SBM HOLDINGS LTD

SBM ANNUAL REPORT 2015

OUR FUTURE IS NOW

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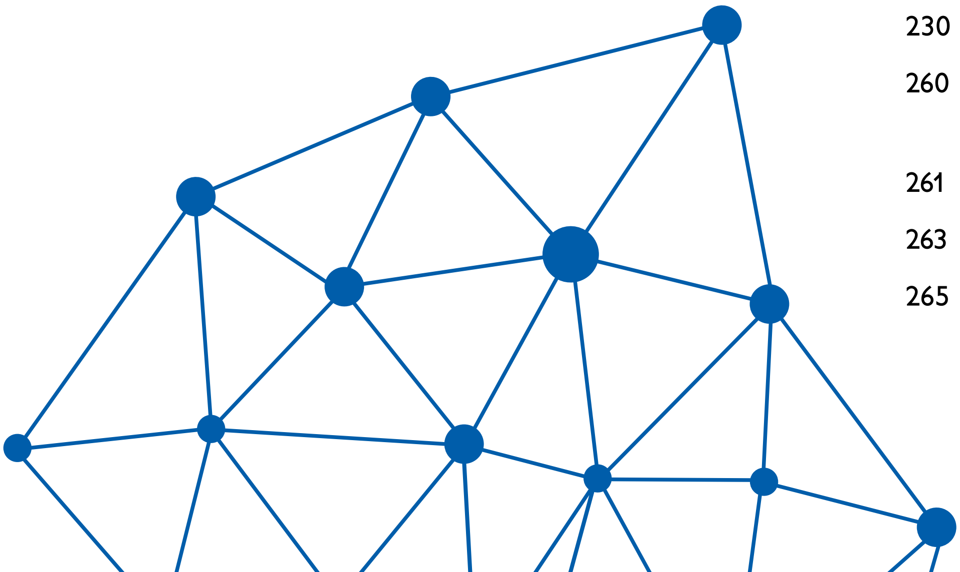


OUR FUTURE
IS NOW
Tomorrow's bank is here, today

Caution regarding forward-looking statements

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

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

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

ABBREVIATIONS

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Reference	Also referred as:
African Export-Import	AFREXIM
Asset and Liability Management Committee	ALCO
Anti Money Laundering	AML
Association Pour Personnes En Larmes	APPEL
Additional Tier 1	AT1
Automated Teller Machine	ATM
Basel Committee on Banking Supervision	BCBS
Business Contingency Procedures	BCP
Bank of Mauritius	BoM
Capital Adequacy Ratio	CAR
Closed Circuit Television	CCTV
Common Equity Tier 1	CET1
Chlorofluorocarbon	CFC
Cost to Income Ratio	CI
Corporate and Institutional Banking	CIB
Common Market for Eastern and Southern Africa	COMESA
Certificate of Primary Education	CPE
Customer Relationship Management	CRM
Corporate Social Responsibility	CSR
Data Center	DC
Demilitarized Zone	DMZ
Disaster Recovery	DR
Europay, MasterCard and Visa	EMV
Earnings Per Share	EPS
Employee Relations Tribunal	ERT
Euro	EUR
Foreign currency	FCY
Foreign Direct Investment	FDI
Financial Institutions Group	FIG
Finance and Investment Sector Coordinating Unit	FISCU
Financial Services Commission	FSC
Financial Year	FY
Global Business Licence	GBL
Gandhian Basic School	GBS
Group Chief Executive Officer	Group CEO
Health and Safety	H&S
Head of Department	HOD
Internal Capital Adequacy Assessment Process	ICAAP
International Monetary Fund	IMF
Indian Rupee	INR
Information Technology	IT
Key Performance Indicators	KPI
Key Risk Indicator	KRI
Know Your Client	KYC
Local Currency	LC

Reference	Also referred as:
Liquidity Coverage Ratio	LCR
London Interbank Offered Rate	LIBOR
Mauritius Employers Federation	MEF
Mahatma Gandhi Institute	MGI
Management Information Systems	MIS
Mauritius Institute of Training and Development	MITD
Mauritian Rupee	MUR
Non Governmental Organisation	NGO
Net Stable Funding Ratio	NSFR
Occupational Health and Safety Act 2005	OHSA
Point of Sale	POS
Risk Adjusted Return on Capital	RAROC
Reserve Bank of India	RBI
Risk Control Self Assessment	RCSA
Request for Proposal	RFP
Return on Average Assets	ROA
Return on Average Equity	ROE
Southern African Development Commnunity	SADC
SBM Mauritius Asset Managers Ltd	SBM MAM
SBM Holdings Ltd including its subsidiaries	SBM Group or the Group
SBM Holdings Ltd	SBMH or the Holding Company
SBM (Bank) Holdings including its subsidiaries	SBM Bank Group
SBM Bank (Mauritius) Ltd	SBM Bank (Mauritius) Ltd or the Bank
SBM (NBFC) Holdings Ltd including its subsidiaries	SBM Non-Bank Group
SBM Non-Financial Investment Holding Company	SBM (NFC) Holdings Ltd
The Bank's Internet Banking Platform	SBMNET
Stock Exchange of Mauritius Price Index	SEMDEX
Service Level Agreement	SLA
Small and Medium Enterprises	SME
Special Purpose Vehicle	SPV
Secure Sockets Layer	SSL
Straight Through Processing	STP
The Code of Corporate Governance for Mauritius	The Code
Public Interest Entity	The PIE
Training Need Analysis	TNA
Trade Union	TU
Technical Vocational Education Training	TVET
United Nations Development Programme	UNDP
United Nations Economic Commission for Africa	UNECA
United Nations Industrial Development Organisation	UNIDO
Universal Serial Bus	USB
United States Dollar	USD
Value-at-risk	VaR
Wide Area Network	WAN
Wholly Owned Subsidiary	WOS

GROUP KEY
FINANCIAL HIGHLIGHTS

GROUP KEY FINANCIAL HIGHLIGHTS

SBM Holdings Ltd

	December			June	
Key Financial Highlights	**2015**	2014[a]	2013[ad]	2012[a]	2011[a]
Shareholders' equity (MUR M)	**22,188**	22,074	19,343	17,727	14,683
Capital adequacy ratio (%)[e]	**28.26**	31.41	20.40	20.51	21.21
Earnings per share (cents)[b]	**6.23**	7.24	10.44	9.78	7.61
Dividend payout ratio (%)	**64.24**	62.18	38.31	35.78	39.43
Profit before income tax (MUR M)	**2,048**	2,541	3,276	3,123	2,424
Profit attributable to equity holders of the parent (MUR M)	**1,608**	1,868	2,696	2,526	1,964
Return on average assets (%)[c]	**1.23**	1.57	2.49	2.61	2.27
Return on average risk-weighted assets (%)[c]	**1.97**	2.42	3.61	3.92	3.79
Return on average shareholders' equity (%)[c]	**7.26**	9.02	14.46	15.59	13.81
Cost to income (%)	**36.30**	50.35	39.39	32.89	34.92
Gross impaired advances to gross advances (%)	**5.14**	2.12	2.03	1.28	1.45
Net impaired advances to net advances (%)	**1.87**	0.96	0.92	0.57	0.46

[a] Restated

[b] As from 1 March 2013, SBM share of nominal value MUR 1 each was spilt into 100 shares. For comparative purpose, EPS and market price per share are based on the new number of shares of nominal value of 1 cent each for all years.

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

[d] Figures for 2013 relate to the 12 months period from 01 January 2013 to 31 December 2013.

[e] Capital adquacy ratio was computed under Basel III for 2014 and 2015 whereas the ratios for 2011 to 2013 were according to Basel II.

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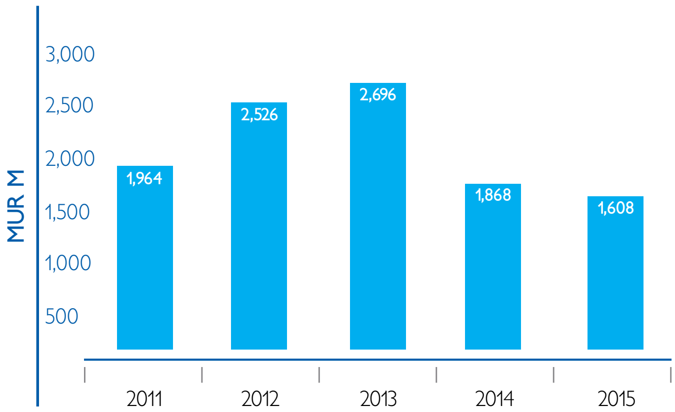
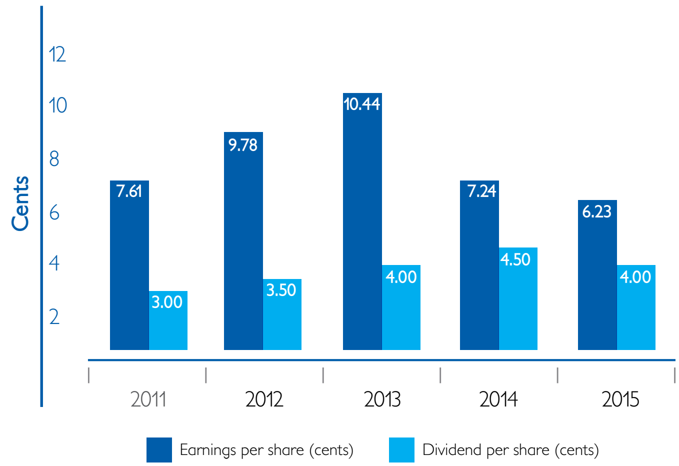
GROUP KEY FINANCIAL CHARTS

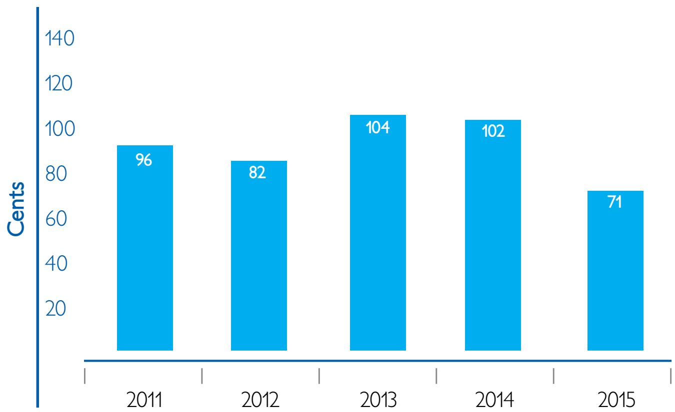
Profit after Tax for the Year [1,2]



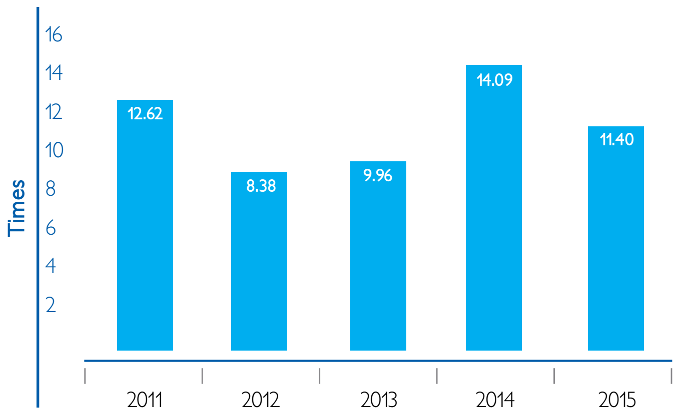
Earnings per Share and Dividend per Share [1,2]



Market Price per Share

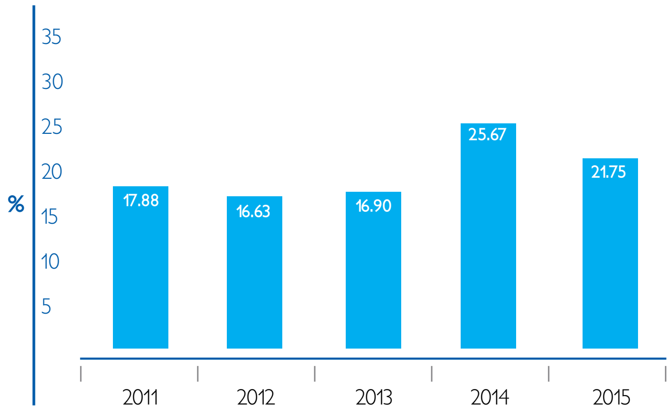


Price Earnings Ratio [1,2]

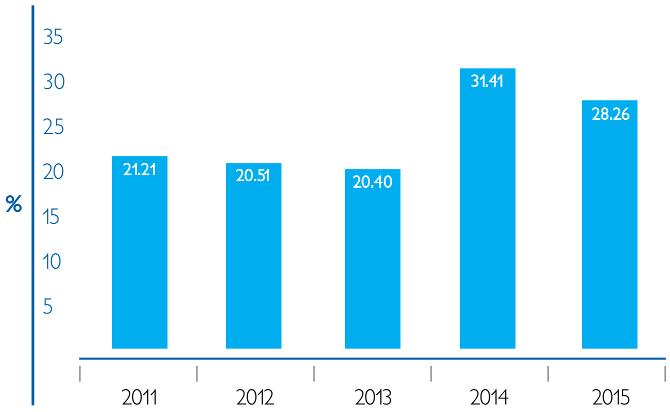


(1) Figures for 2013 relate to the 12 months period 01 January 2013 to 31 December 2013
(2) 2011, 2012 relates to June whereas 2013, 2014 and 2015 are as at December

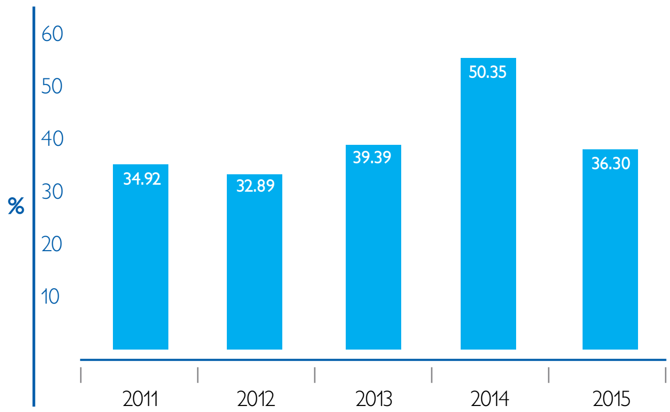
Tier 1 Capital Adequacy Ratio



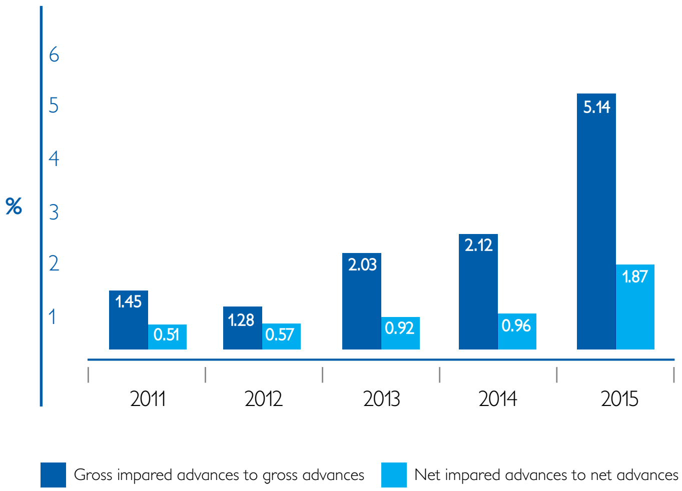
Capital Adequacy Ratio



Cost to Income Ratio(1,2)



Impaired Advances Ratio



(1) Figures for 2013 relate to the 12 months period 01 January 2013 to 31 December 2013
(2) 2011, 2012 relates to June whereas 2013, 2014 and 2015 are as at December

A smile is the
universal welcome.

SMART

INTEGRATED
THINKING

Our commercial sustainability depends on our effectiveness in assisting people, businesses and institutions to fulfil their economic potential by facilitating payments, managing risk and creating and preserving wealth. We intermediate between providers of capital and employers of capital, providing the former with competitive returns on their investments, and the latter with access to the liquidity and capital they need to realise their objectives.

These functions of our core business can in no way be separated from our developing social and environmental context – whether at local, national, regional or global level. Strong institutions are essential to ensure market outcomes that are socially beneficial in both the short and long term. These institutions include both formal regulatory institutions and informal social institutions such as civil society structures. Well-functioning businesses and markets require appropriate regulation to continue as constructive organs of society, to restore trust and to participate in the shared interest of maintaining stable and thriving the Mauritian economy and societies.

Our report explains our dependence and impact on the forms of capital that are fundamental to our ability to create value over the long term. We have not structured this report using the capitals but have embedded them within each section to enable us to plot the interrelationships and trade-offs between them in relation to our group and business unit strategies. The capitals are introduced below:

Financial capital

Financial capital is the money we obtain from providers of capital that we use to support our business activities and invest in our strategy. Financial capital, which includes reserves generated through share capital, other equity-related funding and retained profits generated from our operations, is used to fund our business activities.

Natural capital

Natural capital relates to the natural resources on which we depend to create value and returns for our stakeholders. As a financial services group, we must deploy our financial capital in a way that promotes the preservation or at least minimises the destruction of natural capital.

Manufactured capital

Manufactured capital is our tangible and intangible infrastructure that we use to conduct our business activities, including our IT assets.

Human capital

Human capital refers to our people and how we select, manage and develop them. This enables them to utilise their skills, capabilities, knowledge and experience to improve and develop products and services that meet the needs of our customers and clients across the diverse regions in which we operate.

Social and relationship capital

Social and relationship capital is the cooperative relationships with our customers, clients, capital providers, regulators and other stakeholders that we create, develop and maintain to remain socially relevant and operate as a responsible corporate citizen.

Intellectual capital

Intellectual capital which includes the knowledge of our people and our intellectual property, brand and reputation, is closely related to financial, human and manufactured capital given the nature of our business.

ABOUT
SBM GROUP

ABOUT SBM GROUP

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SBM Holdings Ltd, the second-largest listed company on the Official Market of the Stock Exchange of Mauritius, is a financial services provider with presence in Mauritius, India, Madagascar and Myanmar.

The coming into operation of SBM in 1973 under the laws of Mauritius under the name "The State Commercial Bank Ltd", changed the landscape of banking in Mauritius and set the trend for other banks. Driven by a social development mandate, SBM opened branches in previously unbanked regions and adopted a policy of proximity, enabling and promoting access to banking facilities in Mauritius. Today, banking penetration is estimated to be above 82 percent in Mauritius.

Whereas a number of financial institutions have now been established in Mauritius, the SBM Group retains a strong franchise, and has the second largest domestic bank in the country. The Group caters to the needs of individual and institutional customers by providing an extensive range of products and services across various channels of service delivery and an extensive distribution network.

OUR VISION

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

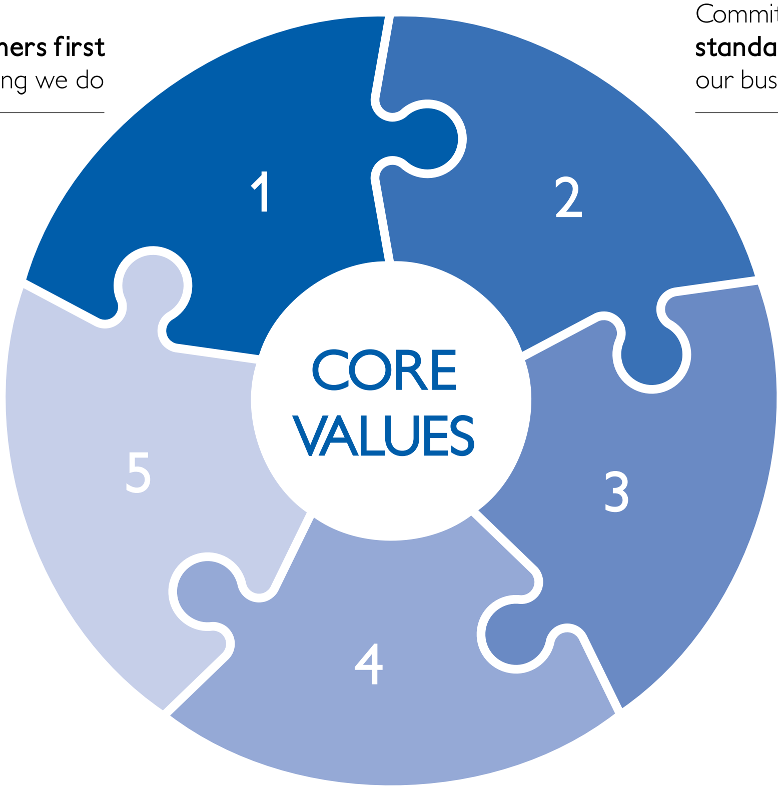
OUR MISSION

Our mission is threefold: first, to build lasting relationships with our customers by offering distinctive products and exceptional service; second, to be the employer of choice for the top talents in the markets we serve; third, to prudently manage risk and costs. In so doing, our intent is to achieve strong and sustained returns for our shareholders, meet the relevant needs of our stakeholders and support the development of the community at large.

