | 26,316                       | 9                           | -                                | -                            |
| Rent, repairs and maintenance                            | 81,499                      | 99,346                           | 74,860                       | -                           | -                                | -                            |
| Licence and other registration fees                      | 20,216                      | 19,647                           | 12,023                       | 152                         | -                                | -                            |
| Other  | 93,877                      | 109,150                          | 122,689                      | 655                         | -                                | -                            |
|  | 695,082                     | 1,010,898                        | 497,085                      | 4,681                       | -                                | -                            |

### 32 Net impairment loss on financial assets

|   | GROUP                       |                                  |                              |
|---|-----------------------------|----------------------------------|------------------------------|
|   | Year ended 31 December 2014 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 |
|   | MUR' 000                    | MUR' 000                         | MUR' 000                     |
| Portfolio and specific provisions:                      |                             |                                  |                              |
| - On-balance sheet advances (Note 8c)                   | 485,722                     | 846,636                          | 239,905                      |
| - Off-balance sheet exposure                            | 123                         | -                                | (16,287)                     |
| Bad debts written off for which no provisions were made | -                           | 152                              | 331                          |
| Recoveries of advances written off                      | (11,750)                    | (33,093)                         | (21,400)                     |
| Other   | (363)                       | 16,578                           | 51,011                       |
|   | 473,732                     | 830,273                          | 253,560                      |
| Of which:   |                             |                                  |                              |
| Credit exposure   | 474,095                     | 813,695                          | 202,549                      |
| Other financial assets                                  | (363)                       | 16,578                           | 51,011                       |
|   | 473,732                     | 830,273                          | 253,560                      |

The Company received dividend in specie of MUR 6.3 billion from its subsidiaries during the year ended 31 December 2014. The dividend received in specie is adjusted against the investments held by the Company.

### 33 Earnings per share

Earnings per share is calculated by dividing profit attributable to equity holders of the parent by the number of shares outstanding during the year/period, excluding treasury shares.

|   | GROUP  |   |   |
|---|--|---|---|
|   | Year ended 31 December 2014                                    | 18 months ended 31 December 2013 (Restated) | 12 months ended 30 June 2012 (Restated) |
|   | Profit attributable to equity holders of the parent (MUR' 000) | 3,161,412                                   | 4,706,359                               |
| Number of shares entitled to dividend (thousands) | 25,817,919   | 25,817,919                                  | 25,817,919                              |
| Earnings per share (cents)                        | 12.25  | 18.23                                       | 10.29                                   |

Changes in the Group's accounting policies during the year are described in detail in note 39 (a)(i). The impact of these changes on earnings per share is shown below:

|  | (Decrease) / increase in profit for the period |                              | (Decrease) / increase in earnings per share |                              |
|--|--|------------------------------|---|------------------------------|
|  | GROUP  |                              | GROUP                                       |                              |
|  | 18 months ended 31 December 2013               | 12 months ended 30 June 2012 | 18 months ended 31 December 2013            | 12 months ended 30 June 2012 |
|  | MUR' 000                                       | MUR' 000                     | cents                                       | cents                        |
| Revaluation of buildings on leasehold land and correction of translation reserve | (58,045)                                       | 2,170                        | (0.22)                                      | 0.01                         |

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

### 34 Net cash (used in) / from operating activities

|   | GROUP                             |   |   | COMPANY                              |   |                                    |
|---|-----------------------------------|---|---|--------------------------------------|---|------------------------------------|
|   | Year ended<br>31 December<br>2014 | 18 months<br>ended<br>31 December<br>2013<br>(Restated) | 12 months<br>ended<br>30 June<br>2012<br>(Restated) | Year<br>ended<br>31 December<br>2014 | 18 months<br>ended<br>31 December<br>2013 | 12 months<br>ended<br>30 June 2012 |
|   | MUR' 000                          | MUR' 000  | MUR' 000  | MUR' 000                             | MUR' 000                                  | MUR' 000                           |
| <b>Cash flows from operating activities</b>                     |                                   |   |   |                                      |   |                                    |
| Profit for the year / period / year                             | 3,161,412                         | 4,706,359   | 2,655,566   | 643,162                              | -   | 23                                 |
| <b>Adjustments to determine net cash flows:</b>                 |                                   |   |   |                                      |   |                                    |
| Depreciation of tangible assets                                 | 150,951                           | 245,807   | 153,387   | -                                    | -   | -                                  |
| Amortisation of intangible assets                               | 15,071                            | 37,232  | 23,140  | -                                    | -   | -                                  |
| Pension expense (Note 30)                                       | 33,089                            | 43,391  | 17,493  | -                                    | -   | -                                  |
| Net impairment loss on financial assets (Note 32)               | 473,732                           | 830,273   | 253,560   | 6,319,881                            | -   | -                                  |
| Exchange difference   | 84,476                            | (463,511)   | (370,169)   | -                                    | -   | -                                  |
| Net gain on sale of available-for-sale equity investments       | (456,704)                         | (361,481)   | (25,071)  | -                                    | -   | -                                  |
| Net (gain) / loss from dealings in trading securities           | (179)                             | (15,747)  | 9,362   | -                                    | -   | -                                  |
| Net gain on disposal of property and equipment                  | 349                               | (92)  | (722)   | -                                    | -   | -                                  |
| Interest income   | -                                 | -   | -   | (29,631)                             | -   | -                                  |
| Interest expense  | -                                 | -   | -   | 32,650                               | -   | -                                  |
| Tax expense   | 695,944                           | 896,336   | 612,923   | -                                    | -   | -                                  |
| Share of profit of associate                                    | (62,993)                          | (141,671)   | (81,515)  | -                                    | -   | -                                  |
| Dividend income (Note 27)                                       | (179,339)                         | (823,026)   | (230,714)   | (6,971,350)                          | -   | -                                  |
| <b>Operating profit / (loss) before working capital changes</b> | <b>3,915,809</b>                  | <b>4,953,870</b>  | <b>3,017,240</b>                                    | <b>(5,288)</b>                       | <b>-</b>                                  | <b>23</b>                          |
| <b>Change in operating assets and liabilities</b>               |                                   |   |   |                                      |   |                                    |
| Decrease / (increase) in trading assets                         | 44,527                            | 35,708  | (145,441)   | -                                    | -   | -                                  |
| Decrease / (increase) in loans to and placements with banks     | 230,295                           | 579,508   | (568,577)   | -                                    | -   | -                                  |
| Increase / (decrease) in loans and advances to customers        | 1,554,913                         | (8,039,441)   | (5,731,499)   | -                                    | -   | -                                  |
| (Increase) / decrease in gilt-edged investment securities       | (5,543,430)                       | (2,768,863)   | 4,579,604   | (353,627)                            | -   | -                                  |
| (Increase) / decrease in other investment securities            | (6,610,498)                       | (746,436)   | 44,223  | -                                    | -   | -                                  |
| Increase in mandatory balances with Central Banks               | (1,053,768)                       | (528,825)   | (786,052)   | -                                    | -   | -                                  |
| (Decrease) / increase in other assets                           | (605,890)                         | (1,687,106)   | (65,435)  | (6,245)                              | 9   | (23)                               |
| Increase / (decrease) in deposits from banks                    | 376,618                           | 101,335   | (102,306)   | -                                    | -   | -                                  |
| Increase in deposits from non-bank customers                    | 8,768,355                         | 6,858,020   | 5,270,282   | -                                    | -   | -                                  |
| (Decrease) / increase in trading liabilities                    | (91,921)                          | 68,530  | 28,807  | -                                    | -   | -                                  |
| (Decrease) / increase in other liabilities                      | (206,616)                         | 569,850   | 57,170  | 8,919                                | -   | -                                  |
| Interest received   | -                                 | -   | -   | 19,242                               | -   | -                                  |
| Interest paid   | -                                 | -   | -   | (21,187)                             | -   | -                                  |
| Other dividend received   | 30,607                            | 823,026   | 230,714   | 24,305                               | -   | -                                  |
| Income tax paid   | (900,436)                         | (1,151,960)   | (505,740)   | -                                    | -   | -                                  |
| <b>Net cash (used in) / from operating activities</b>           | <b>(91,435)</b>                   | <b>(932,784)</b>  | <b>5,322,990</b>                                    | <b>(333,881)</b>                     | <b>9</b>                                  | <b>-</b>                           |

#### (a) Non cash transactions

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

- An amount of MUR 10,396 million was distributed as dividends by SBM Bank (Mauritius) Ltd to the Company on 02 October 2014.
- Subordinated bonds raised by the Bank during the year amounting to MUR 3,565 million were transferred to the Company on 02 October 2014.
- Investment securities amounting to MUR 3,565 million were transferred by the Bank to the Company on 02 October 2014.
- Treasury shares held by the Bank were bought by the Company for MUR 4,875 million.
- The Company invested MUR 5,521 million as capital contribution in the Bank through the SPVs.



35 Related party transactions

| Group   | Key management personnel including directors |                  |              | Associates and other entities in which the Group has significant influence |                  |              | Entities (including their subsidiaries) in which the Group has significant influence |                  |              | Entities in which directors, key management personnel and their close family members have significant influence |                  |              |
|---|--|------------------|--------------|--|------------------|--------------|--|------------------|--------------|---|------------------|--------------|
|   | 31 December 2014                             | 31 December 2013 | 30 June 2012 | 31 December 2014   | 31 December 2013 | 30 June 2012 | 31 December 2014   | 31 December 2013 | 30 June 2012 | 31 December 2014  | 31 December 2013 | 30 June 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) <u>Credit facilities</u>  |  |                  |              |  |                  |              |  |                  |              |   |                  |              |
| (i) <u>Loans</u>  |  |                  |              |  |                  |              |  |                  |              |   |                  |              |
| 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) <u>Off-balance sheet obligations</u>   |  |                  |              |  |                  |              |  |                  |              |   |                  |              |
| 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   | -  | -                | -            | -  | 38,583           | 7,250        | 1,259,147  | 918,988          | 1,757,224    | -   | -                | -            |
| (g) Purchase of goods and services  | -  | -                | -            | -  | 10,167           | 2,768        | -  | -                | -            | -   | -                | -            |
| (h) Emoluments  | 100,064                                      | 165,940          | 135,871      | -  | -                | -            | -  | -                | -            | -   | -                | -            |



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

### 35 Related party transactions (Cont'd)

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

|  | GROUP            |                  |              |
|--|------------------|------------------|--------------|
|  | 31 December 2014 | 31 December 2013 | 30 June 2012 |
|  | MUR' 000         | MUR' 000         | 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 amongst the subsidiaries within the Group and subsidiaries within the group with the Company are disclosed below: |                  |                  |              |
| Loans and advances   | -                | -                | 303,034      |
| Deposits   | 176,454          | 175,630          | 237,042      |
| Interest income  | 2,394            | 4,227            | 4,999        |
| Interest expense   | 2,394            | 3,122            | 5,334        |
| Non interest income  | 7,580,342        | 866,132          | 1,697,299    |
| Non interest expense   | 1,382            | 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 equity investments   | 6,319,881        | -                | -            |
| Transfer of subordinated debts   | 3,565,522        | -                | -            |
| Transfer of treasury shares  | 4,875,031        | -                | -            |
| Capital contribution arising on treasury shares  | 2,541,744        | -                | -            |
| 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 Capital management

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

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

Pursuant to the Group restructuring approved by the Bank of Mauritius under Section 32A of the Banking Act, which became effective on 02 October 2014, SBM Holdings Ltd is now the ultimate holding company of the SBM Group. Surplus capital held by SBM Bank (Mauritius) Ltd (formerly known as State Bank of Mauritius Ltd) have been streamed up to SBM Holdings Ltd which in turn invested in SBM (Bank) Holdings Ltd, the holding company for the Banking segment. As per the constitution of SBM Holdings Ltd, not less than 90% of its capital, reserves and borrowings shall be invested in banking activities/operations. SBM Holdings Ltd and also SBM (Bank) Holdings Ltd will be supervised by Bank of Mauritius (BOM) as per the conditions of BOM approval of the SBM Group Restructuring and BOM approval is required whenever will



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

### 36 Capital management (Cont'd)

be injected in the operating companies in accordance with the order of priority specified under Section 36 of the Banking Act to ensure planned growth and regulatory compliance.

Banks in Mauritius are required to maintain a ratio of eligible capital to risk weighted assets of at least 10%, whereas for India and Madagascar, the minimum ratio is set at 9% and 8% respectively.

### 37 Phantom share options

In November 2012, the shareholders 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 phased out by 2015. As at 31 December 2014, the outstanding potential liability of the Group 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.

### 38 Group Restructuring / Change in accounting period

- a 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.

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

### 38 Group Restructuring / Change in accounting period (Cont'd)

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.

- b** On 29 December 2011, the Board of Directors resolved to change the Group's financial year end from 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.



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

### 39 Change in accounting policies / prior period adjustments

a The Group has changed its accounting policies as under:

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

The Group has changed its accounting policy with respect to the valuation of buildings on leasehold land. Buildings on leasehold land previously held at cost are now shown at their revalued amounts based on income (rental) basis of valuation. Comparative amounts have been restated accordingly. The effect of this restatement is shown below:

|   | GROUP                           |                        |                         |
|---|---------------------------------|------------------------|-------------------------|
|   | Previously reported<br>MUR' 000 | Adjustment<br>MUR' 000 | As reported<br>MUR' 000 |
| <b>31 December 2013</b>                       |                                 |                        |                         |
| Effect on the statement of financial position |                                 |                        |                         |
| <b>Assets</b>                                 |                                 |                        |                         |
| Property and equipment                        | 1,340,194                       | 1,282,871              | 2,623,065               |
| Deferred tax asset                            | 210,245                         | (65,145)               | 145,100                 |
| <b>Impact on total assets</b>                 | <b>1,550,439</b>                | <b>1,217,726</b>       | <b>2,768,165</b>        |
| <b>Liabilities</b>                            |                                 |                        |                         |
| Deferred tax liabilities                      | -                               | 127,284                | 127,284                 |
|   | -                               | 127,284                | 127,284                 |
| <b>Impact on net assets</b>                   | <b>1,550,439</b>                | <b>1,090,442</b>       | <b>2,640,881</b>        |
| <b>Shareholders' Equity</b>                   |                                 |                        |                         |
| Other reserves                                |                                 |                        |                         |
| - Net property revaluation reserve            | 280,151                         | 1,090,442              | 1,370,593               |
| <b>Total Equity</b>                           | <b>280,151</b>                  | <b>1,090,442</b>       | <b>1,370,593</b>        |
| Effect on the statement of profit or loss     |                                 |                        |                         |
| <b>Non interest expenses</b>                  |                                 |                        |                         |
| Depreciation and amortisation                 | (219,690)                       | (63,349)               | (283,039)               |
| <b>Taxation</b>                               |                                 |                        |                         |
| Deferred tax income                           | (178,580)                       | (9,502)                | (188,082)               |
| <b>30 June 2012</b>                           |                                 |                        |                         |
| Effect on the statement of financial position |                                 |                        |                         |
| <b>Assets</b>                                 |                                 |                        |                         |
| Property and equipment                        | 1,326,665                       | 1,346,220              | 2,672,885               |
| Deferred tax asset                            | 59,296                          | (59,296)               | -                       |
| <b>Total assets</b>                           | <b>1,385,961</b>                | <b>1,286,924</b>       | <b>2,672,885</b>        |
| <b>Liabilities</b>                            |                                 |                        |                         |
| Deferred tax liabilities                      | 28,327                          | 142,635                | 170,962                 |
|   | 28,327                          | 142,635                | 170,962                 |
| <b>Net assets</b>                             | <b>1,357,634</b>                | <b>1,144,289</b>       | <b>2,501,923</b>        |
| <b>Shareholders' Equity</b>                   |                                 |                        |                         |
| Other reserves                                |                                 |                        |                         |
| - Net property revaluation reserve            | 295,271                         | 1,144,289              | 1,439,560               |
| <b>Total Equity</b>                           | <b>295,271</b>                  | <b>1,144,289</b>       | <b>1,439,560</b>        |
| Effect on the statement of profit or loss     |                                 |                        |                         |
| <b>Non interest expenses</b>                  |                                 |                        |                         |
| Depreciation and amortisation                 | (134,294)                       | (42,233)               | (176,527)               |
| <b>Taxation</b>                               |                                 |                        |                         |
| Deferred tax income                           | (60,485)                        | (6,335)                | (66,820)                |

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

### 39 Change in accounting policies / prior period adjustments (Cont'd)

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

In the current year, the Group has adopted IAS 19 Employee Benefits (Revised 2011) and the related consequential amendments 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 position 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.

|   | GROUP                           |                        |                         |
|---|---------------------------------|------------------------|-------------------------|
|   | Previously reported<br>MUR' 000 | Adjustment<br>MUR' 000 | As reported<br>MUR' 000 |
| <b>Effect on the Statement of financial position</b>          |                                 |                        |                         |
| <b>31 December 2013</b>                                       |                                 |                        |                         |
| Employee benefits liabilities                                 | 11,439                          | 85,502                 | 96,941                  |
| Deferred tax assets / (liabilities) (Note 39 (i))             | 127,284                         | (12,825)               | 114,459                 |
| <b>30 June 2012</b>   |                                 |                        |                         |
| Employee benefits (assets) / liabilities                      | (958)                           | 55,832                 | 54,874                  |
| Deferred tax (liabilities) / assets (Note 39 (i))             | 170,962                         | (8,374)                | 162,588                 |
| <b>Effect on the Statement of other comprehensive income:</b> |                                 |                        |                         |
| <b>31 December 2013</b>                                       |                                 |                        |                         |
| Remeasurement of defined benefit obligations (Note 13)        | -                               | 29,670                 | 29,670                  |
| Deferred tax on remeasurement of defined benefit obligations  | -                               | (4,450)                | (4,450)                 |
| <b>30 June 2012</b>   |                                 |                        |                         |
| Remeasurement of defined benefit obligations (Note 13)        | -                               | 80,286                 | 80,286                  |
| Deferred tax on remeasurement of defined benefit obligations  | -                               | (12,043)               | (12,043)                |

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



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

### 39 Change in accounting policies / prior period adjustments (Cont'd)

#### b Change in functional currency

SBM Madagascar Ltd was incorporated in Mauritius as a special purpose vehicle to hold investments in various entities on behalf of its parent company, SBM Bank (Mauritius) Ltd formerly known as State Bank of Mauritius Ltd ("the Bank"). The Bank is of the view that since then SBM Madagascar Ltd was holding these investments as an extension of the Bank's operations, it should have had the same functional currency as the Bank, that is, Mauritian Rupee. Accordingly, the functional currency of SBM Madagascar Ltd has been changed to Mauritian Rupee retrospectively. The effect of the change is as below:

|  | GROUP                           |                        |                         |
|--|---------------------------------|------------------------|-------------------------|
|  | Previously reported<br>MUR' 000 | Adjustment<br>MUR' 000 | As reported<br>MUR' 000 |
| <b>Effect on the Statement of financial position</b> |                                 |                        |                         |
| <b>31 December 2013</b>                              |                                 |                        |                         |
| Other reserves - Translation Reserve                 | (987,600)                       | 307,188                | (680,412)               |
| <b>30 June 2012</b>                                  |                                 |                        |                         |
| Other reserves - Translation Reserve                 | (544,566)                       | 302,990                | (241,576)               |
| <b>Effect on the Statement of profit or loss</b>     |                                 |                        |                         |
| <b>31 December 2013</b>                              |                                 |                        |                         |
| Net trading income                                   | 575,464                         | (4,198)                | 571,266                 |
| <b>30 June 2012</b>                                  |                                 |                        |                         |
| Net trading income                                   | 449,810                         | 38,069                 | 487,879                 |

### 40 Subordinated debts

|  | GROUP AND COMPANY               |                                 |                             |
|--|---------------------------------|---------------------------------|-----------------------------|
|  | 31 December<br>2014<br>MUR' 000 | 31 December<br>2013<br>MUR' 000 | 30 June<br>2012<br>MUR' 000 |
| <b>Subordinated Bonds:</b>   |                                 |                                 |                             |
| <i>Class A 1 series bond of MUR floating interest rate senior unsecured bonds maturing in 2024 (level 1)</i> | 1,527,750                       | -                               | -                           |
| <i>Class B 1 series bond of USD floating interest rate senior unsecured bonds maturing in 2021(level 1)</i>  | 2,070,459                       | -                               | -                           |
|  | 3,598,209                       | -                               | -                           |
| <i>Class A 1 series bond of MUR floating interest rate senior unsecured bonds</i>                            |                                 |                                 |                             |
| - Applications received  | -                               | 4,200                           | -                           |

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

### 40 Subordinated debts (Cont'd)

The public offer for the issue of subordinated senior unsecured multicurrency floating interest rate bonds for Class A 1 series Bond of MUR 1,000 million opened on 20 December 2013, was oversubscribed and a maximum amount of MUR 1.5 billion, of MUR 10,000 notes with half yearly Floating coupon payment of Repo rate + 1.35% per annum maturing in 2024, was retained including the optional amount. Similarly an amount of USD 65.0 million, of USD 1,000 notes with half yearly payment of Floating coupon 6-months LIBOR + 175bps per annum maturing in 2021, was retained for the issue of Class B 1 series bond of USD 50 million on 15 February 2014 including the optional amount. The public offer was issued by State Bank of Mauritius Ltd (renamed as SBM Bank (Mauritius) Ltd) and the bonds are eligible as Tier II Capital.

As at 02 October 2014, on the appointed day of the Group restructure, all the bondholders of Class A 1 series and Class B 1 series Bonds of MUR 1.5 billion and USD 65.0 million respectively were transferred to the Company (SBM Holdings Ltd) with corresponding matching assets (investments).

These bonds are quoted on the Official Market of the Stock Exchange of Mauritius (SEM) pre and post restructure.

### 41 Risk management

The Board of Directors and Senior Management are ultimately responsible for risk management. Boards approve the risk policies and set prudential limits and risk tolerance limits, besides regulatory limits, within which the Group needs to operate. The Senior Management monitors risks totally on an ongoing basis at regular intervals as necessary and is accountable to ensure its operations are within approved policies, prudential limits besides regulatory limits and risk appetite approved framework. Any deviation and non-compliance are reported to Board Risk Committee 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

|  | GROUP            |                  |              | COMPANY          |                  |              |
|--|------------------|------------------|--------------|------------------|------------------|--------------|
|  | 31 December 2014 | 31 December 2013 | 30 June 2012 | 31 December 2014 | 31 December 2013 | 30 June 2012 |
|  | MUR' 000         | MUR' 000         | MUR' 000     | MUR' 000         | MUR' 000         | MUR' 000     |
| <b>Financial assets</b>                    |                  |                  |              |                  |                  |              |
| Loans and receivables                      | 103,189,395      | 98,299,956       | 87,256,216   | 2,137,048        | -                | -            |
| Held-to-maturity (Note 9a)                 | -                | -                | 1,274,346    | -                | -                | -            |
| Available-for-sale (Note 9c)               | 17,670,747       | 8,566,212        | 6,861,470    | 8,390,080        | -                | -            |
| Fair value through profit or loss (Note 7) | 205,223          | 249,571          | 269,532      | -                | -                | -            |
|  | 121,065,365      | 107,115,739      | 95,661,564   | 10,527,128       | -                | -            |
| <b>Financial liabilities</b>               |                  |                  |              |                  |                  |              |
| Measured at amortised cost                 | 102,491,019      | 91,465,505       | 80,231,761   | 3,607,128        | -                | -            |
| Fair value through profit or loss (Note 7) | 146,634          | 238,555          | 170,025      | -                | -                | -            |
|  | 102,637,653      | 91,704,060       | 80,401,786   | 3,607,128        | -                | -            |



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

### 41 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.

| GROUP                                    | 31 December 2014           |                        | 31 December 2013           |                        | 30 June 2012               |                        |
|--|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|
|  | Carrying Value<br>MUR' 000 | Fair Value<br>MUR' 000 | Carrying Value<br>MUR' 000 | Fair Value<br>MUR' 000 | Carrying Value<br>MUR' 000 | Fair Value<br>MUR' 000 |
| <b>Financial assets</b>                  |                            |                        |                            |                        |                            |                        |
| Cash and cash equivalents                | 7,720,105                  | 7,720,105              | 6,900,534                  | 6,900,534              | 6,993,395                  | 6,993,395              |
| Mandatory balances with Central banks    | 6,548,749                  | 6,548,749              | 5,494,981                  | 5,494,981              | 4,966,156                  | 4,966,156              |
| Loans to and placements with banks       | 702,133                    | 702,133                | 932,428                    | 932,428                | 1,511,936                  | 1,511,936              |
| Trading assets                           | 205,223                    | 205,223                | 249,571                    | 249,571                | 269,532                    | 269,532                |
| Loans and advances to non-bank customers | 68,054,252                 | 68,067,078             | 70,093,266                 | 69,991,604             | 62,824,618                 | 62,858,312             |
| Investment securities                    | 30,369,883                 | 30,358,167             | 18,176,133                 | 17,965,478             | 14,720,727                 | 14,807,830             |
| Equity investments                       | 6,721,917                  | 6,721,917              | 4,189,429                  | 4,189,429              | 3,962,310                  | 3,962,310              |
| Other assets                             | 743,103                    | 743,103                | 1,079,397                  | 1,079,397              | 412,890                    | 412,890                |
|  | <b>121,065,365</b>         | <b>121,066,475</b>     | <b>107,115,739</b>         | <b>106,803,422</b>     | <b>95,661,564</b>          | <b>95,782,361</b>      |
| <b>Financial liabilities</b>             |                            |                        |                            |                        |                            |                        |
| Deposits from banks                      | 593,899                    | 593,899                | 217,281                    | 217,281                | 115,946                    | 115,946                |
| Deposits from non-bank customers         | 91,784,990                 | 91,827,586             | 83,016,635                 | 83,029,091             | 76,158,615                 | 76,130,883             |
| Other borrowed funds                     | 5,113,005                  | 5,113,005              | 6,110,051                  | 6,110,051              | 2,924,795                  | 3,012,931              |
| Trading liabilities                      | 146,634                    | 146,634                | 238,555                    | 238,555                | 170,025                    | 164,353                |
| Other liabilities                        | 1,400,916                  | 1,400,916              | 2,117,338                  | 2,117,338              | 1,032,405                  | 1,032,405              |
| Subordinated debts                       | 3,598,209                  | 3,598,209              | 4,200                      | 4,200                  | -                          | -                      |
|  | <b>102,637,653</b>         | <b>102,680,249</b>     | <b>91,704,060</b>          | <b>91,716,516</b>      | <b>80,401,786</b>          | <b>80,456,518</b>      |
| <b>COMPANY</b>                           |                            |                        |                            |                        |                            |                        |
| <b>Financial assets</b>                  |                            |                        |                            |                        |                            |                        |
| Cash and cash equivalents                | 3,702                      | 3,702                  | 111                        | 111                    | 2                          | 2                      |
| Investment securities                    | 3,915,754                  | 3,924,601              | -                          | -                      | -                          | -                      |
| Equity investments                       | 6,319,881                  | 6,319,881              | -                          | -                      | -                          | -                      |
| Other assets                             | 287,791                    | 287,791                | -                          | -                      | -                          | -                      |
|  | <b>10,527,128</b>          | <b>10,535,975</b>      | <b>111</b>                 | <b>111</b>             | <b>2</b>                   | <b>2</b>               |
| <b>Financial liabilities</b>             |                            |                        |                            |                        |                            |                        |
| Other liabilities                        | 8,919                      | 8,919                  | -                          | -                      | -                          | -                      |
| Subordinated debts                       | 3,598,209                  | 3,598,209              | -                          | -                      | -                          | -                      |
|  | <b>3,607,128</b>           | <b>3,607,128</b>       | <b>-</b>                   | <b>-</b>               | <b>-</b>                   | <b>-</b>               |

Except for the levels in which the financial assets and financial liabilities are shown in table 41(a)(iii), the fair values of the other financial assets and financial liabilities are categorized in level 3.



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

### 41 Risk management (Cont'd)

#### a (iii) Fair value measurement hierarchy

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

- Level 1 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.

|  | GROUP               |                     |                     |                   | COMPANY             |                     |                     |                   |
|--|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|-------------------|
|  | Level 1<br>MUR' 000 | Level 2<br>MUR' 000 | Level 3<br>MUR' 000 | Total<br>MUR' 000 | Level 1<br>MUR' 000 | Level 2<br>MUR' 000 | Level 3<br>MUR' 000 | Total<br>MUR' 000 |
| <b>31 December 2014</b>                    |                     |                     |                     |                   |                     |                     |                     |                   |
| Trading assets                             | 28,478              | 176,745             | -                   | 205,223           | -                   | -                   | -                   | -                 |
| Loans and advances at fair value           | -                   | -                   | 482                 | 482               | -                   | -                   | -                   | -                 |
| Investment securities - available-for-sale | 9,873,491           | -                   | 1,075,340           | 10,948,831        | -                   | -                   | -                   | -                 |
| Equity investments - available-for-sale    | -                   | -                   | 6,721,917           | 6,721,917         | -                   | -                   | 6,319,881           | 6,319,881         |
|  | <b>9,901,969</b>    | <b>176,745</b>      | <b>7,797,739</b>    | <b>17,876,453</b> | -                   | -                   | <b>6,319,881</b>    | <b>6,319,881</b>  |
| Trading liabilities                        | -                   | 5,113,005           | -                   | 5,113,005         | -                   | -                   | -                   | -                 |
| <b>31 December 2013</b>                    |                     |                     |                     |                   |                     |                     |                     |                   |
| Trading assets                             | 2,635               | 246,936             | -                   | 249,571           | -                   | -                   | -                   | -                 |
| Loans and advances at fair value           | -                   | -                   | 896                 | 896               | -                   | -                   | -                   | -                 |
| Investment securities - available-for-sale | 3,919,792           | -                   | 4,646,419           | 8,566,211         | -                   | -                   | -                   | -                 |
|  | <b>3,922,427</b>    | <b>246,936</b>      | <b>4,647,315</b>    | <b>8,816,678</b>  | -                   | -                   | -                   | -                 |
| Trading liabilities                        | -                   | 238,555             | -                   | 238,555           | -                   | -                   | -                   | -                 |
| <b>30 June 2012</b>                        |                     |                     |                     |                   |                     |                     |                     |                   |
| Trading assets                             | 12,324              | 257,208             | -                   | 269,532           | -                   | -                   | -                   | -                 |
| Loans and advances at fair value           | -                   | -                   | 15,661              | 15,661            | -                   | -                   | -                   | -                 |
| Investment securities - available-for-sale | 1,000,481           | 2,439,581           | 3,326,497           | 6,766,559         | -                   | -                   | -                   | -                 |
|  | <b>1,012,805</b>    | <b>2,696,789</b>    | <b>3,342,158</b>    | <b>7,051,752</b>  | -                   | -                   | -                   | -                 |
| Trading liabilities                        | -                   | 170,025             | -                   | 170,025           | -                   | -                   | -                   | -                 |

Reconciliation for Level 3 fair value measurements:

|                                 | GROUP                           |                                 |                             | COMPANY                         |                                 |                             |
|---------------------------------|---------------------------------|---------------------------------|-----------------------------|---------------------------------|---------------------------------|-----------------------------|
|                                 | 31 December<br>2014<br>MUR' 000 | 31 December<br>2013<br>MUR' 000 | 30 June<br>2012<br>MUR' 000 | 31 December<br>2014<br>MUR' 000 | 31 December<br>2013<br>MUR' 000 | 30 June<br>2012<br>MUR' 000 |
| Balance at start of year/period | 4,647,315                       | 3,342,158                       | 3,128,378                   | -                               | -                               | -                           |
| Additions                       | 250,327                         | 1,055,692                       | 23,201                      | 6,319,881                       | -                               | -                           |
| Disposals                       | (66,282)                        | -                               | (51,509)                    | -                               | -                               | -                           |
| Transfer from subsidiary        | 1,270,386                       | -                               | -                           | -                               | -                               | -                           |
| Translation                     | (26)                            | 12                              | 6,049                       | -                               | -                               | -                           |
| Movement in fair value          | 1,696,019                       | 249,453                         | 236,039                     | -                               | -                               | -                           |
| Balance at end of year/period   | <b>7,797,739</b>                | <b>4,647,315</b>                | <b>3,342,158</b>            | <b>6,319,881</b>                | -                               | -                           |

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



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

### 41 Risk management (Cont'd)

#### b Credit risk

The Group is exposed to credit risk through its lending, trade finance, treasury, asset management and leasing activities. Credit risk is the risk of loss arising from the failure of a counterparty to fulfil its contractual or financial obligations to the Group as and when they fall due. The Group's credit risk is managed through a portfolio approach with prudential limits set across country, bank, industry, group and individual exposures. The Credit 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 Group has a tiered credit sanctioning process depending on the credit quality, exposure type and amount. Credit exposures and risk profile are monitored by the Credit Risk Management unit and reported regularly to the Board Risk Management Committee.

#### (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:

|  | GROUP                           |                                 |                             | COMPANY                         |                                 |                             |
|--|---------------------------------|---------------------------------|-----------------------------|---------------------------------|---------------------------------|-----------------------------|
|  | 31 December<br>2014<br>MUR' 000 | 31 December<br>2013<br>MUR' 000 | 30 June<br>2012<br>MUR' 000 | 31 December<br>2014<br>MUR' 000 | 31 December<br>2013<br>MUR' 000 | 30 June<br>2012<br>MUR' 000 |
| <b>Fund-based exposures:</b>   |                                 |                                 |                             |                                 |                                 |                             |
| Cash and cash equivalents  | 5,504,899                       | 4,560,123                       | 6,112,112                   | 3,702                           | 111                             | 2                           |
| Mandatory balances with Central Banks  | 6,548,749                       | 5,494,981                       | 4,966,156                   | -                               | -                               | -                           |
| Loans to and placements with banks   | 702,133                         | 932,428                         | 1,511,936                   | -                               | -                               | -                           |
| Trading assets   | 28,478                          | 2,635                           | 59,228                      | -                               | -                               | -                           |
| Loans and advances to non-bank customers   | 67,617,045                      | 70,899,969                      | 63,245,854                  | -                               | -                               | -                           |
| Investment securities  | 30,369,883                      | 19,021,308                      | 15,468,481                  | 3,915,754                       | -                               | -                           |
| Equity investments   | 6,721,917                       | 4,189,429                       | 3,962,310                   | 6,319,881                       | -                               | -                           |
| Other assets   | 743,103                         | 1,079,397                       | 412,890                     | -                               | -                               | -                           |
|  | 118,236,207                     | 106,180,270                     | 95,738,967                  | 10,239,337                      | 111                             | 2                           |
| <b>Non-fund based exposures:</b>   |                                 |                                 |                             |                                 |                                 |                             |
| Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers | 6,025,492                       | 6,121,226                       | 7,646,394                   | -                               | -                               | -                           |
| Credit commitments   | 7,469,380                       | 8,274,678                       | 10,475,808                  | -                               | -                               | -                           |
|  | 13,494,872                      | 14,395,904                      | 18,122,202                  | -                               | -                               | -                           |

#### (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.

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

### 41 Risk management (Cont'd)

#### b Credit risk (Cont'd)

##### (ii) Credit quality (Cont'd)

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

|                                    | GROUP                           |                                 |                             |
|------------------------------------|---------------------------------|---------------------------------|-----------------------------|
|                                    | 31 December<br>2014<br>MUR' 000 | 31 December<br>2013<br>MUR' 000 | 30 June<br>2012<br>MUR' 000 |
| <b>Grades:</b>                     |                                 |                                 |                             |
| 1 to 3 - Strong                    | 42,047,396                      | 42,456,637                      | 40,925,548                  |
| 4 to 6 - Satisfactory              | 25,083,713                      | 26,965,636                      | 24,304,244                  |
| 7 to 10 (including unrated) - weak | 11,711,268                      | 13,677,285                      | 14,895,753                  |
|                                    | <b>78,842,377</b>               | <b>83,099,558</b>               | <b>80,125,545</b>           |

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 Group.

