



Borderless Banking

SBM



More than just banking,
it's about catching
the **unseen** opportunities
that extend beyond borders

Borderless Banking

When less is more

SBM's Borderless Banking is more than just money, it's about creating more opportunities, more benefits and more value to clients and shareholders with less clutter and less stress in less time.

With Borderless Banking, you can enjoy more peace of mind, be more relaxed and can achieve more while worrying less, knowing that SBM is with you, wherever you go across the globe.

With Borderless Banking, SBM is simply redefining banking by acknowledging that there's no limit to what we can achieve together.

1973 - 2013

FORTY-YEAR JOURNEY

together with all stakeholders





Caution regarding forward-looking statements

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

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

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



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KEY FINANCIAL HIGHLIGHTS

| | 2013 ^d | 2012 ^a | 2011 ^a | 2010 ^a | 2009 ^a |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Shareholders' equity (Rs m) | 19,306 | 17,248 | 15,171 | 13,773 | 12,380 |
| Capital adequacy ratio (%) | 20.88 | 21.20 | 21.87 | 25.86 | 23.60 |
| Earnings per share (cents) ^{b,e} | 12.27 | 10.28 | 7.94 | 7.29 | 7.93 |
| Economic value added - EVA (Rs m) | 655 | 677 | 194 | 179 | 436 |
| Profit before income tax (Rs m) | 5,670 | 3,273 | 2,517 | 2,239 | 2,370 |
| Profit attributable to equity holders of the parent (Rs m) | 4,764 | 2,653 | 2,049 | 1,882 | 2,047 |
| Return on average assets (%) ^{c,e} | 3.03 | 2.75 | 2.36 | 2.39 | 2.80 |
| Return on average risk weighted assets (%) ^{c,e} | 4.41 | 4.17 | 3.96 | 4.26 | 4.71 |
| Return on average shareholders' equity (%) ^{c,e} | 17.33 | 16.37 | 14.16 | 14.39 | 17.53 |
| Return on average Tier 1 capital (%) ^{c,e} | 23.57 | 21.93 | 19.08 | 19.80 | 24.77 |
| Credit deposit ratio (%) | 85.68 | 83.42 | 81.83 | 72.83 | 64.17 |
| Cost to income (%) | 34.80 | 33.72 | 37.46 | 38.26 | 37.73 |
| Gross impaired advances to gross advances (%) | 2.03 | 1.07 | 1.40 | 1.87 | 2.00 |
| Net impaired advances to net advances (%) | 0.92 | 0.36 | 0.46 | 0.81 | 0.47 |
| Dividend payout ratio (%) ^e | 32.51 | 34.06 | 37.80 | 38.20 | 35.06 |
| Electronic to gross transactions (%) | 89 | 87 | 87 | 85 | 84 |

^a Restated for comparative purposes

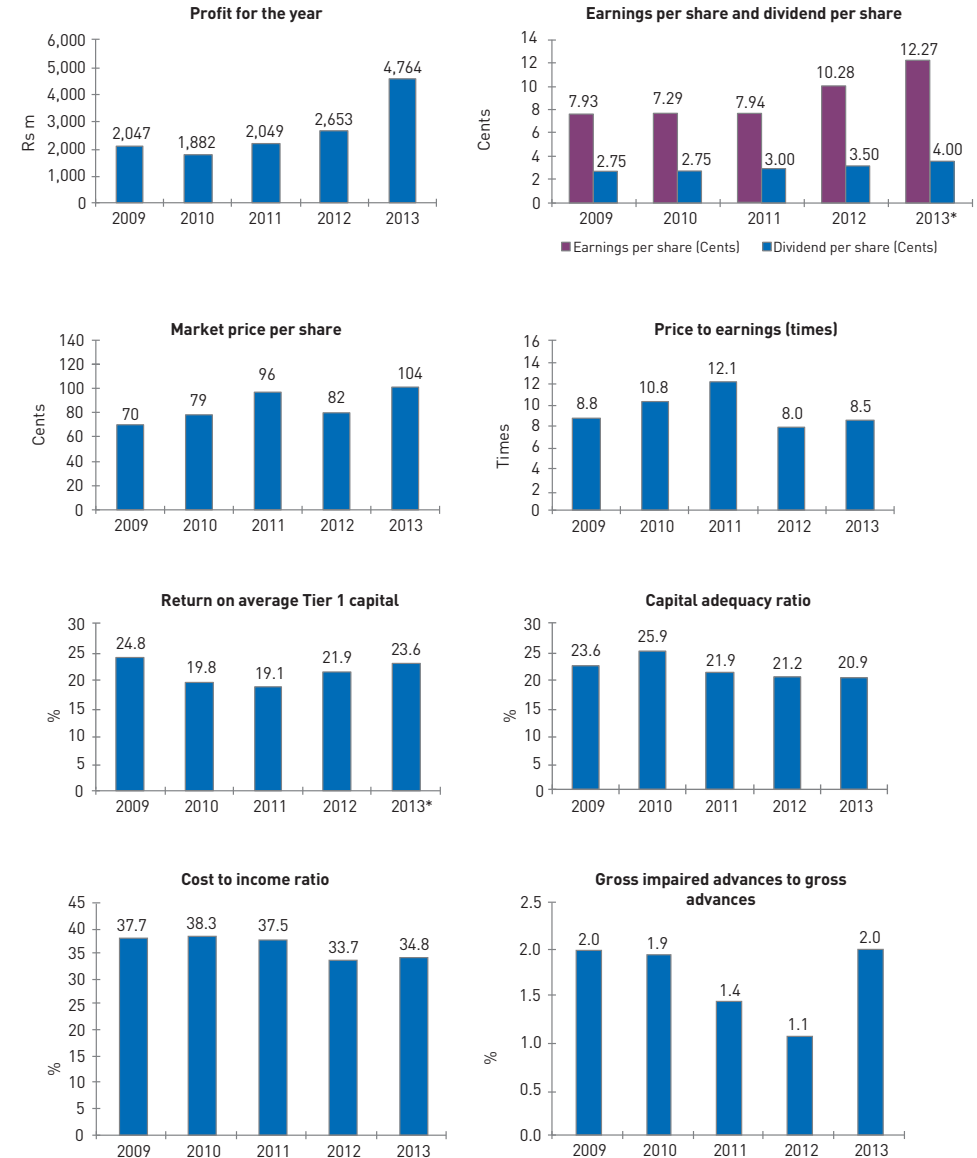
^b As from 1 March 2013, SBM share of nominal value of Rs 1 each was split into 100 shares of nominal value of 1 cent each. For comparative purpose, EPS and the market price per share are based on the new number of shares of nominal value of 1 cent each.

^c Averages are calculated using year-end balances.

^d Figures for 2013 relate to the 18 months ended 31 December 2013, while figures for earlier years relate to the financial years ended 30 June.

^e 2013 figures are annualised.

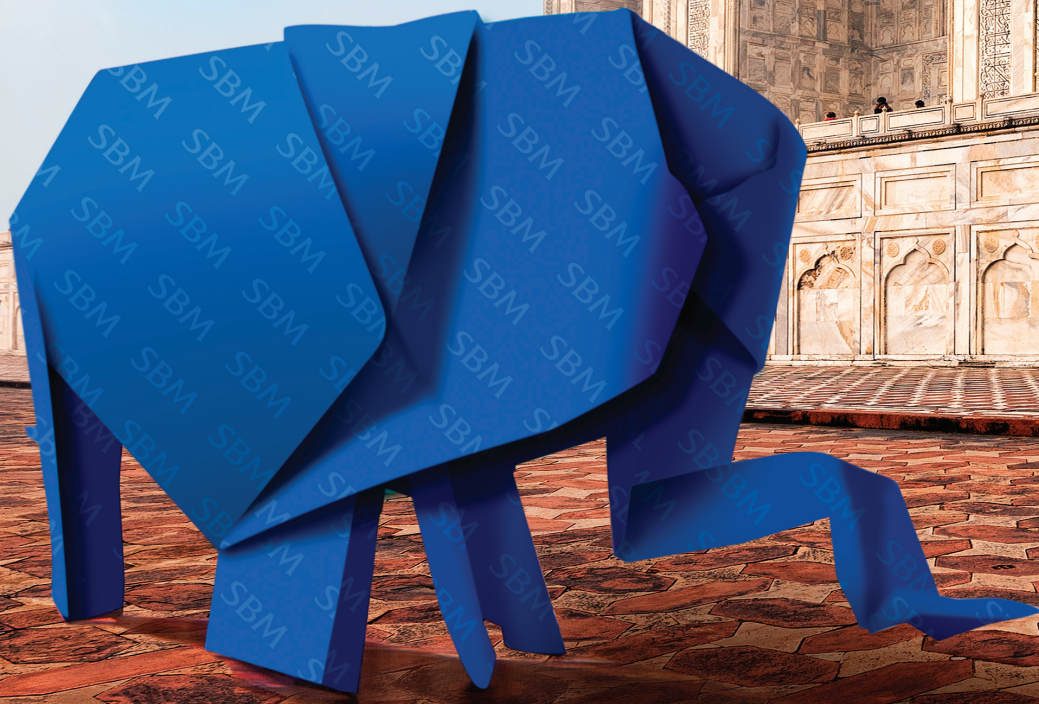
KEY FINANCIAL CHARTS



NOTES:

- 2013 relates to the 18 months ended 31 December 2013. [*] Figures for earnings per share, dividend per share and return on average Tier 1 capital for 2013 are given on an annualised basis.
- 2009 to 2012 relate to the 12 months ended 30 June.

More than just banking,
it's about ensuring
a **strong** foothold
in the Indian market



Independent Non-Executive Directors

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

DUMBELL George John

RAMNAWAZ Rohit, *G.O.S.K.*

REY Alfred Joseph Gerard Robert Alain

SCOTT Professor Andrew – *Lead Independent Director*

SUMMUN Mohammad Shakeel Aboobakar

YAT SIN Régis, *C.S.K., G.O.S.K.*

Non-Executive Directors

BHANJI Kalindee

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

Executive Directors

APPADOO Chandradev

SONOO Jairaj, *C.S.K.*

(The profiles of the directors are at pages 170 to 171 of the Annual Report)



The financial year 2013 was exceptionally of an 18 month duration (referred in this Annual Report as 18M2013) as a result of the realignment of the financial year to a January to December cycle, hence not entirely comparable to earlier years. To give a more meaningful comparison, these results are compared against the 18 months preceding the financial year under review, that is, the period January 2011 to June 2012 (referred in this Annual Report as 18M2012).

Globally, there is little doubt that significant strides were achieved by SBM during the financial year gone by, in spite of challenges from various fronts. In particular,

- (i) Financial performance remained commendable despite strong headwinds;
- (ii) Further headway was achieved in SBM's transformation journey, which augurs well for its future; and
- (iii) SBM continued to be recognised and rewarded, both nationally and on the international scene.

Strong financial performance despite persisting headwinds

Indeed, while the operating environment was subject to important headwinds – notably slower credit growth, deterioration in asset quality and more stringent regulatory framework – SBM achieved a notable improvement in financial performance. This was underpinned by a healthy outcome in respect of key fundamentals.

First, net interest spread on annualised basis improved significantly from 3.6% to 4.4%, mainly as a result of continued focus on active balance sheet management. Net interest margin taking into account (i) cost of optimal capital, (ii) cost of excess capital at average cost of balance sheet liabilities, (iii) cost of Cash Reserve Ratio (CRR) and (iv) optimal cost of acquiring deposits improved from 0.99% in 18M2012 to 1.73% in 18M2013. Indeed, even as yields were under pressure in an environment characterised by high liquidity and fierce competition, the overall asset yield improved due to a continued shift from lower yielding assets to relatively higher yielding assets – currency-wise at operating unit level as well as at Group level.

Similarly, on the funding side, there has been a conscious and planned reduction in the share of higher cost liabilities. The improvement in net interest spread is all the more commendable given that it was achieved while SBM successfully undertook to increase its domestic credit market share. These achievements helped SBM increase net interest revenue by 34.0% for 18M2013 compared to 18M2012.

Second, SBM has continued to operate at high efficiency levels even as it engaged in strategic investments to increase robustness and sustainability of future performance. This is reflected in a cost to income ratio of 34.8% (18M2012: 35.5%). Even if the impact of higher one-off items in 18M2013 is taken out, the cost to income ratio remains at an appreciable level. SBM views efficiency as a key strategic objective, particularly within the context of a difficult economic environment, as it gives more agility to the organisation to respond to challenges on its results and invest for the future. While the cost to income ratio is expected to go up in subsequent years, as a result of large scale investments in technology and enhanced capabilities, it should still remain well below the 45% mark in initial years, as the focus on efficiency is maintained and, looking further forward, as the gains from the investments in technology and building other capabilities materialise.

Third, despite multiple sources of stress in the credit environment both in Mauritius and overseas, asset quality remained overall sound, as testified by a gross impairment ratio of 2.03% and a net impairment ratio of 0.92%. Although these ratios represent a deterioration from the previous financial year, they remain

low, indicating strong credit quality, and have to be viewed within the context of a general weakening of asset quality in the operating environments, both in domestic markets and international markets where the banking group operates. The low impairment ratios reflect SBM's urge to adopt a prudent stance by consistently maintaining sound risk management practices irrespective of the business environment. During the year under review, the risk management framework has been further reinforced to take into consideration regulatory requirements as well as the planned geographic expansion in business, which will entail additional types of risks.

Overall, total assets grew by 13.6% over the 18-month period to reach Rs 111.3 Bn as at December 2013, with advances growing by 12.0% to Rs 71.1 Bn and gilt-edged securities rising by 22.2% to Rs 15.0 Bn. Net profit grew by 35.1% to Rs 4,764 m for 18M2013, while shareholders' equity increased by 11.9% to reach Rs 19.3 Bn. Against this background, earnings per share increased to 12.27 cents on annualised basis (18M2012: 9.13 cents) while return on equity and return on assets, reached 17.33% and 3.03% respectively, representing an increase in both ratios for a fourth consecutive financial year. Capital adequacy ratio remained solid at 20.9% (June 2012: 21.2%).

Dividends per share increased to 4.00 cents on an annualised basis (June 2012: 3.50 cents – restated to reflect a 1:100 share split, effective 1 March 2013).

Further headway achieved in transformation journey

Alongside the commendable financial performance, SBM continued to sow the seeds for solid and sustainable growth in the years to come, with the pursuit of its business and technology transformation journey, which revolves around the following areas:

- Overseas expansion – Conscious that the growth is constrained by concentration concerns in Mauritius, SBM has been upping its plans to increase the share of revenue from overseas operations. Hence, it has been actively pursuing opportunities for expanding its footprint in different geographies, namely Indian Ocean, East Africa, India and South East Asia. Among others, SBM has applied to the Reserve Bank of India for converting its branches in India into a wholly-owned subsidiary structure and has also made an application for opening a representative office in Myanmar. Further progress regarding the overseas expansion strategy is expected in 2015, although associated revenues would accrue mostly in subsequent financial years;
- Technology transformation – The first release of the technology transformation project has been achieved in April 2013, with the major release expected in mid 2015. The various teams involved in this major project are progressing satisfactorily towards this milestone. The technology transformation programme is being integrated and supports the comprehensive review of business processes as well as the business model of SBM's lines of businesses and the operating model. The programme covers all spheres of the business including business operations, risk management, back office structure, organisation structure and change management. This exercise should result in streamlining of processes and addressing process gaps taking into consideration the Group's growth strategies. Hence, customer experience is expected to be significantly improved, operational efficiency will be enhanced and increased synergy will be achieved across business lines and geographies. At the same time, the Group will be set on a strong technology platform for pursuing its geographic expansion objective;

- Robust and proactive risk management – Conscious of the rapidly evolving risk environment and, hence, of the need to keep pace of developments in this area, SBM has also engaged into a significant revamp of its risk management and control processes covering a large area from credit, market and operational risks to chart of authority, stress testing, risk based pricing, redefinition of policies and Basel III readiness to be in line with international best practices and to anticipate forthcoming changes in regulations;
- Group structure – SBM is also in the final stages of finalising its Group structure in line with its strategic aspirations, as well as to comply with regulatory requirements and global best practices. Hence, the new structure will allow better segregation (i) between banking, non-banking financial and non-financial businesses, (ii) between geographies, (iii) between front office, middle office and back office operations, (iv) between centralised and de-centralised operations/practices and (v) between standardised and country-specific practices; and
- Laying strong and sustainable foundations for future growth, notably through initiatives that would enable: (i) straight through processing in line with high performance banks, an Intellectual Property (IP) asset acquired from Accenture; and (ii) international capabilities building up in capital, capacity, capability and competency.

Share performance

The strong financial performance, coupled with the pursuit of sound strategic initiatives for sustainable future growth, had a positive impact on the evolution of the share price, which increased by 26.8% from 82 cents at June 2012 to 104 cents at December 2013 (The June 2012 figure has been adjusted for comparative purpose to reflect the share split of SBM share of nominal value of Rs 1 into 100 shares of nominal value of 1 cent each, effective 1 March 2013).

International recognition

During the financial year under review, SBM was also recognised on multiple occasions, being awarded 'Best Bank Mauritius' for two years in a row in 2012 and 2013 by Capital Finance International (CFI.co) of London, 'Best Bank – Mauritius' in the Euromoney Awards for Excellence 2013, as well as 'Bank of the Year Mauritius' as part of The Banker magazine's Bank of the Year Awards 2013.

SBM has (for over two decades) been ranked as the second largest domestic bank in Mauritius. SBM has also been consistently ranked as number 1 bank among Mauritian banks – based on qualitative parameters such as return on assets, impairment ratio, cost to income ratio, capital assets ratio and return on capital – by "The Banker" as per its ranking of Top 1,000 Global Banks. Further, SBM ranks highly from a global perspective in respect of qualitative parameters, being all well within 150th global rank in 2013 based on 2012 published data.

The world and country rankings as published by The Banker (part of the Financial Times group) in its Top 1,000 Global Banks issue are shown in the table below.

| Parameter | World Rank | | | | | Country Rank | | | | | Ratio/Figure | | | | |
|----------------------------|------------|------|------|------|------|--------------|------|------|------|------|--------------|------|-------|-------|-------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009 | 2010 | 2011 | 2012 | 2013 |
| I. QUALITATIVE | | | | | | | | | | | | | | | |
| a.Return on assets (%) | 36 | na | 66 | 76 | 47 | 1 | na | 1 | 2 | 1 | 3.55 | na | 2.77 | 2.59 | 3.27 |
| b.Capital assets ratio (%) | 127 | na | 129 | 153 | 119 | 1 | na | 1 | 2 | 1 | 11.36 | na | 12.36 | 11.70 | 12.62 |
| c.Profits on capital (%) | na | na | 189 | 213 | 150 | na | na | 1 | 2 | 1 | na | na | 24.28 | 22.10 | 25.92 |
| II. QUANTITATIVE | | | | | | | | | | | | | | | |
| a.Tier 1 capital (USD m) | 935 | na | 938 | 894 | 906 | 2 | na | 2 | 2 | 2 | 295 | na | 310 | 393 | 432 |
| b.Assets (USD m) | 958 | na | 961 | 935 | 955 | 2 | na | 2 | 3 | 2 | 2,600 | na | 2,505 | 3,363 | 3,419 |

Notes:

1. The rankings are based on "The Banker" from among Top 1,000 Global Banks
2. The rankings are based on prior year figures
3. na – not applicable

40 years of journey together and shared values

Together with all our stakeholders – customers, employees, shareholders, regulators and the community at large – SBM has built a strong brand in the Mauritian market, and generated values and prosperity over the last four decades that have been shared among all stakeholders. This stakeholder-centric approach has underpinned SBM's strong, sound and sustained financial growth, reputation and trustworthiness, and provides a strong foundation for SBM to expand beyond current borders in its endeavour to build a more robust value growth and prosperity going forward. This expected and enhanced prosperity and values will continue to be shared with our stakeholders in the decades to come.

Perspectives and prospects

Looking ahead, the operating environment is likely to remain challenging, albeit with some improvement expected towards the second half of 2014 in view of the better prospects for advanced economies being currently envisaged. While capitalising on the opportunities that should accompany the recovery, SBM will continue to maintain a prudent stance, with appropriate focus on risk management, given the still fragile environment. Moreover, it will continue to pursue its transformation objectives, as set out above, and should even start seeing some of the benefits of its investments, although the bulk of the returns are expected to accrue over the medium term.

Acknowledgements

On behalf of the Board of Directors, we would like to thank our ever increasing number of customers for their continued trust in SBM. We will continue to strive to better their experience and count on their support for a successful transition to our new technology setup over the next couple of years. Besides, we acknowledge the hard work and dedication of the Management and staff of SBM who are giving the best of themselves to support the current transformation project and at the same time attending to the customer needs. We are also thankful to the regulators for their continued support and advice. Of course, we remain grateful to our shareholders for their unwavering trust in SBM.



Jairaj Sonoo, C.S.K.
Chief Executive



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



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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

- (i) an effective system of internal controls and robust risk management practices, including compliance, has been put in place to safeguard the assets and for the prevention and detection of fraud and other irregularities;
- (ii) the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operation in the foreseeable future;
- (iii) the Financial Statements give a true and fair view of the state of affairs of the Bank and the Group for the eighteen months ended 31 December 2013 and have been prepared in accordance with the International Financial Reporting Standards, the Banking Act 2004, applicable Bank of Mauritius (BoM) guidelines and those of other Central Banks, where SBM has operations, and appropriate accounting policies. These were supported by reasonable and prudent judgments, and estimates have been used consistently;
- (iv) they continuously review the implications of corporate governance best practices and are of the opinion that the Bank complies with the requirement of the Code of Corporate Governance for Mauritius in all material aspects or has explained non-compliance; and
- (v) proper accounting records have been kept, in accordance with the requirements of the Mauritius Companies Act 2001, subject to any material departure disclosed and explained in the Financial Statements, and are free from misstatements.

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



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



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

Certificate from the Company Secretary

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



B.M. Kallee
Company Secretary



The SBM Board of Directors is appointed to act on behalf of the shareholders to run the affairs of the business. The Board is directly accountable to the shareholders and each year the Bank holds an Annual Meeting at which the directors must provide a report to shareholders on the performance of the Company, what its future plans and strategies are and also submit themselves for re-election as directors as laid out in the Constitution and the Code of Corporate Governance for Mauritius.

The board of directors' 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, boards of directors must deal with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics. They must ensure that appropriate internal controls and risk management processes are set in place for the proper running of the business.

More than just banking,
it's about **looking
forward** to
Africa's promising future



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

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



Jairaj Sonoo, *C.S.K.*
Chief Executive



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



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

15 March 2014

FINANCIAL STATEMENTS

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
STATE BANK OF MAURITIUS LTD**

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

Report on the financial statements

We have audited the financial statements of State Bank of Mauritius Ltd and its subsidiaries (the "Group") and the Bank's separate financial statements set out on pages 26 to 98 which comprise the statements of financial position as at 31 December 2013 and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the eighteen months ended 31 December 2013 and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Bank and for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as issued by International Accounting Standards Board, and in compliance with the requirements of the Mauritius Companies Act 2001 and the Banking Act 2004. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
STATE BANK OF MAURITIUS LTD (CONT'D)****Opinion**

In our opinion, the financial statements on pages 26 to 98 give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2013 and of their financial performance and cash flows for the eighteen months ended 31 December 2013 in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act 2001.

Report on other legal and regulatory requirements**Mauritius Companies Act 2001**

We have no relationship with, or interests in, the Bank or any of its subsidiaries, other than in our capacities as auditors, business advisers and arm's length dealings in the ordinary course of business.

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

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

Banking Act 2004

In our opinion, after having regard to the change in accounting policies as stated in Note 39, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the provisions of the Banking Act 2004 and the regulations and guidelines of the Bank of Mauritius.

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

The Financial Reporting Act 2004

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

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

Deloitte
Chartered Accountants

15 March 2014


Pradeep Malik, FCA
Licensed by FRC


STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

| | Note | Group | | | Bank | | |
|---|------|---------------------|-------------------------------|-------------------------------|---------------------|-------------------------------|-------------------------------|
| | | 31 December 2013 | 30 June 2012 (Restated) | 30 June 2011 (Restated) | 31 December 2013 | 30 June 2012 (Restated) | 30 June 2011 (Restated) |
| | | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| ASSETS | | | | | | | |
| Cash and cash equivalents | 5 | 6,900,534 | 6,993,395 | 6,744,422 | 6,485,251 | 6,964,275 | 6,502,047 |
| Mandatory balances with Central Banks | | 5,494,981 | 4,966,156 | 4,180,104 | 5,223,056 | 4,671,915 | 3,866,714 |
| Loans to and placements with banks | 6 | 932,428 | 1,511,936 | 943,359 | 932,428 | 1,511,936 | 943,359 |
| Trading assets | 7 | 249,571 | 269,532 | 149,114 | 249,504 | 269,498 | 149,114 |
| Loans and advances to non-bank customers | 8 | 70,093,266 | 62,824,618 | 57,189,330 | 69,776,577 | 62,568,574 | 56,500,367 |
| Investment securities | 9 | 23,210,737 | 19,430,791 | 23,570,849 | 17,563,894 | 15,042,044 | 22,138,108 |
| Property and equipment | 10 | 1,340,194 | 1,326,665 | 1,398,467 | 1,302,531 | 1,318,225 | 1,391,279 |
| Intangible assets | 11 | 638,914 | 86,865 | 54,148 | 638,857 | 85,437 | 55,846 |
| Deferred tax assets | 17b | 210,245 | 59,296 | 36,691 | 210,245 | 59,296 | 36,691 |
| Other assets | 12 | 2,238,899 | 536,781 | 557,590 | 2,167,910 | 496,295 | 498,112 |
| Total assets | | 111,309,769 | 98,006,035 | 94,824,074 | 104,550,253 | 92,987,495 | 92,081,637 |
| LIABILITIES | | | | | | | |
| Deposits from banks | 14 | 217,281 | 115,946 | 218,252 | 271,802 | 214,657 | 262,531 |
| Deposits from non-bank customers | 15 | 83,016,635 | 76,158,615 | 70,888,333 | 81,276,155 | 75,533,152 | 70,396,081 |
| Other borrowed funds | 16 | 6,110,051 | 2,924,795 | 7,124,674 | 6,110,051 | 2,924,795 | 7,124,674 |
| Trading liabilities | 7 | 238,555 | 170,025 | 141,216 | 238,469 | 169,999 | 141,209 |
| Current tax liabilities | | 247,198 | 287,931 | 176,292 | 246,591 | 287,558 | 171,701 |
| Deferred tax liabilities | 17b | - | 28,327 | 72,978 | - | 28,290 | 72,876 |
| Other liabilities | 18 | 2,169,720 | 1,072,072 | 1,031,188 | 2,049,520 | 973,184 | 941,320 |
| Subordinated debts | 40 | 4,200 | - | - | 4,200 | - | - |
| Total liabilities | | 92,003,640 | 80,757,711 | 79,652,933 | 90,196,788 | 80,131,635 | 79,110,392 |
| SHAREHOLDERS' EQUITY | | | | | | | |
| Share capital | 19 | 303,740 | 303,740 | 303,740 | 303,740 | 303,740 | 303,740 |
| Retained earnings | | 16,934,862 | 14,660,857 | 12,807,549 | 15,468,213 | 13,405,785 | 10,155,831 |
| Other reserves | | 4,400,813 | 4,617,013 | 4,393,138 | 914,798 | 1,479,621 | 4,844,960 |
| | | 21,639,415 | 19,581,610 | 17,504,427 | 16,686,751 | 15,189,146 | 15,304,531 |
| Less treasury shares | | (2,333,286) | (2,333,286) | (2,333,286) | (2,333,286) | (2,333,286) | (2,333,286) |
| Total equity attributable to equity holders of the parent | | 19,306,129 | 17,248,324 | 15,171,141 | 14,353,465 | 12,855,860 | 12,971,245 |
| Total equity and liabilities | | 111,309,769 | 98,006,035 | 94,824,074 | 104,550,253 | 92,987,495 | 92,081,637 |

Approved by the Board of Directors and authorised for issue on 15 March 2014.


Jairaj Sonoo, C.S.K.
Chief Executive


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 EIGHTEEN MONTHS ENDED 31 DECEMBER 2013

| | Note | Group | | | Bank | | |
|---|------|--|--|--|--|--|--|
| | | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 (Restated) | 12 months ended 30 June 2011 (Restated) | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 (Restated) | 12 months ended 30 June 2011 (Restated) |
| | | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| Interest income | | 9,333,865 | 5,897,800 | 4,901,190 | 9,095,940 | 5,687,956 | 4,727,620 |
| Interest expense | | (3,417,785) | (2,699,107) | (2,402,661) | (3,302,038) | (2,593,942) | (2,317,247) |
| Net interest income | 25 | 5,916,080 | 3,198,693 | 2,498,529 | 5,793,902 | 3,094,014 | 2,410,373 |
| Fee and commission income | | 1,579,549 | 1,187,424 | 919,750 | 1,486,003 | 1,121,496 | 859,310 |
| Fee and commission expense | | (45,283) | (32,525) | (39,402) | (42,719) | (30,805) | (37,469) |
| Net fee and commission income | 26 | 1,534,266 | 1,154,899 | 880,348 | 1,443,284 | 1,090,691 | 821,841 |
| Dividend income | 27 | 823,026 | 230,714 | 219,821 | 871,403 | 1,699,771 | 221,101 |
| Net trading income | 28 | 575,464 | 449,810 | 490,286 | 497,143 | 447,288 | 441,373 |
| Other operating income | 29 | 460,200 | 34,094 | 115,526 | 460,122 | 11,806 | 1,169 |
| Non interest income | | 3,392,956 | 1,869,517 | 1,705,981 | 3,271,952 | 3,249,556 | 1,485,484 |
| Operating income | | 9,309,036 | 5,068,210 | 4,204,510 | 9,065,854 | 6,343,570 | 3,895,857 |
| Personnel expenses | 30 | (1,719,604) | (992,133) | (909,364) | (1,666,645) | (964,045) | (884,730) |
| Depreciation and amortisation | | (219,690) | (134,294) | (141,478) | (214,316) | (135,504) | (141,354) |
| Other expenses | 31 | (1,010,898) | (497,085) | (404,545) | (942,473) | (451,425) | (362,820) |
| Non interest expense | | (2,950,192) | (1,623,512) | (1,455,387) | (2,823,434) | (1,550,974) | (1,388,904) |
| Profit before net impairment loss on financial assets | | 6,358,844 | 3,444,698 | 2,749,123 | 6,242,420 | 4,792,596 | 2,506,953 |
| Net impairment loss on financial assets | 32 | (830,273) | (253,560) | (319,255) | (829,086) | (173,897) | (220,390) |
| Operating profit | | 5,528,571 | 3,191,138 | 2,429,868 | 5,413,334 | 4,618,699 | 2,286,563 |
| Share of profit of associates | 9 | 141,671 | 81,515 | 87,027 | - | - | - |
| Profit before income tax | | 5,670,242 | 3,272,653 | 2,516,895 | 5,413,334 | 4,618,699 | 2,286,563 |
| Tax expense | 17a | (905,838) | (619,258) | (467,902) | (867,302) | (568,658) | (423,749) |
| Profit for the period attributable to equity holders of the parent | | 4,764,404 | 2,653,395 | 2,048,993 | 4,546,032 | 4,050,041 | 1,862,814 |
| Earnings per share (Cents) | 33 | 18.45 | 10.28 | 7.94 | | | |

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013

| | Note | Group | | | Bank | | |
|--|------|--|--|--|--|--|--|
| | | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 (Restated) | 12 months ended 30 June 2011 (Restated) | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 (Restated) | 12 months ended 30 June 2011 (Restated) |
| | | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| Profit for the period attributable to equity holders of the parent | | 4,764,404 | 2,653,395 | 2,048,993 | 4,546,032 | 4,050,041 | 1,862,814 |
| Other comprehensive income : | | | | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | | | | | |
| Deferred tax on revaluation surplus of property | | - | 13,484 | (13,484) | - | 13,484 | (13,484) |
| Deferred tax on disposal of property | | 200 | - | - | 200 | - | - |
| Effect of change in deferred tax rate | | (804) | - | - | (804) | - | - |
| Share of other comprehensive income of associates | | (5,668) | 5,687 | (812) | - | - | - |
| | | (6,272) | 19,171 | (14,296) | (604) | 13,484 | (13,484) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | | | |
| Exchange differences on translation of foreign operations | | (443,034) | (328,183) | (338,949) | (520,100) | (252,980) | (143,689) |
| Increase in value of available-for-sale investments | | 552,536 | 441,214 | 289,469 | 282,106 | 148,294 | 490,495 |
| Fair value realised on disposal of available-for-sale investments | | (357,127) | (21,524) | 75,181 | (357,127) | (3,387,334) | - |
| | | (247,625) | 91,507 | 25,701 | (595,121) | (3,492,020) | 346,806 |
| Other comprehensive (loss)/income | | (253,897) | 110,678 | 11,405 | (595,725) | (3,478,536) | 333,322 |
| Total comprehensive income attributable to equity holders of the parent | | 4,510,507 | 2,764,073 | 2,060,398 | 3,950,307 | 571,505 | 2,196,136 |

STATEMENTS OF CHANGES IN EQUITY FOR
THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013

| Group | Share capital Rs' 000 | Treasury shares Rs' 000 | Reserve arising on share buy back Rs' 000 | Statutory reserve Rs' 000 | Revenue reserve (Restated) Rs' 000 | Capital conservation reserve Rs' 000 | Net unrealised investment fair value reserve Rs' 000 | Net property revaluation reserve (Restated) Rs' 000 | Net translation reserve Rs' 000 | Net other reserve Rs' 000 | Total equity Rs' 000 |
|--|--------------------------|----------------------------|--|------------------------------|---------------------------------------|---|---|--|------------------------------------|------------------------------|-------------------------|
| At 01 July 2010 | 303,740 | (2,333,286) | 236,071 | 485,533 | 11,549,159 | - | 2,696,261 | 1,522,469 | 122,566 | 73,483 | 14,655,996 |
| - As previously stated | | | | | | | | | | | |
| - Reversal of revaluation of buildings on leasehold land | - | - | - | - | - | - | - | (1,043,502) | - | - | (1,043,502) |
| - Adjustment of supplementary depreciation | - | - | - | - | - | - | - | (172,582) | - | - | (172,582) |
| - Reversal of portfolio provision, net of tax | - | - | - | - | 333,452 | - | - | - | - | - | 333,452 |
| - Transfer to capital conservation reserve | - | - | - | - | (392,297) | 392,297 | - | - | - | - | - |
| - As restated | | | | | | | | | | | |
| Profit for the year | 303,740 | (2,333,286) | 236,071 | 485,533 | 11,490,314 | 392,297 | 2,696,261 | 306,385 | 122,566 | 73,483 | 13,773,364 |
| Other comprehensive income for the year | - | - | - | - | 2,048,993 | - | - | - | - | - | 2,048,993 |
| Reversal of portfolio provision, net of tax | - | - | - | - | 47,372 | - | 364,650 | (13,484) | (338,949) | (812) | 11,405 |
| Transfer to capital conservation reserve | - | - | - | - | (55,732) | 55,732 | - | - | - | - | 47,372 |
| Transfer to retained earnings | - | - | - | - | 5,634 | - | - | (5,634) | - | - | - |
| Transfer to statutory reserve | - | - | - | 19,039 | (19,039) | - | - | - | - | - | - |
| Dividend | - | - | - | - | (709,993) | - | - | - | - | - | (709,993) |
| At 30 June 2011 (as Restated) | 303,740 | (2,333,286) | 236,071 | 504,572 | 12,807,549 | 448,029 | 3,060,911 | 287,267 | (216,383) | 72,671 | 15,171,141 |
| At 01 July 2011 | 303,740 | (2,333,286) | 236,071 | 504,572 | 12,807,549 | 448,029 | 3,060,911 | 287,267 | (216,383) | 72,671 | 15,171,141 |
| Profit for the year | - | - | - | - | 2,653,395 | - | - | - | - | - | 2,653,395 |
| Other comprehensive income for the year | - | - | - | - | 87,648 | - | 419,690 | 13,484 | (328,183) | 5,687 | 110,678 |
| Reversal of portfolio provision, net of tax | - | - | - | - | (103,116) | 103,116 | - | - | - | - | 87,648 |
| Transfer to capital conservation reserve | - | - | - | - | 5,480 | - | - | (5,480) | - | - | - |
| Transfer to retained earnings | - | - | - | - | (15,561) | - | - | - | - | - | - |
| Transfer to statutory reserve | - | - | - | 15,561 | (15,561) | - | - | - | - | - | - |
| Dividend | - | - | - | - | (774,538) | - | - | - | - | - | (774,538) |
| At 30 June 2012 (as Restated) | 303,740 | (2,333,286) | 236,071 | 520,133 | 14,660,857 | 551,145 | 3,480,601 | 295,271 | (544,566) | 78,358 | 17,246,324 |
| At 01 July 2012 | 303,740 | (2,333,286) | 236,071 | 520,133 | 14,660,857 | 551,145 | 3,480,601 | 295,271 | (544,566) | 78,358 | 17,246,324 |
| Profit for the period | - | - | - | - | 4,764,404 | - | - | - | - | - | 4,764,404 |
| Other comprehensive income for the period | - | - | - | - | - | - | 195,409 | (604) | (443,034) | (5,668) | (253,897) |
| Revaluation reserve realised on disposal of property | - | - | - | - | 6,749 | - | - | (6,749) | - | - | - |
| Transfer to retained earnings | - | - | - | - | 7,767 | - | - | (7,767) | - | - | - |
| Transfer to statutory reserve | - | - | - | 52,213 | (52,213) | - | - | - | - | - | - |
| Dividend | - | - | - | - | (2,452,702) | - | - | - | - | - | (2,452,702) |
| At 31 December 2013 | 303,740 | (2,333,286) | 236,071 | 572,346 | 16,924,862 | 551,145 | 3,676,010 | 280,151 | (987,600) | 72,690 | 19,306,129 |

STATEMENTS OF CHANGES IN EQUITY FOR
THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

| Bank | Share capital Rs' 000 | Treasury shares Rs' 000 | Statutory reserve Rs' 000 | Revenue reserve (Restated) Rs' 000 | Capital conservation reserve Rs' 000 | Net unrealised investment fair value reserve Rs' 000 | Net property revaluation reserve (Restated) Rs' 000 | Net translation reserve Rs' 000 | Total equity Rs' 000 |
|--|--------------------------|----------------------------|------------------------------|---------------------------------------|---|---|--|------------------------------------|-------------------------|
| At 01 July 2010 | 303,740 | (2,333,286) | 448,843 | 9,076,644 | - | 3,169,462 | 1,522,469 | 132,490 | 12,320,362 |
| - As previously stated | | | | | | | | | |
| - Reversal of revaluation of buildings on leasehold land | - | - | - | - | - | - | (1,043,502) | - | (1,043,502) |
| - Adjustment of supplementary depreciation | - | - | - | - | - | - | (172,582) | - | (172,582) |
| - Reversal of portfolio provision, net of tax | - | - | - | 333,452 | - | - | - | - | 333,452 |
| - Transfer to capital conservation reserve | - | - | - | (392,297) | 392,297 | - | - | - | - |
| - As restated | | | | | | | | | |
| Profit for the year | 303,740 | (2,333,286) | 448,843 | 9,017,799 | 392,297 | 3,169,462 | 306,385 | 132,490 | 11,437,730 |
| Other comprehensive income for the year | - | - | - | 1,862,814 | - | - | - | - | 1,862,814 |
| Reversal of portfolio provision, net of tax | - | - | - | 47,372 | - | 490,495 | (13,484) | (143,689) | 333,322 |
| Transfer to capital conservation reserve | - | - | - | (55,732) | 55,732 | - | - | - | 47,372 |
| Transfer to retained earnings | - | - | - | 5,634 | - | - | (5,634) | - | - |
| Transfer to statutory reserve | - | - | 12,063 | (12,063) | - | - | - | - | - |
| Dividend | - | - | - | (709,993) | - | - | - | - | (709,993) |
| At 30 June 2011 (as Restated) | 303,740 | (2,333,286) | 460,906 | 10,155,831 | 448,029 | 3,659,957 | 287,267 | (11,199) | 12,971,245 |
| At 01 July 2011 (as Restated) | 303,740 | (2,333,286) | 460,906 | 10,155,831 | 448,029 | 3,659,957 | 287,267 | (11,199) | 12,971,245 |
| Profit for the year | - | - | - | 4,050,041 | - | - | - | - | 4,050,041 |
| Other comprehensive income for the year | - | - | - | 87,648 | - | (3,239,040) | 13,484 | (252,980) | (3,478,536) |
| Reversal of portfolio provision, net of tax | - | - | - | (103,116) | 103,116 | - | - | - | 87,648 |
| Transfer to capital conservation reserve | - | - | - | 5,480 | - | - | (5,480) | - | - |
| Transfer to retained earnings | - | - | 15,561 | (15,561) | - | - | - | - | - |
| Transfer to statutory reserve | - | - | - | (774,538) | - | - | - | - | (774,538) |
| Dividend | - | - | - | - | - | - | - | - | - |
| At 30 June 2012 (as Restated) | 303,740 | (2,333,286) | 476,467 | 13,405,785 | 551,145 | 420,917 | 295,271 | (264,179) | 12,855,860 |
| At 01 July 2012 | 303,740 | (2,333,286) | 476,467 | 13,405,785 | 551,145 | 420,917 | 295,271 | (264,179) | 12,855,860 |
| Profit for the period | - | - | - | 4,546,032 | - | - | - | - | 4,546,032 |
| Other comprehensive income for the period | - | - | - | - | - | (75,021) | (604) | (520,100) | (595,725) |
| Revaluation reserve realised on disposal of property | - | - | - | 6,749 | - | - | (6,749) | - | - |
| Transfer to retained earnings | - | - | - | 7,767 | - | - | (7,767) | - | - |
| Transfer to statutory reserve | - | - | 45,418 | (45,418) | - | - | - | - | - |
| Dividend | - | - | - | (2,452,702) | - | - | - | - | (2,452,702) |
| At 31 December 2013 | 303,740 | (2,333,286) | 521,885 | 15,448,213 | 551,145 | 345,896 | 280,151 | (784,279) | 14,353,465 |

STATEMENTS OF CASHFLOWS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013

| | Note | Group | | | Bank | | |
|---|------|--|--|--|--|--|--|
| | | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 (Restated) | 12 months ended 30 June 2011 (Restated) | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 (Restated) | 12 months ended 30 June 2011 (Restated) |
| | | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| Net cash (used in) / from operating activities | 34 | (932,784) | 5,322,990 | (3,262,081) | (3,314,695) | 5,259,905 | (2,924,988) |
| Cash flows from / (used in) financing activities | | | | | | | |
| Increase in other borrowed funds | | 3,185,256 | (4,199,879) | 5,041,385 | 3,185,256 | (4,199,879) | 5,041,385 |
| Increase in subordinated debts | | 4,200 | - | - | 4,200 | - | - |
| Dividend paid on ordinary shares | | (1,936,344) | (774,538) | (709,993) | (1,936,344) | (774,538) | (709,993) |
| Net cash from / (used in) financing activities | | 1,253,112 | (4,974,417) | 4,331,392 | 1,253,112 | (4,974,417) | 4,331,392 |
| Cash flows (used in) / from investing activities | | | | | | | |
| Acquisition of property and equipment | | (218,384) | (65,136) | (111,970) | (215,418) | (61,664) | (107,825) |
| Acquisition of intangible assets | | (589,351) | (56,695) | (3,935) | (589,332) | (56,423) | (3,935) |
| Disposal of property and equipment | | 812 | 856 | 4,997 | 31,384 | 856 | 4,997 |
| Disposal of intangible assets | | - | 272 | - | - | - | - |
| Dividend received from associate and subsidiaries | | 38,583 | 7,250 | 6,500 | 516,000 | 251,078 | 6,500 |
| Investment in subsidiary | | - | - | - | (1,210) | (25) | (25) |
| Dividend in specie realised into cash | | - | - | - | 1,446,146 | - | - |
| Acquisition of other equity investments | | (6,174) | (41,205) | (2,976) | - | (33,664) | - |
| Disposal of investment in associate | | - | - | - | - | 14,000 | - |
| Disposal of other equity investments | | 361,325 | 55,058 | 280,673 | 394,989 | 62,582 | - |
| Net cash (used in) / from investing activities | | (413,189) | (99,600) | 173,289 | 1,582,559 | 176,740 | (100,288) |
| Net change in cash and cash equivalents | | (92,861) | 248,973 | 1,242,600 | (479,024) | 462,228 | 1,306,116 |
| Cash and cash equivalents at 01 July | | 6,993,395 | 6,744,422 | 5,501,822 | 6,964,275 | 6,502,047 | 5,195,931 |
| Cash and cash equivalents at end of period | | 6,900,534 | 6,993,395 | 6,744,422 | 6,485,251 | 6,964,275 | 6,502,047 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013

1. General information

State Bank of Mauritius Ltd ("SBM") is a public company incorporated and domiciled in Mauritius. SBM is listed on the Stock Exchange of Mauritius. The address of its registered office is State Bank 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 period, 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 July 2012.

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 to revise the way other comprehensive income is presented

IAS 12 Income Taxes - Limited scope amendment (recovery of underlying assets)

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 Annual Improvements 2009-2011 cycle (comparative information) (effective 1 January 2013) |
| IAS 16 | Property, plant and equipment – Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment) (effective 1 January 2013) |
| 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 19 | Employee Benefits – Amended standard resulting from the post-employment benefits and termination benefits projects (effective 1 January 2013) |
| 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 24 | Related Party Disclosures – Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities) (effective 1 July 2014) |
| IAS 27 | Separate Financial Statements (effective 1 January 2013) |
| IAS 27 | Separate Financial Statements – Amendments for investment entities (effective 1 January 2014) |
| IAS 28 | Investments in Associates and Joint ventures (effective 1 January 2013) |
| IAS 32 | Financial Instruments: Presentation – Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions) (effective 1 January 2013) |

STATE BANK OF MAURITIUS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

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

| | |
|---------|--|
| IAS 32 | Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities (effective 1 January 2014) |
| IAS 34 | Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets) (effective 1 January 2013) |
| IAS 36 | Impairment of Assets - Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014) |
| IAS 38 | Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation) (effective 1 July 2014) |
| IAS 39 | Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives (effective 1 January 2014) |
| IFRS 7 | Financial Instruments: Disclosures - Amendments relating to the offsetting of assets and liabilities (effective 1 January 2013) |
| IFRS 7 | Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective when IFRS 9 is applied) |
| IFRS 9 | Financial Instruments - Classification and measurement of financial assets (effective 1 January 2017) |
| IFRS 9 | Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements (effective 1 January 2017) |
| IFRS 9 | Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2017) |
| IFRS 9 | Financial Instruments - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2017) |
| IFRS 10 | Consolidated Financial Statements (effective 1 January 2013) |
| IFRS 10 | Consolidated Financial Statements - Amendments to transitional guidance (effective 1 January 2013) |
| IFRS 10 | Consolidated Financial Statements - Amendments to investment entities (effective 1 January 2014) |
| IFRS 12 | Disclosure of Interests in Other Entities (effective 1 January 2013) |
| IFRS 12 | Disclosure of Interests in Other Entities - Amendments to transitional guidance (effective 1 January 2013) |
| IFRS 12 | Disclosure of Interests in Other Entities - Amendments for Investment Entities (effective 1 January 2014) |
| IFRS 13 | Fair Value Measurement (effective 1 January 2013) |
| IFRS 13 | Fair Value Measurement - Amendments resulting from Annual Improvements 2010-2012 Cycle (short-term receivables and payables) (Amendments to basis for conclusions only) (effective 1 July 2014) |
| IFRS 13 | Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52) (effective 1 July 2014) |

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

STATE BANK OF MAURITIUS LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

3. Accounting policies

The principal accounting policies adopted by the Group and the Bank are as follows:

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain property, plant and equipment and financial instruments that are measured at revalued amounts or fair value as explained in the accounting policies below. The consolidated financial statements are presented in the Mauritian Rupee, which is the Bank's functional and presentation currency.

(b) Basis of consolidation

The consolidated financial statements include the state of affairs and results of the Bank and those of its subsidiaries and its associates. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. 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.

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.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in the *Statement of profit or loss*; its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Gains and losses arising from disposal of investments in associates are recorded as *Other operating income* in the *Statement of profit or loss*.

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 EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

3. Accounting policies (Cont'd)

(c) Revenue recognition

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

Interest income is generally recognised on interest-earning financial assets using the effective interest method.

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

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

(d) Foreign currency translation

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

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

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

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

(iv) Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the *Statement of profit or loss* 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*, any exchange component of that gain or loss shall be recognised in the *Statement of profit or loss*.

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

| | 31 December 2013 | 30 June 2012 | 30 June 2011 |
|---------------|---------------------|-----------------|-----------------|
| USD / MUR | 30.00 | 30.93 | 28.52 |
| INR / MUR | 0.485 | 0.556 | 0.638 |
| 100 MGA / MUR | 1.351 | 1.426 | 1.478 |

Their statements of income are translated into Mauritian Rupees at weighted average rates.

Any translation differences arising are classified as equity and transferred to the *Net translation reserve*. Such translation differences are recognised in the *Statement of profit or loss* as part of *Other operating income* in the period in which the foreign entity is disposed of.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

3. Accounting policies (Cont'd)

(e) Investment securities

Investment securities are classified into the following 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.

Investment securities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of the financial assets (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit.