OUR GOAL

Our goal is to double our revenues between 2015 and 2020, while maintaining returns above our cost of equity, by gaining market share in our core domestic banking business, by judiciously building our international business, and by selectively entering non-banking financial services.

SBM Core Values



1. Putting our **customers first** in everything we do
2. Committing to **world-class standards** in every area of our business
3. Treating our employees with **integrity and respect** - and expecting the very **highest performance** in return
4. Adhering to the **highest ethical standards**
5. Being **prudent in taking risks** with shareholder and depositor funds

PILLARS OF BUSINESS

Corporate Banking Retail Banking Private Banking SME Banking Global Business Financial Institutions	Mobile Sales Trade Finance Custody Cards Issuing E-Commerce	Bancassurance Financial Markets Stock Broking Fund Management Wealth Management
Corporate & Retail Credit Corporate & Retail Collections	Quality & Customer Service Recovery & Work Out	Credit Administration Risk Management & Compliance

Change Management
Corporate Affairs
Facilities Management

Finance
Human Resources
Internal & IT Audit

Legal
Marketing & Communications
Operations Management

Strategy, Research & Innovation

Value Based Performance Management

Our Business

Product offering

SBM Group provides an extensive range of products and services spanning deposits, advances (including trade finance, project finance and leasing), treasury, asset management, brokerage, cards - both issuing and acquiring, merchant acquiring at POS, e-commerce, mobile banking, bancassurance, custody and other payment services, among others.

SBM's product and service offering is subject to continuous development driven by customer feedback, market insights, technological development and innovation.

Channels of service delivery

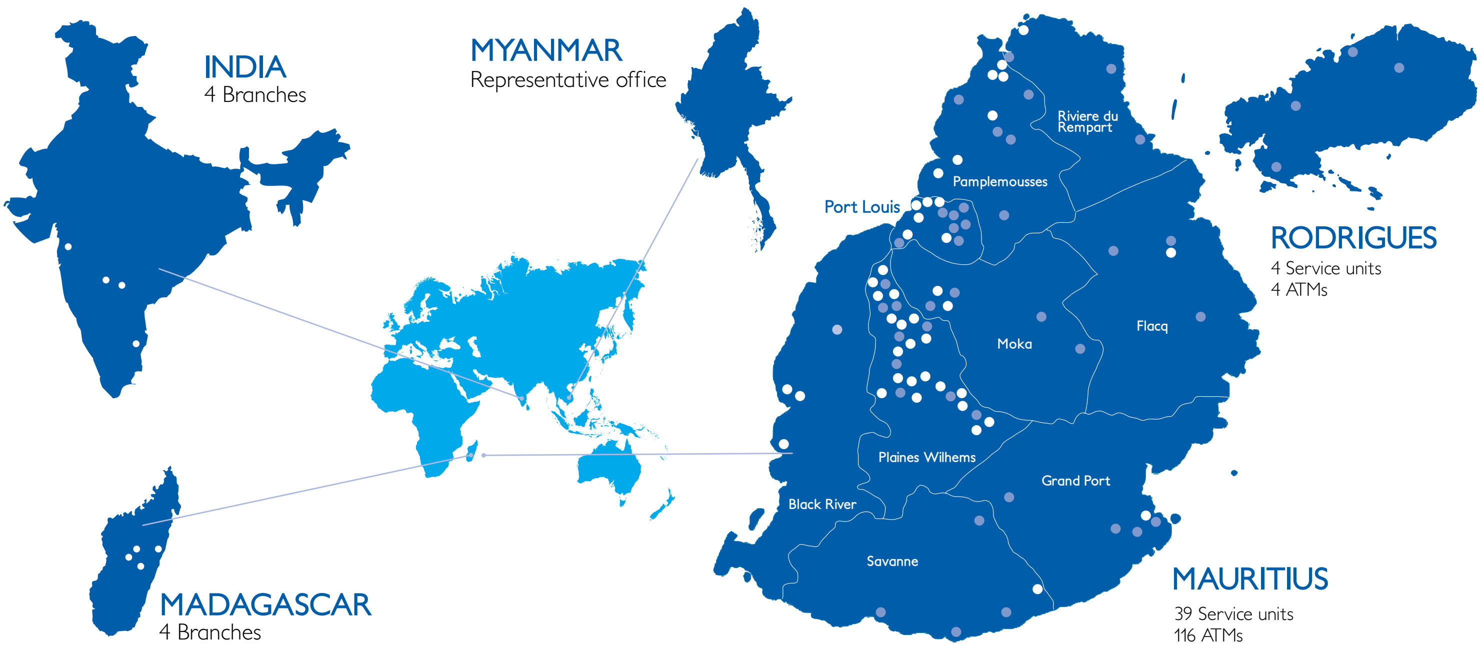
SBM services its customers through multiple channels of service delivery. SBM's distribution network comprises 51 service units/ branches, 120 ATMs, more than 4,000 POS terminals as well as e-commerce, internet banking and mobile banking platforms.

Lines of business

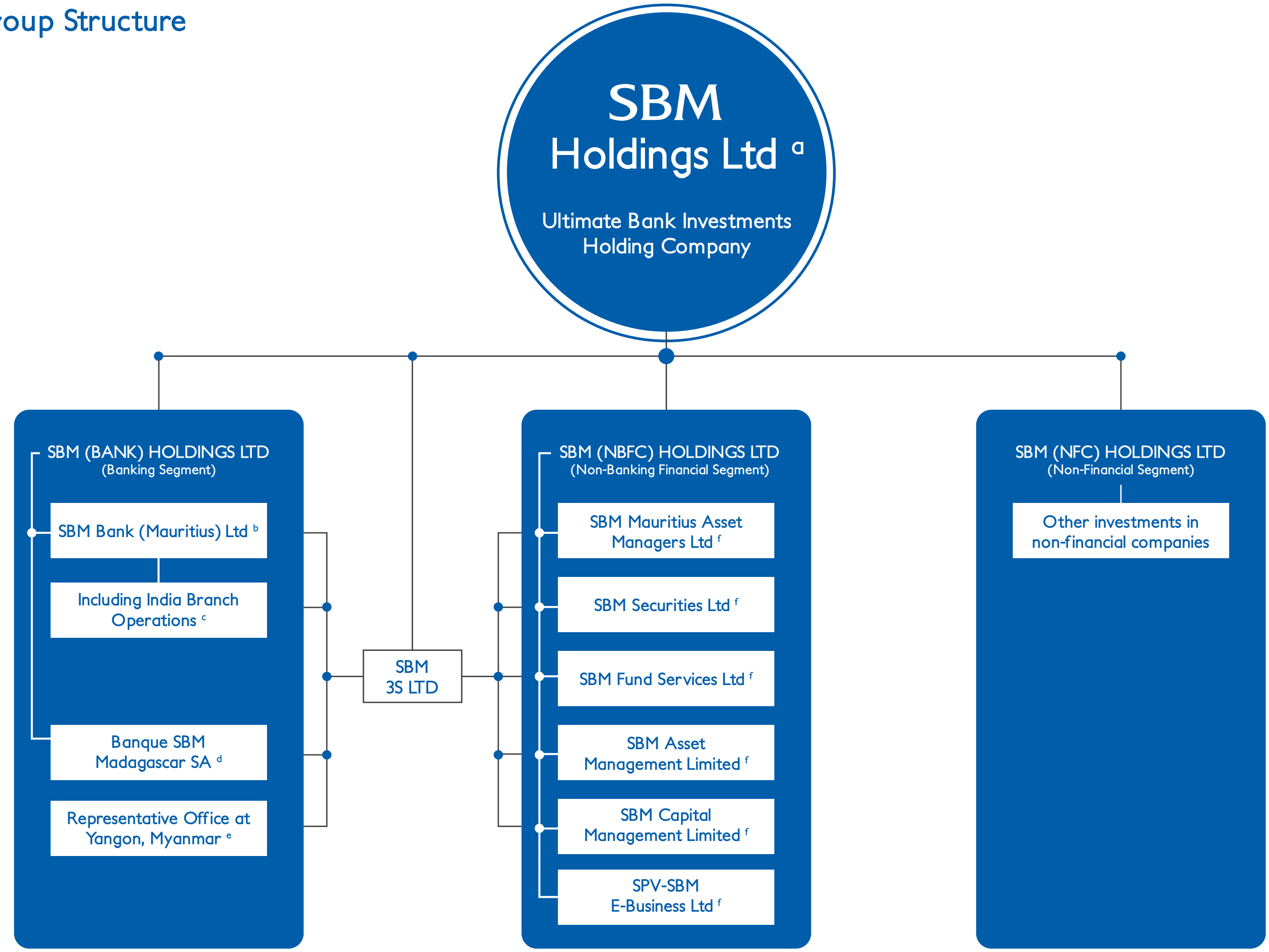
SBM Group services customers via dedicated lines of business including Retail, SME, Corporate, Global Business and Financial Institutions.

Operational footprint

SBM operates through a physical set up in Mauritius, Madagascar and India. It also has presence via a Representative Office in Myanmar.



Group Structure



[a] Supervised by Bank of Mauritius.

[b] Licensed and regulated by Bank of Mauritius.

[c] In-principle approval for Wholly Owned Subsidiary (WOS) license obtained in April 2015 from the Reserve Bank of India (RBI) and creation of a new subsidiary in India is in process.

[d] Licensed and regulated by Banque Centrale de Madagascar.

[e] Licensed and regulated by Central Bank of Myanmar.

[f] Licensed and regulated by Financial Services Commission.

Overview of Group Structure

SBM (Bank) Holdings Ltd

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

SBM (NBFC) Holdings Ltd

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

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

(i) SBM Securities Ltd, operating since 1989;

(ii) SBM Mauritius Asset Managers Ltd, operating since 1995;

(iii) SBM Fund Services Ltd, operating since 1987;

(iv) SBM Capital Management Limited, operating since 2007;

(v) SBM Asset Management Limited, operating since 2007; and

(vi) SPV-SBM E-Business Ltd, operating since 2014.

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

SBM (NFC) Holdings Ltd

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

Accolades

Most Innovative Prepaid Card
(SBM Smile Prepaid Cards)
East Africa 2015
Global Banking & Finance Review
Awards 2015

Best E-Commerce Bank
East Africa 2015
Global Banking & Finance Review
Awards 2015

Bank of the Year, Mauritius
The Banker Awards 2014

Best Retail Bank in Africa,
African Banker Awards 2014

Best Bank in Mauritius
Capital Finance
International Awards 2014

Bank of the Year, Mauritius
The Banker Awards 2013

Best Bank in Mauritius
Capital Finance International
Awards 2013

Best Bank in Mauritius
Euromoney Awards for
Excellence 2013

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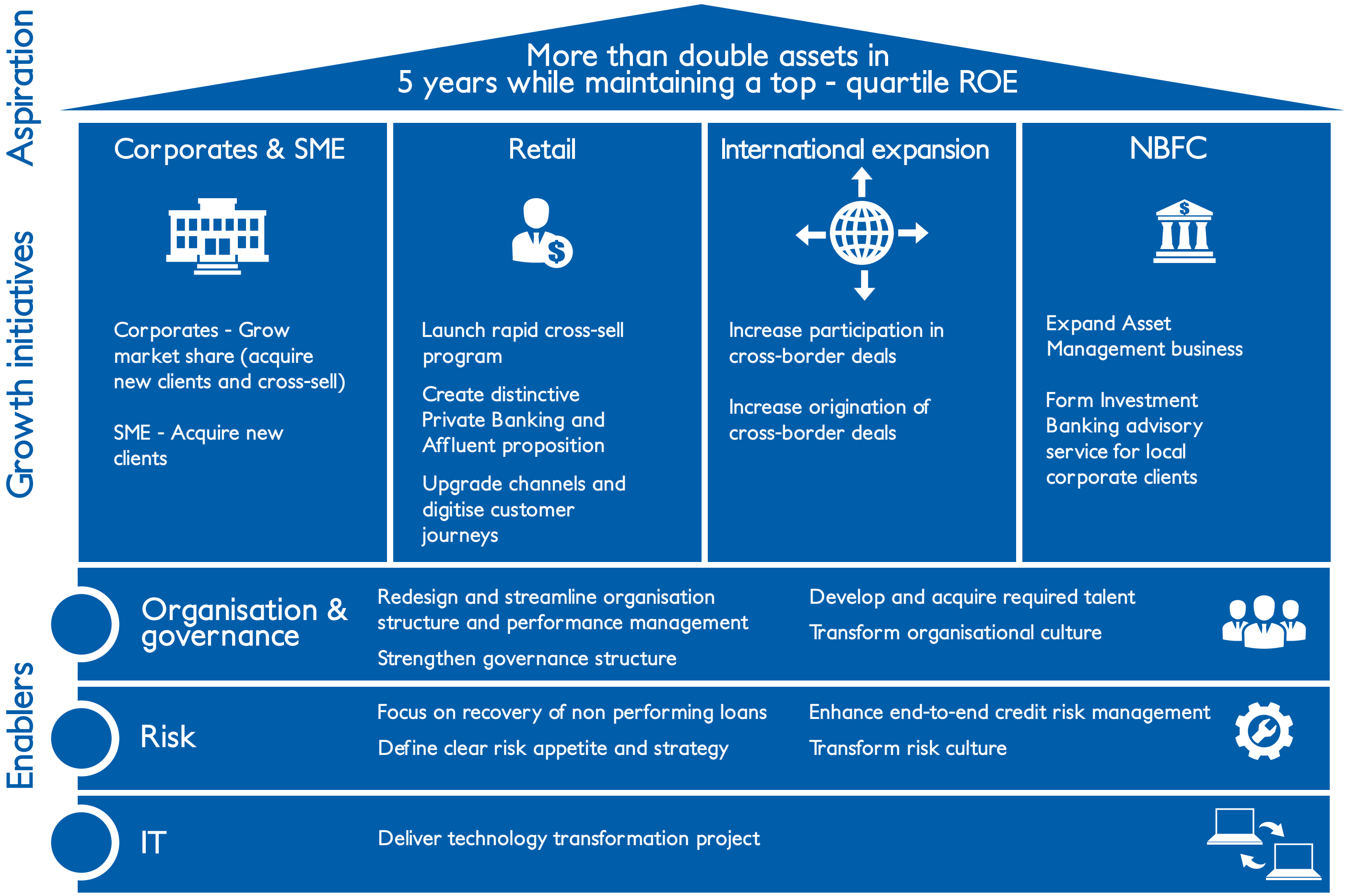
Group Objectives, Aspirations and Strategies

Last year, SBM engaged the international consultancy firm, McKinsey and Company, to gauge and revamp its strategy. SBM has now embarked on a series of enabling and growth initiatives to position itself as a regional leading financial services provider for the next 5 years as shown below.



Areas of focus particularly relate to Corporate Banking (including SMEs), Retail Banking, Cross Border Banking and Non-Banking financial services. In banking, SBM has the objective to grow business volumes and market share by building capabilities, improving internal processes and enhancing value propositions to provide a better customer experience.

Group Objectives, Aspirations and Strategies (cont'd)

While SBM aims to consolidate its foothold in Mauritius, it has also set as objectives to reduce concentration risks and diversify its sources of revenue by expanding its business activities overseas, particularly in under-banked high-growth geographies.

Hence, the Group is actively looking for expansion opportunities in the region. For instance, SBM has received approval for a banking licence in Seychelles, is actively pursuing the conversion of its branches into a WOS structure in India, opened a fourth branch in Madagascar in 2015 and is on the lookout for opportunities to enter under-banked and high-growth markets of East Africa.

The Group is also working on growing its Non-Banking Financial Services cluster by building capacity and growing its product offering to better address customer needs. In this regard, a series of new products will be launched to cater for investors with different risk profiles on the market.

To support the execution of its strategy, the Group is working on a number of enabling initiatives, including recruitment of personnel, delivery of the on-going business-aligned technology transformation project, and strengthening of the risk management framework, among others.

Value Creation and Distribution

SBM Group helps to create, grow and protect wealth for individuals, corporates, financial institutions and the society by providing essential banking services as well as non-banking financial services like asset management, collective investment schemes, brokerage services, custody services and bancassurance. As a provider of financial services, SBM Group is directly called upon to play a role in meeting everyday needs of all stakeholders in society.

Value creation at SBM Group results from the employment of financial and human capital and benefits from the engagement of our stakeholders including the community at large.

Value creation

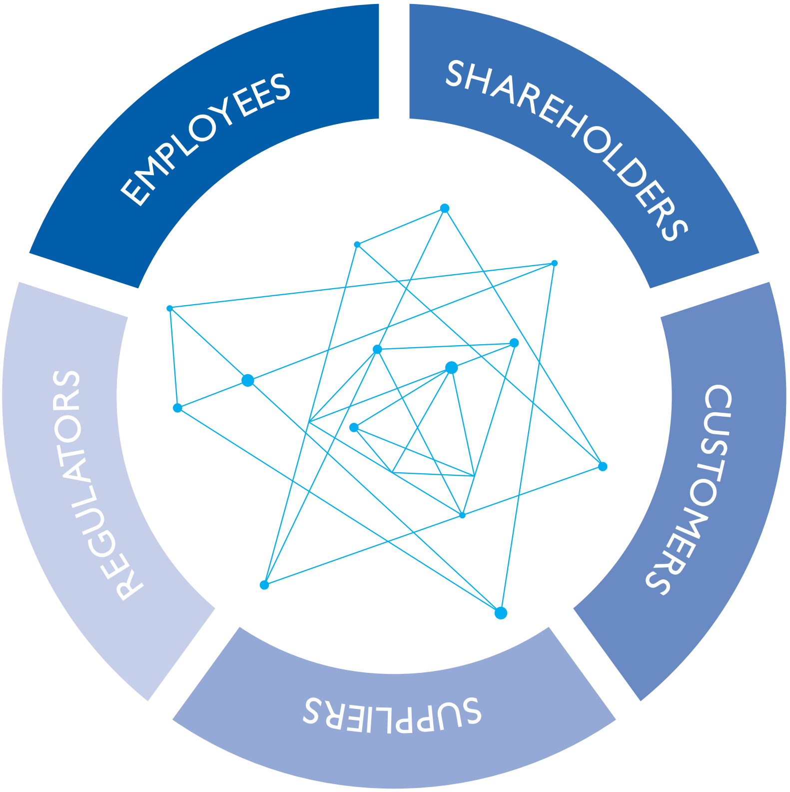
	Business activity	Income statement impact
Income	SBM lends money to customers	Interest income and credit impairment charges
	SBM sources funding from depositors and other providers of finance	Interest expense
	SBM provides transactional banking facilities	Net fee and commission income
	SBM offers market access and risk mitigation products	Trading revenue
	SBM earns revenue from other sources, example from strategic investment activities	Other income
Less		
Expenses	SBM invests in people to serve its customers	Staff costs
	SBM invests in infrastructure, systems and operations	Other operating costs
Equals to		

Profit before tax Less **Dividend to shareholders Taxes to government** Equals to **Retained earnings**

Responding to our Stakeholders

Our business activities and our reputation are shaped by our relationships with various stakeholders. We engage with stakeholders for several reasons including to inform about our performance, business strategy and operations, to shape innovative products and services, to manage and respond to social expectations, to minimise reputational risk, to meet with regulatory requirements and, in a broader manner, to support the development of the communities in which we operate.