##### (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 Group Credit Risk policy. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types taken include:

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

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

|                                 | GROUP                           |                                 |                             |
|---------------------------------|---------------------------------|---------------------------------|-----------------------------|
|                                 | 31 December<br>2014<br>MUR' 000 | 31 December<br>2013<br>MUR' 000 | 30 June<br>2012<br>MUR' 000 |
| Up to 1 month                   | 433,508                         | 351,799                         | 523,463                     |
| Over 1 month and up to 3 months | 374,364                         | 398,504                         | 40,458                      |
| Over 3 months                   | -                               | 260                             | 183                         |
|                                 | <b>807,872</b>                  | <b>750,563</b>                  | <b>564,104</b>              |



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

### 41 Risk management (Cont'd)

#### b Credit risk (Cont'd)

##### (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:

|   | GROUP               |                     |                 |
|---|---------------------|---------------------|-----------------|
|   | 31 December<br>2014 | 31 December<br>2013 | 30 June<br>2012 |
|   | MUR' 000            | MUR' 000            | MUR' 000        |
| Loans and advances (Note 8d)                                      | 1,461,668           | 1,445,752           | 678,406         |
| Specific allowance held in respect of impaired advances (Note 8d) | 811,515             | 803,219             | 455,000         |
| Fair value of collaterals of impaired advances                    | 633,990             | 756,271             | 221,403         |

##### (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 Group to any one customer or group of closely-related customers for amounts aggregating more than 15% of its capital base, classified by industry sectors:

|                  | GROUP               |                     |                 |
|------------------|---------------------|---------------------|-----------------|
|                  | 31 December<br>2014 | 31 December<br>2013 | 30 June<br>2012 |
|                  | MUR' 000            | MUR' 000            | MUR' 000        |
| <b>Portfolio</b> |                     |                     |                 |
| Agriculture      | 3,071,913           | 2,821,745           | -               |
| Commerce         | -                   | 3,357,301           | 4,310,766       |
| Job Contractors  | -                   | -                   | 2,539,293       |
| Tourism          | 3,450,210           | 3,804,730           | 6,250,678       |
|                  | 6,522,123           | 9,983,776           | 13,100,737      |

#### c Liquidity risk

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

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

### 41 Risk management (Cont'd)

#### c Liquidity risk (Cont'd)

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

| GROUP                                    | 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     |
| <b>31 December 2014</b>                  |               |            |            |             |            |              |
| <b>Financial Assets</b>                  |               |            |            |             |            |              |
| Cash and cash equivalents                | 7,223,641     | 496,462    | -          | -           | -          | -            |
| Mandatory balances with Central Banks    | 730,870       | 358,746    | 428,214    | 532,491     | 915,280    | 3,583,149    |
| Loans to and placements with banks       | 30,314        | 62,711     | -          | 296,721     | 159,768    | 152,619      |
| Loans and advances to non-bank customers | 6,006,141     | 3,761,272  | 4,212,891  | 7,305,939   | 17,201,341 | 30,619,128   |
| Investment securities                    | 895,298       | 1,394,190  | 3,765,315  | 5,297,172   | 9,959,767  | 9,058,792    |
| Other assets                             | 743,103       | -          | -          | -           | -          | -            |
|  | 15,629,367    | 6,073,381  | 8,406,420  | 13,432,323  | 28,236,156 | 43,413,688   |
| <b>Financial liabilities</b>             |               |            |            |             |            |              |
| Deposits from banks                      | 593,899       | -          | -          | -           | -          | -            |
| Deposits from non-bank customers         | 10,284,767    | 4,623,807  | 5,826,484  | 7,204,773   | 12,778,195 | 51,066,963   |
| Other borrowed funds                     | 494,442       | 568,727    | 52,682     | 2,453,404   | 456,088    | 1,087,660    |
| Subordinated debts                       | -             | 27,750     | 3,583      | -           | -          | 3,566,876    |
| Other liabilities                        | 1,400,916     | -          | -          | -           | -          | -            |
|  | 12,774,024    | 5,220,284  | 5,882,749  | 9,658,177   | 13,234,283 | 55,721,499   |
| Liquidity Gap                            | 2,855,343     | 853,097    | 2,523,671  | 3,774,146   | 15,001,873 | (12,307,811) |
| <b>31 December 2013</b>                  |               |            |            |             |            |              |
| Financial assets                         | 16,565,908    | 9,547,794  | 6,196,766  | 11,538,153  | 23,995,451 | 35,864,019   |
| Financial liabilities                    | 13,664,078    | 4,371,391  | 5,521,317  | 7,326,230   | 14,590,990 | 45,987,926   |
| Liquidity Gap                            | 2,901,830     | 5,176,403  | 675,449    | 4,211,923   | 9,404,461  | (10,123,907) |
| <b>30 June 2012</b>                      |               |            |            |             |            |              |
| Financial assets                         | 17,258,064    | 8,932,817  | 7,766,777  | 8,242,016   | 17,730,172 | 32,358,867   |
| Financial liabilities                    | 16,333,887    | 7,126,274  | 5,271,726  | 6,064,535   | 10,452,547 | 37,458,229   |
| Liquidity Gap                            | 924,177       | 1,806,543  | 2,495,051  | 2,177,481   | 7,277,625  | (5,099,362)  |

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

| MUR GROUP                                | 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     |
| <b>31 December 2014</b>                  |               |            |            |             |            |              |
| <b>Financial Assets</b>                  |               |            |            |             |            |              |
| Cash and cash equivalents                | 2,429,274     | -          | -          | -           | -          | -            |
| Mandatory balances with Central Banks    | 401,928       | 254,015    | 349,860    | 406,049     | 799,636    | 3,418,682    |
| 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                             | 525,872       | -          | -          | -           | -          | -            |
|  | 7,277,292     | 3,404,703  | 6,214,942  | 9,076,981   | 17,796,358 | 32,115,188   |
| <b>Financial liabilities</b>             |               |            |            |             |            |              |
| Deposits from banks                      | 593,899       | -          | -          | -           | -          | -            |
| Deposits from non-bank customers         | 4,505,192     | 2,944,501  | 4,055,523  | 4,706,856   | 9,269,241  | 39,626,804   |
| Other borrowed funds                     | 352,053       | 15,048     | 7,564      | -           | -          | -            |
| Subordinated debts                       | -             | 27,750     | -          | -           | -          | 1,477,750    |
| Other liabilities                        | 900,404       | -          | -          | -           | -          | -            |
|  | 6,351,548     | 2,987,299  | 4,063,087  | 4,706,856   | 9,269,241  | 41,104,554   |
| On Balance Sheet Gap                     | 925,744       | 417,404    | 2,151,855  | 4,370,125   | 8,527,117  | (8,989,366)  |
| Off Balance Sheet Gap                    | 739,804       | 222,410    | (178,173)  | 213,663     | -          | -            |
| Net Gap                                  | 1,665,548     | 639,814    | 1,973,682  | 4,583,788   | 8,527,117  | (8,989,366)  |
| Cumulative Gap                           | 1,665,548     | 2,305,362  | 4,279,044  | 8,862,832   | 17,389,949 | 8,400,583    |
| <b>31 December 2013</b>                  |               |            |            |             |            |              |
| On Balance Sheet Gap                     | 1,471,106     | 4,699,733  | 746,156    | 2,847,301   | 7,178,375  | (7,779,073)  |
| Off Balance Sheet Gap                    | 486,681       | (285,036)  | (360,417)  | (139,314)   | -          | -            |
| Net Gap                                  | 1,957,787     | 4,414,697  | 385,739    | 2,707,987   | 7,178,375  | (7,779,073)  |
| Cumulative Gap                           | 1,957,787     | 6,372,484  | 6,758,223  | 9,466,210   | 16,644,585 | 8,865,512    |
| <b>30 June 2012</b>                      |               |            |            |             |            |              |
| On Balance Sheet Gap                     | 3,443,752     | 1,557,118  | 555,976    | 1,180,439   | 4,303,491  | (3,430,806)  |
| Off Balance Sheet Gap                    | 376,556       | (119,206)  | (354,591)  | (105,155)   | -          | -            |
| Net Gap                                  | 3,820,308     | 1,437,912  | 201,385    | 1,075,284   | 4,303,491  | (3,430,806)  |
| Cumulative Gap                           | 3,820,308     | 5,258,220  | 5,459,605  | 6,534,889   | 10,838,380 | 7,407,574    |



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

41 Risk management (Cont'd)

c Liquidity risk (Cont'd)

| USD GROUP                                | Up to 1 Month<br>USD' 000 | 1-3 Months<br>USD' 000 | 3-6 Months<br>USD' 000 | 6-12 Months<br>USD' 000 | 1-3 Years<br>USD' 000 | Over 3 Years<br>USD' 000 |
|--|---------------------------|------------------------|------------------------|-------------------------|-----------------------|--------------------------|
| <b>31 December 2014</b>                  |                           |                        |                        |                         |                       |                          |
| <b>Financial Assets</b>                  |                           |                        |                        |                         |                       |                          |
| Cash and cash equivalents                | 37,095                    | -                      | -                      | -                       | -                     | -                        |
| 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                             | 2,343                     | -                      | -                      | -                       | -                     | -                        |
|  | 92,974                    | 29,809                 | 28,300                 | 49,721                  | 182,330               | 176,467                  |
| <b>Financial liabilities</b>             |                           |                        |                        |                         |                       |                          |
| Deposits from non-bank customers         | 115,522                   | 18,965                 | 23,742                 | 27,842                  | 45,222                | 219,335                  |
| Other borrowed funds                     | -                         | 16,765                 | 12                     | 75,000                  | 3,241                 | 13,113                   |
| Subordinated debts                       | -                         | -                      | 113                    | -                       | -                     | 65,743                   |
| Other liabilities                        | 4,930                     | -                      | -                      | -                       | -                     | -                        |
|  | 120,452                   | 35,730                 | 23,867                 | 102,842                 | 48,463                | 298,191                  |
| On Balance Sheet Gap                     | (27,478)                  | (5,921)                | 4,433                  | (53,121)                | 133,867               | (121,724)                |
| Off Balance Sheet Gap                    | (20,926)                  | (10,452)               | (16,213)               | (13,515)                | 21,976                | 51,802                   |
| Net Gap                                  | (48,404)                  | (16,373)               | (11,780)               | (66,636)                | 155,843               | (69,922)                 |
| Cummulative Gap                          | (48,404)                  | (64,777)               | (76,557)               | (143,193)               | 12,650                | (57,272)                 |
| <b>31 December 2013</b>                  |                           |                        |                        |                         |                       |                          |
| On Balance Sheet Gap                     | 3,567                     | (3,115)                | 5,986                  | 25,665                  | (13,417)              | (39,569)                 |
| Off Balance Sheet Gap                    | (35,265)                  | (14,445)               | (5,287)                | 5,775                   | 22,400                | 52,802                   |
| Net Gap                                  | (31,698)                  | (17,560)               | 699                    | 31,440                  | 8,983                 | 13,233                   |
| Cummulative Gap                          | (31,698)                  | (49,258)               | (48,559)               | (17,119)                | (8,136)               | 5,097                    |
| <b>30 June 2012</b>                      |                           |                        |                        |                         |                       |                          |
| On Balance Sheet Gap                     | 20,330                    | 8,691                  | 17,531                 | 14,955                  | 90,415                | (55,838)                 |
| Off Balance Sheet Gap                    | (123,028)                 | (3,716)                | 5,858                  | 16,516                  | -                     | -                        |
| Net Gap                                  | (102,698)                 | 4,975                  | 23,389                 | 31,471                  | 90,415                | (55,838)                 |
| Cummulative Gap                          | (102,698)                 | (97,723)               | (74,334)               | (42,863)                | 47,552                | (8,286)                  |

| GBP GROUP                                | Up to 1 Month<br>GBP' 000 | 1-3 Months<br>GBP' 000 | 3-6 Months<br>GBP' 000 | 6-12 Months<br>GBP' 000 | 1-3 Years<br>GBP' 000 | Over 3 Years<br>GBP' 000 |
|--|---------------------------|------------------------|------------------------|-------------------------|-----------------------|--------------------------|
| <b>31 December 2014</b>                  |                           |                        |                        |                         |                       |                          |
| <b>Financial Assets</b>                  |                           |                        |                        |                         |                       |                          |
| Cash and cash equivalents                | 32,401                    | 10,016                 | -                      | -                       | -                     | -                        |
| 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                    | 10,127                 | 91                     | 81                      | 2,578                 | 2,491                    |
| <b>Financial liabilities</b>             |                           |                        |                        |                         |                       |                          |
| Deposits from non-bank customers         | 10,555                    | 3,658                  | 2,995                  | 2,535                   | 5,675                 | 22,356                   |
| Other borrowed funds                     | 1,002                     | -                      | -                      | -                       | -                     | -                        |
| Other liabilities                        | 236                       | -                      | -                      | -                       | -                     | -                        |
|  | 11,793                    | 3,658                  | 2,995                  | 2,535                   | 5,675                 | 22,356                   |
| On Balance Sheet Gap                     | 21,000                    | 6,469                  | (2,904)                | (2,454)                 | (3,097)               | (19,865)                 |
| Off Balance Sheet Gap                    | (2,599)                   | -                      | -                      | 3,447                   | -                     | -                        |
| Net Gap                                  | 18,401                    | 6,469                  | (2,904)                | 993                     | (3,097)               | (19,865)                 |
| Cummulative Gap                          | 18,401                    | 24,870                 | 21,966                 | 22,959                  | 19,862                | (3)                      |
| <b>31 December 2013</b>                  |                           |                        |                        |                         |                       |                          |
| On Balance Sheet Gap                     | 16,297                    | (663)                  | (1,137)                | (3,161)                 | (684)                 | (15,631)                 |
| Off Balance Sheet Gap                    | (35,265)                  | (14,445)               | (5,287)                | 5,775                   | 22,400                | 52,802                   |
| Net Gap                                  | (18,968)                  | (15,108)               | (6,424)                | 2,614                   | 21,716                | 37,171                   |
| Cummulative Gap                          | (18,968)                  | (34,076)               | (40,500)               | (37,886)                | (16,170)              | 21,001                   |
| <b>30 June 2012</b>                      |                           |                        |                        |                         |                       |                          |
| On Balance Sheet Gap                     | (22,307)                  | (1,216)                | (1,182)                | (1,613)                 | (3,092)               | (7,879)                  |
| Off Balance Sheet Gap                    | 36,191                    | 1,050                  | 2,000                  | -                       | -                     | -                        |
| Net Gap                                  | 13,884                    | (166)                  | 818                    | (1,613)                 | (3,092)               | (7,879)                  |
| Cummulative Gap                          | 13,884                    | 13,718                 | 14,536                 | 12,923                  | 9,831                 | 1,952                    |

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

### 41 Risk management (Cont'd)

#### c Liquidity risk (Cont'd)

| EUR GROUP                                | Up to 1 Month<br>EUR '000         | 1-3 Months<br>EUR '000         | 3-6 Months<br>EUR '000         | 6-12 Months<br>EUR '000         | 1-3 Years<br>EUR '000         | Over 3 Years<br>EUR '000         |
|--|-----------------------------------|--------------------------------|--------------------------------|---------------------------------|-------------------------------|----------------------------------|
| <b>31 December 2014</b>                  |                                   |                                |                                |                                 |                               |                                  |
| <b>Financial Assets</b>                  |                                   |                                |                                |                                 |                               |                                  |
| Cash and cash equivalents                | 23,949                            | -                              | -                              | -                               | -                             | -                                |
| Mandatory balances with Central Banks    | 1,025                             | 296                            | 360                            | 330                             | 503                           | 3,549                            |
| Loans and advances to non-bank customers | 4,701                             | 6,400                          | 11,104                         | 32,776                          | 27,468                        | 43,284                           |
| Investment securities                    | -                                 | -                              | -                              | 17,634                          | 2,540                         | 2,730                            |
| Other assets                             | 2,325                             | -                              | -                              | -                               | -                             | -                                |
|  | <b>32,000</b>                     | <b>6,696</b>                   | <b>11,464</b>                  | <b>50,740</b>                   | <b>30,511</b>                 | <b>49,563</b>                    |
| <b>Financial liabilities</b>             |                                   |                                |                                |                                 |                               |                                  |
| Deposits from non-bank customers         | 26,154                            | 7,603                          | 9,262                          | 8,606                           | 12,821                        | 90,402                           |
| Other borrowed funds                     | -                                 | 600                            | 1,170                          | 2,988                           | 12,369                        | 13,032                           |
| Other liabilities                        | 3,710                             | -                              | -                              | -                               | -                             | -                                |
|  | <b>29,864</b>                     | <b>8,203</b>                   | <b>10,432</b>                  | <b>11,594</b>                   | <b>25,190</b>                 | <b>103,434</b>                   |
| On Balance Sheet Gap                     | 2,136                             | (1,507)                        | 1,032                          | 39,146                          | 5,321                         | (53,871)                         |
| Off Balance Sheet Gap                    | 7,268                             | (2,505)                        | (268)                          | -                               | -                             | -                                |
| Net Gap                                  | 9,404                             | (4,012)                        | 764                            | 39,146                          | 5,321                         | (53,871)                         |
| Cummulative Gap                          | 9,404                             | 5,392                          | 6,156                          | 45,302                          | 50,623                        | (3,248)                          |
| <b>31 December 2013</b>                  |                                   |                                |                                |                                 |                               |                                  |
| On Balance Sheet Gap                     | 3,344                             | 8,702                          | 1,690                          | 2,815                           | 28,790                        | (43,153)                         |
| Off Balance Sheet Gap                    | 6,382                             | 853                            | (1)                            | (2,500)                         | (3,500)                       | -                                |
| Net Gap                                  | 9,726                             | 9,555                          | 1,689                          | 315                             | 25,290                        | (43,153)                         |
| Cummulative Gap                          | 9,726                             | 19,281                         | 20,970                         | 21,285                          | 46,575                        | 3,422                            |
| <b>30 June 2012</b>                      |                                   |                                |                                |                                 |                               |                                  |
| On Balance Sheet Gap                     | 41,450                            | 6,197                          | 5,996                          | 8,858                           | (5,204)                       | (36,730)                         |
| Off Balance Sheet Gap                    | (13,612)                          | (8,283)                        | 1,002                          | -                               | (20,932)                      | -                                |
| Net Gap                                  | 27,838                            | (2,086)                        | 6,998                          | 8,858                           | (26,136)                      | (36,730)                         |
| Cummulative Gap                          | 27,838                            | 25,752                         | 32,750                         | 41,608                          | 15,472                        | (21,258)                         |
| <b>INR GROUP</b>                         | <b>Up to 1 Month<br/>INR '000</b> | <b>1-3 Months<br/>INR '000</b> | <b>3-6 Months<br/>INR '000</b> | <b>6-12 Months<br/>INR '000</b> | <b>1-3 Years<br/>INR '000</b> | <b>Over 3 Years<br/>INR '000</b> |
| <b>31 December 2014</b>                  |                                   |                                |                                |                                 |                               |                                  |
| <b>Financial Assets</b>                  |                                   |                                |                                |                                 |                               |                                  |
| Cash and cash equivalents                | 70,354                            | -                              | -                              | -                               | -                             | -                                |
| 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                            | -                              | -                              | -                               | -                             | -                                |
|  | <b>2,033,390</b>                  | <b>485,774</b>                 | <b>789,538</b>                 | <b>740,290</b>                  | <b>4,094,589</b>              | <b>2,324,359</b>                 |
| <b>Financial liabilities</b>             |                                   |                                |                                |                                 |                               |                                  |
| 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                           | -                              | -                              | -                               | -                             | -                                |
|  | <b>758,287</b>                    | <b>180,880</b>                 | <b>261,843</b>                 | <b>516,180</b>                  | <b>1,369,100</b>              | <b>188,928</b>                   |
| On Balance Sheet Gap                     | 1,275,103                         | 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                                  | 979,182                           | 730,008                        | 1,935,162                      | 328,180                         | 2,725,489                     | 2,135,431                        |
| Cummulative Gap                          | 979,182                           | 1,709,190                      | 3,644,352                      | 3,972,532                       | 6,698,021                     | 8,833,452                        |
| <b>31 December 2013</b>                  |                                   |                                |                                |                                 |                               |                                  |
| On Balance Sheet Gap                     | 3,001,207                         | 1,929,057                      | 960,284                        | (159,290)                       | 1,065,913                     | (1,029,568)                      |
| 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)                     | (4,295,648)                      |
| Cummulative Gap                          | 3,931,573                         | 6,888,085                      | 8,889,692                      | 8,655,822                       | 8,336,179                     | 4,040,531                        |
| <b>30 June 2012</b>                      |                                   |                                |                                |                                 |                               |                                  |
| On Balance Sheet Gap                     | 1,345,447                         | (222,316)                      | 1,571,565                      | 385,611                         | (142,574)                     | 330,835                          |
| 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)                     | 330,835                          |
| Cummulative Gap                          | 2,933,695                         | 3,194,610                      | 4,811,542                      | 4,794,582                       | 4,652,008                     | 4,982,843                        |



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

41 Risk management (Cont'd)

c Liquidity risk (Cont'd)

| MGA GROUP                                | Up to 1 Month<br>MGA' 000 | 1-3 Months<br>MGA' 000 | 3-6 Months<br>MGA' 000 | 6-12 Months<br>MGA' 000 | 1-3 Years<br>MGA' 000 | Over 3 Years<br>MGA' 000 |
|--|---------------------------|------------------------|------------------------|-------------------------|-----------------------|--------------------------|
| <b>31 December 2014</b>                  |                           |                        |                        |                         |                       |                          |
| <b>Financial Assets</b>                  |                           |                        |                        |                         |                       |                          |
| Cash and cash equivalents                | 9,269,390                 | -                      | -                      | -                       | -                     | -                        |
| Mandatory balances with Central Banks    | 1,493,149                 | 5,313,071              | 3,105,749              | 4,289,070               | 3,221,767             | -                        |
| Loans and advances to non-bank customers | 5,321,920                 | 10,643,840             | 8,655,430              | 5,777,110               | 11,510,813            | -                        |
| Investment securities                    | 14,387,583                | 28,775,167             | 25,087,734             | -                       | -                     | -                        |
|  | <b>30,472,042</b>         | <b>44,732,078</b>      | <b>36,848,913</b>      | <b>10,066,180</b>       | <b>14,732,580</b>     | -                        |
| <b>Financial liabilities</b>             |                           |                        |                        |                         |                       |                          |
| Deposits from banks                      | 1,789,142                 | -                      | -                      | -                       | -                     | -                        |
| Deposits from non-bank customers         | 9,607,569                 | 34,572,029             | 19,757,471             | 26,827,261              | 21,263,076            | -                        |
| Other liabilities                        | 4,986,024                 | -                      | -                      | -                       | -                     | -                        |
|  | <b>16,382,735</b>         | <b>34,572,029</b>      | <b>19,757,471</b>      | <b>26,827,261</b>       | <b>21,263,076</b>     | -                        |
| On Balance Sheet Gap                     | 14,089,307                | 10,160,048             | 17,091,442             | (16,761,081)            | (6,530,496)           | -                        |
| Off Balance Sheet Gap                    | (1,045,126)               | -                      | -                      | -                       | -                     | -                        |
| Net Gap                                  | 13,044,181                | 10,160,048             | 17,091,442             | (16,761,081)            | (6,530,496)           | -                        |
| Cummulative Gap                          | 13,044,181                | 23,204,230             | 40,295,672             | 23,534,591              | 17,004,095            | 17,004,095               |
| <b>31 December 2013</b>                  |                           |                        |                        |                         |                       |                          |
| On Balance Sheet Gap                     | 34,559,796                | 12,322,341             | (10,189,708)           | 12,469,503              | (37,338,060)          | 739,736                  |
| Off Balance Sheet Gap                    | (1,007,600)               | -                      | -                      | -                       | -                     | -                        |
| Net Gap                                  | 33,552,196                | 12,322,341             | (10,189,708)           | 12,469,503              | (37,338,060)          | 739,736                  |
| Cummulative Gap                          | 33,552,196                | 45,874,537             | 35,684,829             | 48,154,332              | 10,816,272            | 11,556,008               |
| <b>30 June 2012</b>                      |                           |                        |                        |                         |                       |                          |
| On Balance Sheet Gap                     | 13,900,968                | (115,058)              | (7,359,329)            | 4,558,694               | 5,231,172             | (3,125,545)              |
| Off Balance Sheet Gap                    | (1,367,104)               | -                      | -                      | -                       | -                     | -                        |
| Net Gap                                  | 12,533,864                | (115,058)              | (7,359,329)            | 4,558,694               | 5,231,172             | (3,125,545)              |
| Cummulative Gap                          | 12,533,864                | 12,418,806             | 5,059,477              | 9,618,171               | 14,849,343            | 11,723,798               |
| <b>OTHER CURRENCIES</b>                  |                           |                        |                        |                         |                       |                          |
| GROUP                                    | Up to 1 Month<br>MUR' 000 | 1-3 Months<br>MUR' 000 | 3-6 Months<br>MUR' 000 | 6-12 Months<br>MUR' 000 | 1-3 Years<br>MUR' 000 | Over 3 Years<br>MUR' 000 |
| <b>31 December 2014</b>                  |                           |                        |                        |                         |                       |                          |
| <b>Financial Assets</b>                  |                           |                        |                        |                         |                       |                          |
| Cash and cash equivalents                | 935,200                   | 25                     | -                      | -                       | -                     | -                        |
| Loans to and placements with banks       | -                         | -                      | -                      | 137,693                 | -                     | -                        |
| Investment securities                    | 370                       | 179,369                | 281                    | 164,867                 | 1,667,968             | 2,081,889                |
| Other assets                             | 36,958                    | -                      | -                      | -                       | -                     | -                        |
|  | <b>972,528</b>            | <b>179,394</b>         | <b>281</b>             | <b>302,560</b>          | <b>1,667,968</b>      | <b>2,081,889</b>         |
| <b>Financial liabilities</b>             |                           |                        |                        |                         |                       |                          |
| Deposits from non-bank customers         | 63,626                    | 83,984                 | 134,672                | 563,960                 | 342,993               | 31,823                   |
| Other liabilities                        | 4,596                     | -                      | -                      | -                       | -                     | -                        |
|  | <b>68,222</b>             | <b>83,984</b>          | <b>134,672</b>         | <b>563,960</b>          | <b>342,993</b>        | <b>31,823</b>            |
| On Balance Sheet Gap                     | 904,306                   | 95,410                 | (134,391)              | (261,400)               | 1,324,975             | 2,050,066                |
| Off Balance Sheet Gap                    | (4,183,334)               | (4,644,035)            | (5,042,598)            | (4,652,378)             | (5,556,869)           | (6,504,653)              |
| Net Gap                                  | (3,279,028)               | (4,548,625)            | (5,176,989)            | (4,913,778)             | (4,231,894)           | (4,454,587)              |
| Cummulative Gap                          | (3,279,028)               | (7,827,653)            | (13,004,642)           | (17,918,420)            | (22,150,314)          | (26,604,901)             |
| <b>31 December 2013</b>                  |                           |                        |                        |                         |                       |                          |
| On Balance Sheet Gap                     | (4,444,471)               | (6,030,422)            | (1,266,952)            | (3,663,794)             | (7,934,320)           | 12,002,159               |
| Off Balance Sheet Gap                    | 1,617,109                 | 900,196                | 275,546                | (180,664)               | (964,835)             | (2,615,014)              |
| Net Gap                                  | (2,827,362)               | (5,130,226)            | (991,406)              | (3,844,458)             | (8,899,155)           | 9,387,145                |
| Cummulative Gap                          | (2,827,362)               | (7,957,588)            | (8,948,992)            | (12,793,450)            | (21,692,605)          | (12,305,460)             |
| <b>30 June 2012</b>                      |                           |                        |                        |                         |                       |                          |
| On Balance Sheet Gap                     | (5,553,932)               | (1,881,300)            | (2,040,807)            | (2,187,043)             | (6,736,322)           | 6,822,980                |
| Off Balance Sheet Gap                    | 1,347,655                 | 237,079                | 12,619                 | (181,841)               | 814,496               | -                        |
| Net Gap                                  | (4,206,277)               | (1,644,221)            | (2,028,189)            | (2,368,884)             | (5,921,826)           | 6,822,980                |
| Cummulative Gap                          | (4,206,277)               | (5,850,498)            | (7,878,687)            | (10,247,571)            | (16,169,397)          | (9,346,417)              |



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

### 41 Risk management (Cont'd)

#### c Liquidity risk (Cont'd)

| COMPANY                      | Up to 1 Month<br>MUR' 000 | 1-3 Months<br>MUR' 000 | 3-6 Months<br>MUR' 000 | 6-12 Months<br>MUR' 000 | 1-3 Years<br>MUR' 000 | Over 3 Years<br>MUR' 000 |
|------------------------------|---------------------------|------------------------|------------------------|-------------------------|-----------------------|--------------------------|
| <b>31 December 2014</b>      |                           |                        |                        |                         |                       |                          |
| <b>Financial Assets</b>      |                           |                        |                        |                         |                       |                          |
| Cash and cash equivalents    | 3,702                     | -                      | -                      | -                       | -                     | -                        |
| Investment securities        | -                         | 179,369                | -                      | 164,867                 | 1,667,968             | 1,903,550                |
| Other assets                 | 287,791                   | -                      | -                      | -                       | -                     | -                        |
|                              | <b>291,493</b>            | <b>179,369</b>         | <b>-</b>               | <b>164,867</b>          | <b>1,667,968</b>      | <b>1,903,550</b>         |
| <b>Financial liabilities</b> |                           |                        |                        |                         |                       |                          |
| Subordinated debts           | -                         | 27,750                 | 3,583                  | -                       | -                     | 3,566,876                |
| Other liabilities            | 8,919                     | -                      | -                      | -                       | -                     | -                        |
|                              | <b>8,919</b>              | <b>27,750</b>          | <b>3,583</b>           | <b>-</b>                | <b>-</b>              | <b>3,566,876</b>         |
| Liquidity Gap                | <b>282,574</b>            | <b>151,619</b>         | <b>(3,583)</b>         | <b>164,867</b>          | <b>1,667,968</b>      | <b>(1,663,326)</b>       |
| <b>31 December 2013</b>      |                           |                        |                        |                         |                       |                          |
| Financial assets             | 125                       | -                      | -                      | -                       | -                     | -                        |
| Financial liabilities        | -                         | -                      | -                      | -                       | -                     | -                        |
| Liquidity Gap                | 125                       | -                      | -                      | -                       | -                     | -                        |
| <b>30 June 2012</b>          |                           |                        |                        |                         |                       |                          |
| Financial assets             | 25                        | -                      | -                      | -                       | -                     | -                        |
| Financial liabilities        | -                         | -                      | -                      | -                       | -                     | -                        |
| Liquidity Gap                | 25                        | -                      | -                      | -                       | -                     | -                        |

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

| MUR<br>COMPANY               | Up to 1 Month<br>MUR' 000 | 1-3 Months<br>MUR' 000 | 3-6 Months<br>MUR' 000 | 6-12 Months<br>MUR' 000 | 1-3 Years<br>MUR' 000 | Over 3 Years<br>MUR' 000 |
|------------------------------|---------------------------|------------------------|------------------------|-------------------------|-----------------------|--------------------------|
| <b>31 December 2014</b>      |                           |                        |                        |                         |                       |                          |
| <b>Financial Assets</b>      |                           |                        |                        |                         |                       |                          |
| Cash and cash equivalents    | 3,702                     | -                      | -                      | -                       | -                     | -                        |
| Investment securities        | -                         | -                      | -                      | -                       | 1,352,576             | 492,979                  |
| Other assets                 | 287,791                   | -                      | -                      | -                       | -                     | -                        |
|                              | <b>291,493</b>            | <b>-</b>               | <b>-</b>               | <b>-</b>                | <b>1,352,576</b>      | <b>492,979</b>           |
| <b>Financial liabilities</b> |                           |                        |                        |                         |                       |                          |
| Subordinated debts           | -                         | 27,750                 | -                      | -                       | -                     | 1,500,000                |
| Other liabilities            | 8,919                     | -                      | -                      | -                       | -                     | -                        |
|                              | <b>8,919</b>              | <b>27,750</b>          | <b>-</b>               | <b>-</b>                | <b>-</b>              | <b>1,500,000</b>         |
| On Balance Sheet Gap         | 282,574                   | (27,750)               | -                      | -                       | 1,352,576             | (1,007,021)              |
| Off Balance Sheet Gap        | -                         | -                      | -                      | -                       | -                     | -                        |
| Net Gap                      | 282,574                   | (27,750)               | -                      | -                       | 1,352,576             | (1,007,021)              |
| Cummulative Gap              | 282,574                   | 254,824                | 254,824                | 254,824                 | 1,607,400             | 600,379                  |
| <b>31 December 2013</b>      |                           |                        |                        |                         |                       |                          |
| On Balance Sheet Gap         | 125                       | -                      | -                      | -                       | -                     | -                        |
| Off Balance Sheet Gap        | -                         | -                      | -                      | -                       | -                     | -                        |
| Net Gap                      | 125                       | -                      | -                      | -                       | -                     | -                        |
| Cummulative Gap              | 125                       | 125                    | 125                    | 125                     | 125                   | 125                      |
| <b>30 June 2012</b>          |                           |                        |                        |                         |                       |                          |
| On Balance Sheet Gap         | 25                        | -                      | -                      | -                       | -                     | -                        |
| Off Balance Sheet Gap        | -                         | -                      | -                      | -                       | -                     | -                        |
| Net Gap                      | 25                        | -                      | -                      | -                       | -                     | -                        |
| Cummulative Gap              | 25                        | 25                     | 25                     | 25                      | 25                    | 25                       |



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

### 41 Risk management (Cont'd)

#### c Liquidity risk (Cont'd)

| USD COMPANY                  | Up to 1 Month<br>USD' 000 | 1-3 Months<br>USD' 000 | 3-6 Months<br>USD' 000 | 6-12 Months<br>USD' 000 | 1-3 Years<br>USD' 000 | Over 3 Years<br>USD' 000 |
|------------------------------|---------------------------|------------------------|------------------------|-------------------------|-----------------------|--------------------------|
| <b>31 December 2014</b>      |                           |                        |                        |                         |                       |                          |
| <b>Financial Assets</b>      |                           |                        |                        |                         |                       |                          |
| Investment securities        | -                         | 5,645                  | -                      | 5,188                   | 9,925                 | 44,390                   |
| <b>Financial liabilities</b> |                           |                        |                        |                         |                       |                          |
| Subordinated debts           | -                         | -                      | 113                    | -                       | -                     | 65,000                   |
| On Balance Sheet Gap         | -                         | 5,645                  | (113)                  | 5,188                   | 9,925                 | (20,610)                 |
| Off Balance Sheet Gap        | -                         | -                      | -                      | -                       | -                     | -                        |
| Net Gap                      | -                         | 5,645                  | (113)                  | 5,188                   | 9,925                 | (20,610)                 |
| Cummulative Gap              | -                         | 5,645                  | 5,532                  | 10,720                  | 20,645                | 35                       |
| <b>31 December 2013</b>      |                           |                        |                        |                         |                       |                          |
| On Balance Sheet Gap         | -                         | -                      | -                      | -                       | -                     | -                        |
| Off Balance Sheet Gap        | -                         | -                      | -                      | -                       | -                     | -                        |
| Net Gap                      | -                         | -                      | -                      | -                       | -                     | -                        |
| Cummulative Gap              | -                         | -                      | -                      | -                       | -                     | -                        |
| <b>30 June 2012</b>          |                           |                        |                        |                         |                       |                          |
| On Balance Sheet Gap         | -                         | -                      | -                      | -                       | -                     | -                        |
| Off Balance Sheet Gap        | -                         | -                      | -                      | -                       | -                     | -                        |
| Net Gap                      | -                         | -                      | -                      | -                       | -                     | -                        |
| Cummulative Gap              | -                         | -                      | -                      | -                       | -                     | -                        |