(i) Investment securities at fair value through profit or loss (FVTPL)

Investment securities 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* as *Net trading income*. Interest earned on the financial asset is included in Interest income line while dividend received is included in the *Dividend income* line item in the *Statement of profit or loss*.

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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

3. Accounting policies (Cont'd)

(e) Investment securities (Cont'd)

The fair values of the AFS investment securities are subsequently remeasured based on quoted market prices in active markets or estimated using dividend growth 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.

In the Bank's separate financial statements, the equity investments in subsidiaries are classified as AFS and are measured at cost.

(f) 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 (ab) for further details on hedge accounting. Allowance for credit impairment consists of specific and portfolio allowances.

Specific allowances are made on impaired advances and are calculated as the shortfall between the carrying amounts of the advances and their recoverable amounts. The recoverable amount is the present value of expected future cash flows discounted at the original effective interest rate of the advance.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

3. Accounting policies (Cont'd)

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

(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.

(g) 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*.

(h) 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.

(i) 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.

(j) 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*.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

3. Accounting policies (Cont'd)

(j) Impairment of financial assets (Cont'd)

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*.

(k) Financial liabilities

Financial liabilities include deposits from banks and non-bank customers, other borrowed funds, subordinated debts and other liabilities. Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognized when the Group's obligations are discharged, cancelled or they expire.

(l) 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.

(m) Property and equipment

Property and equipment are stated at cost (except for freehold land and buildings) less accumulated depreciation and any cumulative impairment loss. Freehold land is stated at revalued amounts and freehold buildings are stated at revalued amounts less accumulated depreciation and any impairment loss.

It is the Group's policy to revalue its freehold land and buildings at least every five years by independent valuers. Any revaluation surplus is credited to the *Net property revaluation reserve*. Any revaluation decrease is first charged directly against 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

3. Accounting policies (Cont'd)

(m) Property and equipment (Cont'd)

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*.

(n) 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.

(o) 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.

(p) Leasing

(i) *The Group and Bank as lessor*

Amounts due from lessees under finance leases are recorded as loans and advances in the *Statement of financial position* at the amount of the Bank/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 and Bank as lessee*

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

3. Accounting policies (Cont'd)

(p) Leasing (Cont'd)

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.

(q) Borrowing costs

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

(r) 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.

(s) Cash and cash equivalents

For the purposes of the Statement of cash flows, cash and cash equivalents comprise cash, balances with banks, loans to and placements with banks having an original maturity of up to 3 months.

(t) Acceptances

Acceptances are obligations to pay on due dates the bills of exchange drawn on customers and accepted by them. 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 as contingent liabilities.

(u) Financial guarantee contracts

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.

(v) Deferred taxation

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

3. Accounting policies (Cont'd)

(w) Employee benefits

(i) *Pension benefits for eligible participating employees*

Eligible participating employees are entitled to retirement pensions under the SBM Group Pension Fund, a defined benefit scheme. The retirement age is 60. The cost of providing benefits is determined using the projected unit credit method. The assets of the scheme are managed presently by the SBM Mauritius Asset Managers Ltd.

The net total of the present value of funded obligations, the fair value of plan assets, any unrecognised actuarial gains and losses and any unrecognised past service cost is recognised in the *Statement of financial position* either as a liability (if there is a deficit) or as an asset (if there is a surplus). Any asset resulting is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

The current service cost and any recognised past service cost are included as an expense together with the associated interest cost, net of expected return on plan assets.

A portion of the actuarial gains and losses will be recognised as income or expense if the net cumulative actuarial gains and losses at the end of the previous financial year exceeded the greater of:

- 10% of the present value of the defined benefit obligation at that date; and
- 10% of the fair value of any plan assets at that date.

(ii) *Pension benefits for employees under term contracts*

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

(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 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.

(x) Share capital

(i) *Share issue costs*

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

3. Accounting policies (Cont'd)

(x) Share capital (Cont'd)

(iii) 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*.

(iii) Treasury shares

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

(y) Related parties

For the purposes of these financial statements, parties are considered to be related to the 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.

(z) Segmental reporting

Segmental reporting is based on the internal reports regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess their performance. The operating segments are the banking, the non-bank financial institutions and the other non financial institutions segments. Only the banking segment is a reportable segment.

(aa) Comparative figures

Where necessary, comparative figures are restated or reclassified to conform to the current year's presentation and to the changes in accounting policies (*see note 2*).

(ab) 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).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

3. Accounting policies (Cont'd)

(ab) Hedge accounting (Cont'd)

(i) Fair value hedges (Cont'd)

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

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

(ii) Cash flow hedges

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

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

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

(iii) Hedge of net investment in a foreign operation

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

(ac) Non-current assets held for sale

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

5. Cash and cash equivalents

| | Group | | | Bank | | |
|---|---------------------|-----------------|-----------------|---------------------|-----------------|-----------------|
| | 31 December 2013 | 30 June 2012 | 30 June 2011 | 31 December 2013 | 30 June 2012 | 30 June 2011 |
| | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| Cash in hand | 2,151,863 | 753,536 | 807,099 | 2,151,863 | 753,536 | 807,099 |
| Foreign currency notes and coins | 188,548 | 127,747 | 114,083 | 156,607 | 95,204 | 86,354 |
| Unrestricted balances with central banks ¹ | 1,263,162 | 1,066,193 | 595,619 | 885,395 | 1,066,193 | 403,301 |
| Loans and placements with banks ² | 878,166 | 3,929,706 | 4,654,142 | 878,166 | 3,936,128 | 4,645,940 |
| Balances with banks | 2,418,795 | 1,116,213 | 573,479 | 2,413,220 | 1,113,214 | 559,353 |
| | 6,900,534 | 6,993,395 | 6,744,422 | 6,485,251 | 6,964,275 | 6,502,047 |

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

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

6. Loans to and placements with banks

| | Group and Bank | | |
|--|---------------------|-----------------|-----------------|
| | 31 December 2013 | 30 June 2012 | 30 June 2011 |
| | Rs' 000 | Rs' 000 | Rs' 000 |
| Loans to and placements with banks in Mauritius | 165,746 | - | - |
| outside Mauritius | 766,682 | 1,511,936 | 943,359 |
| | 932,428 | 1,511,936 | 943,359 |
| a. Remaining term to maturity | | | |
| Up to 3 months | 106,700 | 111,152 | - |
| Over 3 months and up to 6 months | 299,767 | 700,171 | 285,722 |
| Over 6 months and up to 12 months | 525,961 | 390,295 | 371,324 |
| Over 1 year and up to 2 years | - | 310,318 | 286,313 |
| | 932,428 | 1,511,936 | 943,359 |

7. Trading assets

| | Group | | | Bank | | |
|----------------------------|---------------------|-----------------|-----------------|---------------------|-----------------|-----------------|
| | 31 December 2013 | 30 June 2012 | 30 June 2011 | 31 December 2013 | 30 June 2012 | 30 June 2011 |
| | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| Government securities | 893 | 41,119 | 13,465 | 893 | 41,119 | 13,465 |
| Equities | 1,742 | 12,324 | 985 | 1,742 | 12,324 | 985 |
| Derivative assets | 246,936 | 216,089 | 134,664 | 246,869 | 216,055 | 134,664 |
| | 249,571 | 269,532 | 149,114 | 249,504 | 269,498 | 149,114 |
| Trading liabilities | | | | | | |
| Derivative liabilities | 238,555 | 170,025 | 141,216 | 238,469 | 169,999 | 141,209 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

7. Trading assets (Cont'd)

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

| Group | Notional Principal Amount Rs' 000 | Fair Values | | |
|------------------------------|--|-------------------|------------------------|----------------|
| | | Assets Rs' 000 | Liabilities Rs' 000 | Net Rs' 000 |
| 31 December 2013 | | | | |
| 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 |
| 30 June 2012 | | | | |
| 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 |
| 30 June 2011 | | | | |
| Foreign exchange contracts | 20,812,480 | 124,363 | (135,548) | (11,185) |
| Interest rate swap contracts | 4,492,912 | 8,258 | (3,625) | 4,633 |
| Other derivative contracts | 204,290 | 2,043 | (2,043) | - |
| | 25,509,682 | 134,664 | (141,216) | (6,552) |

| Bank | Notional Principal Amount Rs' 000 | Fair Values | | |
|------------------------------|--|-------------------|------------------------|----------------|
| | | Assets Rs' 000 | Liabilities Rs' 000 | Net Rs' 000 |
| 31 December 2013 | | | | |
| Foreign exchange contracts | 22,791,844 | 239,610 | (231,980) | 7,630 |
| Interest rate swap contracts | 141,141 | 139 | (368) | (229) |
| Other derivative contracts | 925,640 | 7,120 | (6,121) | 999 |
| | 23,858,625 | 246,869 | (238,469) | 8,400 |
| 30 June 2012 | | | | |
| Foreign exchange contracts | 18,479,926 | 205,207 | (162,886) | 42,321 |
| Interest rate swap contracts | 3,958,095 | 3,410 | (1,327) | 2,083 |
| Other derivative contracts | 1,345,982 | 7,438 | (5,786) | 1,652 |
| | 23,784,003 | 216,055 | (169,999) | 46,056 |
| 30 June 2011 | | | | |
| Foreign exchange contracts | 18,945,760 | 124,363 | (135,541) | (11,178) |
| Interest rate swap contracts | 4,492,912 | 8,258 | (3,625) | 4,633 |
| Other derivative contracts | 204,290 | 2,043 | (2,043) | - |
| | 23,642,962 | 134,664 | (141,209) | (6,545) |

* Foreign exchange contracts include forward and spot contracts

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

8. Loans and advances to non-bank customers

| | Group | | | Bank | | |
|--------------------------------------|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Retail customers | | | | | | |
| Credit cards | 501,113 | 414,595 | 358,563 | 501,113 | 414,595 | 358,563 |
| Mortgages | 16,414,566 | 12,616,986 | 9,419,961 | 16,414,566 | 12,616,986 | 9,419,961 |
| Other retail loans | 10,808,719 | 8,045,760 | 6,736,757 | 10,808,719 | 8,045,760 | 6,736,757 |
| Corporate customers | 32,628,569 | 30,599,806 | 23,582,800 | 32,628,569 | 30,902,840 | 23,582,800 |
| Governments | - | 5,985 | 2,397 | - | 5,985 | 2,397 |
| Entities outside Mauritius | 10,771,925 | 11,848,560 | 17,904,358 | 10,415,344 | 11,219,197 | 17,030,912 |
| | 71,124,892 | 63,531,692 | 58,004,836 | 70,768,311 | 63,205,363 | 57,131,390 |
| Less allowance for credit impairment | (1,031,626) | (707,074) | (815,506) | (991,734) | (636,789) | (631,023) |
| | 70,093,266 | 62,824,618 | 57,189,330 | 69,776,577 | 62,568,574 | 56,500,367 |

| | | | | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| a. Remaining term to maturity | | | | | | |
| Up to 3 months | 12,073,873 | 13,298,845 | 14,498,822 | 11,876,328 | 13,195,701 | 14,201,263 |
| Over 3 months and up to 6 months | 2,589,821 | 4,200,528 | 7,191,512 | 2,510,272 | 4,503,118 | 7,191,494 |
| Over 6 months and up to 12 months | 4,646,260 | 3,286,480 | 3,292,642 | 4,585,534 | 3,039,554 | 3,084,333 |
| Over 1 year and up to 2 years | 3,673,711 | 2,045,957 | 1,961,741 | 3,665,047 | 2,023,577 | 1,692,488 |
| Over 2 years and up to 5 years | 16,090,380 | 12,556,442 | 10,399,251 | 16,081,037 | 12,300,112 | 10,301,098 |
| Over 5 years | 32,050,847 | 28,143,440 | 20,660,869 | 32,050,093 | 28,143,301 | 20,660,714 |
| | 71,124,892 | 63,531,692 | 58,004,836 | 70,768,311 | 63,205,363 | 57,131,390 |

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 and Bank | | | |
|--|-------------------------|---|--------------------------|------------------|
| | Up to 1 year Rs' 000 | After 1 year and up to 5 years Rs' 000 | After 5 years Rs' 000 | Total Rs' 000 |
| 31 December 2013 | | | | |
| Gross investment in finance leases | 667,576 | 1,515,899 | 119,678 | 2,303,153 |
| Less: Unearned finance income | (174,365) | (179,956) | (6,181) | (360,502) |
| Present value of minimum lease payments | 493,211 | 1,335,943 | 113,497 | 1,942,651 |
| Allowance for impairment | | | | (43,431) |
| | | | | 1,899,220 |
| 30 June 2012 | | | | |
| Gross investment in finance leases | 551,113 | 1,249,696 | 105,569 | 1,906,378 |
| Less: Unearned finance income | (153,364) | (160,239) | (6,331) | (319,934) |
| Present value of minimum lease payments | 397,749 | 1,089,457 | 99,238 | 1,586,444 |
| Allowance for impairment | | | | (26,760) |
| | | | | 1,559,684 |
| 30 June 2011 | | | | |
| Gross investment in finance leases | 455,308 | 948,771 | 103,988 | 1,508,067 |
| Less: Unearned finance income | (127,634) | (134,852) | (7,275) | (269,761) |
| Present value of minimum lease payments | 327,674 | 813,919 | 96,713 | 1,238,306 |
| Allowance for impairment | | | | (21,735) |
| | | | | 1,216,571 |

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 EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

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

c. Allowance for credit impairment

| | Specific allowance for credit impairment Rs' 000 | Group Portfolio allowance for credit impairment Rs' 000 | Total Rs' 000 | Specific allowance for credit impairment Rs' 000 | Bank Portfolio allowance for credit impairment Rs' 000 | Total Rs' 000 |
|--|--|--|------------------|--|---|------------------|
| At 01 July 2010 | | | | | | |
| - As previously stated | 482,261 | 577,834 | 1,060,095 | 338,955 | 572,646 | 911,601 |
| - Transfer to reserve | - | (392,297) | (392,297) | - | (392,297) | (392,297) |
| - As restated | 482,261 | 185,537 | 667,798 | 338,955 | 180,349 | 519,304 |
| Exchange adjustment | 5,129 | (1,098) | 4,031 | (1,460) | (1,319) | (2,779) |
| Transfer to reserve | - | (55,732) | (55,732) | - | (55,732) | (55,732) |
| Loans written off | (53,185) | - | (53,185) | (43,949) | - | (43,949) |
| Allowance for credit impairment for the year | 115,084 | 137,510 | 252,594 | 81,515 | 132,664 | 214,179 |
| At 30 June 2011 (restated) | 549,289 | 266,217 | 815,506 | 375,061 | 255,962 | 631,023 |
| Exchange adjustment | (15,379) | (6,401) | (21,780) | (9,664) | (6,021) | (15,685) |
| Transfer to reserve | - | (103,116) | (103,116) | - | (103,116) | (103,116) |
| Loans written off | (223,441) | - | (223,441) | (80,478) | - | (80,478) |
| Allowance for credit impairment for the year | 144,531 | 95,374 | 239,905 | 119,343 | 85,702 | 205,045 |
| At 30 June 2012 (restated) | 455,000 | 252,074 | 707,074 | 404,262 | 232,527 | 636,789 |
| Exchange adjustment | (22,198) | (5,940) | (28,138) | (19,024) | (5,464) | (24,488) |
| Loans written off | (493,946) | - | (493,946) | (463,238) | - | (463,238) |
| Allowance for credit impairment for the period | 864,363 | (17,727) | 846,636 | 841,326 | 1,345 | 842,671 |
| At 31 December 2013 | 803,219 | 228,407 | 1,031,626 | 763,326 | 228,408 | 991,734 |

d. Allowance for credit impairment by industry sectors

| | 31 December 2013 | | | | | 30 June 2012 | 30 June 2011 |
|---------------------------------|--|------------------------------|--|---|--|--|--|
| Group | Gross amount of loans Rs' 000 | Impaired loans Rs' 000 | Specific allowance for credit impairment Rs' 000 | Portfolio allowance for credit impairment Rs' 000 | Total allowances for credit impairment Rs' 000 | Total allowances for credit impairment Rs' 000 | Total allowances for credit impairment Rs' 000 |
| Agriculture and fishing | 4,033,784 | - | 3,444 | 3,144 | 6,588 | 5,392 | 40,688 |
| Manufacturing | 5,669,647 | 52,174 | 37,996 | 75,354 | 113,350 | 128,508 | 169,896 |
| of which EPZ | 1,026,225 | 2,309 | 2,249 | 32,166 | 34,415 | 23,727 | 23,470 |
| Tourism | 12,849,992 | 14,162 | 7,846 | 6,726 | 14,572 | 8,165 | 15,556 |
| Transport | 1,827,122 | 3,341 | 2,479 | 769 | 3,248 | 2,578 | 8,200 |
| Construction | 3,634,683 | 214,056 | 125,803 | 41,109 | 166,912 | 116,877 | 98,073 |
| Financial and business services | 2,584,271 | - | - | 8,741 | 8,741 | 27,827 | 63,257 |
| Traders | 5,358,240 | 180,687 | 137,215 | 26,018 | 163,233 | 75,691 | 123,521 |
| Personal | 26,991,353 | 488,623 | 359,742 | 36,141 | 395,883 | 283,246 | 244,681 |
| of which credit cards | 470,979 | 36,647 | 36,647 | 8,510 | 45,157 | 18,539 | 15,317 |
| Professional | 258,466 | - | - | 684 | 684 | 393 | 16,966 |
| Global Business Licence holders | 1,919,604 | - | - | 6,440 | 6,440 | 9,466 | 6,859 |
| Others | 5,997,730 | 492,709 | 128,694 | 23,281 | 151,975 | 48,931 | 27,809 |
| | 71,124,892 | 1,445,752 | 803,219 | 228,407 | 1,031,626 | 707,074 | 815,506 |
| Bank | | | | | | | |
| Agriculture and fishing | 4,023,808 | - | 3,444 | 3,144 | 6,588 | 2,727 | 5,085 |
| Manufacturing | 5,650,132 | 52,174 | 37,996 | 75,354 | 113,350 | 106,362 | 137,614 |
| of which EPZ | 1,026,225 | 2,309 | 2,249 | 32,166 | 34,415 | 23,727 | 23,470 |
| Tourism | 12,849,992 | 14,162 | 7,846 | 6,726 | 14,572 | 8,165 | 15,556 |
| Transport | 1,827,122 | 3,341 | 2,479 | 769 | 3,248 | 2,578 | 8,200 |
| Construction | 3,634,683 | 214,056 | 125,803 | 41,109 | 166,912 | 116,608 | 87,634 |
| Financial and business services | 2,570,554 | - | - | 8,741 | 8,741 | 18,165 | 30,445 |
| Traders | 5,111,463 | 122,230 | 97,322 | 26,018 | 123,340 | 40,415 | 50,492 |
| Personal | 26,985,688 | 488,623 | 359,742 | 36,141 | 395,883 | 282,991 | 244,363 |
| of which credit cards | 470,979 | 36,647 | 36,647 | 8,510 | 45,157 | 18,539 | 15,317 |
| Professional | 197,756 | - | - | 684 | 684 | 393 | 16,966 |
| Global Business Licence holders | 1,919,604 | - | - | 6,440 | 6,440 | 9,466 | 6,859 |
| Others | 5,997,509 | 492,709 | 128,694 | 23,282 | 151,976 | 48,919 | 27,809 |
| | 70,768,311 | 1,387,295 | 763,326 | 228,408 | 991,734 | 636,789 | 631,023 |

Total impaired loans for 2012 for the Group and the Bank were Rs 678M (2011: Rs 811M) and Rs 582M (2011: Rs 571M) respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

9. Investment securities

Remaining term to maturity

| | 31 December 2013 | | | | | | | | | | |
|--|------------------------------|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|----------------------------|------------------------------------|------------------|----------------------------|----------------------------|
| | Up to 3 months Rs' 000 | 3-6 months Rs' 000 | 6-9 months Rs' 000 | 9-12 months Rs' 000 | 1-2 years Rs' 000 | 2-5 years Rs' 000 | Over 5 years Rs' 000 | No specific maturity Rs' 000 | Total Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Group | | | | | | | | | | | |
| (a) Held-to-maturity investment securities | | | | | | | | | | | |
| Government bonds and treasury notes | - | - | - | - | - | - | - | - | - | 861,955 | 687,977 |
| Treasury bills | - | - | - | - | - | - | - | - | - | 357,392 | 1,167,500 |
| Securities issued by government bodies | - | - | - | - | - | - | - | - | - | 54,998 | 63,823 |
| | - | - | - | - | - | - | - | - | - | 1,274,345 | 1,919,300 |
| (b) Investment securities - loans and receivables | | | | | | | | | | | |
| Government bonds and treasury notes | - | - | 101,353 | 788,778 | 2,565,366 | 4,012,505 | - | - | 7,468,002 | 4,770,385 | 4,855,497 |
| Treasury bills | 1,883,688 | 882,761 | 672,266 | 214,896 | - | - | - | - | 3,653,611 | 5,099,628 | 7,953,393 |
| Bank of Mauritius bills / notes | 975,747 | 89,261 | 361,409 | - | - | 801,096 | - | - | 2,227,513 | 593,556 | 1,662,712 |
| Corporate bonds | - | - | 104,120 | - | 145,976 | 200,128 | - | - | 450,224 | - | - |
| Other Central Bank bills | - | - | - | - | - | - | - | - | - | 83,652 | 461,290 |
| | 2,859,435 | 972,022 | 1,239,148 | 1,003,674 | 2,711,342 | 5,013,729 | - | - | 13,799,350 | 10,547,221 | 14,932,892 |
| (c) Available-for-sale investment securities | | | | | | | | | | | |
| Government bonds | 11,294 | - | - | - | - | 170,979 | 644,219 | - | 826,492 | 451,021 | - |
| Treasury bills / notes | 285,388 | 258,427 | 321,675 | - | - | - | - | - | 865,490 | - | - |
| Securities issued by government bodies | 345 | - | - | - | - | - | - | - | 345 | - | - |
| Equity shares of companies: | | | | | | | | | | | |
| - Investment in associates | - | - | - | - | - | - | - | 845,175 | 845,175 | 747,754 | 667,803 |
| - Other equity investments | - | - | - | - | - | - | - | 4,189,429 | 4,189,429 | 3,962,310 | 3,549,472 |
| Bank bonds | - | - | - | 33,374 | 367,439 | 1,148,738 | 162,455 | - | 1,712,006 | 1,903,716 | 1,623,754 |
| Corporate paper and preference shares | 255,418 | 227,569 | 91,153 | - | 120,568 | 277,742 | - | - | 972,450 | 544,424 | 877,628 |
| | 552,445 | 485,996 | 412,828 | 33,374 | 488,007 | 1,597,459 | 806,674 | 5,034,604 | 9,411,387 | 7,609,225 | 6,718,657 |
| Total investment securities | 3,411,880 | 1,458,018 | 1,651,976 | 1,037,048 | 3,199,349 | 6,611,188 | 806,674 | 5,034,604 | 23,210,737 | 19,430,791 | 23,570,849 |
| Bank | | | | | | | | | | | |
| (a) Held-to-maturity investment securities | | | | | | | | | | | |
| Government bonds and treasury notes | - | - | - | - | - | - | - | - | - | 861,955 | 687,977 |
| Treasury bills | - | - | - | - | - | - | - | - | - | 357,392 | 1,167,500 |
| Securities issued by government bodies | - | - | - | - | - | - | - | - | - | 54,998 | 63,823 |
| | - | - | - | - | - | - | - | - | - | 1,274,345 | 1,919,300 |
| (b) Investment securities - loans and receivables | | | | | | | | | | | |
| Government bonds and treasury notes | - | - | 101,353 | 788,778 | 2,565,366 | 4,012,505 | - | - | 7,468,002 | 4,770,385 | 4,855,497 |
| Treasury bills | 1,488,378 | 810,191 | 440,001 | 68,748 | - | - | - | - | 2,807,318 | 3,869,646 | 7,463,027 |
| Bank of Mauritius bills / notes | 975,747 | 89,261 | 196,185 | - | - | 801,096 | - | - | 2,062,288 | 593,556 | 1,662,712 |
| Corporate bonds | - | - | 104,120 | - | 145,976 | 200,128 | - | - | 450,224 | - | - |
| | 2,464,125 | 899,452 | 841,659 | 857,526 | 2,711,342 | 5,013,728 | - | - | 12,787,832 | 9,233,587 | 13,981,236 |
| (c) Available-for-sale investment securities | | | | | | | | | | | |
| Government bonds | 11,294 | - | - | - | - | 170,979 | 644,219 | - | 826,492 | 451,021 | - |
| Treasury bills / notes | 285,388 | 258,427 | 321,675 | - | - | - | - | - | 865,490 | - | - |
| Securities issued by government bodies | 345 | - | - | - | - | - | - | - | 345 | - | - |
| Equity shares of companies: | | | | | | | | | | | |
| - Investment in subsidiaries | - | - | - | - | - | - | - | 1,332 | 1,332 | 122 | 97 |
| - Investment in associates | - | - | - | - | - | - | - | - | - | - | 667,803 |
| - Other equity investments | - | - | - | - | - | - | - | 397,947 | 397,947 | 1,926,645 | 3,068,290 |
| Bank bonds | - | - | - | 33,374 | 367,439 | 1,148,738 | 162,455 | - | 1,712,006 | 1,903,716 | 1,623,754 |
| Corporate paper and preference shares | 255,418 | 227,569 | 91,153 | - | 120,568 | 277,742 | - | - | 972,450 | 544,424 | 877,628 |
| | 552,445 | 485,996 | 412,828 | 33,374 | 488,007 | 1,597,459 | 806,674 | 399,279 | 4,776,062 | 4,534,112 | 6,237,572 |
| Total investment securities | 3,016,570 | 1,385,448 | 1,254,487 | 890,900 | 3,199,349 | 6,611,187 | 806,674 | 399,279 | 17,563,894 | 15,042,044 | 22,138,108 |

As permitted by the Reserve Bank of India guidelines, Indian operations have transferred investment securities from the Held-to-Maturity (HTM) category to the Available-for-Sale category during the current period, resulting in the entire HTM category for the Group to be tainted.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

9. Investment securities (Cont'd)
c. Available-for-sale investment securities (Cont'd)

Details of subsidiaries and associate are as follows:

(i) Subsidiaries

| | Country of Incorporation and Operation | Business Activity | Issued Capital | — Effective % holding — | | |
|---|--|--|----------------|-------------------------|-----------------|-----------------|
| | | | | 31 December 2013 | 30 June 2012 | 30 June 2011 |
| SBM Holdings Limited ² | Mauritius | Investments | Rs 125,000 | 100 | 100 | 100 |
| <i>A. Banking Segment: Non Operating Entities</i> | | | | | | |
| (a) SBM (Madagascar) Ltd ¹ [GBL 1 ³] | Mauritius | Special Purpose Vehicle / Investments | Rs 60,960 | 100 | 100 | 100 |
| (b) SBM India Holdings Ltd [GBL 1 ³] | Mauritius | Special Purpose Vehicle / Investments | Rs 500,000 | 100 | 100 | - |
| (c) SBM (India) Ltd [GBL 1 ³] | Mauritius | Special Purpose Vehicle / Investments | USD 20,000 | 100 | 100 | - |
| (d) SBM bk Holdings Ltd ⁵ | Mauritius | Investment Holding | - | 100 | - | - |
| <i>Banking Segment - Banking Entities</i> | | | | | | |
| Banque SBM Madagascar SA | Madagascar | Banking | MGA 7.4 bn | 100 | 100 | 100 |
| <i>B. Non Bank Financial Entities</i> | | | | | | |
| Operating Holding Company: SBM (NBFC) Holdings Ltd ¹ | Mauritius | Special Purpose Vehicle / Investments | Rs 25,000 | 100 | 100 | 100 |
| <i>Operating Entities:</i> | | | | | | |
| (a) SBM Fund Services Ltd | Mauritius | Fiduciary services / Back Office processing | Rs 0.5 m | 100 | 100 | 100 |
| (b) SBM Mauritius Asset Managers Ltd | Mauritius | Asset Management | Rs 1.6 m | 100 | 100 | 100 |
| (c) SBM Securities Limited | Mauritius | Stockbroking | Rs 1 m | 100 | 100 | 100 |
| (d) SBM Asset Management Limited [GBL 1 ³] | Mauritius | Asset Management | USD 40,000 | 100 | 100 | 100 |
| (e) SBM Capital Management Limited ⁴ [GBL 1 ³] | Mauritius | Investments | USD 125,000 | 100 | 100 | 100 |
| | | Card Acquiring & Processing | | | | |
| (f) SBM E-Business Ltd ⁵ [GBL 1 ³] | Mauritius | Custody Services | - | 100 | - | - |
| (g) SBM Custody Services Ltd ⁵ | Mauritius | | - | 100 | - | - |
| <i>C. Non Financial Entities</i> | | | | | | |
| SBM (NFC) Investments Limited ¹ | Mauritius | Investments | Rs 25,000 | 100 | 100 | - |
| <i>D. Other</i> | | | | | | |
| SBM bk Global Services Ltd ⁵ | Mauritius | Back Office Support | - | 100 | - | - |
| <i>Associate</i> | | | | | | |
| <i>Non Bank Financial Entity</i> | | | | | | |
| State Insurance Company of Mauritius Ltd | Mauritius | Insurance | Rs 25m | 20 | 20 | 20 |

The issued share capital of all subsidiaries have remained the same over the 3 years, except for SBM Holdings Limited (2012: Rs 25,000), SBM India Holdings Limited (2012: Rs 1) and SBM (India) Ltd (2012: USD 1).

¹There has been a change in the name of these subsidiaries during the period. SBM Global Investments Ltd is now known as SBM (Madagascar) Ltd, SBM Investments Limited as SBM (NBFC) Holdings Ltd and SBM Investments Managers Ltd as SBM (NFC) Investments Limited.

²SBM Holdings Limited will become the ultimate holding company when the Group restructuring process will be completed.

³GBL 1 refers to Global Business Licence Category 1 issued by the Financial Services Commission of Mauritius.

⁴SBM Capital Management Ltd also holds a Foreign Institutional Investor licence issued by Securities and Exchange Board of India.

⁵The Group set up four subsidiaries during the current period but have not yet capitalised these companies. These subsidiaries have not yet started operations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

9. Investment securities (Cont'd)
c. Available-for-sale investment securities (Cont'd)

(ii) Associate

Summarised financial information in respect of the Group's associate is set out below:

| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
|------------------------------------|--------------------------------|----------------------------|----------------------------|
| Total assets | 17,382,460 | 15,938,115 | 15,324,195 |
| Total liabilities | 13,156,587 | 12,199,343 | 11,985,182 |
| Total revenue | 2,121,601 | 1,380,870 | 1,072,959 |
| Total profit for the period / year | 708,357 | 407,574 | 435,135 |
| Share of profit | 141,671 | 81,515 | 87,027 |
| Share of net assets | 845,175 | 747,754 | 667,803 |

10. Property and equipment

| | Freehold land and buildings Rs' 000 | Buildings on leasehold land Rs' 000 | Other tangible fixed assets Rs' 000 | Motor vehicles Rs' 000 | Total Rs' 000 |
|--|--|--|---|------------------------------|------------------|
| Group | | | | | |
| <i>Cost or Valuation</i> | | | | | |
| At 01 July 2010 | | | | | |
| - As previously stated | 648,474 | 1,906,800 | 1,625,618 | 17,166 | 4,198,058 |
| - Reversal of revaluation | - | (1,258,104) | - | - | (1,258,104) |
| - As restated | 648,474 | 648,696 | 1,625,618 | 17,166 | 2,939,954 |
| Translation adjustment | (15,677) | - | (989) | (49) | (16,715) |
| Additions | 609 | 335 | 79,963 | 9,320 | 90,227 |
| Disposals | - | - | (127,304) | (4,977) | (132,281) |
| At 30 June 2011 (restated) | 633,406 | 649,031 | 1,577,288 | 21,460 | 2,881,185 |
| 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 | 649,967 | 1,627,584 | 24,406 | 2,909,334 |
| 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 | 645,845 | 649,967 | 1,619,141 | 21,302 | 2,936,255 |
| <i>Accumulated depreciation</i> | | | | | |
| At 01 July 2010 | | | | | |
| - As previously stated | 2,141 | 4,626 | 1,345,795 | 8,525 | 1,361,087 |
| - Adjustment of supplementary depreciation | - | 172,582 | - | - | 172,582 |
| - As restated | 2,141 | 177,208 | 1,345,795 | 8,525 | 1,533,669 |
| Translation adjustment | (224) | - | (1,114) | 14 | (1,324) |
| Disposals | - | - | (123,581) | (2,841) | (126,422) |
| Charge for the year | 12,938 | 13,276 | 85,644 | 2,712 | 114,570 |
| At 30 June 2011 (restated) | 14,855 | 190,484 | 1,306,744 | 8,410 | 1,520,493 |
| Translation adjustment | (1,109) | - | (4,539) | (201) | (5,849) |
| Disposals | - | - | (33,026) | (760) | (33,786) |
| Charge for the year | 12,277 | 13,291 | 82,275 | 3,311 | 111,154 |
| At 30 June 2012 (restated) | 26,023 | 203,775 | 1,351,454 | 10,760 | 1,592,012 |
| 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 | 19,947 | 138,628 | 5,927 | 182,458 |
| At 31 December 2013 | 41,836 | 223,722 | 1,383,196 | 10,498 | 1,659,252 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

10. Property and equipment (Group) (Cont'd)

| Group | Freehold land and buildings Rs' 000 | Buildings on leasehold land Rs' 000 | Other tangible fixed assets Rs' 000 | Motor vehicles Rs' 000 | Total Rs' 000 |
|--|--|--|---|------------------------------|------------------|
| <u>Net book value</u> | | | | | |
| At 31 December 2013 | 604,009 | 426,245 | 235,945 | 10,804 | 1,277,003 |
| Progress payments on tangible fixed assets | | | | | 63,191 |
| | | | | | 1,340,194 |
| At 30 June 2012 (restated) | 581,354 | 446,192 | 276,130 | 13,646 | 1,317,322 |
| Progress payments on tangible fixed assets | | | | | 9,343 |
| | | | | | 1,326,665 |
| At 30 June 2011 (restated) | 618,551 | 458,547 | 270,544 | 13,050 | 1,360,692 |
| Progress payments on tangible fixed assets | | | | | 37,775 |
| | | | | | 1,398,467 |

| Bank | Freehold land and buildings Rs' 000 | Buildings on leasehold land Rs' 000 | Other tangible fixed assets Rs' 000 | Motor vehicles Rs' 000 | Total Rs' 000 |
|----------------------------|--|--|---|------------------------------|------------------|
| <u>Cost or Valuation</u> | | | | | |
| At 01 July 2010 | | | | | |
| - As previously stated | 648,474 | 1,906,800 | 1,593,099 | 14,469 | 4,162,842 |
| - Reversal of revaluation | - | (1,258,104) | - | - | (1,258,104) |
| - As restated | 648,474 | 648,696 | 1,593,099 | 14,469 | 2,904,738 |
| Translation adjustment | (15,677) | - | (2,319) | (164) | (18,160) |
| Additions | 609 | 335 | 75,837 | 9,320 | 86,101 |
| Disposals | - | - | (127,304) | (4,977) | (132,281) |
| At 30 June 2011 (restated) | 633,406 | 649,031 | 1,539,313 | 18,648 | 2,840,398 |
| Translation adjustment | (26,234) | - | (3,648) | (272) | (30,154) |
| Additions | 205 | 936 | 84,853 | 4,083 | 90,077 |
| Disposals | - | - | (33,037) | (760) | (33,797) |
| At 30 June 2012 (restated) | 607,377 | 649,967 | 1,587,481 | 21,699 | 2,866,524 |
| Translation adjustment | (22,715) | - | (3,889) | (236) | (26,840) |
| Additions | 61,027 | - | 96,818 | 3,725 | 161,570 |
| Disposals | (30,829) | - | (100,841) | (6,451) | (138,121) |
| At 31 December 2013 | 614,860 | 649,967 | 1,579,569 | 18,737 | 2,863,133 |

Accumulated Depreciation

| | | | | | |
|--|---------|---------|-----------|---------|-----------|
| At 01 July 2010 | | | | | |
| - As previously stated | 2,141 | 4,626 | 1,318,220 | 6,958 | 1,331,945 |
| - Adjustment of supplementary depreciation | - | 172,582 | - | - | 172,582 |
| - As restated | 2,141 | 177,208 | 1,318,220 | 6,958 | 1,504,527 |
| Translation adjustment | (224) | - | (2,268) | (57) | (2,549) |
| Disposals | - | - | (123,581) | (2,841) | (126,422) |
| Charge for the year | 12,938 | 13,276 | 82,736 | 2,369 | 111,319 |
| At 30 June 2011 (restated) | 14,855 | 190,484 | 1,275,107 | 6,429 | 1,486,875 |
| Translation adjustment | (1,109) | - | (3,441) | (134) | (4,684) |
| Disposals | - | - | (33,026) | (760) | (33,786) |
| Charge for the year | 12,277 | 13,291 | 80,591 | 3,078 | 109,237 |
| At 30 June 2012 (restated) | 26,023 | 203,775 | 1,319,231 | 8,613 | 1,557,642 |
| Translation adjustment | (2,143) | - | (3,254) | (178) | (5,575) |
| Disposals | (257) | - | (100,605) | (5,888) | (106,750) |
| Charge for the period | 17,860 | 19,947 | 135,092 | 5,577 | 178,476 |
| At 31 December 2013 | 41,483 | 223,722 | 1,350,464 | 8,124 | 1,623,793 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

10. Property and equipment (Bank) (Cont'd)

| Bank | Freehold land and buildings Rs' 000 | Buildings on leasehold land Rs' 000 | Other tangible fixed assets Rs' 000 | Motor vehicles Rs' 000 | Total Rs' 000 |
|--|--|--|---|------------------------------|------------------|
| <u>Net book value</u> | | | | | |
| At 31 December 2013 | 573,377 | 426,245 | 229,105 | 10,613 | 1,239,340 |
| Progress payments on tangible fixed assets | | | | | 63,191 |
| | | | | | 1,302,531 |
| At 30 June 2012 (restated) | 581,354 | 446,192 | 268,250 | 13,086 | 1,308,882 |
| Progress payments on tangible fixed assets | | | | | 9,343 |
| | | | | | 1,318,225 |
| At 30 June 2011 (restated) | 618,551 | 458,547 | 264,206 | 12,219 | 1,353,523 |
| Progress payments on tangible fixed assets | | | | | 37,756 |
| | | | | | 1,391,279 |

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

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 and Bank | | |
|-----------------------------|-----------------------------|-------------------------|-------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Freehold land and buildings | 268,623 | 245,375 | 263,226 |

The freehold land and buildings in Mauritius were revalued in June 2010 by an independent Chartered Valuation Surveyor, on an open market value basis. The freehold land and building in India were revalued in March 2010 by independent Chartered Valuation Surveyors on an open market basis.

11. Intangible assets

| | Group | | | Bank | | |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2013 Rs' 000 | 2012 Rs' 000 | 2011 Rs' 000 | 2013 Rs' 000 | 2012 Rs' 000 | 2011 Rs' 000 |
| <u>Cost</u> | | | | | | |
| At 1 July | 883,880 | 851,562 | 843,494 | 900,056 | 867,151 | 859,083 |
| Translation adjustment | (2,060) | (2,379) | (1,150) | (2,060) | (2,379) | (1,150) |
| Additions | 20,287 | 35,555 | 10,289 | 19,954 | 35,284 | 10,289 |
| Disposals | (22,761) | (858) | (1,071) | (22,449) | - | (1,071) |
| At 31 December / 30 June | 879,346 | 883,880 | 851,562 | 895,501 | 900,056 | 867,151 |
| <u>Accumulated amortisation</u> | | | | | | |
| At 1 July | 831,404 | 810,663 | 785,724 | 848,695 | 824,241 | 796,185 |
| Translation adjustment | (1,989) | (1,813) | (925) | (1,989) | (1,813) | (935) |
| Disposals | (22,449) | (586) | (1,044) | (22,449) | - | (1,044) |
| Write off adjustment | (313) | - | - | - | - | - |
| Charge for the period | 37,232 | 23,140 | 26,908 | 35,840 | 26,267 | 30,035 |
| At 31 December / 30 June | 863,885 | 831,404 | 810,663 | 860,097 | 848,695 | 824,241 |
| <u>Net book value</u> | | | | | | |
| At 31 December 2013 | 35,461 | 52,476 | 40,899 | 35,404 | 51,361 | 42,910 |
| Progress payments on software | 603,453 | 34,389 | 13,249 | 603,453 | 34,076 | 12,936 |
| | 638,914 | 86,865 | 54,148 | 638,857 | 85,437 | 55,846 |

Intangible assets disclosed above consist of acquired computer software and cost of business process excellence and business transformation initiatives.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

12. Other assets

| | Group | | | Bank | | |
|---|---------------------|-----------------|-----------------|---------------------|-----------------|-----------------|
| | 31 December 2013 | 30 June 2012 | 30 June 2011 | 31 December 2013 | 30 June 2012 | 30 June 2011 |
| | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| Accounts receivable ¹ | 811,857 | 119,257 | 202,713 | 771,337 | 103,221 | 181,967 |
| Balances due in clearing | 243,411 | 236,022 | 160,504 | 242,197 | 233,627 | 158,617 |
| Tax paid in advance ² | 110,996 | 73,878 | 138,305 | 93,196 | 53,699 | 104,132 |
| Pension asset (Note 13) | - | 958 | 1,828 | - | 958 | 1,828 |
| Balances with Clearing Corporation of India | 23,554 | 19,968 | 18,804 | 23,554 | 19,968 | 18,804 |
| Non-banking assets acquired in satisfaction of debts ³ | 161 | 366 | 320 | 161 | 366 | 320 |
| Expenses paid in advance ⁴ | 974,998 | - | - | 965,480 | - | - |
| Others | 73,922 | 86,332 | 35,116 | 71,985 | 84,456 | 32,444 |
| | 2,238,899 | 536,781 | 557,590 | 2,167,910 | 496,295 | 498,112 |

¹ Amounts receivable are generally receivable within three months.

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

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

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

13. Pension asset

| | Group and Bank | | |
|--|---------------------|-----------------|-----------------|
| | 31 December 2013 | 30 June 2012 | 30 June 2011 |
| | Rs' 000 | Rs' 000 | Rs' 000 |
| Amount recognised in the Statement of financial position: | | | |
| Present value of funded obligations | 769,668 | 656,449 | 589,557 |
| Fair value of plan assets | (672,727) | (601,575) | (615,839) |
| | 96,941 | 54,874 | (26,282) |
| Unrecognised actuarial (loss) / gain | (85,502) | (55,832) | 24,454 |
| Liability / (Asset) recognised in the Statement of financial position (Note 12 and 18) | 11,439 | (958) | (1,828) |

At 31 December 2013, 10% (30 June 2012: 7.1% and 30 June 2011: 7.6%) of the total assets of the SBM Group Pension Fund were invested in shares of State Bank of Mauritius Ltd.

| | Group and Bank | | |
|--|---------------------|-----------------|-----------------|
| | 31 December 2013 | 30 June 2012 | 30 June 2011 |
| | Rs' 000 | Rs' 000 | Rs' 000 |
| Amount recognised in the Statement of profit or loss: | | | |
| Current service cost | 37,255 | 20,932 | 19,379 |
| Interest cost | 98,836 | 58,351 | 54,736 |
| Expected return on plan assets | (92,700) | (61,790) | (58,162) |
| Total included in personnel expenses | 43,391 | 17,493 | 15,953 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

13. Pension asset (Cont'd)

| | Group and Bank | | |
|--|---------------------|-----------------|-----------------|
| | 31 December 2013 | 30 June 2012 | 30 June 2011 |
| | Rs' 000 | Rs' 000 | Rs' 000 |
| Movements in the (asset) / liability recognised in the Statement of financial position: | | | |
| At 1 July | (958) | (1,828) | (649) |
| Contributions and direct benefits paid | (30,994) | (16,623) | (17,132) |
| Total expense as above | 43,391 | 17,493 | 15,953 |
| At 31 December / 30 June | 11,439 | (958) | (1,828) |
| Actual return on plan assets | 67,864 | (18,496) | 57,397 |
| Reconciliation of the present value of defined benefit obligation: | | | |
| Present value of obligation at 1 July | 656,449 | 589,557 | 512,959 |
| Current service cost | 37,255 | 20,932 | 19,379 |
| Interest cost | 98,836 | 58,351 | 54,736 |
| Benefits paid | (27,706) | (12,391) | (8,316) |
| Liability loss | 4,834 | - | 10,799 |
| Present value of obligation at end of period / year | 769,668 | 656,449 | 589,557 |
| Reconciliation of fair value of plan assets: | | | |
| Fair value of plan assets at 1 July | 601,575 | 615,839 | 549,626 |
| Expected return on plan assets | 92,700 | 61,790 | 58,162 |
| Employer contributions | 30,994 | 16,623 | 17,132 |
| Benefits paid | (27,706) | (12,391) | (8,316) |
| Asset loss | (24,836) | (80,286) | (765) |
| Fair value of plan assets at end of period / year | 672,727 | 601,575 | 615,839 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

13. Pension asset (Cont'd)

| | Group and Bank | | |
|--|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Distribution of plan assets at end of period / year: | | | |
| Local equities | 36 | 38 | 38 |
| Local bonds | 29 | 26 | 24 |
| Foreign securities | 32 | 28 | 33 |
| Cash and other | 3 | 8 | 5 |
| | 100 | 100 | 100 |
| Expected return on plan assets at end of period / year: | | | |
| Local equities | 9.0 | 11.5 | 11.5 |
| Local bonds | 7.5 | 10.0 | 10.0 |
| Overseas equities | 9.0 | 11.5 | 11.5 |
| Overseas bonds | 7.5 | 10.0 | 10.0 |
| Loans and fixed deposits | 7.5 | 10.0 | 10.0 |
| Property | 8.0 | 10.5 | 10.5 |
| Cash and other | 3.0 | 5.5 | 5.5 |

The history of experience adjustments is as follows:

| | Group and Bank | | | | |
|--|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 30 June 2010 Rs' 000 | 30 June 2009 Rs' 000 |
| Fair value of plan assets | 672,727 | 601,575 | 615,839 | 549,626 | 513,550 |
| Present value of defined benefit obligation | (769,668) | (656,449) | (589,557) | (512,959) | (479,064) |
| (Deficit) / surplus | (96,941) | (54,874) | 26,282 | 36,667 | 34,486 |
| Asset experience loss during the period / year | (24,836) | (80,286) | (765) | (9,963) | (108,187) |
| Liability experience gain during the period / year | 27,621 | - | - | 48,916 | - |

The Group expects to make a contribution of around Rs 36.6M to the SBM Group Pension Fund during the next financial year.

The principal actuarial assumptions used for accounting purposes were:

| | Group and Bank | | |
|--|--------------------------|----------------------|----------------------|
| | 31 December 2013 % | 30 June 2012 % | 30 June 2011 % |
| Discount rate | 7.5 | 10.0 | 10.0 |
| Expected rate of return on plan assets | 7.5 | 10.0 | 10.0 |
| Future salary increases | 6.0 | 9.0 | 9.0 |
| Future pension increases | 2.5 | 3.0 | 3.0 |

Pension amounts and disclosures have been based on the report dated 4 February 2014 submitted by an independent firm of Actuaries and Consultants.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

14. Deposits from banks

| | Group | | | Bank | | |
|-----------------|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Demand deposits | 217,281 | 115,946 | 218,252 | 271,802 | 214,657 | 262,531 |

15. Deposits from non-bank customers

| | Group | | | Bank | | |
|--|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| (i) Retail customers | | | | | | |
| Current accounts | 10,167,702 | 8,781,776 | 7,270,198 | 10,117,115 | 8,718,022 | 7,196,780 |
| Savings accounts | 31,670,232 | 26,685,467 | 24,000,327 | 31,226,586 | 26,488,646 | 23,922,088 |
| Time deposits with remaining term to maturity: | | | | | | |
| Up to 3 months | 1,659,391 | 1,447,555 | 1,919,794 | 1,659,391 | 1,415,778 | 1,622,541 |
| Over 3 months and up to 6 months | 950,699 | 1,057,747 | 1,396,639 | 950,699 | 991,298 | 1,214,444 |
| Over 6 months and up to 12 months | 2,823,829 | 2,340,101 | 3,270,844 | 2,823,829 | 2,248,941 | 3,126,114 |
| Over 1 year and up to 5 years | 5,756,393 | 4,424,375 | 3,252,092 | 5,756,393 | 4,275,890 | 3,252,092 |
| Over 5 years | 1,213 | 9,781 | 472 | 1,213 | 9,781 | 472 |
| Total time deposits | 11,191,525 | 9,279,559 | 9,839,841 | 11,191,525 | 8,941,688 | 9,215,663 |
| | 53,029,459 | 44,746,802 | 41,110,366 | 52,535,226 | 44,148,356 | 40,334,531 |
| (ii) Corporate customers | | | | | | |
| Current accounts | 15,871,120 | 11,717,958 | 11,918,567 | 15,492,030 | 12,872,824 | 11,712,079 |
| Savings accounts | 5,217,449 | 4,858,970 | 4,577,507 | 4,529,067 | 4,255,266 | 4,525,254 |
| Time deposits with remaining term to maturity: | | | | | | |
| Up to 3 months | 2,849,925 | 8,033,566 | 2,635,886 | 2,849,899 | 7,969,132 | 2,330,007 |
| Over 3 months and up to 6 months | 791,567 | 1,148,103 | 1,797,499 | 788,867 | 1,029,517 | 2,502,843 |
| Over 6 months and up to 12 months | 436,529 | 699,529 | 2,303,305 | 436,529 | 535,198 | 2,446,164 |
| Over 1 year and up to 5 years | 765,208 | 798,232 | 3,583,401 | 762,783 | 567,404 | 3,583,401 |
| Over 5 years | - | 169,972 | - | 2,424 | 169,972 | - |
| Total time deposits | 4,843,229 | 10,849,402 | 10,320,091 | 4,840,502 | 10,271,223 | 10,862,415 |
| | 25,931,798 | 27,426,330 | 26,816,165 | 24,861,599 | 27,399,313 | 27,099,748 |
| (iii) Government | | | | | | |
| Current accounts | 1,823,047 | 2,194,523 | 1,444,318 | 1,759,774 | 2,194,523 | 1,444,318 |
| Savings accounts | 2,107,017 | 1,784,196 | 1,506,476 | 1,994,242 | 1,784,196 | 1,506,476 |
| Time deposits with remaining term to maturity: | | | | | | |
| Up to 3 months | 122,509 | 2,306 | 2,305 | 122,509 | 2,306 | 2,305 |
| Over 3 months and up to 6 months | 407 | 333 | 4,364 | 407 | 333 | 4,364 |
| Over 6 months and up to 12 months | 2,398 | 4,125 | 4,237 | 2,398 | 4,125 | 4,237 |
| Over 1 year and up to 5 years | - | - | 102 | - | - | 102 |
| Total time deposits | 125,314 | 6,764 | 11,008 | 125,314 | 6,764 | 11,008 |
| | 4,055,378 | 3,985,483 | 2,961,802 | 3,879,330 | 3,985,483 | 2,961,802 |
| | 83,016,635 | 76,158,615 | 70,888,333 | 81,276,155 | 75,533,152 | 70,396,081 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

16. Other borrowed funds

| | Group and Bank | | |
|-----------------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Borrowings from central banks | | | |
| - For refinancing | 367,018 | 24,875 | - |
| - Other | - | - | 417,007 |
| Borrowings from banks | | | |
| - In Mauritius | 1,411,383 | - | - |
| - Abroad | 601,590 | 391 | 690,278 |
| Other financial institutions | | | |
| - For refinancing | 1,480,060 | 665,572 | 825,100 |
| - Other | 2,250,000 | 2,233,957 | 5,192,289 |
| | 6,110,051 | 2,924,795 | 7,124,674 |
| Up to 3 months | 1,817,777 | 7,826 | 595,104 |
| Over 3 months and up to 6 months | - | 17,049 | 393,495 |
| Over 6 months and up to 12 months | 303,131 | - | - |
| Over 1 year and up to 5 years | 2,664,164 | 2,233,643 | 2,140,886 |
| Over 5 years | 1,324,979 | 666,277 | 3,995,189 |
| | 6,110,051 | 2,924,795 | 7,124,674 |

17. Taxation

The applicable tax rate in Mauritius is 15% (2012 and 2011: 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% (2012 and 2011: 42.23%), whereas that of Madagascar is 20% (2012: 21% and 2011: 22%).