Our Stakeholders



The ways in which we engage with our stakeholders and the frequency with which we do so varies according to each stakeholder group. A decentralised stakeholder engagement model is practised in which individual business units undertake stakeholder engagement and are responsible for identifying and addressing stakeholder concerns.

The Board and, to a larger extent, the Chief Executive, maintain oversight on all engagement and play a key role in providing guidance on appropriate responses.

A key ingredient in innovation is
the ability to break rules.

EFFICIENCY

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present my first Annual Report as Chairman of SBM Holdings Ltd. The year 2015 marked the start of a new chapter for the company, with a wholly new Board of Directors taking office. I take this occasion to thank the previous Directors for their service.

The operating environment remained difficult in 2015: investment continued to contract, credit growth was sluggish, and excess liquidity persisted in the banking system. In spite of this challenging backdrop, we managed to grow all our core income items: net interest income increased by 4.99 percent to MUR 4,253 million (2014: MUR 4,050 million), net fee and commission income by 12.40 percent to MUR 1,029 million (2014: MUR 915 million), and net trading income by 30.70 percent to MUR 528 million (2014: MUR 404 million). But operating income came in almost unchanged at MUR 6,255 million (2014: MUR 6,261 million), mainly because the result of 2014 benefited from a one-off gain on the sale of equity investments amounting to MUR 377 million. Should this item be excluded, operating income would have increased by 6.33 percent.

Net profit fell to MUR 1,608 million, from MUR 1,868 million in 2014 as restated. This decline is due to a significant one-off increase in net impairment loss on financial assets (from MUR 630 million to MUR 1,937 million), much of which is related to a major conglomerate in Segment A going into receivership and two large corporate accounts in Segment B becoming impaired. Net profit for 2014 has been restated downward by MUR 1,293 million. The bulk of this revision relates to the expensing of previously capitalised costs to reflect overruns on our technology transformation project.

The Group has embarked on a business-aligned technology transformation programme since 2012. The project, known as "Flamingo Project", was originally planned to go live in August 2013, but due to delays in the implementation process, the release date has been postponed and the new system is now only scheduled to become operational in September 2016, which is 3 years past the initial target date. The significant delays and continuous time extensions have resulted in additional charges payable to service providers, which have been attributed mostly to inefficiencies during the software development and implementation phases prior to 31 December 2014. As IAS 38 specifically precludes costs arising from inefficiencies from being capitalised, the Group has decided to expense these costs, as a prior year adjustment, to recognise the fact that these cost overruns occurred mostly in the prior years and should have been accounted for accordingly. On the basis that these inefficiencies would only have become evident in 2014, these adjustments were reflected in that year.

The Group's Capital Adequacy Ratio (CAR) was 28.26 percent and Tier 1 CAR 21.75 percent at year-end 2015. Though these are lower than in 2014 (CAR was 31.41 percent and Tier 1 CAR 25.67 percent at year-end 2014), the Group's capital position remains sound.

Dividend declared with respect to financial year 2015 totalled 4.00 cents per share (2014: 4.50 cents). Despite the fall in profit, our strong financial position allowed us to pay a dividend comparable to previous years.

In 2015, we formulated a new five-year strategy for the Group, assisted by McKinsey & Company, a leading global strategy consulting firm. The objectives of the strategy are to double the assets of the banking business in the next five years and to significantly grow the non-banking business. To achieve this, we are working on the following five pillars.

1. **Consolidation.** Expanding our established businesses such as retail, corporate and SME banking by improving our product offerings and stepping up client acquisition efforts. For instance, we recently launched a revamped version of the SBM Eco Loan, which is targeted at individuals and SMEs investing in renewable-energy equipment.
2. **Diversification.** Diversifying our revenue streams by growing our non-banking segment. This will be achieved by offering new investment products, such as the India-focused SBM Maharaja Fund and the SBM Africa Value Fund, both of which were launched recently; a private equity fund will also be introduced this year. Moreover, new services will be offered in the near future such as wealth management and investment banking advisory.
3. **Internationalisation**. We plan to grow our cross-border banking segment by building stronger relationships with regional banks. In this context, we have recently signed partnership agreements with leading pan-African financial institutions, which will allow us to participate in more deals in Africa. Internationalisation also involves expanding our international presence, whether through representative offices or full-fledged banking operations. In 2015, we opened one additional branch in Madagascar; we also obtained in-principle approval from the Reserve Bank of India to convert our Indian branches into a wholly owned subsidiary, which will facilitate our expansion efforts in that country. New geographies we plan to enter include Seychelles, where our application for a banking licence has recently been approved, and East Africa, where we are considering acquisition opportunities.
4. **Modernisation.** A key modernisation initiative is our technology transformation project, which is expected to improve customer experience and operational efficiency, and create synergy across business lines and geographies. Another initiative is to improve our customer journey by upgrading digital channels and revamping our branches.
5. **Capacity building.** Building up our human resources is essential to achieving our objectives. We filled some key positions in 2015 and are actively recruiting new talent. Moreover, there are initiatives to enhance our training capabilities. At the same time, we are investing in technology to streamline processes, facilitate the introduction of innovative products and channels, and to generally meet our customers' needs and exceed their expectations.

There were a number of firsts for SBM Group recently. In September 2015, we started accepting non-SBM UnionPay cards on our ATM and POS network. With fast-growing tourist arrivals from China, where UnionPay cards are widespread, we are poised to reap benefit. In March this year, we launched MOOV, the first mobile POS service in Mauritius. MOOV allows merchants to process customer payments via a smartphone or tablet. We also released our first economic publication, SBM Insights. SBM Insights provides analysis on local and global economic events and will appear quarterly.

The Group remains active on the corporate social responsibility front. In 2015, we launched the Social Entrepreneurship Award in collaboration with the NGO Trust Fund and the Ministry of Social Security, National Solidarity and Reform Institutions. A total of MUR 3 million was awarded to three NGOs. The aim of the Social Entrepreneurship Award is to help NGOs establish social enterprises, with a view to making them less dependent on aid. In addition, we gave around 400 scholarships under our SBM Scholarship Scheme, which was in its sixth edition. This brings the total number of scholarships to needy students undertaking tertiary studies in Mauritius to nearly 1,800, of whom around 40 beneficiaries came from Rodrigues.

SBM Group's spirit of innovation was recognised at the Global Banking & Finance Review Awards 2015, where SBM Bank (Mauritius) Ltd was awarded "Best E-Commerce Bank East Africa 2015" and "Most Innovative Prepaid Card (SBM Smile Prepaid Cards) East Africa 2015". More recently, in March 2016, SBM Bank (Mauritius) Ltd won the "Best Retail Bank-Mauritius" award in the Banker Africa Southern Africa Awards 2016, which reward excellence in financial services.

In closing, I would like to thank our staff for their hard work, our clients for their custom, and our shareholders for their support during the year. With the new strategy in place, and the many new initiatives taken under the strategic direction of our dynamic Board, I am confident that the prospects of SBM Group are bright.

Kee Chong LI KWONG WING, *G.O.S.K.*

BSc (Econ), LLM

COMPANY
SECRETARY CERTIFICATE

COMPANY SECRETARY CERTIFICATE

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Report from the Company's Secretary

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

D. Ramjug Chumun
Company Secretary

24 March 2016

Innovation is usually the result of connections of multiple experiences.

CONNECTIONS

FINANCIAL STATEMENTS

Statement of Directors' Responsibility

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

The external auditors are responsible for reporting on whether the Financial Statements are fairly presented. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group while ensuring that: the Financial Statements fairly present the state of affairs of the Group, as at the financial year end, and the results of its operations and cash flow for that year; and they have been prepared in accordance with and comply with International Financial Reporting Standards and the Companies Act 2001 and the Financial Reporting Act 2004.

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

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

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

On behalf of the Board.

Kee Chong LI KWONG WING, *G.O.S.K.,*
Chairperson

Ouma Shankar OCHIT
Chairman, Audit Committee

24 March 2016

Independent Auditor's Report to the Shareholders of SBM Holdings Ltd

Report on the Financial Statements

We have audited the financial statements of SBM Holdings Ltd (the "Company") and its subsidiaries (the "Group") on pages 42 to 127 which comprise the statement of financial position as at 31 December 2015 and the statement of profit or loss and statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

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 about 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' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the company'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 company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 42 to 127 give a true and fair view of the financial position of the Group and the Company as at 31 December 2015 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Independent Auditor's Report to the Shareholders of SBM Holdings Ltd (cont'd)

Report on the Financial Statements (cont'd)

Other matter

This report has been prepared solely for the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Group and the Company other than in our capacity as auditors and dealings in the ordinary course of business.

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

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

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 whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

ERNST & YOUNG
Ebène, Mauritius

Patrick Ng TSEUNG, *A.C.A*
Licensed by FRC

24 March 2016

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		The Group			The Company		
	Notes	31 December 2015	31 December 2014 (Restated)	31 December 2013 (Restated)	31 December 2015	31 December 2014	31 December 2013
		MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
ASSETS							
Cash and cash equivalents	5	9,174,135	8,194,125	7,044,347	178,060	3,702	111
Mandatory balances with Central Banks		6,919,908	6,548,749	5,494,981	-	-	-
Loans to and placements with banks	6	1,208,945	702,133	932,428	-	-	-
Trading assets	7	144,142	205,223	249,571	-	-	-
Loans and advances to non-bank customers	8	68,784,195	67,434,536	69,630,171	-	-	-
Investment securities	9 (i)	37,375,824	30,369,883	18,176,133	5,896,350	3,915,754	-
Equity investments	9 (ii)	6,066,176	6,721,917	4,189,429	5,534,324	6,319,881	-
Investment in associate	9 (ii)	-	-	845,175	-	-	-
Investment in subsidiaries	9 (iii)	-	-	-	20,999,183	20,999,183	-
Property and equipment	10	2,827,601	2,753,303	2,623,065	5,512	-	-
Intangible assets	11	2,370,629	1,252,333	1,023,272	-	-	-
Deferred tax assets	17b	276,756	171,431	145,100	-	-	-
Other assets	12	1,013,780	1,248,629	1,507,051	126,773	287,790	14
Total assets		136,162,091	125,602,262	111,860,723	32,740,202	31,526,310	125
LIABILITIES							
Deposits from banks	14	751,719	593,899	217,281	-	-	-
Deposits from non-bank customers	15	104,281,103	91,784,990	83,016,635	-	-	-
Other borrowed funds	16	2,132,497	5,113,005	6,110,051	-	-	-
Trading liabilities	7	120,781	146,634	238,555	-	-	-
Current tax liabilities		391,954	87,953	247,198	16,389	-	-
Deferred tax liabilities	17b	-	-	51,192	19	-	-
Other liabilities	18	2,433,536	2,203,910	2,632,425	3,493	8,919	-
Subordinated debts	19	3,862,138	3,598,208	4,200	3,862,138	3,598,208	-
Total liabilities		113,973,728	103,528,599	92,517,537	3,882,039	3,607,127	-
SHAREHOLDERS' EQUITY							
Stated capital	20	32,500,204	32,500,204	303,740	32,500,204	32,500,204	125
(Accumulated losses)/Retained earnings		(430,006)	(1,109,410)	16,125,433	2,030,144	307,529	-
Other reserves		(5,006,804)	(4,442,100)	5,247,299	(797,154)	(13,519)	-
		27,063,394	26,948,694	21,676,472	33,733,194	32,794,214	125
Treasury shares	20	(4,875,031)	(4,875,031)	(2,333,286)	(4,875,031)	(4,875,031)	-
Total equity attributable to equity holders of the parent		22,188,363	22,073,663	19,343,186	28,858,163	27,919,183	125
Total equity and liabilities		136,162,091	125,602,262	111,860,723	32,740,202	31,526,310	125

Approved by the Board of Directors and authorised for issue on 24 March 2016.

Kee Chong LI KWONG WING, *G.O.S.K.*
Chairman

Ouma Shankar OCHIT
Chairman, Audit Committee

The notes on page 48 to 127 form an integral part of these financial statements.

FINANCIAL STATEMENTS

STATEMENTS OF PROFIT OR LOSS

		The Group			The Company		
	Notes	Year ended 31 December 2015 MUR 000	Year ended 31 December 2014 (Restated)[1] MUR 000	18 months ended 31 December 2013 (Restated) MUR 000	Year ended 31 December 2015 MUR 000	Year ended 31 December 2014 MUR 000	18 months ended 31 December 2013 MUR 000
Interest income		6,424,315	6,451,246	9,333,865	249,758	29,631	-
Interest expense		(2,171,580)	(2,400,808)	(3,417,785)	(133,221)	(32,650)	-
Net interest income	26	4,252,735	4,050,438	5,916,080	116,537	(3,019)	-
Fee and commission income		1,058,126	944,617	1,495,479	-	-	-
Fee and commission expense		(29,340)	(29,345)	(45,283)	-	-	-
Net fee and commission income	27	1,028,786	915,272	1,450,196	-	-	-
Dividend income	28	157,273	179,339	823,026	2,597,724	6,971,350	-
Net trading income	29	527,636	403,700	571,266	3,697	185	-
Other operating income	30	288,863	712,116	460,200	16,224	-	-
Non-interest income		2,002,558	2,210,427	3,304,688	2,617,645	6,971,535	-
Operating income		6,255,293	6,260,865	9,220,768	2,734,182	6,968,516	-
Personnel expenses	31	(1,237,004)	(1,117,287)	(1,719,604)	(1,355)	(792)	-
Depreciation and amortisation		(161,535)	(166,022)	(283,039)	(501)	-	-
Other expenses	32	(871,912)	(1,869,155)	(1,358,389)	(38,040)	(4,681)	-
Non-interest expense		(2,270,451)	(3,152,464)	(3,361,032)	(39,896)	(5,473)	-
Profit before net impairment loss on financial assets		3,984,842	3,108,401	5,859,736	2,694,286	6,963,043	-
Net impairment loss on financial assets	33	(1,936,840)	(630,353)	(742,224)	-	(6,319,881)	-
Operating profit		2,048,002	2,478,048	5,117,512	2,694,286	643,162	-
Share of profit of associate	9(iv) (b)	-	62,993	141,671	-	-	-
Profit before income tax		2,048,002	2,541,041	5,259,183	2,694,286	643,162	-
Tax expense	17a	(440,448)	(672,641)	(908,808)	(16,408)	-	-
Profit for the year / period attributable to equity holders of the parent		1,607,554	1,868,400	4,350,375	2,677,878	643,162	-
Earnings per share (Cents)	34	6.23	7.24	16.85			

[1] The restatements are detailed in note 39 to the financial statements

The notes on page 48 to 127 form an integral part of these financial statements.

FINANCIAL STATEMENTS

STATEMENTS OF OTHER COMPREHENSIVE INCOME

	The Group			The Company		
	Year ended 31 December 2015 MUR 000	Year ended 31 December 2014 (Restated) MUR 000	18 months ended 31 December 2013 (Restated) MUR 000	**Year ended 31 December 2015 MUR 000**	Year ended 31 December 2014 MUR 000	18 months ended 31 December 2013 MUR 000
Profit for the year / period attributable to equity holders of the parent	**1,607,554**	1,868,400	4,350,375	**2,677,878**	643,162	-
Other comprehensive income :						
Items that will not be reclassified subsequently to profit or loss:						
Decrease in revaluation of property	**(2,680)**	(4,397)	-	**-**	-	-
Deferred tax on revaluation of property	**-**	4,788	-	**-**	-	-
Deferred tax on disposal of property	**-**	-	200	**-**	-	-
Effect of change in deferred tax rate	**-**	-	(804)	**-**	-	-
Share of other comprehensive loss of associate	**-**	(9,535)	(5,668)	**-**	-	-
Remeasurement of defined benefit pension plan (net of deferred tax)	**(10,877)**	11,855	(25,220)	**-**	-	-
	(13,557)	2,711	(31,492)	**-**	-	-
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations	**202,833**	87,574	(438,836)	**-**	-	-
Movement in fair value of available-for-sale investments	**(726,867)**	2,104,952	552,536	**(783,635)**	(13,519)	-
Fair value realised on disposal of available-for-sale investments	**-**	(377,897)	(357,127)	**-**	-	-
	(524,034)	1,814,629	(243,427)	**(783,635)**	(13,519)	-
Total other comprehensive (loss) / income	**(537,591)**	1,817,340	(274,919)	**(783,635)**	(13,519)	-
Total comprehensive income for the year / period attributable to equity holders of the parent	**1,069,963**	3,685,740	4,075,456	**1,894,243**	629,643	-

The notes on page 48 to 127 form an integral part of these financial statements.

FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN EQUITY

The Group	Stated capital MUR 000	Treasury shares MUR 000	Statutory reserve MUR 000	Capital conservation reserve MUR 000	Retained earnings/ (Accumulated losses) MUR 000	Net property revaluation reserve MUR 000	Other reserves (Note 40) MUR 000	Total equity MUR 000
At 01 July 2012								
- Previously stated	303,740	(2,333,286)	520,133	551,145	14,310,409	1,439,560	3,553,455	18,345,156
- Restatement (Note 39 on prior year adjustments)	-	-	-	(551,145)	(73,579)	-	-	(624,724)
- As restated	303,740	(2,333,286)	520,133	-	14,236,830	1,439,560	3,553,455	17,720,432
Profit for the period as previously stated	-	-	-	-	4,706,359	-	-	4,706,359
Restatement (Note 39 on prior year adjustments)	-	-	-	-	(355,984)	-	-	(355,984)
Profit for the period as restated	-	-	-	-	4,350,375	-	-	4,350,375
Other comprehensive loss for the period	-	-	-	-	(25,220)	(604)	(249,095)	(274,919)
Total comprehensive income for the period	-	-	-	-	4,325,155	(604)	(249,095)	4,075,456
Revaluation reserve realised on disposal of property	-	-	-	-	6,749	(6,749)	-	-
Transfer to retained earnings	-	-	-	-	61,614	(61,614)	-	-
Transfer to statutory reserve	-	-	52,213	-	(52,213)	-	-	-
Dividend (Note 21)	-	-	-	-	(2,452,702)	-	-	(2,452,702)
At 31 December 2013 (as restated)	303,740	(2,333,286)	572,346	-	16,125,433	1,370,593	3,304,360	19,343,186
At 01 January 2014								
- Previously stated	303,740	(2,333,286)	572,346	551,145	16,554,996	1,370,593	3,304,360	20,323,894
- Restatement (Note 39 on prior year adjustments)	-	-	-	(551,145)	(429,563)	-	-	(980,708)
- As restated	303,740	(2,333,286)	572,346	-	16,125,433	1,370,593	3,304,360	19,343,186
Profit for the year as previously stated	-	-	-	-	3,161,412	-	-	3,161,412
Restatement (Note 39 on prior year adjustments)	-	-	-	-	(1,293,012)	-	-	(1,293,012)
Profit for the year as restated	-	-	-	-	1,868,400	-	-	1,868,400
Other comprehensive income for the year	-	-	-	-	11,855	391	1,805,094	1,817,340
Total comprehensive income for the year	-	-	-	-	1,880,255	391	1,805,094	3,685,740
Transfer to restructure reserve	32,196,464	(2,541,745)	-	-	(18,155,810)	(1,063,164)	(10,435,745)	-
Movement in respect of macro prudential provisioning:								
As previously stated	-	-	-	174,097	-	-	-	174,097
Restatement (Note 39 on prior year adjustments)	-	-	-	(174,097)	174,097	-	-	-
Transfer to allowance for credit impairment	-	-	-	-	(174,097)	-	-	(174,097)
As restated	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	7,086	(34,211)	27,125	-
Transfer to statutory reserve	-	-	11,111	-	(11,111)	-	-	-
Dividend (Note 21)	-	-	-	-	(955,263)	-	-	(955,263)
At 31 December 2014 (as restated)	32,500,204	(4,875,031)	583,457	-	(1,109,410)	273,609	(5,299,166)	22,073,663

The notes on page 48 to 127 form an integral part of these financial statements.

FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

The Group	Stated capital MUR 000	Treasury shares MUR 000	Statutory reserve MUR 000	Capital conservation reserve MUR 000	Retained earnings/ (Accumulated losses) MUR 000	Net property revaluation reserve MUR 000	Other reserves (Note 40) MUR 000	Total equity MUR 000
At 01 January 2015								
- Previously stated	32,500,204	(4,875,031)	583,457	725,242	439,068	273,609	(5,299,166)	24,347,383
- Restatement (Note 39 on prior year adjustments)	-	-	-	(725,242)	(1,548,478)	-	-	(2,273,720)
- As restated	32,500,204	(4,875,031)	583,457	-	(1,109,410)	273,609	(5,299,166)	22,073,663
Profit for the year	-	-	-	-	1,607,554	-	-	1,607,554
Other comprehensive income for the year	-	-	-	-	(10,877)	(2,680)	(524,034)	(537,591)
Total comprehensive income for the year	-	-	-	-	1,596,677	(2,680)	(524,034)	1,069,963
Transfer to retained earnings	-	-	-	-	46,720	(46,720)	-	-
Transfer to statutory reserve	-	-	8,730	-	(8,730)	-	-	-
Dividend (Note 21)	-	-	-	-	(955,263)	-	-	(955,263)
At 31 December 2015	32,500,204	(4,875,031)	592,187	-	(430,006)	224,209	(5,823,200)	22,188,363

The Company	Stated capital MUR 000	Treasury shares MUR 000	Retained Earnings MUR 000	Net unrealised investment fair value reserve MUR 000	Total equity MUR 000
At 01 July 2012	25	-	-	-	25
Issue of shares	100	-	-	-	100
At 31 December 2013	125	-	-	-	125
At 01 January 2014	125	-	-	-	125
Shares held by SBM Bank (Mauritius) Ltd cancelled	(125)	-	-	-	(125)
Profit for the year	-	-	643,162	-	643,162
Other comprehensive loss for the year	-	-	-	(13,519)	(13,519)
Total comprehensive income for the year	-	-	643,162	(13,519)	629,643
Transfer of shares from SBM Bank (Mauritius) Ltd upon group restructure	32,500,204	-	-	-	32,500,204
Transfer of treasury shares upon group restructure	-	(4,875,031)	-	-	(4,875,031)
Dividend (Note 21)	-	-	(335,633)	-	(335,633)
At 31 December 2014	32,500,204	(4,875,031)	307,529	(13,519)	27,919,183
At 01 January 2015	32,500,204	(4,875,031)	307,529	(13,519)	27,919,183
Profit for the year	-	-	2,677,878	-	2,677,878
Other comprehensive loss for the year	-	-	-	(783,635)	(783,635)
Total comprehensive income for the year	-	-	2,677,878	(783,635)	1,894,243
Dividend (Note 21)	-	-	(955,263)	-	(955,263)
At 31 December 2015	32,500,204	(4,875,031)	2,030,144	(797,154)	28,858,163

The notes on page 48 to 127 form an integral part of these financial statements.

FINANCIAL STATEMENTS

STATEMENTS OF CASHFLOWS

	Notes	The Group			The Company		
		Year ended 31 December 2015 MUR 000	Year ended 31 December 2014 (Restated) MUR 000	18 months ended 31 December 2013 (Restated) MUR 000	Year ended 31 December 2015 MUR 000	Year ended 31 December 2014 MUR 000	18 months ended 31 December 2013 MUR 000
Net cash from / (used in) operating activities	35	**6,230,508**	(935,300)	(1,136,463)	**1,108,974**	(333,881)	9
Cash flows (used in) / from financing activities							
(Decrease) / increase in other borrowed funds		**(2,980,507)**	(997,046)	3,185,256	**-**	-	-
Increase in subordinated liabilities debts raised		**26,658**	3,594,009	4,200	**26,660**	21,462	-
Dividend paid on ordinary shares		**(955,263)**	(1,471,621)	(1,936,344)	**(955,263)**	(335,633)	-
Buy back and cancellation of own share capital		**-**	-	-	**-**	(125)	-
Net cash (used in) / from financing activities		**(3,909,112)**	1,125,342	1,253,112	**(928,603)**	(314,296)	-
Cash flows (used in) / from investing activities							
Acquisition of property and equipment		**(218,337)**	(281,067)	(218,385)	**(6,013)**	-	-
Acquisition of intangible assets		**(1,126,688)**	730,123	(241,857)	**-**	-	-
Disposal of property and equipment		**4,565**	105	812	**-**	-	-
Dividend received from associate and subsidiaries		**-**	-	38,582	**-**	651,893	-
Investment in subsidiaries		**-**	-	-	**-**	(125)	-
Acquisition of other equity investments		**(705)**	-	(6,174)	**-**	-	-
Increase in stated capital		**-**	-	-	**-**	-	100
Disposal of other equity investments		**(221)**	510,575	361,325	**-**	-	-
Net cash (used in) / from investing activities		**(1,341,386)**	959,736	(65,697)	**(6,013)**	651,768	100
Net change in cash and cash equivalents		**980,010**	1,149,778	50,952	**174,358**	3,591	109
Cash and cash equivalents at start of year / period		**8,194,125**	7,044,347	6,993,395	**3,702**	111	2
Cash and cash equivalents at end of year / period	5	**9,174,135**	8,194,125	7,044,347	**178,060**	3,702	111

The notes on page 48 to 127 form an integral part of these financial statements.

1. GENERAL INFORMATION

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

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

2a. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS (IFRS)

In the current year, the Group and the Company have applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 January 2015.

Although these new standards and amendments were applied for the first time in 2015, they did not have a material impact on the financial statements of the Group and Company. The nature and the impact of each new standard or amendment are described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions – effective 1 July 2014

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

This amendment had no impact on the financial position of the Group and the Company's financial statements.

Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle

The Group and the Company have applied these improvements for the first time in these financial statements. They include:

	Effective for accounting period beginning on or after
Annual Improvements 2010-2012 Cycle	
IFRS 2 Share-based Payment	1 July 2014
IFRS 3 Business Combinations	1 July 2014
IFRS 8 Operating Segments	1 July 2014
IAS 16 Property, Plant and Equipment	1 July 2014
IAS 38 Intangible Assets	1 July 2014
IAS 24 Related Party Disclosures	1 July 2014
Annual Improvements 2011-2013 Cycle	
IFRS 3 Business Combinations	1 July 2014
IFRS 13 Fair Value Measurement	1 July 2014
IAS 40 Investment Property	1 July 2014

Where the adoption of the standard or interpretation or improvement is deemed to have an impact on the financial statements or performance of the Group and the Company, its impact is described in the next page.

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2a. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS (IFRS) (CONT'D)

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's and the Company's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group and the Company have not applied the aggregation criteria in IFRS 8.12. The Group and the Company have presented the reconciliation of segment assets to total assets in previous periods and continues to disclose same in Note 42 in this period's financial statements as the reconciliation is reported to the chief decision maker for the purpose of his decision making.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

This amendment did not have any impact to the revaluation adjustments recorded by the Group and the Company during the current period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

This amendment is not relevant for the Group and the Company as they do not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group and the Company have applied these amendments for the first time in these financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

This amendment is not relevant for the Group and its subsidiaries.

2a. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS (IFRS) (CONT'D)

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group and the Company do not apply the portfolio exception in IFRS 13.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments	1 January 2018
Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 16 Leases	1 January 2019
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statement	1 January 2016
Annual improvements 2012 – 2014 Cycle	1 July 2016
Disclosure initiative – Amendments to IAS 1	1 January 2016

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

2a. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS (IFRS) (CONT'D)

Standards issued but not yet effective (Cont'd)

IFRS 9 Financial Instruments (Cont'd)

IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition – 1 January 2018

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases. Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, can be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread, can be excluded from the designation as the hedging instrument and accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

The Group and the Company plan to adopt the new standard on the required effective date.

2a. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS (IFRS) (CONT'D)

Standards issued but not yet effective (Cont'd)

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) - effective 1 January 2016

This amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) was made to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- it requires full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations); and
- it requires the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The Directors will assess the impact of the amendments when they become effective.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) - effective 1 January 2016

This amendment to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) was made to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The amendment will not have an impact on the Group and the Company as they are not considered as Investment entities.

IFRS 14 Regulatory Deferral Accounts - effective 1 January 2016

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

This new standard will not have an impact, as the Group and the Company are not first time adopters of IFRS.

2a. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS (IFRS) (CONT'D)

Standards issued but not yet effective (Cont'd)

IFRS 15 Revenue from Contracts with Customers - effective 1 January 2017

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.
- Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The Group and the Company are still assessing the impact of this new standard.

IFRS 16 Leases – effective 1 January 2019

IASB has redrafted this new leasing standard that would require lessees to recognise assets and liabilities for most leases. Lessees applying IFRS would have a single recognition and measurement model for all leases (with certain exemptions). Lessors applying IFRS would classify leases using the principle in IAS 17; in essence, lessor accounting would not change. The IASB and the FASB have made different decisions about lease classification and the recognition, measurement and presentation of leases for lessees and lessors.

The Group and the Company are still assessing the impact of this new standard.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) - effective 1 January 2016

Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- Apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11;
- Disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

The amendment will not have an impact since the Group and the Company do not have any interests in joint operations.

2a. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS (IFRS) (CONT'D)

Standards issued but not yet effective (Cont'd)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) - effective 1 January 2016

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment;
- Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated; and
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The amendment will not have an impact since the Group and the Company do not use a depreciation method based on revenue for its plant and equipment and intangible assets.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) - effective 1 January 2016

Amends IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture to:

- Include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16;
- Introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales; and
- Clarify that produce growing on bearer plants remains within the scope of IAS 41.

The amendment will not have an impact as the Group does not recognise 'bearer plants'.

Amendments to IAS 27: Equity Method in Separate Financial Statements - effective 1 January 2016

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

The Group and the Company are still assessing whether to adopt this change in IAS 27.

2a. APPLICATION OF NEW AND REVISED STANDARD AND INTERPRETATIONS (IFRS) (CONT'D)

Standards issued but not yet effective (Cont'd)

Annual improvements 2012 – 2014 Cycle - effective 1 July 2016

The annual improvements 2012-2014 Cycle make amendments to the following standards:

- IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held-for-sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued;
- IFRS 7 – Additional guidance given to clarify whether a servicing contract is continuing involvement in a transferred assets, and clarification made on offsetting disclosures in condensed interim financial statements;
- IAS 9 – Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid; and
- IAS 34 – Clarifies the meaning of "elsewhere in the interim report" and require a cross reference.

The Directors will assess the impact of the amendments when they become effective.

Disclosure Initiative (Amendments to IAS 1) - effective 1 January 2016

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgment in presenting their financial reports by making the following changes:

- clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and
- additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

No early adoption of these standards and interpretations is intended by the Board of Directors.

2b. CHANGES TO THE PRESENTATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

In order to make the financial statements and notes thereon easier to understand, SBM Holdings Ltd has changed the location and the wording used to describe certain accounting policies within the notes and removed certain immaterial disclosures. In applying materiality to financial statement disclosures, we consider both the amount and nature of each item. The main changes to the presentation of the financial statements and notes thereon in 2015 are as follows:

- In 2014, the financial statements included Note 3 "Accounting policies". In 2015, the accounting policies have been placed, whenever possible, within the relevant notes on the financial statements and the changes in wordings are intended to more clearly set out the accounting policies. These changes in the wording do not represent changes in accounting policies.

- Note 4 "Accounting judgments and key sources of estimation uncertainty" previously disclosed in the 2014 audited Financial Statements have being replaced to "Significant accounting estimates and judgments" and have been placed within the relevant notes alongside the significant accounting policy to which they relate. The new approach meets the reporting requirements of IAS 1 "Presentation of Financial Statements".

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

The notes to the financial statements include areas where management has applied judgements that have a significant effect on the amounts recognised in the financial statements and include the classification of financial instruments into the fair value through profit or loss (FVTPL) category, loans and receivables (L&R) category, held to maturity (HTM) category and available for sale (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: Note 9 Investment securities
(ii) Fair value of other financial assets and liabilities: Note 41 Risk management, Part 1(a) (ii) fair values
(iii) Specific allowance for credit impairment: Note 8 (c) Allowance for credit impairment
(iv) Portfolio allowance for credit impairment: Note 8 (c) Allowance for credit impairment
(v) Defined benefit pension plan: Note 13 Pension liability
(vi) Intangible assets – assets under construction: Note 11 Intangible assets

4. ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain property, plant and equipment and financial instruments that are measured at revalued amounts or fair value as explained in the accounting policies below . The financial statements are presented in Mauritian Rupee, which is the Group's and the Company's functional and presentation currency. All value are rounded to the nearest thousands (MUR'000), excepts where otherwise indicated.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. In estimating the fair value of an asset or liability the Group and the Company takes into account the characteristics of the asset or liability if market participants would take into account those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

(b) Statement of compliance

The financial statements have been prepared on the basis of preparation as explained in 5(a) above and in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB).

4. ACCOUNTING POLICIES (CONT'D)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of SBM Holdings Ltd and its subsidiaries as at 31 December 2015.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in statement of profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

4. ACCOUNTING POLICIES (CONT'D)

(d) Foreign currency translation

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

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

ii. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into Mauritian Rupees at the rates of exchange 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 and other comprehensive income, any exchange component of that gain or loss shall be recognised in the Statement of other comprehensive income.

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

vi. On consolidation, the assets and liabilities of foreign operations are translated into Mauritian Rupee at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

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

	31 December 2015	31 December 2014	31 December 2013
USD / MUR	**35.91**	31.78	30.00
INR / MUR	**0.543**	0.504	0.485
100 MGA / MUR	**1.124**	1.235	1.351

The average rates for the following years are:

	31 December 2015	31 December 2014	31 December 2013
USD / MUR	**35.69**	31.11	31.16
INR / MUR	**0.559**	0.512	0.551
100 MGA / MUR	**1.126**	1.240	1.396

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

4. ACCOUNTING POLICIES (CONT'D)

(e) Other financial assets

Other financial assets, including placements and other receivables, that have fixed or determinable payments and that are not quoted in an active market are classified as loan and receivables. They are measured at amortised cost, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Interest accrued on placements is accounted for in the *Statement of profit or loss* as *Interest income*.

(f) Financial instruments

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

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(g) Derecognition of financial assets

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

(h) Sale and repurchase agreements

Gilt-edged securities sold subject to linked repurchase agreements ("repos") are retained in the *Statement of financial position* and the counterparty liability is included in *Other borrowed funds*. Gilt-edged securities purchased under agreements to resell ("reverse repos") are recorded as balances due from other banks. The differences between the sale and repurchase price is treated as interest and accrued over the life of the repo agreements using the effective interest method.

(i) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For 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 available for sale (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.

Cumulative gains or losses previously recognised in *Other comprehensive income* are reclassified to the *Statement of profit or loss.*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of AFS equity investments, any increase in fair value subsequent to an impairment loss is recognised in *Other comprehensive income* and accumulated under the *Net unrealised investment fair value reserve.*

4. ACCOUNTING POLICIES (CONT'D)

(j) Financial liabilities and equity instruments

i. Classification as debt or equity

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

ii. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

iii. Financial liabilities

Financial liabilities include deposits from banks and non-bank customers, other borrowed funds, subordinated liabilities and other liabilities. Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognized when the Group's and /or the Company's obligations are discharged, cancelled or they expire.

iv. Financial guarantee contract

Liabilities under financial guarantees are recorded initially at their fair value and subsequently measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate of the expenditure required to settle the obligations.

v. Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(k) 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.

(l) 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.

(m) Leasing

(i) *The Group as lessor*

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

4. ACCOUNTING POLICIES (CONT'D)

(n) Borrowing costs

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

(o) 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. Provisions are determine by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(p) 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.

(q) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(r) Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

5. CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition.

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

	The Group			The Company		
	31 December 2015	31 December 2014 (Restated)	31 December 2013 (Restated)	**31 December 2015**	31 December 2014	31 December 2013
	MUR 000	MUR 000	MUR 000	**MUR 000**	MUR 000	MUR 000
Cash in hand	**1,893,359**	1,996,620	2,151,863	**-**	-	-
Foreign currency notes and coins	**293,586**	218,586	188,548	**-**	-	-
Unrestricted balances with central banks [1]	**1,489,085**	594,800	1,263,162	**-**	-	-
Loans to and placements with banks[2]	**1,537,714**	3,106,483	878,166	**-**	-	-
Balances with banks	**3,960,391**	2,277,636	2,562,608	**178,060**	3,702	111
	9,174,135	8,194,125	7,044,347	**178,060**	3,702	111

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

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

6. LOANS TO AND PLACEMENTS WITH BANKS

Accounting policy

Loans to and placements with banks 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.

	The Group		
	31 December 2015	31 December 2014	31 December 2013
	MUR 000	MUR 000	MUR 000
Loans to and placements with banks			
In Mauritius	**271,645**	-	165,746
Outside Mauritius	**937,300**	702,133	766,682
	1,208,945	702,133	932,428
Remaining term to maturity			
Up to 3 months	**377,467**	93,025	106,700
Over 3 months and up to 6 months	**152,568**	152,619	299,767
Over 6 months and up to 12 months	**678,910**	296,721	525,961
Over 1 year and up to 2 years	**-**	159,768	-
	1,208,945	702,133	932,428

7. TRADING ASSETS/LIABILITIES

Accounting policy

Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short term profit-taking. They are recognised on trade date, when SBM Holdings Ltd enters into contractual arrangements with counterparties and are normally derecognised when sold. They are initially measured at fair value, with transaction costs taken to profit or loss. Subsequent changes in their fair values are recognised in profit or loss in 'Net Trading Income'.

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 bank. 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 rate method.

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

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

(i) Fair value hedges

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

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

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

(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.

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7. TRADING ASSETS/LIABILITIES (CONT'D)

Accounting policy (Cont'd)

Derivative financial instruments

Derivative financial instruments are initially recorded at fair value and are remeasured at 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.

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Assets			
Government securities	-	25,591	893
Equities	-	2,887	1,742
Derivative assets	144,142	176,745	246,936
	144,142	205,223	249,571
Liabilities			
Derivative liabilities	120,781	146,634	238,555

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

The Group	Notional Principal Amount MUR 000	Assets MUR 000	Fair Values Liabilities MUR 000	Net MUR 000
31 December 2015				
Foreign exchange contracts*	14,744,752	85,850	(62,816)	23,034
Interest rate swap contracts	295,718	48,930	(48,603)	327
Other derivative contracts	496,200	9,362	(9,362)	-
	15,536,670	144,142	(120,781)	23,361
31 December 2014				
Foreign exchange contracts*	21,225,492	169,098	(139,634)	29,464
Interest rate swap contracts	581,723	647	-	647
Other derivative contracts	2,582,216	7,000	(7,000)	-
	24,389,431	176,745	(146,634)	30,111
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

* Foreign exchange contracts include forward and spot contracts

8. LOANS AND ADVANCES TO NON-BANK CUSTOMERS

Accounting policy

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 rate method, less any impairment. Interest income is recognised by applying the effective interest rate.

Loans and advances to non-bank customers are classified under loan and receivables and are measured at amortised cost, less allowance for credit impairment. In cases where, as part of the Group's and the Company'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 note 7 (Trading assets / liabilities) and 41(d)(ii) for further details on hedge accounting. Allowance for credit impairment consists of specific and portfolio allowances.