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

| Group                        | Up to 1 Month<br>MUR' 000 | 1-3 Months<br>MUR' 000 | 3-6 Months<br>MUR' 000 | 6-12 Months<br>MUR' 000 | 1-3 Years<br>MUR' 000 | Over 3 Years<br>MUR' 000 |
|------------------------------|---------------------------|------------------------|------------------------|-------------------------|-----------------------|--------------------------|
| <b>Financial liabilities</b> |                           |                        |                        |                         |                       |                          |
| Deposits                     | 76,363,292                | 3,971,398              | 1,620,064              | 3,045,436               | 3,972,002             | 3,205,513                |
| Trading Liabilities          | -                         | -                      | -                      | -                       | -                     | 146,634                  |
| Other borrowed funds         | -                         | 560,484                | 709,057                | 2,588,164               | 387,836               | 4,674,974                |
| Other liabilities            | -                         | 1,637,543              | -                      | -                       | -                     | -                        |
| <b>31 December 2014</b>      | <b>76,363,292</b>         | <b>6,169,425</b>       | <b>2,329,121</b>       | <b>5,633,600</b>        | <b>4,359,838</b>      | <b>8,027,121</b>         |
| <b>31 December 2013</b>      | 67,448,428                | 8,053,084              | 1,821,132              | 3,735,337               | 5,850,211             | 5,109,455                |
| <b>30 June 2012</b>          | 56,176,418                | 10,753,955             | 2,863,843              | 3,759,630               | 4,607,847             | 5,628,941                |
| <b>Company</b>               |                           |                        |                        |                         |                       |                          |
| <b>Financial liabilities</b> |                           |                        |                        |                         |                       |                          |
| Deposits                     | -                         | -                      | -                      | -                       | -                     | -                        |
| Other borrowed funds         | -                         | -                      | -                      | -                       | -                     | -                        |
| Other liabilities            | -                         | -                      | -                      | -                       | -                     | -                        |
| <b>31 December 2014</b>      | -                         | -                      | -                      | -                       | -                     | -                        |
| <b>31 December 2013</b>      | -                         | -                      | -                      | -                       | -                     | -                        |
| <b>30 June 2012</b>          | -                         | -                      | -                      | -                       | -                     | -                        |

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

### 41 Risk management (Cont'd)

#### d Market risk

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

#### (i) Interest rate risk

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

The table below analyses the Group's interest rate risk exposure in terms of the remaining period to the next contractual repricing date or to the maturity date, whichever is the earlier. The 'up to 3 months' column include the financial assets and liabilities which have floating rates of interest that do not reprice at set dates, but rather reprice whenever the underlying interest rate index changes.

| GROUP   | Up to 3 Months      | 3-6 Months         | 6-12 Months      | 1-2 Years        | 2-5 Years         | Over 5 Years     |
|---|---------------------|--------------------|------------------|------------------|-------------------|------------------|
|   | MUR' 000            | MUR' 000           | MUR' 000         | MUR' 000         | MUR' 000          | MUR' 000         |
| <b>31 December 2014</b>                         |                     |                    |                  |                  |                   |                  |
| <b>Assets</b>                                   |                     |                    |                  |                  |                   |                  |
| Cash and cash equivalents                       | 3,057,966           | -                  | -                | -                | -                 | -                |
| Loans to and placements with banks              | 409,969             | -                  | 137,026          | -                | 151,750           | -                |
| Trading assets                                  | 25,221              | -                  | -                | -                | -                 | -                |
| Loans and advances to non-bank customers        | 62,069,827          | 1,491,622          | 929,857          | 743,232          | 2,495,317         | 1,084,360        |
| Investment securities                           | 2,493,846           | 3,881,772          | 5,610,959        | 4,275,767        | 12,065,913        | 2,042,276        |
| <b>Total assets</b>                             | <b>68,056,829</b>   | <b>5,373,394</b>   | <b>6,677,842</b> | <b>5,018,999</b> | <b>14,712,980</b> | <b>3,126,636</b> |
| <b>Liabilities</b>                              |                     |                    |                  |                  |                   |                  |
| Deposits from non-bank customers                | 78,946,570          | 1,036,685          | 1,192,163        | 343,805          | 3,099,307         | 1,323            |
| Other borrowed funds                            | 1,699,201           | 3,414,530          | -                | -                | -                 | -                |
| Subordinated debts                              | 1,527,750           | 2,070,459          | -                | -                | -                 | -                |
| <b>Total liabilities</b>                        | <b>82,173,521</b>   | <b>6,521,674</b>   | <b>1,192,163</b> | <b>343,805</b>   | <b>3,099,307</b>  | <b>1,323</b>     |
| On balance sheet interest rate sensitivity gap  | (14,116,692)        | (1,148,280)        | 5,485,679        | 4,675,194        | 11,613,673        | 3,125,313        |
| Off balance sheet interest rate sensitivity gap | 610,242             | -                  | 9,924            | (342,930)        | (277,236)         | -                |
|   | <b>(13,506,450)</b> | <b>(1,148,280)</b> | <b>5,495,603</b> | <b>4,332,264</b> | <b>11,336,437</b> | <b>3,125,313</b> |
| <b>31 December 2013</b>                         |                     |                    |                  |                  |                   |                  |
| Total assets                                    | 70,030,517          | 3,060,532          | 3,940,051        | 3,285,523        | 9,236,723         | 1,248,167        |
| Total liabilities                               | 75,749,408          | 2,155,018          | 1,707,675        | 724,472          | 2,551,634         | 4,200            |
| On balance sheet interest rate sensitivity gap  | (5,718,891)         | 905,514            | 2,232,376        | 2,561,051        | 6,685,089         | 1,243,967        |
| Off balance sheet interest rate sensitivity gap | 819,232             | -                  | (43,845)         | 10,199           | (785,586)         | -                |
|   | <b>(4,899,659)</b>  | <b>905,514</b>     | <b>2,188,531</b> | <b>2,571,250</b> | <b>5,899,503</b>  | <b>1,243,967</b> |
| <b>30 June 2012</b>                             |                     |                    |                  |                  |                   |                  |
| Total assets                                    | 64,858,212          | 4,834,116          | 4,106,176        | 967,989          | 6,733,589         | 1,351,376        |
| Total liabilities                               | 66,715,967          | 2,240,870          | 1,656,746        | 492,507          | 866,091           | 165,718          |
| On balance sheet interest rate sensitivity gap  | (1,857,755)         | 2,593,246          | 2,449,430        | 475,482          | 5,867,498         | 1,185,658        |
| Off balance sheet interest rate sensitivity gap | 561,205             | 342,568            | -                | -                | (903,773)         | -                |
|   | <b>(1,296,550)</b>  | <b>2,935,814</b>   | <b>2,449,430</b> | <b>475,482</b>   | <b>4,963,725</b>  | <b>1,185,658</b> |

The Company is exposed to interest rate risk only from 3 to 6 months in relation to investment securities (financial assets) and subordinated debts (financial liabilities), each amounting to MUR 2,070 million.



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

### 41 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 standardized approach of 200bp parallel shock over a 12-month period assuming a static balance sheet, as shown below.

|                               | GROUP                        |                              |                          |
|-------------------------------|------------------------------|------------------------------|--------------------------|
|                               | 31 December 2014<br>MUR' 000 | 31 December 2013<br>MUR' 000 | 30 June 2012<br>MUR' 000 |
| (Decrease)/increase in profit | (236,437)                    | (66,545)                     | 25,445                   |

##### (ii) Fair value hedges

The Group 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: MUR 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.

The table below analyses the Group's and the Company'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    | 3-6 Months       | 6-12 Months      | 1-2 Years        | 2-5 Years        | Over 5 Years     |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|
| GROUP                                    | MUR' 000          | MUR' 000         | MUR' 000         | MUR' 000         | MUR' 000         | MUR' 000         |
| <b>31 December 2014</b>                  |                   |                  |                  |                  |                  |                  |
| <b>Financial Assets</b>                  |                   |                  |                  |                  |                  |                  |
| Loans 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          |
|  | <b>49,137,323</b> | <b>3,316,769</b> | <b>4,970,479</b> | <b>1,999,134</b> | <b>6,065,647</b> | <b>1,809,923</b> |
| <b>Financial liabilities</b>             |                   |                  |                  |                  |                  |                  |
| Deposits from non-bank customers         | 58,030,122        | 410,195          | 34,393           | 163,500          | 82,600           | -                |
| Other borrowed funds                     | 371,321           | 7,564            | -                | -                | -                | -                |
| Subordinated debts                       | 1,505,500         | -                | -                | -                | -                | -                |
|  | <b>59,906,943</b> | <b>417,759</b>   | <b>34,393</b>    | <b>163,500</b>   | <b>82,600</b>    | <b>-</b>         |
| On Balance Sheet Gap                     | (10,769,620)      | 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                          | (9,807,406)       | 2,720,837        | 5,149,749        | 1,835,634        | 5,983,047        | 1,809,923        |
| Cummulative Gap                          | (9,807,406)       | (7,086,569)      | (1,936,820)      | (101,186)        | 5,881,861        | 7,691,784        |
| <b>31 December 2013</b>                  |                   |                  |                  |                  |                  |                  |
| On Balance Sheet Gap                     | (7,870,011)       | 5,503,153        | 1,802,145        | 2,790,369        | 5,473,138        | 644,689          |
| Off Balance Sheet Assets                 | 201,645           | (360,417)        | (139,314)        | -                | -                | -                |
| Off Balance Sheet Liabilities            | (7,668,366)       | 5,142,736        | 1,662,831        | 2,790,369        | 5,473,138        | 644,689          |
| Off Balance Sheet Gap                    | (7,668,366)       | (2,525,630)      | (862,799)        | 1,927,570        | 7,400,708        | 8,045,397        |
| Bucket-wise Gap                          | (9,807,406)       | 2,720,837        | 5,149,749        | 1,835,634        | 5,983,047        | 1,809,923        |
| Cummulative Gap                          | (9,807,406)       | (7,086,569)      | (1,936,820)      | (101,186)        | 5,881,861        | 7,691,784        |
| <b>30 June 2012</b>                      |                   |                  |                  |                  |                  |                  |
| On Balance Sheet Gap                     | 3,836,802         | 392,054          | 2,357,498        | (43,696)         | 4,642,840        | 1,392,987        |
| Off Balance Sheet Assets                 | 257,350           | (354,591)        | (105,155)        | -                | -                | -                |
| Off Balance Sheet Liabilities            | (4,094,152)       | 37,463           | 2,252,343        | (43,696)         | 4,642,840        | 1,392,987        |
| Off Balance Sheet Gap                    | (4,094,152)       | 4,131,615        | 6,383,958        | 6,340,262        | 10,983,102       | 12,376,089       |

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

### 41 Risk management (Cont'd)

#### d Market risk (Cont'd)

| USD                                      | Up to 3 Months | 3-6Months | 6-12 Months | 1-2 Years | 3-5 Years | Over 5 Years |
|--|----------------|-----------|-------------|-----------|-----------|--------------|
| GROUP                                    | USD' 000       | USD' 000  | USD' 000    | USD' 000  | USD' 000  | USD' 000     |
| <b>31 December 2014</b>                  |                |           |             |           |           |              |
| <b>Financial Assets</b>                  |                |           |             |           |           |              |
| 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       |
| <b>Financial liabilities</b>             |                |           |             |           |           |              |
| Deposits from non-bank customers         | 368,890        | 2,467     | 5,643       | -         | 66,316    | -            |
| Other borrowed funds                     | 16,680         | 11,354    | 75,000      | -         | 5,000     | -            |
| Subordinated Debt                        | -              | 65,856    | -           | -         | -         | -            |
|  | 385,570        | 79,677    | 80,643      | -         | 71,316    | -            |
| On Balance Sheet Gap                     | (111,133)      | (59,195)  | (77,632)    | 58,428    | 65,823    | 24,777       |
| Off Balance Sheet Assets                 | 151,880        | 43,238    | 46,433      | 21,976    | 51,802    | -            |
| Off Balance Sheet Liabilities            | (183,258)      | (59,451)  | (59,948)    | -         | -         | -            |
| Off Balance Sheet Gap                    | (31,378)       | (16,213)  | (13,515)    | 21,976    | 51,802    | -            |
| Bucket-wise Gap                          | (142,511)      | (75,408)  | (91,147)    | 80,404    | 117,625   | 24,777       |
| Cumulative Gap                           | (142,511)      | (217,919) | (309,066)   | (228,662) | (111,037) | (86,260)     |
| <b>31 December 2013</b>                  |                |           |             |           |           |              |
| On Balance Sheet Gap                     | (212,788)      | 73,474    | (9,373)     | (2,610)   | 95,252    | -            |
| Off Balance Sheet Gap                    | (48,248)       | (5,287)   | 4,313       | -         | 75,201    | -            |
| Bucket-wise Gap                          | (261,036)      | 68,187    | (5,060)     | (2,610)   | 170,453   | -            |
| Cumulative Gap                           | (261,036)      | (192,849) | (197,909)   | (200,519) | (30,066)  | (30,066)     |
| <b>30 June 2012</b>                      |                |           |             |           |           |              |
| On Balance Sheet Gap                     | 31,936         | 29,964    | (4,621)     | 1,208     | 40,963    | 1,023        |
| Off Balance Sheet Gap                    | (119,679)      | 5,858     | 16,516      | -         | (7,065)   | -            |
| Bucket-wise Gap                          | (87,743)       | 35,822    | 11,895      | 1,208     | 33,898    | 1,023        |
| Cumulative Gap                           | (87,743)       | (51,921)  | (40,026)    | (38,818)  | (4,920)   | (3,897)      |



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

**41 Risk management (Cont'd)**

**d Market risk (Cont'd)**

| <b>GBP</b>                               | <b>Up to 3 Months</b> | <b>3-6 Months</b> | <b>6-12 Months</b> | <b>1-2 Years</b> | <b>3-5 Years</b> | <b>Over 5 Years</b> |
|--|-----------------------|-------------------|--------------------|------------------|------------------|---------------------|
| <b>GROUP</b>                             | <b>GBP' 000</b>       | <b>GBP' 000</b>   | <b>GBP' 000</b>    | <b>GBP' 000</b>  | <b>GBP' 000</b>  | <b>GBP' 000</b>     |
| <b>31 December 2014</b>                  |                       |                   |                    |                  |                  |                     |
| <b>Financial Assets</b>                  |                       |                   |                    |                  |                  |                     |
| 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            | -                   |
| <b>Financial liabilities</b>             |                       |                   |                    |                  |                  |                     |
| Deposits from non-bank customers         | 46,457                | 1,115             | 203                | -                | -                | -                   |
| Other borrowed funds                     | 1,002                 | -                 | -                  | -                | -                | -                   |
|  | 47,459                | 1,115             | 203                | -                | -                | -                   |
| On Balance Sheet Gap                     | (7,459)               | (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                          | (10,058)              | (1,111)           | 3,244              | 2,405            | 1,811            | -                   |
| Cummulative Gap                          | (10,058)              | (11,169)          | (7,925)            | (5,520)          | (3,709)          | (3,709)             |
| <b>31 December 2013</b>                  |                       |                   |                    |                  |                  |                     |
| On Balance Sheet Gap                     | (26,642)              | (732)             | (1,336)            | 3,129            | -                | -                   |
| Off Balance Sheet Gap                    | (309)                 | -                 | 2,158              | 3,047            | -                | -                   |
| Bucket-wise Gap                          | (26,951)              | (732)             | 822                | 6,176            | -                | -                   |
| Cummulative Gap                          | (26,951)              | (27,683)          | (26,861)           | (20,685)         | (20,685)         | (20,685)            |
| <b>30 June 2012</b>                      |                       |                   |                    |                  |                  |                     |
| On Balance Sheet Gap                     | (33,453)              | (1,113)           | (1,476)            | (1,268)          | -                | -                   |
| Off Balance Sheet Gap                    | 53,147                | 2,000             | -                  | -                | -                | -                   |
| Bucket-wise Gap                          | 19,694                | 887               | (1,476)            | (1,268)          | -                | -                   |
| Cummulative Gap                          | 19,694                | 20,581            | 19,105             | 17,837           | 17,837           | 17,837              |

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

### 41 Risk management (Cont'd)

#### d Market risk (Cont'd)

| EUR GROUP                                | Up to 3 Months<br>EUR' 000 | 3-6 Months<br>EUR' 000 | 6-12 Months<br>EUR' 000 | 1-2 Years<br>EUR' 000 | 3-5 Years<br>EUR' 000 | Over 5 Years<br>EUR' 000 |
|--|----------------------------|------------------------|-------------------------|-----------------------|-----------------------|--------------------------|
| <b>31 December 2014</b>                  |                            |                        |                         |                       |                       |                          |
| <b>Financial Assets</b>                  |                            |                        |                         |                       |                       |                          |
| Loans and advances to non-bank customers | 111,461                    | 12,503                 | 1,077                   | 3                     | -                     | 340                      |
| Investment securities                    | -                          | -                      | 17,634                  | 1,993                 | 3,277                 | -                        |
|  | 111,461                    | 12,503                 | 18,711                  | 1,996                 | 3,277                 | 340                      |
| <b>Financial liabilities</b>             |                            |                        |                         |                       |                       |                          |
| Deposits from non-bank customers         | 151,795                    | 237                    | 397                     | -                     | 2,418                 | -                        |
| Other borrowed funds                     | 17,093                     | 13,056                 | -                       | -                     | -                     | -                        |
|  | 168,888                    | 13,293                 | 397                     | -                     | 2,418                 | -                        |
| On Balance Sheet Gap                     | (57,427)                   | (790)                  | 18,314                  | 1,996                 | 859                   | 340                      |
| Off Balance Sheet Assets                 | 26,824                     | 2,179                  | 8,522                   | -                     | -                     | -                        |
| Off Balance Sheet Liabilities            | (22,060)                   | (2,447)                | (8,522)                 | -                     | -                     | -                        |
| Off Balance Sheet Gap                    | 4,764                      | (268)                  | -                       | -                     | -                     | -                        |
| Bucket-wise Gap                          | (52,663)                   | (1,058)                | 18,314                  | 1,996                 | 859                   | 340                      |
| Cummulative Gap                          | (52,663)                   | (53,721)               | (35,407)                | (33,411)              | (32,552)              | (32,212)                 |
| <b>31 December 2013</b>                  |                            |                        |                         |                       |                       |                          |
| On Balance Sheet Gap                     | (17,912)                   | (6,029)                | 2,405                   | 8,405                 | 531                   | -                        |
| Off Balance Sheet Gap                    | 26,424                     | (1)                    | (2,500)                 | (3,500)               | (19,188)              | -                        |
| Bucket-wise Gap                          | 8,512                      | (6,030)                | (95)                    | 4,905                 | (18,657)              | -                        |
| Cummulative Gap                          | 8,512                      | 2,482                  | 2,387                   | 7,292                 | (11,365)              | (11,365)                 |
| <b>30 June 2012</b>                      |                            |                        |                         |                       |                       |                          |
| On Balance Sheet Gap                     | 27,540                     | (1,138)                | (3,071)                 | (10)                  | (13)                  | (3,118)                  |
| Off Balance Sheet Gap                    | (445)                      | 1,002                  | -                       | -                     | (21,450)              | -                        |
| Bucket-wise Gap                          | 27,095                     | (136)                  | (3,071)                 | (10)                  | (21,463)              | (3,118)                  |
| Cummulative Gap                          | 27,095                     | 26,959                 | 23,888                  | 23,878                | 2,415                 | (703)                    |



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

41 Risk management (Cont'd)

d Market risk (Cont'd)

| INR GROUP                                | Up to 3 Months<br>INR' 000 | 3-6 Months<br>INR' 000 | 6-12 Months<br>INR' 000 | 1-2 Years<br>INR' 000 | 3-5 Years<br>INR' 000 | Over 5 Years<br>INR' 000 |
|--|----------------------------|------------------------|-------------------------|-----------------------|-----------------------|--------------------------|
| <b>31 December 2014</b>                  |                            |                        |                         |                       |                       |                          |
| <b>Financial Assets</b>                  |                            |                        |                         |                       |                       |                          |
| 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                |
| <b>Financial liabilities</b>             |                            |                        |                         |                       |                       |                          |
| 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                |
| <b>31 December 2013</b>                  |                            |                        |                         |                       |                       |                          |
| 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                |
| <b>30 June 2012</b>                      |                            |                        |                         |                       |                       |                          |
| 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                |



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

### 41 Risk management (Cont'd)

#### d Market risk (Cont'd)

| MGA GROUP                                | Up to 3 Months<br>MGA' 000 | 3-6 Months<br>MGA' 000 | 6-12 Months<br>MGA' 000 | 1-2 Years<br>MGA' 000 | 3-5 Years<br>MGA' 000 | Over 5 Years<br>MGA' 000 |
|--|----------------------------|------------------------|-------------------------|-----------------------|-----------------------|--------------------------|
| <b>31 December 2014</b>                  |                            |                        |                         |                       |                       |                          |
| <b>Financial Assets</b>                  |                            |                        |                         |                       |                       |                          |
| Cash and cash equivalents                | 4,027,764                  | -                      | -                       | -                     | -                     | -                        |
| Loans and advances to non-bank customers | 15,934,050                 | 8,655,430              | 5,777,110               | 4,148,368             | 7,394,155             | -                        |
| Investment securities                    | 41,676,367                 | 2,880,130              | 23,693,987              | -                     | -                     | -                        |
|  | 61,638,181                 | 11,535,560             | 29,471,097              | 4,148,368             | 7,394,155             | -                        |
| <b>Financial liabilities</b>             |                            |                        |                         |                       |                       |                          |
| Deposits from non-bank customers         | 41,959,870                 | 20,497,381             | 28,307,080              | 14,083,080            | 7,179,996             | -                        |
|  | 41,959,870                 | 20,497,381             | 28,307,080              | 14,083,080            | 7,179,996             | -                        |
| On Balance Sheet Gap                     | 19,678,311                 | (8,961,821)            | 1,164,017               | (9,934,712)           | 214,159               | -                        |
| Off Balance Sheet Assets                 | 933,000                    | -                      | -                       | -                     | -                     | -                        |
| Off Balance Sheet Liabilities            | (1,978,126)                | -                      | -                       | -                     | -                     | -                        |
| Off Balance Sheet Gap                    | (1,045,126)                | -                      | -                       | -                     | -                     | -                        |
| Bucket-wise Gap                          | 18,633,185                 | (8,961,821)            | 1,164,017               | (9,934,712)           | 214,159               | -                        |
| Cummulative Gap                          | 18,633,185                 | 9,671,364              | 10,835,381              | 900,669               | 1,114,828             | 1,114,828                |
| <b>31 December 2013</b>                  |                            |                        |                         |                       |                       |                          |
| On Balance Sheet Gap                     | (6,282,422)                | (1,214,770)            | 10,476,000              | (43,872,689)          | 1,934,401             | -                        |
| Off Balance Sheet Gap                    | (1,007,600)                | -                      | -                       | -                     | -                     | -                        |
| Bucket-wise Gap                          | (7,290,022)                | (1,214,770)            | 10,476,000              | (43,872,689)          | 1,934,401             | -                        |
| Cummulative Gap                          | (7,290,022)                | (8,504,792)            | 1,971,208               | (41,901,481)          | (39,967,080)          | (39,967,080)             |
| <b>30 June 2012</b>                      |                            |                        |                         |                       |                       |                          |
| On Balance Sheet Gap                     | 2,818,232                  | (12,345,430)           | (265,667)               | (13,273,506)          | 13,229,889            | 20,256,055               |
| Off Balance Sheet Gap                    | (1,367,104)                | -                      | -                       | -                     | -                     | -                        |
| Bucket-wise Gap                          | 1,451,128                  | (12,345,430)           | (265,667)               | (13,273,506)          | 13,229,889            | 20,256,055               |
| Cummulative Gap                          | 1,451,128                  | (10,894,302)           | (11,159,969)            | (24,433,475)          | (11,203,586)          | 9,052,469                |



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

**41 Risk management (Cont'd)**

**d Market risk (Cont'd)**

| <b>OTHER CURRENCIES GROUP</b>      | <b>Up to 3 Months</b><br>MUR' 000 | <b>3-6 Months</b><br>MUR' 000 | <b>6-12 Months</b><br>MUR' 000 | <b>1-2 Years</b><br>MUR' 000 | <b>3-5 Years</b><br>MUR' 000 | <b>Over 5 Years</b><br>MUR' 000 |
|------------------------------------|-----------------------------------|-------------------------------|--------------------------------|------------------------------|------------------------------|---------------------------------|
| <b>31 December 2014</b>            |                                   |                               |                                |                              |                              |                                 |
| <b>Financial Assets</b>            |                                   |                               |                                |                              |                              |                                 |
| Cash and cash equivalents          | 707,971                           | -                             | -                              | -                            | -                            | -                               |
| Loans to and placements with banks | 39                                | -                             | 137,026                        | -                            | -                            | -                               |
| Investment securities              | -                                 | -                             | -                              | -                            | 178,990                      | -                               |
|                                    | <b>708,010</b>                    | <b>-</b>                      | <b>137,026</b>                 | <b>-</b>                     | <b>178,990</b>               | <b>-</b>                        |
| <b>Financial liabilities</b>       |                                   |                               |                                |                              |                              |                                 |
| Deposits from non-bank customers   | 501,952                           | 34,256                        | 169,518                        | 6,512                        | -                            | -                               |
|                                    | <b>501,952</b>                    | <b>34,256</b>                 | <b>169,518</b>                 | <b>6,512</b>                 | <b>-</b>                     | <b>-</b>                        |
| On Balance Sheet Gap               | 206,058                           | (34,256)                      | (32,492)                       | (6,512)                      | 178,990                      | -                               |
| Off Balance Sheet Assets           | 4,717,802                         | 674,329                       | 662,096                        | 6,512                        | -                            | -                               |
| Off Balance Sheet Liabilities      | (3,217,831)                       | (858,378)                     | (446,001)                      | (1,047,763)                  | (1,923,340)                  | -                               |
| Off Balance Sheet Gap              | 1,499,971                         | (184,049)                     | 216,095                        | (1,041,251)                  | (1,923,340)                  | -                               |
| Bucket-wise Gap                    | 1,706,029                         | (218,305)                     | 183,603                        | (1,047,763)                  | (1,744,350)                  | -                               |
| Cummulative Gap                    | 1,706,029                         | 1,487,724                     | 1,671,327                      | 623,564                      | (1,120,784)                  | (1,120,784)                     |
| <b>31 December 2013</b>            |                                   |                               |                                |                              |                              |                                 |
| On Balance Sheet Gap               | 8,972,860                         | (6,961,833)                   | 396,497                        | (60,400)                     | (931,700)                    | (232,433)                       |
| Off Balance Sheet Gap              | 52,563                            | 13,587                        | (1,454)                        | 3,754                        | 8,592                        | -                               |
| Bucket-wise Gap                    | 9,025,423                         | (6,948,246)                   | 395,043                        | (56,646)                     | (923,108)                    | (232,433)                       |
| Cummulative Gap                    | 9,025,423                         | 2,077,177                     | 2,472,220                      | 2,415,574                    | 1,492,466                    | 1,260,033                       |
| <b>30 June 2012</b>                |                                   |                               |                                |                              |                              |                                 |
| On Balance Sheet Gap               | (7,822,008)                       | 1,007,800                     | 573,000                        | 732,687                      | (631,779)                    | (1,053,294)                     |
| Off Balance Sheet Gap              | 324,959                           | 355,187                       | (181,841)                      | -                            | 149,371                      | -                               |
| Bucket-wise Gap                    | (7,497,049)                       | 1,362,987                     | 391,159                        | 732,687                      | (482,408)                    | (1,053,294)                     |
| Cummulative Gap                    | (7,497,049)                       | (6,134,062)                   | (5,742,903)                    | (5,010,216)                  | (5,492,624)                  | (6,545,918)                     |

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

### 41 Risk management (Cont'd)

#### d Market risk (Cont'd)

| MUR                          | Up to 3 Months | 3-6 Months  | 6-12 Months | 1-2 Years | 3-5 Years | Over 5 Years |
|------------------------------|----------------|-------------|-------------|-----------|-----------|--------------|
| COMPANY                      | MUR' 000       | MUR' 000    | MUR' 000    | MUR' 000  | MUR' 000  | MUR' 000     |
| <b>31 December 2014</b>      |                |             |             |           |           |              |
| <b>Financial Assets</b>      |                |             |             |           |           |              |
| Investment securities        | -              | -           | -           | 801,648   | 1,043,908 | -            |
| <b>Financial liabilities</b> |                |             |             |           |           |              |
| Subordinated debts           | 1,527,750      | -           | -           | -         | -         | -            |
| On Balance Sheet Gap         | (1,527,750)    | -           | -           | 801,648   | 1,043,908 | -            |
| Off Balance Sheet Gap        | -              | -           | -           | -         | -         | -            |
| Bucket-wise Gap              | (1,527,750)    | -           | -           | 801,648   | 1,043,908 | -            |
| Cummulative Gap              | (1,527,750)    | (1,527,750) | (1,527,750) | (726,102) | 317,806   | 317,806      |
| <b>31 December 2013</b>      |                |             |             |           |           |              |
| On Balance Sheet Gap         | -              | -           | -           | -         | -         | -            |
| Off Balance Sheet Gap        | -              | -           | -           | -         | -         | -            |
| Bucket-wise Gap              | -              | -           | -           | -         | -         | -            |
| Cummulative Gap              | -              | -           | -           | -         | -         | -            |
| <b>30 June 2012</b>          |                |             |             |           |           |              |
| On Balance Sheet Gap         | -              | -           | -           | -         | -         | -            |
| Off Balance Sheet Gap        | -              | -           | -           | -         | -         | -            |
| Bucket-wise Gap              | -              | -           | -           | -         | -         | -            |
| Cummulative Gap              | -              | -           | -           | -         | -         | -            |
| <b>USD</b>                   |                |             |             |           |           |              |
| COMPANY                      | USD' 000       | USD' 000    | USD' 000    | USD' 000  | USD' 000  | USD' 000     |
| <b>31 December 2014</b>      |                |             |             |           |           |              |
| <b>Financial Assets</b>      |                |             |             |           |           |              |
| Investment securities        | 5,645          | -           | 5,188       | 3,591     | 40,788    | 9,935        |
| <b>Financial liabilities</b> |                |             |             |           |           |              |
| Subordinated debts           | -              | 65,113      | -           | -         | -         | -            |
| On Balance Sheet Gap         | 5,645          | (65,113)    | 5,188       | 3,591     | 40,788    | 9,935        |
| Off Balance Sheet Gap        | -              | -           | -           | -         | -         | -            |
| Bucket-wise Gap              | 5,645          | (65,113)    | 5,188       | 3,591     | 40,788    | 9,935        |
| Cummulative Gap              | 5,645          | (59,468)    | (54,280)    | (50,689)  | (9,901)   | 34           |
| <b>31 December 2013</b>      |                |             |             |           |           |              |
| On Balance Sheet Gap         | -              | -           | -           | -         | -         | -            |
| Off Balance Sheet Gap        | -              | -           | -           | -         | -         | -            |
| Bucket-wise Gap              | -              | -           | -           | -         | -         | -            |
| Cummulative Gap              | -              | -           | -           | -         | -         | -            |
| <b>30 June 2012</b>          |                |             |             |           |           |              |
| On Balance Sheet Gap         | -              | -           | -           | -         | -         | -            |
| Off Balance Sheet Gap        | -              | -           | -           | -         | -         | -            |
| Bucket-wise Gap              | -              | -           | -           | -         | -         | -            |
| Cummulative Gap              | -              | -           | -           | -         | -         | -            |



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

### 41 Risk management (Cont'd)

#### d Market risk (Cont'd)

##### (iii) Currency risk

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

The tables below show the carrying amounts of the monetary assets and liabilities, denominated in currencies other than the functional currency of each entity.

| GROUP                                    | USD         | GBP         | EUR       | INR      | OTHER     | TOTAL       |
|--|-------------|-------------|-----------|----------|-----------|-------------|
|  | MUR' 000    | MUR' 000    | MUR' 000  | MUR' 000 | MUR' 000  | MUR' 000    |
| <b>31 December 2014</b>                  |             |             |           |          |           |             |
| <b>ASSETS</b>                            |             |             |           |          |           |             |
| Cash and cash equivalents                | 1,178,479   | 2,102,325   | 924,656   | 6,149    | 957,322   | 5,168,931   |
| 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         | 4,854,466 | -        | -         | 15,641,156  |
| Investment securities                    | 7,082,745   | 208,961     | 884,327   | -        | 178,339   | 8,354,372   |
| Other assets                             | 74,459      | 3,531       | 89,775    | -        | 36,958    | 204,723     |
| Total monetary financial assets          | 19,927,742  | 2,402,671   | 6,993,051 | 9,601    | 1,312,292 | 30,645,357  |
| <b>LIABILITIES</b>                       |             |             |           |          |           |             |
| Deposits from non-bank customers         | 14,319,229  | 2,367,832   | 5,978,511 | 25       | 1,219,752 | 23,885,349  |
| Other borrowed funds                     | 3,436,079   | 49,650      | 1,164,409 | -        | -         | 4,650,138   |
| Trading liabilities                      | 1,785       | 20,974      | 35,992    | 7,658    | 23,942    | 90,351      |
| Subordinated debts                       | 2,092,709   | -           | -         | -        | -         | 2,092,709   |
| Other liabilities                        | 156,662     | 11,719      | 143,235   | 242      | 4,596     | 316,454     |
| Total monetary financial liabilities     | 20,006,464  | 2,450,175   | 7,322,147 | 7,925    | 1,248,290 | 31,035,001  |
| On balance sheet net position            | (78,722)    | (47,504)    | (329,096) | 1,676    | 64,002    | (389,644)   |
| Off balance sheet net position           | (309,363)   | 42,818      | 176,469   | 98,782   | (64,111)  | (55,405)    |
| Net currency position                    | (388,085)   | (4,686)     | (152,627) | 100,458  | (109)     | (445,049)   |
| <b>31 December 2013</b>                  |             |             |           |          |           |             |
| Total monetary financial assets          | 13,822,877  | 1,199,129   | 6,108,601 | 2,060    | 1,189,738 | 22,322,405  |
| Total monetary financial liabilities     | 14,449,384  | 1,445,844   | 6,050,326 | 490      | 1,231,628 | 23,177,672  |
| On balance sheet net position            | (626,507)   | (246,715)   | 58,275    | 1,570    | (41,890)  | (855,267)   |
| Off balance sheet net position           | 1,100,854   | 219,041     | (130,381) | (256)    | 66,604    | 1,255,862   |
| Net currency position                    | 474,347     | (27,674)    | (72,106)  | 1,314    | 24,714    | 400,595     |
| <b>30 June 2012</b>                      |             |             |           |          |           |             |
| Total monetary financial assets          | 14,737,569  | 765,378     | 5,924,474 | 292,717  | 789,078   | 22,509,216  |
| Total monetary financial liabilities     | 11,765,696  | 2,658,999   | 5,124,123 | 116      | 1,434,668 | 20,983,602  |
| On balance sheet net position            | 2,971,873   | (1,893,621) | 800,351   | 292,601  | (645,590) | 1,525,614   |
| Off balance sheet net position           | (3,091,492) | 1,863,951   | (801,367) | -        | 659,358   | (1,369,550) |
| Net currency position                    | (119,619)   | (29,670)    | (1,016)   | 292,601  | 13,768    | 156,064     |

The Company is exposed to currency risk only in USD in relation to investment securities (financial assets) and subordinated debts (financial liabilities), each amounting to MUR 2,070 million.

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

### 41 Risk management (Cont'd)

#### d Market risk (Cont'd)

##### (iii) Currency risk (Cont'd)

###### Value-at-Risk Analysis

The Group uses Value-at-Risk (VAR) to estimate the potential foreign exchange loss arising from adverse movements in an ordinary market environment. To calculate VAR, SBM 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 Group's VAR amounted to:

|                      | GROUP            |                  |              |
|----------------------|------------------|------------------|--------------|
|                      | 31 December 2014 | 31 December 2013 | 30 June 2012 |
|                      | MUR' 000         | MUR' 000         | MUR' 000     |
| Minimum for the year | 242              | 144              | 158          |
| Maximum for the year | 4,046            | 3,995            | 7,686        |
| Year - End           | 1,271            | 880              | 3,013        |

##### (iv) Equity price sensitivity analysis

The Group 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 Group does not actively trade in these investments. Changes in prices / valuation of these investments are reflected in the statement of comprehensive income, except for impairment losses which are reported in the statement of profit or loss. Changes in prices of held-for-trading investments are reflected in the statement of profit or loss.