17a. Tax expense

| | Group | | | Bank | | |
|--|--|--|--|--|--|--|
| | 18 months ended 31 December 2013 Rs' 000 | 12 months ended 30 June 2012 Rs' 000 | 12 months ended 30 June 2011 Rs' 000 | 18 months ended 31 December 2013 Rs' 000 | 12 months ended 30 June 2012 Rs' 000 | 12 months ended 30 June 2011 Rs' 000 |
| Accounting profit | 5,670,242 | 3,272,653 | 2,516,895 | 5,413,334 | 4,618,699 | 2,286,563 |
| Tax on accounting profit at 15% | 850,536 | 490,898 | 377,534 | 812,000 | 692,805 | 342,984 |
| Net tax effect of non-taxable and other items | (227,982) | (106,693) | (55,880) | (196,860) | (332,808) | (37,804) |
| Current tax provision for the period / year | 622,554 | 384,205 | 321,654 | 615,140 | 359,997 | 305,180 |
| Translation adjustment | 20,676 | 2,698 | 585 | 20,627 | 2,477 | 783 |
| Corporate Social Responsibility contribution | 65,997 | 27,410 | 26,791 | 64,962 | 26,815 | 26,463 |
| Special levy on banks | 379,410 | 219,036 | 115,266 | 379,410 | 219,036 | 115,266 |
| (Over) / under provision in previous years | (34,400) | 38,835 | 6,454 | (34,312) | 20,752 | (21,119) |
| Withholding tax | 30,181 | 7,559 | - | 18 | - | - |
| Current tax expense | 1,084,418 | 679,743 | 470,750 | 1,045,845 | 629,077 | 426,573 |
| Deferred tax income | (178,580) | (60,485) | (2,848) | (178,543) | (60,419) | (2,824) |
| Total tax expense | 905,838 | 619,258 | 467,902 | 867,302 | 568,658 | 423,749 |
| The total tax expense can also be analysed as being incurred as follows: | | | | | | |
| In Mauritius | 919,323 | 488,441 | 375,249 | 912,553 | 482,187 | 369,823 |
| Overseas | (13,485) | 130,817 | 92,653 | (45,251) | 86,471 | 53,926 |
| Total tax expense | 905,838 | 619,258 | 467,902 | 867,302 | 568,658 | 423,749 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

17. Taxation (Cont'd)

17b. Deferred tax (assets) / liabilities

| | Group Rs' 000 | Bank Rs' 000 |
|--|------------------|-----------------|
| At 1 July 2010 | | |
| - As previously stated | 178,705 | 178,578 |
| - Adjustment on revaluation of leasehold buildings | (214,601) | (214,601) |
| - Adjustment on allowance for credit impairment | 58,844 | 58,844 |
| As restated | 22,948 | 22,821 |
| Exchange difference | (5,657) | (5,656) |
| Deferred tax income (Note 17a) | (2,848) | (2,824) |
| Deferred tax on allowance for credit impairment | 8,360 | 8,360 |
| Deferred tax on revaluation of property | 13,484 | 13,484 |
| At 30 June 2011 (as restated) | 36,287 | 36,185 |
| At 1 July 2011 (as restated) | 36,287 | 36,185 |
| Exchange difference | (8,754) | (8,755) |
| Deferred tax income (Note 17a) | (60,485) | (60,419) |
| Deferred tax on allowance for credit impairment | 15,467 | 15,467 |
| Deferred tax on revaluation of property | (13,484) | (13,484) |
| At 30 June 2012 (as restated) | (30,969) | (31,006) |
| At 1 July 2012 | (30,969) | (31,006) |
| Exchange difference | (1,300) | (1,300) |
| Effect of change in deferred tax rate | 804 | 804 |
| Deferred tax income (Note 17a) | (178,580) | (178,543) |
| Deferred tax reversed on disposal of property | (200) | (200) |
| At 31 December 2013 | (210,245) | (210,245) |

| | Group | | | Bank | | |
|----------------------------------|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Analysed as resulting from: | | | | | | |
| Accelerated capital allowances | 46,048 | 49,677 | 54,528 | 46,048 | 49,640 | 54,426 |
| Allowances for credit impairment | (195,502) | (136,192) | (91,939) | (195,502) | (136,192) | (91,939) |
| Carried forward losses | (109,125) | - | - | (109,125) | - | - |
| Revaluation of property | 53,868 | 61,053 | 82,525 | 53,868 | 61,053 | 82,525 |
| Other provisions | (5,534) | (5,507) | (8,827) | (5,534) | (5,507) | (8,827) |
| | (210,245) | (30,969) | 36,287 | (210,245) | (31,006) | 36,185 |

18. Other liabilities

| | Group | | | Bank | | |
|-----------------------------|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Bills payable | 114,409 | 167,594 | 167,538 | 93,847 | 162,127 | 161,050 |
| Accruals for expenses | 403,219 | 320,905 | 274,846 | 391,656 | 302,686 | 267,421 |
| Dividend payable (Note 20) | 516,358 | - | - | 516,358 | - | - |
| Accounts payable | 455,221 | 206,118 | 118,744 | 396,385 | 175,683 | 99,636 |
| Deferred income | 40,943 | 45,339 | 42,395 | 36,269 | 45,313 | 42,364 |
| Balance due in clearing | 277,125 | 229,596 | 230,402 | 252,560 | 184,855 | 173,590 |
| Balances in transit | 325,936 | 54,117 | 167,689 | 325,936 | 54,117 | 167,689 |
| Pension liability (Note 13) | 11,439 | - | - | 11,439 | - | - |
| Others | 25,070 | 48,403 | 29,574 | 25,070 | 48,403 | 29,570 |
| | 2,169,720 | 1,072,072 | 1,031,188 | 2,049,520 | 973,184 | 941,320 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

19. Share capital

| | Group and Bank | |
|---|----------------|---------|
| | Number | Rs' 000 |
| Issued and paid up share capital | | |
| At 30 June 2011, 30 June 2012, 31 December 2013 | 30,374,022,300 | 303,740 |
| Treasury shares held | | |
| At 30 June 2011, 30 June 2012, 31 December 2013 | 4,556,103,300 | 45,561 |

As from 1 March 2013, SBM share of nominal value Re 1 each was spilt into 100 shares of nominal 1 cent. For comparative purpose, the number of shares presented for 2012 and 2011 are of nominal 1 cent throughout this financial statements. Fully paid ordinary shares carry one vote per share and the right to dividend, except for treasury shares which have no such rights.

20. Dividends

| | Dividend payable | | |
|---|-----------------------------|-------------------------|-------------------------|
| Bank | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Dividend declared after the reporting date: 2012: 3.5 cents (2011: 3 cents) per share of nominal 1 cent | - | 903,627 | 774,538 |
| Dividend declared during the period: 2013: 6 cents per share of nominal 1 cent Less dividend paid (4 cents per share) | 1,549,075 (1,032,717) | - | - |
| Dividend payable | 516,358 | - | - |

Dividend declared after the reporting date is not included as a liability in the financial statements.

21. Memorandum items

a. Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers

| | Group | | | Bank | | |
|---|-----------------------------|-------------------------|-------------------------|-----------------------------|-------------------------|-------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Acceptances on account of customers | 293,067 | 244,742 | 686,147 | 293,067 | 238,339 | 686,147 |
| Guarantees on account of customers | 4,872,005 | 7,289,876 | 8,944,385 | 4,869,912 | 7,277,379 | 8,923,807 |
| Letters of credit and other obligations on account of customers | 1,003,645 | 777,555 | 1,420,664 | 997,206 | 769,122 | 1,405,608 |
| Other contingent items | 24,230 | - | - | 24,230 | - | - |
| | 6,192,947 | 8,312,173 | 11,051,196 | 6,184,415 | 8,284,840 | 11,015,562 |

b. Commitments

| | | | | | | |
|-------------------------------------|-----------|------------|-----------|-----------|------------|-----------|
| Undrawn credit facilities | 8,274,678 | 10,475,808 | 8,366,477 | 8,190,974 | 10,331,384 | 8,085,279 |
| Undisbursed commitments in equities | - | - | 24,149 | - | - | 24,149 |
| | 8,274,678 | 10,475,808 | 8,390,626 | 8,190,974 | 10,331,384 | 8,109,428 |

c. Other

| | | | | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Inward bills held for collection | 123,063 | 120,181 | 197,404 | 122,432 | 116,015 | 197,131 |
| Outward bills sent for collection | 2,832,192 | 1,111,004 | 712,945 | 2,816,547 | 1,105,806 | 705,111 |
| | 2,955,255 | 1,231,185 | 910,349 | 2,938,979 | 1,221,821 | 902,242 |
| Total | 17,422,880 | 20,019,166 | 20,352,171 | 17,314,368 | 19,838,045 | 20,027,232 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

22. Assets pledged

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

| | Group and Bank | | |
|-----------------------------------|-----------------------------|-------------------------|-------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Treasury bills / government bonds | 2,723,000 | 1,395,346 | 368,445 |
| Balance with Central Banks | 307,784 | - | - |
| | 3,030,784 | 1,395,346 | 368,445 |

23. Capital commitments

| | Group | | | Bank | | |
|---------------------------------|-----------------------------|-------------------------|-------------------------|-----------------------------|-------------------------|-------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Approved and contracted for | 231,800 | 681,942 | 44,597 | 231,800 | 681,942 | 44,597 |
| Approved and not contracted for | 3,603 | 7,150 | 9,196 | 3,603 | 7,150 | 9,196 |

24. Operating lease

Leasing arrangements - The Group as lessee

| | Group | | | Bank | | |
|-------------------------|-----------------------------|-------------------------|-------------------------|-----------------------------|-------------------------|-------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Operating lease expense | 56,083 | 43,967 | 41,469 | 38,196 | 31,955 | 29,260 |

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 | | | Bank | | |
|----------------------------------|-----------------------------|-------------------------|-------------------------|-----------------------------|-------------------------|-------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Up to 1 year | 25,089 | 29,234 | 20,715 | 25,089 | 17,675 | 16,237 |
| After 1 year and before 5 years | 320,250 | 74,996 | 16,971 | 320,250 | 31,217 | 15,628 |
| After 5 years and up to 25 years | 89,890 | 41,474 | 12,021 | 89,890 | 12,003 | 12,021 |
| | 435,229 | 145,704 | 49,707 | 435,229 | 60,895 | 43,886 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

25. Net interest income

| | Group | | | Bank | | |
|--|---|---|---|---|---|---|
| | 18 months ended 31 December 2013 Rs' 000 | 12 months ended 30 June 2012 Rs' 000 | 12 months ended 30 June 2011 Rs' 000 | 18 months ended 31 December 2013 Rs' 000 | 12 months ended 30 June 2012 Rs' 000 | 12 months ended 30 June 2011 Rs' 000 |
| Interest income | | | | | | |
| Cash and cash equivalents | 27,314 | 44,221 | 49,791 | 27,285 | 43,330 | 48,496 |
| Loans to and placements with banks | 39,228 | 59,303 | 6,636 | 39,228 | 59,303 | 6,636 |
| Loans and advances to non-bank customers | 7,876,308 | 4,725,433 | 3,765,594 | 7,790,160 | 4,651,480 | 3,698,688 |
| Investment securities | 1,323,073 | 1,028,460 | 1,054,025 | 1,172,065 | 893,461 | 948,791 |
| Trading assets | 67,866 | 40,360 | 20,158 | 67,126 | 40,360 | 20,158 |
| Other | 76 | 23 | 4,986 | 76 | 22 | 4,851 |
| Total interest income | 9,333,865 | 5,897,800 | 4,901,190 | 9,095,940 | 5,687,956 | 4,727,620 |
| Interest expense | | | | | | |
| Deposits from banks | - | (21) | (314) | (47) | (350) | (314) |
| Deposits from non-bank customers | (3,164,209) | (2,447,028) | (2,234,488) | (3,048,498) | (2,348,344) | (2,150,020) |
| Other borrowed funds | (253,576) | (252,058) | (151,571) | (253,493) | (245,248) | (150,625) |
| Other | - | - | (16,288) | - | - | (16,288) |
| Total interest expense | (3,417,785) | (2,699,107) | (2,402,661) | (3,302,038) | (2,593,942) | (2,317,247) |
| Net interest income | 5,916,080 | 3,198,693 | 2,498,529 | 5,793,902 | 3,094,014 | 2,410,373 |
| 26. Net fee and commission income | | | | | | |
| Fee and commission income | | | | | | |
| Retail banking customer fees | 567,318 | 332,329 | 284,980 | 549,797 | 323,515 | 271,407 |
| Corporate banking customer fees | 399,142 | 273,350 | 234,201 | 383,940 | 278,869 | 227,137 |
| Brokerage | 17,307 | 9,278 | 8,615 | - | - | - |
| Asset management fees | 41,757 | 53,016 | 31,188 | - | - | - |
| Card income | 552,266 | 519,112 | 360,766 | 552,266 | 519,112 | 360,766 |
| Other | 1,759 | 339 | - | - | - | - |
| Total fee and commission income | 1,579,549 | 1,187,424 | 919,750 | 1,486,003 | 1,121,496 | 859,310 |
| Fee and commission expense | | | | | | |
| Interbank transaction fees | (19,205) | (10,419) | (13,262) | (18,997) | (10,284) | (13,059) |
| Other | (26,078) | (22,106) | (26,140) | (23,722) | (20,521) | (24,410) |
| Total fee and commission expense | (45,283) | (32,525) | (39,402) | (42,719) | (30,805) | (37,469) |
| Net fee and commission income | 1,534,266 | 1,154,899 | 880,348 | 1,443,284 | 1,090,691 | 821,841 |
| 27. Dividend income | | | | | | |
| Available-for-sale securities | 822,746 | 230,520 | 219,724 | 871,123 | 1,699,577 | 221,004 |
| Trading securities | 280 | 194 | 97 | 280 | 194 | 97 |
| | 823,026 | 230,714 | 219,821 | 871,403 | 1,699,771 | 221,101 |
| 28. Net trading income | | | | | | |
| Fixed income securities | 2,192 | 634 | 1,814 | 2,350 | 300 | 1,814 |
| Equities | (522) | 110 | (3,236) | (507) | 133 | (3,236) |
| Foreign exchange gain | 559,718 | 459,172 | 495,232 | 481,224 | 456,961 | 446,319 |
| Other | 14,076 | (10,106) | (3,524) | 14,076 | (10,106) | (3,524) |
| | 575,464 | 449,810 | 490,286 | 497,143 | 447,288 | 441,373 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

29. Other operating income

| | Group | | | Bank | | |
|---|---|---|---|---|---|---|
| | 18 months ended 31 December 2013 Rs' 000 | 12 months ended 30 June 2012 Rs' 000 | 12 months ended 30 June 2011 Rs' 000 | 18 months ended 31 December 2013 Rs' 000 | 12 months ended 30 June 2012 Rs' 000 | 12 months ended 30 June 2011 Rs' 000 |
| Gain on sale of available-for-sale securities: | | | | | | |
| Investment securities | 113,391 | 8,301 | 4,734 | 113,391 | 4,806 | 4,734 |
| Equity investments | 361,481 | 25,071 | 114,357 | 361,481 | 6,278 | - |
| Other | (14,672) | 722 | (3,565) | (14,750) | 722 | (3,565) |
| | 460,200 | 34,094 | 115,526 | 460,122 | 11,806 | 1,169 |
| 30. Personnel expenses | | | | | | |
| Wages and salaries | 1,148,672 | 721,718 | 663,945 | 1,111,658 | 702,559 | 647,389 |
| Other social security obligations | 17,033 | 10,002 | 9,476 | 16,704 | 9,817 | 9,310 |
| Contributions to defined contribution plans | 90,606 | 55,758 | 47,205 | 85,986 | 53,600 | 45,219 |
| Cash-settled share-based payments | 30,140 | 15,266 | 19,934 | 30,140 | 15,266 | 19,934 |
| Increase in liability for defined benefit plans (Note 13) | 43,391 | 17,493 | 15,953 | 43,391 | 17,493 | 15,953 |
| Other personnel expenses | 389,762 | 171,896 | 152,851 | 378,766 | 165,310 | 146,925 |
| | 1,719,604 | 992,133 | 909,364 | 1,666,645 | 964,045 | 884,730 |
| 31. Other expenses | | | | | | |
| Software licensing and other information technology cost | 566,342 | 154,596 | 118,720 | 554,517 | 148,600 | 112,873 |
| Auditors' remuneration (audit fee): | | | | | | |
| - Principal auditors | 7,722 | 5,095 | 4,857 | 7,140 | 4,691 | 4,548 |
| - Other auditors | 1,143 | 677 | 824 | 211 | 451 | 465 |
| Other | 435,691 | 336,717 | 280,144 | 380,605 | 297,683 | 244,934 |
| | 1,010,898 | 497,085 | 404,545 | 942,473 | 451,425 | 362,820 |
| 32. Net impairment loss on financial assets | | | | | | |
| Portfolio and specific provisions: | | | | | | |
| - On-balance sheet advances (Note 8c) | 846,636 | 239,905 | 252,594 | 842,672 | 205,044 | 214,179 |
| - Off-balance sheet exposure | - | (16,287) | 16,405 | - | (16,287) | 16,405 |
| Bad debts written off for which no provisions were made | 152 | 331 | 2 | 152 | 331 | 2 |
| Recoveries of advances written off | (33,093) | (21,400) | (22,068) | (30,316) | (21,189) | (14,943) |
| Other loss | 16,578 | 51,011 | 72,322 | 16,578 | 5,998 | 4,747 |
| | 830,273 | 253,560 | 319,255 | 829,086 | 173,897 | 220,390 |
| <i>Of which:</i> | | | | | | |
| Credit exposure | 813,695 | 202,549 | 246,933 | 812,508 | 167,899 | 215,643 |
| Other financial assets | 16,578 | 51,011 | 72,322 | 16,578 | 5,998 | 4,747 |
| | 830,273 | 253,560 | 319,255 | 829,086 | 173,897 | 220,390 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

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 period/year, excluding treasury shares.

| | Group | | |
|---|--|------------------------------------|------------------------------------|
| | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 | 12 months ended 30 June 2011 |
| Profit attributable to equity holders of the parent (Rs' 000) | 4,764,404 | 2,653,395 | 2,048,993 |
| Number of shares entitled to dividend (thousands) | 25,817,919 | 25,817,919 | 25,817,919 |
| Earnings per share (cents) | 18.45 | 10.28 | 7.94 |

Earnings per share calculated for 2012 and 2011 are based on the new number of shares after the share split.

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

| | Increase in profit for the year Group and Bank | | Increase in earning per share Group and Bank | |
|--|---|----------------------------|---|--------------------------|
| | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 30 June 2012 cents | 30 June 2011 cents |
| Reversal of revaluation of buildings on leasehold land | 35,898 | 35,898 | 0.14 | 0.14 |

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

| | Group | | | Bank | | |
|---|--|------------------------------------|------------------------------------|--|------------------------------------|------------------------------------|
| | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 | 12 months ended 30 June 2011 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 | 12 months ended 30 June 2011 |
| | Rs' 000 | (Restated) Rs' 000 | (Restated) Rs' 000 | Rs' 000 | (Restated) Rs' 000 | (Restated) Rs' 000 |
| Cash flows from operating activities | | | | | | |
| Profit for the period / year | 4,764,404 | 2,653,395 | 2,048,993 | 4,546,032 | 4,050,041 | 1,862,814 |
| Adjustments to determine net cash flows: | | | | | | |
| Depreciation of tangible assets | 182,458 | 111,154 | 114,570 | 178,476 | 109,237 | 111,319 |
| Amortisation of intangible assets | 37,232 | 23,140 | 26,908 | 35,840 | 26,267 | 30,035 |
| Pension expense | 43,391 | 17,493 | 15,953 | 43,391 | 17,493 | 15,953 |
| Net impairment loss on financial assets | 830,273 | 253,560 | 319,255 | 829,086 | 173,897 | 220,390 |
| Exchange difference | (467,710) | (332,100) | (286,294) | (541,464) | (244,655) | (131,762) |
| Net gain on sale of available-for-sale equity investments | (361,481) | (25,071) | (114,357) | (361,481) | (6,278) | - |
| Net (gain) / loss from dealings in trading securities | (15,746) | 9,362 | 4,946 | (15,920) | 9,673 | 4,946 |
| Net (gain) / loss on disposal of property and equipment | (92) | (722) | 3,565 | (14) | (722) | 3,565 |
| Tax expense | 905,838 | 619,258 | 467,902 | 867,302 | 568,658 | 423,749 |
| Share of profit of associate | (141,671) | (81,515) | (87,027) | - | - | - |
| Dividend income | (823,026) | (230,714) | (219,821) | (871,403) | (1,699,771) | (221,101) |
| Operating profit before working capital changes | 4,953,870 | 3,017,240 | 2,294,593 | 4,709,845 | 3,003,840 | 2,319,908 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

34. Net cash (used in) / from operating activities (Cont'd)

| | Group | | | Bank | | |
|---|--|------------------------------------|------------------------------------|--|------------------------------------|------------------------------------|
| | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 | 12 months ended 30 June 2011 | 18 months ended 31 December 2013 | 12 months ended 30 June 2012 | 12 months ended 30 June 2011 |
| | Rs' 000 | (Restated) Rs' 000 | (Restated) Rs' 000 | Rs' 000 | (Restated) Rs' 000 | (Restated) Rs' 000 |
| Change in operating assets and liabilities | | | | | | |
| Decrease / (increase) in trading assets | 35,708 | (145,441) | (2,835) | 35,914 | (145,718) | (2,835) |
| Decrease / (increase) in loans to and placements with banks | 579,508 | (568,577) | (943,359) | 579,508 | (568,577) | (943,359) |
| Increase in loans and advances to non-bank customers | (8,039,441) | (5,731,499) | (13,245,995) | (7,981,259) | (6,135,849) | (13,155,818) |
| (Increase) / decrease in gilt-edged investment securities | (2,768,863) | 4,579,604 | 3,271,895 | (3,070,979) | 4,941,582 | 3,406,132 |
| (Increase) / decrease in other investment securities | (746,436) | 44,223 | (2,501,628) | (1,038,999) | 336,786 | (2,501,628) |
| Increase in mandatory balances with Central Banks | (528,825) | (786,052) | (1,287,310) | (551,141) | (805,201) | (1,280,569) |
| Increase in other assets | (1,687,106) | (65,435) | (146,714) | (1,307,588) | (84,533) | (135,613) |
| Increase / (decrease) in deposits from banks | 101,335 | (102,306) | 22,624 | 57,146 | (47,874) | 9,458 |
| Increase in deposits from non-bank customers | 6,858,020 | 5,270,282 | 9,386,007 | 5,743,003 | 5,137,071 | 9,481,171 |
| Increase in trading liabilities | 68,530 | 28,807 | 56,113 | 68,470 | 28,790 | 56,113 |
| Increase in other liabilities | 569,850 | 57,170 | 116,298 | 548,537 | 48,149 | 97,827 |
| Other dividend received | 823,026 | 230,714 | 219,821 | 5,403 | 2,547 | 214,601 |
| Income tax paid | (1,151,960) | (505,740) | (501,591) | (1,112,555) | (451,108) | (490,376) |
| Net cash (used in) / from operating activities | (932,784) | 5,322,990 | (3,262,081) | (3,314,695) | 5,259,905 | (2,924,988) |

35. Change in accounting period

On 29 December 2011, the Board of Directors resolved to change the Group's financial year end from 30 June to 31 December to be in line with the fiscal year in Mauritius and with other global organisations. The current 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 EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

36. Related party transactions

| Group | Key management personnel including directors | | | Associates and other entities in which the Group has significant influence | | | Entities in which directors, key management personnel and their close family members have significant influence | | |
|---|--|-------------|-------------|--|-------------|-------------|---|-------------|-------------|
| | 31 Dec 2013 | 30 Jun 2012 | 30 Jun 2011 | 31 Dec 2013 | 30 Jun 2012 | 30 Jun 2011 | 31 Dec 2013 | 30 Jun 2012 | 30 Jun 2011 |
| | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| (a) Credit facilities | | | | | | | | | |
| (i) Loans | | | | | | | | | |
| Balance at beginning of period / year | 5,085 | 11,173 | 12,167 | - | - | - | - | - | - |
| Loans of directors / entities who ceased to be related parties during the period / year | - | (11,121) | (2,657) | - | - | - | - | - | - |
| Existing loans of new related parties | 116 | 4,690 | 1 | - | - | - | - | - | - |
| Other net movements | 1,408 | 343 | 1,662 | - | - | - | - | - | - |
| Balance at end of period / year | 6,609 | 5,085 | 11,173 | - | - | - | - | - | - |
| (ii) Off-balance sheet obligations | | | | | | | | | |
| Balance at end of period / year | - | 60 | - | 779 | 1,083 | - | - | - | - |
| (b) Deposits at end of period / year | 42,059 | 26,563 | 21,740 | 477,001 | 1,827,484 | 807,580 | 5,301 | 36,485 | 3,756 |
| (c) Interest income | 535 | 522 | 726 | - | - | - | - | - | - |
| (d) Interest expense | 1,718 | 1,158 | 1,245 | 49,834 | 39,885 | 35,344 | 872 | 623 | 6 |
| (e) Other income | 69 | 112 | 73 | 2,316 | 1,472 | 2,811 | 74 | 61 | 11 |
| (f) Purchase of goods and services | - | - | - | 10,167 | 2,768 | 2,489 | - | - | - |
| (g) Emoluments | 165,940 | 135,871 | 57,050 | - | - | - | - | - | - |

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

| | Group | | |
|----------------------------------|------------------|--------------|--------------|
| | 31 December 2013 | 30 June 2012 | 30 June 2011 |
| | Rs' 000 | Rs' 000 | Rs' 000 |
| Deposits at end of period / year | 36,919 | 8,297 | 29,965 |
| Interest expense | 2,167 | 656 | 755 |
| Other income | 367 | 5 | 24 |
| Contributions paid | 113,693 | 60,834 | 53,124 |

In addition to the amounts disclosed for the Group, transactions with subsidiaries of the Group are disclosed below:

| | Bank | | |
|---|------------------|--------------|--------------|
| | 31 December 2013 | 30 June 2012 | 30 June 2011 |
| | Rs' 000 | Rs' 000 | Rs' 000 |
| Loans and advances | - | 303,034 | - |
| Deposits | 175,630 | 237,042 | 1,697,031 |
| Interest income | 4,227 | 4,999 | 34 |
| Interest expense | 3,122 | 5,334 | 8,287 |
| Non interest income | 866,132 | 1,697,299 | 6,553 |
| Non interest expense | 1,249 | 1,852 | 2,824 |
| Disposal of investment securities | 33,664 | 3,457,651 | - |
| Disposal of freehold land and buildings | 30,277 | - | - |

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

37. Phantom share options

The Group has in place a "Compensation based on Performance Scheme" for senior executives including an element of at-risk pay. The at-risk pay is in the form of options for phantom shares. Under this scheme, senior executives are allocated a number of phantom share options based on individual, team and Group performance. The option price is the price at which the option has been issued. Options lapse if they are not exercised before their expiry date or on the date an option holder ceases to be an employee of the Group, except in certain specific circumstances and at the discretion of the Board. On the exercise of an option for a phantom share, applicants receive in cash the increase in value of a notional share, based on the difference between the Bank's quoted share price at the time of exercise and the option price.

Other terms of the phantom share options outstanding as at 31 December 2013 for the Group and Bank:

| Grant date | Earliest exercisable date | Maximum exercisable rate per year | Outstanding number | Option price (Cents) | Lapse date |
|--------------|---------------------------|-----------------------------------|--------------------|----------------------|--------------|
| August 2004 | August 2007 | 15% | 3,100 | 20 | August 2014 |
| October 2005 | October 2008 | 15% | 32,000 | 25 | October 2015 |
| August 2006 | August 2009 | 15% | 75,750 | 38 | August 2016 |
| August 2008 | August 2010 | 25% | 218,750 | 85 | August 2015 |

Movements in the number of phantom share options (after the share split):

| | Group and Bank | | |
|---|-------------------------|---------------------|---------------------|
| | 31 December 2013 Number | 30 June 2012 Number | 30 June 2011 Number |
| Outstanding at beginning of the period/year | 140,990,000 | 186,202,500 | 246,940,000 |
| Allocated during the period/year | - | - | 6,000,000 |
| Lapsed during the period/year | (8,375,000) | - | (7,825,000) |
| Exercised during the period/year | (99,655,000) | (45,212,500) | (58,912,500) |
| Outstanding at end of the period/year | 32,960,000 | 140,990,000 | 186,202,500 |

As at 31 December 2013, the potential liability relating to the phantom share options was Rs 9.4m (30 June 2012: Rs 17.3m and 30 June 2011: Rs 34.2m).

38. Capital management

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

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

All banking entities within the Group have also met their respective minimum capital adequacy ratio requirements. Banks in Mauritius are required to maintain a ratio of eligible capital to risk weighted assets of at least 10%, whereas for India and Madagascar, the minimum ratio is set at 9% and 8% respectively.

| | Group | | | Bank | | |
|----------------------------|------------------|--------------|--------------|------------------|--------------|--------------|
| | 31 December 2013 | 30 June 2012 | 30 June 2011 | 31 December 2013 | 30 June 2012 | 30 June 2011 |
| | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| Tier 1 capital | 14,005,543 | 12,874,060 | 11,325,555 | 12,877,681 | 11,106,009 | 8,919,423 |
| Eligible capital base | 15,664,321 | 14,529,753 | 12,837,221 | 13,387,151 | 11,106,009 | 10,650,375 |
| Risk weighted assets | 75,025,438 | 68,540,111 | 58,706,928 | 70,343,564 | 64,126,477 | 57,239,417 |
| Capital adequacy ratio (%) | 20.88 | 21.20 | 21.87 | 19.03 | 17.32 | 18.61 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

39. Change in accounting policies

The Group has changed its accounting policies for the following:

(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 in view of the difficulty to measure reliably the fair value of such type of assets, particularly SBM Tower. Thus, buildings on leasehold land are now stated at cost instead of revalued amounts. Comparative amounts have been restated accordingly. The effect of this restatement is shown below:

| | Group | | | Bank | | |
|---|--------------------------------|-----------------------|------------------------|--------------------------------|-----------------------|------------------------|
| | Previously reported Rs' 000 | Adjustment Rs' 000 | As reported Rs' 000 | Previously reported Rs' 000 | Adjustment Rs' 000 | As reported Rs' 000 |
| 30 June 2012 | | | | | | |
| Effect on the statement of financial position | | | | | | |
| <u>Assets</u> | | | | | | |
| Property and equipment | 2,672,885 | (1,346,220) | 1,326,665 | 2,664,445 | (1,346,220) | 1,318,225 |
| Deferred tax asset | - | 141,968 | 141,968 | - | 141,968 | 141,968 |
| Total assets | 2,672,885 | (1,204,252) | 1,468,633 | 2,664,445 | (1,204,252) | 1,460,193 |
| <u>Liabilities</u> | | | | | | |
| Deferred tax liabilities | 88,291 | (59,964) | 28,327 | 88,254 | (59,964) | 28,290 |
| | 88,291 | (59,964) | 28,327 | 88,254 | (59,964) | 28,290 |
| <u>Shareholders' Equity</u> | | | | | | |
| Other reserves | | | | | | |
| - Net property revaluation reserve | 1,439,558 | (1,144,287) | 295,271 | 1,439,558 | (1,144,287) | 295,271 |
| Total Equity | 1,439,558 | (1,144,287) | 295,271 | 1,439,558 | (1,144,287) | 295,271 |
| Effect on the statement of profit or loss | | | | | | |
| <u>Non interest expenses</u> | | | | | | |
| Depreciation and amortisation | (176,527) | 42,233 | (134,294) | (177,737) | 42,233 | (135,504) |
| <u>Taxation</u> | | | | | | |
| Deferred tax expense | 66,820 | (6,335) | 60,485 | 66,754 | (6,335) | 60,419 |
| 30 June 2011 | | | | | | |
| Effect on the statement of financial position | | | | | | |
| <u>Assets</u> | | | | | | |
| Property and equipment | 2,786,920 | (1,388,452) | 1,398,467 | 2,779,732 | (1,388,452) | 1,391,279 |
| Deferred tax asset | - | 103,896 | 103,896 | - | 103,896 | 103,896 |
| Total assets | 2,786,920 | (1,284,556) | 1,502,363 | 2,779,732 | (1,284,556) | 1,495,175 |
| <u>Liabilities</u> | | | | | | |
| Deferred tax liabilities | 177,349 | (104,371) | 72,978 | 177,246 | (104,371) | 72,876 |
| | 177,349 | (104,371) | 72,978 | 177,246 | (104,371) | 72,876 |
| <u>Shareholders' Equity</u> | | | | | | |
| Other reserves | | | | | | |
| - Net property revaluation reserve | 1,467,452 | (1,180,185) | 287,267 | 1,467,452 | (1,180,185) | 287,267 |
| Total Equity | 1,467,452 | (1,180,185) | 287,267 | 1,467,452 | (1,180,185) | 287,267 |
| Effect on the statement of profit or loss | | | | | | |
| <u>Non interest expenses</u> | | | | | | |
| Depreciation and amortisation | (183,711) | 42,233 | (141,478) | (183,587) | 42,233 | (141,354) |
| <u>Taxation</u> | | | | | | |
| Deferred tax expense | 9,183 | (6,335) | 2,848 | 9,159 | (6,335) | 2,824 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

39. Change in accounting policies (Cont'd)

(iii) Accounting policy note 3 (g) (ii) Loans and advances and allowance for credit impairment

Portfolio provision was 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 conditions plus an additional provision for regulatory loan loss provision. The charge for portfolio allowance was recognised in the Statement of Profit or Loss. The additional regulatory loan loss provision has been reversed from portfolio provision to reserves.

| | Group | | | Bank | | |
|---|--------------------------------|-----------------------|------------------------|--------------------------------|-----------------------|------------------------|
| | Previously reported Rs' 000 | Adjustment Rs' 000 | As reported Rs' 000 | Previously reported Rs' 000 | Adjustment Rs' 000 | As reported Rs' 000 |
| 30 June 2012 | | | | | | |
| Effect on the statement of financial position | | | | | | |
| <u>Assets</u> | | | | | | |
| Loans and advances to non-bank customers | 62,273,473 | 551,145 | 62,824,618 | 62,017,430 | 551,145 | 62,568,574 |
| Deferred tax asset (From note 39 (ii)) | 141,968 | (82,672) | 59,296 | 141,968 | (82,672) | 59,296 |
| Total assets | 62,415,441 | 468,473 | 62,883,914 | 62,159,398 | 468,473 | 62,627,870 |
| <u>Shareholders' Equity</u> | | | | | | |
| Retained earnings | 14,708,408 | (82,672) | 14,625,736 | 13,453,336 | (82,672) | 13,370,664 |
| Other reserves | | | | | | |
| - Capital conservation reserve | - | 551,145 | 551,145 | - | 551,145 | 551,145 |
| Total Equity | 14,708,408 | 468,473 | 15,176,881 | 13,453,336 | 468,473 | 13,921,809 |
| 30 June 2011 | | | | | | |
| Effect on the statement of financial position | | | | | | |
| <u>Assets</u> | | | | | | |
| Loans and advances to non-bank customers | 56,741,302 | 448,029 | 57,189,330 | 56,052,338 | 448,029 | 56,500,367 |
| Deferred tax asset (From note 39 (ii)) | 103,896 | (67,205) | 36,691 | 103,896 | (67,205) | 36,691 |
| Total assets | 56,845,198 | 380,824 | 57,226,021 | 56,156,234 | 380,824 | 56,537,058 |
| <u>Shareholders' Equity</u> | | | | | | |
| Retained earnings | 12,839,632 | (67,205) | 12,772,427 | 10,187,914 | (67,205) | 10,120,709 |
| Other reserves | | | | | | |
| - Capital conservation reserve | - | 448,029 | 448,029 | - | 448,029 | 448,029 |
| Total Equity | 12,839,632 | 380,824 | 13,220,456 | 10,187,914 | 380,824 | 10,568,738 |

40. Subordinated debts

| | Group | | | Bank | | |
|---------------------------------------|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Subordinated Bonds (Tier II Capital): | | | | | | |
| Class A 1 series MUR Bond | | | | | | |
| - Applications received | 4,200 | - | - | 4,200 | - | - |

Event after the reporting period

In December 2013, SBM made an offer to the public for the issue of Subordinated Senior Unsecured multicurrency floating interest rate bonds, which will be eligible as Tier II Capital.

(a) The offer for subscription for Class A MUR Bond of Rs 1 billion was launched on the market on 20 December 2013 and was oversubscribed when the offer closed on 15 February 2014. As per the terms of the prospectus, SBM will retain a maximum of Rs 1.5 billion.

(b) The offer for subscription for Class B USD Bond of USD 50 million was launched on 15 February 2014 and will close on 16 May 2014, with an option for the issuer to retain 50% over and above the issue amount in the event of oversubscription (maximum USD 75 million).

(c) These bonds will be traded on the official market of the Stock Exchange of Mauritius (SEM) and admission of the Bonds to trading is expected to occur on 25 March 2014 for the Class A Bond and 18 June 2014 for the Class B Bond.

Applications of a total of Rs 4.2 million were received as at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

41. Risk management

The Board of Directors is ultimately responsible for risk management. It approves the risk policies and sets prudential limits and risk tolerance limits, besides regulatory limits, within which the Group operates. The principal risks arising from financial instruments to which the Group is exposed include credit risk, liquidity risk, market risk and operational risk.

a (i) Categories of financial assets and liabilities

| | Group | | | Bank | | |
|-----------------------------------|------------------|--------------|--------------|------------------|--------------|--------------|
| | 31 December 2013 | 30 June 2012 | 30 June 2011 | 31 December 2013 | 30 June 2012 | 30 June 2011 |
| | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| Financial assets | | | | | | |
| Loans and receivables | 98,299,956 | 87,240,556 | 84,481,013 | 96,242,181 | 85,330,531 | 82,261,255 |
| Held-to-maturity | - | 1,274,346 | 1,919,300 | - | 1,274,346 | 1,919,300 |
| Available-for-sale | 8,566,211 | 6,861,470 | 6,050,855 | 4,776,062 | 4,533,990 | 6,237,476 |
| Fair value through profit or loss | 249,571 | 269,829 | 146,113 | 249,504 | 269,829 | 146,113 |
| | 107,115,738 | 95,646,201 | 92,597,281 | 101,267,747 | 91,408,696 | 90,564,144 |
| Financial liabilities | | | | | | |
| Measured at amortised cost | 91,465,506 | 80,301,527 | 79,268,040 | 89,664,020 | 79,675,888 | 78,730,228 |
| Fair value through profit or loss | 238,555 | 182,723 | 141,077 | 238,469 | 182,723 | 141,077 |
| | 91,704,061 | 80,484,250 | 79,409,117 | 89,902,489 | 79,858,611 | 78,871,305 |

a (ii) Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments held at the reporting date.

| | 31 December 2013 | | 30 June 2012 | | 30 June 2011 | |
|--|------------------|-------------|----------------|------------|----------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| GROUP | | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 6,900,534 | 6,900,534 | 6,993,395 | 6,993,395 | 6,744,422 | 6,744,422 |
| Mandatory balances with Central Banks | 5,494,981 | 5,494,981 | 4,966,156 | 4,966,156 | 4,180,104 | 4,180,104 |
| Loans to and placements with banks | 932,428 | 932,428 | 1,511,936 | 1,511,936 | 943,359 | 943,359 |
| Trading assets | 249,571 | 249,571 | 254,168 | 254,168 | 146,113 | 146,113 |
| Loans and advances to non-bank customers | 70,093,266 | 69,991,604 | 62,824,618 | 62,858,312 | 57,292,447 | 57,302,005 |
| Investment securities | 22,365,561 | 22,154,906 | 18,683,039 | 18,770,142 | 22,903,047 | 22,887,216 |
| Other assets | 1,079,397 | 1,079,397 | 412,890 | 412,890 | 387,789 | 387,789 |
| | 107,115,738 | 106,803,421 | 95,646,202 | 95,766,999 | 92,597,281 | 92,591,008 |
| Financial liabilities | | | | | | |
| Deposits from banks | 217,281 | 217,281 | 115,946 | 115,946 | 218,252 | 218,252 |
| Deposits from non-bank customers | 83,016,635 | 83,029,091 | 76,158,615 | 76,130,883 | 70,888,333 | 70,938,697 |
| Other borrowed funds | 6,110,051 | 6,110,051 | 3,012,931 | 3,012,931 | 7,172,525 | 7,172,525 |
| Trading liabilities | 238,555 | 238,555 | 164,353 | 164,353 | 141,077 | 141,077 |
| Subordinated debts | 4,200 | 4,200 | - | - | - | - |
| Other liabilities | 2,117,338 | 2,117,338 | 1,032,405 | 1,032,405 | 988,930 | 988,930 |
| | 91,704,060 | 91,716,516 | 80,484,250 | 80,456,518 | 79,409,117 | 79,459,481 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

41. Risk management (Cont'd)

a (ii) Fair values (Cont'd)

| | 31 December 2013 | | 30 June 2012 | | 30 June 2011 | |
|--|------------------|-------------|----------------|------------|----------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| BANK | | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 6,485,251 | 6,485,251 | 6,964,275 | 6,964,275 | 6,502,047 | 6,502,047 |
| Mandatory balances with Central Banks | 5,223,056 | 5,223,056 | 4,671,915 | 4,671,915 | 3,866,714 | 3,866,714 |
| Loans to and placements with banks | 932,428 | 932,428 | 1,511,936 | 1,511,936 | 943,359 | 943,359 |
| Trading assets | 249,504 | 249,504 | 254,168 | 254,168 | 146,113 | 146,113 |
| Loans and advances to non-bank customers | 69,776,577 | 69,674,916 | 62,568,575 | 62,602,270 | 56,603,482 | 56,613,042 |
| Investment securities | 17,563,894 | 17,353,249 | 15,041,924 | 15,129,027 | 22,138,012 | 22,122,181 |
| Other assets | 1,037,037 | 1,037,037 | 395,903 | 395,903 | 364,417 | 364,417 |
| | 101,267,747 | 100,955,441 | 91,408,696 | 91,529,494 | 90,564,144 | 90,557,873 |
| Financial liabilities | | | | | | |
| Deposits from banks | 271,802 | 271,802 | 214,657 | 214,657 | 262,531 | 262,531 |
| Deposits from non-bank customers | 81,276,155 | 81,288,611 | 75,533,152 | 75,505,420 | 70,396,081 | 70,446,445 |
| Other borrowed funds | 6,110,051 | 6,110,051 | 3,012,931 | 3,012,931 | 7,172,525 | 7,172,525 |
| Subordinated debts | 4,200 | 4,200 | - | - | - | - |
| Trading liabilities | 238,469 | 238,469 | 164,353 | 164,353 | 141,077 | 141,077 |
| Other liabilities | 2,001,812 | 2,001,812 | 933,518 | 933,518 | 899,091 | 899,091 |
| | 89,902,489 | 89,914,945 | 79,858,611 | 79,830,879 | 78,871,305 | 78,921,669 |

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 | | | | Bank | | | |
|--|-----------|---------|-----------|-----------|-----------|---------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| 31 December 2013 | | | | | | | | |
| Trading assets | 2,635 | 246,936 | - | 249,571 | 893 | 248,611 | - | 249,504 |
| Loans and advances at fair value | - | - | 896 | 896 | - | - | 896 | 896 |
| Investment securities - available-for-sale | 3,919,792 | - | 4,646,419 | 8,566,211 | 3,803,241 | - | 972,821 | 4,776,062 |
| | 3,922,427 | 246,936 | 4,647,315 | 8,816,678 | 3,804,134 | 248,611 | 973,717 | 5,026,462 |
| Trading liabilities | - | 238,555 | - | 238,555 | - | 238,469 | - | 238,469 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

41. Risk management (Cont'd)

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

| | Group | | | | Bank | | | |
|--|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|------------------|
| | Level 1 Rs' 000 | Level 2 Rs' 000 | Level 3 Rs' 000 | Total Rs' 000 | Level 1 Rs' 000 | Level 2 Rs' 000 | Level 3 Rs' 000 | Total Rs' 000 |
| 30 June 2012 | | | | | | | | |
| Trading assets | 12,324 | 241,844 | - | 254,168 | 12,324 | 241,844 | - | 254,168 |
| Loans and advances at fair value | - | - | 15,661 | 15,661 | - | - | 15,661 | 15,661 |
| Investment securities - available-for-sale | 1,000,481 | 2,439,581 | 3,326,497 | 6,766,559 | 888,219 | 2,147,765 | - | 3,035,984 |
| | 1,012,805 | 2,681,425 | 3,342,158 | 7,036,388 | 900,543 | 2,389,609 | 15,661 | 3,305,813 |
| Trading liabilities | - | 170,025 | - | 170,025 | - | 169,999 | - | 169,999 |
| 30 June 2011 | | | | | | | | |
| Trading assets | 985 | 145,128 | - | 146,113 | 985 | 145,128 | - | 146,113 |
| Investment securities - available-for-sale | 390,336 | 2,501,382 | 3,128,378 | 6,020,096 | 278,072 | 2,501,382 | 3,432,651 | 6,212,105 |
| | 391,321 | 2,646,510 | 3,128,378 | 6,166,209 | 279,057 | 2,646,510 | 3,432,651 | 6,358,218 |
| Trading liabilities | - | 141,216 | - | 141,216 | - | 141,209 | - | 141,209 |

Reconciliation for Level 3 fair value measurements:

| | Group | | | Bank | | |
|--------------------------|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Balance at 01 July | 3,342,158 | 3,128,378 | 3,300,613 | 15,661 | 3,432,651 | 3,214,982 |
| Additions | 1,055,692 | 23,201 | - | 972,821 | 15,661 | - |
| Disposals | - | (51,509) | (163,340) | - | (3,432,651) | - |
| Transfer to Level 1 | - | - | (236,727) | - | - | (236,727) |
| Translation | 12 | 6,049 | (28,744) | - | - | - |
| Movement in fair value | 249,453 | 236,039 | 256,576 | (14,765) | - | 454,396 |
| Balance at end of period | 4,647,315 | 3,342,158 | 3,128,378 | 973,717 | 15,661 | 3,432,651 |

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

b. Credit risk

The Group is exposed to credit risk through its lending, trade finance, treasury 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 Committee.