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

	The Group		
	31 December 2015 MUR 000	31 December 2014 (Restated) MUR 000	31 December 2013 (Restated) MUR 000
1. Governments	1	208	-
2. Retail customers	28,097,413	28,169,350	27,724,398
2.1 Credit cards	529,939	528,015	501,113
2.2 Mortgages	17,271,142	17,043,288	16,414,566
2.3 Other retail loans	10,296,332	10,598,047	10,808,719
3. Corporate customers	33,935,970	30,332,515	32,628,569
4. Entities outside Mauritius (including offshore / Global Business Licence Holders)	10,262,700	10,604,640	10,771,925
	72,296,084	69,106,713	71,124,892
Less allowance for credit impairment (Note 8 (c))	(3,511,889)	(1,672,177)	(1,494,721)
	68,784,195	67,434,536	69,630,171
(a) Remaining term to maturity			
Up to 3 months	12,109,920	7,976,879	12,073,873
Over 3 months and up to 6 months	2,497,659	2,317,674	2,589,821
Over 6 months and up to 12 months	4,728,175	6,207,308	4,646,260
Over 1 year and up to 2 years	4,970,228	3,412,193	3,673,711
Over 2 years and up to 5 years	15,947,835	16,951,521	16,090,380
Over 5 years	32,042,267	32,241,138	32,050,847
	72,296,084	69,106,713	71,124,892

(b) Net investment in finance leases

Accounting policy

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

The amount of net investment in finance leases is included in loans and advances to non bank customers and the associated allowance for impairment are as follows:-

	The Group			
	Up to 1 year MUR 000	After 1 year and up to 5 years MUR 000	After 5 years MUR 000	Total MUR 000
31 December 2015				
Gross investment in finance leases	541,203	930,981	33,928	1,506,112
Less: Unearned finance income	(99,111)	(84,699)	(1,762)	(185,572)
Present value of minimum lease payments	442,092	846,282	32,166	1,320,540
Allowance for impairment				(73,548)
				1,246,992

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

	The Group			
	Up to 1 year MUR 000	After 1 year and up to 5 years MUR 000	After 5 years MUR 000	Total MUR 000
31 December 2014				
Gross investment in finance leases	602,352	1,196,106	43,033	1,841,491
Less: Unearned finance income	(133,341)	(122,499)	(2,197)	(258,037)
Present value of minimum lease payments	469,011	1,073,607	40,836	1,583,454
Allowance for impairment				(46,081)
				1,537,373
31 December 2013				
Gross investment in finance leases	667,576	1,515,899	119,678	2,303,153
Less: Unearned finance income	(174,365)	(179,956)	(6,181)	(360,502)
Present value of minimum lease payments	493,211	1,335,943	113,497	1,942,651
Allowance for impairment				(43,431)
				1,899,220

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.

(c) Allowance for credit impairment

Accounting policy

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.

A portfolio allowance for credit losses is maintained in accordance with the guidelines of the Bank of Mauritius. These guidelines require that the Bank maintains a provision for credit impairment on all unimpaired loans and advances of not less than 1%.The Bank of Mauritius also imposes additional macro-prudential provisioning up to 1% on exposures to certain specific sectors of the economy. The changes in portfolio allowance are charged or credited to the statement of profit or loss at the end of each period.

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.*

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

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

(c) Allowance for credit impairment (cont'd)

Significant accounting estimates and judgement

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.

The Group's allowance for portfolio impairment is determined based on the guidelines imposed by the Bank of Mauritius. Such guidelines require the Bank to make portfolio provision of not less than 1% on unimpaired loans and advances which is generally higher than the historical loss rate of the loan portfolio of the Bank. However, the Directors have estimated that the resulting impairment charge to the statement of profit or loss is not materially different from what would have resulted had the Bank determined its portfolio provisioning based on the incurred loss model under IAS 39.

	The Group		
	Specific allowance for credit impairment MUR 000	Portfolio allowance for credit impairment (Restated) MUR 000	Total (Restated) MUR 000
At 01 July 2012			
- As previously stated	455,000	252,073	707,073
- Restatement in respect of portfolio provisioning (Note 39)	-	551,145	551,145
- As restated	455,000	803,218	1,258,218
Exchange differences	(22,198)	(5,940)	(28,138)
Loans written off	(493,946)	-	(493,946)
- As restated	(61,144)	797,278	736,134
Allowance for credit impairment for the period			
- As previously stated	864,363	(17,727)	846,636
- Adjustment in respect of portfolio provisioning (Note 39)	-	(88,049)	(88,049)
- As restated (Note 33)	864,363	(105,776)	758,587
At 31 December 2013-As restated	803,219	691,502	1,494,721
At 01 January 2014			
- As previously stated	803,219	228,406	1,031,625
- Restatement in respect of portfolio provisioning (Note 39)	-	463,096	463,096
- As restated	803,219	691,502	1,494,721
Exchange differences	4,578	5,013	9,591
Loans written off	(474,478)	-	(474,478)
- As restated	333,319	696,515	1,029,834
Allowance for credit impairment for the year			
- As previously stated	478,196	7,526	485,722
- Adjustment in respect of portfolio provisioning (Note 39)	-	156,621	156,621
- As restated (Note 33)	478,196	164,147	642,343
At 31 December 2014-As restated	811,515	860,662	1,672,177
At 01 January 2015			
- As previously stated	811,515	240,945	1,052,460
- Restatement in respect of portfolio provisioning	-	619,717	619,717
- As restated	811,515	860,662	1,672,177
Exchange differences	**7,667**	**961**	**8,628**
Loans written off	**(114,363)**	**-**	**(114,363)**
Allowance for credit impairment for the year (Note 33)	**1,722,242**	**223,205**	**1,945,447**
At 31 December 2015	**2,427,061**	**1,084,828**	**3,511,889**

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

(d) Allowance for credit impairment by industry sectors

	31 December 2015					31 December 2014	31 December 2013
	Gross amount of loans	Impaired loans	Specific allowance for credit impairment	Portfolio allowance for credit impairment	Total allowances for credit impairment	Total allowances for credit impairment (Restated)	Total allowances for credit impairment (Restated)
The Group	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
Agriculture and fishing	3,566,667	82,239	44,567	35,096	79,663	78,010	42,931
Manufacturing	5,247,407	215,855	60,752	72,483	133,235	130,373	115,590
of which EPZ	*751,499*	*2,280*	*2,280*	*17,002*	*19,282*	*27,965*	*34,415*
Tourism	12,044,026	7,518	4,948	230,946	235,894	178,323	136,204
Transport	1,422,336	609,799	356,523	55,647	412,170	29,771	20,548
Construction	3,882,755	359,280	164,918	73,846	238,764	186,336	166,912
Financial and business services	4,799,681	440,725	431,583	89,425	521,008	26,336	20,267
Traders	6,916,174	424,796	265,580	72,325	337,905	153,637	184,549
Personal	27,815,335	870,509	627,921	407,135	1,035,056	802,975	603,748
of which credit cards	*529,939*	*64,713*	*64,713*	*4,831*	*69,544*	*57,998*	*45,180*
Professional	250,445	-	-	1,762	1,762	1,747	1,978
Global Business Licence holders	519,732	-	-	5,055	5,055	4,703	16,099
Others	5,831,526	702,019	470,269	41,108	511,377	79,966	185,895
	72,296,084	3,712,740	2,427,061	1,084,828	3,511,889	1,672,177	1,494,721

Total impaired loans for 2014 for the Group were MUR 1,462 million (2013: MUR 1,446 million).

9. INVESTMENTS SECURITIES

Accounting policy

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

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets at fair-value-through-profit-or-loss ("FVTPL"), loans-and-receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

(i) Financial assets at FVTPL

Financial assets are classified in the FVTPL category when they are either held for trading or are designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the *Statement of profit or loss and other comprehensive income*. Interest earned on the financial asset is included in Interest income line while dividend received is included in the Dividend income line.

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

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

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

If the Group or/and the Company sell or reclassify 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 and the Company will not classify any financial asset as held to maturity during the following two years.

(iii) Loans and receivables

Refer to note 8 for accounting policy on loans and receivables.

(iv) Available-for-sale (AFS) investments

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The fair values of the AFS investment securities are subsequently remeasured based on quoted market prices in active markets or estimated using dividend growth, discounted cash flows or net assets value. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates are recognised in the *Statement of profit or loss*. Other changes in the carrying amount of AFS investment securities are recognised in *Other comprehensive income* and accumulated under the heading of Net unrealised investment fair value reserve.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the Net unrealised investment fair value reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's and /or the Company's right to receive the dividends is established.

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

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9. INVESTMENTS SECURITIES (CONT'D)

Accounting policy (cont'd)

Investment in subsidiaries

<u>Financial statements of the Company</u>

Investment in subsidiary companies are carried at cost which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquirer. Acquisition-related costs are generally recognized in profit or loss as incurred. The carrying amount is reduced to recognise any impairment in the value of individual investments. The impairment loss is taken to profit or loss.

<u>Consolidated financial statements</u>

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Business combinations are accounted for using the purchase method of accounting.

Significant accounting estimates and judgements

The fair value of equity investments that are quoted on active markets are based on the quoted prices for these instruments. Valuation techniques used to estimate the fair value of unquoted equity investments include the dividend growth, discounted cash flows and net assets. Management has made certain assumptions for inputs in the models, such as risk free rate, risk premium, dividend growth rate, future cash flows, weighted average cost of capital, and earnings before interest depreciation and tax, which may be different from actual. Inputs are based on information available at the reporting date.

<u>Remaining term to maturity</u>

(i) Investment securities

	31 December 2015										
	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	31 December 2014	31 December 2013
The Group	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
(a) Loans and receivables - Investment securities											
Government bonds and treasury notes	-	651,829	822,979	-	3,098,870	7,493,754	2,868,192	-	14,935,624	10,432,468	7,468,002
Treasury bills	782,202	952,852	152,934	494,997	-	-	-	-	2,382,985	5,461,589	3,653,611
Bank of Mauritius bills / notes	-	755,501	147,469	-	1,674,177	868,967	588,037	-	4,034,151	3,190,346	2,227,513
Corporate bonds	-	-	-	-	-	400,260	-	-	400,260	336,649	450,224
	782,202	2,360,182	1,123,382	494,997	4,773,047	8,762,981	3,456,229	-	21,753,020	19,421,052	13,799,350
(b) Available-for-sale investment securities											
Government bonds	12,054	6,684	-	-	108,936	599,411	568,238	-	1,295,323	1,374,117	826,492
Treasury bills / notes	162,908	-	-	-	-	-	-	-	162,908	126,007	865,490
Securities issued by government bodies	96	-	-	-	-	-	-	-	96	354	345
Bank bonds	601,068	164,293	810,214	1,183,190	1,563,186	5,301,955	1,829,408	-	11,453,314	8,225,574	1,712,006
Corporate paper and preference shares	791,553	170,550	328,740	135,896	191,144	682,294	-	-	2,300,177	1,222,779	972,450
Corporate bonds	-	-	-	-	149,626	-	261,360	-	410,986	-	-
	1,567,679	341,527	1,138,954	1,319,086	2,012,892	6,583,660	2,659,006	-	15,622,804	10,948,831	4,376,783
Total investment securities	2,349,881	2,701,709	2,262,336	1,814,083	6,785,939	15,346,641	6,115,235	-	37,375,824	30,369,883	18,176,133

9. INVESTMENTS SECURITIES (CONT'D)

Remaining term to maturity (cont'd)

The Company	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	31 December 2014	31 December 2013
	31 December 2015										
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
(a) Loans and receivables											
Government bonds and treasury notes	-	-	718,103	-	815,017	-	1,576,813	-	3,109,933	346,171	-
Bank of Mauritius bills / notes	-	495,557	-	-	-	-	-	-	495,557	1,499,384	-
Treasury bills	36,940	19,825	-	-	-	-	-	-	56,765	-	-
(b) Available-for-sale investments											
Bank bonds	-	-	-	755	375,360	876,236	981,744	-	2,234,095	2,070,199	-
Total investment securities	36,940	515,382	718,103	755	1,190,377	876,236	2,558,557	-	5,896,350	3,915,754	-

(ii) Equity investments

The Group	Up to 3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	No specific maturity	Total	31 December 2014	31 December 2013
	31 December 2015										
	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
Available-for-sale											
Equity shares of companies:											
- Investment in associate [Note 9 (iv) (b)]	-	-	-	-	-	-	-	-	-	-	845,175
- Other equity investments	-	-	-	-	6,066,176	-	-	-	6,066,176	6,721,917	4,189,429
	-	-	-	-	6,066,176	-	-	-	6,066,176	6,721,917	5,034,604
The Company											
Available-for-sale											
Equity shares of companies - Other equity investments	-	-	-	-	5,534,324	-	-	-	5,534,324	6,319,881	-
	-	-	-	-	5,534,324	-	-	-	5,534,324	6,319,881	-

(iii) Investment in subsidiaries

The Company											
- SBM (Bank) Holdings Ltd*	-	-	-	-	-	-	-	20,522,112	20,522,112	20,522,112	-
- SBM (NBFC) Holdings Ltd	-	-	-	-	-	-	-	62,406	62,406	62,406	-
- SBM (NFC) Holdings Ltd	-	-	-	-	-	-	-	414,665	414,665	414,665	-
	-	-	-	-	-	-	-	20,999,183	20,999,183	20,999,183	-

9. INVESTMENTS SECURITIES (CONT'D)

(iii) Investment in subsidiaries (cont'd)

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

Operating companies	31 December 2015 MUR 000	31 December 2014 MUR 000
- SBM Mauritius Ltd - SBM Bank (Mauritius) Ltd	**20,384,912**	20,384,912
- SBM Madagascar Ltd - Banque SBM Madagascar SA	**136,090**	136,090
Special Purpose Vehicles		
- SBM India Ltd	**500**	500
- SBM Myanmar Ltd	**610**	610
	20,522,112	20,522,112

Details of subsidiaries and associate are as follows:

(a) SUBSIDIARIES

	Country of Incorporation and Operation	Business Activity	Issued Share Capital	Effective % holding 31 December 2015	31 December 2014	31 December 2013
1.0 *Banking Segmental Subsidiaries*						
1.1 *Special Purpose Vehicle for Bank Investments Holding Company*						
1.1.1 SBM (Bank) Holdings Ltd	Mauritius	Bank Investment Holding Company	MUR 75,000	**100**	100	100
1.2 *Special Purpose Vehicles for single Bank Investment Holding Subsidiaries*						
1.2.1 SBM Mauritius Ltd	Mauritius	Investment in SBM Bank (Mauritius) Ltd	MUR 1	**100**	100	-
1.2.2 SBM Madagascar Ltd	Mauritius	Investment in Banque SBM Madagascar SA	MUR 60,960	**100**	100	100
1.3 *Bank Operating Subsidiaries*						
1.3.1 SBM Bank (Mauritius) Ltd[1]	Mauritius	Commercial Banking	MUR 310 million	**100**	100	100
1.3.2 Banque SBM Madagascar SA	Madagascar	Commercial Banking	MGA 7.4 billion	**100**	100	100

9. INVESTMENTS SECURITIES (CONT'D)

(iii) Investment in subsidiaries (cont'd)

Details of subsidiaries and associate are as follows (cont'd):

(a) SUBSIDIARIES

	Country of Incorporation and Operation	Business Activity	Issued Share Capital	Effective % holding 31 December 2015	31 December 2014	31 December 2013
2.0 *Non Bank Financial Segment Subsidiaries*						
2.1 Special Purpose Vehicle for Non-Bank Investments Holding Company						
2.1.1 SBM (NBFC) Holdings Ltd	Mauritius	Non Banking Financial Investments Holding Company	MUR 25,000	**100**	100	100
2.2 *Special Purpose Vehicle*						
2.2.1 SPV-SBM E-Business Ltd	Mauritius	In progress	MUR 625,000	**100**	100	-
2.3 *Non Bank Operating Subsidiaries*						
2.3.1 SBM Fund Services Ltd	Mauritius	Fiduciary services / Back Office processing	MUR 0.5 million	**100**	100	100
2.3.2 SBM Mauritius Asset Managers Ltd	Mauritius	Asset Management	MUR 1.6 million	**100**	100	100
2.3.3 SBM Securities Limited	Mauritius	Stockbroking	MUR 1 million	**100**	100	100
2.3.4 SBM Asset Management Limited	Mauritius	Asset Management	USD 40,000	**100**	100	100
2.3.5 SBM Capital Management Limited[2]	Mauritius	Investments	USD 125,000	**100**	100	100
2.3.6 SBM E-Business Ltd	Mauritius	Card Acquiring & Processing	MUR 25,000	**100**	100	100
2.3.7 SBM Custody Services Ltd	Mauritius	Custody Services	MUR 25,000	**100**	100	100
3.0 *Non Financial Segment*						
3.1 SBM (NFC) Holdings Ltd	Mauritius	Non Financial Holding Company	MUR 25,000	**100**	100	100
4.0 *Indirect Subsidiary*						
4.1 SBM 3S Ltd	Mauritius	Shared Support Services	MUR 25,000	**100**	100	100

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

[1]State Bank of Mauritius Ltd has been renamed as SBM Bank (Mauritius) Ltd with effect from 02 October 2014.

[2]SBM Capital Management Ltd also holds a Foreign Institutional Investor licence issued by Securities and Exchange Board of India (SEBI, Mumbai).

9. INVESTMENTS SECURITIES (CONT'D)

(iii) Investment in subsidiaries (cont'd)

(b) Associate Summarised financial information in respect of the Group's associate is set out below:	31 August 2014 MUR 000	31 December 2013 MUR 000
Total assets	17,948,374	17,382,460
Total liabilities	13,455,208	13,156,587
Total revenue	2,135,467	2,121,601
Total profit for the period	314,966	708,357
Share of profit	62,993	141,671
Share of net assets	898,633	845,175

The investment in associate had been reclassified in August 2014 to other equity investments under "Available for sale investment securities" at fair value as the Group had ceased to have significant influence on the investee company. An amount of MUR 62.99 million has been recognised as the share of profits in associate through the Statement of profit or loss in the financial year 2014 (2013:141,671).

10. PROPERTY AND EQUIPMENT

Accounting policy

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

It is the Group's policy to revalue its freehold land and buildings at least every five years by independent valuers. Any revaluation surplus is credited to the Net property revaluation reserve. Any revaluation decrease is first charged directly against any Net property revaluation reserve held in respect of respective asset, and then to the *Statement of profit or loss.*

Work in progress is carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other tangible fixed assets, commences when the assets are ready for their intended use.

Depreciation is calculated to write off the cost or revalued amounts of tangible fixed assets over their estimated useful lives on a straight-line basis. Depreciation is calculated from the month the asset is capitalised. No depreciation is provided on freehold land.

The estimated useful lives of property and equipment are as follows:

Buildings	50 years
Plant, machinery, furniture, fittings and computer equipment	3 to 10 years
Motor vehicles	5 years

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset. These are included within *Other operating income* in the *Statement of profit or loss.*

10. PROPERTY AND EQUIPMENT (CONT'D)

Accounting policy (cont'd)

Each year, the difference, net of the impact of deferred tax, between the depreciation based on the revalued carrying amount of the asset (the depreciation charged to the *Statement of profit or loss*) and the depreciation based on the asset's original cost is transferred from the *Net property revaluation reserve* to *retained earnings*.

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.

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.