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

|                                   | GROUP            |                  |              | COMPANY          |                  |              |
|-----------------------------------|------------------|------------------|--------------|------------------|------------------|--------------|
|                                   | 31 December 2014 | 31 December 2013 | 30 June 2012 | 31 December 2014 | 31 December 2013 | 30 June 2012 |
|                                   | MUR' 000         | MUR' 000         | MUR' 000     | MUR' 000         | MUR' 000         | MUR' 000     |
| Statement of comprehensive income | 336,096          | 209,471          | 230,330      | 315,994          | -                | -            |
| Statement of profit or loss       | 144              | 87               | 616          | -                | -                | -            |
|                                   | 336,240          | 209,558          | 230,946      | 315,994          | -                | -            |

#### 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).



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

### 42 Segment information - Group

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group has only one reportable operating segment based on its business activities, which is the Banking segment. Its revenues mainly arise from advances to customers and banks, investment in gilt-edged securities and equity instruments, bank placements, services provided on deposit products, provision of card and other electronic channel services, trade finance facilities, trading activities and foreign currency operations.

The accounting policies of the operating segment are the same as those described in *Note 3*.

#### (a) Information about the reportable segment profit, assets and liabilities

Information about the reportable segment and the reconciliation of the reportable segment information to Group total is shown below:

|  | Banking<br>MUR' 000 | Non-bank<br>financial<br>institutions<br>MUR' 000 | Non<br>financial<br>institutions<br>MUR' 000 | Other<br>institutions<br>MUR' 000 | Intersegment<br>adjustments<br>MUR' 000 | Group Total<br>MUR' 000 |
|--|---------------------|---|--|-----------------------------------|---|-------------------------|
| <b>31 December 2014</b>  |                     |   |  |                                   |   |                         |
| Interest income from external customers                          | 6,420,937           | 29  | 649  | 29,631                            | -                                       | 6,451,246               |
| Non interest income from external customers                      | 1,923,393           | 48,553  | 80,226                                       | 173,221                           | -                                       | 2,225,393               |
| <b>Revenue from external customers</b>                           | <b>8,344,330</b>    | <b>48,582</b>                                     | <b>80,875</b>                                | <b>202,852</b>                    | <b>-</b>                                | <b>8,676,639</b>        |
| Interest income from internal customers                          | -                   | 2,394   | -  | -                                 | (2,394)                                 | -                       |
| Non interest income from internal customers                      | 767,726             | 13,394  | 900  | 6,798,314                         | (7,580,334)                             | -                       |
| <b>Revenue from other segments of the entity</b>                 | <b>767,726</b>      | <b>15,788</b>                                     | <b>900</b>                                   | <b>6,798,314</b>                  | <b>(7,582,728)</b>                      | <b>-</b>                |
| Total gross revenue  | 9,112,056           | 64,370  | 81,775                                       | 7,001,166                         | (7,582,728)                             | 8,676,639               |
| Interest and commission expense to external customers            | (2,397,441)         | (62)  | -  | (32,650)                          | -                                       | (2,430,153)             |
| Interest expense to internal customers                           | (2,394)             | -   | -  | -                                 | 2,394                                   | -                       |
|  | (2,399,835)         | (62)  | -  | (32,650)                          | 2,394                                   | (2,430,153)             |
| <b>Operating income</b>  | <b>6,712,221</b>    | <b>64,308</b>                                     | <b>81,775</b>                                | <b>6,968,516</b>                  | <b>(7,580,334)</b>                      | <b>6,246,486</b>        |
| Depreciation and amortisation                                    | (165,833)           | (52)  | (137)  | -                                 | -                                       | (166,022)               |
| Other non interest expenses                                      | (1,766,179)         | (39,605)  | (2,493)                                      | (5,474)                           | 1,382                                   | (1,812,369)             |
| Net impairment loss on financial assets                          | (473,732)           | -   | -  | (6,319,881)                       | 6,319,881                               | (473,732)               |
| Operating profit   | 4,306,476           | 24,651  | 79,145                                       | 643,162                           | (1,259,071)                             | 3,794,363               |
| Share of profit of associate                                     | -                   | 62,993  | -  | -                                 | -                                       | 62,993                  |
| Profit before income tax   | 4,306,476           | 87,644  | 79,145                                       | 643,162                           | (1,259,071)                             | 3,857,356               |
| Tax expense  | (692,008)           | (3,969)   | 33   | -                                 | -                                       | (695,944)               |
| Profit for the year attributable to equity holders of the parent | 3,614,468           | 83,675  | 79,178                                       | 643,162                           | (1,259,071)                             | 3,161,412               |
| Segment assets   | 150,813,004         | 119,702   | 500,326                                      | 31,526,336                        | (55,699,087)                            | 127,260,282             |
| Segment liabilities  | 99,380,246          | 8,590   | 134,633                                      | 3,607,128                         | (217,697)                               | 102,912,899             |
| Additions to tangible and intangible assets                      | 724,931             | 86  | -  | -                                 | -                                       | 725,017                 |

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

### 42 Segment information - Group (Cont'd)

#### (a) Information about the reportable segment profit, assets and liabilities (Cont'd)

|  | Banking           | Non-bank financial institutions | Non financial institutions | Intersegment adjustments | Group Total       |
|--|-------------------|---------------------------------|----------------------------|--------------------------|-------------------|
|  | MUR' 000          | MUR' 000                        | MUR' 000                   | MUR' 000                 | MUR' 000          |
| <b>31 December 2013</b>  |                   |                                 |                            |                          |                   |
| Interest income from external customers                            | 9,318,754         | 15,111                          | -                          | -                        | 9,333,865         |
| Non interest income from external customers                        | 2,445,800         | 175,099                         | 813,142                    | -                        | 3,434,041         |
| <b>Revenue from external customers</b>                             | <b>11,764,554</b> | <b>190,210</b>                  | <b>813,142</b>             | <b>-</b>                 | <b>12,767,906</b> |
| Interest income from internal customers                            | 4,227             | 3,075                           | -                          | (7,302)                  | -                 |
| Non interest income from internal customers                        | 88                | 724                             | 675                        | (1,487)                  | -                 |
| <b>Revenue from other segments of the entity</b>                   | <b>4,315</b>      | <b>3,799</b>                    | <b>675</b>                 | <b>(8,789)</b>           | <b>-</b>          |
| Total gross revenue  | 11,768,869        | 194,009                         | 813,817                    | (8,789)                  | 12,767,906        |
| Interest and commission expense to external customers              | (3,463,030)       | (38)                            | -                          | -                        | (3,463,068)       |
| Interest expense to internal customers                             | (3,075)           | (4,227)                         | -                          | 7,302                    | -                 |
|  | (3,466,105)       | (4,265)                         | -                          | 7,302                    | (3,463,068)       |
| <b>Operating income</b>  | <b>8,302,764</b>  | <b>189,744</b>                  | <b>813,817</b>             | <b>(1,487)</b>           | <b>9,304,838</b>  |
| Depreciation and amortisation                                      | (281,386)         | (1,557)                         | (96)                       | -                        | (283,039)         |
| Other non interest expenses  | (2,699,030)       | (32,906)                        | (139)                      | 1,573                    | (2,730,502)       |
| Net impairment loss on financial assets                            | (830,273)         | -                               | -                          | -                        | (830,273)         |
| Operating profit   | 4,492,075         | 155,281                         | 813,582                    | 86                       | 5,461,024         |
| Share of profit of associate                                       | -                 | 141,671                         | -                          | -                        | 141,671           |
| Profit before income tax   | 4,492,075         | 296,952                         | 813,582                    | 86                       | 5,602,695         |
| Tax expense  | (884,150)         | (12,104)                        | (82)                       | -                        | (896,336)         |
| Profit for the period attributable to equity holders of the parent | 3,607,925         | 284,848                         | 813,500                    | 86                       | 4,706,359         |
| Segment assets   | 110,033,992       | 1,067,127                       | 4,146,861                  | (2,720,485)              | 112,527,495       |
| Segment liabilities  | 92,252,186        | 60,095                          | 55                         | (108,735)                | 92,203,601        |
| Additions to tangible and intangible assets                        | 807,247           | 332                             | 30,729                     | (30,572)                 | 807,736           |



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

### 42 Segment information - Group (Cont'd)

#### (a) Information about the reportable segment profit, assets and liabilities (Cont'd)

|  | Banking            | Non-bank<br>financial<br>institutions | Non financial<br>institutions | Intersegment<br>adjustments | Group Total        |
|--|--------------------|---------------------------------------|-------------------------------|-----------------------------|--------------------|
|  | MUR' 000           | MUR' 000                              | MUR' 000                      | MUR' 000                    | MUR' 000           |
| <b>30 June 2012</b>  |                    |                                       |                               |                             |                    |
| Interest income from external customers                          | 5,863,668          | 34,132                                | -                             | -                           | 5,897,800          |
| Non interest income from external customers                      | 1,665,348          | 64,231                                | 210,532                       | -                           | 1,940,111          |
| <b>Revenue from external customers</b>                           | <b>7,529,016</b>   | <b>98,363</b>                         | <b>210,532</b>                | <b>-</b>                    | <b>7,837,911</b>   |
| Interest income from internal customers                          | 3,758              | 3,606                                 | -                             | (7,364)                     | -                  |
| Non interest income from internal customers                      | 6,951              | 115,125                               | -                             | (122,076)                   | -                  |
| <b>Revenue from other segments of the entity</b>                 | <b>10,709</b>      | <b>118,731</b>                        | <b>-</b>                      | <b>(129,440)</b>            | <b>-</b>           |
| <b>Total gross revenue</b>                                       | <b>7,539,725</b>   | <b>217,094</b>                        | <b>210,532</b>                | <b>(129,440)</b>            | <b>7,837,911</b>   |
| Interest and commission expense to external customers            | (2,731,591)        | (41)                                  | -                             | -                           | (2,731,632)        |
| Interest expense to internal customers                           | (3,563)            | (3,758)                               | -                             | 7,321                       | -                  |
|  | <b>(2,735,154)</b> | <b>(3,799)</b>                        | <b>-</b>                      | <b>7,321</b>                | <b>(2,731,632)</b> |
| <b>Operating income</b>  | <b>4,804,571</b>   | <b>213,295</b>                        | <b>210,532</b>                | <b>(122,119)</b>            | <b>5,106,279</b>   |
| Depreciation and amortisation                                    | (179,512)          | (862)                                 | -                             | 3,847                       | (176,527)          |
| Other non interest expenses                                      | (1,472,163)        | (19,006)                              | (45)                          | 1,996                       | (1,489,218)        |
| Net impairment loss on financial assets                          | (208,607)          | (44,953)                              | -                             | -                           | (253,560)          |
| Operating profit   | 2,944,289          | 148,474                               | 210,487                       | (116,276)                   | 3,186,974          |
| Share of profit of associate                                     | 81,515             | -                                     | -                             | -                           | 81,515             |
| Profit before income tax   | 3,025,804          | 148,474                               | 210,487                       | (116,276)                   | 3,268,489          |
| Tax expense  | (599,110)          | (13,813)                              | -                             | -                           | (612,923)          |
| Profit for the year attributable to equity holders of the parent | 2,426,694          | 134,661                               | 210,487                       | (116,276)                   | 2,655,566          |
| Segment assets   | 96,813,746         | 2,627,813                             | 3,424,939                     | (3,574,496)                 | 99,292,002         |
| Segment liabilities  | 82,428,946         | 1,734,951                             | (7,576)                       | (3,209,475)                 | 80,946,846         |
| Additions to tangible and intangible assets                      | 121,520            | -                                     | 313                           | -                           | 121,833            |



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

### 42 Segment information - Group (Cont'd)

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

|   | BANKING                                    |   |   |
|---|--|---|---|
|   | Year Ended<br>31 December 2014<br>MUR' 000 | 18 Months Ended<br>31 December 2013<br>MUR' 000 | 12 Months Ended<br>30 June 2012<br>MUR' 000 |
| Gross revenue from external customers arising from: |  |   |   |
| Loans and advances to non-bank customers            | 5,481,890                                  | 8,346,900                                       | 5,042,460                                   |
| Loans to and placements with banks                  | 59,662                                     | 53,267  | 109,388                                     |
| Exchange income                                     | 402,994                                    | 547,569   | 492,647                                     |
| Card income   | 306,757                                    | 546,226   | 517,314                                     |
| Trade finance services                              | 192,733                                    | 305,331   | 186,292                                     |
| Deposit and other products /services                | 153,264                                    | 189,772   | 115,707                                     |
|   | <b>6,597,300</b>                           | <b>9,989,065</b>                                | <b>6,463,808</b>                            |

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

|                                       | BANKING               |                             |                   |
|---------------------------------------|-----------------------|-----------------------------|-------------------|
|                                       | Mauritius<br>MUR' 000 | Other countries<br>MUR' 000 | Total<br>MUR' 000 |
| <b>31 December 2014</b>               |                       |                             |                   |
| Gross revenue from external customers | 5,600,203             | 2,744,128                   | 8,344,331         |
| Tangible and intangible assets        | 3,488,259             | 299,766                     | 3,788,025         |
| <b>31 December 2013</b>               |                       |                             |                   |
| Gross revenue from external customers | 8,965,258             | 2,803,494                   | 11,768,752        |
| Tangible and intangible assets        | 3,002,150             | 227,471                     | 3,229,621         |
| <b>30 June 2012</b>                   |                       |                             |                   |
| Gross revenue from external customers | 5,588,037             | 1,902,910                   | 7,490,947         |
| Tangible and intangible assets        | 2,547,638             | 210,489                     | 2,758,127         |

#### (d) Information about major customers of the reportable segment

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



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

### 43 Other reserves

| Group  | Reserve arising on share buy back<br>MUR' 000 | Net unrealised investment fair value reserve<br>MUR' 000 | Net translation reserve (restated)<br>MUR' 000 | Net other reserve<br>MUR' 000 | Earnings* reserve<br>MUR' 000 | Restructure** reserve<br>MUR' 000 | Total<br>MUR' 000 |
|--|---|--|--|-------------------------------|-------------------------------|-----------------------------------|-------------------|
| At 01 July 2011                                  |   |  |  |                               |                               |                                   |                   |
| - As previously stated                           | 236,071                                       | 3,060,911  | (216,383)                                      | 72,671                        | -                             | -                                 | 3,153,270         |
| - Transfer of translation loss to profit or loss | -   | -  | 341,060  | -                             | -                             | -                                 | 341,060           |
| - As restated                                    | 236,071                                       | 3,060,911  | 124,677  | 72,671                        | -                             | -                                 | 3,494,330         |
| Other comprehensive income for the year          | -   | 419,690  | (366,252)                                      | 5,687                         | -                             | -                                 | 59,125            |
| At 30 June 2012                                  | 236,071                                       | 3,480,601  | (241,575)                                      | 78,358                        | -                             | -                                 | 3,553,455         |
| At 01 July 2012                                  | 236,071                                       | 3,480,601  | (241,575)                                      | 78,358                        | -                             | -                                 | 3,553,455         |
| Other comprehensive loss for the period          | -   | 195,409  | (438,836)                                      | (5,668)                       | -                             | -                                 | (249,095)         |
| At 31 December 2013                              | 236,071                                       | 3,676,010  | (680,411)                                      | 72,690                        | -                             | -                                 | 3,304,360         |
| At 01 January 2014                               | 236,071                                       | 3,676,010  | (680,411)                                      | 72,690                        | -                             | -                                 | 3,304,360         |
| Other comprehensive income for the year          | -   | 1,727,055  | 87,574   | (9,535)                       | -                             | -                                 | 1,805,094         |
| Transfer to restructure reserve                  | (236,071)                                     | (5,402,243)  | 646,064  | -                             | 2,935,807                     | (8,379,302)                       | (10,435,745)      |
| Transfer to retained earnings                    | -   | 27,125   | -  | (63,155)                      | -                             | 63,155                            | 27,125            |
| <b>At 31 December 2014</b>                       | -   | 27,947   | 53,227   | -                             | 2,935,807                     | (8,316,147)                       | (5,299,166)       |

\* The earnings reserve represents retained earnings earmarked towards capital contribution upon transfer of the Indian Operations of SBM Bank (Mauritius) Ltd to SBM Holdings Ltd which is awaiting approval of Wholly Owned Subsidiary license from Reserve Bank of India. This amount will be adjusted against the restructure reserve on receipt of the licence.

\*\* Restructuring reserve includes net unrealised investment fair value reserve of MUR 5,401 million, net translation reserve of MUR 646 million and net property revaluation reserve of MUR 1,063 million and shall be reclassified to the statement of profit or loss upon disposal of the related asset.



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# MANAGEMENT DISCUSSION AND ANALYSIS



## Financial Review – SBM Holdings Ltd

Cautionary note: The analysis of the Group's financial information should be read in conjunction with the Audited Financial Statements for the Group for the twelve months ended 31 December 2014 presented on pages 27 to 106. 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 Group going forward. Readers are also advised to refer to the statement on page 2 relating to forward-looking statements.

**Table 2: Key Financial Indicators – SBM Holdings Ltd (Consolidated)**

|  | 12 months<br>December<br>2014<br>Audited | 12<br>months<br>December<br>2013<br>Unaudited | 18<br>months<br>December <sup>a</sup><br>2013<br>Restated | Year<br>June <sup>b</sup><br>2012<br>Restated | Year<br>June <sup>b</sup><br>2011<br>Restated | Year<br>June <sup>b</sup><br>2010<br>Restated |
|--|--|---|---|---|---|---|
| <b>Key financial highlights (MUR million)</b>                        |  |   |   |   |   |   |
| Profit before income tax and net impairment loss on financial assets | 4,268                                    | 4,144   | 6,291   | 3,441   | 2,749   | 2,491   |
| Profit before income tax   | 3,857                                    | 3,587   | 5,603   | 3,268   | 2,517   | 2,239   |
| Profit for the period  | 3,161                                    | 3,019   | 4,706   | 2,656   | 2,049   | 1,882   |
| Total assets   | 127,260                                  | 112,527                                       | 112,527   | 99,292  | 94,824  | 78,857  |
| Shareholders' equity   | 24,347                                   | 20,324  | 20,324  | 18,345  | 15,171  | 13,773  |
| Tier 1 capital   | 22,844                                   | 13,998  | 13,998  | 12,886  | 11,326  | 10,147  |
| Risk-weighted assets (including market and operational risks)        | 81,526                                   | 76,308  | 76,308  | 69,911  | 58,707  | 44,807  |
| Average assets   | 119,894                                  | 108,460                                       | 105,910   | 97,058  | 86,841  | 78,734  |
| Average shareholders' equity   | 22,336                                   | 19,136  | 19,335  | 16,758  | 14,472  | 13,077  |
| Average working funds  | 121,029                                  | 106,202                                       | 104,708   | 96,038  | 86,653  | 78,535  |
| Average Tier 1 capital   | 18,421                                   | 13,553  | 13,442  | 12,106  | 10,736  | 9,504   |
| <b>Key financial ratios (%)</b>                                      |  |   |   |   |   |   |
| Risk adjusted return on capital (RAROC) <sup>f</sup>                 | 57.85                                    | 55.43   | 57.37   | 54.35   | 49.22   | 49.83   |
| Capital adequacy ratio   | 32.84                                    | 21.16   | 21.16   | 21.54   | 21.87   | 25.86   |
| Tier 1 Capital adequacy ratio  | 28.02                                    | 18.34   | 18.34   | 18.43   | 19.29   | 22.65   |
| Profit before income tax/ average risk-weighted assets               | 4.89                                     | 4.75  | 5.09  | 5.08  | 4.86  | 5.07  |
| Profit before income tax/ average assets                             | 3.22                                     | 3.31  | 3.52  | 3.37  | 2.90  | 2.84  |
| Profit before income tax/ average shareholders' equity               | 17.27                                    | 18.75   | 19.27   | 19.50   | 17.39   | 17.12   |
| Profit before income tax/ average Tier 1 capital                     | 20.94                                    | 26.47   | 27.71   | 27.00   | 23.44   | 23.56   |
| Return on average risk-weighted assets <sup>g</sup>                  | 4.01                                     | 4.00  | 4.28  | 4.13  | 3.96  | 4.26  |
| Return on average assets <sup>g</sup>                                | 2.64                                     | 2.78  | 2.95  | 2.74  | 2.36  | 2.39  |
| Return on average shareholders' equity <sup>g</sup>                  | 14.15                                    | 15.78   | 16.18   | 15.85   | 14.16   | 14.39   |
| Return on average Tier 1 capital <sup>g</sup>                        | 17.16                                    | 22.28   | 23.28   | 21.94   | 19.08   | 19.80   |
| Cost to income <sup>h</sup>  | 34.27                                    | 37.43   | 35.56   | 34.33   | 37.46   | 38.26   |



|   | 12 months<br>December<br>2014<br>Audited | 12<br>months<br>December<br>2013<br>Unaudited | 18<br>months<br>December<br>2013<br>Restated | Year<br>June <sup>b</sup><br>2012<br>Restated | Year<br>June <sup>b</sup><br>2011<br>Restated | Year<br>June <sup>b</sup><br>2010<br>Restated |
|---|--|---|--|---|---|---|
| <b>Share information<sup>d</sup></b>                |  |   |  |   |   |   |
| Earnings per share (cents) <sup>f</sup>             | 12.25                                    | 11.69   | 12.12  | 10.29   | 7.94  | 7.29  |
| Dividend per share (cents) <sup>b, e, g</sup>       | 4.50                                     | 4.00  | 4.00   | 3.50  | 3.00  | 2.75  |
| Net asset value per share (cents)                   | 94.30                                    | 78.72   | 78.72  | 71.06   | 58.76   | 53.35   |
| Share price to book value (times)                   | 1.08                                     | 1.32  | 1.32   | 1.15  | 1.63  | 1.48  |
| Dividend yield (%) <sup>b, f</sup>                  | 4.41                                     | 3.85  | 3.85   | 4.27  | 3.13  | 3.48  |
| Earnings yield (%)                                  | 12.00                                    | 11.25   | 11.65  | 12.54   | 8.27  | 9.23  |
| Total yield (cents) <sup>a</sup>                    | 2.50                                     | 4.00  | 26.00  | (10.50)                                       | 20.00   | 11.75   |
| Cumulative yield (cents) <sup>a</sup>               | 107.95                                   | 105.45  | 127.45                                       | 101.45  | 111.95  | 91.95   |
| Price earnings ratio (times)                        | 8.33                                     | 8.89  | 8.58   | 7.97  | 12.10   | 10.84   |
| Dividend cover (times)                              | 2.72                                     | 2.92  | 3.04   | 2.94  | 2.65  | 2.65  |
| Market capitalisation (MUR million)                 | 30,982                                   | 31,589  | 31,589                                       | 24,907  | 29,159  | 23,995  |
| Market price per share (cents)                      | 102.00                                   | 104.00  | 104.00                                       | 82.00   | 96.00   | 79.00   |
| Highest   | 106.93                                   | 129.70  | 107.00                                       | 98.50   | 101.00  | 83.00   |
| Lowest  | 98.02                                    | 107.88  | 79.50  | 77.50   | 79.00   | 63.00   |
| Average   | 102.60                                   | 123.25  | 95.50  | 84.28   | 90.37   | 77.97   |
| Value of shares traded (MUR million)                | 2,288.58                                 | 1,873.83                                      | 2,439.12                                     | 1,120.89                                      | 980.24  | 1,172.00                                      |
| Value of share traded as a percentage of market (%) | 13.83                                    | 17.74   | 11.66  | 8.27  | 8.37  | 9.91  |
| <b>Other key data</b>                               |  |   |  |   |   |   |
| Number of employees                                 | 1,179                                    | 1,168   | 1,168  | 1,176   | 1,185   | 1,138   |
| Number of employees (Mauritius)                     | 1,074                                    | 1,066   | 1,066  | 1,082   | 1,094   | 1,065   |
| Number of employees (Overseas)                      | 105                                      | 102   | 102  | 94  | 91  | 73  |
| Number of service units                             | 50                                       | 49  | 49   | 48  | 48  | 48  |
| Exchange rate (USD : MUR)                           | 31.78                                    | 30.00   | 30.00  | 30.93   | 28.52   | 31.90   |
| Exchange rate (INR : MUR)                           | 0.504                                    | 0.485   | 0.485  | 0.556   | 0.638   | 0.687   |
| Exchange rate (100 MGA : MUR)                       | 1.234                                    | 1.350   | 1.350  | 1.426   | 1.478   | 1.421   |

<sup>a</sup> Change in financial year end from June to December. Balances are not entirely comparable.

<sup>b</sup> Restated for retrospective change in accounting policies

<sup>c</sup> Averages are calculated using period/year end balances.

<sup>d</sup> On 01 March 2013, SBM Group share of nominal value of MUR 1 each was split into 100 shares of nominal value of 1 cent each. The share-related information presented for prior periods are restated based on the new number of shares.

<sup>e</sup> Including dividend declared after the reporting date but before the financial statements are authorised for issue.

<sup>f</sup> Figures for the 18 months to December 2013 have been annualised.

<sup>g</sup> Dividend per share for 2014 includes a final dividend of 1.30 cents payable in 2015.

<sup>h</sup> Cost to income ratio for the 12 months of 2013 includes some exceptional expenses and timing difference for recognition. If same was adjusted, the ratio would stand at 33.57 percent.

**Note:**

As part of the restructuring exercise, the shares of State Bank of Mauritius Ltd were transferred and exchanged to SBMH on a 1:1 ratio. The last trading day of the shares of State Bank of Mauritius Ltd was on 29 September 2014, its listing was suspended on 30 September 2014, with the cancellation on 02 October 2014 and the shares of SBMH were listed on the Official Market of SEM on 03 October 2014.

**Table 3: 2014 Performance against Objectives and Objectives for 2015 - SBM Holdings Ltd**

| Indicator                | Objectives for 2014                      | Performance 2014   | Target for 2015                 |
|--------------------------|--|--|---------------------------------|
| Profit for the year      | To grow by more than 9 percent           | Achieved a growth of 4.5 percent                                 | To grow by more than 10 percent |
| Return on Average Assets | ROA is to be maintained around 3 percent | Return on average assets for December 2014 stood at 2.64 percent | To maintain around 3 percent    |
| Return on Equity         | Not less than 17 percent                 | Achieved 14.15 percent   | Target above 17 percent         |

The challenge of the Group is to deploy the excess capital by applying safe, sound and sustainable financial fundamentals across the Group. This will be in accordance with our capital management policy to enhance returns for our valued shareholders or other option to return the capital to shareholders. The Group shall at all times invest not less than 90 percent of its capital, reserves and borrowings mainly in the Group-controlled banking entities/joint ventures/subsidiaries.

## Results

Summarised Income Statement based on 12 months ended December 2014 compared to the corresponding 12 months of 2013 is shown below:

**Table 4: Summarised Income Statement – SBM Holdings Ltd**

|   | 12 Months<br>December 2014<br>(MUR 000) | 12 Months<br>December 2013<br>(MUR 000)<br>Restated | 18 Months<br>December 2013<br>(MUR 000)<br>Restated |
|---|---|---|---|
| Interest income                                       | 6,451,246                               | 6,268,663   | 9,333,865   |
| Interest expense                                      | (2,400,808)                             | (2,251,975)   | (3,417,785)   |
| <b>Net interest income</b>                            | <b>4,050,438</b>                        | <b>4,016,688</b>                                    | <b>5,916,080</b>                                    |
| Non interest income                                   | 2,196,048                               | 2,213,583   | 3,388,758   |
| <b>Operating income</b>                               | <b>6,246,486</b>                        | <b>6,230,272</b>                                    | <b>9,304,838</b>                                    |
| Non interest expense                                  | (1,978,391)                             | (2,086,381)   | (3,013,541)   |
| Profit before net impairment loss on financial assets | 4,268,095                               | 4,143,890   | 6,291,297   |
| Net impairment loss on financial assets               | (473,732)                               | (655,911)   | (830,273)   |
| Operating profit                                      | 3,794,363                               | 3,487,980   | 5,461,024   |
| Share of profit of associates                         | 62,993                                  | 99,210  | 141,671   |
| Profit before tax                                     | 3,857,356                               | 3,587,190   | 5,602,695   |
| Tax expense   | (695,944)                               | (567,799)   | (896,336)   |
| <b>Profit after tax</b>                               | <b>3,161,412</b>                        | <b>3,019,391</b>                                    | <b>4,706,359</b>                                    |

### Note:

The equity investment in associate has been re-classified in August 2014 to equity investments under "Available for sale investment securities" at fair value as the Group has ceased to have significant influence on the investee company.



The Group changed its financial year end from 30 June to 31 December in 2013. As a consequence of this change, the audited financial statements for the period ended 31 December 2013 were for 18 months while those for the current year are presented for the 12 months ended 31 December 2014. Furthermore, the comparative for June 2012 is also for 12 months. For the benefit of more meaningful comparison, the Group's results are discussed with reference to the current 12 months period (January 2014 to December 2014) against the preceding 12 months period (January 2013 to December 2013). The comparative figures for 12 months period ended December 2013 have been arrived at by deducting 6 months' results for July 2012 to December 2012, from the audited results for the 18-month period ended 31 December 2013, as adjusted for changes in accounting policies.

SBM Group's profit after tax for the twelve months ended 31 December 2014 amounted to MUR 3,161 million, compared to MUR 3,019 million for the corresponding period of 2013. The Group posted a modest growth despite the challenging operating environment characterised by weak demand for credit, excess liquidity in the domestic market and fierce competition. The earnings per share have increased to 12.25 cents for the twelve months ended 31 December 2014 from 11.69 cents as compared to the twelve months ended December 2013. The Group's net interest margin decreased from 1.89 percent in 2013 to 1.50 percent in 2014 taking into account (a) the mix of higher yielding interest earning assets to lower yielding assets and the mix for liabilities, (b) the cost of optimal capital, (c) the cost of excess capital at the average liability cost of the Group's balance sheet, (d) a higher cash reserve ratio and (e) the cost of acquiring deposits. The Group has initiated corrective measures to improve the net interest margin.

### Subordinated Debts

SBM Group made a public offer for the issue of subordinated senior unsecured multicurrency floating interest rate bonds. Class A 1 Series Bond of MUR 1,000 million opened on 20 December 2013, was oversubscribed and a maximum of MUR 1,500 million was retained with half yearly floating coupon payment of 1.35 percent above Repo rate per annum maturing in 2024. Similarly an amount of USD 65 million was retained with half yearly payment of floating coupon 6-months LIBOR plus 175 basis points per annum maturing in 2021, for the issue of Class B 1 Series bond in USD. The public offer was issued by SBM Bank (Mauritius) Ltd, formerly known as State Bank of Mauritius Ltd, and is quoted on the Official Market of the Stock Exchange of Mauritius. On the appointed day of the restructuring, all the bondholders of Class A 1 Series and Class B 1 Series bonds of MUR 1,500 million and USD 65 million, respectively, were transferred along with matching investments to SBM Holdings Ltd as part of the approved restructure.

### Shareholders' Equity

SBM Group shareholders' equity increased by 19.79 percent to reach MUR 24,347 million as at December 2014 (December 2013: MUR 20,324 million) with the addition of the current period's profit of MUR 3,161 million, partly offset by dividend payment of MUR 955 million during the year. Return on average shareholders' equity stood at 14.15 percent for the year.

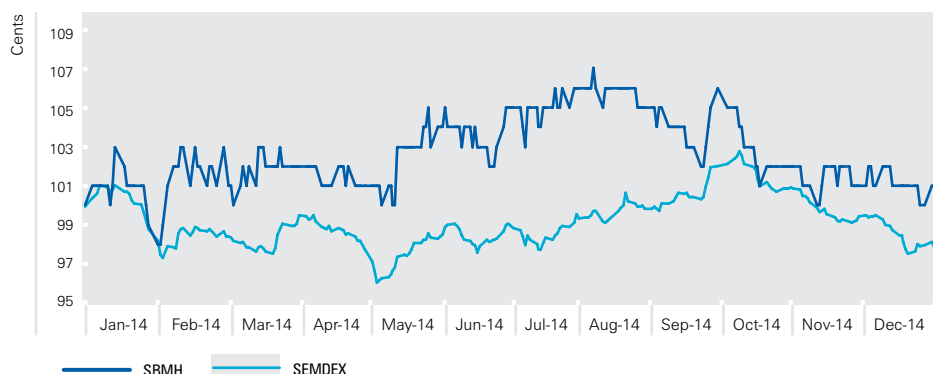
Further analysis on the capital structure and capital adequacy ratio is provided on page 161.

### Share Split and Market Price

As from 01 March 2013, SBMH's share of nominal value of MUR 1 was split into 100 shares of nominal value of 1 cent each. Net asset value per share increased from 78.72 cents at 31 December 2013 to 94.30 cents at 31 December 2014 while earnings per share stood at 12.25 cents as compared to 11.69 cents for the 12 months ended December 2013 and price earnings ratio stood at 8.33 times as SBMH share price was at 102 cents at close of trading on 31 December 2014.