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

41. Risk management (Cont'd)

b. Credit risk (Cont'd)

b (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 | | | Bank | | |
|--|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Fund-based exposures: | | | | | | |
| Cash and cash equivalents | 4,560,123 | 6,112,112 | 5,823,240 | 4,176,783 | 6,115,534 | 5,608,594 |
| Mandatory balances with Central Banks | 5,494,981 | 4,966,156 | 4,180,104 | 5,223,056 | 4,671,915 | 3,866,714 |
| Loans to and placements with banks | 932,428 | 1,511,936 | 943,359 | 932,428 | 1,511,936 | 943,359 |
| Trading assets | 2,635 | 59,228 | 14,450 | 2,635 | 59,228 | 14,450 |
| Loans and advances to non-bank customers | 70,899,969 | 63,245,854 | 57,892,340 | 70,527,101 | 62,913,204 | 56,998,683 |
| Investment securities | 23,210,737 | 19,430,791 | 23,570,849 | 17,563,894 | 15,042,044 | 22,138,108 |
| Other assets | 1,079,397 | 412,890 | 387,789 | 1,037,037 | 395,903 | 364,417 |
| | 106,180,270 | 95,738,967 | 92,812,131 | 99,462,934 | 90,709,764 | 89,934,325 |
| Non-fund based exposures: | | | | | | |
| Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers | 6,121,226 | 7,646,394 | 11,051,196 | 6,105,695 | 7,619,061 | 11,015,562 |
| Credit commitments | 8,274,678 | 10,475,808 | 8,366,477 | 8,190,974 | 10,331,384 | 8,085,279 |
| | 14,395,904 | 18,122,202 | 19,417,673 | 14,296,669 | 17,950,445 | 19,100,841 |

b (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 and quality of collateral. Individuals are rated using Experian-Transact tool based on a set of personal attributes including income and repayment capacity.

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

| | Group | | | Bank | | |
|------------------------------------|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Grades: | | | | | | |
| 1 to 3 - Strong | 42,456,637 | 40,925,548 | 47,322,260 | 42,370,373 | 41,140,088 | 46,400,802 |
| 4 to 6 - Satisfactory | 26,965,636 | 24,304,244 | 18,174,513 | 26,860,614 | 24,204,809 | 18,174,514 |
| 7 to 10 (including unrated) - weak | 13,677,285 | 14,895,753 | 10,764,092 | 13,455,635 | 14,373,302 | 10,719,179 |
| | 83,099,558 | 80,125,545 | 76,260,865 | 82,686,622 | 79,718,199 | 75,294,495 |

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 amount of loans and advances whose terms have been renegotiated during the period amounted to Rs 5,342.8m (2012: Rs 3,162.2m and 2011: Rs 3,103.1m) for the Group and Rs 5,342.8m (2012: Rs 3,154.5m and 2011: Rs 3,096.3m) for the Bank.

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

41. Risk management (Cont'd)

b (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

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

| | Group | | | Bank | | |
|---------------------------------|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Up to 1 month | 351,799 | 523,463 | 192,321 | 351,485 | 523,379 | 190,684 |
| Over 1 month and up to 3 months | 398,504 | 40,458 | 43,221 | 398,368 | 40,456 | 43,220 |
| Over 3 months | 260 | 183 | 2,569 | - | - | - |
| | 750,563 | 564,104 | 238,111 | 749,853 | 563,835 | 233,904 |

b (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 | | | Bank | | |
|---|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Loans and advances | 1,445,752 | 678,406 | 811,037 | 1,387,295 | 581,615 | 571,125 |
| Specific allowance held in respect of impaired advances | 803,219 | 455,000 | 549,289 | 763,326 | 404,262 | 375,061 |
| Fair value of collaterals of impaired advances | 756,271 | 221,403 | 373,596 | 710,326 | 172,906 | 296,679 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

41. Risk management (Cont'd)

b (vi) Credit concentration of risk by industry sectors

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

| | Group | | | Bank | | |
|------------------|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Portfolio | | | | | | |
| Agriculture | 2,821,745 | - | - | 2,821,745 | 2,249,858 | - |
| Commerce | 3,357,301 | 4,310,766 | 3,754,068 | 3,357,301 | 4,310,766 | 3,679,068 |
| Infrastructure | - | - | - | - | - | 1,810,968 |
| Job Contractors | - | 2,539,293 | - | - | 2,128,151 | - |
| Manufacturing | - | - | 2,184,444 | - | 1,996,698 | 2,184,444 |
| Real Estate | - | - | - | - | 1,917,250 | - |
| Services | - | - | - | - | 2,241,768 | 1,760,914 |
| Tourism | 3,804,730 | 6,250,678 | 2,329,216 | 6,088,113 | 6,250,678 | 2,329,216 |
| | 9,983,776 | 13,100,737 | 8,267,728 | 12,267,159 | 21,095,169 | 11,764,610 |

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.

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

| | Up to 1 month Rs'000 | 1-3 months Rs'000 | 3-6 months Rs'000 | 6-12 months Rs'000 | 1-3 years Rs'000 | Over 3 years Rs'000 |
|--|----------------------------|-------------------------|-------------------------|--------------------------|------------------------|---------------------------|
| Group | | | | | | |
| 31 December 2013 | | | | | | |
| <u>Financial Assets</u> | | | | | | |
| Cash and cash equivalents | 5,891,570 | 70,697 | 14,106 | 209,891 | 218,586 | 495,643 |
| Mandatory balances with Central Banks | 663,788 | 296,040 | 383,127 | 455,094 | 795,053 | 2,901,643 |
| Loans to and placements with banks | 106,700 | - | 299,767 | 525,961 | - | - |
| Loans and advances to non-bank customers | 6,495,078 | 7,414,108 | 4,484,343 | 7,668,589 | 15,533,746 | 29,529,030 |
| Investment securities | 2,329,375 | 1,766,949 | 1,015,423 | 2,678,618 | 7,448,066 | 2,937,703 |
| Other assets | 1,079,397 | - | - | - | - | - |
| | 16,565,908 | 9,547,794 | 6,196,766 | 11,538,153 | 23,995,451 | 35,864,019 |
| <u>Financial liabilities</u> | | | | | | |
| Deposits from banks | 217,281 | - | - | - | - | - |
| Deposits from non-bank customers | 9,544,953 | 4,312,560 | 5,510,983 | 6,934,335 | 11,847,946 | 44,862,287 |
| Other borrowed funds | 1,784,506 | 58,831 | 10,334 | 391,895 | 2,743,044 | 1,121,439 |
| Subordinated debts | - | - | - | - | - | 4,200 |
| Other liabilities | 2,117,338 | - | - | - | - | - |
| | 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) |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

41. Risk management (Cont'd)

c. Liquidity risk (Cont'd)

| Group | Up to 1 month Rs'000 | 1-3 months Rs'000 | 3-6 months Rs'000 | 6-12 months Rs'000 | 1-3 years Rs'000 | Over 3 years Rs'000 |
|-----------------------|----------------------------|-------------------------|-------------------------|--------------------------|------------------------|---------------------------|
| 30 June 2012 | | | | | | |
| 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] |

| | | | | | | |
|-----------------------|------------|------------|------------|------------|------------|--------------|
| 30 June 2011 | | | | | | |
| Financial assets | 16,728,694 | 17,077,186 | 12,240,783 | 10,369,167 | 11,545,950 | 22,266,029 |
| Financial liabilities | 14,275,805 | 6,609,211 | 7,508,296 | 6,570,561 | 11,565,677 | 35,075,684 |
| Liquidity Gap | 2,452,889 | 10,467,975 | 4,732,487 | 3,798,606 | [19,727] | [12,809,655] |

| Bank | Up to 1 month Rs'000 | 1-3 months Rs'000 | 3-6 months Rs'000 | 6-12 months Rs'000 | 1-3 years Rs'000 | Over 3 years Rs'000 |
|--|----------------------------|-------------------------|-------------------------|--------------------------|------------------------|---------------------------|
| 31 December 2013 | | | | | | |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 5,703,049 | 43,097 | 58,174 | 67,263 | 117,985 | 495,643 |
| Mandatory balances with Central Banks | 611,575 | 256,139 | 339,059 | 408,236 | 706,168 | 2,901,643 |
| Loans to and placements with banks | 106,700 | - | 299,767 | 525,961 | - | - |
| Loans and advances to non-bank customers | 6,405,733 | 7,354,358 | 4,438,159 | 7,586,199 | 15,520,840 | 29,463,023 |
| Investment securities | 2,127,469 | 1,408,332 | 942,861 | 2,300,186 | 7,448,066 | 2,937,703 |
| Other assets | 1,037,037 | - | - | - | - | - |
| | 15,991,563 | 9,061,926 | 6,078,020 | 10,887,845 | 23,793,059 | 35,798,012 |
| Financial liabilities | | | | | | |
| Deposits from banks | 271,802 | - | - | - | - | - |
| Deposits from non-bank customers | 9,302,071 | 4,040,589 | 5,210,608 | 6,614,938 | 11,242,091 | 44,862,287 |
| Other borrowed funds | 1,784,507 | 58,831 | 10,334 | 391,895 | 2,743,045 | 1,121,440 |
| Subordinated debts | - | - | - | - | - | 4,200 |
| Other liabilities | 2,001,811 | - | - | - | - | - |
| | 13,360,191 | 4,099,420 | 5,220,942 | 7,006,833 | 13,985,136 | 45,987,927 |
| Liquidity Gap | 2,631,372 | 4,962,506 | 857,078 | 3,881,012 | 9,807,923 | [10,189,915] |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

41. Risk management (Cont'd)

c. Liquidity risk (Cont'd)

| Group | Up to 1 month Rs'000 | 1-3 months Rs'000 | 3-6 months Rs'000 | 6-12 months Rs'000 | 1-3 years Rs'000 | Over 3 years Rs'000 |
|-----------------------|----------------------------|-------------------------|-------------------------|--------------------------|------------------------|---------------------------|
| 30 June 2012 | | | | | | |
| Financial assets | 16,326,481 | 8,644,896 | 7,433,880 | 7,743,811 | 17,373,308 | 32,358,867 |
| Financial liabilities | 14,917,443 | 6,790,914 | 4,764,622 | 5,562,831 | 10,125,646 | 37,440,780 |
| Liquidity Gap | 1,409,038 | 1,853,982 | 2,669,258 | 2,180,980 | 7,247,662 | [5,081,913] |

| | | | | | | |
|-----------------------|------------|------------|------------|------------|------------|--------------|
| 30 June 2011 | | | | | | |
| Financial assets | 15,836,265 | 16,649,250 | 11,984,668 | 10,092,255 | 11,170,285 | 22,266,029 |
| Financial liabilities | 13,023,083 | 6,187,962 | 7,018,755 | 5,954,019 | 11,422,874 | 35,075,684 |
| Liquidity Gap | 2,813,182 | 10,461,288 | 4,965,913 | 4,138,236 | [252,589] | [12,809,655] |

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

| Group | On Demand Rs'000 | Up to 3 months Rs'000 | 3-6 months Rs'000 | 6-12 months Rs'000 | 1-2 years Rs'000 | Over 2 years Rs'000 |
|------------------------------|------------------------|-----------------------------|-------------------------|--------------------------|------------------------|---------------------------|
| Financial liabilities | | | | | | |
| Deposits | 66,982,057 | 4,496,186 | 1,781,572 | 3,325,835 | 3,344,704 | 3,652,158 |
| Other borrowed funds | 466,371 | 1,439,560 | 39,560 | 409,502 | 2,505,507 | 1,457,297 |
| Other liabilities | - | 2,117,338 | - | - | - | - |
| 31 December 2013 | 67,448,428 | 8,053,084 | 1,821,132 | 3,735,337 | 5,850,211 | 5,109,455 |
| 30 June 2012 | 56,176,418 | 10,753,955 | 2,863,843 | 3,759,630 | 4,607,847 | 5,628,941 |
| 30 June 2011 | 48,061,415 | 9,913,815 | 6,114,330 | 6,863,963 | 5,972,537 | 7,709,518 |
| Bank | | | | | | |
| Financial liabilities | | | | | | |
| Deposits | 65,128,566 | 4,496,186 | 1,781,572 | 3,325,835 | 3,344,704 | 3,652,158 |
| Other borrowed funds | 466,371 | 1,439,560 | 39,560 | 409,502 | 2,505,507 | 1,457,297 |
| Other liabilities | - | 2,001,811 | - | - | - | - |
| 31 December 2013 | 65,594,937 | 7,937,557 | 1,821,132 | 3,735,337 | 5,850,211 | 5,109,455 |
| 30 June 2012 | 56,467,005 | 10,558,856 | 2,678,809 | 3,504,139 | 4,228,535 | 5,628,941 |
| 30 June 2011 | 49,583,133 | 9,101,337 | 5,625,472 | 6,248,276 | 5,953,384 | 7,586,192 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (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.

d (i) Interest rate risk

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

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

| Group | Up to 3 months Rs'000 | 3-6 months Rs'000 | 6-12 months Rs'000 | 1-2 years Rs'000 | 2-5 years Rs'000 | Over 5 years Rs'000 |
|---|-----------------------------|-------------------------|--------------------------|------------------------|------------------------|---------------------------|
| 31 December 2013 | | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | 904,607 | - | - | - | - | - |
| Loans to and placements with banks | 331,700 | 299,767 | 299,038 | - | - | - |
| Trading assets | 893 | - | - | - | - | - |
| Loans and advances to non-bank customers | 65,381,437 | 1,302,747 | 951,989 | 86,174 | 2,625,535 | 441,493 |
| Investment securities | 3,411,880 | 1,458,018 | 2,689,024 | 3,199,349 | 6,611,188 | 806,674 |
| Total assets | 70,030,517 | 3,060,532 | 3,940,051 | 3,285,523 | 9,236,723 | 1,248,167 |
| Liabilities | | | | | | |
| Deposits from banks | 217,281 | - | - | - | - | - |
| Deposits from non-bank customers | 70,607,126 | 1,270,168 | 1,407,476 | 724,472 | 2,551,634 | - |
| Other borrowed funds | 4,925,001 | 884,850 | 300,199 | - | - | - |
| Subordinated debts | - | - | - | - | - | 4,200 |
| 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) | - |
| | (4,899,659) | 905,514 | 2,188,531 | 2,571,250 | 5,899,503 | 1,243,967 |
| 30 June 2012 | | | | | | |
| 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) | - |
| | (1,296,550) | 2,935,814 | 2,449,430 | 475,482 | 4,963,725 | 1,185,658 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

41. Risk management (Cont'd)

d (i) Interest rate risk (Cont'd)

| Group | Up to 3 months Rs'000 | 3-6 months Rs'000 | 6-12 months Rs'000 | 1-2 years Rs'000 | 2-5 years Rs'000 | Over 5 years Rs'000 |
|---|-----------------------------|-------------------------|--------------------------|------------------------|------------------------|---------------------------|
| 30 June 2011 | | | | | | |
| Total assets | 62,538,549 | 8,461,528 | 5,097,030 | 1,563,245 | 3,283,152 | 1,648,507 |
| Total liabilities | 63,183,080 | 2,454,203 | 4,233,919 | 2,918,152 | 195,178 | - |
| On balance sheet interest rate sensitivity gap | (644,531) | 6,007,325 | 863,111 | (1,354,907) | 3,087,974 | 1,648,507 |
| Off balance sheet interest rate sensitivity gap | (1,917,568) | 85,745 | 362,677 | 1,611,594 | (142,448) | - |
| | (2,562,099) | 6,093,070 | 1,225,788 | 256,687 | 2,945,526 | 1,648,507 |
| Bank | Up to 3 months Rs'000 | 3-6 months Rs'000 | 6-12 months Rs'000 | 1-2 years Rs'000 | 2-5 years Rs'000 | Over 5 years Rs'000 |
| 31 December 2013 | | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | 878,166 | - | - | - | - | - |
| Loans to and placements with banks | 331,700 | 299,767 | 299,038 | - | - | - |
| Trading assets | 893 | - | - | - | - | - |
| Loans and advances to non-bank customers | 65,232,344 | 1,256,565 | 869,598 | 73,268 | 2,599,421 | 441,493 |
| Investment securities | 3,016,570 | 1,385,448 | 2,145,387 | 3,199,349 | 6,611,187 | 806,674 |
| Total assets | 69,459,673 | 2,941,780 | 3,314,023 | 3,272,617 | 9,210,608 | 1,248,167 |
| Liabilities | | | | | | |
| Deposits from banks | 271,802 | - | - | - | - | - |
| Deposits from non-bank customers | 69,978,593 | 969,793 | 1,088,080 | 136,196 | 2,647,735 | - |
| Other borrowed funds | 4,925,002 | 884,850 | 300,199 | - | - | - |
| Subordinated debts | - | - | - | - | - | 4,200 |
| Total liabilities | 75,175,397 | 1,854,643 | 1,388,279 | 136,196 | 2,647,735 | 4,200 |
| On balance sheet interest rate sensitivity gap | (5,715,724) | 1,087,137 | 1,925,744 | 3,136,421 | 6,562,873 | 1,243,967 |
| Off balance sheet interest rate sensitivity gap | 819,232 | - | (43,845) | 10,199 | (785,586) | - |
| | (4,896,492) | 1,087,137 | 1,881,899 | 3,146,620 | 5,777,287 | 1,243,967 |
| 30 June 2012 | | | | | | |
| Total assets | 63,460,180 | 4,634,160 | 3,201,039 | 1,815,466 | 6,615,737 | 1,351,376 |
| Total liabilities | 67,542,374 | 1,733,766 | 1,155,041 | 264,582 | 767,114 | 165,718 |
| On balance sheet interest rate sensitivity gap | (4,082,194) | 2,900,394 | 2,045,998 | 1,550,884 | 5,848,623 | 1,185,658 |
| Off balance sheet interest rate sensitivity gap | 561,205 | 342,568 | - | - | (903,773) | - |
| | (3,520,989) | 3,242,962 | 2,045,998 | 1,550,884 | 4,944,850 | 1,185,658 |
| 30 June 2011 | | | | | | |
| Total assets | 61,067,702 | 8,263,003 | 4,933,054 | 1,563,245 | 3,283,152 | 1,648,507 |
| Total liabilities | 62,688,363 | 3,047,225 | 3,992,818 | 2,914,974 | 195,178 | - |
| On balance sheet interest rate sensitivity gap | (1,620,661) | 5,215,778 | 940,236 | (1,351,729) | 3,087,974 | 1,648,507 |
| Off balance sheet interest rate sensitivity gap | (1,917,568) | 85,745 | 362,677 | 1,611,594 | (142,448) | - |
| | (3,538,229) | 5,301,523 | 1,302,913 | 259,865 | 2,945,526 | 1,648,507 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

41. Risk management (Cont'd)

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 | | | Bank | | |
|-------------------------------|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| (Decrease)/increase in profit | (78,482) | 25,445 | 35,854 | (77,687) | 13,051 | 8,653 |

d (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 2013, the aggregate notional principal of interest rate swaps designated as fair value hedges was **Rs792.3m** (2012: Rs794.5m and 2011: nil) with a net fair value liability of **Rs19.3m** (2012: Rs18.4m and 2011: nil). 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 Rs 20.2m, which was included in the income statement at the same time that the fair value of the interest rate swap was included.

d (iii) Currency risk

Foreign exchange risk arises from open and imperfectly offset or hedged positions. Imperfect correlations across currencies and international interest rate markets pose particular challenges to the effectiveness of foreign currency hedging strategies. The Bank exercises strict control over its foreign currency exposures. The Bank reports on foreign currency positions to the Central Bank and has set up conservative internal limits in order to mitigate foreign exchange risk. To manage their foreign currency exposures, dealers operate within prudential limits approved by the Board including intraday/overnight open exposures, stop loss and authorized 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

41. Risk management (Cont'd)

d (iii) Currency risk (Cont'd)

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

| Group 31 December 2013 | USD Rs'000 | GBP Rs'000 | EURO Rs'000 | INR Rs'000 | OTHER Rs'000 | TOTAL Rs'000 |
|--|---------------|---------------|----------------|---------------|-----------------|-----------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | 1,205,064 | 974,687 | 363,211 | 2,060 | 1,004,343 | 3,549,365 |
| Mandatory balances with Central Banks | 237,426 | 49,866 | 161,042 | - | - | 448,334 |
| Loans to and placements with banks | 525,204 | - | - | - | 134,778 | 659,982 |
| Loans and advances to non-bank customers | 10,606,454 | 16,241 | 4,921,451 | - | - | 15,544,146 |
| Investment securities | 1,230,542 | 155,043 | 576,518 | - | - | 1,962,103 |
| Other assets | 18,187 | 3,292 | 86,379 | - | 50,617 | 158,475 |
| Total monetary financial assets | 13,822,877 | 1,199,129 | 6,108,601 | 2,060 | 1,189,738 | 22,322,405 |
| LIABILITIES | | | | | | |
| Deposits from customers | 11,377,573 | 1,436,754 | 4,582,683 | 275 | 1,199,478 | 18,596,763 |
| Other borrowed funds | 2,890,034 | - | 1,435,575 | - | 29,812 | 4,355,421 |
| Other liabilities | 181,777 | 9,090 | 32,068 | 215 | 2,338 | 225,488 |
| Total monetary financial liabilities | 14,449,384 | 1,445,844 | 6,050,326 | 490 | 1,231,628 | 23,177,672 |
| On balance sheet position | (626,507) | (246,715) | 58,275 | 1,570 | (41,890) | (855,267) |
| Off balance sheet 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 |
| 30 June 2012 * | | | | | | |
| 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 position | 2,971,873 | (1,893,621) | 800,351 | 292,601 | (645,590) | 1,525,614 |
| Off balance sheet 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 |
| 30 June 2011 * | | | | | | |
| Total monetary financial assets | 20,107,339 | 1,834,282 | 3,444,979 | 22 | 338,570 | 25,725,192 |
| Total monetary financial liabilities | 12,346,729 | 4,443,976 | 7,425,101 | 290 | 1,575,943 | 25,792,039 |
| On balance sheet position | 7,760,610 | (2,609,695) | (3,980,122) | (268) | (1,237,373) | (66,848) |
| Off balance sheet position | (7,909,245) | 3,390,175 | 3,900,218 | - | 1,206,028 | 587,176 |
| Net currency position | (148,635) | 780,480 | (79,904) | (268) | (31,345) | 520,328 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

41. Risk management (Cont'd)

d (iii) Currency risk (Cont'd)

| Bank 31 December 2013 | USD Rs'000 | GBP Rs'000 | EURO Rs'000 | INR Rs'000 | OTHER Rs'000 | TOTAL Rs'000 |
|--|---------------|---------------|----------------|---------------|-----------------|-----------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | 1,175,731 | 974,671 | 331,536 | 2,049 | 1,006,435 | 3,490,422 |
| Mandatory balances with Central Banks | 237,426 | 49,866 | 161,042 | - | - | 448,334 |
| Loans to and placements with banks | 525,204 | - | - | - | 134,778 | 659,982 |
| Loans and advances to non-bank customers | 10,605,866 | 16,241 | 4,919,766 | - | - | 15,541,873 |
| Investment securities | 1,230,542 | 155,043 | 576,518 | - | - | 1,962,103 |
| Other assets | 13,177 | 3,292 | 85,329 | - | 50,617 | 152,415 |
| Total monetary financial assets | 13,787,946 | 1,199,113 | 6,074,191 | 2,049 | 1,191,830 | 22,255,129 |
| LIABILITIES | | | | | | |
| Deposits from customers | 11,351,695 | 1,436,802 | 4,571,056 | 275 | 1,201,592 | 18,561,420 |
| Other borrowed funds | 2,890,034 | - | 1,435,575 | - | 29,812 | 4,355,421 |
| Other liabilities | 176,501 | 9,079 | 11,882 | 215 | 2,338 | 200,015 |
| Total monetary financial liabilities | 14,418,230 | 1,445,881 | 6,018,513 | 490 | 1,233,742 | 23,116,856 |
| On balance sheet position | (630,284) | (246,768) | 55,678 | 1,559 | (41,912) | (861,727) |
| Off balance sheet position | 1,100,854 | 219,041 | (130,381) | (256) | 66,604 | 1,255,862 |
| Net currency position | 470,570 | (27,727) | (74,703) | 1,303 | 24,692 | 394,135 |
| 30 June 2012 * | | | | | | |
| Total monetary financial assets | 15,036,011 | 765,378 | 5,922,336 | 281 | 789,080 | 22,513,086 |
| Total monetary financial liabilities | 11,805,948 | 2,659,064 | 5,117,765 | 116 | 1,434,696 | 21,017,589 |
| On balance sheet position | 3,230,063 | (1,893,686) | 804,571 | 165 | (645,616) | 1,495,497 |
| Off balance sheet position | (3,091,492) | 1,863,951 | (801,367) | - | 659,358 | (1,369,550) |
| Net currency position | 138,571 | (29,735) | 3,204 | 165 | 13,742 | 125,947 |
| 30 June 2011 * | | | | | | |
| Total monetary financial assets | 20,102,295 | 1,070,764 | 3,438,482 | 22 | 333,938 | 24,945,501 |
| Total monetary financial liabilities | 12,341,905 | 4,443,976 | 7,409,269 | 423 | 1,571,342 | 25,766,915 |
| On balance sheet position | 7,760,390 | (3,373,212) | (3,970,787) | (401) | (1,237,404) | (821,414) |
| Off balance sheet position | (7,909,245) | 3,390,175 | 3,893,985 | - | 1,206,028 | 580,943 |
| Net currency position | (148,855) | 16,963 | (76,802) | (401) | (31,376) | (240,471) |

* Comparatives for 30 June 2012 and 30 June 2011 have been restated to exclude the balances denominated in the functional currency of entities whose functional currency is not the Mauritian Rupee.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

41. Risk management (Cont'd)

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 and the Bank's VAR amounted to:

| | Group | | | Bank | | |
|------------------------------|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Minimum for the period/ year | 144 | 158 | 172 | 143 | 156 | 169 |
| Maximum for the period/ year | 3,995 | 7,686 | 8,690 | 3,848 | 7,432 | 8,289 |
| Year - End | 880 | 3,013 | 639 | 837 | 2,916 | 634 |

d (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 income. Changes in prices of held-for-trading investments are reflected in the statement of income.

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 income as reflected below. A 5% decrease would have resulted in an equivalent loss being booked.

| | Group | | | Bank | | |
|-----------------------------------|--------------------------------|----------------------------|----------------------------|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Statement of comprehensive income | 209,471 | 230,330 | 184,547 | 19,897 | 23,597 | 185,536 |
| Statement of income | 87 | 616 | 49 | 87 | 616 | 49 |
| | 209,558 | 230,946 | 184,596 | 19,984 | 24,213 | 185,585 |

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 EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (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 Rs'000 | Non-bank financial institutions Rs'000 | Non-financial institutions Rs'000 | Intersegment adjustments Rs'000 | Group Total Rs'000 |
|--|-------------------|---|---|---------------------------------------|-----------------------|
| 31 December 2013 | | | | | |
| Interest income from external customers | 9,318,754 | 15,111 | - | - | 9,333,865 |
| Non interest income from external customers | 2,449,998 | 175,099 | 813,142 | - | 3,438,239 |
| Revenue from external customers | 11,768,752 | 190,210 | 813,142 | - | 12,772,104 |
| Interest income from internal customers | 4,227 | 3,075 | - | (7,302) | - |
| Non interest income from internal customers | 88 | 724 | 675 | (1,487) | - |
| Revenue from other segments of the entity | 4,315 | 3,799 | 675 | (8,789) | - |
| Total gross revenue | 11,773,067 | 194,009 | 813,817 | (8,789) | 12,772,104 |
| 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) |
| Operating income | 8,306,962 | 189,744 | 813,817 | (1,487) | 9,309,036 |
| Depreciation and amortisation | (218,037) | (1,557) | (96) | - | (219,690) |
| 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 | 4,559,622 | 155,281 | 813,582 | 86 | 5,528,571 |
| Share of profit of associates | - | 141,671 | - | - | 141,671 |
| Profit before income tax | 4,559,622 | 296,952 | 813,582 | 86 | 5,670,242 |
| Tax expense | (893,652) | (12,104) | (82) | - | (905,838) |
| Profit for the period attributable to equity holders of the parent | 3,665,970 | 284,848 | 813,500 | 86 | 4,764,404 |
| Segment assets | 108,816,266 | 1,067,127 | 4,146,861 | (2,720,485) | 111,309,769 |
| Segment liabilities | 92,052,225 | 60,095 | 55 | (108,735) | 92,003,640 |
| Additions to tangible and intangible assets | 807,247 | 332 | 30,729 | (30,572) | 807,736 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

42. Segment information - Group (Cont'd)

| | Banking Rs'000 | Non-bank financial institutions Rs'000 | Non-financial institutions Rs'000 | Intersegment adjustments Rs'000 | Group Total Rs'000 |
|--|-------------------|---|---|---------------------------------------|-----------------------|
| 30 June 2012 | | | | | |
| Interest income from external customers | 5,863,668 | 34,132 | - | - | 5,897,800 |
| Non interest income from external customers | 1,627,279 | 64,231 | 210,532 | - | 1,902,042 |
| Revenue from external customers | 7,490,947 | 98,363 | 210,532 | - | 7,799,842 |
| Interest income from internal customers | 3,758 | 3,606 | - | (7,364) | - |
| Non interest income from internal customers | 6,951 | 115,125 | - | (122,076) | - |
| Revenue from other segments of the entity | 10,709 | 118,731 | - | (129,440) | - |
| Total gross revenue | 7,501,656 | 217,094 | 210,532 | (129,440) | 7,799,842 |
| 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 | - |
| | (2,735,154) | (3,799) | - | 7,321 | (2,731,632) |
| Operating income | 4,766,502 | 213,295 | 210,532 | (122,119) | 5,068,210 |
| Depreciation and amortisation | (137,279) | (862) | - | 3,847 | (134,294) |
| 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 | 2,948,453 | 148,474 | 210,487 | (116,276) | 3,191,138 |
| Share of profit of associates | 81,515 | - | - | - | 81,515 |
| Profit before income tax | 3,029,968 | 148,474 | 210,487 | (116,276) | 3,272,653 |
| Tax expense | (605,445) | (13,813) | - | - | (619,258) |
| Profit for the year attributable to equity holders of the parent | 2,424,523 | 134,661 | 210,487 | (116,276) | 2,653,395 |
| Segment assets | 95,527,779 | 2,627,813 | 3,424,939 | (3,574,496) | 98,006,035 |
| Segment liabilities | 82,239,811 | 1,734,951 | (7,576) | (3,209,475) | 80,757,711 |
| Additions to tangible and intangible assets | 121,520 | - | 313 | - | 121,833 |
| 30 June 2011 | | | | | |
| Interest income from external customers | 4,901,167 | 23 | - | - | 4,901,190 |
| Non interest income from external customers | 1,701,297 | 44,086 | - | - | 1,745,383 |
| Revenue from external customers | 6,602,464 | 44,109 | - | - | 6,646,573 |
| Interest income from internal customers | - | 2,104 | - | (2,104) | - |
| Non interest income from internal customers | 23 | 2,824 | - | (2,847) | - |
| Revenue from other segments of the entity | 23 | 4,928 | - | (4,951) | - |
| Total gross revenue | 6,602,487 | 49,037 | - | (4,951) | 6,646,573 |
| Interest and commission expense to external customers | (2,442,062) | (1) | - | - | (2,442,063) |
| Interest expense to internal customers | (2,104) | - | - | 2,104 | - |
| | (2,444,166) | (1) | - | 2,104 | (2,442,063) |
| Operating income | 4,158,321 | 49,036 | - | (2,847) | 4,204,510 |
| Depreciation and amortisation | (140,614) | (864) | - | - | (141,478) |
| Other non interest expenses | (1,303,017) | (13,739) | - | 2,847 | (1,313,909) |
| Net impairment loss on financial assets | (251,695) | (67,560) | - | - | (319,255) |
| Operating profit | 2,462,995 | (33,127) | - | - | 2,429,868 |
| Share of profit of associates | 87,027 | - | - | - | 87,027 |
| Profit before income tax | 2,550,022 | (33,127) | - | - | 2,516,895 |
| Tax expense | (462,554) | (5,348) | - | - | (467,902) |
| Profit for the year attributable to equity holders of the parent | 2,087,468 | (38,475) | - | - | 2,048,993 |
| Segment assets | 96,184,522 | 363,912 | - | (1,724,360) | 94,824,074 |
| Segment liabilities | 81,213,876 | 24,192 | - | (1,585,135) | 79,652,933 |
| Additions to tangible and intangible assets | 115,557 | 348 | - | - | 115,905 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

42. Segment information - Group (Cont'd)

b. Information about the reportable segment revenue from products and services

| | Banking | | |
|---|--------------------------------|----------------------------|----------------------------|
| | 31 December 2013 Rs' 000 | 30 June 2012 Rs' 000 | 30 June 2011 Rs' 000 |
| Gross revenue from external customers arising from: | | | |
| Loans and advances to non-bank customers | 8,346,900 | 5,042,460 | 4,023,525 |
| Loans to and placements with banks | 53,267 | 109,388 | 69,152 |
| Exchange income | 547,569 | 492,647 | 495,363 |
| Card income | 546,226 | 517,314 | 350,198 |
| Trade finance services | 305,331 | 186,292 | 144,166 |
| Deposit and other products /services | 189,772 | 115,707 | 99,871 |
| | 9,989,065 | 6,463,808 | 5,182,275 |

c. Information about revenue of the reportable segment by geographical areas

| | Banking | | |
|---------------------------------------|----------------------|----------------------------|------------------|
| | Mauritius Rs' 000 | Other Countries Rs' 000 | Total Rs' 000 |
| 31 December 2013 | | | |
| Gross revenue from external customers | 8,965,258 | 2,803,494 | 11,768,752 |
| Tangible and intangible assets | 1,719,280 | 229,117 | 1,948,397 |
| 30 June 2012 | | | |
| Gross revenue from external customers | 5,588,037 | 1,902,910 | 7,490,947 |
| Tangible and intangible assets | 1,201,418 | 210,489 | 1,411,907 |
| 30 June 2011 | | | |
| Gross revenue from external customers | 4,998,738 | 1,486,562 | 6,485,300 |
| Tangible and intangible assets | 1,236,625 | 217,361 | 1,453,986 |

d. Information about major customers of the reportable segment

Gross revenue from the major customer of the Group represents 3.3% (30 June 2012: 2.5% and 30 June 2011: 2.5%) of the Banking segment's total revenue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

43. Supplementary information as required by Bank of Mauritius

The Bank of Mauritius requires the Bank to disclose its assets and liabilities, income and expenditure classified into segments A and B. Segment B activity is essentially directed to the provision of international financial services that give rise to 'foreign source income'. Segment A activity relates to all banking business other than Segment B activity. Expenditure incurred by the Bank but which is not directly attributable to its income derived from Mauritius or its foreign source income is apportioned in a fair and reasonable manner.

a. Statements of financial position

| | | Segment A 31 Dec 2013 | Segment B 31 Dec 2013 | Bank 31 Dec 2013 | Segment A 30 Jun 2012 (Restated) | Segment B 30 Jun 2012 (Restated) | Bank 30 Jun 2012 (Restated) | Segment A 30 Jun 2011 (Restated) | Segment B 30 Jun 2011 (Restated) | Bank 30 Jun 2011 (Restated) |
|---|------|-----------------------------|-----------------------------|------------------------|---|---|--------------------------------------|---|---|--------------------------------------|
| | Note | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | 43l | 3,037,258 | 3,447,993 | 6,485,251 | 2,121,925 | 4,842,350 | 6,964,275 | 1,349,552 | 5,152,495 | 6,502,047 |
| Mandatory balances with Central Banks | | 5,113,319 | 109,737 | 5,223,056 | 4,523,043 | 148,872 | 4,671,915 | 3,592,800 | 273,914 | 3,866,714 |
| Loans to and placements with banks | 43m | 165,746 | 766,682 | 932,428 | - | 1,511,936 | 1,511,936 | - | 943,359 | 943,359 |
| Trading assets | 43n | 39,194 | 210,310 | 249,504 | 68,606 | 200,892 | 269,498 | 33,780 | 115,334 | 149,114 |
| Loans and advances to non-bank customers | 43o | 57,696,261 | 12,080,316 | 69,776,577 | 49,130,208 | 13,438,366 | 62,568,574 | 37,899,313 | 18,601,054 | 56,500,367 |
| Investment securities | 43p | 12,788,007 | 4,775,887 | 17,563,894 | 9,267,326 | 5,774,718 | 15,042,044 | 17,438,937 | 4,699,171 | 22,138,108 |
| Property and equipment | 43q | 1,156,421 | 146,110 | 1,302,531 | 1,144,676 | 173,549 | 1,318,225 | 1,185,792 | 205,487 | 1,391,279 |
| Intangible assets | 43r | 562,859 | 75,998 | 638,857 | 56,741 | 28,696 | 85,437 | 50,833 | 5,013 | 55,846 |
| Deferred tax assets | | 65,145 | 145,100 | 210,245 | 59,296 | - | 59,296 | 36,691 | - | 36,691 |
| Other assets | 43s | 1,886,333 | 281,577 | 2,167,910 | 346,834 | 149,461 | 496,295 | 313,588 | 184,524 | 498,112 |
| Total assets | | 82,510,543 | 22,039,710 | 104,550,253 | 66,718,655 | 26,268,840 | 92,987,495 | 61,901,286 | 30,180,351 | 92,081,637 |
| LIABILITIES | | | | | | | | | | |
| Deposits from banks | 43t | 69,736 | 202,066 | 271,802 | 67,603 | 147,054 | 214,657 | 12,272 | 250,259 | 262,531 |
| Deposits from non-bank customers | 43u | 65,858,636 | 15,417,519 | 81,276,155 | 61,025,418 | 14,507,734 | 75,533,152 | 57,781,633 | 12,614,448 | 70,396,081 |
| Other borrowed funds | 43v | 1,778,401 | 4,331,650 | 6,110,051 | 24,875 | 2,899,920 | 2,924,795 | 66,035 | 7,058,639 | 7,124,674 |
| Trading liabilities | 43n | 27,425 | 211,044 | 238,469 | 24,504 | 145,495 | 169,999 | 9,558 | 131,651 | 141,209 |
| Current tax liabilities | | 246,591 | - | 246,591 | 242,276 | 45,282 | 287,558 | 148,485 | 23,216 | 171,701 |
| Deferred tax liabilities | | - | - | - | - | 28,290 | 28,290 | - | 72,876 | 72,876 |
| Other liabilities | 43w | 1,929,501 | 120,019 | 2,049,520 | 875,228 | 97,956 | 973,184 | 866,049 | 75,271 | 941,320 |
| Subordinated debts | | 4,200 | - | 4,200 | - | - | - | - | - | - |
| Total liabilities | | 69,914,490 | 20,282,298 | 90,196,788 | 62,259,904 | 17,871,731 | 80,131,635 | 58,884,032 | 20,226,360 | 79,110,392 |
| SHAREHOLDERS' EQUITY | | | | | | | | | | |
| Share capital | | | | 303,740 | | | 303,740 | | | 303,740 |
| Retained earnings | | | | 15,468,213 | | | 13,405,785 | | | 10,155,831 |
| Other reserves | | | | 914,798 | | | 1,479,621 | | | 4,844,960 |
| | | | | 16,686,751 | | | 15,189,146 | | | 15,304,531 |
| | | | | (2,333,286) | | | (2,333,286) | | | (2,333,286) |
| Less treasury shares | | | | | | | | | | |
| Total equity attributable to equity holders of the parent | | | | 14,353,465 | | | 12,855,860 | | | 12,971,245 |
| Total equity and liabilities | | | | 104,550,253 | | | 92,987,495 | | | 92,081,637 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

43. Supplementary information as required by Bank Of Mauritius (Cont'd)

b. Statements of profit or loss

| | Segment A 18 months to 31 Dec 2013 | Segment B 18 months to 31 Dec 2013 | Bank 18 months to 31 Dec 2013 | Segment A 12 months to 30 Jun 2012 (Restated) | Segment B 12 months to 30 Jun 2012 (Restated) | Bank 12 months to 30 Jun 2012 (Restated) | Segment A 12 months to 30 Jun 2011 (Restated) | Segment B 12 months to 30 Jun 2011 (Restated) | Bank 12 months to 30 Jun 2011 (Restated) |
|--|---|---|--|---|---|--|---|---|--|
| Note | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| Interest income | 7,363,184 | 1,732,756 | 9,095,940 | 4,384,745 | 1,303,211 | 5,687,956 | 3,833,192 | 894,428 | 4,727,620 |
| Interest expense | (2,572,736) | (729,302) | (3,302,038) | (1,908,310) | (685,632) | (2,593,942) | (1,857,103) | (460,144) | (2,317,247) |
| Net interest income | 4,790,448 | 1,003,454 | 5,793,902 | 2,476,435 | 617,579 | 3,094,014 | 1,976,089 | 434,284 | 2,410,373 |
| Fee and commission income | 966,858 | 519,145 | 1,486,003 | 551,823 | 569,673 | 1,121,496 | 580,513 | 278,797 | 859,310 |
| Fee and commission expense | (22,478) | (20,241) | (42,719) | (19,276) | (11,529) | (30,805) | (22,131) | (15,338) | (37,469) |
| Net fee and commission income | 944,380 | 498,904 | 1,443,284 | 532,547 | 558,144 | 1,090,691 | 558,382 | 263,459 | 821,841 |
| Dividend income | 587,206 | 284,197 | 871,403 | 230,440 | 1,469,331 | 1,699,771 | 220,028 | 1,073 | 221,101 |
| Net trading income | 340,164 | 156,979 | 497,143 | 255,841 | 191,447 | 447,288 | 280,809 | 160,564 | 441,373 |
| Other operating income | 4,915 | 455,207 | 460,122 | 10,807 | 999 | 11,806 | (424) | 1,593 | 1,169 |
| Non interest income | 1,876,665 | 1,395,287 | 3,271,952 | 1,029,635 | 2,219,921 | 3,249,556 | 1,058,795 | 426,689 | 1,485,484 |
| Operating income | 6,667,113 | 2,398,741 | 9,065,854 | 3,506,070 | 2,837,500 | 6,343,570 | 3,034,884 | 860,973 | 3,895,857 |
| Personnel expenses | (1,413,889) | (252,756) | (1,666,645) | (802,379) | (161,666) | (964,045) | (740,909) | (143,821) | (884,730) |
| Depreciation and amortisation | (188,593) | (25,723) | (214,316) | (110,995) | (24,509) | (135,504) | (114,705) | (26,649) | (141,354) |
| Other expenses | (821,376) | (121,097) | (942,473) | (371,863) | (79,562) | (451,425) | (313,472) | (49,348) | (362,820) |
| Non interest expense | (2,423,858) | (399,576) | (2,823,434) | (1,285,237) | (265,737) | (1,550,974) | (1,169,086) | (219,818) | (1,388,904) |
| Profit before net impairment loss on financial assets | 4,243,255 | 1,999,165 | 6,242,420 | 2,220,833 | 2,571,763 | 4,792,596 | 1,865,798 | 641,155 | 2,506,953 |
| Net impairment loss on financial assets | (257,095) | (571,991) | (829,086) | (144,045) | (29,852) | (173,897) | (128,136) | (92,254) | (220,390) |
| Operating profit | 3,986,160 | 1,427,174 | 5,413,334 | 2,076,788 | 2,541,911 | 4,618,699 | 1,737,662 | 548,901 | 2,286,563 |
| Tax expense | (889,610) | 22,308 | (867,302) | (436,906) | (131,752) | (568,658) | (344,550) | (79,199) | (423,749) |
| Profit for the period/year | 3,096,550 | 1,449,482 | 4,546,032 | 1,639,882 | 2,410,159 | 4,050,041 | 1,393,112 | 469,702 | 1,862,814 |

c. Net interest income

| | | | | | | | | | |
|------------------------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|
| Interest income | | | | | | | | | |
| Cash and cash equivalents | 7,805 | 19,480 | 27,285 | 8,663 | 34,667 | 43,330 | 6,589 | 41,907 | 48,496 |
| Loans to and placements with banks | - | 39,228 | 39,228 | - | 59,303 | 59,303 | - | 6,636 | 6,636 |
| Loans and advances to customers | 6,599,852 | 1,190,308 | 7,790,160 | 3,780,955 | 870,525 | 4,651,480 | 3,003,896 | 694,792 | 3,698,688 |
| Investment securities | 752,621 | 419,444 | 1,172,065 | 594,325 | 299,136 | 893,461 | 814,246 | 134,545 | 948,791 |
| Trading assets | 2,842 | 64,284 | 67,126 | 800 | 39,560 | 40,360 | 3,758 | 16,400 | 20,158 |
| Other | 64 | 12 | 76 | 2 | 20 | 22 | 4,703 | 148 | 4,851 |
| Total interest income | 7,363,184 | 1,732,756 | 9,095,940 | 4,384,745 | 1,303,211 | 5,687,956 | 3,833,192 | 894,428 | 4,727,620 |
| Interest expense | | | | | | | | | |
| Deposits from banks | - | (47) | (47) | - | (350) | (350) | - | (314) | (314) |
| Deposits from non-bank customers | (2,555,654) | (492,844) | (3,048,498) | (1,887,216) | (461,128) | (2,348,344) | (1,848,133) | (301,887) | (2,150,020) |
| Other borrowed funds | (17,082) | (236,411) | (253,493) | (21,094) | (224,154) | (245,248) | (8,970) | (141,655) | (150,625) |
| Other | - | - | - | - | - | - | - | (16,288) | (16,288) |
| Total interest expense | (2,572,736) | (729,302) | (3,302,038) | (1,908,310) | (685,632) | (2,593,942) | (1,857,103) | (460,144) | (2,317,247) |
| Net interest income | 4,790,448 | 1,003,454 | 5,793,902 | 2,476,435 | 617,579 | 3,094,014 | 1,976,089 | 434,284 | 2,410,373 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

43. Supplementary information as required by Bank Of Mauritius (Cont'd)

d. Net fee and commission income

| | Segment A 18 months to 31 Dec 2013 Rs' 000 | Segment B 18 months to 31 Dec 2013 Rs' 000 | Bank 18 months to 31 Dec 2013 Rs' 000 | Segment A 12 months to 30 Jun 2012 Rs' 000 | Segment B 12 months to 30 Jun 2012 Rs' 000 | Bank 12 months to 30 Jun 2012 Rs' 000 | Segment A 12 months to 30 Jun 2011 Rs' 000 | Segment B 12 months to 30 Jun 2011 Rs' 000 | Bank 12 months to 30 Jun 2011 Rs' 000 |
|---|--|--|---|--|--|---|--|--|---|
| Fee and commission income | | | | | | | | | |
| Retail banking customer fees | 536,610 | 13,187 | 549,797 | 316,134 | 7,381 | 323,515 | 267,025 | 4,382 | 271,407 |
| Corporate banking customer fees | 231,353 | 152,587 | 383,940 | 137,157 | 141,712 | 278,869 | 105,341 | 121,796 | 227,137 |
| Card Income | 198,895 | 353,371 | 552,266 | 98,532 | 420,580 | 519,112 | 208,147 | 152,619 | 360,766 |
| Total fee and commission income | 966,858 | 519,145 | 1,486,003 | 551,823 | 569,673 | 1,121,496 | 580,513 | 278,797 | 859,310 |
| Fee and commission expense | | | | | | | | | |
| Interbank transaction fees | - | (18,997) | (18,997) | - | (10,284) | (10,284) | - | (13,059) | (13,059) |
| Other | (22,478) | (1,244) | (23,722) | (19,276) | (1,245) | (20,521) | (22,131) | (2,279) | (24,410) |
| Total fee and commission expense | (22,478) | (20,241) | (42,719) | (19,276) | (11,529) | (30,805) | (22,131) | (15,338) | (37,469) |
| Net fee and commission income | 944,380 | 498,904 | 1,443,284 | 532,547 | 558,144 | 1,090,691 | 558,382 | 263,459 | 821,841 |
| e. Dividend income | | | | | | | | | |
| Available-for-sale securities | 587,000 | 284,123 | 871,123 | 230,246 | 1,469,331 | 1,699,577 | 219,931 | 1,073 | 221,004 |
| Trading securities | 206 | 74 | 280 | 194 | - | 194 | 97 | - | 97 |
| Total dividend income | 587,206 | 284,197 | 871,403 | 230,440 | 1,469,331 | 1,699,771 | 220,028 | 1,073 | 221,101 |
| f. Net trading income | | | | | | | | | |
| Fixed income securities | 64 | 2,286 | 2,350 | 37 | 263 | 300 | (7) | 1,821 | 1,814 |
| Equities | (302) | (205) | (507) | (68) | 201 | 133 | 450 | (3,686) | (3,236) |
| Foreign exchange | 340,403 | 140,821 | 481,224 | 256,360 | 200,601 | 456,961 | 280,365 | 165,954 | 446,319 |
| Other | - | 14,076 | 14,076 | (488) | (9,618) | (10,106) | 1 | (3,525) | (3,524) |
| Total net trading income | 340,164 | 156,978 | 497,143 | 255,841 | 191,447 | 447,288 | 280,809 | 160,564 | 441,373 |
| g. Other operating income | | | | | | | | | |
| Gain on sale of available-for-sale securities: | | | | | | | | | |
| Investment securities | 19,668 | 93,723 | 113,391 | 3,766 | 1,040 | 4,806 | 3,254 | 1,480 | 4,734 |
| Equity investments | - | 361,481 | 361,481 | 6,278 | - | 6,278 | - | - | - |
| Other | (14,753) | 3 | (14,750) | 763 | (41) | 722 | (3,678) | 113 | (3,565) |
| Total other operating income | 4,915 | 455,207 | 460,122 | 10,807 | 999 | 11,806 | (424) | 1,593 | 1,169 |
| h. Personnel expenses | | | | | | | | | |
| Wages and salaries | 926,031 | 185,627 | 1,111,658 | 574,180 | 128,379 | 702,559 | 532,135 | 115,254 | 647,389 |
| Other social security obligations | 14,952 | 1,752 | 16,704 | 8,741 | 1,076 | 9,817 | 8,347 | 963 | 9,310 |
| Contributions to defined contribution plans | 72,966 | 13,020 | 85,986 | 43,601 | 9,999 | 53,600 | 38,735 | 6,484 | 45,219 |
| Cash-settled share-based payments | 26,293 | 3,847 | 30,140 | 13,164 | 2,102 | 15,266 | 17,022 | 2,912 | 19,934 |
| Increase in liability for defined benefit plans | 41,532 | 1,859 | 43,391 | 16,488 | 1,005 | 17,493 | 14,967 | 986 | 15,953 |
| Other personnel expenses | 332,115 | 46,651 | 378,766 | 146,205 | 19,105 | 165,310 | 129,703 | 17,222 | 146,925 |
| Total personnel expenses | 1,413,889 | 252,756 | 1,666,645 | 802,379 | 161,666 | 964,045 | 740,909 | 143,821 | 884,730 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