The Group	Freehold land and buildings MUR 000	Buildings on leasehold land MUR 000	Other tangible fixed assets MUR 000	Motor vehicles MUR 000	Total MUR 000
Cost or valuation					
At 01 July 2012	607,377	1,908,071	1,627,584	24,406	4,167,438
Additions	61,183	-	99,629	3,725	164,537
Disposals	-	-	(101,836)	(6,451)	(108,287)
Write off	-	-	(305)	-	(305)
Translation adjustment	(22,715)	-	(5,931)	(378)	(29,024)
At 31 December 2013	645,845	1,908,071	1,619,141	21,302	4,194,359
Additions	245,841	-	40,641	-	286,482
Disposals	-	-	(8,756)	(479)	(9,235)
Revaluation	66,170	(336,424)	-	-	(270,254)
Translation adjustment	6,056	-	(2,111)	(155)	3,790
At 31 December 2014	**963,912**	**1,571,647**	**1,648,915**	**20,668**	**4,205,142**
Additions	**15 ,029**	**-**	**195,198**	**6,038**	**216,265**
Disposals	**-**	**-**	**(22,762)**	**(12,445)**	**(35,207)**
Revaluation	**(2,680)**	**-**	**-**	**-**	**(2,680)**
Translation adjustment	**12,657**	**-**	**(759)**	**(116)**	**11,782**
At 31 December 2015	**988,918**	**1,571,647**	**1,820,592**	**14,145**	**4,395,302**

10. PROPERTY AND EQUIPMENT (CONT'D)

The Group	Freehold land and buildings MUR 000	Buildings on leasehold land MUR 000	Other tangible fixed assets MUR 000	Motor vehicles MUR 000	Total MUR 000
Accumulated depreciation					
At 01 July 2012	26,023	115,659	1,351,454	10,760	1,503,896
Charge for the period	17,956	83,296	138,628	5,927	245,807
Disposals	-	-	(101,600)	(5,887)	(107,487)
Write off	-	-	(305)	-	(305)
Translation adjustment	(2,143)	-	(4,981)	(302)	(7,426)
At 31 December 2013	41,836	198,955	1,383,196	10,498	1,634,485
Charge for the year	12,883	54,337	79,892	3,839	150,951
Disposals	-	-	(8,302)	(479)	(8,781)
Revaluation	(29,896)	(235,961)	-	-	(265,857)
Translation adjustment	842	-	(1,873)	(152)	(1,183)
At 31 December 2014	**25,665**	**17,331**	**1,452,913**	**13,706**	**1,509,615**
Charge for the year	**15,941**	**51,949**	**81,658**	**3,491**	**153,039**
Disposals	**-**	**-**	**(22,734)**	**(10,331)**	**(33,065)**
Translation adjustment	**1,650**	**-**	**(888)**	**(123)**	**639**
At 31 December 2015	**43,256**	**69,280**	**1,510,949**	**6,743**	**1,630,228**
Net book value					
At 31 December 2015	**945,662**	**1,502,367**	**309,643**	**7,402**	**2,765,074**
Progress payments on tangible fixed assets					**62,527**
					2,827,601
At 31 December 2014	938,247	1,554,316	196,002	6,962	2,695,527
Progress payments on tangible fixed assets					57,776
					2,753,303
At 31 December 2013	604,009	1,709,116	235,945	10,804	2,559,874
Progress payments on tangible fixed assets					63,191
					2,623,065

10. PROPERTY AND EQUIPMENT (CONT'D)

The Company	Motor vehicles MUR 000	Total MUR 000
Cost or valuation		
At 31 December 2014	-	-
Additions	6,013	6,013
At 31 December 2015	**6,013**	**6,013**
Accumulated depreciation		
At 31 December 2014	-	-
Charge for the year	501	501
At 31 December 2015	**501**	**501**
Net book value		
At 31 December 2015	**5,512**	**5,512**

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

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

	The Group		
Level 2 fair value	**31 December 2015 MUR 000**	31 December 2014 MUR 000	31 December 2013 MUR 000
Freehold land and buildings	**988,918**	963,912	645,845
Buildings on leasehold land	**1,571,647**	1,571,647	1,908,071
	2,560,565	2,535,559	2,553,916

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

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Freehold land and buildings	**543,381**	531,724	268,623
Buildings on leasehold land	**399,648**	412,947	426,245
	943,029	944,671	694,868

The freehold land and buildings are periodically valued based on market value by independent valuation surveyor. Buildings on leasehold land in Mauritius were revalued in September 2014 by an independent Chartered Valuation Surveyor, on a basis of open market value. The freehold land and building in India were revalued in March 2014 by independent Chartered Valuation Surveyors, on an open market value basis.

11. INTANGIBLE ASSETS

Accounting policy

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

Assets under construction

The Group has embarked on a business aligned technology transformation programme since 2012. All costs incurred in respect of this project; namely the "Flamingo Project" has been capitalised under "asset under construction". Amortisation of the costs will start as soon as the project will go live as from September 2016.

Intellectual property rights

The Group entered into an agreement in respect of Business Process Engineering and Business Transformation Initiatives to align both its strategies and processes with the Technology Transformation Initiative namely the Flamingo Project. The costs incurred in respect of these initiatives were capitalised as intellectual property rights. These costs will be amortised as soon as the project goes live in September 2016.

WIP Software

The Group is developing few softwares. These costs will be transferred under "Software" as soon as they will be in use by the Bank.

11. INTANGIBLE ASSETS (CONT'D)

The Group	Software MUR 000	WIP Software MUR 000	Intellectual Property (Restated) MUR 000	Assets under construction (Restated) MUR 000	Total MUR 000
Cost					
At 01 July 2012	883,880	934	-	33,142	917,956
Transfer to other assets	-	-	-	(33,142)	(33,142)
Translation adjustment	(2,060)	-	-	-	(2,060)
Additions	20,287	7,223	598,165	-	625,675
Disposals	(22,761)	-	-	-	(22,761)
Transfers	-	(2,869)	-	-	(2,869)
At 31 December 2013 as previously stated	879,346	5,288	598,165	-	1,482,799
Project costs transferred from other assets	-	-	-	731,850	731,850
Amount expensed to statement of profit or loss	-	-	(347,492)	-	(347,492)
Transfers	-	-	(12,136)	12,136	-
At 31 December 2013 as restated	879,346	5,288	238,537	743,986	1,867,157
At 01 January 2014 as previously stated	879,346	5,288	598,165	-	1,482,799
Restatement made in prior years:					
Project costs transferred from other assets	-	-	-	731,850	731,850
Amount expensed to statement of profit or loss	-	-	(347,492)	-	(347,492)
Transfers	-	-	(12,136)	12,136	-
At 01 January 2014 as restated	879,346	5,288	238,537	743,986	1,867,157
Translation adjustment	596	-	-	-	596
Additions	4,466	1,989	441,455	974,275	1,422,185
Transfers	-	(3,960)	(8,650)	8,650	(3,960)
Amount expensed to statement of profit or loss	-	-	(253,493)	(920,581)	(1,174,074)
At 31 December 2014 as restated	**884,408**	**3,317**	**417,849**	**806,330**	**2,111,904**
At 01 January 2015 as previously stated	**884,408**	**3,317**	**1,039,620**	**-**	**1,927,345**
Restatement made in prior years:					
Project costs transferred from other assets	**-**	**-**	**-**	**1,706,125**	**1,706,125**
Transfers	**-**	**-**	**(20,787)**	**20,787**	**-**
Amount expensed to statement of profit or loss	**-**	**-**	**(600,984)**	**(920,582)**	**(1,521,566)**
At 01 January 2015 as restated	**884,408**	**3,317**	**417,849**	**806,330**	**2,111,904**
Translation adjustment	**1,345**	**-**	**-**	**-**	**1,345**
Additions	**3,132**	**6,201**	**107,876**	**1,013,899**	**1,131,108**
Transfer	**-**	**(4,420)**	**-**	**-**	**(4,420)**
At 31 December 2015	**888,885**	**5,098**	**525,725**	**1,820,229**	**3,239,937**

11. INTANGIBLE ASSETS (CONT'D)

The Group	Software MUR 000	WIP Software MUR 000	Intellectual Property (Restated) MUR 000	Assets under construction (Restated) MUR 000	Total MUR 000
Accumulated amortisation					
At 01 July 2012	831,404	-	-	-	831,404
Translation adjustment	(1,989)	-	-	-	(1,989)
Disposals	(22,449)	-	-	-	(22,449)
Write off adjustment	(313)	-	-	-	(313)
Charge for the period	37,232	-	-	-	37,232
At 31 December 2013	843,885	-	-	-	843,885
Translation adjustment	615	-	-	-	615
Charge for the year	15,071	-	-	-	15,071
At 31 December 2014	**859,571**	**-**	**-**	**-**	**859,571**
Translation adjustment	**1,240**	**-**	**-**	**-**	**1,240**
Charge for the year	**8,497**	**-**	**-**	**-**	**8,497**
At 31 December 2015	**869,308**	**-**	**-**	**-**	**869,308**
Net book value					
At 31 December 2015	**19,577**	**5,098**	**525,725**	**1,820,229**	**2,370,629**
At 31 December 2014 (as restated) (Note 39b)	24,837	3,317	417,849	806,330	1,252,333
At 31 December 2014 (as previously stated)	24,837	3,317	1,039,620	-	1,067,774
At 31 December 2013 (as restated) (Note 39b)	35,461	5,288	238,537	743,986	1,023,272
At 31 December 2013 (as previously stated)	35,461	5,288	598,165	-	638,914

For prior year adjustments on intangible assets, please refer to note 39

12. OTHER ASSETS

Accounting policy

Other assets and other receivables are those that have fixed or determinable payments and that are not quoted in an active market are classified as loan and receivables. They are measured at amortised cost, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Interest accrued on placements is accounted for in the *Statement of profit or loss* as Interest income.

12. OTHER ASSETS (CONT'D)

	The Group			The Company		
	31 December 2015 MUR 000	31 December 2014 (Restated) MUR 000	31 December 2013 (Restated) MUR 000	**31 December 2015 MUR 000**	31 December 2014 MUR 000	31 December 2013 MUR 000
Accounts receivable[1]	**226,705**	354,827	811,857	**-**	-	-
Balances due in clearing	**186,331**	238,838	266,965	**-**	-	-
Tax paid in advance[2]	**107,871**	93,087	110,996	**-**	-	-
Dividend receivable	**126,267**	148,732	-	**126,267**	281,532	-
Non-banking assets acquired in satisfaction of debts[3]	**6,613**	63	161	**-**	-	-
Licence fees prepaid	**281,674**	322,675	243,148	**-**	-	-
Others	**78,319**	90,407	73,924	**506**	6,258	14
	1,013,780	1,248,629	1,507,051	**126,773**	287,790	14

[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 soon as the market permits.

13. PENSION LIABILITY

Accounting policy

(i) Pension benefits for eligible participating employees

Eligible participating employees are entitled to retirement pensions under the SBM Group Pension Fund, a defined benefit scheme. The average retirement age is 62. The assets of the scheme are managed presently by the SBM Mauritius Asset Managers Ltd.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets, is reflected immediately in the *Statement of financial position* with a charge or credit recognised in *other comprehensive income* in the period in which they occur. Remeasurement recognised in *other comprehensive income* is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in the *Statement of profit or loss* in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

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

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

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

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

13. PENSION LIABILITY (CONT'D)

Significant accounting estimates and judgements

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

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

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Reconciliation of net defined benefit liability			
Present value of funded defined benefit obligation	**873,533**	836,905	769,668
Fair value of planned assets	**(784,441)**	(761,332)	(672,727)
Funded status	**89,092**	75,573	96,941
Restrictions on assets recognised	**-**	-	-
Net liability arising from defined benefit obligation (Note 18)	**89,092**	75,573	96,941
Reconciliation of net defined benefit liability			
Balance at start of the year / period	**75,573**	96,941	54,874
Amount recognised in statement of profit or loss (Note 31)	**33,414**	33,089	43,391
Amount recognised in other comprehensive income	**12,798**	(13,947)	29,670
Less employer contributions	**(32,693)**	(40,510)	(30,994)
Balance at end of the year / period (Note 18)	**89,092**	75,573	96,941
Reconciliation of fair value of planned assets			
Balance at start of the year / period (restated)	**761,332**	672,727	601,575
Interest income	**57,438**	51,314	92,700
Employer contributions	**32,693**	40,510	30,994
Benefits paid	**(23,479)**	(17,166)	(27,706)
Return on planned assets excluding interest income	**(43,543)**	13,947	(24,836)
Balance at end of the year / period	**784,441**	761,332	672,727

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13. PENSION LIABILITY (CONT'D)

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Reconciliation of present value of defined benefit obligation			
Balance at start of the year / period	**836,905**	769,668	656,449
Current service cost	**28,949**	27,310	37,255
Interest expense	**61,903**	57,093	98,836
Other benefits paid	**(23,479)**	(17,166)	(27,706)
Liability experience gain	**-**	-	(27,621)
Liability gain due to change in demographic assumptions	**-**	-	(35,560)
Liability loss due to change in financial assumptions	**(30,745)**	-	68,015
Balance at end of the year / period	**873,533**	836,905	769,668

	Year ended 31 December 2015 MUR 000	Year ended 31 December 2014 MUR 000	18 months ended 31 December 2013 MUR 000
Components of amount recognised in statement of profit or loss			
Service cost	**28,949**	27,310	37,255
Net interest on net employee defined benefit liability	**4,465**	5,779	6,136
Total expense (Note 31)	**33,414**	33,089	43,391
Components of amount recognised in other comprehensive income			
Return on planned assets (above) / below interest income	**43,543**	(13,947)	24,836
Liability experience gain	**-**	-	(27,621)
Liability experience gain due to change in demographic assumptions	**-**	-	(35,560)
Liability experience gain due to change in financial assumptions	**(30,745)**	-	68,015
Total	**12,798**	(13,947)	29,670

	The Group		
	31 December 2015 %	31 December 2014 %	31 December 2013 %
Allocation of planned assets at end of year / period			
Equity - Overseas quoted	**28**	34	32
Equity - Local quoted	**34**	31	35
Equity - Local unquoted	**3**	3	1
Debt - Overseas quoted	**1**	-	-
Debt - Local unquoted	**23**	25	29
Cash and other	**11**	7	3
Total	**100**	100	100

13. PENSION LIABILITY (CONT'D)

	The Group		
	31 December 2015 %	31 December 2014 %	31 December 2013 %
Allocation of planned assets at end of year / period			
Reporting entity's own transferable financial instruments	**7**	8	10
Principal assumptions used at end of year / period			
Discount rate	**7.0%**	7.5%	7.5%
Rate of salary increases	**5.0%**	6.0%	6.0%
Rate of pension increases	**2.0%**	2.5%	2.5%
Average retirement age (ARA)	**62**	62	62
Average life expectancy for:			
- Male at ARA	**18.0 years**	18.0 years	18.0 years
- Female at ARA	**22.5 years**	22.5 years	22.5 years

	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Sensitivity Analysis on defined benefit obligation at end of year / period			
Increase due to 1% decrease in discount rate	**183,941**	151,019	N/A
Decrease due to 1% increase in discount rate	**88,919**	121,907	N/A

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

Future cashflows

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

The Group expects to make a contribution of around MUR 37 million to the SBM Group Pension Fund for the next financial year and the weighted average duration of the defined benefit obligation is 15 years.

Pension amounts and disclosures have been based on the report dated 03 March 2016 submitted by an independent firm of Actuaries and Consultants.

The Group sponsors a final salary defined benefit pension plan for a category of its employees. The Group has recognised a net defined benefit liability of MUR 89.091 million as at 31 December 2015 for the plan (31 December 2014: MUR 75.573 million;31 December 2013: MUR 96.841 million).

The plan exposes the Group to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary rise risks.

Investment risk

The plan liability is calculated using a discount rate determined by reference of government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

13. PENSION LIABILITY (CONT'D)

Interest risk

A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk

The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary risk

The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

There has been no plan amendment, curtailment or settlement during the year.

14. DEPOSITS FROM BANKS

Accounting policy

Deposits from Banks are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the Group's and /or the Company's obligations are discharged, cancelled or they expire.

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Demand deposits	**751,719**	593,899	217,281

15. DEPOSITS FROM NON-BANK CUSTOMERS

Accounting policy

Deposits from Non-Bank customers are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the Group's and /or the Company's obligations are discharged, cancelled or they expire.

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

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
(i) Retail customers			
Current accounts	13,649,850	11,400,384	10,167,702
Savings accounts	40,720,718	34,572,522	31,670,232
Time deposits with remaining term to maturity:			
- Up to 3 months	1,366,017	1,471,621	1,659,391
- Over 3 months and up to 6 months	1,254,137	1,133,352	950,699
- Over 6 months and up to 12 months	6,306,121	2,365,906	2,823,829
- Over 1 year and up to 5 years	2,858,790	6,195,927	5,756,393
- Over 5 years	1,400	1,261	1,213
Total time deposits	11,786,465	11,168,067	11,191,525
Total deposits from retail customers	66,157,033	57,140,973	53,029,459
(ii) Corporate customers			
Current accounts	24,120,500	20,440,097	15,871,120
Savings accounts	3,350,325	6,025,231	5,217,449
Time deposits with remaining term to maturity:			
- Up to 3 months	4,734,198	2,316,605	2,849,925
- Over 3 months and up to 6 months	322,129	414,240	791,567
- Over 6 months and up to 12 months	1,330,657	618,294	436,529
- Over 1 year and up to 5 years	395,752	625,256	765,208
- Over 5 years	-	-	-
Total time deposits	6,782,736	3,974,395	4,843,229
Total deposit from corporate customers	34,253,561	30,439,723	25,931,798
(iii) Government			
Current accounts	1,775,756	1,903,416	1,823,047
Savings accounts	2,091,927	2,161,330	2,107,017
Time deposits with remaining term to maturity:			
- Up to 3 months	112	136,729	122,509
- Over 3 months and up to 6 months	406	407	407
- Over 6 months and up to 12 months	2,242	2,245	2,398
- Over 1 year and up to 5 years	66	167	-
Total time deposits	2,826	139,548	125,314
Total deposit from the Government	3,870,509	4,204,294	4,055,378
Total deposit from non-bank customers	104,281,103	91,784,990	83,016,635

16. OTHER BORROWED FUNDS

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Borrowings from central banks			
- For refinancing	**203,758**	250,967	367,018
Other financial institutions			
- For refinancing	**1,885,189**	1,959,843	1,480,060
- Other	**-**	2,385,460	2,250,000
Borrowings from banks			
- In Mauritius	**43,550**	428,535	1,411,383
- Abroad	**-**	88,200	601,590
	2,132,497	5,113,005	6,110,051
Remaining term to maturity			
Up to 3 months	**-**	927,430	1,817,777
Over 3 months and up to 6 months	**-**	54,120	-
Over 6 months and up to 12 months	**43,550**	2,447,265	303,131
Over 1 year and up to 5 years	**759,518**	704,714	2,664,164
Over 5 years	**1,329,429**	979,476	1,324,979
	2,132,497	5,113,005	6,110,051

17. TAXATION

Accounting policy

Income tax
Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Value added tax
Revenues, expenses and assets are recognised net of the amount of value added tax except:
- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of Other assets or Other liabilities in the statement of financial position.

Corporate social responsibility (CSR)
Corporate social responsibility (CSR) was legislated by the Government of Mauritius in July 2009. In terms of the legislation, the bank is required to allocate 2% of its Segment A chargeable income of the preceding financial year to government approved CSR NGOs. This is recorded as part of income tax expense.

Bank levy
SBM (Bank) Mauritius Ltd, a subsidiary of SBM Holdings Ltd, is liable to pay a special levy of 10% on chargeable income of segment A operations and 3.4% on book profit plus 1% on operating income of segment B operations. The special levy is included in the income tax expense and current tax liabilities in the financial statements.

17. TAXATION (CONT'D)

The applicable income tax rate in Mauritius is 15% (2014 and 2013: 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% (2014 and 2013: 43.26%), whereas that of Madagascar is 20% (2014 and 2013: 20%).