## Chart 9: Share Performance - SBM Holdings Ltd



## Financial Review – SBM (Bank) Holdings Ltd

Table 5: Key Financial Indicators – SBM (Bank) Holdings Ltd (Consolidated)

|   | 12 months<br>December<br>2014 | 12 months<br>December<br>2013 | 18 months<br>December <sup>a</sup><br>2013 | Year<br>June <sup>b</sup><br>2012 | Year<br>June <sup>b</sup><br>2011 | Year<br>June <sup>b</sup><br>2010 |
|---|-------------------------------|-------------------------------|--|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Consolidated statement of income (MUR million)</b>                                 |                               |                               |  |                                   |                                   |                                   |
| Net interest income   | 4,050                         | 4,003                         | 5,902                                      | 3,165                             | 2,499                             | 2,493                             |
| Non interest income   | 1,954                         | 1,908                         | 3,079                                      | 1,869                             | 1,706                             | 1,344                             |
| Non interest expense  | 1,932                         | 2,053                         | 2,980                                      | 1,648                             | 1,455                             | 1,346                             |
| Depreciation and amortisation   | 166                           | 188                           | 281  | 176                               | 141                               | 139                               |
| Profit before income tax and net impairment loss on financial assets                  | 4,072                         | 3,858                         | 6,001                                      | 3,386                             | 2,749                             | 2,491                             |
| Profit before income tax  | 3,599                         | 3,202                         | 5,171                                      | 3,178                             | 2,517                             | 2,239                             |
| Profit for the period   | 2,907                         | 2,646                         | 4,287                                      | 2,579                             | 2,049                             | 1,882                             |
| <b>Consolidated statement of financial position (MUR million)</b>                     |                               |                               |  |                                   |                                   |                                   |
| Total assets  | 116,421                       | 107,817                       | 107,817                                    | 96,822                            | 94,824                            | 78,857                            |
| Gross loans and advances to non-bank customers  | 69,107                        | 71,125                        | 71,125                                     | 63,835                            | 58,005                            | 44,792                            |
| Gilt-edged securities   | 19,076                        | 15,492                        | 15,492                                     | 12,273                            | 16,866                            | 20,210                            |
| Bank/Trading bonds  | 6,155                         | 1,712                         | 1,712                                      | 1,904                             | 1,624                             | -                                 |
| Other investments   | 1,223                         | 1,371                         | 1,371                                      | 2,253                             | 4,218                             | 4,038                             |
| Deposits from non-bank customers  | 91,940                        | 83,127                        | 83,127                                     | 77,674                            | 70,888                            | 61,502                            |
| Shareholders' equity  | 16,961                        | 15,563                        | 15,563                                     | 14,385                            | 15,171                            | 13,773                            |
| Tier 1 capital  | 15,458                        | 13,063                        | 13,063                                     | 11,673                            | 11,326                            | 10,147                            |
| Risk-weighted assets (including market and operational risks)                         | 73,329                        | 72,163                        | 72,163                                     | 66,578                            | 58,707                            | 44,807                            |
| <b>Consolidated statement of financial position (average<sup>c</sup> MUR million)</b> |                               |                               |  |                                   |                                   |                                   |
| Assets  | 112,119                       | 106,105                       | 102,320                                    | 95,823                            | 86,841                            | 78,734                            |
| Loans and advances to customers   | 70,116                        | 69,528                        | 67,480                                     | 60,920                            | 51,398                            | 42,792                            |
| Gilt-edged securities   | 17,284                        | 14,244                        | 13,882                                     | 14,569                            | 18,538                            | 17,691                            |
| Bonds   | 3,934                         | 2,196                         | 1,808                                      | 1,764                             | 812                               | -                                 |
| Deposits from non-bank customers  | 87,534                        | 81,159                        | 80,401                                     | 74,281                            | 66,195                            | 62,536                            |
| Shareholders' equity  | 16,262                        | 16,604                        | 14,974                                     | 14,778                            | 14,472                            | 13,077                            |
| Working funds   | 115,111                       | 105,607                       | 104,419                                    | 96,345                            | 86,653                            | 78,535                            |
| Tier 1 capital  | 14,260                        | 13,086                        | 12,368                                     | 11,499                            | 10,736                            | 9,504                             |
| Interest earning assets   | 96,934                        | 91,403                        | 88,416                                     | 83,679                            | 76,104                            | 68,933                            |
| Interest bearing liabilities  | 93,010                        | 86,746                        | 83,457                                     | 78,092                            | 70,145                            | 63,409                            |



## Financial Review – SBM (Bank) Holdings Ltd (Cont'd)

|  | 12 months<br>December<br>2014 | 12 months<br>December<br>2013 | 18 months<br>December <sup>a</sup><br>2013 | Year<br>June <sup>b</sup><br>2012 | Year<br>June <sup>b</sup><br>2011 | Year<br>June <sup>b</sup><br>2010 |
|--|-------------------------------|-------------------------------|--|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Efficiency ratios (%)</b>   |                               |                               |  |                                   |                                   |                                   |
| Cost to income   | 34.93                         | 35.06                         | 36.56                                      | 34.15                             | 37.46                             | 38.26                             |
| Earnings per share (cents) <sup>d</sup>                              | 11.26                         | 10.25                         | 11.04                                      | 9.99                              | 7.94                              | 7.29                              |
| Net asset value per share (cents)                                    | 65.70                         | 60.28                         | 60.28                                      | 55.72                             | 58.76                             | 53.35                             |
| <b>Performance ratios (%)</b>  |                               |                               |  |                                   |                                   |                                   |
| Risk adjusted return on capital (RAROC) <sup>d</sup>                 | 53.39                         | 62.72                         | 60.88                                      | 51.80                             | 49.22                             | 49.83                             |
| Capital adequacy ratio   | 21.58                         | 19.49                         | 19.49                                      | 18.07                             | 21.87                             | 25.86                             |
| Tier 1 Capital adequacy ratio  | 21.08                         | 18.10                         | 18.10                                      | 17.53                             | 19.29                             | 22.65                             |
| Profit before income tax <sup>c</sup> / average risk-weighted assets | 4.95                          | 4.36                          | 4.96                                       | 5.07                              | 4.86                              | 5.07                              |
| Profit before income tax <sup>c</sup> / average assets               | 3.21                          | 3.02                          | 3.36                                       | 3.32                              | 2.90                              | 2.84                              |
| Profit before income tax <sup>c</sup> / average shareholders' equity | 22.13                         | 19.28                         | 22.96                                      | 21.50                             | 17.39                             | 17.12                             |
| Profit before income tax <sup>c</sup> / average Tier 1 capital       | 25.24                         | 24.47                         | 27.80                                      | 27.63                             | 23.44                             | 23.56                             |
| Return on average risk-weighted assets <sup>d</sup>                  | 4.00                          | 3.61                          | 4.11                                       | 4.12                              | 3.96                              | 4.26                              |
| Return on average assets <sup>d</sup>                                | 2.59                          | 2.49                          | 2.79                                       | 2.69                              | 2.36                              | 2.39                              |
| Return on average shareholders' equity <sup>d</sup>                  | 17.87                         | 15.94                         | 19.03                                      | 17.45                             | 14.16                             | 14.39                             |
| Return on average Tier 1 capital <sup>d</sup>                        | 20.38                         | 20.22                         | 23.04                                      | 22.42                             | 19.08                             | 19.80                             |
| <b>Asset quality ratios (%)</b>                                      |                               |                               |  |                                   |                                   |                                   |
| Gross impaired advances to gross advances                            | 2.12                          | 2.03                          | 2.03                                       | 1.07                              | 1.40                              | 1.87                              |
| Net impaired advances to net advances                                | 0.96                          | 0.92                          | 0.92                                       | 0.36                              | 0.46                              | 0.81                              |

<sup>a</sup> Change in financial year end from June to December. Balances are not entirely comparable.

<sup>b</sup> Restated for retrospective change in accounting policies

<sup>c</sup> Averages are calculated using period/year end balances.

<sup>d</sup> Figures for the 18 months to December 2013 have been annualised.

**Table 6: 2014 Performance against Objectives and Objectives for 2015 - Banking Segment**

| Indicator                | Objectives for 2014   | Performance 2014  | Target for 2015  |
|--------------------------|---|---|--|
| Profit for the year      | To grow by more than 9 percent  | Achieved a growth of 9.84 percent   | To grow by more than 15 percent  |
| Return on Average Assets | ROA is to be maintained around 3 percent  | Return on average assets for December 2014 stood at 2.59 percent                | To maintain around 3 percent   |
| Return on Equity         | Not less than 17 percent  | Achieved 14.15 percent  | Target above 18 percent  |
| Advances and Deposits    | To grow advances and deposits by more than 21 percent and 17 percent respectively | Average advances and deposits increased by 1 percent and 8 percent respectively | To grow average advances and deposits by 10.5 percent and 7.0 percent respectively |
| Assets Quality           | To maintain net impaired assets ratio below 1 percent                             | Net impaired ratio was 0.96 percent   | To maintain net impaired assets ratio below 1.2 percent                            |
| Cost to Income Ratio     | Not to exceed 45 percent  | Cost to income ratio stood at 34.93 percent                                     | To contain ratio below 45 percent  |

## Results

Summarised Income Statement for SBM Bank Group based on 12 months ended December 2014 compared to the corresponding 12 months of 2013 is shown below:

**Table 7: Summarised Income Statement – SBM (Bank) Holdings Ltd**

|   | 12 Months<br>Dec 2014<br>(MUR 000) | 12 Months<br>Dec 2013<br>(MUR 000)<br>Restated | 18 Months<br>Dec 2013<br>(MUR 000)<br>Restated |
|---|------------------------------------|--|--|
| Interest income                                       | 6,420,937                          | 6,257,779                                      | 9,322,981                                      |
| Interest expense                                      | (2,370,490)                        | (2,255,012)                                    | (3,420,823)                                    |
| <b>Net interest income</b>                            | <b>4,050,447</b>                   | <b>4,002,767</b>                               | <b>5,902,158</b>                               |
| Non interest income                                   | 1,954,062                          | 1,908,175                                      | 3,079,151                                      |
| <b>Operating income</b>                               | <b>6,004,509</b>                   | <b>5,910,943</b>                               | <b>8,981,309</b>                               |
| Non interest expense                                  | (1,932,012)                        | (2,053,180)                                    | (2,980,340)                                    |
| Profit before net impairment loss on financial assets | 4,072,497                          | 3,857,763                                      | 6,000,969                                      |
| Net impairment loss on financial assets               | (473,732)                          | (655,911)                                      | (830,273)                                      |
| Operating profit                                      | 3,598,764                          | 3,201,852                                      | 5,170,696                                      |
| Share of profit of associates                         | -                                  | -  | -  |
| Profit before tax                                     | 3,598,764                          | 3,201,852                                      | 5,170,696                                      |
| Tax expense   | (692,008)                          | (555,612)                                      | (884,150)                                      |
| <b>Profit after tax</b>                               | <b>2,906,756</b>                   | <b>2,646,240</b>                               | <b>4,286,546</b>                               |

SBM Bank Group changed its financial year end from 30 June to 31 December in 2013. As a consequence of this change, the audited financial statements for the period ended 31 December 2013 were for 18 months while those for the current year are presented for the 12 months ended 31 December 2014 and the comparative for June 2012 is also for 12 months. For the benefit of more meaningful comparison, the Group's results are discussed with reference to the current 12 months period (January 2014 to December 2014) against the preceding 12 months period (January 2013 to December 2013). The comparative figures for the 12 months period ended December 2013 have been arrived at by deducting 6 months' results for July 2012 to December 2012, from the audited results for the 18-month period ended 31 December 2013, as adjusted for changes in accounting policies.

SBM Bank Group's profit has increased by nearly 10 percent from MUR 2,646 million as at 31 December 2013 to MUR 2,907 as at 31 December 2014. SBM Bank Group continued to demonstrate sound financial performance in spite of the challenging operating environment characterised by weak demand for credit, excess liquidity in the domestic market and increasing competition. The earnings per share have gone up to 11.26 cents for the 12 months ended 31 December 2014 from 10.25 cents as compared to same period last year. SBM Bank Group's net interest margin decreased from 2.11 percent in 2013 to 1.68 percent in 2014 taking into account (a) the mix of high yielding interest earning assets to low yielding assets and the mix for liabilities, (b) the cost of optimal capital, (c) the cost of excess capital at the average liability cost of SBM Bank Group's balance sheet, (d) a higher cash reserve ratio and (e) the cost of acquiring deposits. SBM Bank Group has initiated corrective measures to improve the net interest margin.



SBM Bank Group's subscribed investment in SBM Bank (Mauritius) Ltd; Mauritius operations only; works out to MUR 310 million as at December 2014 and the profits after tax amounted to MUR 2,837.9 billion for the year under review as compared to MUR 3,227.3 billion for the 12 months ended December 2013. SBM Bank Group has investments of MUR 2.9 billion in Indian Operations which reported profits of MUR 45 million for the year ended 31 December 2014, as compared to losses of MUR 170 million for the 12 months ended 31 December 2013. With regards to operations in Madagascar, profits of MUR 23 million were recorded for the year under review, down from MUR 76 million for the preceding twelve months, with investments in Banque SBM Madagascar SA of MUR 179 million as at December 2014.

### Revenue Growth

SBM Bank Group's operating income for the 12 months to December 2014 stood at MUR 6,005 million as compared to last year which stood at MUR 5,911 million. The main drivers of revenues are net interest income and non interest income. Net interest income increased by MUR 48 million or 1.19 percent while non interest income increased by MUR 46 million or 2.40 percent mainly due to lower dividend income for the 12 months to December 2014 as compared to the previous year.

### Net Interest Revenue

SBM Bank Group's interest income grew by nearly 2.61 percent, from MUR 6,258 million for the 12-month period ended December 2013 to MUR 6,421 million in December 2014. The liability mix improved further as average lower cost demand and savings deposits increased by 14.48 percent. Also higher cost average term deposits decreased by 5.48 percent over the same period, in particular the higher cost FCY term deposits.

SBM Bank Group has been able to grow its total assets from MUR 107.8 billion as at December 2013 to MUR 116.4 billion as at 31 December 2014, increasing mainly in investment securities by 45.54 percent, while loans and advances witnessed a decrease due to SBM Bank Group recalling and repayment of some facilities from corporate customers.

SBM Bank Group's net interest margin decreased from 2.11 percent in 2013 to 1.68 percent in 2014 taking into account (a) the mix of high yielding interest earning assets to low yielding assets, (b) the cost of optimal capital, (c) the cost of excess capital at the average liability cost of SBM Bank Group's balance sheet, (d) a higher cash reserve ratio and (e) the cost of acquiring deposits. SBM Bank Group has taken corrective measures to improve the net interest margin.

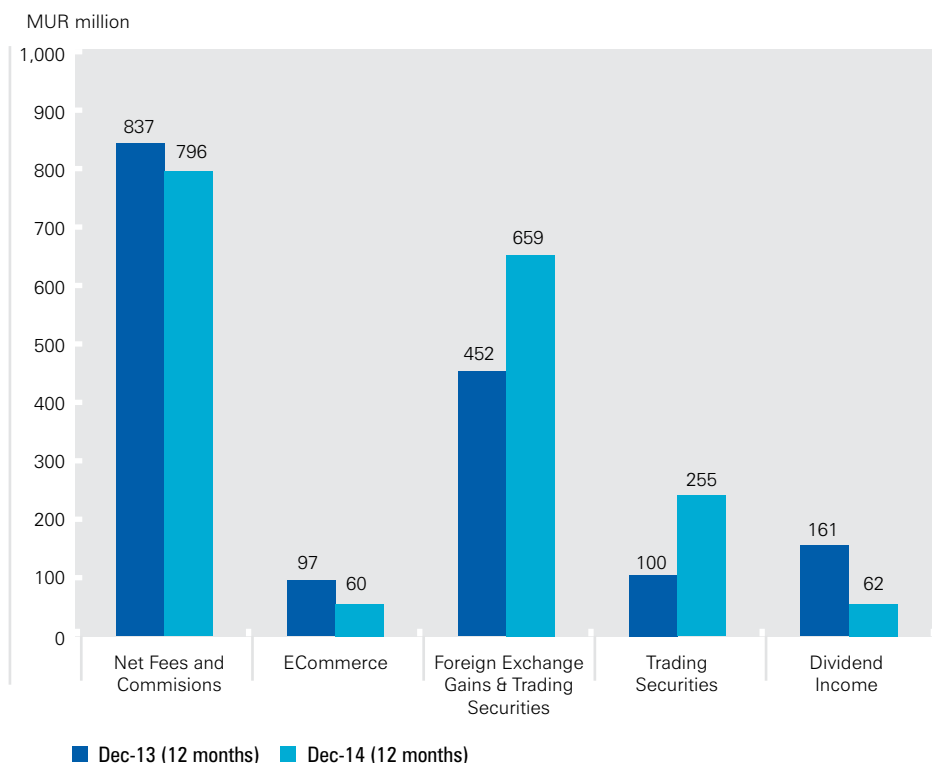
### Non Interest Revenue

Non interest revenue amounted to MUR 1,954 million for the 12 months ended 31 December 2014 as compared to MUR 1,908 million for the same period last year. Excluding dividend income and gain on sale of equity investments, non interest income has increased by 3.58 percent to reach MUR 1,514 million for the 12 months ended December 2014 as compared to MUR 1,386 million for the same period last year. The increase was mainly due to gain on disposal of available for sale investment securities increasing by MUR 155 million and increase in net trading income by 10.03 percent which was also offset by a drop in eCommerce income and other fee income streams. A substantial reduction in commission income was observed from card-related cross border business following a thorough review of the risk profile of our eCommerce merchants and as a prudent measure to safeguard the Group's reputation. The Bank closed all merchants engaged in high risk sectors such as pharmaceuticals, adult content and gambling which resulted in a drastic drop in the volume of eCommerce acquiring business. The Bank is aggressively going for lower risk merchants acquisition and also during the year, SBM Bank (Mauritius)

Ltd has signed up with Union Pay International which has the largest cardholder group in the world and is confident to catch up on the shortfall and grow. Competition is getting stiffer and margins are further narrowing. The Bank has introduced new treasury products to diversify its revenue stream and to position itself for sustained growth both in the domestic and overseas markets. On the positive side, higher fees were received from the Bancassurance line of business recently introduced with income continuously improving. Bancassurance is set to grow as we continue to focus on this activity, providing more training and incentives to our employees to cross-sell insurance products. Besides, the product range as well as the panel of insurers were extended. On the financial markets side, both Mauritius and India booked significant gain on disposal of bonds instruments in the AFS portfolio. For the year under review, SBM Group received dividend from its equity investments of MUR 179 million as compared to MUR 391 million for the previous 12 months ended December 2013 which represents a decrease of 54.19 percent.

The ratio of non interest income for SBM Bank Group (excluding dividend and profit on disposal of equity investments) to average assets increased to 1.35 percent for December 2014 as compared to 1.31 percent for last year, mirroring the increase in non interest income and increase in average assets. Non interest income as a percentage of operating income stood at 32.54 percent for 2014 (2013: 32.28 percent).

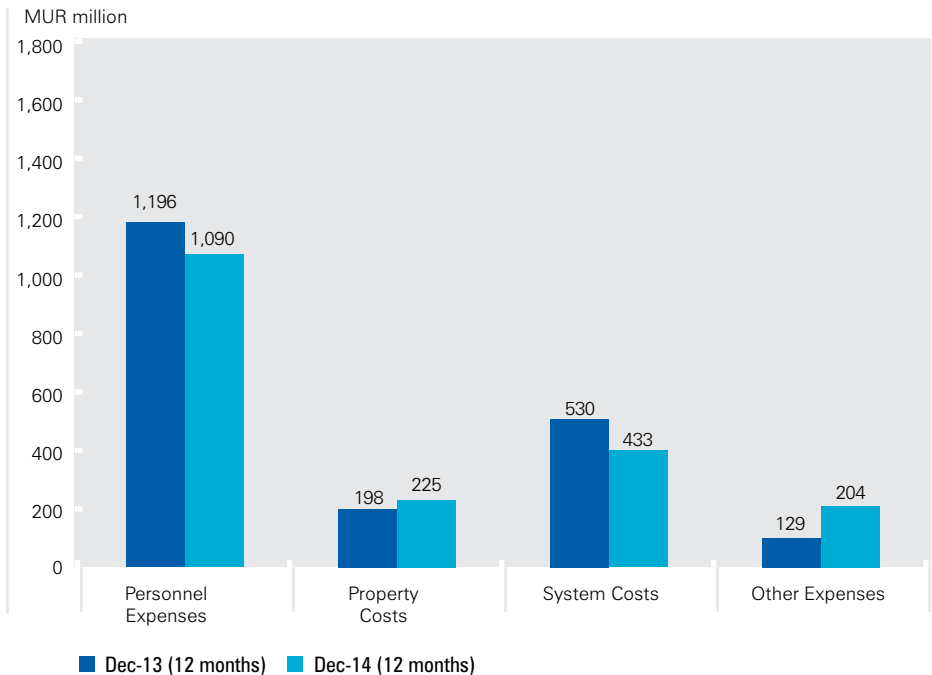
**Chart 10: Breakdown of Non Interest Revenue – SBM (Bank) Holdings Ltd**



## Non Interest Expenses

Non interest expenses amounted to MUR 1,932 million for the 12 months ended December 2014 as compared to MUR 2,053 million for the 12 months ended December 2013 representing a decrease of 5.90 percent. The Group is continuing with the implementation of the technology transformation project of which the first phase went live in April 2013 while the existing systems continued to be in use, well supported by the technology partners via maintenance contracts secured to ensure uninterrupted service. Even though personnel expenses have remained more or less at the same level as the previous year, they are likely to go up as the contract with bargainable union came for renewal in December 2014 and is still under negotiation.

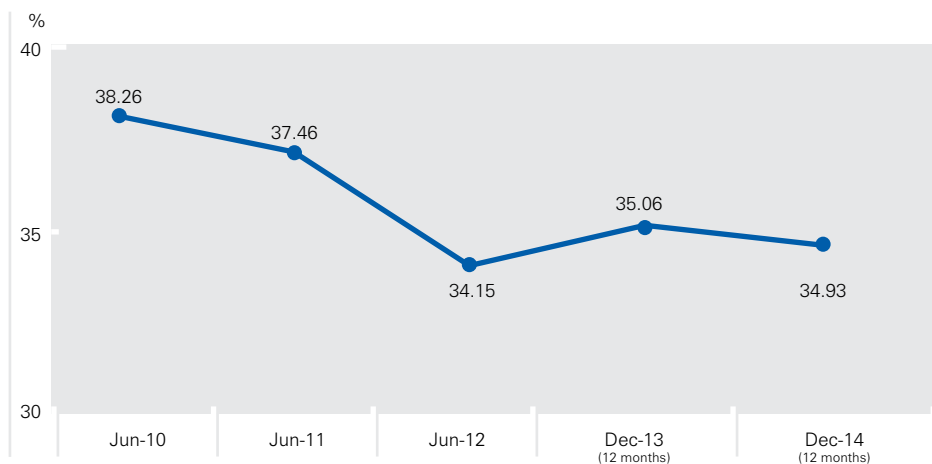
**Chart 11: Breakdown of Non Interest Expense – SBM (Bank) Holdings Ltd**



## Cost to Income

Cost to income ratio has improved from 35.06 percent for the 12 months ended December 2013 to 34.93 percent for the 12 months ended December 2014. Cost to income ratio for the 12 months of 2013 excludes some exceptional expenses and timing difference for recognition which was due to change in the financial year in 2013.

**Chart 12: Cost to Income Ratio – SBM (Bank) Holdings Ltd**



### Net Impairment Loss on Financial Assets

Net impairment loss on advances and other financial assets for the 12 months ended December 2014 amounted to MUR 474 million as compared to MUR 656 million for the 12-month period ended December 2013 (18 months to December 2013: MUR 830 million). The impairment is mainly due to a couple of corporate customers at our Indian operations classified as impaired during the year under review. The Group shall continue with recovery actions to realise collaterals and maximise our recovery.

### Loans and Advances

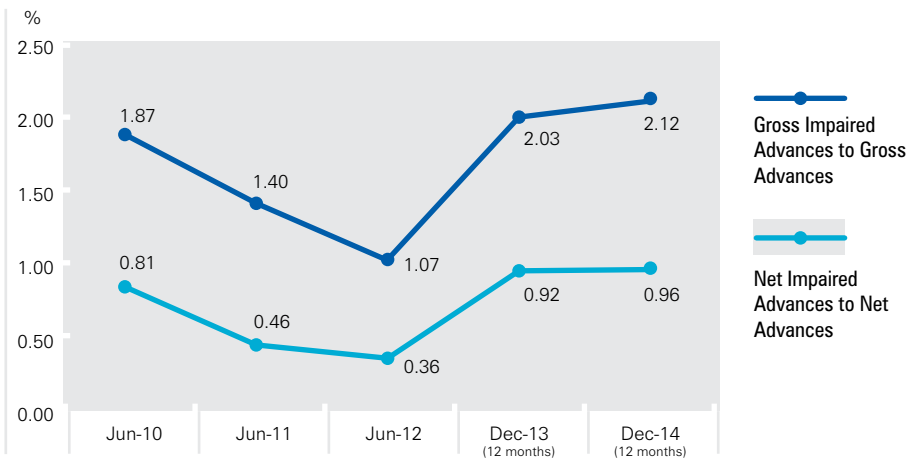
During the year 2014, the slow down in our main export markets as well as lukewarm response in investments by the private sector due to the general election held in 2014 led to few opportunities coupled with repayments and refinancing of advances by some corporate customers; SBM Bank Group's gross advances decreased by 2.84 percent to reach MUR 69,107 million as at December 2014 (December 2013: MUR 71,125 million). However, SBM Bank Group has experienced an increase of 3.83 percent on mortgage loans increasing from MUR 16,415 million as at 31 December 2013 to MUR 17,043 million as at 31 December 2014 whereas both corporate and international business has witnessed a decline of 7.04 percent and 1.60 percent respectively. Even though advances to domestic corporates, excluding Global Business Licence (GBL) holders, decreased, SBM Bank Group has increased its level of advances to some portfolios, mainly traders (43.86 percent) and financial and business services (24.46 percent) to offset the decrease in some other portfolios. The Bank enjoys a market share of around 21 percent in domestic advances excluding GBL as at end of December 2014. A/FCU advances declined significantly from MUR 1,920 million from December 2013 to MUR 488 million as at December 2014 as SBM Bank (Mauritius) Ltd tactically, due to repayment of MUR 1,500 million, did not renew the facilities to some customers in time. Indian Operations' loan book increased by 5.10 percent or MUR 153 million even though some write-offs of advances were made during the year under review while Madagascar operations loan book increased by MUR 160 million. SBM Bank Group advances to GBL and entities outside Mauritius, aggregated to nearly MUR 11,093 million at 31 December 2014, representing 16.05 percent of the total advances portfolio (2013: 17.84 percent). Further detailed analysis on the credit portfolio, including a breakdown by economic portfolios and level of provisions held has been provided in Note 8 to the Financial Statements of SBM Holdings Ltd.



## Impaired Advances and Allowance for Credit Impairment

Gross impaired advances increased from MUR 1,446 million at December 2013 to MUR 1,462 million at December 2014. The Group ensured adequate provisions were maintained as per the guidelines of the respective central banks and International Financial Reporting Standards. Specific allowance for credit impairment stood at MUR 812 million, representing a provision coverage ratio of 55.52 percent (December 2013: 55.53 percent). The loss reserve portfolio has increased by nearly MUR 13 million as a result of an increase in provisions amounting to nearly MUR 486 million during the year due to impaired advances coupled with write-off of advances aggregating to MUR 474 million during the year. The Group's gross impaired advances to gross advances ratio increased slightly from 2.03 percent in December 2013 to 2.12 percent in December 2014 and the net impaired advances to net advances ratio increased from 0.92 percent to 0.96 percent.

**Chart 13: Impaired Advances – SBM (Bank) Holdings Ltd**



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

**Table 8: Impairment Ratios and Provisions – SBM (Bank) Holdings Ltd**

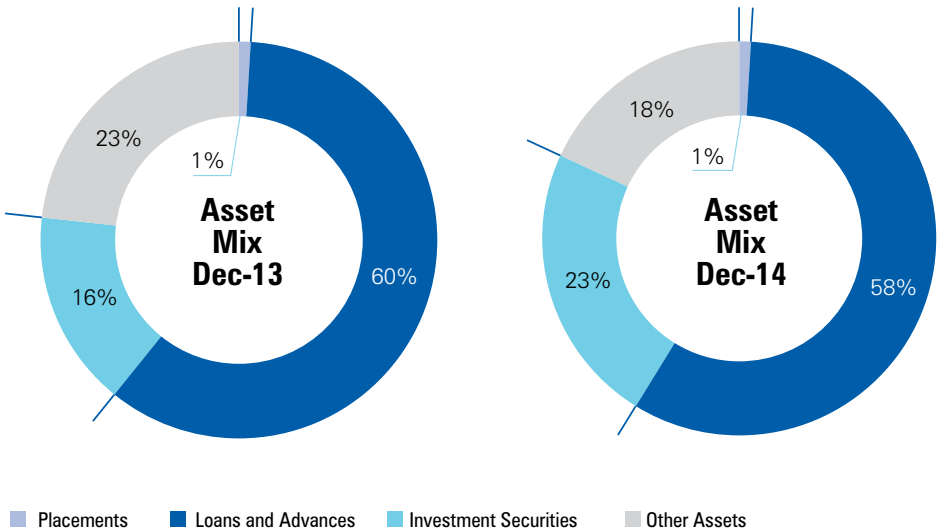
| SBM BANK GROUP                         | Unit        | Dec-14 | Dec-13 | Jun-12 | Jun-11 | Jun-10 |
|--|-------------|--------|--------|--------|--------|--------|
| Gross Advances                         | MUR million | 69,107 | 71,125 | 63,532 | 58,005 | 44,792 |
| Impaired Advances                      | MUR million | 1,462  | 1,446  | 678    | 811    | 839    |
| Specific Provision held                | MUR million | 812    | 803    | 455    | 549    | 482    |
| Net Impaired Advances                  | MUR million | 650    | 643    | 223    | 262    | 357    |
| Provision Coverage Ratio               | %           | 55.52  | 55.53  | 67.11  | 67.69  | 57.45  |
| Portfolio Provision held               | MUR million | 241    | 228    | 252    | 266    | 186    |
| Net Impaired Advances/Net Advances     | %           | 0.96   | 0.92   | 0.36   | 0.46   | 0.81   |
| Gross Impaired Advances/Gross Advances | %           | 2.12   | 2.03   | 1.07   | 1.40   | 1.87   |



## Investment Securities and Equity Investments

Investment securities, which comprise mainly of fixed interest securities, grew by over 42.42 percent from MUR 18,176 million as at December 2013 to MUR 26,454 million as at December 2014. The increase is mainly from investment in local Government securities and the international bank bonds increasing by 118.38 percent (MUR 7,715 million) and increased investment in government securities by 24.58 percent (MUR 3,698 million) as a result of excess liquidity and limited lending opportunities. Corporates were active in the capital market in 2014 raising funds on the market to take advantage of the low interest environment for refinancing of debts.

**Chart 14: Asset Mix – SBM (Bank) Holdings Ltd**

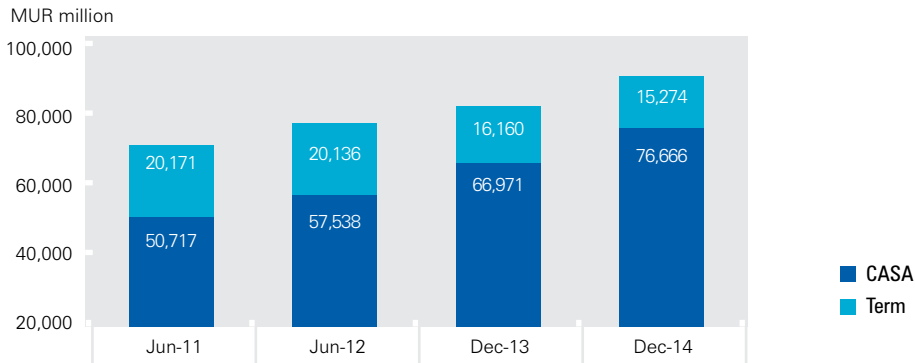


## Deposits

SBM Bank Group's deposits from customers increased by 10.60 percent to reach MUR 91,940 million as at December 2014 (December 2013: MUR 83,127 million) with lower cost demand and savings deposits growing by MUR 9,691 million (14.47 percent) compared to December 2013 and accounting for 83.38 percent of total deposits as at December 2014 compared to 80.56 percent at December 2013. Term deposits dropped by 5.43 percent as compared to December 2013 as deposits at higher cost were not renewed on maturity. Deposits denominated in foreign currencies accounted for 33.90 percent of the total deposits (December 2013: 21.08 percent).



**Chart 15: Deposits – SBM (Bank) Holdings Ltd**



**Borrowings**

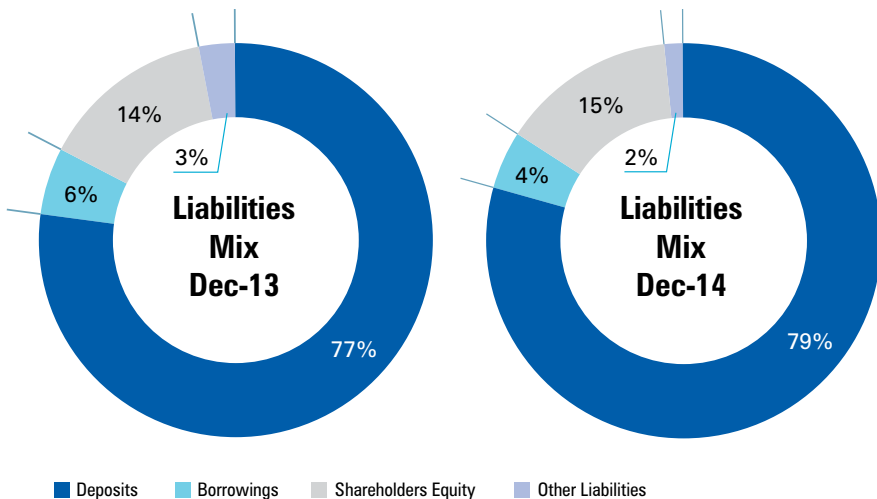
SBM Bank Group’s borrowings, mainly from refinancing sources, stood at MUR 5,113 million as at December 2014 (December 2013: MUR 6,110 million) which is due to repayment of borrowings made by the Group lined to refinancing activity.

**Shareholders’ Equity**

SBM Bank Group shareholders’ equity increased by 8.98 percent to reach MUR 16,961 million as at December 2014 (December 2013: MUR 15,563 million) with the addition of the current period’s profit of MUR 2,907 million, partly offset by dividend payment of MUR 955 million during the year. Return on average shareholders’ equity stood at 17.87 percent for the year.

Further analysis on the capital structure and capital adequacy ratio is provided on page 162.

**Chart 16: Liabilities Mix – SBM (Bank) Holdings Ltd**



## BUSINESS REVIEW BY GEOGRAPHIES OF SBM BANK GROUP

### *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 grew despite fiercer competition, stringent regulations and elevated consumer awareness to gain market share, particularly with respect to the mortgage portfolio. 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 performance as a result of greater synergies with other lines of business and strategic trading. Several issues, post migration to a new system, impacted cards and eCommerce business, which nonetheless consolidated its position as a key player on the market for better outlook.

Non-banking activities, which include investment broking, fund services, investment management and advisory services, also progressed on a satisfactory note during the year under review, despite the prevalence of unfavourable operating conditions. Brokerage fees rose in comparison to the preceding 12-month period on account of an enhanced client service model and addition to the existing product offering. Asset under management reached more than MUR 5 billion as at December 2014.

### *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 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 and Infrastructure 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 divestments, are expected to boost investment by the private sector and partly deal with 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 retail customer base and a 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 has received the in-principle approval for the WOS implementation from the RBI on 07 April 2015.

## Madagascar

Madagascar remains fragile, having lived recurring political instability, the latest one being in 2009, which interrupted a period of economic growth. Since 2009, annual growth, boosted by large mining projects, has not exceeded 3 percent, and has somewhat masked stagnation/decline in other sectors of economic activity. Early 2014, a new government assumed power and expressed commitment to address economic development challenges. Unfortunately, government as well as institutional capacity is weak and progress on reforms has been limited so far.

Initial estimates suggest that 2014 marked the beginning of an economic recovery, albeit timid. The mining sector remained buoyant, tourism recovering gradually and companies in the Export Processing Zone grew. Inflation was contained. Fiscal performance was mixed, with progress observed in implementing policies but outcomes falling short of expectations. The current account deficit narrowed. Interestingly, money growth was driven by lending to the private sector. Demand for short-term borrowings by the private sector grew and concerns about the weakening of the local currency prompted for a rise in interest rates. Financial soundness indicators were satisfactory, save for one undercapitalised and non-systemic bank which closed in 2014 due to governance problems.

During the year, Banque SBM Madagascar SA expanded its footprint on the island and raised brand visibility with the opening of a third branch in Andraharo, Antananarivo. It also worked towards upgrading its human resources through the provision of relevant training.

Looking up to 2015, Banque SBM Madagascar SA is positioning to prepare for a smooth implementation of technology transformation initiatives and expand the local branch network further, particularly in Antananarivo and other provinces.

The economy's growth outlook for 2015 is positive, supported by growth-enhancing reforms. However, downside risks around policy uncertainty and reform delays are considerable.

**Table 9: Group Advances by Line of Business**

|                                 | AMOUNT (MUR BILLION) |             |             |             |             | GROWTH (%) |           |           |           |
|---------------------------------|----------------------|-------------|-------------|-------------|-------------|------------|-----------|-----------|-----------|
|                                 | Dec-14               | Dec-13      | Jun-12      | Jun-11      | Jun-10      | 2014       | 2013      | 2012      | 2011      |
| <b>Indian Ocean Islands</b>     |                      |             |             |             |             |            |           |           |           |
| 1. Mauritius Ops                | 65.2                 | 67.4        | 58.7        | 52.3        | 41.6        | -3         | 15        | 12        | 26        |
| 1a. Personal Banking            | 27.3                 | 26.7        | 19.9        | 15.5        | 12.6        | 2          | 34        | 28        | 23        |
| 1b. Corporate Segment A         | 29.0                 | 30.7        | 28.6        | 22.4        | 17.1        | -5         | 8         | 28        | 30        |
| 1c. Af/CU (Corporate)           | 7.0                  | 8.0         | 8.6         | 13.2        | 10.8        | -13        | -8        | -35       | 23        |
| 1d. Small and Medium Enterprise | 1.9                  | 2.1         | 1.6         | 1.3         | 1.1         | -9         | 29        | 30        | 12        |
| 2. Madagascar Ops (Corporate)   | 0.5                  | 0.4         | 0.6         | 0.9         | 0.8         | 26         | -41       | -28       | 11        |
| <b>Asia</b>                     |                      |             |             |             |             |            |           |           |           |
| 3. India Ops (Corporate)        | 3.3                  | 3.3         | 4.2         | 4.8         | 2.4         | 0          | -22       | -14       | 99        |
| 4. Myanmar (Rep. Office)        | -                    | -           | -           | -           | -           | -          | -         | -         | -         |
| <b>TOTAL</b>                    | <b>69.1</b>          | <b>71.1</b> | <b>63.5</b> | <b>58.0</b> | <b>44.8</b> | <b>-3</b>  | <b>12</b> | <b>10</b> | <b>29</b> |

## BUSINESS REVIEW BY LINE OF BUSINESS

### Banking Segment

Banking activities are carried out through dedicated lines of business namely Personal Banking, Corporate Banking, SME Banking, Cross-Border Banking, Financial Institutions Group, Financial Markets, Cards Issuing and eCommerce, custodial services and Bancassurance each focusing on a segment of customers with products and services shaped to meet their respective banking needs.