43. Supplementary information as required by Bank Of Mauritius (Cont'd)

i. Other expenses

| | Segment A 18 months to 31 Dec 2013 Rs' 000 | Segment B 18 months to 31 Dec 2013 Rs' 000 | Bank 18 months to 31 Dec 2013 Rs' 000 | Segment A 12 months to 30 Jun 2012 Rs' 000 | Segment B 12 months to 30 Jun 2012 Rs' 000 | Bank 12 months to 30 Jun 2012 Rs' 000 | Segment A 12 months to 30 Jun 2011 Rs' 000 | Segment B 12 months to 30 Jun 2011 Rs' 000 | Bank 12 months to 30 Jun 2011 Rs' 000 |
|--|--|--|---|--|--|---|--|--|---|
| Software licensing and other information technology cost | 502,666 | 51,851 | 554,517 | 118,147 | 30,453 | 148,600 | 92,041 | 20,832 | 112,873 |
| Auditors' remuneration (audit fee): | | | | | | | | | |
| - Principal auditors | 6,175 | 965 | 7,140 | 4,057 | 634 | 4,691 | 3,935 | 613 | 4,548 |
| - Other auditors | - | 211 | 211 | - | 451 | 451 | - | 465 | 465 |
| Other | 312,535 | 68,070 | 380,605 | 249,659 | 48,024 | 297,683 | 217,496 | 27,438 | 244,934 |
| | 821,376 | 121,097 | 942,473 | 371,863 | 79,562 | 451,425 | 313,472 | 49,348 | 362,820 |

j. Net impairment loss on financial assets

Portfolio and specific provisions:

| | | | | | | | | | |
|---|----------|---------|----------|----------|--------|----------|----------|--------|----------|
| - On-balance sheet advances | 280,598 | 562,074 | 842,672 | 175,675 | 29,369 | 205,044 | 123,291 | 90,888 | 214,179 |
| - Off-balance sheet exposure | - | - | - | (15,406) | (881) | (16,287) | 15,039 | 1,366 | 16,405 |
| Bad debts written off for which no provisions were made | 152 | - | 152 | 331 | - | 331 | 2 | - | 2 |
| Recoveries of advances written off | (23,655) | (6,661) | (30,316) | (21,189) | - | (21,189) | (14,943) | - | (14,943) |
| Other loss | - | 16,578 | 16,578 | 4,634 | 1,364 | 5,998 | 4,747 | - | 4,747 |
| | 257,095 | 571,991 | 829,086 | 144,045 | 29,852 | 173,897 | 128,136 | 92,254 | 220,390 |

k. Tax expense

| | | | | | | | | | |
|---------------------|---------|-----------|-----------|----------|----------|----------|---------|--------|---------|
| Income tax expense | 895,259 | 150,586 | 1,045,845 | 461,493 | 167,584 | 629,077 | 346,947 | 79,626 | 426,573 |
| Deferred tax income | (5,649) | (172,894) | (178,543) | (24,587) | (35,832) | (60,419) | (2,397) | (427) | (2,824) |
| | 889,610 | (22,308) | 867,302 | 436,906 | 131,752 | 568,658 | 344,550 | 79,199 | 423,749 |

l. Cash and cash equivalents

| | Segment A 31 Dec 2013 Rs' 000 | Segment B 31 Dec 2013 Rs' 000 | Bank 31 Dec 2013 Rs' 000 | Segment A 30 Jun 2012 Rs' 000 | Segment B 30 Jun 2012 Rs' 000 | Bank 30 Jun 2012 Rs' 000 | Segment A 30 Jun 2011 Rs' 000 | Segment B 30 Jun 2011 Rs' 000 | Bank 30 Jun 2011 Rs' 000 |
|---|--|--|-----------------------------------|--|--|-----------------------------------|--|--|-----------------------------------|
| Cash in hand | 2,151,863 | - | 2,151,863 | 753,531 | 5 | 753,536 | 807,099 | - | 807,099 |
| Foreign currency notes and coins | - | 156,607 | 156,607 | - | 95,204 | 95,204 | - | 86,354 | 86,354 |
| Unrestricted balances with central banks ¹ | 885,395 | - | 885,395 | 1,064,189 | 2,004 | 1,066,193 | - | 403,301 | 403,301 |
| Loans and placements with banks ² | - | 878,166 | 878,166 | 304,205 | 3,631,923 | 3,936,128 | 542,453 | 4,103,487 | 4,645,940 |
| Balances with banks | - | 2,413,220 | 2,413,220 | - | 1,113,214 | 1,113,214 | - | 559,353 | 559,353 |
| | 3,037,258 | 3,447,993 | 6,485,251 | 2,121,925 | 4,842,350 | 6,964,275 | 1,349,552 | 5,152,495 | 6,502,047 |

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

43. Supplementary information as required by Bank Of Mauritius (Cont'd)

m. Loans to and placements with banks

| | Segment A 31 Dec 2013 Rs' 000 | Segment B 31 Dec 2013 Rs' 000 | Bank 31 Dec 2013 Rs' 000 | Segment A 30 Jun 2012 Rs' 000 | Segment B 30 Jun 2012 Rs' 000 | Bank 30 Jun 2012 Rs' 000 | Segment A 30 Jun 2011 Rs' 000 | Segment B 30 Jun 2011 Rs' 000 | Bank 30 Jun 2011 Rs' 000 |
|---|--|--|-----------------------------------|--|--|-----------------------------------|--|--|-----------------------------------|
| Loans to and placements with banks in Mauritius | 165,746 | - | 165,746 | - | - | - | - | - | - |
| outside Mauritius | - | 766,682 | 766,682 | - | 1,511,936 | 1,511,936 | - | 943,359 | 943,359 |
| | 165,746 | 766,682 | 932,428 | - | 1,511,936 | 1,511,936 | - | 943,359 | 943,359 |
| Remaining term to maturity | | | | | | | | | |
| Up to 3 months | - | 106,700 | 106,700 | - | 111,152 | 111,152 | - | - | - |
| Over 3 months and up to 6 months | - | 299,767 | 299,767 | - | 700,171 | 700,171 | - | 285,722 | 285,722 |
| Over 6 months and up to 12 months | 165,746 | 360,215 | 525,961 | - | 390,295 | 390,295 | - | 371,324 | 371,324 |
| Over 1 year and up to 2 years | - | - | - | - | 310,318 | 310,318 | - | 286,313 | 286,313 |
| | 165,746 | 766,682 | 932,428 | - | 1,511,936 | 1,511,936 | - | 943,359 | 943,359 |
| n. Trading assets | | | | | | | | | |
| Government securities | 893 | - | 893 | 12,237 | 28,882 | 41,119 | 13,465 | - | 13,465 |
| Equities | - | 1,742 | 1,742 | 10,985 | 1,339 | 12,324 | 985 | - | 985 |
| Derivative assets | 38,301 | 208,568 | 246,869 | 45,384 | 170,671 | 216,055 | 19,330 | 115,334 | 134,664 |
| | 39,194 | 210,310 | 249,504 | 68,606 | 200,892 | 269,498 | 33,780 | 115,334 | 149,114 |
| Trading liabilities | | | | | | | | | |
| Derivative liabilities | 27,425 | 211,044 | 238,469 | 24,504 | 145,495 | 169,999 | 9,558 | 131,651 | 141,209 |
| o. Loans and advances to non-bank customers | | | | | | | | | |
| Retail customers | | | | | | | | | |
| Credit cards | 493,805 | 7,308 | 501,113 | 414,595 | - | 414,595 | 358,563 | - | 358,563 |
| Mortgages | 16,414,566 | - | 16,414,566 | 12,616,985 | - | 12,616,985 | 9,419,961 | - | 9,419,961 |
| Other retail loans | 10,808,719 | - | 10,808,719 | 8,045,760 | - | 8,045,760 | 6,736,757 | - | 6,736,757 |
| Corporate customers | 30,708,965 | 1,919,604 | 32,628,569 | 28,521,945 | 2,380,895 | 30,902,840 | 21,845,280 | 1,737,520 | 23,582,800 |
| Governments | - | - | - | 5,985 | - | 5,985 | 2,397 | - | 2,397 |
| Entities outside Mauritius | - | 10,415,344 | 10,415,344 | - | 11,219,197 | 11,219,197 | - | 17,030,912 | 17,030,912 |
| | 58,426,055 | 12,342,256 | 70,768,311 | 49,605,270 | 13,600,092 | 63,205,362 | 38,362,958 | 18,768,432 | 57,131,390 |
| Less allowance for credit impairment | (729,794) | (261,940) | (991,734) | (475,062) | (161,726) | (636,788) | (463,645) | (167,378) | (631,023) |
| | 57,696,261 | 12,080,316 | 69,776,577 | 49,130,208 | 13,438,366 | 62,568,574 | 37,899,313 | 18,601,054 | 56,500,367 |
| Remaining term to maturity: | | | | | | | | | |
| Up to 3 months | 9,930,459 | 1,945,869 | 11,876,328 | 8,571,119 | 4,624,582 | 13,195,701 | 5,957,954 | 8,243,309 | 14,201,263 |
| Over 3 months and up to 6 months | 1,540,628 | 969,644 | 2,510,272 | 2,704,684 | 1,798,434 | 4,503,118 | 2,231,421 | 4,960,073 | 7,191,494 |
| Over 6 months and up to 12 months | 3,417,028 | 1,168,506 | 4,585,534 | 2,532,019 | 507,535 | 3,039,554 | 2,449,939 | 634,394 | 3,084,333 |
| Over 1 year and up to 2 years | 1,369,790 | 2,295,257 | 3,665,047 | 1,352,883 | 670,694 | 2,023,577 | 1,083,386 | 609,102 | 1,692,488 |
| Over 2 years and up to 5 years | 11,626,060 | 4,454,977 | 16,081,037 | 8,465,603 | 3,834,509 | 12,300,112 | 7,539,869 | 2,761,229 | 10,301,098 |
| Over 5 years | 30,542,090 | 1,508,003 | 32,050,093 | 25,978,963 | 2,164,338 | 28,143,301 | 19,100,389 | 1,560,325 | 20,660,714 |
| | 58,426,055 | 12,342,256 | 70,768,311 | 49,605,271 | 13,600,092 | 63,205,363 | 38,362,958 | 18,768,432 | 57,131,390 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

43. Supplementary information as required by Bank of Mauritius (Cont'd)

o. Loans and advances to customers (Cont'd)

Allowance for credit impairment by industry sectors

| | 31 Dec 2013 | | | | | 30 Jun 2012 | 30 Jun 2011 |
|---------------------------------|----------------------------------|---------------------------|---|--|---|---|---|
| | Gross amount of loans Rs' 000 | Impaired loans Rs' 000 | Specific allowance for credit impairment Rs' 000 | Portfolio allowance for credit impairment Rs' 000 | Total allowances for credit impairment Rs' 000 | Total allowances for credit impairment Rs' 000 | Total allowances for credit impairment Rs' 000 |
| Segment A | | | | | | | |
| Agriculture and Fishing | 3,502,358 | - | - | 1,456 | 1,456 | 1,799 | 5,017 |
| Manufacturing | 2,768,639 | 11,971 | 8,839 | 57,140 | 65,979 | 65,298 | 73,634 |
| of which EPZ | 1,026,225 | 2,309 | 2,249 | 32,166 | 34,415 | 23,727 | 23,470 |
| Tourism | 11,712,772 | 14,162 | 7,846 | 4,955 | 12,801 | 6,180 | 13,697 |
| Transport | 775,990 | 3,341 | 2,479 | 769 | 3,248 | 2,487 | 6,476 |
| Construction | 3,563,570 | 142,943 | 54,690 | 41,109 | 95,799 | 49,274 | 42,898 |
| Financial and business services | 1,702,149 | - | - | 2,841 | 2,841 | 4,416 | 1,793 |
| Traders | 4,785,801 | 122,230 | 97,322 | 25,363 | 122,685 | 39,193 | 40,085 |
| Personal | 25,502,966 | 459,523 | 353,797 | 31,959 | 385,756 | 282,991 | 244,279 |
| of which credit cards | 463,671 | 36,647 | 36,647 | 8,510 | 45,157 | 18,539 | 15,317 |
| Professional | 197,756 | - | - | 684 | 684 | 393 | 16,966 |
| Others | 3,914,054 | 39,890 | 28,970 | 9,575 | 38,545 | 23,032 | 18,800 |
| | 58,426,055 | 794,060 | 553,943 | 175,851 | 729,794 | 475,062 | 463,645 |
| Segment B | | | | | | | |
| Agriculture and Fishing | 521,450 | - | 3,444 | 1,688 | 5,132 | 928 | 68 |
| Manufacturing | 2,881,493 | 40,203 | 29,157 | 18,214 | 47,371 | 41,065 | 63,980 |
| Tourism | 1,137,220 | - | - | 1,771 | 1,771 | 1,986 | 1,859 |
| Transport | 1,051,132 | - | - | - | - | 90 | 1,725 |
| Construction | 71,113 | 71,113 | 71,113 | - | 71,113 | 67,334 | 44,736 |
| Financial and business services | 868,405 | - | - | 5,900 | 5,900 | 13,749 | 28,653 |
| Traders | 325,662 | - | - | 655 | 655 | 1,222 | 10,408 |
| Personal | 1,482,722 | 29,100 | 5,945 | 4,182 | 10,127 | - | 85 |
| of which credit cards | 7,308 | - | - | - | - | - | - |
| Global Business Licence holders | 1,919,604 | - | - | 6,440 | 6,440 | 9,466 | 6,859 |
| Others | 2,083,455 | 452,819 | 99,724 | 13,707 | 113,431 | 25,886 | 9,005 |
| | 12,342,256 | 593,236 | 209,383 | 52,557 | 261,940 | 161,726 | 167,378 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

43. Supplementary information as required by Bank Of Mauritius (Cont'd)

p. Investment securities

Remaining term to maturity

| | 31 December 2013 | | | | | | | | | | |
|--|------------------------------|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|---------------------------|---------------------------------------|------------------|---------------------------|---------------------------|
| | Up to 3 months Rs' 000 | 3-6 months Rs' 000 | 6-9 months Rs' 000 | 9-12 months Rs' 000 | 1-2 years Rs' 000 | 2-5 years Rs' 000 | Over 5 years Rs'000 | No specific maturity Rs' 000 | Total Rs' 000 | 30 Jun 2012 Rs' 000 | 30 Jun 2011 Rs' 000 |
| Segment A | | | | | | | | | | | |
| Investment securities - loans and receivables | | | | | | | | | | | |
| Government bonds and treasury notes | - | - | 101,353 | 788,778 | 2,565,366 | 4,012,505 | - | - | 7,468,002 | 4,770,385 | 4,855,497 |
| Treasury bills | 1,488,378 | 810,191 | 440,001 | 68,748 | - | - | - | - | 2,807,318 | 3,869,646 | 7,463,027 |
| Bank of Mauritius bills / notes | 975,747 | 89,261 | 196,185 | - | - | 801,095 | - | - | 2,062,288 | 593,556 | 1,662,712 |
| Corporate bonds | - | - | 104,120 | - | 145,976 | 200,128 | - | - | 450,224 | - | - |
| | 2,464,125 | 899,452 | 841,659 | 857,526 | 2,711,342 | 5,013,728 | - | - | 12,787,832 | 9,233,587 | 13,981,236 |
| Available-for-sale investment securities | | | | | | | | | | | |
| Equity shares of companies: | | | | | | | | | | | |
| - Investment in subsidiaries | - | - | - | - | - | - | - | 1,285 | 1,285 | 75 | 50 |
| - Investment in associates | - | - | - | - | - | - | - | - | - | - | 667,803 |
| - Other equity investments | - | - | - | - | - | - | - | 397,947 | 397,947 | 33,664 | 2,789,848 |
| | - | - | - | - | - | - | - | 399,232 | 399,232 | 33,739 | 3,457,701 |
| Total Segment A | 2,464,125 | 899,452 | 841,659 | 857,526 | 2,711,342 | 5,013,728 | - | 399,232 | 13,187,064 | 9,267,326 | 17,438,937 |
| Segment B | | | | | | | | | | | |
| Held-to-maturity investment securities | | | | | | | | | | | |
| Government bonds and treasury notes | - | - | - | - | - | - | - | - | - | 861,955 | 687,977 |
| Treasury bills | - | - | - | - | - | - | - | - | - | 357,392 | 1,167,500 |
| Securities issued by government bodies | - | - | - | - | - | - | - | - | - | 54,998 | 63,823 |
| | - | - | - | - | - | - | - | - | - | 1,274,345 | 1,919,300 |
| Available-for-sale investment securities | | | | | | | | | | | |
| Government bonds | 11,294 | - | - | - | - | 170,979 | 644,219 | - | 826,492 | 451,021 | - |
| Treasury bills / notes | 285,388 | 258,427 | 321,675 | - | - | - | - | - | 865,490 | - | - |
| Securities issued by government bodies | 345 | - | - | - | - | - | - | - | 345 | - | - |
| - Investment in subsidiaries | - | - | - | - | - | - | - | 47 | 47 | 47 | 47 |
| - Other equity investments | - | - | - | - | - | - | - | - | - | 1,892,981 | 278,442 |
| Bank bonds | - | - | - | 33,374 | 367,439 | 1,148,738 | 162,455 | - | 1,712,006 | 1,903,716 | 1,623,754 |
| Corporate paper and preference shares | 255,418 | 227,569 | 91,153 | - | 120,568 | 277,742 | - | - | 972,450 | 252,608 | 877,628 |
| | 552,445 | 485,996 | 412,828 | 33,374 | 488,007 | 1,597,459 | 806,674 | 47 | 4,376,830 | 4,500,373 | 2,779,871 |
| Total Segment B | 552,445 | 485,996 | 412,828 | 33,374 | 488,007 | 1,597,459 | 806,674 | 47 | 4,376,830 | 5,774,718 | 4,699,171 |
| Total Bank | 3,016,570 | 1,385,448 | 1,254,487 | 890,900 | 3,199,349 | 6,611,187 | 806,674 | 399,279 | 17,563,894 | 15,042,044 | 22,138,108 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

43. Supplementary information as required by Bank Of Mauritius (Cont'd)

q. Property and equipment

| | Freehold land and buildings Rs' 000 | Leasehold buildings Rs' 000 | Other tangible fixed assets Rs' 000 | Motor vehicles Rs' 000 | Progress payments Rs' 000 | Total Rs' 000 |
|---|--|-----------------------------------|---|------------------------------|---------------------------------|------------------|
| BANK | | | | | | |
| Net book value at 31 December 2013 | | | | | | |
| Segment A | 434,712 | 426,245 | 221,960 | 10,313 | 63,191 | 1,156,421 |
| Segment B | 138,665 | - | 7,145 | 300 | - | 146,110 |
| Bank | 573,377 | 426,245 | 229,105 | 10,613 | 63,191 | 1,302,531 |
| Net book value at 30 June 2012 | | | | | | |
| Segment A | 414,786 | 446,192 | 262,009 | 12,346 | 9,343 | 1,144,676 |
| Segment B | 166,568 | - | 6,241 | 740 | - | 173,549 |
| | 581,354 | 446,192 | 268,250 | 13,086 | 9,343 | 1,318,225 |
| Net book value at 30 June 2011 | | | | | | |
| Segment A | 421,648 | 458,547 | 262,324 | 11,068 | 32,205 | 1,185,792 |
| Segment B | 196,903 | - | 1,882 | 1,151 | 5,551 | 205,487 |
| | 618,551 | 458,547 | 264,206 | 12,219 | 37,756 | 1,391,279 |

r. Intangible assets

| | 31 Dec 2013 Rs' 000 | 30 Jun 2012 Rs' 000 | 30 Jun 2011 Rs' 000 |
|-----------------------|---------------------------|---------------------------|---------------------------|
| Software | | | |
| Net Book Value | | | |
| Segment A | 562,859 | 56,741 | 50,833 |
| Segment B | 75,998 | 28,696 | 5,013 |
| | 638,857 | 85,437 | 55,846 |

s. Other assets

| | Segment A 31 Dec 2013 Rs' 000 | Segment B 31 Dec 2013 Rs' 000 | Bank 31 Dec 2013 Rs' 000 | Segment A 30 Jun 2012 Rs' 000 | Segment B 30 Jun 2012 Rs' 000 | Bank 30 Jun 2012 Rs' 000 | Segment A 30 Jun 2011 Rs' 000 | Segment B 30 Jun 2011 Rs' 000 | Bank 30 Jun 2011 Rs' 000 |
|--|--|--|-----------------------------------|--|--|-----------------------------------|--|--|-----------------------------------|
| Accounts receivable | 611,560 | 159,777 | 771,337 | 51,148 | 52,073 | 103,221 | 125,801 | 56,166 | 181,967 |
| Balances due in clearing | 241,412 | 785 | 242,197 | 233,627 | - | 233,627 | 158,617 | - | 158,617 |
| Tax paid in advance | - | 93,196 | 93,196 | - | 53,699 | 53,699 | - | 104,132 | 104,132 |
| Pension asset | - | - | - | 958 | - | 958 | 1,828 | - | 1,828 |
| Balances with Clearing Corporation in India | - | 23,554 | 23,554 | - | 19,968 | 19,968 | - | 18,804 | 18,804 |
| Non-banking assets acquired in satisfaction of debts | 161 | - | 161 | 366 | - | 366 | 320 | - | 320 |
| Expenses paid in advance | 962,808 | 2,672 | 965,480 | - | - | - | - | - | - |
| Others | 70,390 | 1,595 | 71,985 | 60,735 | 23,721 | 84,456 | 27,022 | 5,422 | 32,444 |
| | 1,886,331 | 281,579 | 2,167,910 | 346,834 | 149,461 | 496,295 | 313,588 | 184,524 | 498,112 |

t. Deposits from banks

| | | | | | | | | | |
|-----------------|--------|---------|---------|--------|---------|---------|--------|---------|---------|
| Demand deposits | 69,736 | 202,066 | 271,802 | 67,603 | 147,054 | 214,657 | 12,272 | 250,259 | 262,531 |
|-----------------|--------|---------|---------|--------|---------|---------|--------|---------|---------|

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

43. Supplementary information as required by Bank Of Mauritius (Cont'd)

u. Deposits from non-bank customers

| | Segment A 31 Dec 2013 Rs' 000 | Segment B 31 Dec 2013 Rs' 000 | Bank 31 Dec 2013 Rs' 000 | Segment A 30 Jun 2012 Rs' 000 | Segment B 30 Jun 2012 Rs' 000 | Bank 30 Jun 2012 Rs' 000 | Segment A 30 Jun 2011 Rs' 000 | Segment B 30 Jun 2011 Rs' 000 | Bank 30 Jun 2011 Rs' 000 |
|--|--|--|-----------------------------------|--|--|-----------------------------------|--|--|-----------------------------------|
| (i) Retail customers | | | | | | | | | |
| Current accounts | 8,432,550 | 1,684,565 | 10,117,115 | 7,247,647 | 1,470,375 | 8,718,022 | 6,047,026 | 1,149,754 | 7,196,780 |
| Savings accounts | 30,117,318 | 1,109,268 | 31,226,586 | 25,351,868 | 1,136,778 | 26,488,646 | 23,022,666 | 899,422 | 23,922,088 |
| Time deposits with remaining term to maturity: | | | | | | | | | |
| Up to 3 months | 1,161,609 | 497,782 | 1,659,391 | 935,111 | 480,667 | 1,415,778 | 1,109,528 | 513,013 | 1,622,541 |
| Over 3 months and up to 6 months | 757,341 | 193,358 | 950,699 | 647,660 | 343,638 | 991,298 | 1,002,934 | 211,510 | 1,214,444 |
| Over 6 months and up to 12 months | 1,512,636 | 1,311,193 | 2,823,829 | 1,656,254 | 592,687 | 2,248,941 | 2,284,656 | 841,458 | 3,126,114 |
| Over 1 year and up to 5 years | 3,211,132 | 2,545,261 | 5,756,393 | 2,974,108 | 1,301,782 | 4,275,890 | 2,382,923 | 869,169 | 3,252,092 |
| Over 5 years | - | 1,213 | 1,213 | - | 9,781 | 9,781 | - | 472 | 472 |
| Total time deposits | 6,642,718 | 4,548,807 | 11,191,525 | 6,213,133 | 2,728,555 | 8,941,688 | 6,780,041 | 2,435,422 | 9,215,663 |
| | 45,192,586 | 7,342,640 | 52,535,226 | 38,812,648 | 5,335,708 | 44,148,356 | 35,849,733 | 4,484,798 | 40,334,531 |
| (ii) Corporate customers | | | | | | | | | |
| Current accounts | 9,497,923 | 5,994,107 | 15,492,030 | 7,358,504 | 5,514,320 | 12,872,824 | 8,520,679 | 3,191,400 | 11,712,079 |
| Savings accounts | 4,527,989 | 1,078 | 4,529,067 | 4,255,266 | - | 4,255,266 | 4,525,254 | - | 4,525,254 |
| Time deposits with remaining term to maturity: | | | | | | | | | |
| Up to 3 months | 2,064,756 | 785,143 | 2,849,899 | 5,023,708 | 2,945,424 | 7,969,132 | 1,104,927 | 1,225,080 | 2,330,007 |
| Over 3 months and up to 6 months | 63,540 | 725,327 | 788,867 | 895,760 | 133,757 | 1,029,517 | 1,089,293 | 1,413,550 | 2,502,843 |
| Over 6 months and up to 12 months | 183,402 | 253,127 | 436,529 | 116,322 | 418,876 | 535,198 | 863,025 | 1,583,139 | 2,446,164 |
| Over 1 year and up to 5 years | 449,110 | 313,673 | 762,783 | 407,763 | 159,641 | 567,404 | 2,866,920 | 716,481 | 3,583,401 |
| Over 5 years | - | 2,424 | 2,424 | 169,964 | 8 | 169,972 | - | - | - |
| Total time deposits | 2,760,808 | 2,079,694 | 4,840,502 | 6,613,517 | 3,657,706 | 10,271,223 | 5,924,165 | 4,938,250 | 10,862,415 |
| | 16,786,720 | 8,074,879 | 24,861,599 | 18,227,287 | 9,172,026 | 27,399,313 | 18,970,097 | 8,129,650 | 27,099,748 |
| (iii) Government | | | | | | | | | |
| Current accounts | 1,759,774 | - | 1,759,774 | 2,194,523 | - | 2,194,523 | 1,444,318 | - | 1,444,318 |
| Savings accounts | 1,994,242 | - | 1,994,242 | 1,784,196 | - | 1,784,196 | 1,506,476 | - | 1,506,476 |
| Time deposits with remaining term to maturity: | | | | | | | | | |
| Up to 3 months | 122,509 | - | 122,509 | 2,306 | - | 2,306 | 2,305 | - | 2,305 |
| Over 3 months and up to 6 months | 407 | - | 407 | 333 | - | 333 | 4,364 | - | 4,364 |
| Over 6 months and up to 12 months | 2,398 | - | 2,398 | 4,125 | - | 4,125 | 4,237 | - | 4,237 |
| Over 1 year and up to 5 years | - | - | - | - | - | - | 102 | - | 102 |
| Total time deposits | 125,314 | - | 125,314 | 6,764 | - | 6,764 | 11,008 | - | 11,008 |
| | 3,879,330 | - | 3,879,330 | 3,985,483 | - | 3,985,483 | 2,961,802 | - | 2,961,802 |
| | 65,858,636 | 15,417,519 | 81,276,155 | 61,025,418 | 14,507,734 | 75,533,152 | 57,781,633 | 12,614,448 | 70,396,081 |
| v. Other borrowed funds | | | | | | | | | |
| Borrowings from central banks | 367,018 | - | 367,018 | 24,875 | - | 24,875 | 66,035 | 350,972 | 417,007 |
| Borrowings from banks | | | | | | | | | |
| in Mauritius | 1,411,383 | - | 1,411,383 | - | - | - | - | - | - |
| abroad | - | 601,590 | 601,590 | - | 391 | 391 | - | 690,278 | 690,278 |
| Other financial institutions | - | 3,730,060 | 3,730,060 | - | 2,899,529 | 2,899,529 | - | 6,017,389 | 6,017,389 |
| | 1,778,401 | 4,331,650 | 6,110,051 | 24,875 | 2,899,920 | 2,924,795 | 66,035 | 7,058,639 | 7,124,674 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2013 (CONT'D)

43. Supplementary information as required by Bank Of Mauritius (Cont'd)

w. Other liabilities

| | Segment A | Segment B | Bank | Segment A | Segment B | Bank | Segment A | Segment B | Bank |
|-------------------------|------------------|----------------|------------------|----------------|---------------|----------------|----------------|---------------|----------------|
| | 31 Dec | 31 Dec | 31 Dec | 30 Jun | 30 Jun | 30 Jun | 30 Jun | 30 Jun | 30 Jun |
| | 2013 | 2013 | 2013 | 2012 | 2012 | 2012 | 2011 | 2011 | 2011 |
| | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 | Rs' 000 |
| Bills payable | 85,570 | 8,277 | 93,847 | 154,396 | 7,731 | 162,127 | 155,998 | 5,052 | 161,050 |
| Accruals for expenses | 379,332 | 12,324 | 391,656 | 285,402 | 17,284 | 302,686 | 256,508 | 10,913 | 267,421 |
| Dividend payable | 516,358 | - | 516,358 | - | - | - | - | - | - |
| Accounts payable | 303,756 | 92,629 | 396,385 | 135,806 | 39,877 | 175,683 | 66,524 | 33,112 | 99,636 |
| Deferred income | 32,573 | 3,696 | 36,269 | 31,388 | 13,925 | 45,313 | 18,596 | 23,768 | 42,364 |
| Balance due in clearing | 251,775 | 785 | 252,560 | 184,855 | - | 184,855 | 173,590 | - | 173,590 |
| Balances in transit | 325,936 | - | 325,936 | 54,117 | - | 54,117 | 167,689 | - | 167,689 |
| Pension liability | 11,439 | - | 11,439 | - | - | - | - | - | - |
| Others | 22,764 | 2,306 | 25,070 | 29,264 | 19,139 | 48,403 | 27,144 | 2,426 | 29,570 |
| | 1,929,503 | 120,017 | 2,049,520 | 875,228 | 97,956 | 973,184 | 866,049 | 75,271 | 941,320 |

x. Memorandum items

a. Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers

| | | | | | | | | | |
|---|------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Acceptances on account of customers | 291,273 | 1,794 | 293,067 | 232,528 | 5,811 | 238,339 | 203,147 | 483,000 | 686,147 |
| Guarantees on account of customers | 4,620,266 | 249,646 | 4,869,912 | 6,101,720 | 1,175,659 | 7,277,379 | 7,383,254 | 1,540,553 | 8,923,807 |
| Letters of credit and other obligations on account of customers | 649,693 | 347,513 | 997,206 | 515,786 | 253,336 | 769,122 | 639,197 | 766,411 | 1,405,608 |
| Other contingent items | - | 24,230 | 24,230 | - | - | - | - | - | - |
| | 5,561,232 | 623,183 | 6,184,415 | 6,850,034 | 1,434,806 | 8,284,840 | 8,225,598 | 2,789,964 | 11,015,562 |

b. Commitments

| | | | | | | | | | |
|-------------------------------------|------------------|----------------|------------------|------------------|----------------|-------------------|------------------|----------------|------------------|
| Undrawn credit facilities | 7,617,922 | 573,052 | 8,190,974 | 9,867,359 | 464,025 | 10,331,384 | 7,227,965 | 857,314 | 8,085,279 |
| Undisbursed commitments in equities | - | - | - | - | - | - | 24,149 | - | 24,149 |
| | 7,617,922 | 573,052 | 8,190,974 | 9,867,359 | 464,025 | 10,331,384 | 7,252,114 | 857,314 | 8,109,428 |



More than just banking,
it's about creating
a seamless experience

| | | | | | | |
|----------------------|-------|-------|-------|-------|-------|-------|
| Canada | 2.16 | 2.17 | 2.20 | 2.25 | 2.21 | 2.20 |
| Korea | 2.19 | 2.31 | 2.18 | 2.16 | 2.35 | 2.25 |
| Mexico | 2.07 | 2.07 | 2.10 | 2.05 | 2.07 | 2.07 |
| Iran | 2.11 | 2.10 | 2.08 | 2.08 | 2.09 | 2.09 |
| Total | 61.33 | 61.30 | 61.61 | 62.84 | 63.31 | 62.27 |
| % of World | 70.7% | 70.7% | 70.5% | 70.6% | 70.5% | 70.6% |
| Annual Change (mb/d) | | | | | | |
| North America | -0.1 | 3.3 | 3.4 | 1.3 | 2.0 | 2.0 |
| Europe | -5.2 | -1.3 | 2.2 | 2.0 | 2.0 | 2.0 |
| Pacific | 1.2 | 0.4 | 4.7 | 0.6 | 0.6 | 0.6 |
| Total OECD | -1.5 | 1.3 | 3.3 | 1.3 | 1.3 | 1.3 |
| Asia | 11.9 | 6.8 | 3.2 | 6.0 | 6.0 | 6.0 |
| Middle East | 3.5 | 4.9 | 3.3 | 2.9 | 2.9 | 2.9 |
| Latin America | 0.0 | 4.6 | 5.1 | 6.0 | 6.0 | 6.0 |
| FSU | -1.2 | 8.3 | 6.6 | 6.0 | 6.0 | 6.0 |
| Africa | 1.6 | -1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| Europe | -6.3 | -7.3 | -6.7 | -6.7 | -6.7 | -6.7 |
| Total Non-OECD | 2.5 | 7.5 | 5.2 | 5.2 | 5.2 | 5.2 |
| World | -1.2 | 2.6 | 3.2 | 3.2 | 3.2 | 3.2 |
| Annual Change (mb/d) | | | | | | |
| North America | -0.89 | -0.01 | 0.75 | 0.75 | 0.75 | 0.75 |
| Europe | -0.73 | -0.78 | -0.18 | -0.18 | -0.18 | -0.18 |
| Pacific | -0.37 | 0.10 | 0.03 | 0.34 | 0.34 | 0.34 |
| Total OECD | -1.98 | -0.69 | 1.47 | 1.47 | 1.47 | 1.47 |
| Asia | 0.31 | 0.31 | 0.31 | 0.31 | 0.31 | 0.31 |
| Middle East | 0.27 | 0.27 | 0.27 | 0.27 | 0.27 | 0.27 |
| Latin America | 0.32 | 0.29 | 0.08 | 0.32 | 0.32 | 0.32 |
| FSU | 0.06 | 0.07 | -0.1 | -0.1 | -0.1 | -0.1 |
| Africa | -0.03 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Europe | 2.18 | 1.81 | 1.2 | 1.2 | 1.2 | 1.2 |
| Total Non-OECD | 2.69 | 2.15 | 0.4 | 0.4 | 0.4 | 0.4 |
| World | 0.00 | 0.00 | -0.1 | -0.1 | -0.1 | -0.1 |
| Revisions | 0.00 | 0.00 | -0.1 | -0.1 | -0.1 | -0.1 |
| North America | 0.00 | 0.00 | -0.1 | -0.1 | -0.1 | -0.1 |
| Europe | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Pacific | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total OECD | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Asia | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Middle East | 0.03 | 0.02 | -0.1 | -0.1 | -0.1 | -0.1 |
| Latin America | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| FSU | -0.01 | 0.00 | -0.1 | -0.1 | -0.1 | -0.1 |
| Africa | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Europe | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |
| Total Non-OECD | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |
| World | -0.01 | -0.01 | 0.00 | 0.00 | 0.00 | 0.00 |



FINANCIAL REVIEW

Cautionary note: The analysis of the Group's financial information should be read in conjunction with the Audited Financial Statements for the Group and the Bank for the eighteen months ended 31 December 2013 presented on pages 22 to 98. 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 6 relating to forward-looking statements.

Key Financial Indicators

| SBM GROUP | 18 months December ^a 2013 | Year June ^b 2012 | Year June ^b 2011 | Year June ^b 2010 | Year June ^b 2009 |
|-----------|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|-----------|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|

Consolidated statement of profit or loss (Rs m)

| | | | | | |
|---|-------|-------|-------|-------|-------|
| Net interest revenue | 5,916 | 3,199 | 2,499 | 2,493 | 2,400 |
| Non interest revenue | 3,393 | 1,870 | 1,706 | 1,344 | 1,582 |
| Non interest expense | 2,950 | 1,624 | 1,455 | 1,346 | 1,397 |
| Depreciation and amortisation | 220 | 134 | 141 | 139 | 284 |
| Profit before net impairment loss on financial assets | 6,359 | 3,445 | 2,749 | 2,491 | 2,585 |
| Profit before income tax | 5,670 | 3,273 | 2,517 | 2,239 | 2,370 |
| Profit for the period | 4,764 | 2,653 | 2,049 | 1,882 | 2,047 |

Consolidated statement of financial position (Rs m)

| | | | | | |
|---|---------|--------|--------|--------|--------|
| Total assets | 111,310 | 98,006 | 94,824 | 78,857 | 78,612 |
| Gross loans and advances to non-bank customers | 71,125 | 63,532 | 58,005 | 44,792 | 40,792 |
| Gilt-edged securities | 15,042 | 12,314 | 16,866 | 20,210 | 15,173 |
| Bank bonds | 1,712 | 1,904 | 1,624 | - | - |
| Other investments | 5,036 | 4,731 | 4,218 | 4,038 | 3,957 |
| Deposits from non-bank customers | 83,017 | 76,159 | 70,888 | 61,502 | 63,569 |
| Shareholders' equity | 19,306 | 17,248 | 15,171 | 13,773 | 12,380 |
| Tier 1 capital | 14,006 | 12,874 | 11,326 | 10,147 | 8,861 |
| Risk weighted assets (including market and operational risks) | 75,025 | 68,540 | 58,707 | 44,807 | 43,568 |

Consolidated statement of financial position (average^c Rs m)

| | | | | | |
|--|---------|--------|--------|--------|--------|
| Average assets | 104,658 | 96,415 | 86,841 | 78,734 | 73,084 |
| Average loans and advances to non-bank customers | 67,328 | 60,768 | 51,398 | 42,792 | 38,499 |
| Average gilt-edged securities | 13,678 | 14,590 | 18,538 | 17,691 | 13,377 |
| Average bank bonds | 1,808 | 1,764 | 812 | - | - |
| Average deposits from non-bank customers | 79,588 | 73,523 | 66,195 | 62,536 | 59,202 |
| Average shareholders' equity | 18,277 | 16,210 | 14,472 | 13,077 | 11,677 |
| Average working funds | 104,857 | 96,352 | 86,881 | 78,535 | 71,967 |
| Average Tier 1 capital | 13,440 | 12,100 | 10,736 | 9,504 | 8,266 |
| Average interest earning assets | 88,798 | 83,679 | 76,104 | 68,933 | 62,090 |
| Average interest bearing liabilities | 83,942 | 78,092 | 70,145 | 63,409 | 59,272 |

| SBM GROUP | 18 months December ^a 2013 | Year June ^b 2012 | Year June ^b 2011 | Year June ^b 2010 | Year June ^b 2009 |
|-----------|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|-----------|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|

Share information (based on nominal of 1 cent each)^d

| | | | | | |
|---|--------|--------|--------|--------|--------|
| Earnings per share (cents) ^f | 12.27 | 10.28 | 7.94 | 7.29 | 7.93 |
| Dividend per share (cents) ^{e,f} | 4.00 | 3.50 | 3.00 | 2.75 | 2.75 |
| Net asset value per share (cents) | 74.78 | 66.81 | 58.76 | 53.35 | 47.95 |
| Market price per share (cents) | 104 | 82 | 96 | 79 | 70 |
| Dividend yield (%) ^{e,f} | 3.85 | 4.27 | 3.13 | 3.48 | 3.93 |
| Earnings yield (%) | 11.80 | 12.53 | 8.27 | 9.23 | 11.33 |
| Price earnings ratio (times) | 8.48 | 7.98 | 12.10 | 10.84 | 8.83 |
| Dividend cover (times) | 3.08 | 2.94 | 2.65 | 2.65 | 2.88 |
| Market capitalisation (Rs m) | 31,589 | 24,907 | 29,159 | 23,995 | 21,262 |

Performance ratios (%)

| | | | | | |
|--|-------|-------|-------|-------|-------|
| Risk adjusted return on capital (RAROC) ^f | 59.47 | 56.35 | 49.22 | 49.83 | 52.50 |
| Capital adequacy ratio | 20.88 | 21.20 | 21.87 | 25.86 | 23.60 |
| Tier 1 Capital adequacy ratio | 18.67 | 18.78 | 19.29 | 22.65 | 20.34 |
| Profit before income tax/ average risk weighted assets | 5.25 | 5.14 | 4.86 | 5.07 | 5.46 |
| Profit before income tax/ average assets | 3.60 | 3.39 | 2.90 | 2.84 | 3.24 |
| Profit before income tax/ average shareholders' equity | 20.63 | 20.19 | 17.39 | 17.12 | 20.30 |
| Profit before income tax/ average Tier 1 capital | 28.05 | 27.05 | 23.44 | 23.56 | 28.68 |
| Return on average risk weighted assets ^f | 4.41 | 4.17 | 3.96 | 4.26 | 4.71 |
| Return on average assets ^f | 3.03 | 2.75 | 2.36 | 2.39 | 2.80 |
| Return on average shareholders' equity ^f | 17.33 | 16.37 | 14.16 | 14.39 | 17.53 |
| Return on average Tier 1 capital ^f | 23.57 | 21.93 | 19.08 | 19.80 | 24.77 |

Efficiency ratios (%)

| | | | | | |
|----------------|-------|-------|-------|-------|-------|
| Cost to income | 34.80 | 33.72 | 37.46 | 38.26 | 37.73 |
|----------------|-------|-------|-------|-------|-------|

Asset quality ratios (%)

| | | | | | |
|---|------|------|------|------|------|
| Gross impaired advances to gross advances | 2.03 | 1.07 | 1.40 | 1.87 | 2.00 |
| Net impaired advances to net advances | 0.92 | 0.36 | 0.46 | 0.81 | 0.47 |

Other key data

| | | | | | |
|---------------------------------|-------|-------|-------|-------|-------|
| Number of employees | 1,244 | 1,194 | 1,229 | 1,157 | 1,116 |
| Number of employees (Mauritius) | 1,142 | 1,100 | 1,138 | 1,084 | 1,037 |
| Number of employees (Overseas) | 102 | 94 | 91 | 73 | 79 |
| Number of service units | 49 | 48 | 48 | 48 | 48 |
| Exchange rate (USD : MUR) | 30.00 | 30.93 | 28.52 | 31.90 | 32.06 |
| Exchange rate (INR : MUR) | 0.485 | 0.556 | 0.638 | 0.687 | 0.669 |
| Exchange rate (100 MGA : MUR) | 1.350 | 1.426 | 1.478 | 1.421 | 1.672 |

^aChange in financial year end from June to December. Balances are not entirely comparable.

^bRestated for retrospective change in accounting policies

^cAverages are calculated using period / year-end balances.

^dOn 1 March 2013, SBM share of nominal value of Rs 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.

^eIncluding dividend declared after the reporting date but before the financial statements are authorised for issue.

^f2013 figures are annualised.

Performance 2013 against Objectives and Target 2014

| Indicator | Objectives for 2013 | Performance 2013 | Target for 2014 |
|--------------------------------|---|--|---|
| Profit for the Year | Not less than 15% | Achieved a growth of 35% over 18 months ended December 2013 | To grow by more than 9% |
| Return on Average Assets (ROA) | To grow by at least 1% | Return on average assets for December 2013 stood at 3.03% (June 2012: 2.75%) | ROA is to be maintained around 3% |
| Return on Equity | Not less than 17% | Exceeded target by 33 bps to reach 17.33% | Not less than 17% |
| Advances and Deposits | To grow average advances and deposits by more than 15% and 12% respectively | Average advances and deposits increased by 10.8% and 8.2% respectively | To achieve a growth of 21% and 17% respectively |
| Assets Quality | To maintain net impaired assets ratio below 1% | Net impaired assets ratio stood at 0.92% | To maintain net impaired assets ratio below 1% |
| Cost to Income Ratio | To continue to maintain cost to income ratio below 40% | Cost to income ratio stood at 34.80% | Not to exceed 45% |

Results

The Group changed its financial year end from 30 June to 31 December in the current period. As a consequence of this change, the audited financial statements of 2013, is for a period of 18 months ended 31 December 2013 (18M2013) while the comparative periods are presented for the 12 months ended 30 June 2012 (12M2012) and 30 June 2011, which are not entirely comparable. For the benefit of more meaningful comparison, the Group's results are discussed with reference to the current 18 months period (July 2012 to December 2013) against the preceding 18 months period (January 2011 to June 2012), referred to as 18M2012. The comparative figures for 18M2012 have been arrived at by adding 6 months results for January 2011 to June 2011, derived from the published interim reports reviewed by the auditors, to the audited results for the financial year ended June 2012, as adjusted for changes in accounting policies.

Summarised Statement of Profit or Loss based on 18 months to 31 December 2013 compared to previous 18 months is shown below:

| Group | 18 months to 31 December 2013 Rs' 000 | 18 months to 30 June 2012 Rs' 000 |
|--|--|--|
| Interest revenue | 9,333,865 | 8,353,449 |
| Interest expense | (3,417,785) | (3,938,435) |
| Net interest revenue | 5,916,080 | 4,415,014 |
| Non interest revenue | 3,392,956 | 2,618,312 |
| Gross revenue | 9,309,036 | 7,033,326 |
| Non interest expense | (2,950,192) | (2,345,201) |
| Profit before net impairment loss on financial assets | 6,358,844 | 4,688,125 |
| Net impairment loss on financial assets | (830,273) | (421,282) |
| Operating profit before income tax | 5,528,571 | 4,266,843 |
| Share of profit of associates | 141,671 | 123,197 |
| Profit before income tax | 5,670,242 | 4,390,040 |
| Tax expense | (905,838) | (863,071) |
| Profit for the period attributable to equity holders of the parent | 4,764,404 | 3,526,969 |

The operating environment remained difficult during the period under review. Low economic growth in the domestic economy and in our main export markets, higher unemployment and continued significant excess liquidity in the market impacted negatively on demand for credit, especially from the corporate sector, thereby exerting pressure on interest margin and asset quality.

Nonetheless, SBM Group achieved a commendable performance with a profit of Rs 4,764 m for 18M2013 compared to Rs 3,527 m for 18M2012, representing an increase of 35.1%.

Excluding dividend income, Group profit attributable to equity holders grew by 19.6% from Rs 3,296 m for 18M2012 to reach Rs 3,941 m for 18M2013. If other one-off items were also to be excluded, the growth rate would work at 18.4%.

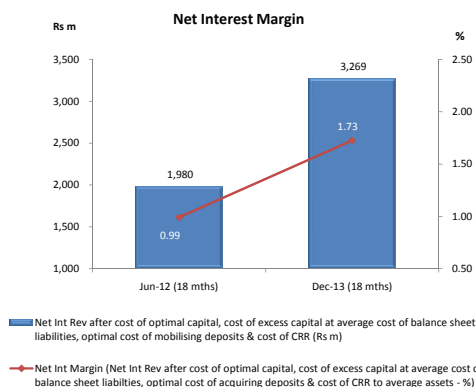
Revenue Growth

SBM Group gross revenue in 18M2013 was Rs 9,309 m (18M2012: Rs 7,033 m). The main drivers of revenues were net interest revenue, mainly on interest expenses, and non interest revenue. Net interest revenue increased by Rs 1,501 m or 34.0% while non interest revenue increased by Rs 775 m or 29.6%. Revenues generated from international business represented around 25% of total revenue.

Net Interest Revenue

Group net interest revenue grew by 34.0%, from Rs 4,415 m for 18M2012 to Rs 5,916 m for 18M2013. The liability mix improved further as average lower cost demand and savings deposits increased by 18.3% to constitute 73.4% of the total average interest bearing liabilities for 18M2013 compared to 65.9% for 18M2012. Also, higher cost average term deposits were reduced by 11.5% over the same period, in particular the higher cost FCY term deposits and high cost borrowings were repaid in the last quarter of 2012 resulting in a reduction in funding cost to 2.80% for the current period against 3.44% for 18M2012.

On the assets side, the Group has been successful in growing higher yield assets, especially in Mauritian rupee advances which accounted for 47.9% of average total assets for 18M2013 compared to 39.6% for 18M2012. Net interest spread (annualised) improved from 3.6% for 18M2012 to 4.4% for 18M2013, a noteworthy performance resulting from the continued intensive and robust balance sheet management started in early 2011. This was achieved against a backdrop of a decrease in PLR of 25 bps in 2013 and average yield on investment securities dropping from 6.25% for 18M2012 to 5.56% for 18M2013 due to continued significant excess liquidity. Net interest margin taking into account (i) cost of optimal capital, (ii) cost of excess capital at average cost of balance sheet liabilities, (iii) cost of Cash Reserve Ratio (CRR) and (iv) optimal cost of acquiring deposits improved from 0.99% in 18M2012 to 1.73% in 18M2013.