(a) TAX EXPENSE

	The Group			The Company		
	Year ended 31 December 2015	Year ended 31 December 2014 (Restated)	18 months ended 31 December 2013 (Restated)	**Year ended 31 December 2015**	Year ended 31 December 2014	18 months ended 31 December 2013
	MUR 000	MUR 000	MUR 000	**MUR 000**	MUR 000	MUR 000
Accounting profit	**2,048,002**	2,541,041	5,259,183	**2,694,286**	643,162	-
Tax on accounting profit at 15%	**307,200**	381,156	788,877	**404,143**	96,474	-
Exchange difference	**35**	4	50	**-**	-	-
Non allowable expenses	**8,001**	174,945	64,789	**19**	-	-
Exempt income	**(36,633)**	(136,198)	(233,212)	**(387,754)**	(96,474)	-
Over provision in previous periods / years	**(55,057)**	(20,473)	(34,401)	**-**	-	-
Special levy on banks	**219,589**	319,314	379,410	**-**	-	-
Corporate Social Responsibility contribution	**50,088**	49,830	65,997	**-**	-	-
Withholding tax	**8,843**	18,216	30,162	**-**	-	-
	502,066	786,794	1,061,672	**16,408**	-	-
Tax refund	**(10,837)**	-	-	**-**	-	-
Foreign tax credit	**(50,781)**	(114,153)	(152,864)	**-**	-	-
Total tax expense	**440,448**	672,641	908,808	**16,408**	-	-

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

Income tax expense	**473,007**	674,179	988,259	**16,389**	-	-
Deferred tax income (*Note 18b*)	**(91,490)**	(69,584)	(175,610)	**19**	-	-
Corporate Social Responsibility	**50,088**	49,830	65,997	**-**	-	-
Withholding tax	**8,843**	18,216	30,162	**-**	-	-
Total tax expense	**440,448**	672,641	908,808	**16,408**	-	-

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

In Mauritius	**445,196**	682,252	922,293	**16,408**	-	-
Overseas	**(4,749)**	(9,611)	(13,485)	**-**	-	-
Total tax expense	**440,448**	672,641	908,808	**16,408**	-	-

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17. TAXATION (CONT'D)

Accounting policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Current tax and deferred tax relating to items recognised outside profit or loss are recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

17. TAXATION (CONT'D)

(b) DEFERRED TAX (ASSETS) / LIABILITIES

	As previously stated MUR 000	Restatement MUR 000	The Group MUR 000	The Company MUR 000
At 01 July 2012-As previously stated	162,588	-	162,588	-
- Restatement in respect of portfolio provisioning (Note 39)	-	(75,739)	(75,739)	-
At 01 July 2012 as restated	162,588	(75,739)	86,849	-
Exchange difference	(1,301)	-	(1,301)	-
Effect of change in deferred tax rate	804	-	804	-
Deferred tax income (Note 17a)	(188,082)	12,472	(175,610)	-
Deferred tax on retirement benefit obligations	(4,450)	-	(4,450)	-
Deferred tax reversed on disposal of property	(200)	-	(200)	-
At 31 December 2013 (as restated)	(30,641)	(63,267)	(93,908)	-
At 01 January 2014	(30,641)	(63,267)	(93,908)	-
Exchange difference	(5,243)	-	(5,243)	-
Deferred tax income (Note 17a)	(46,281)	(23,303)	(69,584)	-
Deferred tax on retirement benefit obligations	2,092	-	2,092	-
Deferred tax on revaluation of property	(4,788)	-	(4,788)	-
At 31 December 2014 (as restated)	(84,861)	(86,570)	(171,431)	-
At 01 January 2015	**(84,861)**	**(86,570)**	**(171,431)**	**-**
Exchange difference	**(11,909)**	**-**	**(11,909)**	**-**
Deferred tax income (Note 17a)	**(91,490)**	**-**	**(91,490)**	**19**
Deferred tax on retirement benefit obligations	**(1,926)**	**-**	**(1,926)**	**-**
At 31 December 2015	**(190,186)**	**(86,570)**	**(276,756)**	**19**

	The Group			The Company		
	31 December 2015 MUR 000	31 December 2014 (Restated) MUR 000	31 December 2013 (Restated) MUR 000	**31 December 2015 MUR 000**	31 December 2014 MUR 000	31 December 2013 MUR 000
Deferred tax assets	**(276,756)**	(171,431)	(145,100)	**-**	-	-
Deferred tax liabilities	**-**	-	51,192	**19**	-	-
	(276,756)	(171,431)	(93,908)	**19**	-	-
Analysed as resulting from:						
Accelerated capital allowances	**51,021**	41,610	46,047	**19**	-	-
Allowances for credit impairment	**(373,147)**	(263,270)	(258,768)	**-**	-	-
Carried forward losses	**(137,126)**	(167,328)	(109,125)	**-**	-	-
Revaluation of property	**229,448**	235,925	246,266	**-**	-	-
Other provisions	**(46,952)**	(18,368)	(18,328)	**-**	-	-
	(276,756)	(171,431)	(93,908)	**19**	-	-

18. OTHER LIABILITIES

	The Group			The Company		
	31 December 2015	31 December 2014 (Restated)	31 December 2013 (Restated)	**31 December 2015**	31 December 2014	31 December 2013
	MUR 000	MUR 000	MUR 000	**MUR 000**	MUR 000	MUR 000
Bills payable	**111,959**	150,719	114,409	**-**	-	-
Accruals for expenses	**332,703**	475,021	403,219	**600**	2,875	-
Dividend payable *(Note 21)*	**-**	-	516,358	**-**	-	-
Accounts payable	**1,389,098**	907,438	599,034	**2,893**	-	-
Deferred income	**202,925**	219,005	233,387	**-**	-	-
Balance due in clearing	**157,344**	201,874	277,125	**-**	-	-
Balances in transit	**106,336**	122,345	325,936	**-**	-	-
Pension liability *(Note 13)*	**89,092**	75,573	96,941	**-**	-	-
Others	**44,079**	51,935	66,016	**-**	6,044	-
	2,433,536	2,203,910	2,632,425	**3,493**	8,919	-

Accounting policy

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation, which has arisen as a result of past events and for which a reliable estimate can be made. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

19. SUBORDINATED DEBTS

	The Group and the Company		
	31 December 2015	31 December 2014	31 December 2013
	MUR 000	MUR 000	MUR 000
Subordinated Bonds:			
Class A 1 series bond of MUR floating interest rate senior unsecured bonds maturing in 2024 (level 1)	**1,521,979**	1,527,750	-
Class B 1 series bond of USD floating interest rate senior unsecured bonds maturing in 2021(level 1)	**2,340,159**	2,070,458	-
	3,862,138	3,598,208	**-**

Class A 1 series bond of MUR floating interest rate senior unsecured bonds	The Group		
	MUR 000	MUR 000	MUR 000
- Applications received	**-**	-	4,200

19. SUBORDINATED DEBTS (CONT'D)

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

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

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

20. STATED CAPITAL

Accounting policy

(i) ***Share issue costs***

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

(ii) ***Treasury shares***

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

	The Group		The Company	
	Number	MUR 000	Number	MUR 000
Issued and paid up share capital				
At 31 December 2015	**30,374,022,300**	**32,500,204**	**30,374,022,300**	**32,500,204**
At 31 December 2014	30,374,022,300	32,500,204	30,374,022,300	32,500,204
At 31 December 2013	30,374,022,300	303,740	125,000	125
Treasury shares held				
At 31 December 2015	**4,556,103,300**	**4,875,031**	**4,556,103,300**	**4,875,031**
At 31 December 2014	4,556,103,300	4,875,031	4,556,103,300	4,875,031
At 31 December 2013	4,556,103,300	2,333,286	-	-

Fully paid ordinary shares carry one vote per share and the right to dividend, except for treasury shares which have no such rights.
As at 31 December 2015, the nominal value of the treasury shares amounted to MUR 4,875,031,531 (2014: MUR 4,875,031,531; 2013: MUR 45,561,531)

21. DIVIDEND

Accounting policy

Dividends on ordinary shares are recognised in equity in the period in which they are authorised by the Directors. Dividends that are declared after the reporting date are dealt with in the notes to the financial statements.

	The Group			The Company		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000	**31 December 2015 MUR 000**	31 December 2014 MUR 000	31 December 2013 MUR 000
Dividend declared after the reporting date: 2015: 1.1 cents (2014: 0.8 cents) per share of nominal 1 cent	**283,997**	206,543	-	**283,997**	206,543	-
Dividend declared : 2014: 0.8 cents per share of nominal 1 cent; 2012:3.7 cents per share of nominal 1 cent	**206,543**	-	903,627	**206,543**	-	-
2015: 2.9 cents per share of nominal 1 cent; 2014: 3.7 cents per share of nominal 1 cent; 2013:6 cents per share of nominal 1 cent	**748,720**	955,263	1,549,075	**748,720**	335,633	-
	955,263	955,263	2,452,702	**955,263**	335,633	**-**
Less dividend declared and paid during the year / period	**(955,263)**	(955,263)	(1,936,344)	**(955,263)**	(335,633)	-
Dividend payable (Note 18)	**-**	-	516,358	**-**	-	-

Dividend declared after the reporting date is not recognised as a liability in the financial statements as at 31 December.

22. MEMORANDUM ITEMS

Accounting policy

Acceptances

Acceptances are obligations to pay on due date the bills of exchange drawn on customers. It is expected most of these acceptances will be honoured by the customers on due dates. Acceptances are accounted for as off-balance sheet items and are disclosed under memorandum items.

Contingent liabilities

Contingent liabilities which include certain guarantees and letters of credit pledged are possible obligations that arise from past events whose existence will be confirmed by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of SBM Holdings Ltd; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

Financial guarantee contracts

Liabilities under financial guarantee contracts which are not classified as insurance contracts are recorded initially at fair value, which is generally the fee received or present value of the fee receivable. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation and the best estimate of the expenditure required to settle the obligations.

22. MEMORANDUM ITEMS (CONT'D)

		The Group		
		31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
(a)	Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers			
	Acceptances on account of customers	**207,620**	593,887	293,067
	Guarantees on account of customers	**3,595,959**	4,394,145	4,091,821
	Money guarantees	**942,607**	597,997	780,184
	Letters of credit and other obligations on account of customers	**799,062**	997,808	1,003,645
	Other contingent items	**945**	437,398	24,230
		5,546,193	7,021,235	6,192,947
(b)	Commitments			
	Undrawn credit facilities	**7,472,081**	7,469,380	8,274,678
(c)	Other			
	Inward bills held for collection	**253,181**	86,514	123,063
	Outward bills sent for collection	**1,535,424**	1,671,089	2,832,192
		1,788,605	1,757,603	2,955,255
	Total	**14,806,879**	16,248,218	17,422,880

23. ASSETS PLEDGED

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

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Treasury bills / Government bonds	**2,000,000**	3,549,240	2,723,000
Balance with Central banks	**-**	-	307,784
	2,000,000	3,549,240	3,030,784
Analysed as:			
- In Mauritius	**2,000,000**	2,448,000	2,439,084
- Overseas	**-**	1,101,240	591,700
	2,000,000	3,549,240	3,030,784

24. CAPITAL COMMITMENTS

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Approved and contracted for	**2,155,594**	2,605,430	1,431,800
Approved and not contracted for	**7,078**	17,048	3,603

25. OPERATING LEASE

Accounting policy

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.

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Leasing arrangements - The Group as lessee			
Operating lease expense	**56,205**	65,214	56,083

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

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

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Up to 1 year	**109,192**	151,358	25,089
After 1 year and before 5 years	**167,292**	174,577	320,250
After 5 years and up to 25 years	**31,316**	18,768	89,890
	307,800	344,703	435,229

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26. NET INTEREST INCOME / (EXPENSES)

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured.

For all financial instruments measured at amortised cost and interest-bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group and the Company revise their estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

However, for a reclassified financial asset for which the Group and the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

	The Group			The Company		
	Year ended 31 December 2015 MUR 000	Year ended 31 December 2014 MUR 000	18 months ended 31 December 2013 MUR 000	**Year ended 31 December 2015 MUR 000**	Year ended 31 December 2014 MUR 000	18 months ended 31 December 2013 MUR 000
Interest income						
Cash and cash equivalents	**42,683**	40,058	27,314	**-**	-	-
Loans to and placements with banks	**25,393**	26,170	39,228	**-**	-	-
Loans and advances to non-bank customers	**4,982,799**	5,257,649	7,876,308	**-**	-	-
Investment securities	**1,409,453**	1,110,707	1,323,073	**249,758**	29,631	-
Trading assets	**(38,498)**	(8,131)	67,866	**-**	-	-
Other	**2,485**	24,793	76	**-**	-	-
Total interest income	**6,424,315**	6,451,246	9,333,865	**249,758**	29,631	-
Interest expense						
Deposits from non-bank customers	**(1,951,739)**	(2,189,671)	(3,164,209)	**-**	-	-
Other borrowed funds	**(86,620)**	(113,336)	(253,576)	**-**	-	-
Subordinated debts	**(133,221)**	(97,552)	-	**(133,221)**	(32,650)	-
Other	**-**	(249)	-	**-**	-	-
Total interest expense	**(2,171,580)**	(2,400,808)	(3,417,785)	**(133,221)**	(32,650)	-
Net interest income / (expense)	**4,252,735**	4,050,438	5,916,080	**116,537**	(3,019)	-

27. NET FEE AND COMMISSION INCOME

Accounting policy

The Group earns fee and commission income from a diverse range of services it provides to its customers.
Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan processing fees are deferred and recognised accordingly.

	The Group			The Company		
	Year ended 31 December 2015	Year ended 31 December 2014 (Restated)	18 months ended 31 December 2013 (Restated)	**Year ended 31 December 2015**	Year ended 31 December 2014	18 months ended 31 December 2013
	MUR 000	MUR 000	MUR 000	**MUR 000**	MUR 000	MUR 000
Fee and commission income						
Retail banking customer fees	**345,084**	348,565	483,248	**-**	-	-
Corporate banking customer fees	**243,173**	238,394	399,142	**-**	-	-
Brokerage income	**36,598**	16,015	17,307	**-**	-	-
Asset management fees	**33,629**	24,069	41,757	**-**	-	-
Card income	**397,665**	316,617	552,266	**-**	-	-
Other	**1,977**	957	1,759	**-**	-	-
Total fee and commission income	**1,058,126**	944,617	1,495,479	**-**	-	-
Fee and commission expense						
Interbank transaction fees	**(17,628)**	(13,931)	(19,205)	**-**	-	-
Other	**(11,712)**	(15,414)	(26,078)	**-**	-	-
Total fee and commission expense	**(29,340)**	(29,345)	(45,283)	**-**	-	-
Net fee and commission income	**1,028,786**	915,272	1,450,196	**-**	**-**	**-**

28. DIVIDEND INCOME

Accounting policy

Dividend is recognised when the Group's and Company's right to receive the payment is established, which is generally when the dividend is declared.

	The Group			The Company		
	Year ended 31 December 2015	Year ended 31 December 2014	18 months ended 31 December 2013	**Year ended 31 December 2015**	Year ended 31 December 2014	18 months ended 31 December 2013
	MUR 000	MUR 000	MUR 000	**MUR 000**	MUR 000	MUR 000
Available-for-sale securities	**156,756**	179,338	822,746	**151,014**	173,036	-
Investment in subsidiaries	**-**	-	-	**2,446,710**	6,798,314	-
Trading securities	**517**	1	280	**-**	-	-
	157,273	179,339	823,026	**2,597,724**	6,971,350	-

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29. NET TRADING INCOME

Accounting policy

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities held-for-trading.

	The Group			The Company		
	Year ended 31 December 2015 MUR 000	Year ended 31 December 2014 MUR 000	18 months ended 31 December 2013 MUR 000	**Year ended 31 December 2015 MUR 000**	Year ended 31 December 2014 MUR 000	18 months ended 31 December 2013 MUR 000
Fixed income securities	**(837)**	602	2,192	**-**	-	-
Equities	**(125)**	(266)	(522)	**-**	-	-
Foreign exchange trading	**528,968**	403,522	555,520	**3,697**	185	-
Other	**(370)**	(158)	14,076	**-**	-	-
	527,636	403,700	571,266	**3,697**	185	-

30. OTHER OPERATING INCOME

	The Group			The Company		
	Year ended 31 December 2015 MUR 000	Year ended 31 December 2014 MUR 000	18 months ended 31 December 2013 MUR 000	**Year ended 31 December 2015 MUR 000**	Year ended 31 December 2014 MUR 000	18 months ended 31 December 2013 MUR 000
Gain on sale of available-for-sale securities:						
Investment securities	**287,664**	255,270	113,391	**16,224**	-	-
Equity investments	**-**	456,704	361,481	**-**	-	-
Other	**1,199**	142	(14,672)	**-**	-	-
	288,863	712,116	460,200	**16,224**	-	-

31. PERSONNEL EXPENSES

Accounting policy

(i) Travel tickets/allowances

Employees are periodically entitled to reimbursements of overseas travelling and allowances up to a certain amount depending on their grade. The expected costs of these benefits are recognised in the *Statement of profit or loss* on a straight-line and undiscounted basis over the remaining periods until the benefits are payable.

(ii) 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.

	The Group			The Company		
	Year ended 31 December 2015 MUR 000	Year ended 31 December 2014 MUR 000	18 months ended 31 December 2013 MUR 000	**Year ended 31 December 2015 MUR 000**	Year ended 31 December 2014 MUR 000	18 months ended 31 December 2013 MUR 000
Wages and salaries	**883,872**	779,356	1,148,672	**-**	641	-
Other social security obligations	**13,853**	12,632	17,033	**-**	5	-
Contributions to defined contribution plans	**70,178**	65,158	90,606	**-**	135	-
Cash-settled share-based payments	**-**	6,471	30,140	**-**	-	-
Increase in liability for defined benefit plans (*Note 13 and 35*)	**33,414**	33,089	43,391	**-**	-	-
Staff welfare cost	**15,862**	18,357	50,036	**-**	-	-
Management and professional charges	**36,843**	37,429	143,934	**-**	-	-
Security and cleaning services	**75,872**	55,496	77,767	**-**	-	-
Other	**107,110**	109,299	118,025	**1,355**	11	-
	1,237,004	1,117,287	1,719,604	**1,355**	792	**-**

32. OTHER EXPENSES

	The Group			The Company		
	Year ended 31 December 2015 MUR 000	Year ended 31 December 2014 (Restated) MUR 000	18 months ended 31 December 2013 (Restated) MUR 000	**Year ended 31 December 2015 MUR 000**	Year ended 31 December 2014 MUR 000	18 months ended 31 December 2013 MUR 000
Software licensing and other information technology cost [1][2]	**368,616**	1,275,807	591,229	**26**	-	-
Auditors' remuneration (audit and other services):						-
- Principal auditors	**7,099**	20,819	7,722	**350**	3,542	-
- Other auditors	**795**	962	1,143	**-**	-	-
Utilities	**1,423**	53,872	75,822	**-**	-	-
Professional charges [2]	**163,877**	284,236	411,269	**32,587**	323	-
Marketing costs	**47,707**	37,869	43,064	**1,513**	9	-
Rent, repairs and maintenance	**100,890**	81,499	99,346	**-**	-	-
Licence and other registration fees	**24,047**	20,216	19,647	**901**	152	-
Other	**157,458**	93,875	109,147	**2,663**	655	-
	871,912	1,869,155	1,358,389	**38,040**	4,681	-

[1] The considerable amount of software licensing and other information technology cost for 2014 is due to the effect of expensing BTI/BPE cost of MUR 253 million and MUR 920 million respectively.

[2] The restatements are fully explained in Note 39 to the financial statements.

33. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

Accounting policy

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

When an AFS financial asset is considered to be impaired, its carrying amount is reduced by the impairment loss directly with the exception of loans and advances to customers where the carrying amount is reduced through the use of an allowance account.