Faced with higher competition and the introduction of macroprudential measures by BOM amongst others, **Personal Banking** business performed below expectations. Nonetheless, the Bank managed to gain market share in the mortgage portfolio. **Corporate Banking** bore the brunt of low investment levels and persisting excess liquidity. In the face of reduced investment opportunities, the Bank augmented focus on managing asset quality and building capabilities to enhance the product offering. **SME Banking** faced challenges similar to those faced by Corporate Banking. On a positive note, 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. With regards to **Cross-Border Banking**, the Bank has maintained caution, preferring to conduct business with customers with whom the Bank has established relationship. During the year, the **Financial Institutions Group** - responsible for developing and managing relationships with Banks, Non-Banking Financial Institutions, Multilateral Institutions, Development Financial Institutions, Sovereigns and Public Sector Enterprises - 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. **Financial Markets** posted satisfactory results 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), all contributed to ramp up business volumes. The **Cards** business was affected by several issues post Card System migration, which have now been stabilised. As a matter of additional comfort, the Bank maintained its market position as the second-largest Card Issuer in the domestic market, with a market share of approximately 25 percent. **ECommerce** recorded a good performance during the year under review 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 tourists from China, 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. **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. **Bancassurance** marked a new milestone in its evolution with the official launch of general insurance in May 2014. 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 major initiatives carried out by the Bancassurance team in 2014.

### Non-Bank Financial Segment

The SBM Group provides selected non-banking financial services including (a) investment management and advisory services, (b) securities broking and (c) fund services. These business units operate under the SBM (NBFC) Holdings Ltd cluster.



## Financial Review – SBM (NBFC) Holdings Ltd

**Table 10: Summarised Income Statement - SBM (NBFC) Holdings Ltd (Consolidated)**

|                                   | 12 Months<br>December<br>2014<br>MUR 000 | 12 Months<br>December<br>2013<br>MUR 000 | 18 Months<br>December<br>2013<br>MUR 000 |
|-----------------------------------|--|--|--|
| <b>Income</b>                     |  |  |  |
| Fees and commissions              | 45,841                                   | 51,469                                   | 78,072                                   |
| Dividend income                   | 2,931                                    | 2,219                                    | 6,181                                    |
| Interest income                   | 2,423                                    | 3,524                                    | 18,186                                   |
|                                   | 51,195                                   | 57,212                                   | 102,439                                  |
| <b>Expenses</b>                   | 39,763                                   | 22,073                                   | 38,640                                   |
| <b>Operating profit</b>           | 11,432                                   | 35,139                                   | 63,799                                   |
| Share of profit of associates     | 62,993                                   | 141,671                                  | 141,671                                  |
| <b>Profit before tax</b>          | 74,425                                   | 176,810                                  | 205,470                                  |
| Tax expense                       | 3,969                                    | 4,686                                    | 12,104                                   |
| <b>Profit for the year/period</b> | 70,456                                   | 172,124                                  | 193,366                                  |

The non-banking financial cluster made a profit after tax of MUR 70 million for the year 2014 compared to a profit of MUR 172 million for the 12 months of 2013. The decrease of MUR 102 million is mainly due to the fact that the Group ceased, as at 30 August 2014, to have significant influence in an associate investment and the accounting treatment was changed to available for sale investment. The share of profit from associate was not taken in full thus causing it to reduce by MUR 79 million, and also the investment was subsequently transferred to SBM Holdings Ltd. Total assets decreased from MUR 905 million to MUR 70 million due to transfer of the investment to SBM Holdings Ltd.

### SBM Mauritius Asset Managers Ltd

SBM Mauritius Asset Managers Ltd (SBM MAM) is the investment management arm of the SBM Group. It specialises in providing investment management services to both institutional and individual investors. SBM MAM is regulated by the Financial Services Commission and is licensed to act as Investment Adviser (Unrestricted), CIS Manager and Distributor of Financial Products. SBM MAM currently has over MUR 5 billion of assets under management. Its portfolio of clients includes mutual funds, pension funds, insurance and investment holding companies and retail investors.

SBM MAM's core business grew by around 4.4 percent year on year and its in-house funds fared well with most of them showing better performance than their respective benchmarks:

**Table 11: Performance of in-house funds v/s benchmarks**

| FUND NAME          | FUND SIZE       | 2014 (%) | 2013 (%) | 2012 (%) |
|--------------------|-----------------|----------|----------|----------|
| SBM Perpetual Fund | MUR 900 million | 4.42     | 4.62     | 5.56     |
| Benchmark          |                 | 4.33     | 4.44     | 4.68     |
| SBM Universal Fund | MUR 340 million | 9.26     | 11.62    | 4.04     |
| Benchmark          |                 | 3.17     | 15.95    | 4.29     |
| SBM Yield Fund     | MUR 86 million  | 3.25     | 3.96     | 3.91     |
| Benchmark          |                 | 5.38     | 5.49     | 5.73     |
| SBM Global Fund    | MUR 52 million  | 9.42     | 10.59    | 3.45     |
| Benchmark          |                 | 5.73     | 13.85    | 14.04    |
| SBM India Fund     | USD 2.5 million | 56.95    | -8.49    | n/a      |
| Benchmark          |                 | 33.86    | -8.62    | n/a      |

**Notes:** Figures are as at 31 December. All performance figures above assumed that dividends have been reinvested.

## **SBM Securities Ltd**

SBM Securities Ltd is the broking arm of the SBM Group. SBM Securities Ltd provides access to local and global capital markets through its wide network of global partners. Investors can have access to local equity markets, foreign equity markets and a variety of foreign investments including exchange traded funds and foreign bonds.

SBM Securities Ltd saw its turnover rise by nearly 50 percent during the year under review. This performance is attributable mainly to revamping of our client service model and launch of value-added offerings on foreign markets side. Profit growth of 15.4 percent was mitigated since additional expenses were incurred following SBM Group's restructuring.

## **SBM Fund Services Ltd**

SBM Fund Services Ltd (formerly known as SBM Financials Ltd) is licensed by the Financial Services Commission to act as CIS Administrator and also provides corporate services. It acts as registrar and transfer agent for numerous listed companies and mutual funds. It also provides administration services including trade and fees processing, net asset value computation and fund accounting services.

SBM Fund Services Ltd's turnover rose by 6 percent to MUR 5.3 million for the year ended 31 December 2014 as compared to MUR 5.0 million a year earlier. Profitability however decreased to MUR 0.40 million from MUR 0.54 million. The volume of work increased significantly and SBM Fund Services Ltd had to invest in its personnel. SBM Fund Services Ltd is reviewing its service level agreements in order to improve its profitability.

## **Financial Review – SBM (NFC) Holdings Ltd**

Total assets decreased by MUR 3,647 million to MUR 500 million mainly due to the transfer of some investments as dividend in specie to SBM Holdings Ltd as well as disposal of equity investments for which dividend payout was made to SBM Group.

The Company registered a profit after tax of MUR 82 million for the 12 months ended 31 December 2014 as compared to an amount of MUR 383 million for the corresponding period last year, which was due to a fall in dividend income from equity investments which has been transferred to the Group.





Spreading our wings  
over Great India





# RISK MANAGEMENT

## Risk Management Philosophy and Culture

SBM Group 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 Group has adopted a centralised Risk Management Framework which monitors enterprise-wide risks and takes actions to ensure compliance with risk appetite and the prudential limits. In addition, the approach to risk is founded on strong corporate governance practices that are intended to strengthen the enterprise risk management of SBM Bank Group, whilst also positioning itself to manage the changing regulatory environment in an effective and efficient manner. Along with a strong risk culture, there is a robust and effective enterprise-wide risk management aligning strategies, policies, people, processes, technology, regulation, legal, trust and business intelligence which enables SBM Bank Group 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 adopted by SBM Bank Group which it 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 Group'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 Responsibilities**

SBM Bank Group 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 Group 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, it seeks to promote a risk-conscious workforce.

### **Risk Appetite & Risk Taking**

SBM Bank Group 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 SBM Bank Group's strategy, policies, business and regulatory environment and stakeholders' requirements besides competitive edge.

The Board approves all the policies which have clear accountability and ownership within SBM Bank Group. 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. In addition, there is a high degree of alignment between the Group and its subsidiaries through common set of policy guidelines to ensure effective dissemination of leading practices. 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 the approval process is followed.

Figure 2: Policy Governance Principles



## Key Objectives

- ✓ **Align stakeholders to the strategies** leading to effective realisation of SBM Group's strategic goals
- ✓ **Build strong values** to strengthen SBM Group's growing reputation and brand value
- ✓ **Enable compliance** to regulatory norms and infusion of **industry leading practices**
- ✓ **Ensure consistency of experience** across group, entities and geographies

## KEY HIGHLIGHTS

### I. Strong Capital and Liquidity Position

- SBM Bank Group remains well capitalised (refer to charts 17 & 18) and already meets the liquidity ratios thresholds under Basel III requirements ahead of the 2019 timeframe.
- SBM Bank Group'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 83.17 percent of the deposit base as at end of December 2014, compared to 80.48 percent in December 2013, which is adequate to counterbalance the impact of a stressed funding environment.
- SBM Bank Group has a substantial portfolio of liquid assets that can be realised if a liquidity stress occurs.

### II. Diversified Portfolio

- SBM Bank Group has a well diversified portfolio of loans and advances and diversified income streams; no individual portfolio accounts for more than 35 percent of the overall exposures.
- Over 90 percent of the exposures are backed by eligible collaterals in line with BOM's Guideline on Standardised Approach to Credit Risk.

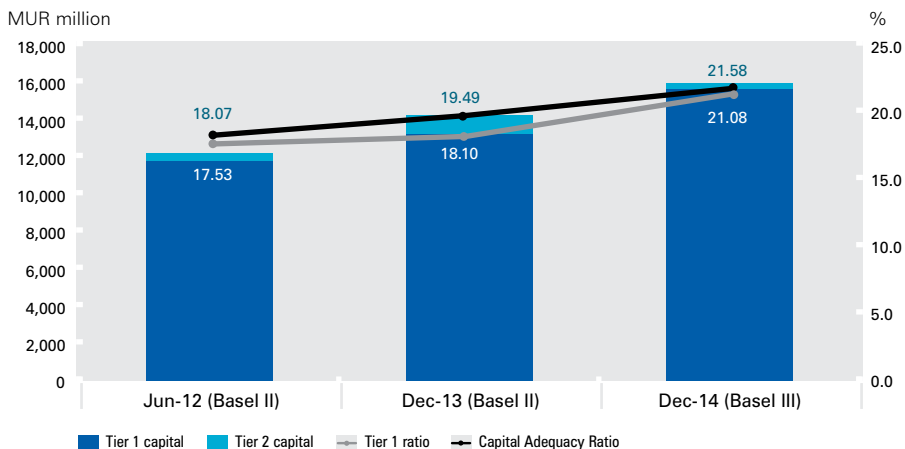
### III. Robust Risk Governance Structure

- 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 Group may face in its on-going efforts to maximise sustainable shareholder value.

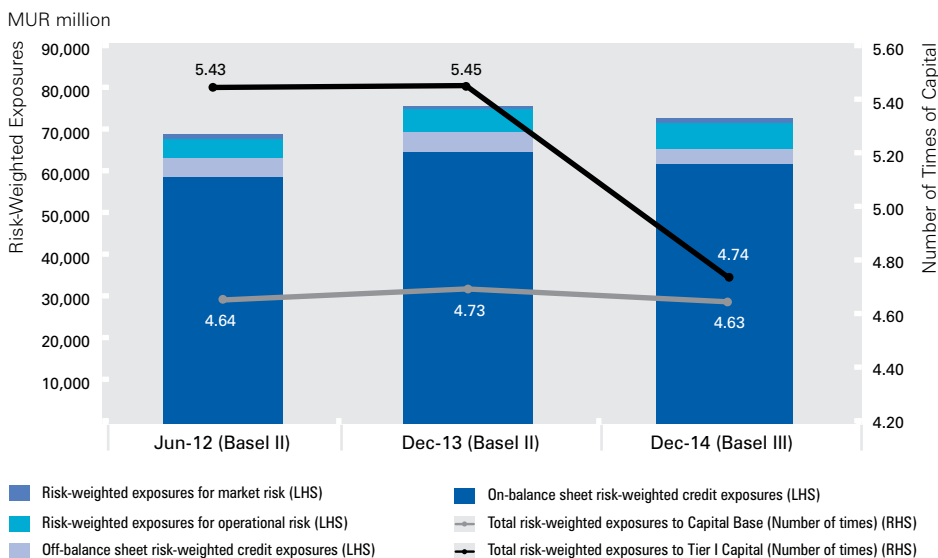


- SBM Bank Group has a clear risk appetite statement, which is aligned to its strategy and a good governance policy for stress testing. In line with international leading practices, internal policies and prudential limits are reviewed at least on an annual basis, to anticipate any changes in the external environment, the evolving expectations of the shareholders and the Group's internationalisation needs.
- The Group 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 17: Capital Adequacy - SBM Bank Group**



**Chart 18: Risk-Weighted Exposures**



## 1. Risk Management Framework

SBM Bank Group 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 SBM Bank Group 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 Group 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 SBM Bank Group 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. The new IT infrastructure which the Group 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

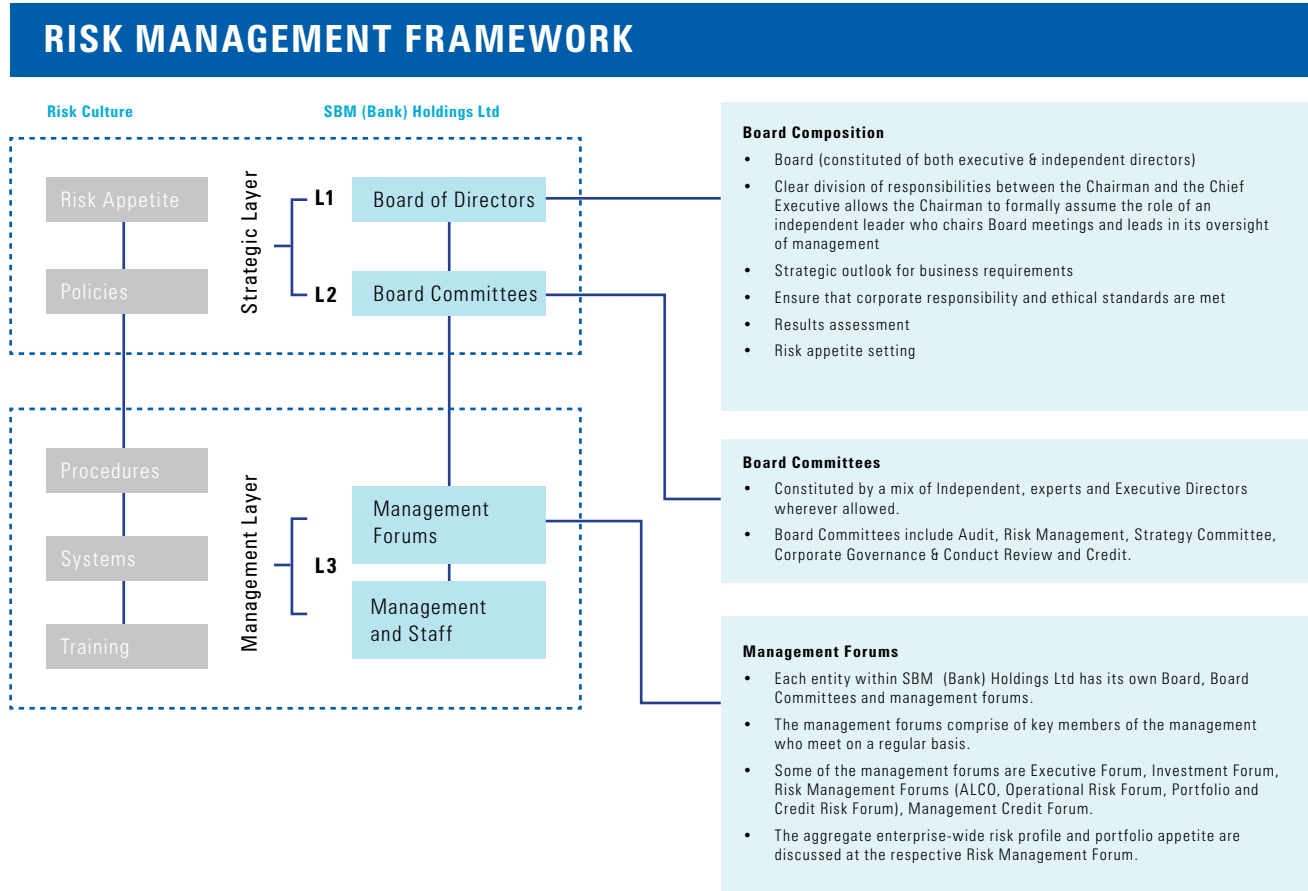
The risk management organisational structure consists of a top down approach whereby the risk appetite of SBM Bank Group is set by the Board of Directors in line with its business strategy, taking into account its objectives and plans. The Board, assisted by its committees – (a) the Corporate Governance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

The aggregate enterprise-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.



# RISK MANAGEMENT

Figure 3: Risk Management Framework



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 Group will be carried out 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 Board/Board Committees. Within this framework, this policy specifically sets out the roles, responsibilities and authorisation levels for the committees/executives/teams.

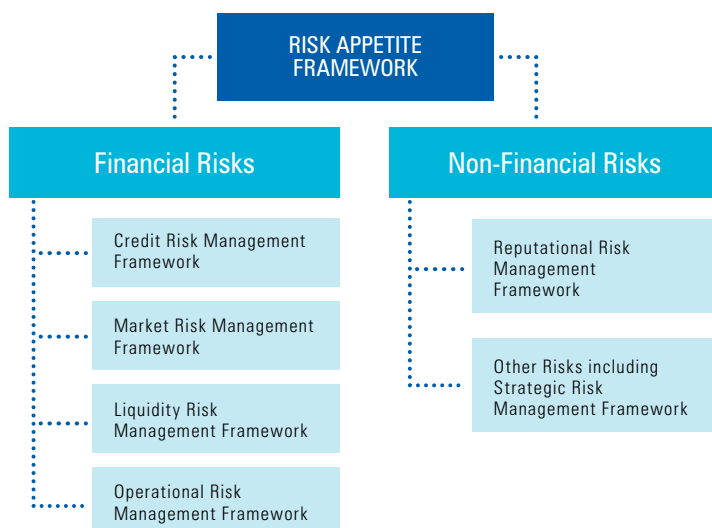
Senior Management with the support of line management and department heads have primary responsibility for the day-to-day management of risk and form the first line of defence. The risk management function is the second line of defence and has the primary responsibility to align risk taking with strategic planning, for example, in limit setting. The audit function provides an on-going independent (that is, 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 defence.

## 1.2 Risk Appetite and Strategy

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk SBM Bank Group is willing to accept in pursuit of its strategy, duly set and monitored by the Board, and integrated into SBM Bank Group'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 Framework**



SBM Bank Group 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 SBM Bank Group, 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. SBM Bank Group 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 SBM Bank Group'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, for example, credit, market, asset and liability management (ALM), concentration risks and operational risks (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 Group 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 SBM Bank Group's Internal Capital Adequacy Assessment Process (ICAAP). The purpose is to ensure that sufficient capital is held for the risk profile of SBM Bank Group at all times.

SBM Bank Group 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 SBM Bank Group 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 SBM Bank Group. 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 SBM Bank Group.

## 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 Group 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.

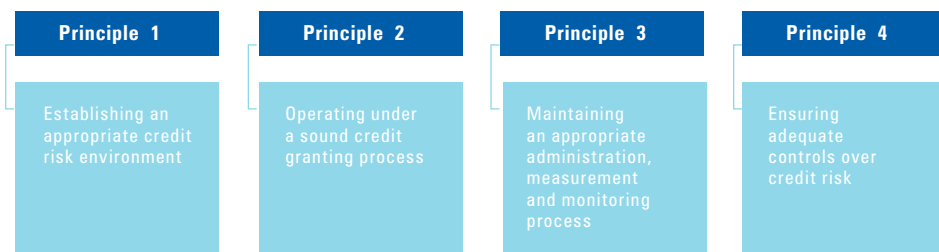
**Objectives of Credit Risk Management are to:**

- a. Identify the credit risk in each credit facility that exposes SBM Bank Group 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, country, 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.

**Credit Risk Principles**

SBM Bank Group’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**

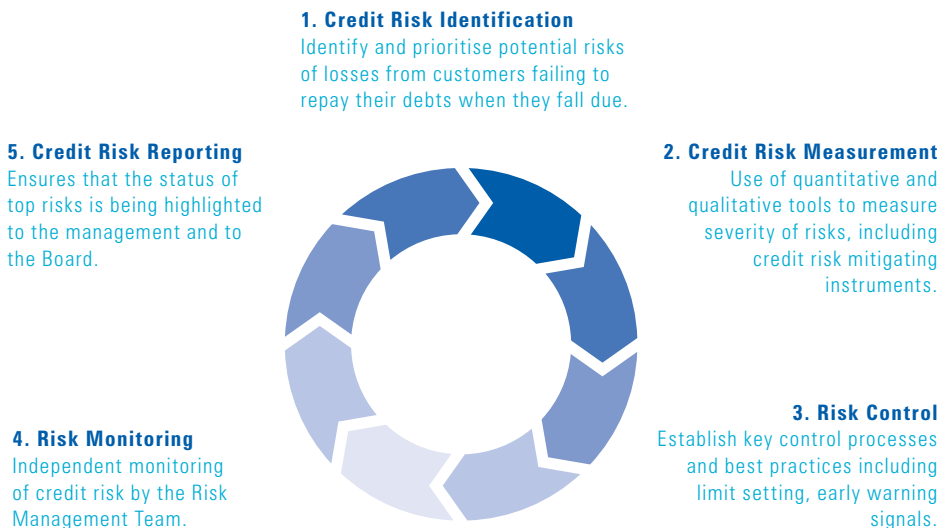


**2.1 Credit Risk Management Process**

SBM Bank Group has adopted a centralised Risk Management Framework which controls enterprise wide risks including all banking and non-banking organisations/subsidiaries including SBM Bank (Mauritius) Ltd, which presently is the flag-ship company. 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 SBM Bank Group 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 SBM Bank Group’s credit risk management process:



**Figure 6: Credit Risk Management Process**



### ***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 the effective build-up of quality assets to achieve targeted growth. SBM Bank Group 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**

SBM Bank Group's main objective of credit risk measurement is to determine the potential impact and frequency of the risks that it 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 Group 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.

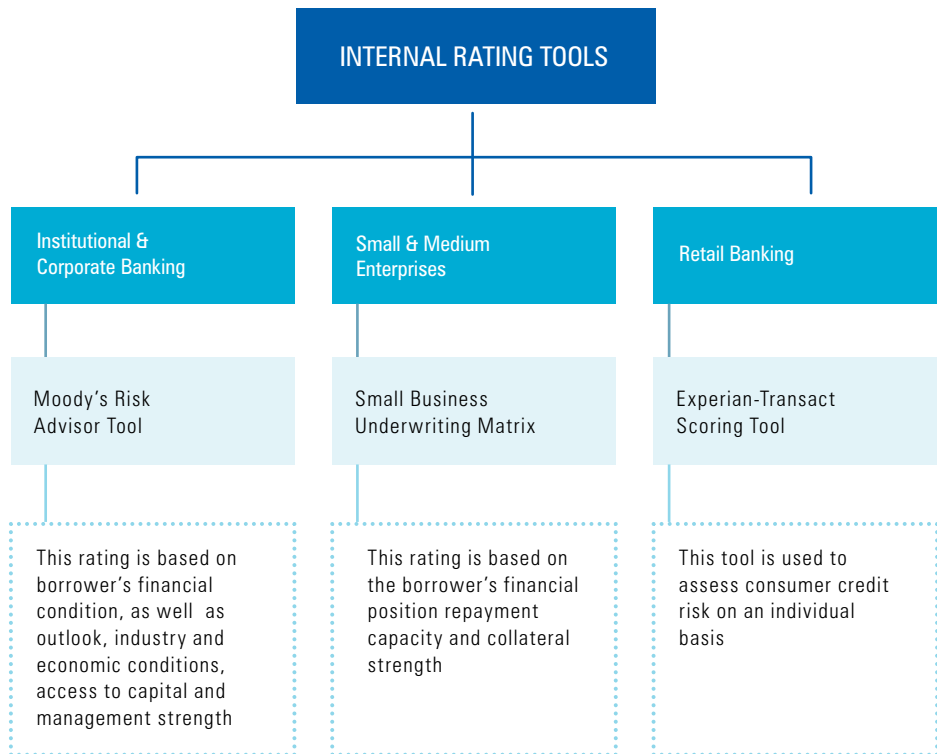
## Internal Rating System

SBM Bank Group 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 SBM Bank Group are as follows:

Figure 7: Internal Rating Tools



## 2.3 Credit Risk Control

SBM Bank Group has a framework for credit risk mitigation 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.

SBM Bank Group 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 Chart

#### Credit Risk Limits

A set of prudential limits approved by the Board is used to address concentration of risk for each operation by counterparties. For example, 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 Group has an acceptable list of collaterals for each operation in line with their host regulatory 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 Group 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 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.

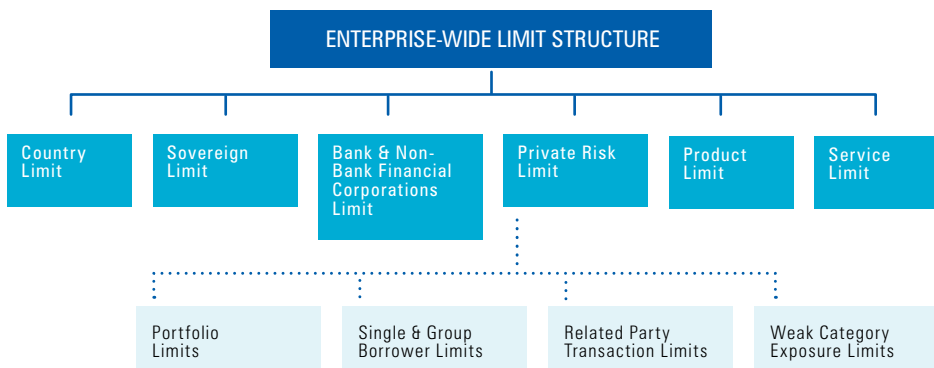
SBM Bank Group has in place procedures and key benchmarks intended to identify at an early stage - through the early warnings - credit exposures for which there may be increased levels of loss, as a preventive basis to manage impaired exposure. In instances where high risk counterparties have been identified, their respective exposures are generally placed on a watchlist. SBM Bank Group 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 Group, 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 Group'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: Enterprise-wide Limit Structure**



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



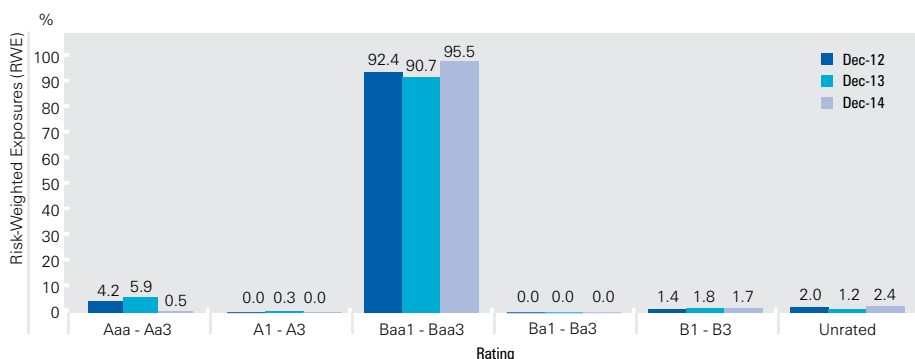
## I. Country Risk

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 Group.

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 the Management and the Board/Risk Management Committee, are based on SBM Bank Group's risk appetite, the country's risk rating, economic potential measured by its GDP, as well as SBM Bank Group'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 Group has physical presence. As at 31 December 2014, the Risk-Weighted Exposures to Mauritius, India and Madagascar accounted to 2.93 times, 1.00 times and 0.09 times of SBM Bank Group Tier 1 Capital.

**Chart 19: Rating-wise Risk-Weighted Exposures as at 31 December 2014**



The following table shows the breakdown of the Top 5 Countries' Risk-Weighted Exposures to SBM Bank Group's Tier 1 Capital as at 31 December 2014:

**Table 12: Breakdown of Top 5 Countries' Risk-Weighted Exposures as at 31 December 2014**

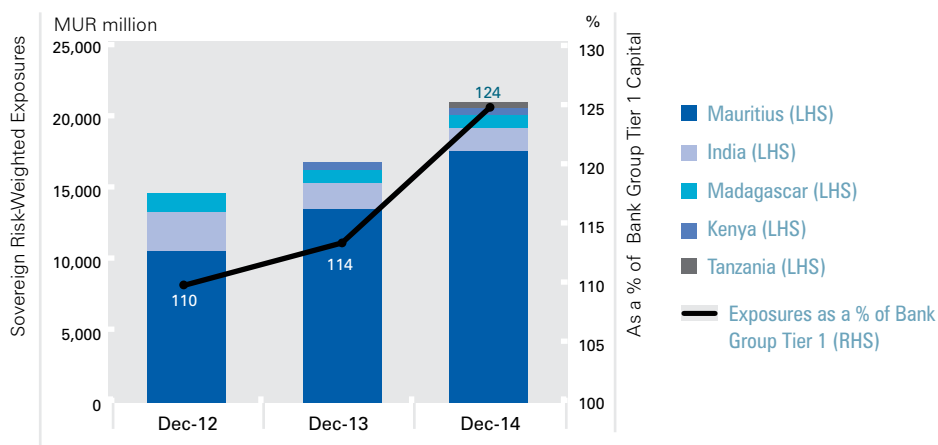
| RISK-WEIGHTED EXPOSURES TO SBM BANK GROUP TIER 1 CAPITAL (NO. OF TIMES) |      |           |         |       |
|---|------|-----------|---------|-------|
| COUNTRY NAME  | BANK | SOVEREIGN | PRIVATE | TOTAL |
| MAURITIUS   | 0.03 | 0.00      | 2.90    | 2.93  |
| INDIA   | 0.41 | 0.05      | 0.55    | 1.00  |
| MADAGASCAR  | 0.00 | 0.05      | 0.04    | 0.09  |
| KENYA   | 0.00 | 0.01      | 0.03    | 0.04  |
| MALDIVES  | 0.00 | 0.00      | 0.02    | 0.02  |

## II. Sovereign Risk

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

SBM Bank Group has exposures to Governments mainly in countries where it has physical presence, with the highest exposure pertaining to the Government of Mauritius amounting to MUR 17.6 billion. As at December 2014, total sovereign exposures stood at MUR 20.2 billion, representing 124% of the SBM Bank Group Tier 1 capital (December 2013: MUR 16.5 billion, 114%). The increase in sovereign exposures is mainly on account of an increase in investment in securities (Dec-14: MUR 16.4 billion, Dec-13: MUR 12.3 billion). However, the exposures to Government of Mauritius carry a zero risk weight under Basel III requirements and BOM guidelines. On a risk-weighted basis, the sovereign Risk-Weighted Exposures were MUR 2.06 billion, representing 12.7% of SBM Bank Group Tier 1 Capital.

Chart 20: Sovereign Risk Exposures as at 31 December 2014



## III. Bank Risk

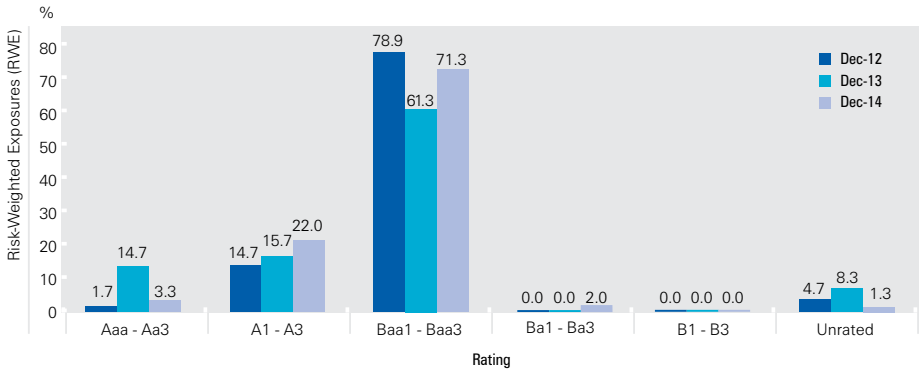
The risk that a bank could default on its debt or other obligations.

As at December 2014, total bank Risk-Weighted Exposures stood at USD 445 Million, representing 0.86 times of the SBM Bank Group Tier 1 capital (December 2013: USD 324 Million, 0.63 times).

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



**Chart 21: Rating-wise Bank Risk-Weighted Exposures as at 31 December 2014**



**Note:**

SBM Bank Group has concentration to banks with rating range Baa1-Baa3 and where the Bank Group has physical presence.

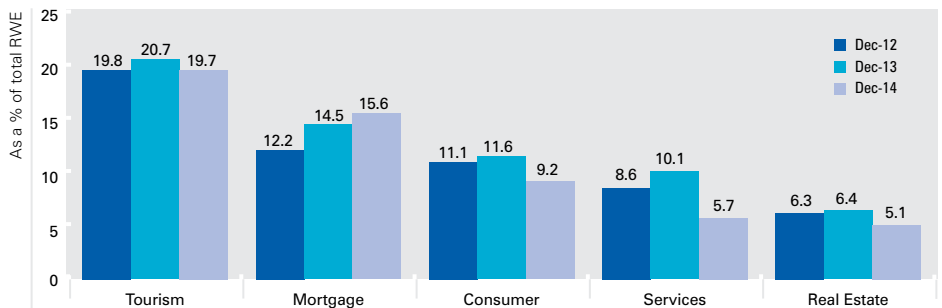
**IV. Private Risk**

**i. Portfolio Concentration**

The well diversified portfolio is monitored against internal portfolio limits to ensure that SBM Bank Group’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.