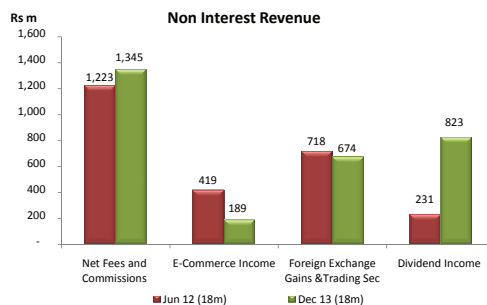


Non Interest Revenue

Non interest revenue amounted to Rs 3,393 m for 18M2013 (18M2012: Rs 2,618 m). Excluding dividend income and gain on sale of equity investments, non interest revenue decreased by 6.5% to Rs 2,208 m for 18M2013 compared to Rs 2,362 m for 18M2012. The drop is mainly due to lower e-commerce income and exchange gains. A substantial reduction in commission income was observed from card-related cross border business following a thorough review of the risk profiles of our e-commerce merchants in the context of increasing charge back and fraudulent transactions and as a prudent measure and to safeguard the Bank's reputation, we closed all merchants engaged in high risk portfolios. The immediate impact was a drastic drop in the volume of e-commerce acquiring business by more than 50% from its peak level in 2011. The Bank has signed up with Union Pay International (UPI) and is confident to make good the shortfall and grow within risk appetite level. Exchange income was lower by 18.5% mostly affected by the domestic operations with lower volumes. Competition is getting stiffer and spreads are further narrowing. The Bank is introducing new treasury products to diversify its revenue stream and positioning 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 growing significantly compared to the previous period. Bancassurance is set to grow as we continue to focus on this activity, with more training and incentives being provided to our employees to sell insurance products and with the products range as well as the panel of insurers being extended. In addition, both Mauritius and India booked significant gain on disinvestment of part of the bond portfolio in the AFS portfolio.

The ratio of non interest revenue, excluding dividend and profit on disposal of equity investments, to average assets decreased to 2.1% for 18M2013 from 2.5% for 18M2012, mirroring the decrease in non interest revenue and increase in average

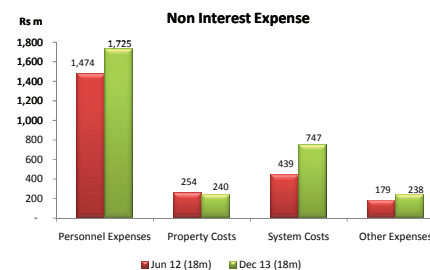
assets. Non interest revenue as a percentage of gross revenue stood at 36.4% for 18M2013 (18M2012: 37.2%).



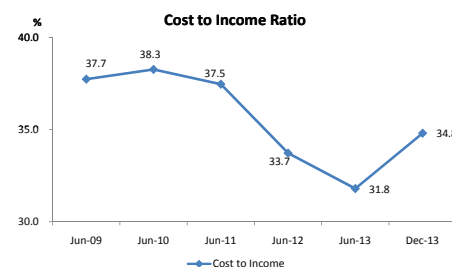
N.B.: Dividend income for 18M2013 included one-off receipts.

Non Interest Expenses

Non interest expenses amounted to Rs 2,950 m for 18M2013 compared to Rs 2,345 m for 18M2012 representing an increase of 25.8%. IT related costs (excluding depreciation) increased by almost 100% from Rs 306 m for 18M2012 to Rs 601 m for 18M2013, mostly due to the ongoing 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 with third party maintenance contracts secured to ensure uninterrupted service. Increase in depreciation and amortisation costs is also mainly related to IT hardware and software. Personnel expenses increased by around 17.0% partly because of the full impact of the salary increase for employees on contract of indeterminate duration, as per the new collective bargaining agreement, which came into effect in January 2012. Besides higher provision was made for costs of stock options as SBM share price increased by 26.8% from June 2012 to December 2013.



Cost to income ratio for 18M2013 stood at 34.8%, against 35.5% for 18M2012, despite significant technology costs and increased charge-off on credit risk, mitigated by increase in income from investments.



Net Impairment Loss on Financial Assets

Net impairment loss on advances and other financial assets amounted to Rs 830 m for 18M2013 (18M2012: Rs 421 m), mainly due to a couple of overseas corporate customers being classified as impaired during the period under review. We shall continue with recovery actions to realise collaterals and/or personal guarantees of shareholders/directors to realise the maximum possible.

Loans and Advances

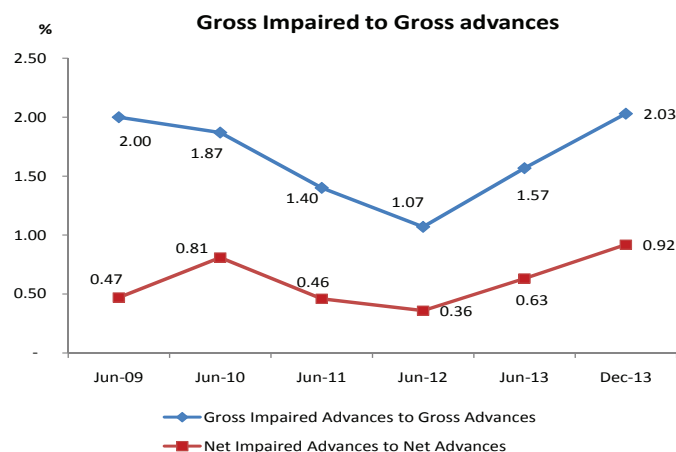
Group gross advances increased by 12.0% to reach Rs 71.1 Bn at December 2013 (June 2012: Rs 63.5 Bn). This good performance is underpinned by focused marketing strategy on housing loans which grew by some 30% in December 2013 compared to June 2012 and growth in consumer loans by Rs

2.8 Bn or 34.5%. Advances to domestic corporates excluding Global Business Licence (GBL) holders grew by 6.6%, mainly in the hotel and manufacturing sectors, partly offset by decrease in some other sectors. SBM enjoys a market share of around 22% in domestic advances excluding GBL as at end of December 2013. Cross border advances in Mauritian books grew marginally from June 2012 to December 2013 as we targeted to run down our buyers credit portfolio which was earning lower returns. Cross border advances accounted for 10% of the advances as at December 2013 against 11% at June 2012. India Operations loan book decreased by 10.1% or Rs 0.4 Bn partly due to translation effect while Madagascar Operations loan book decreased by Rs 0.2 Bn partly because one major customer repaid its facilities during the current period. Group advances to GBL and entities outside Mauritius, aggregated to Rs 12.7 Bn at December 2013, representing 17.8% of the total advances portfolio (June 2012: 22.4%). 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.

Impaired Advances and Allowance for Credit Impairment

Gross impaired advances increased from Rs 0.7 Bn at June 2012 to Rs 1.4 Bn at December 2013. The Group ensured adequate provisions were maintained as per the guidelines of the central banks and international financial reporting standards. Specific allowance for credit impairment was increased to Rs 0.8 Bn, representing a provision coverage ratio of 55.5%. The decrease in the loss reserve portfolio was mostly due to write-off of advances and increase in impaired advances during the year. Group gross impaired advances to gross advances ratio deteriorated from 1.07% in June 2012 to 2.03% in December 2013 and the net impaired advances to net advances ratio from 0.36% to 0.92% over the same period.

The Group changed its accounting policy in the current period with respect to portfolio provisions, which was computed based on SBM's historical loss experience as adjusted for current market conditions plus additional regulatory provision to bring the total portfolio provision to a minimum of 1% of performing advances net of cash collaterals and advances secured by government guarantee to comply with the BoM Guideline on Credit Impairment Measurement and Income Recognition. The cumulative regulatory provision of Rs 0.5 Bn made in prior years has been reversed from portfolio provision to retained earnings. Portfolio general provision, as restated, stood at Rs 0.23 Bn at December 2013 and Rs 0.25 Bn at June 2012.



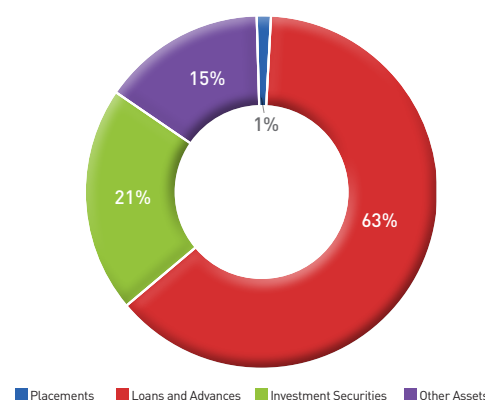
Impairment ratios and provisions held are shown in the table below:

| | Unit | 18 months to Dec 2013 | 12 months to Jun 2012 | 12 months to Jun 2011 | 12 months to Jun 2010 | 12 months to Jun 2009 |
|---|------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Gross Advances | Rs m | 71,125 | 63,532 | 58,005 | 44,792 | 40,792 |
| Gross Impaired Advances | Rs m | 1,446 | 678 | 811 | 839 | 817 |
| Specific Allowance for Credit Impairment | Rs m | 803 | 455 | 549 | 482 | 628 |
| Net Impaired Advances | Rs m | 643 | 223 | 262 | 357 | 189 |
| Provision Coverage Ratio | % | 55.5 | 67.1 | 67.7 | 57.4 | 76.9 |
| Portfolio Allowance for Credit Impairment | Rs m | 228 | 252 | 266 | 186 | 162 |
| Net Impaired Advances/Net Advances | % | 0.92 | 0.36 | 0.46 | 0.81 | 0.47 |
| Gross Impaired Advances/Gross Advances | % | 2.03 | 1.07 | 1.40 | 1.87 | 2.00 |

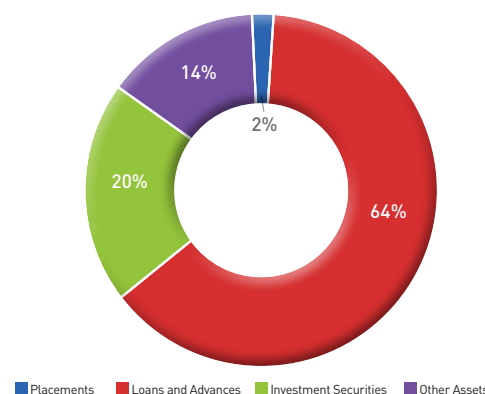
Investment Securities

Investment securities, which comprise of fixed interest income securities and equity investments, grew by Rs 3.8 Bn (19.5%) compared to June 2012, arising particularly from higher investment in local and foreign bank bonds of Rs 0.7 Bn and increased investment in government securities by Rs 2.8 Bn as lending opportunities were limited. Mauritian corporates were active in the capital market in 2013, raising funds on the local markets mainly from non-bank sources to take advantage of the low interest environment for refinancing of existing debts. Unrealised fair value gain on revaluation of investments amounted to Rs 0.6 Bn during the current period while revaluation gain realised on disposal of equity investments amounted to Rs 0.4 Bn.

Asset Mix December 2013 (SBM Group)

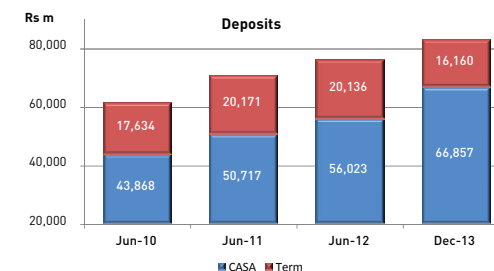


Asset Mix June 2012 (SBM Group)



Deposits

Group deposits from customers increased by 9.0% to reach Rs 83.0 Bn at December 2013 (June 2012: Rs 76.2 Bn) with lower cost demand and savings deposits growing by Rs 10.8 Bn (19.3%) compared to June 2012 and accounting for 80.5% of total deposits as at December 2013 compared to 73.6% at June 2012. Term deposits dropped by 19.7% over the same period, of which Rs 3.5 Bn represented higher cost foreign currency deposits which were not renewed on maturity. Deposits denominated in foreign currencies accounted for 26.7% of the total deposits at December 2013 (June 2012: 30.8%) as we undertook a planned reduction in FCY deposits.



Borrowings

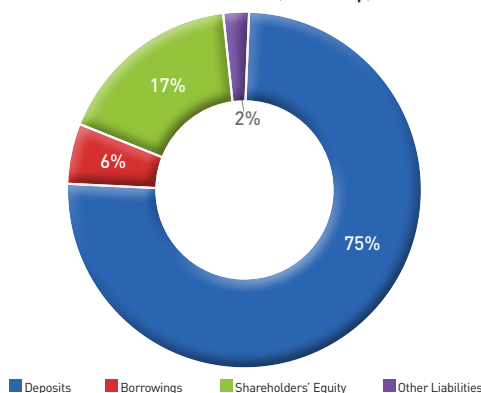
SBM Group borrowings increased two-fold to Rs 6.1 Bn at December 2013 (June 2012: Rs 2.9 Bn) partly due to short term borrowings of Rs 1.8 Bn and also partly on account of drawdown on refinancing credit line from Agence Française de Développement to finance targeted green projects.

Shareholders' Equity

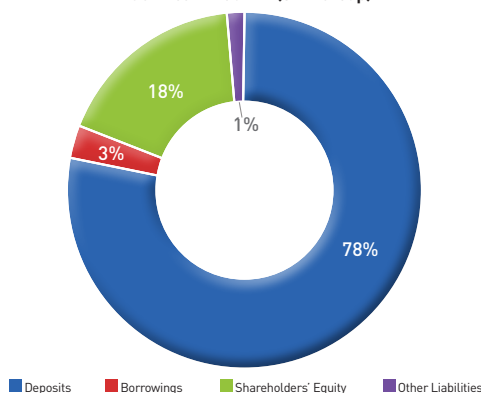
SBM Group shareholders' equity increased by 11.9% to reach Rs 19.3 Bn (June 2012: Rs 17.2 Bn) with the addition of the current period's profit of Rs 4.8 Bn, partly offset by dividend payment of Rs 0.9 Bn in October 2012, interim dividend of Rs 1.0 Bn paid in October 2013 and additional interim dividend of Rs 0.5 Bn proposed in November 2013. Annualised return on average shareholders' equity improved to 17.3% at December 2013 (June 2012: 16.4%).

Further analysis on the Group capital structure and capital adequacy ratio is provided on page 141.

Liabilities Mix Dec 13 (SBM Group)

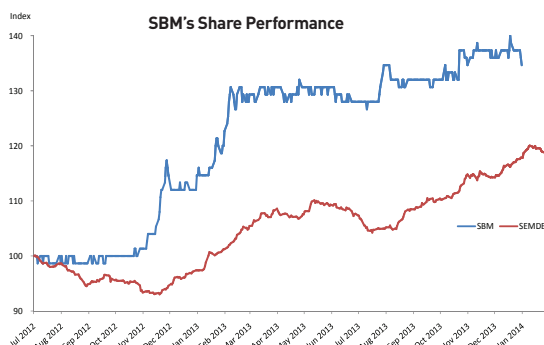


Liabilities Mix Jun 12 (SBM Group)



Share Split and Market Price

As from 1 March 2013, SBM share of nominal value of Rs 1 was split into 100 shares of nominal value of 1 cent each. Net asset value per share increased from 67 cents at June 2012 (based on adjusted number of shares for comparative purpose) to 75 cents at December 2013 and price to book value improved to 1.39 times despite an increase in SBM share price by 26.8% from 82 cents at June 2012 to 104 cents at December 2013.



BUSINESS REVIEW

Geographies

Mauritius Operations

The Mauritian economy continued to expand at a moderate pace with an annual growth rate of below 4% over the 18 months to December 2013. Private sector investment continued to decline amidst a wait-and-see approach by many businesses, and remained a major source of concern. In this context, credit growth was subdued and credit quality was under pressure. SBM thus focused on balance sheet management, cost management and risk management to achieve quality growth.

The personal banking business continued to gain market share, while growth in the corporate business was more moderate as SBM tried to consolidate its market share. The treasury business declined amidst increased competition while e-commerce income was significantly lower in view of operational constraints.

Emphasis was also laid on continuously diversifying the offering, with more products and services in both the banking and non-banking areas.

On the technology front, a major milestone was reached in 2013 with the first major release of the technology transformation programme, namely in the areas of cards, e-business and non-banking. Further progress should be achieved in the programme this year in the build-up to the major release expected in 2015, which should help significantly enhance process efficiency as well as customer experience.

India Operations

Business volumes in SBM India Operations continued to grow but the latter's contribution to overall Group profit has remained limited so far. For the 18 months ended December 2013, contribution to Group profit has been negative, chiefly due to a significant build-up in impaired advances.

One of the main reasons for the low level of success of SBM India Operations so far has been the absence of a strong retail segment, that would have been a major source of deposits, given a limited branch network. During the year, SBM expanded its presence in India via the opening of a fourth branch – after more than 10 years – in the outskirts of Hyderabad metropolitan city in July 2013. In addition, SBM has also expressed interest to the Reserve Bank of India to convert its Indian branches into wholly owned subsidiaries, as allowed under new regulations which should relax restrictions on branch expansion, thereby enabling better mobilisation of deposits from retail segments and increase the capacity to grow.

Large, diversified and tightly regulated, India remains a market with high growth potential. In pursuit of its expansion strategy in India, SBM has planned necessary technology and business transformation initiatives going forward to keep the cost growth to minimum levels. Amongst others, SBM will undertake technology upgrade

to enable branch presence, build low cost deposits further, grow its loan book, consolidate its corporate and personal banking activities and expand into Small and Medium Enterprise (SME) banking, while enhancing competitiveness to enhance growth prospects.

Madagascar Operations

Political and related social problems continued to nag Madagascar in 2013, with negative influence on the economic and business environment therein. During the financial year, SBM strengthened the management of Banque SBM Madagascar SA (BSBMM) with the appointment of a new Chief Executive. Profitability grew almost ten-fold, albeit from a low base and contributing marginally to Group profit, as a result of better assets and liabilities management together with cost containment at various levels. Broader visibility of the SBM brand and empowerment of local staff were among the non-financial achievements.

The outlook hinges upon political developments following the presidential elections in December 2013. An internationally recognised free and fair election is central to ending the many sanctions imposed on Madagascar by the international community. On a positive note, international observers described the elections as being free and fair and the new president of Madagascar has reportedly resumed contact with the European Union. In the meantime, BSBMM will explore avenues to increase profit generation potential through opportunities to lend in consortium, introduction of new products and services and an expansion in SBM's footprint.

LINES OF BUSINESS

| SBM Group advances by lines of business at | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|------------|-----------|-----------|
| | Amount (Rs Bn) | | | | Growth (%) | | |
| | 18 months to Dec 2013 | 12 months to Jun 2012 | 12 months to Jun 2011 | 12 months to Jun 2010 | 2013 | 2012 | 2011 |
| 1. Mauritius Ops | 67.5 | 58.7 | 52.3 | 41.6 | 15 | 12 | 26 |
| 1a. Personal Banking | 26.7 | 19.9 | 15.5 | 12.6 | 34 | 28 | 23 |
| 1b. Corporate Segment A | 30.7 | 28.6 | 22.4 | 17.1 | 8 | 28 | 30 |
| 1c. Cross Border Financing | 8.0 | 8.6 | 13.2 | 10.8 | (8) | (35) | 23 |
| 1d. Small and Medium Enterprise | 2.1 | 1.6 | 1.3 | 1.1 | 29 | 30 | 12 |
| 2. India Ops | 3.3 | 4.2 | 4.8 | 2.4 | (22) | (14) | 99 |
| 3. Madagascar Ops | 0.4 | 0.6 | 0.9 | 0.8 | (41) | (28) | 11 |
| TOTAL | 71.1 | 63.5 | 58.0 | 44.8 | 12 | 10 | 29 |

Corporate Banking

The operating environment for corporate banking has been challenging in the past financial year. With fewer viable large-scale projects from the private sector, financing opportunities were meagre and credit growth subdued. Concentration of exposure to some large customers also limited the scope for further expansion. Against this backdrop, it was very challenging to grow business volumes. Moreover, perceived risk levels rose with some key players on the market suffering from economic and financial difficulties. At the same time, non-performing advances showed a deteriorating trend. Besides, the lingering excess liquidity situation in the market coupled with competitive practices from existing and new industry peers exercised pressure on margins. Nonetheless, SBM managed, to some extent, to consolidate its credit spreads.

Leveraging on the technology and business transformation initiatives embarked upon, the corporate banking segment has defined initiatives around better customer service, new product development, enhanced sales/relationship model, more efficient operational processes, active management of impairment and capacity development in project financing, among others.

Personal Banking

The personal banking segment continued to operate within a difficult economic environment characterised by fierce competition. Advances and

deposits grew steadily by Rs 6.8 Bn and Rs 5.9 Bn respectively during the financial year 2013. Major initiatives undertaken during the year include the addition of Senior Citizen Savings Account and Super Savings Account to SBM's deposits products, the adoption of a Customer Referral Programme and the orientation of sales according to customer needs. Employees were equipped with training in the areas of sales leadership and business etiquette to better service our valued customers.

A below-par economic recovery, aggressive competition from both banking and non-banking institutions, pressure on pricing and margins and new regulatory guidelines on mortgage lending and sector limits would likely weigh on the future outlook of the personal banking sector.

SME

In recognition of the importance of SME to the domestic economy, SBM has, since some time now, launched a number of initiatives to tap into and support the development of SMEs. SBM has reviewed the structure and processes of its SME line of business with the help of reputed international consultancy firms with the aim to service SME customers in a more targeted and efficient manner. In 2013, SBM consolidated its existing market share and deepened customer loyalty. Advances and deposits grew by 29% and 10% respectively.

2014 is expected to be an interesting year for SME Banking, the more so given the government's focus

on the sector. SBM will continue to (i) grow market share, (ii) grow revenue, (iii) improve customer service and (iv) build competencies.

In order to achieve new heights, SBM plans to leverage on its branch network and its new SME operating model defined around regional hubs while building capacity to bring to the SME banking marketplace new and innovative solutions that will cater to the changing needs of customers.

Cross Border Banking

The outbreak of the global financial crisis led to a significant pull-back in cross border lending. Besides with the introduction of new capital and regulatory requirements, many banks operating in the global banking landscape have been winnowing down the geographies in which they operate.

Given the challenging nature of cross border banking, SBM maintained a cautious approach to doing business. On the one hand, selective lending was practised to keep delinquencies at low levels as perceived risk levels heightened with the result that cross border advances declined by 8% between 18M2012 and 18M2013. On the other hand, low cost deposits were raised, in a planned manner, thereby reducing the FCY funding gap, which was growing into a concern over the past financial years.

The cross border banking segment aims for consolidation of its activities within the major strategic orientations which the Bank is positioning itself for. The year ahead should enjoy greater focus on marketing, relationship building, mobilisation of low cost deposits, risk mitigation and capacity-building in structured trade financing. Besides, the development of global custody capabilities and expansion into Africa by the Group would augment the potential for cross border banking in the years ahead.

Financial Institutions

The Financial Institutions team supports SBM's business by building mutually beneficial relationships with banks and other financial

institutions. The Financial Institutions team focuses on trade finance in addition to the traditional correspondent banking activities and responds to customers according to their needs. SBM has established a wide network of correspondents in key geographies to cater to the requirements of the Bank's customers in terms of cross border payments, risk mitigation and financing of international trade.

Good progress was made in the year 2013, expanding relationships and growing revenue. Looking ahead, the Financial Institutions team aims to further accelerate its growth by aligning its strategy with the overall Bank strategy and by developing new and strengthening existing relationships.

Financial Markets

Treasury income during the financial year ended December 2013 has been lower by 6.1%, resulting from a decline in foreign exchange flows and a reduction in foreign exchange spreads. Subdued foreign exchange flows during the financial year can be explained, to a large extent, by the Central Bank's agreement to sell foreign currency to the State Trading Corporation, which sources and imports petroleum products, rice and flour to meet the needs of the domestic market.

Foreign exchange income from Mauritius Operations makes up a significant portion of Treasury income but contribution also comes from securities income, derived from securities transactions, which increased substantially during the reporting period.

As part of the technology transformation initiative in progress at the Bank, the Treasury line of business shall be equipped with a new state-of-the-art system that is expected to enable more sophisticated and customer-focused treasury operations. Expansion and restructuring of the Treasury sales desk as well as the introduction of new products, including exchange rate and interest rate derivative products, are in the pipeline for 2014.

Cards

Despite a difficult and competitive operating environment threatened by risk of higher levels of impairment, SBM continued to improve its market share, second largest, in card issuing with double-digit growth in the number of cards in force in 2013 compared to 2012. Both interest revenue and non interest revenue grew significantly year on year, underpinned by rising retail spending at POS terminals. Fraud losses were kept to one of the lowest levels in the market. The card system migrated to a new platform, albeit not without some post-migration impact on business levels, and the Bank's debit card portfolio was augmented with Platinum cards.

In the years ahead, fees and commissions will remain under pressure from regulatory bodies and consumer associations. Efforts will be directed towards the launch of UPI prepaid and debit cards, re-launch of existing SBM MasterCard products, growth of prepaid card business and increasing usage at POS, amongst others.

Non-Bank Financial Services

SBM provides selected non-bank financial services including (a) asset management, (b) security broking, (c) fund services, (d) e-commerce, (e) custody and (f) bancassurance. The asset management arm, which provides asset management services and financial advisory services to corporate investors, pension funds, mutual funds and high net worth individuals, registered a rise in asset under management to Rs 5.3 Bn at December 2013 as compared to Rs 3.5 Bn at June 2012.

The performance of the different types of Collective Investment Scheme (CIS) funds are as per the following table:

| Types of fund | Fund Performance | |
|----------------|---------------------------|---------------------------|
| | 18 months to Jun 2012 (%) | 18 months to Dec 2013 (%) |
| Perpetual Fund | 8.71 | 7.36 |
| Global Fund | -11.42 | 11.62 |
| Yield Fund | 4.03 | 6.03 |
| Universal Fund | -3.06 | 13.97 |

A slight decline of 1.4% was noticed in the performance of Perpetual Fund while the performance of Global Fund and Universal Fund improved significantly from 18M2012 to 18M2013, by 23.0% and 17.0% respectively.

On the other hand, security broking performed below expectations in view of a difficult market. Despite the fall in market share, turnover increased from Rs 9 m to Rs 10 m, representing an increase of 9.7% while profit after tax improved by 41.0% from Rs 5 m in 18M2012 to Rs 7 m in 18M2013. In line with SBM's drive for innovation with the objective of better serving customers, two new services were launched/enhanced in this area, namely share registry and debenture holder's representative, through SBM Fund Services Ltd and custody services.

Regarding e-business, the year under review has been exceptionally challenging due to barriers relating to the regulatory environment. Significant declines in volume and income of 28% and 55% respectively were recorded on account of restructuring of portfolios, restrictions on boarding of new customers, as well as first release of the technology project. Nonetheless, the Group pursued investment in state-of-the-art technology to place multiple, reliable and sophisticated electronic delivery channels at the service of its customers for convenient banking from anywhere

on a 24/7 basis. Simultaneously, SBM has been investing in risk management infrastructure to provide a safe and secure platform for customers.

During the year, SBM became the first bank in Africa to launch UPI cards. SBM also acquired a Japanese Card Bureau (JCB) licence, which should, going forward, boost e-commerce growth from the Far Eastern markets.

Bancassurance emerged as a distinct outperformer, with sales far exceeding expectations set out at the beginning of the financial year. The Bank took important initiatives to train employees on general insurance and conducted a Bancassurance Sales Award program, sponsored by State Insurance

Company of Mauritius Ltd (SICOM). SBM holds an agency licence for the distribution of, both, life and non-life insurance products and soft launched general insurance in June 2013, with an official launch planned during 2014.

Going forward, SBM plans to expand the non-banking financial services business by adding new products and/or lines of business, while exploring opportunities to expand the provision of services outside Mauritius. On a separate note, changes are being brought to the Group structure to better segregate banking and non-banking businesses in line with best practices and regulatory requirements.



More than just banking,
it's about binding relationships
and mutual trust



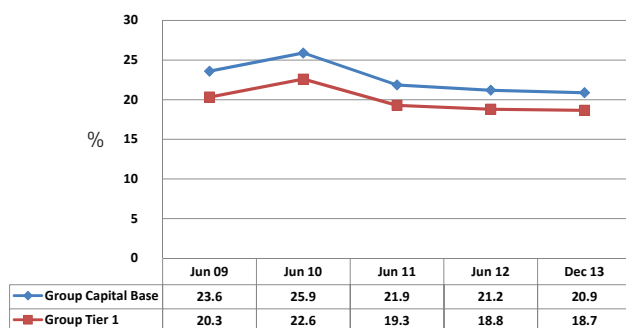


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1. Key Highlights

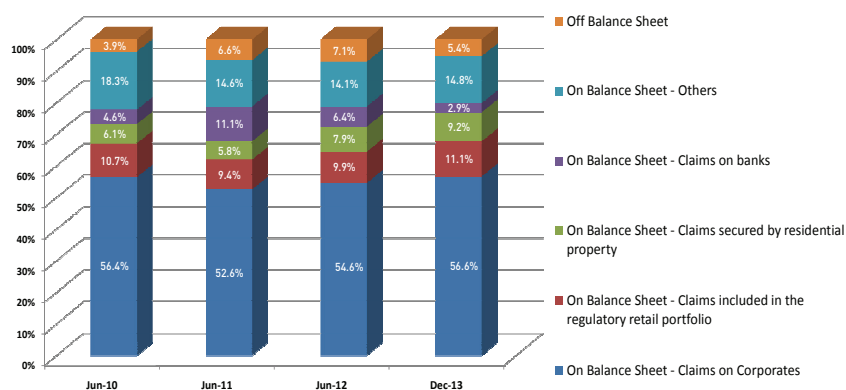
- SBM continues to strengthen its risk management capabilities by enhancing its Risk Management Infrastructure and embedding a stronger risk culture amongst its people to support its future expansion plans. The risk management structure is centralised and looks at both banking and non-banking risks.
- SBM has embarked upon major IT and business transformation initiatives, which, coupled with Group restructuring should help it to better align with global trends and regulatory requirements. This should give a competitive edge to SBM in the years ahead.
- SBM is geared to implement Basel III requirements.
- Key performance highlights for 18M2013 are as follows:
 - Solid capital adequacy and risk-bearing capability: Capital adequacy ratio stood at 20.9% at December 2013, compared to 21.2% at June 2012, more than 2 times of the regulatory requirement of 10%.

Capital Adequacy Ratio



- Total Risk Weighted Exposure (RWE) significantly increased by 9.5% from Rs 68.5 Bn (June 2012) to Rs 75.0 Bn (December 2013), of which 91% represent on- and off-balance sheet RWE.

Breakdown of On-Balance Sheet and Off-Balance Sheet RWE



- SBM's liquidity position is supported by its large and well diversified customer deposit base. SBM's customers' savings and current accounts accounted for 80.5% of its deposit base at December 2013, compared to 73.6% at June 2012, which is adequate to counterbalance the impact of a stressed funding environment.

2. SBM Risk Management Framework

SBM has a strong risk management culture and robust and effective enterprise-wide risk management practices, which aligns strategy, policies, people, processes, technology and business intelligence in order to evaluate, manage and optimise the opportunities, threats and uncertainties the Group may face in its ongoing efforts to maximise sustainable shareholder value. The approach to risk management is founded on sound corporate governance practices that are intended to strengthen the enterprise risk management of SBM, whilst also positioning SBM to manage the changing regulatory environment in an effective and efficient manner.

SBM has an integrated risk management framework in place to identify, assess, manage and report risks in an accurate, 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 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.

SBM adopts four guiding principles, which the Group strives to apply consistently across all risk categories throughout the organisation including its business units:



SBM operates within a clearly defined risk policy and risk control framework to achieve financial strength and sustainable growth.



Dedicated specialised units within Risk Management, as well as internal auditors, monitor SBM's risk-taking activities.



SBM'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.

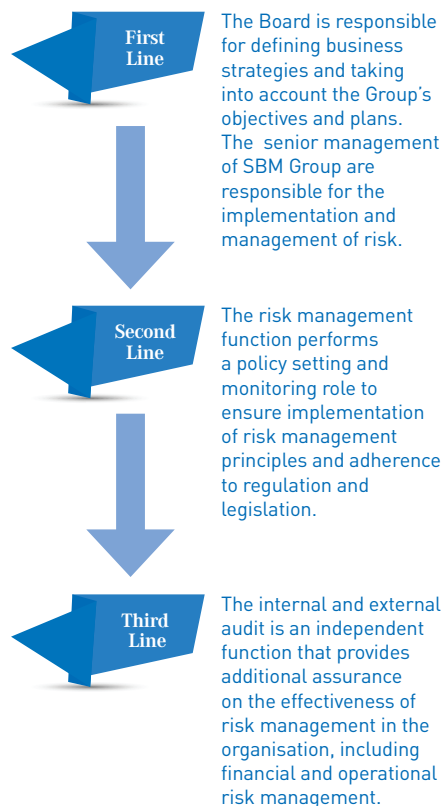


Risk transparency, knowledge sharing and responsiveness to change are integral to our risk control process.

2.1 Risk Governance Structure

The risk governance structure is integral to the operations and culture of SBM Group. It supports the broad objectives of the Risk Management function. SBM's risk governance structure is founded on the 'three lines of defence' concept which ensures that risk is managed in line with the risk appetite, as defined by the Board and importance of its management is effectively cascaded throughout the Bank.

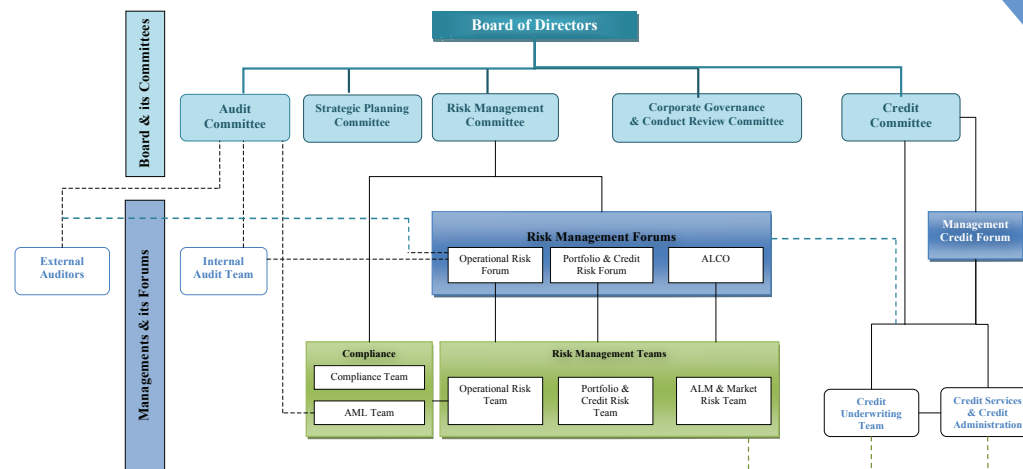
Responsibilities of the 'Three Lines of Defence'



2.1.1 Risk Structure Hierarchy

The risk management organisational structure consists of a top down approach whereby the risk appetite of the Group is set by the Board of Directors in line with its business strategy, taking into account the Group's objectives and plans. The Board, assisted by its committees – (a) the Corporate Governance & Conduct Review Committee, (b) the Audit Committee, (c) the Risk Management Committee, and (d) the Nomination and Remuneration Committee – has oversight responsibilities in relation to risk management, adherence to internal policies and compliance with the prudential, regulatory and legal requirements. The roles of the Board and its committees are described in detail in the Corporate Governance section at pages 149 to 164 of the Annual Report.

The risk management forums are chaired by the Chief Executive Banking and comprise of the Head of Risk Management and other executive management as members. The aggregate Group-wide risk profile and portfolio appetite are discussed at the respective risk management forums. The Head of Risk Management reports to the Chief Executive Banking with direct access to the Group Chairman and the Risk Management Committee.



2.2 Risk Appetite and Strategy

The Group's risk appetite consists of a risk strategy and certain important strategic measures including adequate levels of risk tolerance and risk limits to ensure SBM stays within appropriate risk boundaries.

For principal risks, the strategic measures are supported by management limit structures and extensive controls, as well as timely monitoring and reporting, which create a focus on forward-looking activities that keep the Group within its risk appetite on an ongoing basis based on available capital levels, regulatory and legal requirements, prudential principles based on proven world best practices as well as scenarios basis and stress testing, amongst others.

Key strategies are as follows:

- Implement robust risk management platform;
- Maintain SBM's risk profile while entering/growing in new markets;
- Increase SBM's risk appetite and confidence through better measurement of risk reward balance and greater diversification; and
- Implement risk based pricing.

2.3 Risk-Bearing Capacity and Stress Testing

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

SBM complements its regular standardised risk reporting process with stress tests to capture the effect of exceptional but plausible events on the capital and liquidity position of the Group. Also, it 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 as a whole. The stress test can represent various economic situations from mild recession to extreme shock. In addition to regulatory required stress tests, several ad hoc tests are conducted, to help assess the impact of higher loan loss provisions, additional impairments across the securities portfolios and increased risk weighted assets (RWA).

Macroeconomic stress tests are used to gauge risk-bearing capacity in the face of assumed adverse changes in the operating environment. The underlying scenarios, which are 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 income statement is also stressed using the macroeconomic scenarios and then, based on this, changes in the risk coverage potential are simulated.

3. Credit Risk Management

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to SBM as and when they fall due. Credit risk arises when funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on- or off-balance sheet. Amongst the risks faced by SBM, credit risk generates the largest regulatory capital requirement. Credit risk is essentially generated out of banking activities.

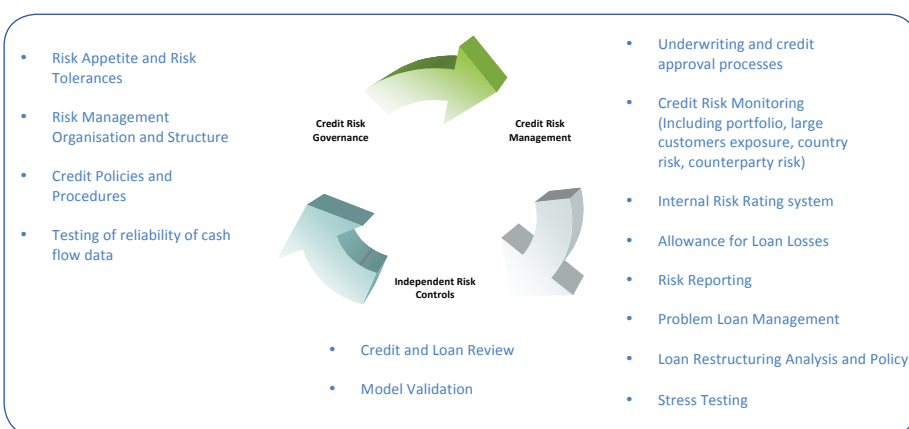
3.1 Credit Risk Management and Approval Process

SBM's credit risk policy details the credit risk

management processes that the Bank has put in place to monitor and manage credit risk. SBM's credit processes are designed with the aim of combining an appropriate level of authority in its credit approval processes with timely and responsive decision-making and customer services. The process for each division is tailored to the risk profile and service requirements of its customers and product portfolio. Key parameters, associated with credit structuring and approval, are periodically reviewed to ensure their continued relevance.

The credit appraisal and measurement process, leading to approval/rejection, is segregated from loan origination in order to maintain the independence and integrity of credit decision-making and to continue to effectively build-up quality assets to achieve targeted growth. SBM 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. All assigned credit authorities are reviewed on a periodic basis with a minimum cycle of at least once a year to ensure that they are adequate to the individual performance of the authority holder.

The chart below details an overview of the credit risk management process.



3.2 Credit Risk Management Responsibilities

The effective management of credit risk requires the establishment of an appropriate credit risk culture.

The objectives of the credit risk management function are to:

- build and sustain high quality credit portfolios with an improving risk-adjusted yield to the Group;
- limit the Group's exposures to certain categories of risk, which it understands and can manage within its risk appetite;
- ensure target markets and product offerings are well defined at both the enterprise-wide and business-line levels;
- ensure that the risk parameters, for new underwritings and for the portfolios as a whole, are clearly specified; and
- ensure transactions, including origination are managed in a manner that is consistent with the risk appetite.

Key focus of SBM's macro credit risk management approach is to avoid any undue concentrations in its credit portfolio, whether in terms of counterparty, Group, portfolio, product, country, sovereign, or currency. Significant concentrations of credit risk may be derived from having material exposures to a number of counterparties with similar economic characteristics, or who are engaged in comparable activities, where these similarities can affect their ability to meet their contractual obligations, as could changes in economic or industry conditions.

SBM's portfolio management supports a comprehensive assessment of concentrations within its credit risk portfolio for provision of subsequent risk mitigating actions and diversification across various geographical boundaries, sectors, borrower groups and products, with the main objective of maximising shareholder value. Limits are generally set as a percentage of SBM's eligible core capital.

3.3 Credit Risk Measurement

SBM's main objective of credit risk measurement is to use various tools to support quantitative risk assessment from the level of individual facilities up to the total portfolio, including element of the credit approval process, ongoing credit risk management,

monitoring, reporting and portfolio analysis.

Ongoing active monitoring and management of credit risk positions are an integral part of the credit risk management activities. SBM has in place procedures intended to identify at an early stage – early warnings – credit exposures for which there may be increased levels of loss, as a preventive basis to manage loss-making exposure. In instances where high risk counterparties have been identified, the respective exposure is generally placed on a watchlist. SBM 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.

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

3.3.1 Internal Risk Ratings

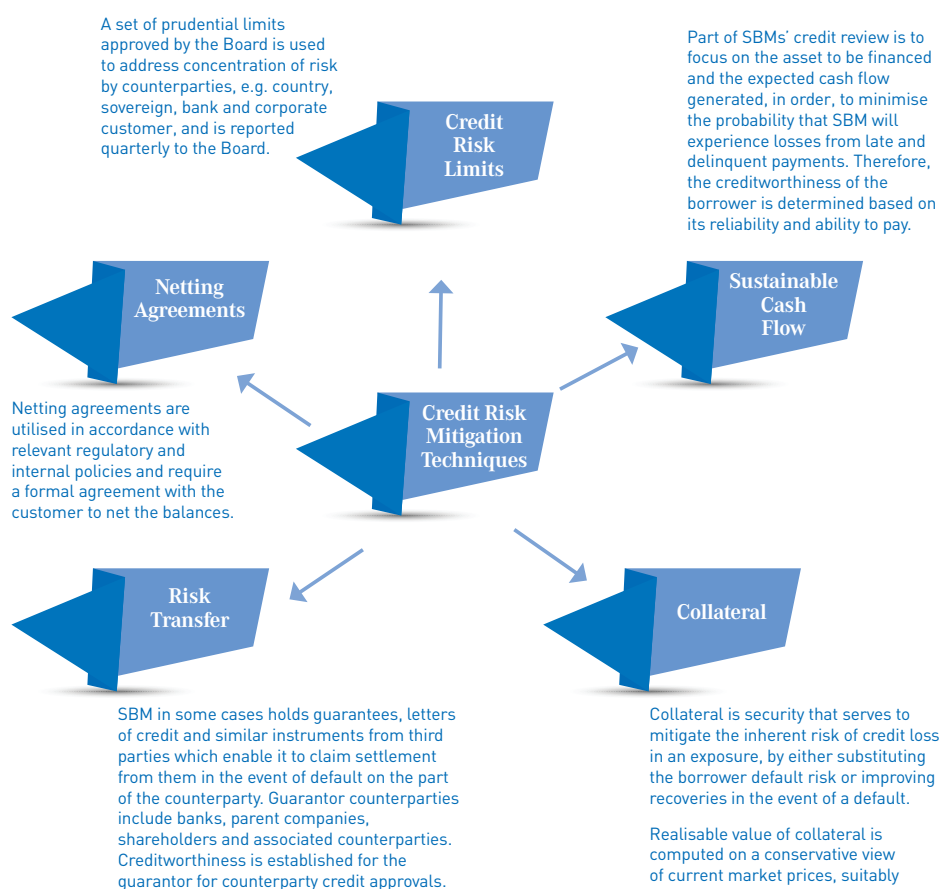
Internal ratings are based on the analysis of the portfolio stress testing techniques and evaluation of both quantitative and qualitative factors. The specific factors analysed are dependent on the type of counterparty. The analysis emphasises a forward looking approach, concentrating on economic trends and financial fundamentals. Credit officers make use of peer analysis, industry comparisons, external ratings, research and the judgment of credit specialists.

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 used 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.

SBM has different internal rating tools to assess the credit risk on Corporate Banking clients, SME clients and Retail Banking clients. SBM's default risk management is characterised by a well calibrated risk rating scale. SBM uses a rating scale ranging from 1–10 whereby the 1–6 risk rates are tagged as acceptable risks whilst 7–10 risk rates are considered as high risk.

3.4 Credit Risk Mitigation

SBM employs various credit risk mitigation techniques to optimise credit exposure 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:



3.5 Credit Risk Profile

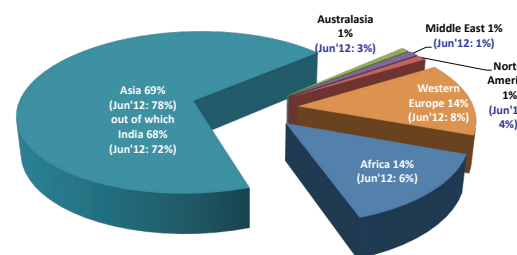
SBM's exposures to various countries and types of borrowers are well diversified. The Group actively monitors industry and country concentrations. As is the case with all industry exposures, the Group continues to closely follow developing trends and takes additional steps to mitigate risk as warranted. Details of diversification of credit exposures are given in the following sections.

3.5.1 Geographical and Country Risk Analysis

When SBM engages in international lending or incurs a cross border exposure, it is exposed not only to customary credit risk but also to 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 the Group. Country risk is managed within an established framework that includes limits setting for each country. The limits which are reviewed at least annually are based on SBM's risk appetite, the country's risk rating, economic potential measured by its GDP, as well as SBM's business strategy.

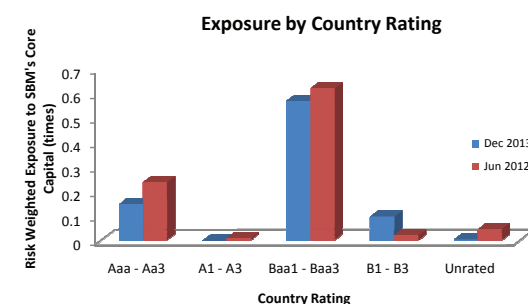
The following chart shows the distribution of risk weighted assets by country other than Mauritius as at 31 December 2013.



Top 10 Country Risk Weighted Exposures

| Ref | Country (Based on RWE) | Country Rating | RWE to SBM's Core Capital (times) |
|-----|------------------------|----------------|-----------------------------------|
| 1 | India | Baa3 | 0.55 |
| 2 | United Kingdom | Aa1 | 0.09 |
| 3 | Kenya | B1 | 0.07 |
| 4 | Seychelles | B2 | 0.03 |
| 5 | Switzerland | Aaa | 0.02 |
| 6 | South Africa | Baa2 | 0.01 |
| 7 | United Arab Emirates | Aa2 | 0.01 |
| 8 | USA | Aaa | 0.01 |
| 9 | Australia | Aaa | 0.01 |
| 10 | Singapore | Aaa | 0.00 |
| | | | 0.81 |

The following chart shows the country risk weighted exposures of SBM by rating.



As at 31 December 2013, 0.57 times of RWE to SBM's Core Capital, mainly pertaining to risk weighted exposure to India where SBM has a physical presence, were concentrated in Baa1 – Baa3 countries, 0.15 times in Aaa – Aa3 rated countries and 0.10 times in B1 – B3 countries.

3.5.2 Sovereign Risk

SBM holds a high exposure in Government of Mauritius securities that carry a zero risk weight for capital allocation purposes under Basel II requirements and the BoM guidelines. At December 2013, total investments in Government of Mauritius securities aggregated Rs 12.3 Bn representing 22% of the Bank's total Mauritian rupee-denominated deposits (June 2012: Rs 9.2 Bn, 19%).

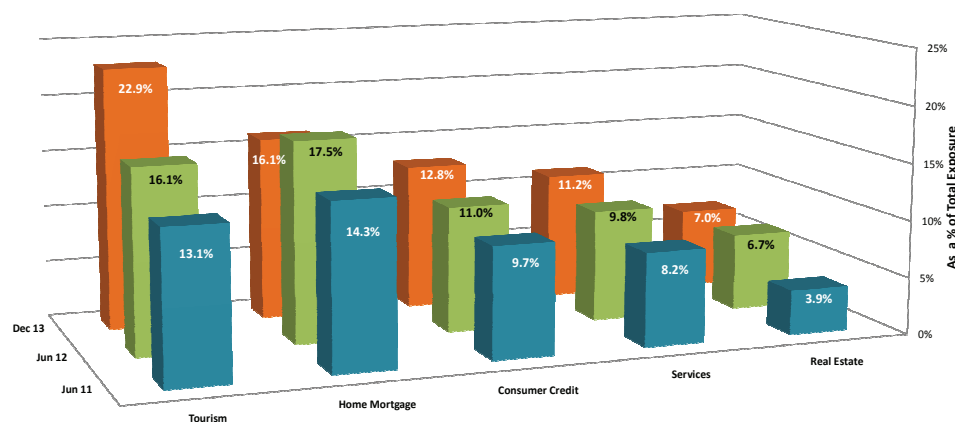
The exposure to Government related entities (excluding investments in Government of Mauritius securities) amounted to Rs 1.1 Bn representing 8% of the Bank's core capital at December 2013 (June 2012: Rs 1.3 Bn, 12% of Bank's core capital). As at 31 December 2013, exposures to Government securities other than Government of Mauritius were as follows:

| India | Rs 1.7 Bn (13.1% of SBM's core capital) |
|------------|---|
| Madagascar | Rs 1 Bn (7.8% of SBM's core capital) |
| Kenya | Rs 458 m (3.6% of SBM's core capital) |

3.5.3 Industry Analysis

Concentration risk arises in the credit portfolio as an inevitable consequence of the Group's business strategy. The Group can manage its portfolio concentration through a diversified composition of the portfolio of all its operations and by analysing the industry risk factors to reflect all the ratings of the customers in the Internal Rating System.