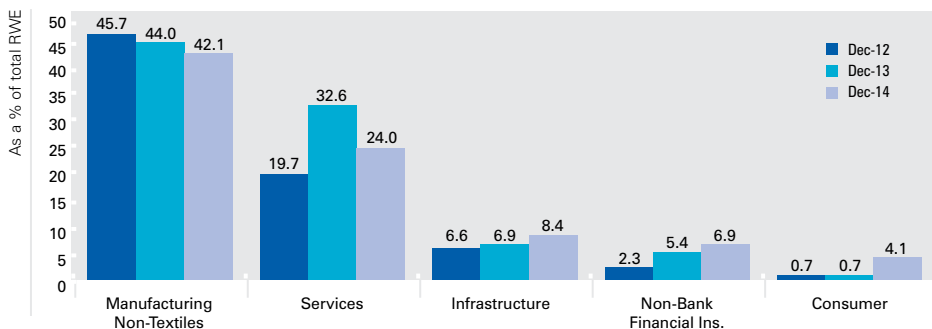
The following charts show the top 5 portfolios for each country of operations as at 31 December 2014:

**Chart 22: Mauritius Operations - Concentration by Risk-Weighted Exposures**

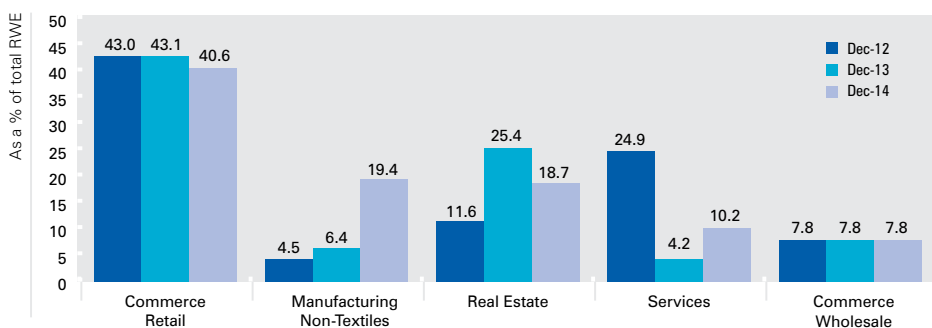




**Chart 23: India Operations - Concentration by Risk-Weighted Exposures**



**Chart 24: Madagascar 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 Guidelines on Credit Concentration Risk issued by the local regulator. SBM Bank Group has much stricter internal prudential limits than those set by the BOM. For instance, BOM has set the aggregate of large credit exposure limit at 600 percent of SBM Bank Group's capital base while internally SBM Bank Group has adopted a more prudent limit of 400 percent of SBM Bank Group's allocated capital to credit risk. Similarly, in India and Madagascar banking operations, a more prudent approach has been adopted.

**Table 13: Regulatory Credit Concentration Limit - Mauritius**

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



The following chart shows the distribution of customers or group of closely related customers for amounts aggregating more than 15 percent of SBM Bank Group's capital base, classified by industry sector as at 31 December 2014:

**Table 14: Aggregate of large credit exposures to customers or group of closely related customers above 15% of SBM Bank Group'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  | 28.4        | 22.1        |             |
| Company B  | Tourism              | 21.8        | 25.0        | 20.6        |
| Company C  | Tourism              | 19.4        | 15.0        |             |
| Company D  | Building Contractors | 16.7        |             |             |
| Company E  | Agriculture          |             | 18.5        | 18.4        |
| <b>Aggregate of large exposures above 15% of SBM Bank Group's capital base</b> |                      | <b>86.3</b> | <b>80.6</b> | <b>39.0</b> |

### 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:

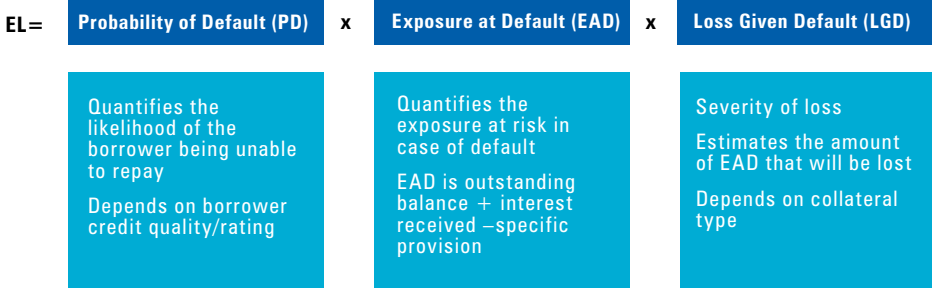
- a. a person who has significant interest, that is owning directly or indirectly 10 percent or more of the capital or voting rights of the financial institution or the financial institution has significant interest in the person;
- b. a director or senior officer of the financial institution;
- c. close 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 Group adheres to the BOM Guideline on Related Party Transactions as well as the internal policy with regards to related party. As at December 2014, the aggregate of non-exempted exposures to related parties represented 3.5 percent of SBM Bank Group Tier 1 capital, which is within the regulatory limit of 150 percent (December 2013: 6.0 percent).

### iv. Credit Quality

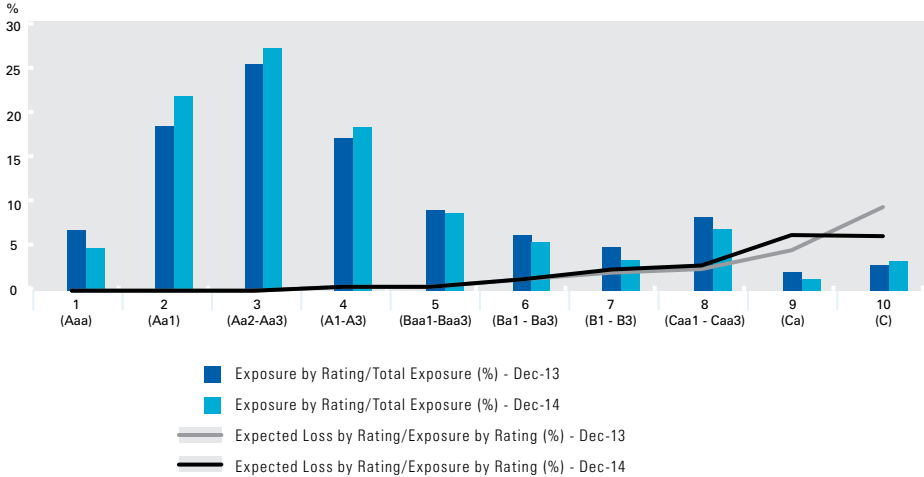
The quality of the loan portfolio remained adequate, supported by a low net impaired advances to net advances ratio of less than 1 percent as at 31 December 2014. SBM Bank Group also measures Expected Loss (EL) which is defined as a measurement of loss that is anticipated within a one-year period, as of the respective reporting date, based on the historical loss experience including available risk mitigation techniques. EL is a function of three key components where:

**Figure 10: Components of Expected Loss**



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

**Chart 25: Expected Loss as a % of Exposure by Rating as at 31 December 2014**



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

Moreover, SBM Bank Group’s weighted average internal customer risk rating stood at 4.12 as at December 2014 (December 2013: 4.15, June 2012: 4.15), depicting no rating migration of customers from previous year.



### 3. Market Risk Management

SBM Bank Group 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 Group 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 Group's business goals. In setting the market risk strategy, SBM Bank Group considers the following:

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

SBM Bank Group has an independent Market Risk Management team to coordinate and perform daily 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 Group 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 includes interest rates and foreign exchange rates.
- Value at Risk (VaR) - 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 SBM Bank Group has enough capital to fight against the unfavourable developments.

The valuation methodologies applied by SBM Bank Group 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 Group's financial condition to the variability of interest rates due to re-pricing and/or agreed maturity mismatches, changes in underlying rates and other characteristics of assets and liabilities in the normal course of business.

Excessive interest rate risk can engender significant threats to SBM Bank Group's earnings and its capital base. As such, with a view to achieving its targets, SBM Bank Group manages pro-actively its mismatched positions by controlling the impact of changes in interest rates on SBM Bank Group. SBM Bank Group 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 Group uses risk management techniques and methodologies, such as analysis of currency-wise repricing gaps and sensitivity analysis on earnings. SBM Bank Group 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 SBM Bank Group's consolidated and currency-wise repricing gaps are provided in the Risk Management Disclosures Note 41 (d) on page 91. 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 Group also avails of hedging instruments that minimises interest rate risk and that effectively manages the impact of interest rate changes on SBM Bank Group'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 Group to various sensitive factors such as changes in Repo rate and pricing strategies on SBM Bank Group's earnings. At 31 December 2014, a 25 basis points parallel rate change would have an impact of MUR 58 million on net interest income while for a 200-basis point parallel rate shock as required by the banking regulator, the impact would be MUR 232 million, representing 0.8 percent of SBM Bank Group's Tier 1 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 SBM Bank Group'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 Group is exposed to two sources of foreign exchange risk: translational foreign currency exposure and transactional foreign exchange exposure.



SBM Bank Group's investments in overseas branches and subsidiaries 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 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 for Mauritius Operations and for Madagascar Operations was 15 percent and 20 percent of each operation's Tier 1 Capital respectively. For Indian Operations, the Reserve Bank of India has set a limit of INR 300 million. Details of SBM Bank Group's FX Open Position calculated using the short-hand method are available on page 165.

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 SBM Bank Group'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 12 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 is 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 Group's Tier 1 capital, MUR 1.27 million as at 31 December 2014 (31 December 2013: MUR 0.88 million, 30 June 2012: MUR 3.01 million).

**Table 15: Value at Risk**

| MUR 000        | As at 31 December 2014 | As at 31 December 2013 | As at 30 June 2012 |
|----------------|------------------------|------------------------|--------------------|
| SBM Bank Group | 1,271                  | 880                    | 3,013              |

The VaR measures have been back-tested against actual profit and loss to validate the robustness of the methodology. SBM Bank Group 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 Group 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 Group's Investment Policy ensures that exposures are sufficiently diversified and within the Bank Group's risk appetite based on available economic capital. At 31 December 2014, SBM Bank Group'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 and the Chief Executive 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 Group 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:

- (a) Funding Liquidity Risk - the risk that SBM Bank Group 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 SBM Bank Group cannot easily offset or eliminate a position at the prevailing market price because of inadequate market depth or market disruption.



SBM Bank Group'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 SBM Bank Group'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, SBM Bank Group 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 Group 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 Group 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, 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.

Overseas banking operations of branches and subsidiaries are also required to comply with their local regulator's liquidity requirements and to be self-sufficient for their local currency funding needs. SBM Bank Group 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. The Group 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 Group's deposits is stable and it is expected that these will remain with the Group over the long-term. Detailed analysis of SBM Bank Group's consolidated and currency-wise Liquidity Gaps are provided in the Risk Management Disclosures Note 41 (c) on page 84.

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 Group 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, SBM Bank Group 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 Group 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. SBM Bank Group's liquid assets echo a sound liquidity standing, adequate to counterbalance the impact of a stressed funding environment. It is capable of utilising its own resources extensively and to invest in higher yielding assets. It also always strives to attain the right trade-off between liquidity and profitability.



## Basel III Liquidity Ratios

The Mauritius and Indian Banking Operations were 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 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 31 December 2014 for Indian Operations and 173 percent as at 31 December 2014 for Madagascar Operations. Below table shows the LCR for significant currencies:

**Table 16: Liquidity Coverage Ratio**

|     | Mauritius Ops | India Ops | Madagascar Ops |
|-----|---------------|-----------|----------------|
| MUR | 161%          | -*        | -*             |
| USD | 115%          | -*        | -*             |
| EUR | 74%           | -*        | -*             |
| INR | n/a           | 853%      | -*             |
| MGA | n/a           | -*        | 173%           |

\* Not applicable. Currency represents less than 5% of total liabilities

In addition, loans, which comprised the largest component of the SBM Bank Group's illiquid assets, as a percentage of total deposits stood at 75% (Dec-13: 86%) and as a percentage of the total funding base stood at 71% (Dec-13: 80%). This showed that SBM Bank Group has a stable funding 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) for Mauritius Operations, 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:

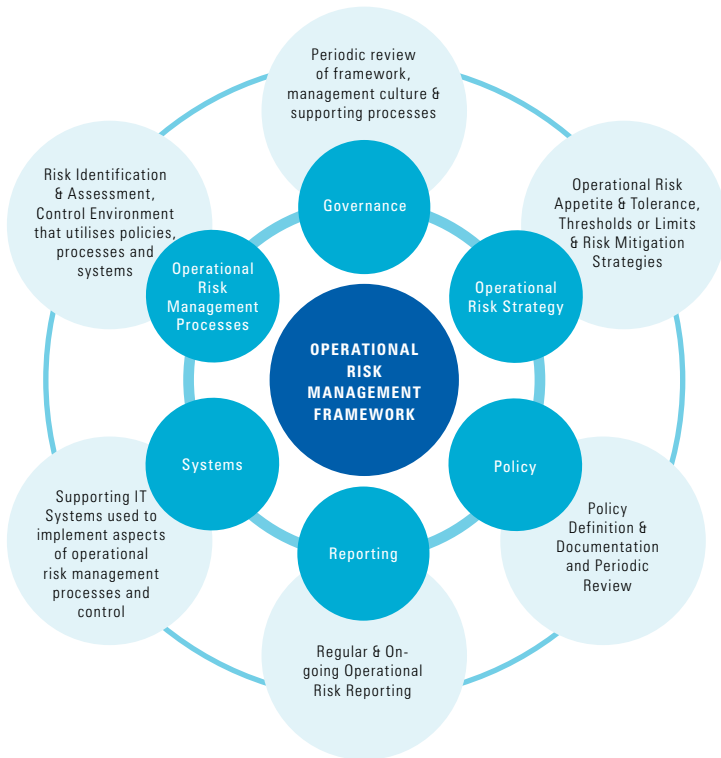
- **Process risk** - The risk related to the execution and maintenance of transactions, and the various aspects of running a business, including products and services.
- **People risk** - The risk of a loss intentionally or unintentionally caused by an employee – that is, employee error, employee misdeeds - 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 SBM Bank Group's ability to continue operating in certain markets. Other related risks are legal risk, reputational risk and compliance risk.

SBM Bank Group'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 Group 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 11: Operational Risk Management Framework**

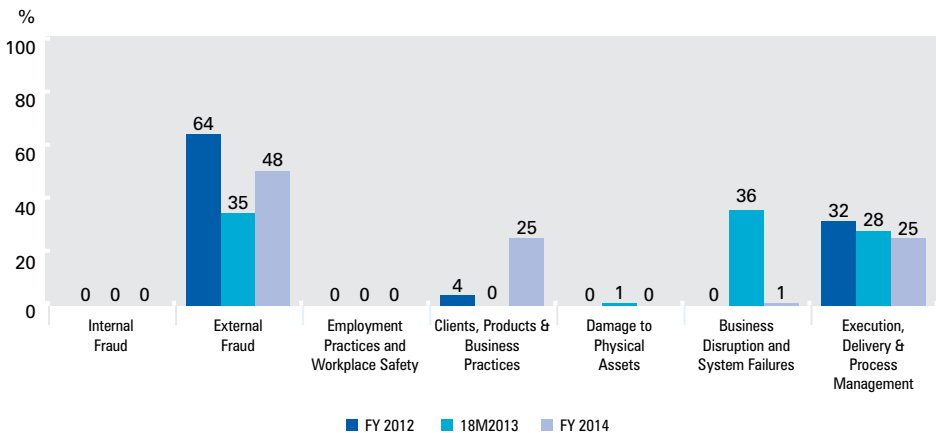


The details of the framework are set out as below:

- **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.
- **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.
- **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).
- **Policy** helps define and document the operational risk within SBM Bank Group and provide guidelines for compliance during periodic audits.
- **Systems** form part of the supporting technology landscape used to implement aspects of Operational Risk Management processes and controls.
- **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 minimal relative to SBM Bank Group's Tier 1 capital (0.02 percent as at 31 December 2014). SBM Bank Group continues to take counter-measures to prevent recurrence of operational risk events.

**Chart 26: Operational Loss Events by Risk Category - % of Total Loss Events by Value**



In order to protect SBM Bank Group against financial consequences of uncertain operational events, despite 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 SBM Bank Group'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), is 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 and 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 of SBM Bank Group is 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 SBM Bank Group are expected to act with integrity at all times to safeguard the Group's reputation, resources and protect its customers. SBM Bank Group follows the following key guiding principles:

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

SBM Bank Group 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. SBM Bank Group 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. SBM Bank Group 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, SBM Bank Group 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 SBM Bank Group may be the subject of claims and proceedings for non-compliance with laws or statutory obligations.

### ***b) Reputational Risk***

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

SBM Bank Group 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 SBM Bank Group'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 the Group that may arise from non-compliance with laws, regulations, rules, standards or code of conduct. SBM Bank Group has an independent Compliance team for each country of operations which assesses compliance risk and, also, manages the risk of breaches and sanctions relating to Anti-Money Laundering and Combatting the Financing of Terrorism.

The Compliance team acts as a contact point within SBM Bank Group and delivers timely advice in relation to compliance queries emanating within SBM Bank Group.

### ***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 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 SBM Holdings Internal Audit, as a control function, focuses on risks with a global perspective and on the design and effectiveness of primary and secondary controls, governance processes, risk management procedures, policies and procedures of the different Group Functions including the Non-Banking Financial Cluster and different geographies. The function assesses the adequacy of controls in place and makes constructive recommendations encouraging enhancement and improvement. The Audit Committee approves the Internal Audit's plan, resources and evaluates the effectiveness of the Internal Audit function.

Quality assurance improvement programmes for internal auditors have been initiated whereby the focus is on Risk Based Approach process. Moreover, a database of risk and control matrices of the different cycles have been implemented and used as a reference. Besides, the Internal Audit coordinates with other sources of assurance such as the Risk Management and Compliance Divisions as well as with the external auditors. As per best practice and requirements of the Institute of Internal Auditors, an external assessment is conducted every five years.

An evolving regulatory environment coupled with market pressure to improve operations and the rapidly changing business conditions are creating the need for more timely and on-going assurance. As such, Computer Assisted Audit Tools have been deployed for the analysis of data of key business systems for anomalies up to the transaction level in near real time. In addition, concurrent audits are carried out on a continuous basis at the overseas operations and are reported to management on a monthly basis. 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, designed to manage and automate a wide range of audit operations.

The international audit approach of the Group lays emphasis on the entity's internal controls relevant to the audit and includes each of the following interrelated components of internal controls: the control environment - the overall attitude, awareness, and actions of the directors and management concerning the importance of internal control in the entity; the entity's risk assessment process - the process used to identify, analyse, and manage the risks faced by the entity; the information system and communication - the information system and communication used to capture and exchange information needed to conduct, manage, and control operations; control activities - policies and procedures designed to ensure that management directives are carried out; and monitoring of controls - the process of assessing the quality of internal control performance over time.

## CAPITAL RESOURCES

### Capital Management

SBM Group actively manages its capital to meet regulatory norms as well as current and future business needs considering inherent business risks, external stakeholder expectations and available options for raising capital. The capital management framework of SBM Bank Group 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, SBM Group completed a restructuring plan that included:

- (i) The up-streaming of capital to the holding company from SBM Bank (Mauritius) Ltd by transfer of shares;
- (ii) The Treasury shares previously held by SBM Bank (Mauritius) Ltd have been purchased by SBM Holdings Ltd where it is now held;



- (iii) All subordinated bonds raised by SBM Bank (Mauritius) Ltd also moved up by transfer to SBM Holdings Ltd along with matching investments; and
- (iv) the transfer of non-banking, including investments other than banking, and foreign banking operations under a newly established holding company, SBM Holdings Ltd.

The dividends declared by all the Operating entities will be streamed up to SBM Holdings Ltd and paid to the shareholders of SBM Holdings Ltd.

Excess capital derived from SBM Group's operations over the last two decades, now held in SBM Holdings Ltd, will be made available to operating entities primarily in the order, as under:

- a. to support any loss making by existing operations, besides any shortfall for operating banking companies to meet their growth strategies;
- b. to ensure that the subsidiaries do not build excessively, the credit concentration exposure (Top customers) beyond based on allocated capital for credit; and
- c. finally for any diversification of revenue streams at existing operating units or new geographies.

The excess capital is to be used in the above order of priority, with the approval and under the supervision of BOM.

As per the constitution of SBM Holdings Ltd:

- a) investments in banking and non-banking financial activities only will be engaged;
- b) not less than 90 percent of its capital, reserves and borrowings shall be invested in banking activities/operations;
- c) MT and SICOM investments need to be divested on or before end of September 2016; and
- d) any other investments will be divested in due course.

During the year under review, SBM Bank (Mauritius) Ltd, formerly State Bank of 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 above Bonds which are now listed under SBM Holdings Ltd on SEM are eligible as Tier 2 capital.

As at 31 December 2014, the Tier 1 ratio of SBM Holdings Ltd stood at 28.02 percent while the Capital Adequacy Ratio (CAR) was 32.84 percent. The capital adequacy ratio of SBM Bank Group stood at 21.58 percent.



## Regulatory Capital Components

Till 30 June 2014, banks in Mauritius were subject to Basel II capital adequacy guidelines stipulated by BOM and were required to maintain a minimum capital to RWA ratio of 10 percent (excluding buffers). Our India and Madagascar Operations also abide by the minimum capital requirement set by the host regulators which are at 9 percent and 8 percent respectively.

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 and banks in Mauritius are subject to the revised guidelines as from 01 July 2014.

Compared to Basel II, 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 investments in financial institutions over certain thresholds.

Overall, the Basel III rules increase the level of regulatory deductions relative to Basel II. Basel III also increases the level of RWA for significant investments for defined thresholds, exposures to large or unregulated financial institutions meeting specific criteria and derivative exposures to centralised counterparties.

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 Guideline on Scope of Application of Basel III and Eligible Capital issued by BOM and which came into effect as from 01 July 2014 requires compliance with the minimum capital ratio requirements at both solo and group levels:

- the Bank standalone ("solo") level CAR requirements, which measure the capital adequacy of the bank on its standalone capital strength and risk profile; and
- the consolidated ("group") level CAR 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.

The framework will also apply, on a fully consolidated basis, to any holding company that is the parent entity within a bank group to ensure that it captures the risk of the whole bank group.

As at end of December 2014, ratios stood as per below for the following entities:

**Table 17: Capital Ratios as at 31 December 2014**

| MUR million                       | SBM Bank<br>(Mauritius) Ltd | SBM Bank Group | SBM Holdings Ltd |
|-----------------------------------|-----------------------------|----------------|------------------|
| Common Equity Tier 1 Capital      | 14,204                      | 15,458         | 22,844           |
| Tier 1 Capital                    | 14,204                      | 15,458         | 22,844           |
| Tier 2 Capital                    | 808                         | 364            | 3,931            |
| Capital Base                      | 15,012                      | 15,822         | 26,775           |
| Risk-Weighted Assets              | 72,627                      | 73,329         | 81,526           |
| Tier 1 Capital Adequacy Ratio (%) | 19.56                       | 21.08          | 28.02            |
| Capital Adequacy Ratio (%)        | 20.67                       | 21.58          | 32.84            |



The table below illustrates the components of the capital base of SBM Bank Group together with RWA and Capital Adequacy Ratios as at the following dates:

**Table 18: Components of Capital Base of SBM Bank Group**

| MUR million   | Regulatory Capital <sup>(1)</sup> |                     |                                 |
|---|-----------------------------------|---------------------|---------------------------------|
|   | Dec 2014<br>Basel III             | Dec 2013 (Proforma) | Jun 2012 (Proforma)<br>Basel II |
| <b>Common Equity Tier 1 Capital</b>                                 |                                   |                     |                                 |
| Share Capital <sup>(2)</sup>  | 0.08                              | 304                 | 304                             |
| Capital Contribution  | 15,656                            | -                   | -                               |
| Statutory Reserves  | 583                               | 572                 | 520                             |
| Retained Earnings   | 1,308                             | 15,231              | 14,335                          |
| Accumulated Other Comprehensive Income and Other Disclosed Reserves | (121)                             | 73                  | (326)                           |
| Other Reserve   | (739)                             | -                   | -                               |
| Treasury (own) Shares   | -                                 | (2,333)             | (2,333)                         |
| Other Intangible Assets   | (1,068)                           | (639)               | (85)                            |
| Deferred Tax  | (162)                             | (145)               | -                               |
| Other Tier 1 Capital Adjustments <sup>(3)</sup>                     | -                                 | -                   | (741)                           |
| <b>Common Equity Tier 1 Capital</b>                                 | <b>15,458</b>                     | <b>13,063</b>       | <b>11,673</b>                   |
| <b>Additional Tier 1</b>  | -                                 | -                   | -                               |
| <b>Tier 1 Capital (T1 = CET1 + AT1)</b>                             | <b>15,458</b>                     | <b>13,063</b>       | <b>11,673</b>                   |
| <b>Tier 2 Capital</b>   |                                   |                     |                                 |
| Other Reserves  | 123                               | 772                 | 848                             |
| Portfolio Provision   | 241                               | 228                 | 252                             |
| Other Tier 2 Capital Adjustments <sup>(3)</sup>                     | -                                 | -                   | (741)                           |
| <b>Tier 2 Capital</b>   | <b>364</b>                        | <b>1,001</b>        | <b>360</b>                      |
| <b>Total Regulatory capital</b>                                     | <b>15,822</b>                     | <b>14,064</b>       | <b>12,032</b>                   |
| <b>Risk-Weighted Assets</b>   |                                   |                     |                                 |
| Credit Risk   | 66,476                            | 65,783              | 61,073                          |
| Market Risk   | 487                               | 288                 | 566                             |
| Operational Risk  | 6,366                             | 6,092               | 4,940                           |
| <b>Total Risk-Weighted Assets</b>                                   | <b>73,329</b>                     | <b>72,163</b>       | <b>66,578</b>                   |
| <b>Common Equity Tier 1 Capital Ratio</b>                           | <b>21.08</b>                      | <b>18.10</b>        | <b>17.53</b>                    |
| <b>Tier 1 Capital Ratio</b>   | <b>21.08</b>                      | <b>18.10</b>        | <b>17.53</b>                    |
| <b>Total Capital Ratio</b>  | <b>21.58</b>                      | <b>19.49</b>        | <b>18.07</b>                    |

**Notes:**

- (1) Effective 01 July 2014, regulatory capital ratios are determined in accordance with Basel III rules.
- (2) The holding company of the Banking Cluster is SBM (Bank) Holdings Ltd with a share capital of MUR 75,000 as from 02 October 2014 (appointed day of the Group Restructure) compared to December 2013 and June 2012 where SBM Bank (Mauritius) Ltd (formerly known as State Bank of Mauritius Ltd) was the ultimate holding company with a share capital of MUR 304 million.
- (3) Basel II deductions include deduction of investments in financial subsidiaries.

The Guideline on Scope of Application of Basel III 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 a stressed period. Therefore, in addition to the minimum total of 10 percent, banks in Mauritius will have to hold CCB of 2.50 percent of RWA in the form of Common Equity to withstand future periods of stress bringing the total Common Equity requirement to 9 percent of RWA and total capital to RWA to 12.5 percent.

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. Based on the overall score obtained on the assessment of the five factors, these banks will have to keep additional buffer ranging from 1.0 percent to 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. Each bank is expected to have a specific minimum requirement based on its particular business and risk profile. SBM Bank (Mauritius) Ltd, qualifying as a DSIB, is required to maintain additional CET1 Capital of 1.5 percent as additional loss absorbency.

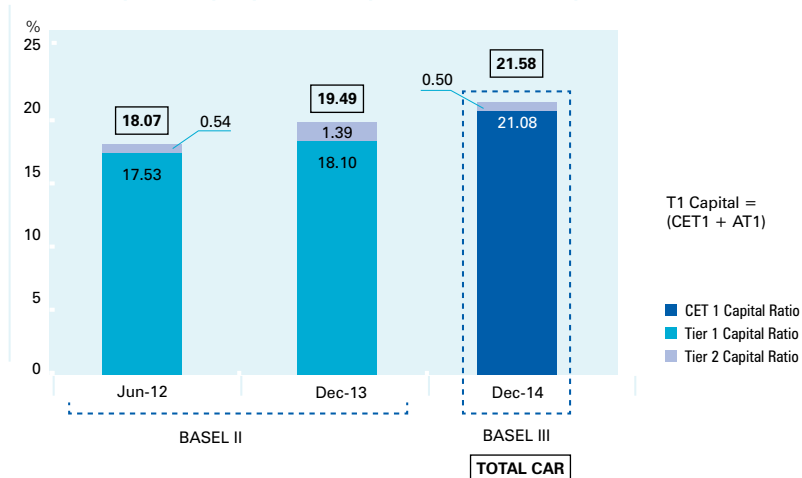
### Capital Adequacy

SBM Group's capital management framework is designed to ensure that SBM Bank Group including its principal subsidiaries maintain sufficient capital consistent with each entity's respective risk profile and all applicable regulatory standards and guidelines and surplus capital are actively managed at the Holding Company level. SBM Bank Group currently operates at capital levels well above the current minimum requirements with a capital adequacy ratio of 21.58 percent as at 31 December 2014.

Our India and Madagascar Operations also abide by the minimum capital requirement set by the host regulators which are at 9 percent and 8 percent respectively. 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 Reserve Bank of India (RBI) guidelines, SBM India Operations is reporting CAR returns as per Basel III to RBI since quarter ended June 2013.

Our India and Madagascar Operations capital positions were also strong with a ratio of 52.9 percent and 30.3 percent respectively at December 2014, compared to 56.1 percent and 35.6 percent at December 2013.

**Chart 27: Capital Adequacy & Tier 1 Capital - SBM Bank Group**



The difficult economic environment in Mauritius continues to restrain growth in corporate advances. Total banking assets grew, though at a slower pace. SBM Bank Group, along with other 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, there has been a decrease in credit RWA for SBM Bank Group following investment of a significant portion of SBM Bank Group's assets in gilt edged securities carrying a zero risk weight and foreign bonds carrying lower risk weight compared to the previous period. Also in the wake of the Group restructuring, some investments have been transferred, upon payment of dividend in specie, to the ultimate holding company, SBM Holdings Ltd.

The following table provides figures for the RWAs for SBM Bank Group after credit mitigation for both on-balance sheet and off-balance sheet assets:

**Table 19: On-Balance Sheet Assets - SBM Bank Group**

| MUR million  | December 2014  |             | December 2013           | June 2012               |               |
|--|----------------|-------------|-------------------------|-------------------------|---------------|
|  | Amount         | Weight<br>% | Risk-Weighted<br>Assets | Risk-Weighted<br>Assets |               |
| Cash Items   | 2,424          | 0-20        | 42                      | 49                      | 47            |
| Claims on Sovereigns                                       | 19,823         | 0-100       | 491                     | 458                     | 11            |
| Claims on Central Banks and<br>International Institutions  | 7,194          | 0-50        | 344                     | 245                     | 0             |
| Claims on Banks  | 13,824         | 20-100      | 5,263                   | 1,975                   | 4,152         |
| Claims on Non-Central Government<br>Public Sector Entities | 1,375          | 0-100       | 788                     | 940                     | 1,567         |
| Claims on Corporates                                       | 28,467         | 100         | 28,467                  | 28,961                  | 25,289        |
| Claims included in the Regulatory Retail<br>Portfolio      | 9,303          | 75          | 6,977                   | 7,613                   | 6,360         |
| Claims secured by Residential Property                     | 15,220         | 35-125      | 6,123                   | 6,304                   | 5,081         |
| Claims secured by Commercial Real<br>Estate                | 7,676          | 100-125     | 7,770                   | 9,829                   | 10,172        |
| Past Due Claims  | 670            | 50-150      | 665                     | 792                     | 249           |
| Other Assets   | 6,228          | 100         | 6,228                   | 5,094                   | 3,709         |
| <b>Total On-Balance Sheet</b>                              | <b>112,203</b> |             | <b>63,159</b>           | <b>62,260</b>           | <b>56,636</b> |

**Table 20: Off-Balance Sheet Assets - SBM Bank Group**

| MUR million   | Credit Conversion Factor | Nominal Amount | December 2014            |        | Risk-Weighted Assets | December 2013        | June 2012            |
|---|--------------------------|----------------|--------------------------|--------|----------------------|----------------------|----------------------|
|   |                          |                | Credit Equivalent Amount | Weight |                      | Risk-Weighted Assets | Risk-Weighted Assets |
|   | %                        |                |                          | %      |                      |                      |                      |
| Direct Credit Substitutes                                   | 100                      | 610            | 584                      | 0-100  | 527                  | 410                  | 428                  |
| Transaction-Related Contingent Items                        | 50                       | 4,857          | 2,345                    | 0-100  | 2,261                | 2,277                | 2,995                |
| Trade-Related Contingencies                                 | 20                       | 1,124          | 223                      | 0-100  | 205                  | 192                  | 143                  |
| Other Commitments   | 0-20                     | 7,469          | 349                      | 0-100  | 324                  | 643                  | 871                  |
| <b>Total Non-Market Related Risk-Weighted Credit Assets</b> |                          | <b>14,060</b>  | <b>3,500</b>             |        | <b>3,317</b>         | <b>3,522</b>         | <b>4,437</b>         |
| 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                   |
| <b>Total Market Related Risk-Weighted Credit Assets</b>     |                          |                |                          |        | <b>310</b>           | <b>154</b>           | <b>118</b>           |
| <b>Total Off-Balance Sheet</b>                              |                          |                |                          |        | <b>3,627</b>         | <b>3,677</b>         | <b>4,554</b>         |

**Note:**

RWA 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 on a consolidated basis, as advocated by the BOM, while the 2014 ratios are computed based on the Basel III methodology.

**Market Risk Capital**

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

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

**Table 21: Aggregate Net Open Foreign Exchange Position – SBM Bank Group**

| MUR million                                  | December 2014 | December 2013 | June 2012 |
|--|---------------|---------------|-----------|
| Aggregate net open foreign exchange position | 176.9         | 133.9         | 447.9     |

**Operational Risk Capital**

SBM Bank Group has adopted the Alternative Standardised Approach for the computation of capital for operational risk.

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

**Table 22: Capital Charge for Operational Risk – SBM Bank Group**

| MUR million                         | December 2014 | December 2013 | June 2012 |
|-------------------------------------|---------------|---------------|-----------|
| Capital Charge for Operational Risk | 637           | 609           | 494       |



Basel III also introduces 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 of SBM Bank Group stood at 12.7 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.

### **Outlook**

SBM Bank Group continues to maintain strong high quality capital levels which position it well for future business growth. It already complies with the fully loaded Basel III requirements and will continue to have a strong capital position in 2015. Capital will be prudently managed to support organic growth initiatives, expansion projects and evolving regulatory changes, while enhancing shareholder returns. SBM Bank Group would endeavour to operate at all times with a buffer above the minimum capital requirements.



A Mauritian Bank  
going Global



# CORPORATE GOVERNANCE





## Statement on Corporate Governance

Corporate governance is the accumulated set of rules, policies, procedures and laws affecting the way in which a corporation operates, makes decisions and develops its relationships 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, since 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 urging corporate governance. Corporate Governance is essential to develop added value to the stakeholders.

Corporate Governance ensures transparency which ensures strong and balanced economic development. This also ensures that the interests of all shareholders (majority as well as minority shareholders) are safeguarded. It ensures that all shareholders fully exercise their rights and that the organisation fully recognises their rights.

The Code of Corporate Governance for Mauritius is currently being reviewed by the National Committee on Corporate Governance and the revised Code would most likely be effective during the year. SBM Group is looking forward to comply with the revised Code.

The Board of Directors of SBM Holdings Ltd is committed to achieving and sustaining the highest standards of corporate governance with the aim of maximising long-term value creation for the shareholders. Its key purpose is to ensure the company's prosperity by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders. In addition to business and financial issues, the Board 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 Company, the Directors need to obtain the shareholders' approval for major decisions.

The Board plays a key role in the setting up of the system of corporate governance within an organisation to assist in safeguarding policies and procedures, and aligning the incentives of managers with those of shareholders. The Board sets the Group'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.




## Statement of compliance

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

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

Reporting Period: 1 January 2014 to 31 December 2014

We, the Directors of SBM Holdings 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

30 March 2015



Alain A.J.G.R. Rey

Director

## Board Governance Structure

The Board of Directors is appointed to act on behalf of the shareholders to oversee the affairs of the Company and its subsidiaries. The Board of Directors is directly accountable to the shareholders and each year the company will hold an Annual meeting at which the directors must provide a report to shareholders on the performance of the company, along with its future plans and strategies.

As per the approval of the BOM on the Group Restructuring effective from 02 October 2014, the Board of SBM Holdings Ltd (SBMH) was re-constituted and all the Non-Executive Directors of SBM Bank (Mauritius) Ltd were appointed as directors on the Board of SBMH until the next annual meeting of the Company. The Board of SBM Bank (Mauritius) Ltd was the main decision body of the SBM Group up to 02 October 2014. The Board of SBM Holdings Ltd presently comprises of 8 non-executive directors out of which 6 are independent non-executive directors. The Group has sought derogation from the BOM to dispense it from compliance with BOM Guideline on Corporate Governance with respect to appointing executive directors on the Board of the Company until employees including the Group CEO are appointed at the SBMH level. In accordance with the Constitution of SBM Holdings Ltd, the Board of Directors shall:

- devise long term strategy and vision for the Company and the Group and at the same time ensure that the Company and the Group are complying with the set goals and objectives.
- oversee the proper functioning of the Group and its subsidiaries and strive consistently such that the financial goals and objectives are appropriately monitored and managed.
- have the duty and powers of ensuring that the Company as well as the Group and its subsidiaries have an effective management team and that the Committees are adequately equipped to actively participate in the development of management planning. So far, no sub committees of the Board of SBMH have been set up.