The chart below shows the top 5 portfolios:



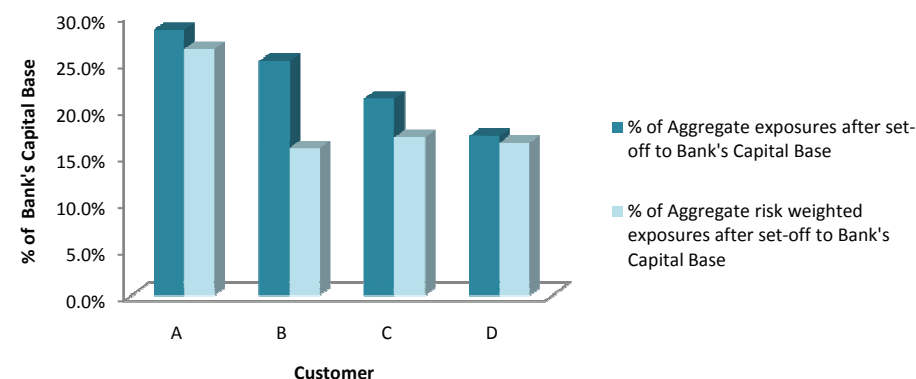
3.5.4 Credit Concentration Risk for Large Exposures

Concentration risk is calculated and monitored for large individual exposures against both prudential and regulatory limits as defined in the Guidelines on Credit Concentration Risk issued by the local regulator.

As per revised BoM Guideline on Credit Concentration Risk issued in November 2013, the aggregate large credit exposure limit has been reduced to 600% from 800% of the Bank's/Group's capital base as from 1 January 2014. This limit will be further reduced to 400% of the Bank's/Group's capital base with effect from 1 January 2015. SBM has concentration prudential limits that are stricter than the statutory limits and as at 31 December 2013, SBM was well within both the internal and revised statutory limits at 91.6%.

The chart below provides a breakdown of SBM's top credit exposures that are over 15% of the Bank's capital base after netting off deposits with SBM. The main credit exposures include credit advances, guarantees, acceptances and other similar commitments extended by the Bank.

SBM's Large Aggregate Exposures (over 15% of Bank's Capital Base)



3.5.5 Related Party Transactions

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

- a person who has significant interest in the financial institution or the financial institution has significant interest in the person;
- a director or senior officer of the financial institution;
- close family members of the above;
- an entity that is controlled by a person described above;
- a person or class of persons who has been designated by the BoM as a related party.

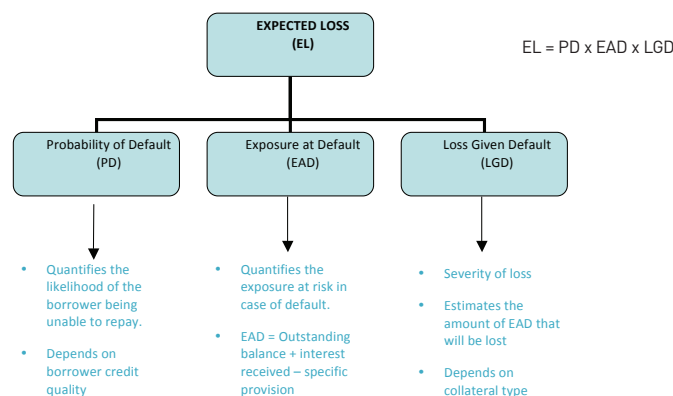
The Bank adheres to the BoM Guideline on Related Party Transactions as well as Group policy with regards to related party. As at December 2013, the aggregate of non-exempted exposures to related parties represented 8.1% of the Group's core capital, which is within the regulatory limit of 150% (June 2012: 10.2%).

3.5.6 Credit Quality

Credit quality of the loan portfolio remained strong and loan loss provisions remained low. Overall credit risks expressed in terms of Exposure at Default (EAD) are based on the financial year end figures.

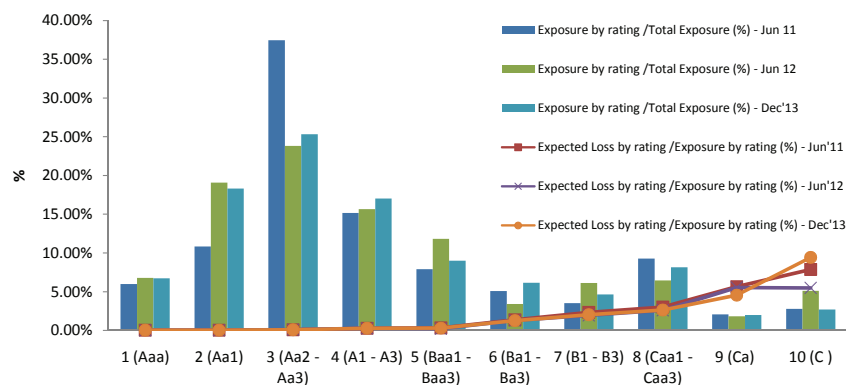
EAD measures the expected exposure on a facility in the event of a borrower's default and is used as a basis to determine the RWE, which in turn is used to calculate the capital required for the exposure. RWE can be regarded as an exposure weighted according to its level of risk. This level of risk depends on such factors as the amount of collateral or guarantees, the maturity of the exposure and the Probability of Default (PD) of the obligor.

SBM 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. The risk rating tools enable SBM to quantify the EL in order to ascertain sufficient capital to prolong future growth and, also, to ascertain that risk tolerance is within approved limits. EL is a function of three key components where:



SBM's weighted average internal customer risk rating stood at 4.15 as at December 2013 (June 2012: 4.15, June 2011: 4.13), depicting no change in rating migration of individual customer. The risk profile curve below is skewed to the left, indicating a concentration to well-rated customers.

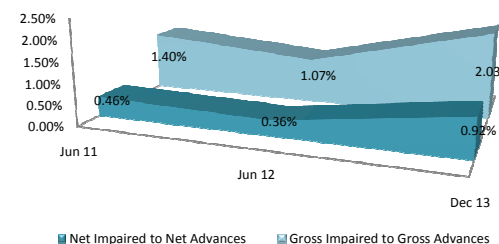
Expected Loss as a percentage of Exposure - By Rating



3.5.7 Credit Impairment

The Bank's credit quality remained strong – albeit declining marginally between June 2012 and December 2013 due to two large corporate customers in India – indicating that the monitoring of credit risk and recovery procedures has remained effective. The gross impairment ratio stood at 2.03% in December 2013 compared to 1.07% in June 2012.

Net impaired ratio increased to 0.92% in December 2013 from 0.36% in June 2012. The provision coverage ratio decreased by 11.6% to reach 55.5% in December 2013 as against 67.1% in June 2012.



4. Market Risk Management

SBM defines market risk as the risk of losses in on- and off-balance sheet positions arising from movements in market prices. Market risk losses may arise from fluctuations 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.

The Asset and Liability Management (ALM) Forum reviews and provides directions on market risk matters. The market risk management team supports the ALM Forum with independent assessment of the market risk profile of SBM.

The valuation methodologies applied by SBM 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 before seeking approval from the Board Risk Management Committee. Risks on derivatives are continually reviewed to ensure that complexities of the instruments are appropriately controlled.

4.1 Interest Rate Risk

Interest rate risk is the exposure of SBM's financial condition to the variability of interest rates arising from repricing 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 pose a substantial threat to the bank's earnings and capital base.

To achieve targets set, SBM manages pro-actively its mismatched positions by controlling the impact of changes in interest rates on the institution. SBM has established explicit and prudent interest rate risk limits based on its overall risk profile, taking into account strategic considerations and market conditions. The positions are reviewed monthly against the prudential limits set by the Market Risk Forum and quarterly by the Board Risk Management Committee.

In line with the BoM Guideline on the Measurement and Management of Market Risk, SBM uses risk management techniques and methodologies, such as re-pricing gap analysis and sensitivity analysis on earnings, and hedging instruments to minimise interest rate risk, to effectively assess and manage the impact of interest rate changes on the assets and liabilities of the Bank.

Earnings at risk measures the sensitivity of net interest revenue to shocks in market rates over the following 12 months and highlights exposures to various rate sensitive factors such as Repo rate change and pricing strategies on the earnings of SBM. At 31 December 2013, a 200 basis points parallel rate shock to the banking book in a worst case scenario would have an impact equivalent to 0.03% of SBM's core capital.

4.2 Foreign Exchange Risk

Foreign exchange risk is the risk that potential movements in exchange rates might adversely affect the foreign currency holdings in Mauritian Rupee and, thus, the Bank's financial condition. SBM can be impacted by changes in both the level and volatility of foreign exchange rates. Foreign exchange rates can be subject to large and unexpected swings. Understanding and managing the risks associated with exchange rate volatility can be complex.

SBM is exposed to two sources of foreign exchange risk: translational foreign currency exposure and transactional foreign exchange exposure.

SBM's investments in overseas operations create capital resources denominated in foreign currency to a consolidated balance sheet currency. Changes in the value of the investments due to currency movements are captured in the currency translation reserve, resulting in movement on assets of balance sheet due to accounting policies.

In order to manage transactional foreign currency exposures, the Treasury dealers operate within regulatory limits as prescribed by the BoM and also within more conservative prudential limits approved by the Board including the intraday/overnight open position limits (both aggregate and currency-wise), deal size limit, and stop losses limits. For the financial year under review, the regulatory limit was 15% of SBM's Tier 1 capital.

Independent of the Treasury Front Office, the Middle Office closely examines foreign exchange exposure taken by the Front Office using robust measurement techniques, limit monitoring, daily reporting and oversight. Excesses and deviations from approved limits are reported daily to the Head of Risk Management, Chief Executive Banking monthly to the Market Risk Forum and quarterly to the Board Risk Management Committee.

The Bank also uses Value-at-Risk (VaR) 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 used as part of the stress testing exercise.

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

The average VaR as detailed in the table below was insignificant relative to SBM's core capital, Rs 1.02 m for 18M2013 (June 2012: Rs 1.42 m, June 2011: Rs 1.58 m). The maximum and minimum VaR reported did not necessarily occur on the same day.

The VaR measures have been backtested against profit and loss to validate the robustness of the methodology. The Bank also simulates for a one-day time horizon at 99% confidence level that best reflects the market environment. This is over and above Basel requirements and the rationale behind this is that open foreign currency positions can be liquidated in the market over one single day.

Exposures to foreign currency are given in Note 41 to the Financial Statements.

The table below shows VaR figures for the Bank and Group:

| Rs '000 | 18 months to December 2013 | | | | 12 months to June 2012 | | | | 12 months to June 2011 | | | |
|--------------|----------------------------|--------------|--------------|------------|------------------------|--------------|--------------|--------------|------------------------|--------------|--------------|------------|
| | Min | Max | Avg | 31 Dec | Min | Max | Avg | 30 Jun | Min | Max | Avg | 30 Jun |
| Bank | 143 | 3,848 | 974 | 837 | 156 | 7,432 | 1,367 | 2,916 | 169 | 8,289 | 1,529 | 634 |
| Group | 144 | 3,995 | 1,015 | 880 | 158 | 7,686 | 1,424 | 3,013 | 172 | 8,690 | 1,578 | 639 |

4.3 Price Risk

Price risk is the risk arising from fluctuations in the price of a security or a commodity that may adversely impact the value of relevant portfolios. SBM is exposed to 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's Investment Policy ensures that exposures are sufficiently diversified and within the Bank's risk appetite based on available economic capital. Each trading portfolio has its own market risk limit framework encompassing controls including trading mandates, permitted product lists and a new product approval process. Additionally, the positions taken are closely monitored by the Middle Office to ensure that trades are within policies, dealers' experience and prevailing market volatilities. Any excesses and deviations from policies are reported on a daily basis to the Head of Risk, the Chief Executive Banking and, on a monthly basis to the Market Risk Forum and quarterly to the Board Risk Management Committee. At 31 December 2013, the Bank's trading book exposure was within the prudential limits set by the Board.

4.4 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, mainly arising from the following scenarios:

- Funding Liquidity Risk – the risk that a bank will not be able to meet efficiently the expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial condition; and
- Market Liquidity Risk – the risk that a bank cannot easily offset or eliminate a position at the prevailing market price because of

inadequate market depth or market disruption. SBM's primary sources of funding include (i) deposits, which are SBM's most stable and lowest cost source of long-term funding, (ii) long-term borrowings and (iii) stockholders' equity. These sources may be supplemented by short-term borrowings of desired level.

SBM works to ensure that the structural tenor of these funding sources is sufficiently long in relation to the tenor of its asset base. The key goal of SBM's asset/liability management is to ensure that there is excess tenor in the liability structure so as to provide excess liquidity to fund the assets. 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 has devised written policies and procedures which have the three-fold objectives of:

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

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

The daily administration of liquidity falls under the aegis of the Treasurer, while the Treasury Middle Office ensures that the effective management of cash flows conforms to the established Group Liquidity Risk management policies and limits laid down by the Board.

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. The currency-wise gap analysis is the primary means to assess the disparity between assets and liabilities (both on- and off-balance sheet) that mature within a specific interlude.

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 has a formal contingency plan in place that clearly sets out the strategies for addressing liquidity shortfalls in unexpected situations. As at 31 December 2013, the Bank had a sound, positive liquidity gap and was amply capable of meeting future expected cash flows both in local currency and major foreign currencies.

4.4.1 Liquidity Measurement

SBM uses multiple measures in monitoring its liquidity, including without limitation those described below. 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's liquid assets ratio echoes a sound liquidity standing, adequate to counterbalance the impact of a stressed funding environment (December 2013: 9.5%, June 2012: 8.0%). SBM is able to utilise its own resources largely and invest in higher yielding assets, and in case of unexpected payment, the Bank can draw down on its credit line if need be. SBM strives to attain the right balance between liquidity and profitability.

| Liquidity Ratios | Dec 2013 | Jun 2012 | Jun 2011 |
|---------------------------------|----------|----------|----------|
| Loan to Deposits | 86% | 83% | 82% |
| Loan to Deposits and Borrowings | 78% | 80% | 74% |

5. Operational Risk Management

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

These diverse risks are explained as follows:

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

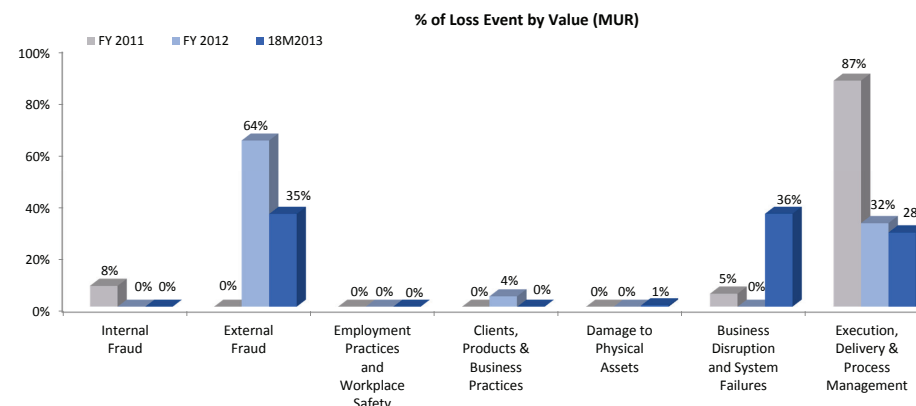
SBM has set up a framework for sound operational risk management in accordance with the recommendations proposed by the BCBS & the BoM, which incorporates the following elements:



5.1 Event Database

SBM captures and classifies as per Basel II Loss Event Type Classification, operational loss events, near-miss events and incidents in the Event Database. The analysis of loss trends and root causes of events helps in strengthening the internal control environment. All significant events are reported monthly to the Operational Risk Forum and quarterly to the Board Risk Management Committee.

The operational loss amount in 18M2013 was negligible relative to SBM's core capital (less than 0.03% of the core capital as at 31 December 2013). SBM continues to take counter-measures to prevent recurrence of operational risk events.



Further, with the implementation of new systems and processes, straight through processing will enable more automated transactions which will reduce the occurrence of losses in executive delivery and process management, which currently accounts for a large proportion of operational risk events.

5.2 Risk Register

The risk register records the risks identified in a process specifying the type of risk, the likelihood of occurrence, level of impact on the business and the effectiveness of the controls in place. The aim is to prioritise high risk areas enterprise-wide and define the appropriate risk mitigation strategies. SBM also uses the risk register to evaluate the adequacy and effectiveness of the internal controls in place, providing reasonable assurance that the likelihood and impact of an adverse event is at an acceptable and defined level. The risk register covers the risks for the Critical Business Processes within each business unit/sub-unit and also enterprise-wide based on risk appetite.

5.3 Risk Control Self-Assessment

In line with Basel requirements and SBM's strategy for managing operational risk, the Risk Control Self Assessment (RCSA) is a cyclical exercise, which involves identifying and assessing inherent risks as well as assessing the effectiveness of controls to mitigate the risks. This is followed by action plans to address the risks and issues.

This tactical exercise devised and driven by the Operational Risk Management team promotes the risk participation of every staff in the identification of new risks as well as the assessment, monitoring and mitigation of existing ones with respect to the operational risk appetite defined by the Board.

5.4 Key Risk Indicators

Key risk indicators (KRIs) are continuously tracked and are used to help identify trends, vulnerabilities and issues on a business-line level. They allow the monitoring of the Bank's control culture as well as the operational risk profile and trigger risk mitigating actions.

There is a close follow up of the major KRIs by the Operational Risk Management team, and by management through the monthly Operational Risk Forum. Matters of significant importance are reported to the Board Risk Management Committee.

In order to protect the Bank 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:

- Insurance policies acquired to mitigate the impact of operational losses when and if they occur;
- Outsourcing of non-key processes; and
- An effective Business Continuity Management, which is an integral part of the Bank's strategy to mitigate risks and to manage the impact of unforeseen events.

5.5 Other Related Risks

a) Legal Risk

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

In order to mitigate this risk, departments work in consultation with the Group's legal cell and external legal counsel to ensure that legal risks are effectively managed besides ensuring compliance to regulatory and prudential limits internally.

b) Reputational Risk

Reputational risk can arise from negative perception on the part of customers, counter parties, shareholders, investors, debt holders, market

analysts, other relevant parties or regulators that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding.

The 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 the Group Code of Conduct.

c) Regulatory Compliance Risk

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

Compliance audits are conducted where compliance with laws/regulations/guidelines are critical and appropriate recommendations for enhancement in processes and controls are made. Findings are submitted monthly to the Operational Risk Forum and to the Board Risk Management Committee.

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

Internal Audit and Assurance

The Internal Audit function within SBM Group plays an important assurance role in the Group's governance processes, particularly in the area of risk management and control. The Internal Audit department is governed by an internal audit charter approved by the Board Audit Committee, which specifically highlights the reporting lines of the department: to the Audit Committee functionally, and to the Chief Executive Banking administratively. Internal Audit co-ordinates with other sources of assurance such as the Risk Management Division, the Compliance Unit and the external auditors, to ensure that there is adequate assurance from

all sources to cover all key business risks. The Audit Committee reviews and approves Internal Audit's plan and resources, and evaluates the effectiveness of Internal Audit. As per best practice and the requirements of the Institute of Internal Auditors, an external assessment of the Internal Audit function needs to be conducted every five years. During the financial year ended June 2012, a quality assessment carried out by an internationally recognised audit firm validated the function's adherence to International Standards for the Professional Practice of Internal Audit by awarding a positive report on the Bank's Internal Audit.

Internal Audit undertakes reliable assessments and value adding services relating to systems, internal controls and procedures. It also provides a key independent support service to management by identifying and evaluating potential business risks. It can also be a useful catalyst for change and improvement within the organisation.

Audits are conducted following the risk-based audit methodology which is in line with global best practices. All business units of SBM are audited to assess control adequacy and effectiveness. The work performed by internal audit is taken into consideration by the statutory auditors for the purpose of forming an opinion on the Financial Statements of the Bank.

An evolving regulatory environment, market pressure to improve operations, and rapidly changing business conditions are creating the need for more timely and ongoing assurance that controls are working effectively and risk is being mitigated. 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 an ongoing basis at the overseas operations and reported to management on a monthly basis. During the year under review, SBM's Internal Audit function completed audits of internal control systems, information systems and governance processes in accordance with its pre-approved audit plan and charter. In addition, it has also worked in collaboration with the external auditors to perform

reviews of the ongoing IT Transformation project. All significant actions are communicated to the Audit Committee regularly, together with dates of implementation. There is an established mechanism to track implementation actions and dates. Internal Audit on a regular basis queries the reasons for divergence and, if necessary, escalates matters to the Audit Committee.

Capital Resources

Capital Management

SBM capital management objectives are to:

- maintain sufficient capital resources to meet minimum regulatory capital requirements set by the BoM in accordance with Basel II requirements and upcoming Basel III;
- maintain sufficient capital resources to support the Group's risk appetite and economic capital requirements over the foreseeable time frame;
- allocate capital to businesses to support the Group's strategic objectives, including optimising returns on economic and regulatory capital;
- ensure the Group holds capital in excess of minimum requirements in order to withstand the impact of potential stress events; and
- maintain the dividend policy and dividend payments while considering shareholder and regulatory expectations.

Capital Adequacy

SBM manages its capital base to achieve a prudent balance between maintaining capital ratios to support continued business growth, depositor and creditor confidence, and providing competitive returns to shareholders. The capital management process ensures that each entity within the Group maintains sufficient capital levels for legal and regulatory compliance purposes. SBM continues to adopt a conservative approach to capital levels with capital ratios maintained at the upper end of its targeted capitalisation range, particularly given the current macro prudential conditions, ongoing regulatory developments and international expansion initiatives.

Regulatory Capital

SBM complies with the capital adequacy requirements in terms of banking regulations based on the Basel II framework proposed by the Basel Committee.

Banks in Mauritius licensed under the Banking Act 2004 are required to use the Standardised approaches for local reporting purposes. Under Pillar 1 of the BoM guidelines on Basel II, SBM follows the Standardised Approach for measurement of credit and market risks and Alternative Standardised Approach for measurement of operational risk. The capital adequacy ratio statements are filed with the BoM on a quarterly basis. BoM guidelines on Basel II require banks to maintain a minimum capital to RWA ratio of 10% (with Tier 2 capital limited to 100% of Tier 1 capital). Also, our India and Madagascar Operations abide by the minimum capital requirement set by the host regulators which are at 9% and 8% respectively.

Regulatory capital is measured by two risk-based ratios - Tier I and total capital adequacy. Both measures of capital are stated as a percentage of RWA.

Tier I capital represents the permanent forms of capital including share capital, share premium and retained earnings after deductions for deferred tax, intangible assets, and other regulatory adjustments.

Tier 2 capital includes impairment allowances for performing loans and element of the fair value reserve relating to unrealised gains on equity instruments classified as available for-sale and other revaluation reserves discounted by 55%.

Various limits are applied to elements of the capital base; qualifying Tier 2 capital cannot exceed Tier 1 capital, and qualifying term subordinated loan capital may not exceed 50% of Tier 1 capital. SBM has complied with all externally imposed capital requirements throughout the year.

SBM's capital adequacy position has continued to be strong, with the Group total capital adequacy of 20.9% and Tier-1 capital adequacy of 18.7% at 31 December 2013. The capital adequacy ratio of SBM Mauritius on a standalone basis was 20.6% with a Tier-1 ratio of 19.9% at the same date. Our India Operations' capital position also was strong with a ratio of 56.1% at December 2013 compared to 41.0% at June 2012. The 8.8% increase in Tier 1 capital was on account of retained profits. SBM maintains a well-capitalised position based upon core Tier I and total capital ratios as set out at page 141 of the Annual Report.

Credit Risk Capital

Credit risk represents the largest source of risk to which the Group is exposed and accounts for the majority of total economic capital.

The RWE under the Standardised Approach to credit risk are based on the category of borrower, mainly composed of sovereign, bank, corporate and retail, its associated risk weight and the credit conversion factor of the underlying credit facility. To determine the relevant risk weights applicable for its claims on banks and sovereigns, SBM uses ratings assigned by Standard & Poor's, Moody's Investors Service and Fitch as approved by the BoM.

The Basel II framework consists of three pillars each of them concentrating on a different aspect of banking regulation:

- Pillar 1 makes recommendations for calculation of minimum capital requirements;
- Pillar 2 discusses the key principles of supervisory review and risk management guidance; and
- Pillar 3 complements the first two pillars of Basel II by requiring a range of disclosures on capital and risk assessment processes, aimed at encouraging and reinforcing market discipline.

Three Pillars of Basel II



The following table illustrates the components of the capital base for the Group together with RWA and capital adequacy ratios of the Bank and the Group computed in accordance with the BoM guidelines on Basel II.

| | Dec 2013 Rs m | Jun 2012 Rs m | Restated Jun 2011 Rs m |
|--|------------------|------------------|------------------------------|
| I. CAPITAL BASE | | | |
| Core Capital (Tier 1 Capital) | | | |
| Share Capital | 304 | 304 | 304 |
| Statutory Reserve | 572 | 520 | 505 |
| Other Reserves | 16,734 | 14,904 | 13,275 |
| Deduct | | | |
| Treasury (own) Shares | (2,333) | (2,333) | (2,333) |
| Other Intangible Assets | (639) | (87) | (54) |
| Deferred Tax | (210) | (59) | (37) |
| | 14,428 | 13,248 | 11,659 |
| Less | | | |
| 50% of Investments in Capital of other Banks and Financial Institutions | (423) | (374) | (334) |
| Total Core Capital | 14,006 | 12,874 | 11,326 |
| Supplementary Capital (Tier 2 Capital) | | | |
| Other Reserves | 1,853 | 1,777 | 1,579 |
| Portfolio Provision | 228 | 252 | 266 |
| Deduct | | | |
| 50% of Investments in Capital of other Banks and Financial Institutions | (423) | (374) | (334) |
| Total Supplementary Capital | 1,659 | 1,656 | 1,512 |
| GROUP CAPITAL BASE | 15,664 | 14,530 | 12,837 |
| BANK CAPITAL BASE | 13,387 | 11,106 | 10,650 |
| II. RISK WEIGHTED ASSETS | | | |
| On-Balance Sheet Assets | 64,840 | 58,473 | 50,074 |
| Non-Market Related Off-Balance Sheet | 3,522 | 4,437 | 3,520 |
| Market Related Off-Balance Sheet : Foreign Exchange & Interest Rate Contracts and Aggregate Net Open Foreign Exchange Position | 288 | 566 | 217 |
| Operational Risk | 6,375 | 5,065 | 4,896 |
| GROUP TOTAL RISK WEIGHTED ASSETS | 75,025 | 68,540 | 58,707 |
| BANK TOTAL RISK WEIGHTED ASSETS | 70,344 | 64,126 | 57,239 |
| III. CAPITAL ADEQUACY RATIO (%) | | | |
| GROUP | 20.9 | 21.2 | 21.9 |
| <i>Of which Tier 1</i> | <i>18.7</i> | <i>18.8</i> | <i>19.3</i> |
| BANK | 19.0 | 17.3 | 18.6 |
| <i>Of which Tier 1</i> | <i>18.3</i> | <i>17.3</i> | <i>15.6</i> |

Movement in capital funds and RWA from June 30, 2012 to December 31, 2013

During the last 18 months, capital funds increased by Rs 1.1 Bn from June 2012 to reach Rs 15.7 Bn at December 2013 largely due to retained earnings.

Total RWA increased by Rs 6.5 Bn from Rs 68.5 Bn at June 2012 to Rs 75.0 Bn at December 2013 primarily due to an increase in on-balance sheet RWA exposures, mainly to corporates, mitigated by a decrease of Rs 0.9 Bn in RWA for off-balance sheet credit exposures.

The tables below set out the Group exposure amounts after credit risk mitigation under the Standardised Approach as at June 2011, June 2012 and December 2013:

| On-Balance Sheet Assets | Dec 2013 | | | Jun 2012 | | Jun 2011 |
|---|------------------|-------------|------------------------------|------------------------------|------------------------------|----------|
| | Amount (Rs m) | Weight % | Weighted Assets (Rs m) | Weighted Assets (Rs m) | Weighted Assets (Rs m) | |
| Cash Items | 2,583 | 0-20 | 49 | 47 | 32 | |
| Claims on Sovereigns | 16,020 | 0-100 | 458 | 11 | 14 | |
| Claims on Central Banks and International Institutions | 6,941 | 0-50 | 245 | | | |
| Claims on Banks | 6,711 | 20-50 | 1,976 | 4,150 | 6,119 | |
| Claims on Non-Central Government Public Sector Entities | 1,855 | 0-100 | 940 | 1,567 | 1,064 | |
| Claims on Corporates | 38,790 | 100 | 38,790 | 35,159 | 28,971 | |
| Claims included in the Regulatory Retail Portfolio | 10,151 | 75 | 7,613 | 6,360 | 5,173 | |
| Claims secured by Residential Property | 14,820 | 35-100 | 6,304 | 5,081 | 3,180 | |
| Past Due Claims | 672 | 50-150 | 792 | 249 | 271 | |
| Other Assets | 7,673 | 100 | 7,673 | 5,849 | 5,250 | |
| Total On-Balance Sheet | 106,217 | | 64,840 | 58,473 | 50,074 | |

| Off-Balance Sheet Assets | Credit Conversion Factor (%) | Nominal Amt (Rs m) | Dec 2013 | | | Jun 2012 | | Jun 2011 |
|---|---------------------------------------|--------------------------|---------------------------------------|-------------|--------------------------------------|--------------------------------------|--------------------------------------|----------|
| | | | Credit Equivalent Amt (Rs m) | Weight % | Risk Weighted Assets (Rs m) | Risk Weighted Assets (Rs m) | Risk Weighted Assets (Rs m) | |
| Direct Credit Substitutes | 100 | 430 | 412 | 0 - 100 | 410 | 428 | 362 | |
| Transaction-Related Contingent Items | 50 | 4,715 | 2,310 | 0 - 100 | 2,277 | 2,995 | 2,621 | |
| Trade-Related Contingencies | 20 | 1,024 | 203 | 0 - 100 | 192 | 143 | 196 | |
| Other Commitments | 0 - 20 | 8,281 | 643 | 0 - 100 | 643 | 871 | 341 | |
| Interest Rate Contracts | 1 to 4 | 853 | 34 | 20 - 50 | 17 | 25 | 14 | |
| Foreign Exchange Contracts | 2 to 5 | 20,518 | 427 | 20 - 100 | 137 | 93 | 96 | |
| Total Off-Balance Sheet | | | | | 3,677 | 4,554 | 3,630 | |

Market Risk Capital Requirement

Capital charge for market risk is computed as per BoM Guideline on Measurement and Management of Market Risk which is closely aligned to Basel II Standardised Measurement Method.

All of the Bank's derivative contracts are OTC foreign exchange forward transactions that are privately negotiated between the Bank and the counterparties to the contracts.

Foreign exchange forwards are contracts in which one party contracts with another to exchange a specified amount of one currency for a specified amount of a second currency at a future date or range of dates.

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

| MARKET RISK Rs m | DEC 2013 | JUN 2012 | JUN 2011 |
|---|-------------|-------------|-------------|
| Aggregate net open foreign exchange position | | | |
| Bank | 122.5 | 435.5 | 106.5 |
| Group | 133.9 | 447.9 | 107.0 |

Operational Risk Capital

SBM calculates capital based on the Alternative Standardised Approach in accordance with the BoM Guideline on Operational Risk Management and Capital Adequacy Determination.

The operational risk capital charge is arrived at by:

- applying a beta factor of 18% to the average of positive annual gross revenue over the previous three years for Trading & Sales and Payment and Settlement business lines added to
- the last three-year average outstanding balances of advances and securities after applying a beta factor of 12% and 15% for Retail and Commercial banking business lines respectively multiplied by a fixed factor of 0.035% as prescribed in the above mentioned guideline.

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

| Rs m | DEC 2013 | JUN 2012 | JUN 2011 |
|--|-------------|-------------|-------------|
| Capital charge for Operational Risk (Bank) | 591 | 477 | 443 |
| Capital charge for Operational Risk (Group) | 638 | 506 | 490 |

Revised Guideline on Standardised Approach to Credit Risk

In October 2013, BoM issued a wide range of macroprudential measures to reduce the vulnerability of the banking sector to credit concentration and customer default risk in targeted sectors, encouraging banks to adhere to more prudent lending standards.

The Guideline on Standardised Approach to Credit Risk issued by the BoM in March 2008 has thus been revised in respect of fund-based and non-fund based credit facilities secured by residential property and commercial real estate granted for the purpose of purchase/construction in Mauritius. Risk weights to residential and commercial loans for Segment A have been increased as well as past dues on these loans.

These above-mentioned changes in risk weights will be effective as from 1 July 2014.

Basel III

The Basel III rules published in December 2010, and updated in June 2011 by the BCBS, serves to bring together the details of global regulatory standards on bank capital adequacy and liquidity.

The Basel III rules on capital consist of measures on improving the quality, consistency and transparency of capital, enhancing risk coverage, introducing a supplementary leverage ratio, reducing pro-cyclicality and promoting countercyclical buffers, and addressing systemic risk and interconnectedness. Banks' risk exposures need to be backed by a high quality capital base. The transparency of capital base has also been improved, with all elements of capital required to be disclosed along with a detailed reconciliation to the published accounts. This requirement will improve market discipline under Pillar 3 of the Basel II framework.

The Bank for International Settlements (BIS) rules as written are to be phased-in commencing 1 January 2013 through 1 January 2019 and require a minimum Common Equity Tier 1 ratio of 4.5% plus a capital conservation buffer of 2.5%, collectively 7% of RWA, by 1 January 2019.

| BASEL III - Additional Requirements | | | | | |
|--|--|--|--|--|--|
| Pillar 1 | | Pillar 2 | | Pillar 3 | Liquidity |
| Capital | Risk Coverage | Containing Leverage | Risk Management & Supervision | Market Discipline | |
| Quality and Level of Capital | Trading Book | Leverage Ratio | Supplementary Pillar 2 Requirements | Revised Pillar 3 Disclosures Requirements | Liquidity Coverage Ratio |
| Greater focus on common equity. The minimum will be raised to 4.5% of risk weighted assets after deductions. | Significantly higher capital of trading and derivatives activities, as well as complex securitisations held in the trading book. Introduction of a stressed value-at-risk framework to help mitigate procyclicality. | A non-risk-based leverage ratio that includes off-balance sheet exposures to serve as a backstop to the risk-based capital requirement. Also helps contain system wide build up of leverage. | Address firm-wide governance and risk management; capturing the risk of off-balance sheet exposures and securitisation activities; managing risk concentrations; providing incentives for banks to better manage risk and returns over the long term; sound compensation practices; valuation practices; stress testing; accounting standards for financial instruments; corporate governance; and supervisory colleges. | Enhanced disclosures on the detail of the components of regulatory capital and their reconciliation to the reported accounts will be required, including a comprehensive explanation of how a bank calculates its regulatory capital ratios. | The liquidity coverage ratio (LCR) will require banks to have sufficient high-quality liquid assets to withstand a 30-day stressed funding scenario that is specified by supervisors. |
| Capital Conservation Buffer | Counterparty Credit Risk | | | | Net Stable Funding Ratio |
| Banks to hold a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity requirements to 7%. | Substantial strengthening of the counterparty credit risk framework. Includes : more stringent requirements for measuring exposure; capital incentives for banks to use central counterparties for derivatives; and higher capital for inter-financial sector exposures. | | | | The net stable funding ratio (NSFR) is a longer-term structural ratio designed to address liquidity mismatches. It covers the entire balance sheet and provides incentives for banks to use stable sources of funding. |
| Countercyclical Buffer | | | | | |
| Imposed within a range of 0-2.5% comprising common equity, when authorities judge credit growth is resulting in an unacceptable build up of systematic risk. | | | | | |

In response to BCBS guidelines, BoM issued a Consultation Paper on the Implementation of Basel III in Mauritius in October 2012 followed by a draft Guideline on Scope of Application of Basel III and Eligible Capital in May 2013. The guideline sets out the rules and tentative timelines to implement some of the elements of the stronger Basel III capital framework and is expected to be effective by July 2014.

As per BoM guidelines, with full implementation of Basel III guidelines by year 2020, banks in Mauritius need to maintain a minimum Common Equity Tier 1 (CET1) capital of 6.5%, Tier 1 capital of 8%, total capital of 10% and Capital Conservation Buffer (CCB) of 2.5%.

While the minimum level for total capital set will remain at 10% of RWA, the proportion accounted for by Tier 1 is being increased. Banks in Mauritius have been required to meet the 2% in excess of the international norm in the form of CET1. The limit of Tier 2 component would go down over a number of years.

As per SBM's internal estimate carried out to assess the impact of Basel III, the Bank remains adequately capitalised with CET1 and Tier 1 capital well above the stipulated requirement as illustrated in the following table :

| | Mauritius Operations | | India Operations | | Madagascar Operations | | Group | |
|--------------------------------|----------------------|-------------|------------------|-------------|-----------------------|-------------|------------|-------------|
| | Basel II % | Basel III % | Basel II % | Basel III % | Basel II % | Basel III % | Basel II % | Basel III % |
| Capital adequacy ratio | 20.6 | 17.7 | 57.6 | 57.0 | 35.6 | 35.6 | 20.9 | 18.9 |
| CET1/Tier 1 ratio | 19.9 | 17.6 | 56.1 | 56.1 | 35.6 | 35.6 | 18.7 | 18.8 |
| Leverage ratio (min 3%) | 10.1 | | 31.5 | | 9.0 | | 12.3 | |

SBM is in compliance with the proposed Basel III Liquidity Coverage Ratio (LCR), as amended by the BCBS on 7 January 2013 (the amended LCR guidelines), even though such ratio is not proposed to take full effect until 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. Using the amended LCR guidelines, SBM's estimated LCR was 132% as at 31 December 2013. In money terms, the 132% LCR represents additional liquidity of approximately Rs 3.6 Bn above the proposed minimum 100% LCR threshold.

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. There is presently no regulatory requirement to compute the NSFR but SBM has taken the appropriate steps in applying these reforms for better liquidity management. As at 31 December 2013, the NSFR stood at 124% which is above the Basel III requirement of 100%.

SBM continues to monitor further developments that call for additional buffers especially in respect of draft consultation paper circulated by BoM with respect to the framework for dealing with domestic systemically important banks and foresee no difficulty in complying with the new capital standards of Basel III, expected to become effective by the second quarter of this year, due to its current robust capital adequacy.

A nighttime photograph of a city street. In the foreground, several tall palm trees are illuminated by warm streetlights. In the background, a modern, multi-story building with a curved facade is lit up with blue and orange lights. The building has many windows, some of which are glowing. The sky is dark blue. The overall scene is a vibrant urban night scene.

More than just banking,
it's about building better solutions
for businesses and
individuals to prosper



Corporate Governance Report

Statement on Corporate Governance

Corporate governance refers to the system of law and sound approaches by which corporations are directed and controlled. The governance structure specifies the distribution of rights and responsibilities among a broad group of stakeholders including the Board of Directors, management, employees, shareholders, regulators, customers, creditors, auditors, suppliers and the community, and also specifies the rules and procedures for making decisions in corporate affairs. Governance provides the structure through which corporations set and pursue their objectives, while reflecting the context of the social, regulatory and market environment.

Governance is a mechanism for monitoring the actions, policies and decisions of corporations and involves the alignment of interests among the stakeholders for the larger interest of the organisation. There has been renewed interest in the corporate governance practices of modern corporations, 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.

The Board of Directors of SBM is fully committed to achieving and sustaining the highest standards of corporate governance with the aim of maximising long-term value creation for the shareholders. SBM also fully supports the government initiative to promote corporate social responsibility and contributes prominently in the implementation thereof.

The Board of Directors has primary responsibility for the corporation's external financial reporting functions. They are directly accountable to the shareholders and directors report to shareholders on the performance of the Company, its future plans and strategies through the Annual Report besides ad hoc communications on material issues. In line with company law and the constitution of the Company, the directors need to obtain the shareholders' approval whenever needed as per law.

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.

The Code of Corporate Governance for Mauritius

The Code of Corporate Governance for Mauritius [the Code] published in October 2003 became mandatory as from July 2009. The Code requires all Companies listed on the official list of the Stock Exchange of Mauritius (SEM), banks and non-banking financial institutions, large public entities, State-owned enterprises including statutory corporations and parastatal bodies and large private companies to ensure compliance or else to provide reasons for not complying with any of the provisions of the Code in their financial statements or reports.

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

Directors' Statement of Compliance

The Board of Directors continuously reviews the implications of corporate governance best practices, and hereby confirms that SBM has complied in all material respects with the provisions of the Code [except for the remuneration of directors, which has not been disclosed on an individual basis, due to commercial sensitivity] and the guideline of the BoM.

SBM Corporate Governance Framework

SBM was among the first companies in Mauritius, and the first listed Company to comply with international best practices in corporate governance as far back as 1997, well ahead of the BoM Guideline on Corporate Governance first issued

in 2001 - and which has now been superseded by the new guideline issued in August 2012 - and the introduction of the Code in 2003.

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

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

Board of Directors

The Board of Directors is appointed to act on behalf of the shareholders to oversee the affairs of the business. The Board is the link between shareholders and the Company. As such, all companies should be headed by an effective Board which can both lead and control the Company.

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

The SBM Board of Directors has a unitary structure comprising a balanced mix of independent non-executive directors, non-executive directors and executive directors. The independent non-executive directors and non-executive directors are elected by separate resolution by the shareholders, and hold office until the next Annual Meeting and are eligible for re-election subject to rotation as per the Bank's policy and the requirement of the BoM Guideline on Corporate Governance. The two executive Directors including the Chief Executive are appointed by the Board as per the Constitution of the Bank. Four directors, who completed 6 years' directorship continuously, with prior approval from BoM, were re-elected by shareholders at the last shareholders' meeting till the next Annual Meeting. The profiles of the current Directors are given at pages 170 to 171 of the Annual Report.

The SBM Board of Directors' key objective is to ensure the Company's and the Group's prosperity and value addition by collectively directing the Company's affairs, whilst meeting the best interests of its shareholders and stakeholders. In addition to business and financial issues, the SBM Board of Directors deals with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics. The members of the Board provide the Group with a wealth of expertise and experience in banking, finance, law, commerce and industry at both local and international levels. The Chairman of the Board and the Chief Executive are the spokespersons for the Board and the Company.

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

- Formulate strategy of the Group, and set its corporate objectives, mission, values and operating budget;
- Delegate authority to and empower the executive management to implement strategies, policies and plans approved by the Board;

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

Board Committees

As stipulated in the Code, the Board is the focal point of the corporate governance system and is ultimately accountable and responsible for the performance and affairs of the Company. Delegating authority to Board Committees or management does not in any way discharge the Board from its duties and responsibilities. Board Committees are a mechanism to assist the Board and its Directors in discharging their duties through a more comprehensive evaluation.

SBM's Board has established Board Committees namely:

- Audit Committee
- Corporate Governance & Conduct Review Committee
- Credit Committee
- Nomination & Remuneration Committee
- Risk Management Committee
- Strategic Planning Committee

Each Board Committee has a charter or terms of reference approved by the Board. The charter is reviewed at least once annually by the Board.

Board and Board Committee Meetings

The Board of Directors meets at least once in a quarter to approve the annual budget, quarterly financial statements, policies and to review quarterly performance. Additional meetings are held as and when required.

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

Likewise, at the start of each meeting of the Audit Committee, the members meet separately with the

external auditors in the absence of management and internal auditors followed by a separate session with the internal auditors in the absence of management and external auditors.

Professor Andrew Scott has been appointed Lead Independent Director. He acts as spokesperson at the Board for the other independent directors who may raise issues directly to the Lead Independent Director if they do not want to raise it directly at the Board meeting.

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

Separation of Powers between Chairman and Chief Executive

The Board is responsible for the successful perpetuation of the corporation. The Code requires that the role of the Chairman and the Chief Executive be separated to avoid conflict of interest.

The SBM's Board is led by the Chairman, Mr Muni Krishna T. Reddy, *G.O.S.K., F.S.I.D.*, who is responsible for leadership of the Board whilst the Chief Executives, Mr Jairaj Sonoo, *C.S.K.*, for banking and Mr Soopaya Parianen for non-banking, are responsible for leadership of the respective businesses and managing the day to day affairs within the powers delegated by the respective boards. The Chairman and the Chief Executives meet regularly to review issues/opportunities and take appropriate actions.

Directors' Orientation

Through our formal orientation program, new directors are apprised of the functioning of the Board, Board Committees, their duties and responsibilities as director, relevant laws, rules and regulations pertaining to the Group and the nature of activities and operations of the Company and its subsidiaries. They are provided with opportunities to meet with senior management to discuss key operational, financial, legal, and environmental topics relevant to SBM's business and operations.

New directors receive a documentation pack containing SBM's Constitution, policies and applicable laws, regulations and guidelines. New issues affecting the business as well as changes in the business environment are brought to the attention of directors on an ongoing basis.

Annual Evaluation of the Board/Board Committees

Board evaluation enables Boards to purposefully identify and surmount the barriers that impede their effectiveness. Board evaluation and self-assessment by the directors allows the Board members to better understand their own roles and responsibilities and how they can more effectively fulfil their duties and obligations.

Both the Code and the BoM Guideline on Corporate Governance require that the Board develops an appropriate mechanism for the annual review/evaluation of its performance, its committees and individual Directors.

A self-evaluation questionnaire has been designed, at SBM, to evaluate the performance of the Board, Board Committees and individual directors. The questionnaire is reviewed annually by the Corporate Governance & Conduct Review Committee which recommends same with amendments if needed to embrace new rules and best practices to the Board for approval. Each director is requested to give his/her score in confidence to a set of parameters for the Board, the Board Committees on which he/she serves on an annual basis. The scores for each of the parameters are consolidated and these results are presented to the Board and the respective Board Committees. Appropriate measures are taken from this exercise to refine the questionnaire, governance structure and responsibilities based on feedback and comments received from the directors.

Attendance of the Board, Board Committee and Annual Meeting (AM) for period July 2012 to December 2013

| | | Board | Audit ⁽ⁱ⁾ | Credit ⁽ⁱⁱ⁾ | Nomination & Remuneration | Risk Management ⁽ⁱⁱⁱ⁾ | Corporate Governance & Conduct Review | Strategic Planning | Annual Meetings 2012 & 2013 |
|----------------------------------|-------|-------|----------------------|------------------------|---------------------------|----------------------------------|---------------------------------------|--------------------|-----------------------------|
| No of meetings held | | 12 | 6 | 18 | 11 | 6 | 7 | 6 | 2 |
| Directors | Note: | | | | | | | | |
| Reddy M.K.T., G.O.S.K., F.S.I.D. | A | 12 | 5 | 17 | 11 | 6 | 7 | 6 | 2 |
| Appadoo C. | B | 11 | - | - | - | - | - | - | 1 |
| Bhanji K. | C | 11 | - | 13 | 9 | 5 | - | 3 | 2 |
| Dabee D.K., S.C., G.O.S.K. | C | 12 | - | 12 | 11 | 6 | - | 6 | 2 |
| Dumbell George J. | A | 10 | 5 | - | - | 5 | 6 | - | - |
| Professor Scott A. | A | 9 | - | - | - | 6 | - | 6 | - |
| Ramnawaz R., G.O.S.K. | A | 9 | 6 | 13 | 7 | 6 | - | - | - |
| Rey Alain A.J.G.R. | A | 11 | 6 | 12 | 9 | - | - | - | 2 |
| Sonoo J., C.S.K. ¹ | B | 11 | - | - | - | - | - | - | 2 |
| Summun S.M.A. | A | 11 | 4 | - | - | - | 6 | - | 2 |
| Yat Sin R., C.S.K., G.O.S.K. | A | 10 | - | 15 | 10 | - | 6 | 4 | 2 |
| In attendance | | | | | | | | | |
| Appadoo C. | B | - | 5 | 6 | 2 | 1 | 1 | - | - |
| Sonoo J., C.S.K. ¹ | B | - | 6 | 14 | 10 | 6 | 7 | 6 | - |
| Parianen S. | - | - | - | 5 | 1 | 1 | - | - | - |

A. - Independent Non-Executive Director

B. - Executive Director

C. - Non-Executive Director

¹ Appointed on 14.09.12

Note:

(i) The external auditors and the internal audit team are in attendance at the Audit Committee

(ii) The Corporate Credit team is in attendance at the Credit Committee

(iii) The Risk Management team is in attendance at the Risk Management Committee

In addition to the main Board, all subsidiaries have their respective boards. The composition of the boards of subsidiaries is given at page 173. SBM ensures through the respective boards that there is adequate segregation between the banking and non-banking businesses. The board of SBM Mauritius Asset Managers consists of a majority of independent non-executive directors to ensure that conflicts of interest do not arise.

Disclosures

Directors' Interest and Dealings in SBM Shares

The directors of SBM adhere to the principles of the model code on securities transaction as detailed in Appendix 6 of the Mauritius Stock Exchange Listing Rules.

The table below outlines the interests of the directors of the Company in the share capital of SBM as at 31 December 2013.

| Directors | Direct Shareholding | Indirect Shareholding | Phantom Shares Options Outstanding |
|--|---------------------|-----------------------|------------------------------------|
| Mr Muni Krishna T. Reddy, G.O.S.K., F.S.I.D. | 1,000,000 | - | - |
| Mr Chandradev Appadoo | 342,000 | 151,000 | 2,675,000* |
| Mr George J. Dumbell | 500,000 | - | - |
| Mr Regis Yat Sin, C.S.K., G.O.S.K. | 135,400 | - | - |

*The phantom shares options held by Mr Chandradev Appadoo represent the cumulative options granted to him on an annual basis till 2008 based on his performance and the performance of the Group.

Apart from the above mentioned directors, no other director had an equity stake in the Company either direct or indirect as at 31 December 2013.

Directors' Emoluments

For the period under review, the executive directors received emoluments amounting to Rs 31,390,239 (Rs 32,438,455 for the corresponding 18 months ended 30 June 2012).

The non-executive directors received emoluments, excluding benefits, amounting to Rs 102,455,023 for the 18 months ended 31 December 2013 (Rs 100,505,023 for the corresponding period ended 30 June 2012).

The remuneration of directors has not been disclosed on an individual basis due to commercial sensitivity.

During the period under review, an amount of Rs 310,000 was paid to the independent non-executive directors serving as directors on the boards of the non-bank subsidiaries whilst none was paid to executive directors.

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

Service Contracts

Mr Muni Krishna T. Reddy, G.O.S.K., F.S.I.D., was re-appointed as Chairman at the Annual Meeting held on 19 December 2013 and his service contract as Independent Non-Executive Director/Chairman was renewed for 2 more years ending 31 December 2015. In the event of early termination by the Company for any reason other than gross misconduct, he shall be paid a maximum of half of the yearly fee, net of all taxes, both national and international.

Mr Jairaj Sonoo, C.S.K., has an employment contract for 3 years with the Company commencing 14 September 2012, whilst Mr Chandradev Appadoo's 5 years' contract with the Company would be expiring on 31 December 2017.

Significant Contracts

No contract of significance other than loans and credit facilities granted in the ordinary course of business subsisted during the period under review between the Company or any of its subsidiaries and any director of SBM, either directly or indirectly.

Directors and Officers Liability Insurance

The Company has arranged for appropriate insurance cover in respect of legal actions against its directors and officers.

Donations

A total amount of Rs 68,203 was donated on behalf of Banque SBM Madagascar SA for the 18 months ended 31 December 2013.

The Board confirms that there were no political donations, during the financial year under review, as per the policy.

Executive Management

The Board of Directors has delegated the authority to the Executive Management to manage the day to day running of the Bank's business and affairs. Matters are debated and decisions are taken collectively on a unanimous basis. The issues are escalated to the next higher authority for review in the event of no unanimity. All of the main Management Forums are chaired by the Chief Executive Banking and include:

• Executive Forum

The forum meets weekly to review and take decision on the day to day running of the business and affairs of the Bank/Group with the exception of credit approvals.

• Management Credit Forum

The forum meets twice weekly to review and sanction credit proposals within its delegated authority. The Minutes of Proceedings of this forum are put up to the Board Credit Committee for information.

• Value Based Performance Review Forum

It reviews and monitors the performance and achievement against budgets/targets of the various lines of business on a monthly basis.

• Assets and Liability Management Forum

It oversees the management of the Group's liquidity risk, interest rate risk and foreign exchange risk and other market risks on a monthly basis or as often as required.

• Operational Risk Forum

The forum meets on a monthly basis to review, inter-alia, the reports of the internal auditors and external auditors, flaws in credit documentation, operational policies, standards and practices, and IT related issues, amongst others.

• Portfolio & Credit Risk Forum

It reviews, on a quarterly basis, portfolio risk profiles and makes suitable recommendations to the Risk Management Committee.

• Disclosure Forum

It reviews the adequacy of SBM's disclosures to comply with legal and regulatory requirements

and best practices on a quarterly basis. The Minutes of Proceedings of this forum are put up to the Corporate Governance and Conduct Review Committee.

The profiles of the management team are given at pages 174 to 176.

Related Party Transactions

In accordance with the BoM Guideline on Related Party Transactions and SBM's policy, the Corporate Governance & Conduct Review Committee reviews all related party transactions above a set threshold on a quarterly basis that are conducted during the previous quarter. All transactions with a related party must be carried out on terms and conditions that are at least as favourable to the Bank as market terms and conditions. The matters reviewed by the Committee are reported to the Board of Directors after each meeting.

The BoM guideline is more stringent than the International Accounting Standard 24 - Related Party Disclosures in that a person holding directly or indirectly 10% or more of the capital or voting rights of the Bank falls within the definition of a related party.

As per the BoM Guideline on Related Party Transactions, related parties are classified into 3 categories for the purpose of reporting exposures:

Category 1

This includes credit exposures to:

- a) a person who has significant interest in the financial institution;
- b) a director of the financial institution;
- c) a director of a body corporate that controls the financial institution;
- d) the spouse, child and parent of a natural person covered in (a) or (b) or (c) above;
- e) any entity that is controlled by a person described in (a) or (b) or (c) or (d) above; and
- f) any entity in which the financial institution has significant interest, excluding a subsidiary of the financial institution as mentioned in 16(e).

Category 2

This includes credit exposures to

- a) senior officers, which are outside the terms and conditions of employment contracts;
- b) the spouse, child and parent of senior officers;
- c) senior officers of a body corporate that controls the financial institution;
- d) any entity that is controlled by a person described in (a) or (b) or (c) above; and
- e) a subsidiary of the financial institution with no shareholder (natural person) holding directly or indirectly more than a significant shareholding in the parent financial institution.

Category 3

- a) This includes credit exposures to senior officers, which are within the terms and conditions of employment contracts.

Note 36 to the Financial Statements outlines the on- and off-balance sheet items and other related party transactions for the past years. None of the advances to related parties were impaired as at 31 December 2013. Further details on related parties' exposures are given at page 131.

Shareholder Information and Communication

The Group lays emphasis on the importance of maintaining accountability and transparency to its shareholders through effective communication with them. In addition to press communiqués and 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. At the Annual Meeting, the shareholders are apprised on the Group results for the period under review as well as key initiatives and projects at the Annual Meeting.

The approval of the shareholders is sought on issues/matters as required under the law, including changes to the Bank's constitution, disposal of major assets, and raising capital upon recommendation of the Board as required under various laws.

Material Clauses of the Constitution of the Company**Shareholding**

As per the Bank's Constitution, no shareholder is permitted to hold more than 3%, either direct or indirect, of the Company's issued share capital less treasury shares of the Company without previous authorisation of the Board of Directors of the Company. No authorisation shall be given to that effect unless a Special Notice has been sent to the directors specifying that such a question is included in the agenda of a meeting of the said Board. However, shareholders holding more than 3% of the issued share capital prior to adoption of the constitution in 1995 are entitled to continue holding their existing shareholdings till the holding is disinvested in part or in full.

Shareholders' Agreement

There is currently no shareholders' agreement.

Share Capital

| | |
|--------------------------|--------------------------|
| Register Date | : 31 December 2013 |
| Authorised Share Capital | : 100,000,000,000 shares |
| Issued Share Capital | : 30,374,022,300 shares |

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 2013:

| Name of Shareholder | No of Shares Held |
|---|-------------------|
| National Pension Fund | 4,651,023,814 |
| State Bank of Mauritius Ltd - Treasury shares | 4,556,103,300 |
| State Insurance Company of Mauritius Ltd | 4,444,405,000 |
| Government of Mauritius | 1,495,261,500 |
| SSLN C/O SSB Boston Old Mutual Life Assurance Co (South Africa) Ltd. FD56Z9 | 914,285,800 |
| Pictet et Cie A/C Blakeney LP | 605,520,900 |
| Development Bank of Mauritius Ltd | 577,950,000 |
| The Anglo-Mauritius Assurance Society Limited | 556,468,800 |
| State Street Bank And Trust Co A/C The Africa Emerging Markets Fund | 552,930,467 |
| State Investment Corporation Ltd | 487,167,100 |

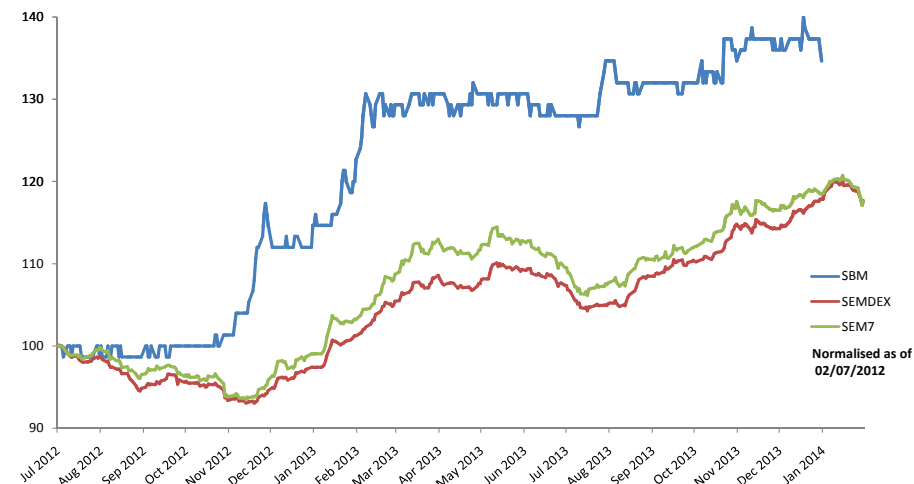
Shareholders Spread

| Number of Shares | Number of Shareholders | % of Shareholders | Number of Shares Owned | % of Total Issued Shares |
|---------------------|------------------------|-------------------|------------------------|--------------------------|
| 1 - 500 | 143 | 0.81 | 35,130 | 0.0001 |
| 501 - 1,000 | 127 | 0.72 | 123,077 | 0.0004 |
| 1,001 - 5,000 | 388 | 2.20 | 1,310,401 | 0.0043 |
| 5,001 - 10,000 | 2,265 | 12.84 | 22,407,905 | 0.0738 |
| 10,001 - 50,000 | 4,032 | 22.86 | 132,310,995 | 0.4356 |
| 50,001 - 100,000 | 5,181 | 29.38 | 456,296,378 | 1.5023 |
| 100,001 - 250,000 | 2,501 | 14.18 | 450,548,347 | 1.4833 |
| 250,001 - 500,000 | 1,303 | 7.39 | 489,834,657 | 1.6127 |
| 500,001 - 1,000,000 | 735 | 4.17 | 547,632,928 | 1.8030 |
| Over 1,000,000 | 960 | 5.44 | 28,273,522,482 | 93.0846 |
| | 17,635 | 100.0000 | 30,374,022,300 | 100.0000 |

Local and Foreign Shareholders

| | Number of Shareholders | Number of Shares Held | % of Total Issued Shares |
|----------------------|------------------------|-----------------------|--------------------------|
| Foreign Shareholders | 216 | 5,692,917,677 | 19% |
| Local Shareholders | 17,418 | 20,125,001,323 | 66% |
| Treasury Shares | 1 | 4,556,103,300 | 15% |
| TOTAL | 17,635 | 30,374,022,300 | 100% |

SBM's Share Performance



Share Price Information

| | 18 months to Dec 2013 | 12 months to Jun 2012 | 12 months to Jun 2011 | 12 months to Jun 2010 | 12 months to Jun 2009 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Earnings per Share (cents) ¹ | 12.27 | 10.28 | 7.94 | 7.29 | 7.93 |
| Share Price (cents) ¹ | | | | | |
| End of Period | 104.00 | 82.00 | 96.00 | 79.00 | 70.00 |
| Highest | 107.00 | 98.50 | 101.00 | 83.00 | 94.00 |
| Lowest | 79.50 | 77.50 | 79.00 | 63.00 | 37.80 |
| Average | 95.50 | 84.28 | 90.37 | 77.97 | 62.09 |
| Value of Shares Traded (Rs m) | 2,439.12 | 1,120.89 | 980.24 | 1,172.00 | 1,706.94 |
| Value of Share Traded as a Percentage of Market (%) | 11.66 | 8.27 | 8.37 | 9.91 | 17.30 |
| Price to Book (times) | 1.39 | 1.23 | 1.63 | 1.48 | 1.46 |
| Dividend (cents) ^{1 2} | 4.00 | 3.50 | 3.00 | 2.75 | 2.75 |
| Dividend Yield (%) ^{1 2} | 3.85 | 4.27 | 3.13 | 3.48 | 3.93 |
| Total Yield (cents) ¹ | 26.00 | (10.50) | 20.00 | 11.75 | (23.25) |
| Dividend Cover (times) | 3.08 | 2.94 | 2.65 | 2.65 | 2.88 |
| Cumulative Yield (cents) ¹ | 127.45 | 101.45 | 111.95 | 91.95 | 80.20 |
| Price Earnings Ratio (times) | 8.48 | 7.98 | 12.10 | 10.84 | 8.83 |
| Total Yield to Average Price (%) | 27.23 | (12.46) | 22.13 | 15.07 | (37.45) |

¹ Prior year figures have been restated to reflect the share split of SBM share of nominal value of Rs 1 into 100 shares of nominal value of 1 cent each, effective 1 March 2013.

² 2013 figures are annualised

Dividend Policy

SBM's dividend policy requires a distribution of a minimum of 25% of its net income 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. Henceforth, dividend will be declared on a quarterly basis.

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

The financial year-end of the Company has been changed from 30 June to 31 December.

Shareholder Diary**Financial year 2013**

| | |
|--------------------|--------------------|
| Financial year-end | : 31 December 2013 |
| Dividend payment | : May 2014 |
| Annual Meeting | : June 2014 |

Financial year 2014

| | |
|---|--|
| Financial year-end | : 31 December 2014 |
| Unaudited quarterly earnings report | : within 45 days from the quarter ending March, June and September |
| Audited Financial Statement for the year ending 31 December 2014: | : within three months from end of December 2014 |
| Dividend payment (tentative dates) | : |
| Interim dividend 1 | : June 2014 |
| Interim dividend 2 | : September 2014 |
| Interim dividend 3 | : December 2014 |
| Final dividend for the year ending 31 December 2014 | : March 2015 |
| Annual Meeting | : June 2015 |

External Auditors' Fees

The table below shows the fees paid to the statutory auditors for the last two financial periods:

| Rs'000 | Audit 18 months to Dec 2013 | Audit 12 months to Jun 2012 |
|--|-----------------------------------|-----------------------------------|
| Deloitte | | |
| State Bank of Mauritius Ltd | 7,140 | 4,691 |
| Other Local Subsidiaries | 582 | 404 |
| Other Auditors | | |
| State Bank of Mauritius Ltd India Operations | | |
| - GD Apte & Co | 211 | 451 |
| Banque SBM Madagascar SA | | |
| - Delta Audit Deloitte Associates | 464 | 113 |
| - MAZARS Fivoarana | 468 | 113 |

Remuneration, Health and Safety**Statement of Remuneration Philosophy**

SBM's remuneration philosophy is to encourage sustainable long term performance and at all times align performance with the strategic direction and specific value drivers of the business as well as with the creation of shareholders' wealth. It recognises that the Group operates in the services industry and that its human capital is its key asset and, as such, its people need to be properly trained and motivated.

SBM aims to engage people over the long term by providing conducive working environment and facilities, challenging work and development opportunities, and appropriate reward for performance.

The Nomination & Remuneration Committee is responsible for the remuneration strategy of the Group. Remuneration is reviewed periodically keeping in view the market norms and practices as well as the responsibilities assumed by the non-executive directors, executive management and employees. The Board and the Nomination & Remuneration Committee approve the remuneration of the senior management.

The remuneration package of the executive management comprises basic salary and performance related reward taking into account the Group's policy to promote a reward system linked to Group's results. The performance related reward is dependent on the overall performance of the executive in terms of KPIs approved at start of the financial year and the performance of the Group for the financial year under review. Note 37 to the Financial Statements outlines the Phantom Shares Scheme as well as the number of options granted and exercised during the financial year and the number of outstanding options as at 31 December 2013. In view of imminent group restructure and the limitations of the Phantom Share Option Scheme, the Group is in the process of implementing a new share option scheme.

The Group also pays out an annual productivity linked bonus to employees at all levels based on

achievement of the Group's objectives as well as Company, line of business, team and personal KPIs.

As an Equal Opportunity Employer, SBM considers individuals for employment or promotion on merit and according to their skills, abilities and experience and strives for equal treatment and respect of all employees at the workplace. In the same vein, SBM pledges not to discriminate against a candidate for a job, or subject him/her to adverse exclusionary criteria, based on race, sex, religion, or national origin. SBM's equal opportunity practices include measures taken to ensure fairness in the recruitment process, talent management related initiatives, retention strategies as well as career path related initiatives. SBM considers diversity as a significant plus as it generates self-reinforcing dynamics which helps it grow into a stronger and more balanced organisation.

Code of Ethics and Business Conduct

SBM subscribes fully, amongst others, to the Code of Ethics and of Banking Practice of the Mauritius Bankers Association and to the Guideline on Corporate Governance from the BoM. The Board and staff of SBM endeavour at all times to uphold the highest standards of Ethics and International Best Practice in its activities. The Board has the vision and the drive to inculcate a full-compliance culture and an ethics-driven outlook throughout the organisation.

Health and Safety

SBM values and gives utmost importance to the health and safety of its employees and other stakeholders. Our occupational health and safety policy formalises our commitment to providing a healthy and safe working environment for our employees and to complying with all applicable legislation and regulatory and supervisory requirements. Occupational risk assessments carried out on an ongoing basis, allow the Group to adopt corrective measures and maintain employee awareness, in order to further improve the working environment.

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

Risk Management

The risk management framework of SBM is covered in the risk management report at pages 120 to 145 of the Annual Report.

Policy for Lending

The Policy for Lending of the SBM Group is covered in the risk management report at pages 120 to 145 of the Annual Report.

Sustainability Reporting

SBM has implemented initiative to reduce paper consumption, introduced emailing statement of accounts to our customers (for instance forum and board papers hosted on server/web, optional ATM's receipt) and continuously educating our customers to use the internet banking facility to access their statement of account.

SBM also introduced the SBM EcoLoan whereby funding is provided to customers to install solar panels to generate electricity for own use plus selling to the national grid.

SBM also availed a line of credit from the Agence Française de Développement (AFD) to finance green projects.

Corporate Social Responsibility (CSR)

Our priority areas of intervention are based on Empowerment through Education and Social Housing. 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. Following the recognition at National level for SBM's CSR initiatives and its commitment to the community through the award of the **'Overall Winner'** of the First Edition of the **BDO CSR Awards 2010** as well as the **Winner of the 'Education and Sports' category**, SBM has moved a step further with the setting up of a special scheme for the Technical Vocational Education Training (TVET) sector in collaboration with the **Mauritius Institute of Training and Development (MITD)** and scholarships awarded to a first batch in the financial year ended June 2011. As at December 2013, SBM has already awarded more than 1,000 scholarships to bright and needy students including disabled students - around 450 of SBM's scholarship beneficiaries at tertiary level including 27 from Rodrigues Island while another 550 students in vocational courses at the Mauritius Institute of Training & Development (MITD). In line with Government defined priority areas, SBM is also supporting the social housing project of the National Empowerment Foundation (NEF). Other major projects have been support to **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 for some 120 students) and **Curepipe Starlight Sports Club** (empowerment of youngsters from underprivileged backgrounds through sports). Most of SBM'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 addition, SBM has engaged its Service Units and has identified some 40 NGOs across the island to finance their micro-projects. This is in line with the Bank's intention to maintain its proximity with its customers. SBM also supports and encourages its employees to

support various causes across the island, and several such initiatives were organised including initiatives for disabled persons, vulnerable children and senior citizens.

SBM Internal CSR

SBM staff is encouraged to volunteer their time and talent to support the community. Following its success and request from staff, the SBM 50:50 Matching Scheme has been upgraded to SBM 1:2 Matching Scheme. Under the scheme, staff members are encouraged to organise fundraising activities in favour of NGOs / community organisations of their choice, with the Company topping up the amount by twice the proceeds raised, subject to a ceiling. Following the launch of the scheme, an increasing number of employees are getting involved in community development initiatives. SBM 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.

SBM Credit Rating

STATE BANK OF MAURITIUS

| Category | Rating |
|--------------------------------------|---|
| Long Term Foreign Currency Deposits | Baa1 |
| Short Term Foreign Currency Deposits | Prime -2 |
| Local Currency Deposit (LT & ST) | Baa1/ P-2 |
| Bank Financial Strength (BFSR) | C- (mapping to Baa2 standalone credit assessment) |
| Foreign Currency Issuer Rating | Baa1 |

Contact Details for Shareholder Relationship

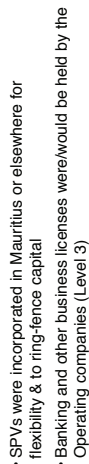
Company Secretary
SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Phone: (230) 202 1799
Fax: (230) 202 1666
Email: company.secretary@sbmgroup.mu

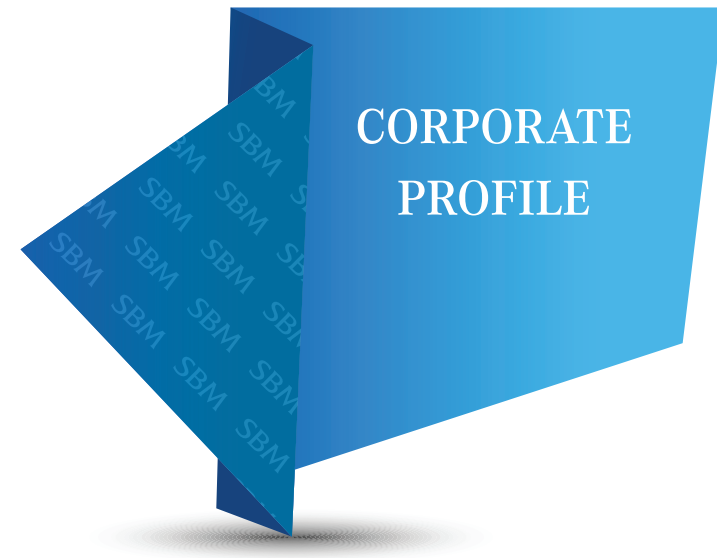
SBM Group Restructure

The main objective of the Group restructure is to (a) segregate the non-banking activities from banking activities as required by BoM, the banking regulator and (b) ring fence capital at each banking operating entity. The proposed Group entity structure chart is illustrated on the next page.

To achieve the above, we have revisited the Group structure and we propose to create as shown in the chart an ultimate financial group holding company with 3 intermediate holding companies, each intermediate holding company dealing in a distinct segment namely: banking, non-banking financial and non financial.

SBM will apply to the BoM under Section 32A of the Banking Act for the approval of the restructure of the Group. Following BoM's approval, the shares of SBM Ltd will be delisted and application will be made to SEM for listing of shares of SBM Group Holdings Ltd. Shareholders will be kept informed of the restructuring of the Group and listing processes as the events unfold. We expect to complete this exercise before the end of the year.

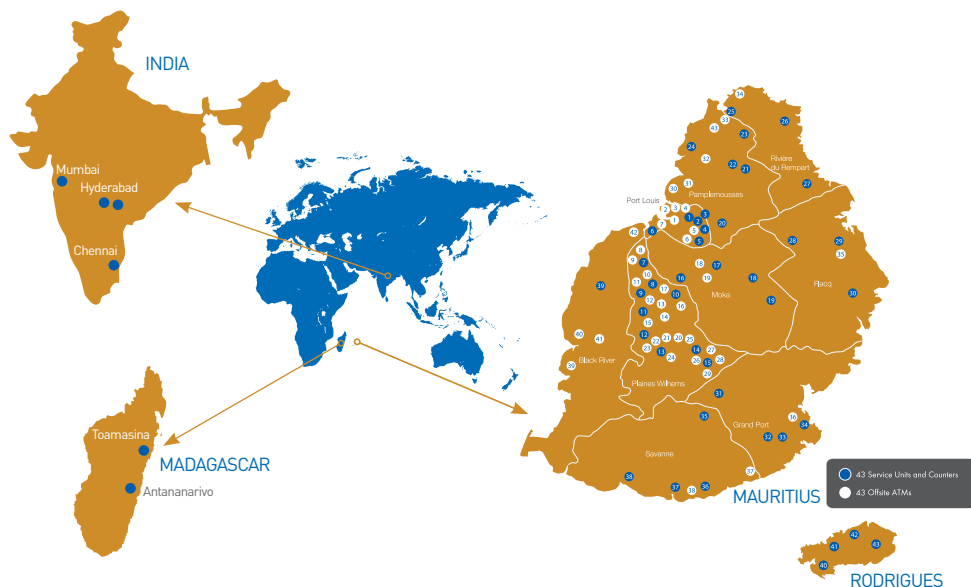




Corporate Profile

SBM started operations in Mauritius on 3 September 1973 with 30 employees. Since, the Bank has lived distinct phases of development and has, today, evolved into an integrated and universal financial services provider with some 1,200 employees operating across several lines of business and servicing various customer segments in different geographies. SBM offers an extensive suite of products and services that covers deposits, lending, trade finance, cards, leasing, treasury, insurance and investment products, as well as a range of payment services. It also has multi-channel capabilities including branches, ATMs, POS, internet, mobile and call centre.

Presence map



SBM operates across 43 service units in Mauritius, 4 branches in India and 2 branches in Madagascar, besides having established a network of correspondent banks in key regions of the world.

SBM is the second largest bank in Mauritius with a domestic market share estimated at around 20%, a market capitalisation of more than USD 1 Bn and total assets worth USD 3.5 Bn. Indeed, SBM stands first among domestic peers when rated based on qualitative parameters relating to operational efficiency and financial soundness.

The table below shows the ratings of SBM on qualitative parameters from among Top 1,000 World Banks as per the July 2013 issue of The Banker:

| Quality Parameter | Ranking | |
|--------------------------|---------|-------|
| | Country | World |
| Return on assets (%) | 1 | 47 |
| Capital assets ratio (%) | 1 | 119 |
| Profits on capital (%) | 1 | 150 |

Moody's Ratings

| | |
|--------------------------|---------|
| Foreign Currency Deposit | Baa1/P2 |
| Foreign Currency Issuer | Baa1 |
| Local Currency Deposit | Baa1/P2 |
| Bank Financial Strength | C- |



Living up to its dynamic, innovative and financially-sound image, for which the Bank has been recognised both at domestic and international levels, SBM is progressing towards the implementation of organisation-wide technology and business transformation initiatives which should set a solid foundation for the Bank to carry out its multi-geography expansion plans in an industry that is increasingly subject to stronger regulations.



International recognition during the year

In July 2013, SBM was awarded 'Best Bank in Mauritius' during the Euromoney Awards for Excellence 2013, held in London. The award recognises financial institutions that excel in terms of leadership, innovation and momentum in the markets in which they operate.

Noting SBM's standing as one of the largest financial institutions strengthening its leadership position year by year, London-headquartered Capital Finance International (CFI.co) awarded SBM, for the second year running, Best Bank in Mauritius in October 2013. The CFI.co judging panel made particular mention of the Bank's outstanding growth record, its innovations and its obvious concern for all stakeholders.

Adding to our source of pride and encouragement, SBM received a third recognition at international level in November 2013 when The Banker awarded the Bank with the prestigious Bank of the Year Mauritius award during a ceremony held in London.





REDDY Muni Krishna T., G.O.S.K., F.S.I.D.
MSc Agriculture, Extension Education

Chairman of the Board

Mr Muni Krishna T. Reddy has a master's degree with over 43 years of experience in the

financial services industry. He was the Deputy Chairman and Chief Executive Officer of the State Bank of Mauritius Ltd (SBM) and its group for over 16 years until October 2003 when he was elected as Director and Chairman of the Board of SBM. During his tenure as Chief Executive, SBM was listed on the Mauritius Stock Exchange in 1995 and implemented for the first time the Bank's automation of its operations and other infrastructure, including SBM Tower, the first and only intelligent building in Africa. SBM also expanded its presence in Madagascar and India. Over these 16 years' period, the Bank, under his leadership, transformed into a viable professional financial services group.

Prior to joining SBM, Mr Reddy has worked in the banking sector in India and Singapore for 17 years. He is a director of various boards of large companies 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 (Malta), Intercommercial Bank Ltd (Trinidad), amongst others.

Mr Reddy was conferred with the title 'Grand Officer of the Star and Key' of the Indian Ocean by the Government of Mauritius coinciding with the first anniversary of the Republic of Mauritius in 1993 for the distinguished services to the banking industry and for significant contribution to the economic development of Mauritius.

Mr Reddy has been, once again, elected as an independent non-executive director as from 17 December 2010 and was designated as Chairman of SBM Group by the Board on the same day.



APPADOO Chandradev
FCCA, ACIB

Mr Appadoo has more than 28 years experience having worked at various divisions and levels at SBM including Retail, Corporate Banking, Finance, Legal, Compliance, Risk Management, Operations

Management and Group Company Secretary. He is currently heading Finance, Value Based Performance Management, Facilities Management and Corporate Affairs of the Bank. He is a non-executive director of the State Insurance Company of Mauritius Ltd, SME Partnership Fund, Club Méditerranée Albion Resorts Ltd and NRF Equity Investments Ltd. He joined the Board of SBM in December 2011 as executive director. Reports to the Chairman and Chief Executive Banking.



BHANJI Kalindee
BA (Hons) Economics, MSc Public Sector Management

Mrs Bhanji has held senior positions in various ministries of the Government of Mauritius

and is currently the Permanent Secretary at the Prime Minister's Office. She joined the Board in December 2006 and is a non-executive director.



DABEE Dheerendra Kumar, S.C., G.O.S.K., LLB (Hons), Barrister at Law

Mr Dabee, a Birmingham University graduate in Law and Political Science, Barrister at Law of Middle Temple since 1981 and a

Senior Counsel, is currently the Solicitor-General in the Attorney General's Office. He is a director of Air Mauritius Ltd and 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 by the Government of Mauritius in 2012 for long and distinguished service in the public service and the legal field. He joined the Board in May 2008 and is a non-executive director.



DUMBELL George John
ACIB (UK)

Mr Dumbell is an Associate of the Chartered Institute of Bankers (UK) with over 44 years of financial and commercial experience, including 34 years in

various senior management positions, within the HSBC Group, in numerous countries across Asia, the Middle East, Europe and the Bahamas. He is a former director of several financial institutions in Asia and Europe, and of a number of listed companies in Mauritius. He sat on the founding board of the Mauritius Institute of Directors and is a fellow of this Institute. In 2003, he undertook a two-year contract with the Mauritius Commercial Bank Ltd in the field of Risk Management. Mr Dumbell is currently a director of Belle Mare Holding Limited, Constance La Gaie Company Limited, Constance Hotels Services Limited, Hotelest Limited and the ChrysCapital Group of Companies. Mr Dumbell joined the Board in February 2008 and is an independent non-executive director.



RAMNAWAZ Rohit, G.O.S.K. FCCA, LLB

Mr Ramnawaz is a Fellow of the Association of Chartered Certified Accountants and also holds a degree in law. He has over 26 years experience in the fields of banking, finance,

accounting, tax advisory and financial services. He is the Managing Director of African Links Ltd, a consultancy firm principally engaged in providing advisory and value-added services to clients and multinationals in the Global Business sector. He also acts as independent director on the board of various companies in the Global Business sector. Moreover, Mr Ramnawaz is the Chairman of the Airports of Mauritius Group of Companies. He has previously been a freelance country note sender for Mauritius for the Economist Intelligence Unit. Mr Ramnawaz joined the Board in December 2006 and is an independent non-executive director.



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

Mr Rey is a graduate in Economics from the London School of Economics and qualified as a Chartered Accountant in 1985. He is

currently Chief Executive Officer of the Compagnie de Mont Choisy Ltee Group of Companies as well as a director of various listed and private companies. He is a director of CIEL Textiles Ltd and Rogers & Co Ltd. Mr Rey has wide financial experience having served as Vice President and Chief Financial Officer of a NASDAQ listed company as well as Regional Corporate Director of a leading bank in Mauritius. He joined the Board in December 2009 and is an independent non-executive director.



Professor SCOTT Andrew
BA, MSc, D Phil

Professor Scott is Professor and Deputy Dean at the London Business School and is a member of the Governing Body. 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 is the Economic Advisor to the Prime Minister of Mauritius. He was previously a non-executive director of the UK's Financial Services Authority. He joined the Board in December 2009 and is the lead independent non-executive director.



SONOO Jaiaraj, C.S.K. MBA

Mr Sonoo has joined SBM on 14 September 2012 as Chief Executive, Banking (Indian Ocean Islands). He has 35 years experience in banking of which 32 years at

SBM in various positions amongst which Executive Vice-President (India Operations) before heading the Retail Banking Division. He resigned from the Bank in February 2010 to take up the position of Chief Executive of one of the local commercial banks. Mr Sonoo is an executive director.



SUMMUN Mohammad
Shakeel Aboobakar
FCCA

Mr Summun is a Fellow of the Association of Chartered Certified Accountants. He has over 10 years of

professional experience in the financial services sector. He is a member of the Mauritius Institute of Professional Accountants and a regular member of the Society of Financial Analyst of Mauritius (SFAM). He was a former Panel Network Member of ACCA Mauritius. Mr Summun has been in practice with Deloitte & Touche and Ernst & Young and was in charge of the audit of bank, insurance, investment companies and hotels in Mauritius. He also worked in the offshore sector as Client's Accountant during his stay at DTOS Ltd. He joined BAI Co (Mtius) Ltd in 2003 and is currently the Chief Operating Officer and Chief Financial Officer. Mr Summun joined the Board in December 2011 and is an independent non-executive director.



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

Mr Yat Sin, C.S.K., G.O.S.K., former senior civil servant, held the position of Secretary to the Cabinet and Head of Civil

Service. He was also Chairman of the Public Service Commission and the Disciplined Forces Service Commission from 2005 to August 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 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 by the Government of Mauritius in 2012 for significant contribution to the economic development of Mauritius. He joined the Board of SBM again in December 2011 and is an independent non-executive director.

BOARD COMMITTEES

Audit Committee

Chairperson

Mr Alain A.J.G.R. Rey

Members

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

Mr George J. Dumbell

Mr Shakeel M.A. Summun

Mr Rohit Ramnawaz, *G.O.S.K.*

Corporate Governance & Conduct Review Committee

Chairperson

Mr Regis Yat Sin, *C.S.K., G.O.S.K.*

Members

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

Mr George J. Dumbell

Mr Shakeel M.A. Summun

Risk Management Committee

Chairperson

Mr George J. Dumbell

Members

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

Mr Rohit Ramnawaz, *G.O.S.K.*

Mrs Kalindee Bhanji

Mr Dheerendra Kumar Dabee, *S.C., G.O.S.K.*

Professor Andrew Scott

Credit Committee

Chairperson

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

Members

Mrs Kalindee Bhanji

Mr Dheerendra Kumar Dabee, *S.C., G.O.S.K.*

Mr Rohit Ramnawaz, *G.O.S.K.*

Mr Alain A.J.G.R. Rey

Mr Regis Yat Sin, *C.S.K., G.O.S.K.*

Mr Jairaj Sonoo, *C.S.K.*

Nomination & Remuneration Committee

Chairperson

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

Members

Mrs Kalindee Bhanji

Mr Dheerendra Kumar Dabee, *S.C., G.O.S.K.*

Mr Rohit Ramnawaz, *G.O.S.K.*

Mr Alain A.J.G.R. Rey

Mr Regis Yat Sin, *C.S.K., G.O.S.K.*

Strategic Planning Committee

Chairperson

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

Members

Mrs Kalindee Bhanji

Professor Andrew Scott

Mr Dheerendra Kumar Dabee, *S.C., G.O.S.K.*

Mr Regis Yat Sin, *C.S.K., G.O.S.K.*

DIRECTORS OF SBM SUBSIDIARIES

SBM Mauritius Asset Managers Ltd¹

Mr Hemraz Oppuddhye Jankee - Chairman

Mr Muhammad Assad Yussuf Abdullatiff

Mr Pierre Marrier D'Unienville

Mr York Shin Lim Voon Kee

SBM Fund Services Ltd^{1a}

Mr Chandradev Appadoo - Chairman

Mr Soopaya Parianen

Ms Pauline Seeayve

Mr Jairaj Sonoo, *C.S.K.*

SBM Holdings Ltd^b

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

Mr Jairaj Sonoo, *C.S.K.*

Mr Soopaya Parianen

Mr Chandradev Appadoo

Ms Pauline Seeayve

SBM (NFC) Investments Limited^d

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

Mr Jairaj Sonoo, *C.S.K.*

Mr Soopaya Parianen

Mr Chandradev Appadoo

Ms Pauline Seeayve

SBM Capital Management Limited

Mr Chandradev Appadoo - Chairman

Mr Jairaj Sonoo, *C.S.K.*

Mr Soopaya Parianen

Ms Pauline Seeayve

SBM India Holdings Ltd

Mr Soopaya Parianen - Chairman

Mr Chandradev Appadoo

Mr Jairaj Sonoo, *C.S.K.*

Ms Pauline Seeayve

SBM E-Business Ltd^f

Mr Chandradev Appadoo

SBM bk Global Services Ltd^g

Mr Chandradev Appadoo

SPV-SBM E-Business Ltdⁱ

Mr Chandradev Appadoo

SBM Securities Ltd¹

Mr Jairaj Sonoo, *C.S.K.* - Chairman

Mr Chandradev Appadoo

Mr Soopaya Parianen

Ms Pauline Seeayve

Banque SBM Madagascar SA

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

Mr Jairaj Sonoo, *C.S.K.*

Mr Soopaya Parianen

Mr Chandradev Appadoo

Ms Pauline Seeayve

SBM (NBFC) Holdings Ltd^c

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

Mr Jairaj Sonoo, *C.S.K.*

Mr Soopaya Parianen

Mr Chandradev Appadoo

Ms Pauline Seeayve

SBM Asset Management Limited

Mr Chandradev Appadoo - Chairman

Mr Jairaj Sonoo, *C.S.K.*

Mr Soopaya Parianen

Ms Pauline Seeayve

SBM (Madagascar) Ltd^e

Mr Chandradev Appadoo - Chairman

Mr Jairaj Sonoo, *C.S.K.*

Mr Soopaya Parianen

SBM (India) Ltd

Mr Chandradev Appadoo - Chairman

Mr Jairaj Sonoo, *C.S.K.*

Mr Soopaya Parianen

SBM Custody Services Ltd^f

Mr Chandradev Appadoo

SBM bk Holdings Ltd^h

Mr Chandradev Appadoo

The composition of the committees are based on the membership for the 18 months ended 31 December 2013.
The composition of the committees was changed as from 23 December 2013.

Notes:

¹The Composition of Directors has changed with effect from 23 December 2013.

^aFormerly 'SBM Financials Limited'

^bName changed to 'SBM Group Holdings Ltd' on 27.03.2014

^cFormerly 'SBM (NBFC) Investments Limited' and 'SBM Investments Limited'

^dFormerly 'SBM Investments Managers Ltd'. Application for Change of Name to 'SBM (NFC) Holdings Ltd' is in progress.

^eFormerly 'SBM Global Investments Limited'

^fIncorporated on 11.10.2013

^gName changed to 'SBM Global Services Ltd' on 27.03.2014

^hName changed to 'SBM Bank Holdings Ltd' on 27.03.2014

ⁱApplication for Change of Name to 'SBM E-Commerce Ltd' is in progress.

^jIncorporated on 23.01.2014. Application for Change of Name to 'SPV-SBM E-Commerce Ltd' is in progress.

Banking Operations

Front Office



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

Chief Executive – Banking
(Indian Ocean Islands)

Mr Sonoo has joined SBM on 14 September 2012 as Chief Executive, Banking (Indian Ocean Islands). He has 35 years experience in banking of which 32 years at SBM in various positions amongst which Executive Vice-President (India Operations) before heading the Retail Banking Division. He resigned from the Bank in February 2010 to take up the position of Chief Executive of one of the local commercial banks. Mr Sonoo is an executive director.



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

Directeur Général, Banque
SBM Madagascar SA

Has over 33 years of working experience, out of which 28 years in the banking and financial sector within the SBM Group. 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.



KUNDAN Anil Kumar
B.A. (Humanities),
Diploma in Automobile
Engineering

Chief Executive Officer,
SBM India Operations

Mr Kundan has worked in various positions in credit department of the largest bank in India for 23 years and also in Mauritius as Chief Credit Officer for 5 years. The experience spans from heading branch operations to credit appraisal, loan syndication and control, supervision and credit approval for overseas operations of the bank in the earlier assignment. He was previously the Divisional Leader, Corporate Credit & Collection Team. He was entrusted with other responsibilities in October 2013 and was appointed as Chief Executive SBM India Operations on 20 December 2013. Reports to the Chief Executive Banking.



TAHER Aslam
MSc, MBA

Head Corporate
Banking

Started his banking career in Mauritius with the Banque Nationale de Paris Intercontinentale (BNP Paribas) within Private Banking and Wealth Management. Has since held senior positions in major international banking institutions, such as Barclays Bank and HSBC. Aslam originally joined the SBM Group in 2009 as Team Leader Corporate Banking. In July 2012 he took the position of Director – Financial Institutions Group and Domestic Corporate Banking with the Standard Chartered Bank (Mauritius) before coming back to SBM in October 2013 to head the Corporate Banking Department. Reports to the Chief Executive Banking.

AUTAR Asheesh

Small & Medium Enterprise

BALLOO Eddirao

Sales, Branches & Private Banking

BHEEM SINGH Vikash

Customer Service & Electronic Channels

BHUGUN Anand

Retail Banking

DEENA Ashvin

Corporate Banking

GHOORA Bye Samah

Small & Medium Enterprise

JHA Arvind Kumar

Global Business

JHURRY Balkrishna

Financial Institutions

LUTCHMAH Rajnish

Corporate Banking

MANIKION Veeren

Merchant Acquiring

MEWASINGH Ajit Prakash

Private Banking

RAO P V

Financial Markets

POLIAH Carlo

Bancassurance

RAMCHURN Jadoonath

Cards Issuing

RAMGOOLAM Poorunduth

Small & Medium Enterprise

Middle & Back Office



SEEYAVE Pauline
MA (Cantab), ACA

Head Credit Underwriting

Was previously managing a portfolio of clients in Audit and Business Assurance in an international firm of Chartered Accountants in London before joining the Group in 2002. She has previously headed various functions within the Group including Corporate Banking, Risk Management, Value Based Performance Management and Finance. Has been an executive director of the Board from December 2010 to December 2011. She is presently the Head of Credit Underwriting and reports to the Chief Executive Banking.



APPADOO Chandradev
FCCA, ACIB

Chief Financial Officer

The profile of Mr Chandradev Appadoo is found at page 170.



GURU Sridhar
Bachelors Degree in Computer
Science Engineering, Executive
Masters in International
Business Administration

Chief Information Officer

Has held several successful IT roles within banking, insurance, financial services, e-commerce and commercial technology industries. Over 21 years of experience, he has acquired global work exposure in the US, UK, India, Australia and New Zealand. Prior to joining SBM, Sridhar was the Regional CIO (India & Indian Ocean) – Global Retail and Commercial Banking for Barclays Bank PLC where he set up and managed technology to support one of the fastest growing business franchise in the region. Before that he was, amongst other roles, Senior Vice President & Head of Global IT Delivery Centre of Expertise for Bank of America, Director of Financial Services & Insurance Practice for American Financial Group Inc. and Head of IT Delivery – Institutional and Business Banking for ANZ (Bank). He is a member of The Association of Professional Engineers, Scientists & Managers of Australia and Computer Society of India. He joined the Bank in October 2010, and reports to the Chief Executive Banking.

AMIRAN Eshan

Business Transformation Lead

BHEEKA Shailendre

Risk Management

BHURUTH Ashvin

BST - Corporate Support Systems & Analytics

CUNDASAWMY Robin

Internal Audit

DABEEDOOAL Sudhir

Retail Credit

DAMREE Shyam

Corporate Credit

DURSUN Hemant Kumar

Facilities Management

GONPOT Deochand

Human Resources

GUJJALU Anil

Operations Management

GUNESS Ravi

Recovery & Workout

HINGORANEY Bhuvanesh

BST - Banking & Treasury

LI CHIU LIM Lee Yiang

Finance

LI PAK MAN Kwon

Risk Management & Compliance

MOOROOGAN Rajan

IT Production Platforms & Data Centre

MOONEESAWMY Nandraj

Credit Administration

PAREATHUMBY Soopaya

Technology Operations

PERSAND-GUJADHUR Rita

Operation Management & Trade Finance

PILLAY Vimalah

Change Management

RAMDHAN Ravindranath

Operations Management

RAMLAGUN Malinee

Corporate Credit

SEETAMONEE Leena B

Business Transformation Initiatives

SOONDRAM Sanda

Value Based Performance Management

SREEKEESSOON Shailen

Strategic Planning & Research

VYTHILINGUM Chris

Business Transformation Initiatives

Non-Banking Financial Operations

Front Office



PARIANEN Soopaya

BA (Hons) – Economics

Chief Executive, Non-Banking
Financial Cluster

Mr Parianen has 36 years experience in banking out of which 29 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 in charge of Credit Management Support Services and was also overseeing the overall operations management of SBM. He is presently the Chief Executive (NBFC) of the SBM Group.

BHUTTOO Reedhee

SBM Securities Ltd

Awards

- 1999** PWC Mauritius
- 2000** PWC Mauritius
- 2001** The Banker
- 2002** PWC Mauritius + PWC Mauritius + The Banker
- 2003** The Banker
- 2004** Euromoney
- 2005** PWC Mauritius + Euromoney
- 2006** Euromoney
- 2007** Emeafinance
- 2010** BDO CSR Awards + Euromoney
- 2011** PWC Mauritius
- 2012** PWC Mauritius + CFI.co
- 2013** Euromoney + CFI.co + The Banker

Corporate Offices

Mauritius

SBM Tower
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Fax: (230) 202 1234
Swift: STCBMUMU
Home Page: www.sbmgroup.mu
Email: sbm@sbmgroup.mu

India

101, Raheja Centre
Free Press Journal Marg
Nariman Point
Mumbai - 400 021, India
Tel: (91) (22) 4302 8888
Fax: (91) (22) 2284 2966
Swift: STCBINBX
Email: admin@sbm-india.com

Madagascar

1, Rue Andrianary Ratianarivo
Antsahavola, 101 Antananarivo
Madagascar
Tel: (261) 20 22 666 07
Fax: (261) 20 22 666 08
Swift: BSBMMGMG
Email: hotlinemada@sbmgroup.mu

Subsidiaries

Banque SBM Madagascar SA

1, Rue Andrianary Ratianarivo
Antsahavola, 101 Antananarivo
Madagascar
Tel: (261) 20 22 666 07
Fax: (261) 20 22 666 08
Swift: BSBMMGMG
Email: hotlinemada@sbmgroup.mu

SBM Asset Management Limited

SBM Capital Management Limited

c/o Apex Fund Services (Mauritius) Limited,
4th Floor, Raffles Tower,
19, Cybercity, Ebene, Mauritius.

SBM (Madagascar) Ltd^a

c/o DTOS Ltd, 10th Floor, Raffles Tower,
19 Cybercity, Ebene, Mauritius.

SBM Mauritius Asset Managers Ltd

SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Email: sbm.assetm@sbmgroup.mu

SBM (India) Ltd

SBM India Holdings Ltd

SBM Tower, Level 12
1, Queen Elizabeth II Avenue
Port Louis, Mauritius

SBM Securities Ltd

SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Email: sbmsecurities@sbmgroup.mu

SBM Fund Services Ltd^b

SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Email: sbmfundservices@sbmgroup.mu

SBM (NBFC) Holdings Ltd^c

SBM (NFC) Investments Limited^d

SBM Holdings Ltd^e

SBM bk Holdings Ltd^f

SBM Custody Services Ltd^f

SBM E-Business Ltd^f

SBM bk Global Services Ltd^h

SBM Tower,
1, Queen Elizabeth II Avenue
Port Louis, Mauritius
Tel: (230) 202 1111
Email: finance@sbmgroup.mu

SPV-SBM E-Business Ltdⁱ

SBM Tower, Level 12
1, Queen Elizabeth II Avenue
Port Louis, Mauritius

Associate

State Insurance Company of Mauritius Ltd

SICOM Building,
Sir Celicourt Antelme Street,
Port Louis, Mauritius
Tel: (230) 203 8400
Email: email@sicom.intnet.mu

Notes:

^aFormerly 'SBM Global Investments Limited'

^bFormerly 'SBM Financials Limited'

^cFormerly 'SBM (NBFC) Investments Limited' and 'SBM Investments Limited'

^dFormerly 'SBM Investments Managers Ltd'. Application for Change of Name to 'SBM (NFC) Holdings Ltd' is in progress.

^eName changed to 'SBM Group Holdings Ltd' on 27.03.2014

^fIncorporated on 11.10.2013

^gName changed to 'SBM Bank Holdings Ltd' on 27.03.2014

^hName changed to 'SBM Global Services Ltd' on 27.03.2014

ⁱIncorporated on 23.01.2014. Application for Change of Name to 'SPV-SBM E-Commerce Ltd' is in progress.