## 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 Group 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 Group.

## Attendance of the Board of SBM Holdings Ltd

SBM Holdings Ltd was incorporated as a subsidiary of SBM Bank (Mauritius) Ltd (formerly State Bank Mauritius Ltd) on 18 November 2010. Following the SBM Group Restructuring, SBMH has become the holding company with effect from 02 October 2014 and the activities of the Group have been segregated into two segments namely (i) SBM (Bank) Holdings Ltd, and (ii) SBM (NBFC) Holdings Ltd.

The table shows the board attendance of the directors of SBM Holdings Ltd for the period from 02 October to December 2014:

**Table 23: Board Attendance of Directors of SBM Holdings Ltd – 02 October to December 2014**

|   | Note | Board |
|---|------|-------|
| <b>Number of meetings held</b>                      |      | 3     |
| <b>Directors</b>                                    |      |       |
| Mr Muni Krishna T. Reddy, <i>G.O.S.K., F.S.I.D.</i> | a    | 3     |
| Mrs Kalindee Bhanji                                 | b    | 0     |
| Mr Dheerendra K. Dabee, <i>S.C., G.O.S.K.</i>       | b    | 0     |
| Mr Aakash K. Kalachand <sup>1</sup>                 | a    | 3     |
| Mr Rohit Ramnawaz, <i>G.O.S.K.</i>                  | a    | 2     |
| Mr Alain A.J.G.R. Rey                               | a    | 3     |
| Professor Andrew Scott                              | a    | 2     |
| Mr Shakeel M.A. Summun                              | a    | 3     |
| Mr Régis Yat Sin, <i>C.S.K., G.O.S.K.</i>           | a    | 3     |

a Independent Non-Executive Director

b Non-Executive Director

<sup>1</sup> Appointed on 10 June 2014



## Disclosures

### Directors' Interest and Dealings in SBMH Shares

The directors of SBM Holdings 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 the Group's securities. The company secretary maintains a register of interest which is updated with every transaction entered by the directors and their closely related parties.

The table below outlines the interests of the directors in the Group listed securities at 31 December 2014:

**Table 24: Direct & Indirect Shareholding of Directors**

| Directors   | Direct Shareholding | Indirect Shareholding |
|---|---------------------|-----------------------|
| Mr Muni Krishna T. Reddy, <i>G.O.S.K., F.S.I.D.</i> | 1,000,000           | None                  |
| Mr Régis Yat Sin, <i>G.O.S.K.</i>                   | 65,400              | None                  |

Apart from the above mentioned directors, no other director had an equity stake in the Company or in the Group securities, either direct or indirect, as at 31 December 2014. Also there was no transaction conducted by the directors in the Group securities during the period under review.

### Directors' Emoluments

The following table relates to the fees of directors of SBMH and its subsidiaries during the financial year:

**Table 25: Fees of Directors of SBMH & its subsidiaries**

| MUR 000  | 2014             |                          |                    | 2013             |                          |                    |
|--|------------------|--------------------------|--------------------|------------------|--------------------------|--------------------|
|  | SBM Holdings Ltd | SBM (Bank) Mauritius Ltd | Other Subsidiaries | SBM Holdings Ltd | SBM (Bank) Mauritius Ltd | Other Subsidiaries |
| <b>Name of Non-Executive Director</b>                          |                  |                          |                    |                  |                          |                    |
| Mr Muni Krishna T. Reddy, <i>G.O.S.K., F.S.I.D.</i> , Chairman | Nil              | 2,160                    | Nil                | Nil              | 2,775                    | Nil                |
| Mr George J. Dumbell (Part of the year)                        | Nil              | 540                      | Nil                | Nil              | 960                      | Nil                |
| Mr Rohit Ramawaz, <i>G.O.S.K.</i>                              | Nil              | 1,320                    | Nil                | Nil              | 1,095                    | Nil                |
| Professor Andrew Scott   | Nil              | 780                      | Nil                | Nil              | 660                      | Nil                |
| Mr Dheerendra Kumar Dabee, <i>S.C., G.O.S.K.</i>               | Nil              | 780                      | Nil                | Nil              | 780                      | Nil                |
| Mrs Kalindee Bhanji  | Nil              | 1,140                    | Nil                | Nil              | 1,095                    | Nil                |
| Mr Alain A.J.G.R. Rey  | Nil              | 1,260                    | Nil                | Nil              | 975                      | Nil                |
| Mr Shakeel M.A. Summun   | Nil              | 480                      | Nil                | Nil              | 480                      | Nil                |
| Mr Régis Yat Sin, <i>C.S.K., G.O.S.K.</i>                      | Nil              | 1,140                    | Nil                | Nil              | 1,140                    | Nil                |
| Mr Aakash K. Kalachand (Part of the year)                      | Nil              | 630                      | Nil                | Nil              | Nil                      | Nil                |
| <b>Total</b>   | Nil              | 10,230                   | Nil                | Nil              | 9,960                    | Nil                |

The directors of the Company who are also directors of SBM Bank (Mauritius) Ltd do not receive directorship fee from the Company.

As per the Group's policy, any fees earned by the executive directors serving on the Boards of related companies in which the Group has an equity stake, are credited to the income account of SBM Bank (Mauritius) Ltd.

The directors of SBM Holdings Ltd do not derive any fee from subsidiaries of SBM Holdings Ltd other than from SBM Bank (Mauritius) Ltd.

**Table 26: Remuneration of Executive Directors of SBMH Subsidiaries**

|   | 2014 (MUR 000) |
|---|----------------|
| Mr Jairaj Sonoo, Chief Executive of SBM Bank (Mauritius) Ltd*         | 16,095         |
| Mr Soopaya Parianen, Chief Executive of SBM (NBFC) Holdings           | 11,505         |
| Ms Pauline Seeyave, Divisional Leader of SBM Bank (Mauritius) Ltd     | 10,984         |
| Mr Chandradev Appadoo, Executive Director of SBM Bank (Mauritius) Ltd | 7,608          |

\* The remuneration received by the executive director during the financial year excludes a one-time joining remuneration.

### Service Contracts

Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*, the present Chairman, has a service contract with the Bank and the Group as advisor to the Board on oversight in the areas of good corporate governance, risk management practices, value management practices, strategic direction, 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 Reddy is entitled, as per his service contract, to an annual remuneration 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-long pension for his past services as Chief Executive of SBM Bank (Mauritius) Ltd 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.

### Significant Contracts

In order to safeguard the interests of SBM Group and its shareholders and ensure that instructions from SBM Holdings Ltd are being safely, soundly and sustainably implemented across the Group, SBM Holdings Ltd has entered into shareholders agreements with the following subsidiaries:

- (i) SBM Bank (Mauritius) Ltd
- (ii) Banque SBM Madagascar SA
- (iii) SBM Mauritius Asset Managers Ltd
- (iv) SBM Securities Ltd
- (v) SBM Fund Services Ltd
- (vi) SBM Capital Management Limited
- (vii) SBM Asset Management Limited
- (viii) two segmental SPVs, namely (a) SBM (Bank) Holdings Ltd and (b) SBM (NBFC) Holdings Ltd as well as with the single investor SPVs.



### ***Directors and Officers Liability Insurance***

The Group 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.

### ***Related Party Transactions***

For the Related Party Transactions, please refer to Note 35 of the Financial Statements.

### ***Shareholder Information and Communication***

The Board is committed to provide a high standard of communication to its shareholders and other investors so they have all information reasonably required to make informed assessments of the company's value and prospects. Shareholders as well as other stakeholders are kept abreast of developments at the Group level through appropriate communication channels. In addition to official press communiqués, occasional letters to shareholders, the website, hosted at <http://www.sbmgroup.mu>, is regularly updated with shares-related information, past and present interim and audited financial statements, products and corporate events. The shareholders are apprised on the Group results for the period under review and initiatives/projects at the Annual Meeting.

The approval of the shareholders is sought for crucial matters including amendments to the Constitution, disposal of major assets/investments, and raising capital upon recommendation of the Board as required under various laws.

### ***Material Clauses of the Constitution of the Company***

#### ***Objects of the Company***

SBM Holdings Ltd shall be a non-operating financial investment holding company, only in financial services – bank and non-bank. In carrying out its role as a non-operating financial investment holding company, SBM Holdings Ltd shall invest not less than 90 percent of its capital and reserves and borrowings in the banking investments/operations at all times.

### Limitation of Share Ownership

As per the Constitution of the Company, no shareholder shall hold individually, jointly or in concert, directly or indirectly, more than three percent ('3%') of SBM Holdings Ltd's issued share capital with voting rights by a single individual, jointly or in concert or by a body or corporate, without previous authorisation of the Board of Directors of the Company, save a shareholder who has been issued on the reorganisation of SBM Group a portion of the share capital which is superior to 3 percent. However, in the event the shareholders who have been allowed to hold more than 3 percent of the share capital wish to divest from SBM Holdings Ltd, once they have divested shall not be allowed to increase their shareholding to more than 3 percent.

### Shareholders' Agreement

SBM Holdings Ltd has already signed shareholders' agreements with all operating banking and non-banking entities including segmental and investee SPVs as per policies of SBM Holdings Ltd for eligible investments.

### Share Capital

Issued Share Capital : 30,374,022,300 shares (including Treasury shares of 4,556,103,300)

### Large Shareholders

The below tables show the top 10 shareholders, shareholders spread and split between local and foreign shareholders of the Company as at 31 December 2014:

**Table 27: Top 10 Shareholders**

| S/N | NAMES OF SHAREHOLDERS  | HOLDING       |
|-----|--|---------------|
| 1   | NATIONAL PENSIONS FUND   | 4,653,023,814 |
| 2   | SBM HOLDINGS LTD - TREASURY SHARES                                   | 4,556,103,300 |
| 3   | STATE INSURANCE COMPANY OF MAURITIUS LTD (PENSION FUND)              | 3,884,303,400 |
| 4   | GOVERNMENT OF MAURITIUS  | 1,495,261,500 |
| 5   | PICTET EUROPE A/C BLAKENEY L.P.                                      | 622,166,700   |
| 6   | THE ANGLO-MAURITIUS ASSURANCE SOCIETY LIMITED                        | 611,693,716   |
| 7   | DEVELOPMENT BANK OF MAURITIUS LTD                                    | 577,950,000   |
| 8   | STATE INSURANCE COMPANY OF MAURITIUS LTD (LIFE FUND)                 | 526,538,700   |
| 9   | BAI CO (MTIUS) LTD   | 499,925,608   |
| 10  | SSLN C/O SSB BOSTON OLD MUTUAL LIFE ASSURANCE CO (SOUTH AFRICA) LTD. | 495,185,800   |



**Table 28: Shareholders' Spread**

| Number of Shares   | Number of Shareholders | % of Shareholders | Number of Shares      | % of Shares |
|--------------------|------------------------|-------------------|-----------------------|-------------|
| 1-50000            | 7,144                  | 40.07             | 156,392,252           | 0.51        |
| 50001-100000       | 5,135                  | 28.80             | 452,373,197           | 1.49        |
| 100001-500000      | 3,815                  | 21.40             | 945,019,133           | 3.11        |
| 500001-1000000     | 745                    | 4.18              | 555,995,125           | 1.83        |
| 1000001-5000000    | 714                    | 4.00              | 1,492,605,561         | 4.91        |
| 5000001-10000000   | 107                    | 0.60              | 745,972,535           | 2.46        |
| 10000001-25000000  | 75                     | 0.42              | 1,153,272,203         | 3.80        |
| 25000001-50000000  | 43                     | 0.24              | 1,584,271,179         | 5.22        |
| 50000001-100000000 | 21                     | 0.12              | 1,381,324,532         | 4.55        |
| >100000000         | 30                     | 0.17              | 21,906,796,583        | 72.12       |
| <b>Total</b>       | <b>17,829</b>          | <b>100</b>        | <b>30,374,022,300</b> | <b>100</b>  |

**Table 29: Local And Foreign Shareholders**

|              | Number of Shareholders | % of Shareholders | Number of Shares      | % of Shares |
|--------------|------------------------|-------------------|-----------------------|-------------|
| Foreign      | 371                    | 2.08              | 5,355,994,220         | 17.63       |
| Local        | 17,458                 | 97.92             | 25,018,028,080        | 82.37       |
| <b>Total</b> | <b>17,829</b>          | <b>100</b>        | <b>30,374,022,300</b> | <b>100</b>  |

**Dividend Policy**

The dividend policy of SBM Holdings Ltd requires a distribution of at least 25 percent of its net profit available to shareholders for the year subject to approval from BOM and the solvency test under the S61(2) of the Companies Act 2001 being satisfied. As from 2014, the Company has adopted a policy to declare and pay quarterly interim dividends.

There are no taxes on dividend income and capital gains in Mauritius.



## Shareholder Diary

**Table 30: Shareholder Diary**

| 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  |

## Audit Fees and Fees for Other Services

The table below shows the fees paid to the external auditors for the year 2014:

**Table 31: Audit Fees**

|  | 2014 (MUR 000) |
|--|----------------|
| <b>Deloitte</b>  |                |
| <b>SBM Holdings Ltd</b>                                      |                |
| Statutory Audit - December 2014                              | 1,176          |
| Special Audit - October 2014                                 | 2,366          |
| Other Services   | -              |
| <b>SBM Bank (Mauritius) Ltd &amp; Other Subsidiaries</b>     |                |
| Statutory Audits and Quarterly Reviews - December 2014       | 8,417          |
| Special Audit - October 2014                                 | 2,924          |
| Other Services   | 5,936*         |
| <b>Other Auditors</b>  |                |
| - SBM Bank (Mauritius) Ltd (Indian Operations)               |                |
| - GD Apte & Co   | 454            |
| - Delta Audit Deloitte Associates (Banque SBM Madagascar SA) | 254            |
| - Mazars Fivoarana (Banque SBM Madagascar SA)                | 254            |

\* A breakdown of other fees is as follows:

|   | 2014 (MUR 000) |
|---|----------------|
| Tax Services  | 414            |
| Other Assurance Services - Report on Capital            | 345            |
| Other Assurance Services - Group Restructuring          | 2,875          |
| Other Assurance Services - Review of Flamingo Programme | 2,302          |
| <b>TOTAL</b>  | <b>5,936</b>   |

Note: Fees to the statutory auditors for the 18 months ended December 2013 amounted to MUR 8,865,000.



## **Remuneration, Health and Safety**

### ***Statement of Remuneration Philosophy***

SBM Group believes in a motivated team which is encouraged to create sustainable results, and continues to take care of its human capital as a key asset who in turn takes care of our other valued stakeholders. Greater focus has been laid on Teamwork, Team Building, Regional Employee Connects and Training at SBM Group to accompany our transformational change and other business initiatives.

SBM Group 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. The Group endeavours to integrate talent and HR systems and allow employee and manager self-service.

### ***Equal Opportunity and Diversity***

SBM Group 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 Group 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 Group values diversity and inclusion as qualities which make companies within SBM Group a better place to work.

### ***Code of Ethics and Business Conduct***

SBM Group 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 Holdings 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 Group. All the entities within the SBM Group fully subscribe to the Code of Ethics and Business Conducts, Banking Practices and Guidelines and International Best Practices to achieve our organisational goals. The directors of the Board of SBM Holdings Ltd and its subsidiaries and senior management staff are fully committed to ascertain that they are setting the correct example so as to encourage other employees and stakeholders to follow same.

### ***Health and Safety***

SBM Holdings Ltd and its subsidiaries have taken great strides on the safety and health of its employees and stakeholders. SBM Group has given a lot of importance in order to ensure that safety and health considerations are integrated into the design and development of branches or offices. The Safety and Health Policy in place 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 condition at suitable intervals and, where appropriate, take remedial measures. SBM Group provides regular training for fire drills to staffs 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**

SBM Group actively supports a clean environment policy, focusing its efforts in protecting the environment through the use of high energy efficient equipment and compliance with applicable environmental laws, regulations and standards.

Besides, environmentally friendly and protective measures are incorporated as an integral part of the design, construction, installation, operation and maintenance of the Company's facilities.

## **Sustainability Reporting**

### ***Business Sustainability***

Recently, it has been witnessed that many companies are actively integrating sustainability principles into their business. This is being achieved by pursuing goals reaching far beyond earlier concerns such as reputation management, energy savings, developing green products and retaining and motivating employees, all of which help companies capture value through growth and return on capital. It is increasingly acknowledged by employees and all stakeholders that sustainability programs make a positive contribution to the company's short and long term value.

SBM Group has always spearheaded operational efficiency among its processes and actively advocates green initiatives such as cutting down on paper and energy usage, and initiatives in this direction include online statements and holding paperless meetings.

### ***Profit Sustainability***

Management theory and organisational science face the challenge of integrating environmental and social concerns. The development of meaningful and yet practical measures of corporate sustainable performance is crucial in this context and calls for an integration of sustainability into the logic of corporations and a rethinking of the basic concepts of organisations like economic performance and profitability.

Sustainable profit is a value-oriented concept that assesses the use of environmental and social resources analogously to the way economic capital is accounted for. In contrast to the prevailing approaches, it does not subordinate environmental and social issues to financial goals. Rather sustainable profit considers the use of economic, environmental, social resources on equal terms, all from the society's point of view.

SBM Group has embarked upon a process of balance sheet management with a view to maximise returns and ensure sustainable results and performance over time. This has proved successful and has allowed the Group to withstand difficult market conditions both locally and overseas.

## **Environmental Concerns**

An on-going debate of recent times is whether continued economic growth will bring greater harm to the Earth's environment. Also, it remains to be seen whether increases in income and wealth will bring about an amelioration to ecological problems.

Exhaustible and renewable natural resources are the original inputs in the production of a variety of goods and services. Recent evidence suggests that modern societies have displayed remarkable ingenuity in harnessing new technologies to preserve scarce resources.



The shift nowadays is towards more energy efficient buildings, machines, computers, engines and processes and SBM Group has at heart a strong conviction to work in this direction. It has embraced energy efficient and green processes in the roll-out of new branches and in fit-outs at existing ones.

### Corporate Social Responsibility (CSR)

Our Corporate Social Responsibility (CSR) activities reflect our philosophy of implementing sound business practices; innovating to realise products, services; assisting the communities in which we operate; and helping to shape a better, more sustainable society. SBM Group believes that these activities both benefit society and enhance corporate value.

Our priority areas of intervention are based on Empowerment through Education. In line with the Group'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 which has culminated into its recognition at National Level of the CSR initiatives of SBM Bank (Mauritius) Ltd. Moreover, the Bank has also shown 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**.

The Bank 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 of students in the financial year ended June 2011. As at December 2014, the Bank has already awarded some 1,500 scholarships to needy students from Mauritius and Rodrigues who have performed well at Higher School Certificate exams to follow courses at tertiary level or vocational courses at the Mauritius Institute of Training & Development (MITD).

In the same wave, the Bank donated refurbished PCs to several Non-Governmental Organisations and Associations as part of SBM IT project to help children of vulnerable groups to be versed with Information, Communication and Technology tools. This project was initiated through our **E-Inclusion Foundation**.

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 School** (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 the Bank'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.

In line with our philosophy to create a sustainable society, we are of the view that empowerment through education also requires a conducive environment. Therefore, the Bank has participated in the Social Housing project through the National Empowerment Foundation over a period of 3 financial years as from 2012 to help families from needy background to have a shelter.

Most of SBM Group's projects focus on providing the relevant tools and opportunities to vulnerable groups so that they are adequately equipped and skilled to enhance their employability to improve their current financial situation.

## SBM Internal CSR

With a view to maintain proximity with its customers, the Group's staff 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. The Bank 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.

## Contact Details for Shareholder Relationship

### **Dovinassy Pillay**

SBM Tower,  
1, Queen Elizabeth II Avenue  
Port Louis, Mauritius  
Tel: (230) 202 1612  
Fax: (230) 202 1666  
Email: [company.secretary@sbgmgroup.mu](mailto:company.secretary@sbgmgroup.mu)  
[dovinassy.pillay@sbgmgroup.mu](mailto:dovinassy.pillay@sbgmgroup.mu)

### **Tanuja Nair**

SBM Tower,  
1, Queen Elizabeth II Avenue  
Port Louis, Mauritius  
Tel: (230) 202 1735  
Fax: (230) 202 1666  
Email: [tanuja.nair@sbgmgroup.mu](mailto:tanuja.nair@sbgmgroup.mu)



# CORPORATE PROFILE

## Selected Group Highlights

- Listed on the Official Market of the Stock Exchange of Mauritius since 03 October 2014, following a group restructuring exercise
  - Listed as State Bank of Mauritius Ltd up to 30 September 2014
- Second largest company, by market capitalisation
  - MUR 31 billion as at December 2014
- More than **17,000** domestic and international shareholders
- Total assets of **MUR 127.3 billion** at December 2014
- Present in **Mauritius, India, Madagascar and Myanmar**
- Extensive Network of **50 service units, mobile banking, internet banking and e-Commerce platform**
- Services over **494,000 customers**
- Employee base of more than **1,100**



Flying high  
on Relationships



## RECOGNITION AND INTERNATIONAL AWARDS

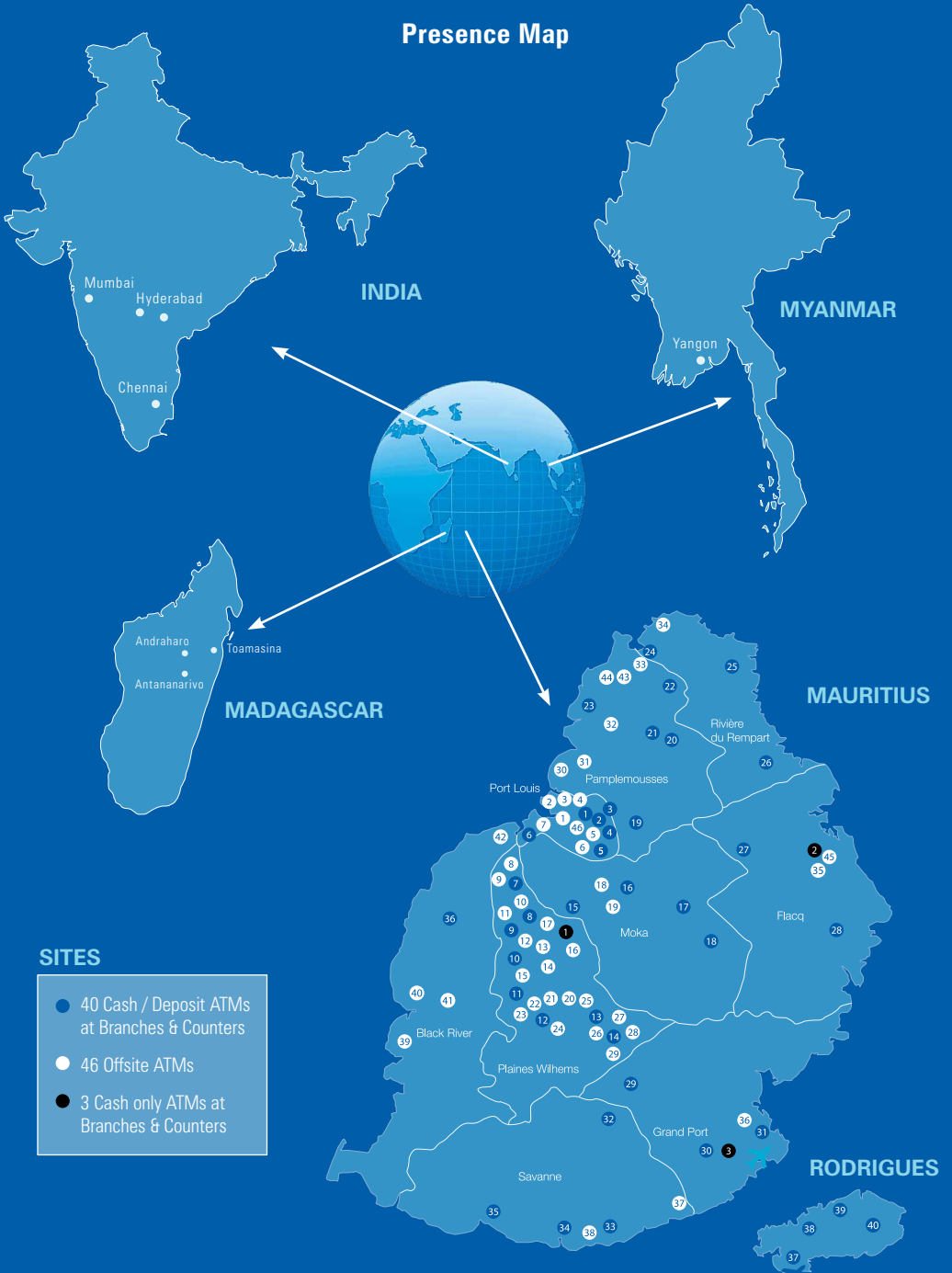
|      |             |                |        |
|------|-------------|----------------|--------|
| 2001 | The Banker  |                |        |
| 2002 | The Banker  |                |        |
| 2003 | The Banker  |                |        |
| 2004 | Euromoney   |                |        |
| 2005 | Euromoney   |                |        |
| 2006 | Euromoney   |                |        |
| 2007 | Emeafinance |                |        |
| 2010 | Euromoney   |                |        |
| 2012 | CFI.co      |                |        |
| 2013 | The Banker  | Euromoney      | CFI.co |
| 2014 | The Banker  | African Banker | CFI.co |

## RECOGNITION AND INTERNATIONAL AWARDS





# Presence Map



## SITES

- 40 Cash / Deposit ATMs at Branches & Counters
- 46 Offsite ATMs
- 3 Cash only ATMs at Branches & Counters

Mumbai  
Hyderabad  
Chennai

INDIA

Yangon

MYANMAR

Andraharo  
Toamasina  
Antananarivo

MADAGASCAR

MAURITIUS

Port Louis  
Pamplemousses

Rivière du Rempart

Flacq

Moka

Black River

Plaines Wilhems

Grand Port

Savanne

RODRIGUES

# 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 elected as the independent non-executive director of SBM Holdings Ltd since 29 September 2014 and was designated as Chairman of SBM Group by the Board on the same day.



**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 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 of SBM Holdings Ltd on 29 September 2014 and is a non-executive director.



**GUNPATH Medha\*  
BSc (General), Diploma in  
Public Administration &  
Management**

Mr Gunpath 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 Gunpath 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.

\* 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





**KALACHAND Aakash Krishan**  
BSC (Hons) Accounting and  
Finance, ACA



**Dr KHADAROO Jameel\***  
BEc (Macquarie), MSc,  
PhD (Bristol)



**RAULT Joël\***  
LLM, MBA

Mr Aakash Krishan Kalachand is a graduate in Accounting and Finance from the London School of Economics (LSE), 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 of SBM Holdings Ltd on 29 September 2014 and is an independent non-executive director.

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 of SBM Holdings Ltd in February 2015 and is an independent non-executive director.

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 of SBM Holdings Ltd 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



**REY Alfred Joseph Gerard Robert Alain**  
BSc (Hons) Economics, ACA



**SCOTT Professor Andrew**  
BA, MSc, D Phil\*\*



**YAT SIN Régis**  
C.S.K., G.O.S.K., BA (Hons)

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 of SBM Holdings Ltd on 29 September 2014 and is an independent non-executive director.

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 of SBM Holdings Ltd on 29 September 2014 as an independent non-executive director.

Mr Yat Sin, C.S.K., G.O.S.K., former senior civil servant, held the position of Secretary to Cabinet & 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 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 was a member of the Board of SBM Bank (Mauritius) Ltd in December 2011 and was appointed as independent non-executive director on the Board of SBM Holdings Ltd as from 29 September 2014.

**Notes:**

\*\* Resigned as director with effect from 01 January 2015



**Audit Committee****Chairperson**

Mr Alain A.J.G.R. Rey

**Members**

Mr Aakash K. Kalachand  
Dr Jameel Khadaroo<sup>4</sup>

**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<sup>4</sup>  
Mr Joël Rault<sup>4</sup>  
Mr Medha Gunpath<sup>4</sup>  
Mr Régis Yat Sin, *C.S.K., G.O.S.K.*

**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<sup>4</sup>

**Remuneration Committee****Chairperson**

Mr Medha Gunpath<sup>4</sup>

**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<sup>4</sup>

**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 Gunpath<sup>4</sup>  
Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*

**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<sup>4</sup>  
Mr Joël Rault<sup>4</sup>  
Mr Medha Gunpath<sup>4</sup>  
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.
4. Appointed with effect from 04 February 2015.

## Banking Segment

### SBM (Bank) Holdings Ltd<sup>1</sup>

Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.* - Chairman  
Mr Chandradev Appadoo  
Mr Jairaj Sonoo, *C.S.K.*

### SBM Bank (Mauritius) Ltd<sup>2</sup>

Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.* - Chairman  
Mr Chandradev Appadoo  
Mr Medha Gunpath<sup>3</sup>  
Mr Dheerendra Kumar Dabee, *S.C., G.O.S.K.*  
Mr Aakash Krishan Kalachand  
Dr Jameel Khadaroo<sup>3</sup>  
Mr Alfred Joseph Gerard Robert Alain Rey  
Professor Andrew Scott<sup>4</sup>  
Mr Joël Rault<sup>3</sup>  
Mr Régis Yat Sin, *C.S.K., G.O.S.K.*  
Mr Jairaj Sonoo, *C.S.K.*

### Banque SBM Madagascar SA

Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.* - Chairman  
Mr George John Dumbell  
Mr Frederic Rasamoely  
Mr Jairaj Sonoo, *C.S.K.*  
Mr Maurice Jean Marc Ulcoq

## Global Services

### SBM 3S Ltd<sup>5</sup>

Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.* - Chairman  
Mr Chandradev Appadoo  
Mr Soopaya Parianen  
Ms Pauline Seeyave  
Mr Jairaj Sonoo, *C.S.K.*

## Non-Banking Financial Segment – Operating Segments

### SBM Mauritius Asset Managers Ltd

Mr Chandra Kumar Gujadhur - Chairman  
Mr Maurice Jean Marc Ulcoq  
Mr York Shin Lim Voon Kee ('Ben Lim')  
Mr Soopaya Parianen  
Ms Pauline Seeyave

### SBM Fund Services Ltd

Mr Hemraz Jankee - Chairman  
Mr Pierre Marrier D'Unienville  
Mr Soopaya Parianen  
Ms Pauline Seeyave

### SBM Securities Ltd

Mr Chandra Kumar Gujadhur - Chairman  
Mr Pierre Marrier D'Unienville  
Mr Lim Tit Chong Lim Lit Siong  
Mr Soopaya Parianen  
Ms Pauline Seeyave

### SBM Capital Management Limited

Mr Chandradev Appadoo - Chairman  
Mr Soopaya Parianen  
Ms Pauline Seeyave

### SBM Asset Management Limited

Mr Chandradev Appadoo - Chairman  
Mr Soopaya Parianen  
Ms Pauline Seeyave

## Non-Financial Segment

### SBM (NFC) Holdings Ltd

Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*  
- Chairman  
Mr Chandradev Appadoo  
Ms Pauline Seeyave

## Notes:

- <sup>1</sup> Formerly 'SBM bk Holdings Ltd' and 'SPV-SBM (Bank) Holdings Ltd'
- <sup>2</sup> Formerly 'State Bank of Mauritius Ltd'
- <sup>3</sup> 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
- <sup>4</sup> Resigned as director with effect from 01 January 2015
- <sup>5</sup> Formerly 'SBM Global Services Ltd' and 'SBM Global 3S Ltd'



# EXECUTIVE MANAGEMENT





## SBM HOLDINGS LTD

SBM Holdings Ltd is currently in the process of recruiting executives, including the Group CEO.

### Banking Operations

#### Mauritius



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

#### **Chief Executive, Banking (Indian Ocean Islands)**

Mr Sonoo has joined State Bank of Mauritius Ltd (now SBM Bank (Mauritius) Ltd) on 14 September 2012 as Chief Executive, Banking (Indian Ocean Islands). He has 36 years of experience in banking of which 33 years at SBM Bank (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 now an executive director of the Board of Directors of SBM Bank (Mauritius) Ltd.

#### India



**CHELLAPPA** Vasudevan  
Master of Science in  
Mathematics, Certified  
Associate of the Indian  
Institute of Bankers

#### **Acting Chief Executive, SBM India Operations\***

Mr Chellappa Vasudevan has more than 32 years of banking experience. Prior to joining SBM Bank (Mauritius) Ltd, Mr Vasudevan was working as the Designated Credit Officer & Head (Risk) of Bank of Bahrain & Kuwait and in various capacities in State Bank of India including a four year stint at their office in Tokyo. He holds a Master of Science in Mathematics from the Indian Institute of Technology, Madras and is a certified associate of the Indian Institute of Bankers, Mumbai. Mr C. Vasudevan has joined the services of the Bank on 21 September 2011 as Head of Credit and Risk at our Indian Operations and as from January 2014, he has been heading our Chennai Branch. Since December 2014, he is the Acting Chief Executive Officer of our Indian Operations and reports to the Chief Executive – Banking (Indian Ocean Islands).

#### Notes:

- \* Appointed as Acting Chief Executive Officer – SBM India Operations with effect from 08 December 2014, following the expiration of the contract of Mr Anil Kundan, effective from 08 December 2014.



## Madagascar

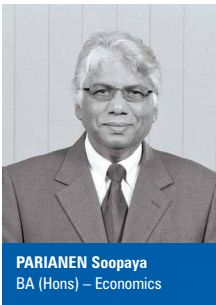


**DAWONAUTH Leckram**  
BSc (Monetary Economics)  
BSc (Information &  
Communication) and Master in  
Banking and Finance

### **Directeur Général, Banque SBM Madagascar SA**

Has over 34 years of working experience, out of which 29 years in the banking and financial sector within the SBM Bank (Mauritius) Ltd. Has also worked for the FAO-United Nations (Rome) as staff member, and done extensive consultancy works in Africa for FAO and IFAD-United Nations. He is presently the Directeur Général, Banque SBM Madagascar SA, and reports to the Chief Executive Banking.

## Non-Banking Financial Operations



**PARIANEN Soopaya**  
BA (Hons) – Economics

### **Chief Executive, Non-Banking Financial Cluster**

Mr Parianen has 37 years of experience in banking out of which 30 years at Senior Management level. Mr Parianen had overseen the Retail Banking Division since February 2010 and was also the Acting Chief Executive till September 2012 following the resignation of Mr Gautam Vir in April 2012. Before that, he was the Group Divisional Leader for Corporate Banking, the Group Divisional Leader Retail Banking, Chief Operating Officer and Credit Management Support Services and was also overseeing the overall operations management of SBM Bank (Mauritius) Ltd. He was appointed as the Chief Executive for Non-Banking Financial Companies in October 2012.

# GROUP ADDRESSES



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**Bank Operating Entities****SBM Bank (Mauritius) Ltd, Formerly 'State Bank of Mauritius Ltd'**

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**Non-Bank Operating Entities****SBM Mauritius Asset Managers Ltd**

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**SBM Fund Services Ltd**

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**SBM Asset Management Limited**

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19, Cybercity,  
Ebene, Mauritius

**SBM Capital Management Limited**

c/o Apex Fund Services (Mauritius) Limited,  
4th Floor, Raffles Tower,  
19, Cybercity,  
Ebene, Mauritius

**Non-Financial Entity****SBM (NFC) Holdings Ltd**

SBM Tower,  
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Email: finance@sbmgroup.mu

**Global Services****SBM 3S Ltd, Formerly 'SBM Global Services Ltd' and 'SBM Global 3S Ltd'**

SBM Tower,  
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## Contact details for Shareholder Relationship

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