Cumulative gains or losses previously recognised in *Other comprehensive income* are reclassified to the *Statement of profit or loss.*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of AFS equity investments, any increase in fair value subsequent to an impairment loss is recognised in *Other comprehensive income* and accumulated under the *Net unrealised investment fair value reserve.*

33. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS (CONT'D)

	The Group		
	Year ended 31 December 2015 MUR 000	Year ended 31 December 2014 (Restated) MUR 000	18 months ended 31 December 2013 (Restated) MUR 000
Portfolio and specific provisions:			
- On-balance sheet advances *(Note 8c)*	**1,945,447**	642,343	758,587
Bad debts written off for which no provisions were made	**1,347**	123	152
Recoveries of advances written off	**(7,231)**	(11,750)	(33,093)
Other	**(2,723)**	(363)	16,578
	1,936,840	630,353	742,224
Of which:			
Credit exposure	**1,939,563**	630,716	725,646
Other financial assets	**(2,723)**	(363)	16,578
	1,936,840	630,353	742,224

The Company

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

34. EARNINGS PER SHARE

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

	The Group		
	Year ended 31 December 2015 MUR 000	Year ended 31 December 2014 (Restated) MUR 000	18 months ended 31 December 2013 (Restated) MUR 000
Profit attributable to equity holders of the parent-As previously stated	**1,607,554**	3,161,412	4,706,359
Effect of prior year adjustment-Note 39	**-**	(1,293,012)	(355,984)
Profit attributable to equity holders of the parent -As restated	**1,607,554**	1,868,400	4,350,375
Number of shares entitled to dividend (thousands)	**25,817,919**	25,817,919	25,817,919
Earnings per share (cents)-As previously stated	**6.23**	12.25	18.23
Earnings per share (cents)-As restated	**6.23**	7.24	16.85

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

	The Group			The Company		
	Year ended 31 December 2015	Year ended 31 December 2014 (Restated)	18 months ended 31 December 2013 (Restated)	**Year ended 31 December 2015**	Year ended 31 December 2014	18 months ended 31 December 2013
	MUR 000	MUR 000	MUR 000	**MUR 000**	MUR 000	MUR 000
Cash flows from operating activities						
Profit for the year / period	**1,607,554**	1,868,400	4,350,375	**2,677,878**	643,162	-
Adjustments to determine net cash flows:						
Depreciation of property and equipment	**153,038**	150,951	245,807	**501**	-	-
Amortisation of intangible assets	**8,497**	15,071	37,232	**-**	-	-
Pension expense (Note 31)	**33,414**	33,089	43,391	**-**	-	-
Net impairment loss on financial assets (Note 33)	**1,936,840**	630,353	742,224	**-**	6,319,881	-
Exchange difference	**420,722**	84,476	(463,512)	**237,272**	-	-
Net loss / (gain) on sale of available-for-sale equity investments	**221**	(456,704)	(361,481)	**-**	-	-
Net loss / (gain) from dealings in trading securities	**1,330**	(179)	(15,747)	**-**	-	-
Net (gain) / loss on disposal of property and equipment	**(2,451)**	349	(92)	**-**	-	-
Net loss on loans and advances at fair value through profit or loss	**1,583**	-	-	**-**	-	-
Interest income	**-**	-	-	**(249,758)**	(29,631)	-
Interest expense	**-**	-	-	**133,221**	32,650	-
Tax expense	**440,448**	672,641	908,808	**16,408**	-	-
Share of profit of associate	**-**	(62,993)	(141,671)	**-**	-	-
Dividend income (Note 28)	**(157,273)**	(179,339)	(823,026)	**(2,597,724)**	(6,971,350)	-
Operating profit / (loss) before working capital changes	**4,443,923**	2,756,115	4,522,310	**217,798**	(5,288)	-
Change in operating assets and liabilities						
Decrease in trading assets	**59,751**	44,527	35,708	**-**	-	-
(Increase) / decrease in loans to and placements with banks	**(506,812)**	230,295	579,508	**-**	-	-
(Increase) / decrease in loans and advances to non bank customers	**(3,299,432)**	1,554,913	(8,039,441)	**-**	-	-
(Increase) / decrease in gilt-edged investment securities	**(2,056,264)**	(5,543,430)	(2,768,863)	**483,328**	(353,627)	-
Increase in other investment securities	**(5,015,268)**	(6,610,498)	(746,436)	**-**	-	-
Increase in mandatory balances with Central Banks	**(371,159)**	(1,053,768)	(528,825)	**-**	-	-
Decrease / (increase) in other assets	**188,855**	(275,682)	(1,687,106)	**-**	(6,245)	9
Increase in deposits from banks	**157,820**	376,618	101,335	**-**	-	-
Increase in deposits from non-bank customers	**12,496,113**	8,768,355	6,858,020	**-**	-	-
(Decrease) / increase in trading liabilities	**(25,853)**	(91,921)	68,530	**-**	-	-
Increase / (decrease) in other liabilities	**216,108**	(220,995)	797,733	**5,426**	8,919	-
Interest received	**-**	-	-	**237,951**	19,242	-
Interest paid	**-**	-	-	**(92,895)**	(21,187)	-
Other dividend received	**180,670**	30,607	823,026	**257,366**	24,305	-
Income tax paid	**(237,944)**	(900,436)	(1,151,960)	**-**	-	-
Net cash from / (used in) operating activities	**6,230,508**	(935,300)	(1,136,463)	**1,108,974**	(333,881)	9

36. RELATED PARTY DISCLOSURES

Accounting policy

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

The Group	Key management personnel including Directors			Associates and other entities in which the Group has significant influence			Entities (including their subsidiaries) in which the Group has significant influence			Entities in which Directors, key management personnel and their close family members have significant influence		
	31 Dec 2015	31 Dec 2014	31 Dec 2013	**31 Dec 2015**	31 Dec 2014	31 Dec 2013	**31 Dec 2015**	31 Dec 2014	31 Dec 2013	**31 Dec 2015**	31 Dec 2014	31 Dec 2013
	MUR 000	MUR 000	MUR 000	**MUR 000**	MUR 000	MUR 000	**MUR 000**	MUR 000	MUR 000	**MUR 000**	MUR 000	MUR 000
(a) Credit facilities												
(i) Loans												
Balance at beginning of year / period	**20,278**	12,659	5,085	**-**	-	-	**-**	-	-	**98,305**	-	-
Loans to Directors / entities who ceased to be related parties during the year / period	**(7,492)**	-	-	**-**	-	-	**-**	-	-	**(98,305)**	98,305	-
Existing loans of new related parties	**448**	-	116	**-**	-	-	**-**	-	-	**-**	-	-
Other net movements	**17,666**	7,620	7,458	**-**	-	-	**-**	-	-	**-**	-	-
Balance at end of year / period	**30,900**	20,279	12,659	**-**	-	-	**-**	-	-	**-**	98,305	-
(ii) Off-balance sheet obligations												
Balance at end of year / period	**-**	-	-	**-**	-	779	**-**	-	-	**-**	-	-
(b) Deposits at end of year / period	**109,041**	69,083	52,226	**-**	-	477,001	**352,740**	191,286	113,047	**-**	65,052	5,301
(c) Interest income	**1,616**	1,194	645	**-**	56,486	-	**15**	1	-	**-**	4	-
(d) Interest expense	**1,336**	1,803	1,889	**-**	58,059	49,834	**3,831**	2,394	3,025	**-**	1,397	872
(e) Other income	**127**	76	98	**-**	13,611	2,316	**2,752**	1,157	153	**-**	3,967	74
(f) Dividend income	**-**	-	-	**-**	-	38,583	**2,446,710**	1,259,147	918,988	**-**	-	-
(g) Purchase of goods and services	**433**	-	-	**-**	-	10,167	**-**	-	-	**-**	-	-
(h) Emoluments	**108,632**	100,064	165,940	**-**	-	-	**-**	-	-	**-**	-	-

The Banking group entered into an agreement with Dr Jameel Khadaroo for the exclusive right to use an Exchange Rate Forecasting software developed by Dr Jameel Khadaroo, for a three year period as from 01st December 2015 till 30th November 2018 at a monthly fee of MUR 80,000 with an annual increase of 10%.

36. RELATED PARTY DISCLOSURES (CONT'D)

	The Group		
	31 Dec 2015 MUR 000	31 Dec 2014 MUR 000	31 Dec 2013 MUR 000
Related party transactions in relation to Post Employment Benefit Plans are as follows:			
Deposits at end of year / period	**136,606**	82,422	36,919
Interest expense	**782**	1,183	2,167
Other income	**463**	287	367
Contributions paid	**86,470**	82,657	113,693

Credit facilities to key management personnel and executive Directors are as per their contract of employment. Credit facilities are secured except for credit card advances and some personal loans which are granted under an unsecured loan scheme in the normal course of business.

37. CAPITAL MANAGEMENT

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

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

Pursuant to the Group restructuring approved by the Bank of Mauritius under Section 32A of the Banking Act, which became effective on 02 October 2014, SBM Holdings Ltd is now the ultimate holding company of the SBM Group. Surplus capital held by SBM Bank (Mauritius) Ltd (formerly known as State Bank of Mauritius Ltd) have been streamed up to SBM Holdings Ltd which in turn invested in SBM (Bank) Holdings Ltd, the holding company for the Banking segment. As per the constitution of SBM Holdings Ltd, not less than 90% of its capital, reserves and borrowings shall be invested in banking activities/operations. SBM Holdings Ltd and also SBM (Bank) Holdings Ltd is supervised by Bank of Mauritius (BOM) as per the conditions of BOM approval of the SBM Group Restructuring and BOM approval is required whenever capital will be injected in the operating companies in accordance with the order of priority specified under Section 36 of the Banking Act to ensure planned growth and regulatory compliance.

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

	The Group		
	31 Dec 2015 MUR 000	31 Dec 2014 MUR 000	31 Dec 2013 MUR 000
Tier 1 Capital	**18,254**	20,376	12,633
Eligible capital	**23,718**	24,927	15,246
Risk weighted assets	**83,935**	79,366	74,750
Capital adequacy ratio (%)	**28.26**	31.41	20.40

38. PHANTOM SHARE OPTIONS

In November 2012, the shareholders on the recommendation of the Board of Directors approved an Employee Share Option Plan "ESOP" which replaced the Phantom Shares Option scheme which, implemented by the Group since the last 15 years, shall phase out by 2015. As at 31 December 2015, the outstanding potential liability of the Group on the Phantom Shares Options stood at MUR 0.59 million (2014: MUR 4.5 million and 2013: MUR 9.4million). No shares have been granted under the ESOP scheme during the financial year.

39. PRIOR YEARS ADJUSTMENTS (The Group)

(a) Business Process Excellence and Business Transformation initiatives (BPE/BTI)

The Group entered into an agreement with Accenture in August 2012 and February 2013 in respect of Business Process Engineering and Business Transformation Initiatives respectively to align both its strategies and processes with the Technology Transformation Initiative undertaken with HP (India) namely Flamingo Project.

The Group viewed the contract as the acquisition of intellectual property rights with the deliverables bundled as a single solution and capitalised the cost as intangible assets. However, in 2015, the Group considered that the contract should not have been viewed as a project in its entirety but should have been split per initiative completed. As such there were initiatives which did not fall under the definition of intangible assets as per IAS 38. These amounts would now be expensed in the year in which they were incurred therefore leading to a prior year adjustment being booked.

(b) Business Transformation Initiatives - Flamingo Project

The Group has embarked on a business aligned technology transformation programme since 2012. The project, namely, "Flamingo Project" was originally planned to go live in August 2013 but due to delays in the implementation process, the release date has been postponed and the new system is now only scheduled to become operational in September 2016, which is 3 years past the initial target date. The significant delays and continuous time extensions have resulted in additional charges payable to service providers which Management attribute mostly to inefficiencies during the software development and implementation phases prior to 31 December 2014. As IAS 38 specifically precludes costs arising from inefficiencies from being capitalised, the Group has decided to expense these costs, as a prior year adjustment, to recognise the fact that these cost overruns occurred mostly in the prior years and should have been accounted for accordingly. On the basis that these inefficiencies would only have become evident in 2014, Management is of the view that these adjustments should thus be reflected in that year.

39. PRIOR YEARS ADJUSTMENTS (The Group) (cont'd)

(b) Business Transformation Initiatives - Flamingo Project (cont'd)

Previously the Business aligned technology platform was classified under Other Assets. These have been reclassified to Asset Under Construction in Intangible Assets. Following the transfer from Other Assets to Intangible Assets, the adjustments described above have been made as follows:

	31 December 2014 MUR 000	31 December 2013 MUR 000
Reclassification from Other Assets to Intangible Assets as Asset under Construction		
Other assets as previously stated	2,954,754	2,238,901
Transfer to intangible asset as Asset under Construction	(1,706,125)	(731,850)
Other assets as restated	1,248,629	1,507,051
Prior year adjustments in respect of BTI/BPE and Flamingo Project		
Intangible assets as previously stated	1,067,774	638,914
Transfer from Other assets to Intangible Assets (as described above)	1,706,125	731,850
	2,773,899	1,370,764
Amount expensed in respect of BTI/BPE - included under Intellectual Property	(600,985)	(347,492)
Amount expensed in respect of Flamingo Project - included under Asset under construction	(920,581)	-
Amount as restated (Note 11)	1,252,333	1,023,272
Effect on other expenses		
Other expenses as previously reported	695,081	1,010,897
Restatements:		
- Effect of expensing BTI/BPE costs	253,493	347,492
- Effect of expensing inefficiencies in respect of Flamingo Project	920,581	-
Other expenses as restated	1,869,155	1,358,389
Effect on Profit or Loss	(1,174,074)	(347,492)
Effect on Equity	(1,521,568)	(347,492)

(c) Unallocated receipt

In prior years, all remittances received in the Group's Nostro at reporting date which were yet to be allocated to the specific accounts to which they pertained to, were not accounted for in the books of the Bank. This is considered as an error and the current financial position has been amended to take into consideration those unallocated receipts. To avoid any distortion in the comparatives being disclosed, the figures for the financial years 2014 and 2013 were also restated.

(d) Legal fee income forming an integral part of the effective interest rate of loans and advances

In prior years, the Group was accounting for its legal fee income upfront. However the Group has reassessed the nature of those legal fees and considers that they form an integral part of the effective interest rate on loans and advances disbursed. As such, the Group has calculated the deferred income that arises in respect of the legal fee income and the Financial Statements have been restated accordingly.

39. PRIOR YEARS ADJUSTMENTS (The Group) (cont'd)

(d) Legal fee income forming an integral part of the effective interest rate of loans and advances (cont'd)

The effect on the comparative information regarding point (c) and (d) are as follows:

Prior year adjustments in respect of unallocated receipt and deferred legal fee income	31 December 2014 MUR 000	31 December 2013 MUR 000	01 July 2012 MUR 000
Other liabilities			
Other liabilities as previously stated	1,510,885	2,255,225	1,126,946
Prior year adjustments in respect of:			
Accounting for unallocated receipt	474,020	143,813	-
Accounting for deferred legal fee income	219,005	233,387	149,318
Other liabilities as restated	2,203,910	2,632,425	1,276,264
Cash and cash equivalents - prior year adjustment in respect of unallocated receipt			
Cash and cash equivalents as previously stated	7,720,105	6,900,534	6,993,395
Accounting for unallocated receipt	474,020	143,813	-
Cash and cash equivalents as restated	8,194,125	7,044,347	6,993,395
Effect on Fee and Commission Income:			
Fee and commission income as previously reported	930,238	1,579,549	
Restatement:			
-Effect of accounting for deferred legal fee income	14,379	(84,070)	
Fee and commission income as restated	944,617	1,495,479	
Effect on Profit or Loss			
Accounting for deferred legal fee income	14,379	(84,070)	(42,284)
Increase/(decrease) in profit before tax	14,379	(84,070)	(42,284)
Effect on Equity			
Accounting for deferred legal fee income	(219,005)	(233,387)	(149,318)
Decrease in retained earnings	(219,005)	(233,387)	(149,318)

(e) Change in accounting policy in respect of portfolio provisioning

Under the Bank of Mauritius Guidelines on Credit Impairment, banks in Mauritius are required to make a provision for credit losses of not less than 1% on their unimpaired loans and advances. In addition to that, as from 2014, the Bank of Mauritius also imposed an additional macro prudential provisioning on exposures to certain specific sectors of the economy.

The Bank was previously recording its portfolio allowances for credit losses based on its historical loss rate and was making an appropriation of reserves for the shortfall in regulatory provision by transferring such amounts from retained earnings to capital conservation reserve.

As from this year, the Bank is now required to maintain an allowance for credit losses on its Statement of Financial Position as required by the Guidelines of the Bank of Mauritius and to record any changes in that provision in profit or loss. This represents a change in accounting policy and the Bank has accordingly restated its prior years financial statements to reflect this change in accounting treatment.

39. PRIOR YEARS ADJUSTMENTS (The Group) (cont'd)

(e) Change in accounting policy in respect of portfolio provisioning (Cont'd)

The effect on the comparative information are disclosed below:

	31 December 2014 MUR 000	31 December 2013 MUR 000	01 July 2012 MUR'000
Capital Conservation Reserve:			
Capital conservation reserve as previously stated	725,242	551,145	551,145
Transfer to Retained Earnings	(725,242)	(551,145)	(551,145)
Capital conservation reserve as restated	-	-	-
Allowance for Credit Impairment:			
Allowance for credit impairment for the year as previously stated	1,052,461	1,031,625	707,073
Transfer from capital conservation reserve	551,145	551,145	551,145
Additional provision / (reversal) of excess provision	68,571	(88,049)	-
Allowance for credit impairment for the year as restated	1,672,177	1,494,721	1,258,218
Deferred tax asset:			
Net deferred tax asset as previously stated	(84,861)	(30,641)	162,588
Deferred tax movement on transfers	(86,570)	(63,267)	(75,739)
Net deferred tax asset as restated	(171,431)	(93,908)	86,849
Net impairment loss on financial assets (Charge) / reversal	(156,621)	88,049	-

Net deferred tax assets

	As previously stated MUR 000	Restatement MUR 000	As restated MUR 000
Analysed as follows:			
31 December 2014			
- Mauritius Operations	77,329	(86,570)	(9,241)
- Indian Operations	(162,190)	-	(162,190)
	(84,861)	(86,570)	(171,431)
31 December 2013			
- Mauritius Operations	114,459	(63,267)	51,192
- Indian Operations	(145,100)	-	(145,100)
	(30,641)	(63,267)	(93,908)

39. PRIOR YEARS ADJUSTMENTS (The Group)

(e) Change in accounting policy in respect of portfolio provisioning (cont'd)

Statement of Profit or loss:	31 December 2014 MUR 000	31 December 2013 MUR 000
Net impairment loss on financial assets:		
- As previously stated	473,732	830,273
- Restatement in respect of portfolio provisioning	156,621	(88,049)
- As restated	630,353	742,224
Tax expense:		
- As previously stated	695,945	896,336
- Restatement in respect of portfolio provisioning	(23,304)	12,472
- As restated	672,641	908,808
Effect on Profit before income tax	(156,621)	88,049
Effect on tax expense	23,303	(12,472)
Effect on Profit or Loss	(133,318)	75,577
Effect on Equity	(533,145)	(399,828)
Effect on Retained earnings	192,093	151,317

(f) Effect of prior year adjustments a,b,c,d and e on Profit before income tax and Retained Earnings:

Effect on Profit before income tax:

	31 December 2014	31 December 2013
Profit before tax as previously stated	**3,857,357**	5,602,696
Restatements:		
Effect of accounting for deferred legal fee income	**14,379**	(84,070)
Effect of expensing BTI/BPE costs	**(253,493)**	(347,492)
Effect of expensing inefficiencies in respect of Flamingo Project	**(920,581)**	-
Effect of a change in accounting policy in respect of Portfolio Provisioning	**(156,621)**	88,049
Profit before income tax as restated	**2,541,041**	5,259,183

	31 December 2014 MUR 000	31 December 2013 MUR 000	01 July 2012 MUR'000
Effect on Retained earnings:			
Retained earnings as previously stated	**439,068**	16,554,995	14,310,409
Restatements:			
Effect of accounting for deferred legal fee income	**(219,005)**	(233,387)	(149,318)
Effect of expensing BTI/BPE costs	**(600,985)**	(347,492)	-
Effect of expensing inefficiencies in respect of Flamingo Project	**(920,581)**	-	-
Effect of a change in accounting policy in respect of Portfolio Provisioning	**192,093**	151,317	75,739
Retained earnings as restated	**(1,109,410)**	16,125,433	14,236,830

40. OTHER RESERVES

The Group	Reserve arising on share buy back MUR 000	Net unrealised investment fair value reserve MUR 000	Net translation reserve MUR 000	Net other reserve MUR 000	Earnings reserve MUR 000	Restructure reserve MUR 000	Total MUR 000
At 01 July 2012	236,071	3,480,601	(241,575)	78,358	-	-	3,553,455
Other comprehensive loss for the period	-	195,409	(438,836)	(5,668)	-	-	(249,095)
At 31 December 2013	236,071	3,676,010	(680,411)	72,690	-	-	3,304,360
At 01 January 2014	236,071	3,676,010	(680,411)	72,690	-	-	3,304,360
Other comprehensive income for the year	-	1,727,055	87,574	(9,535)	-	-	1,805,094
Transfer to restructure reserve	(236,071)	(5,402,243)	646,064	-	2,935,807	(8,379,302)	(10,435,745)
Transfer to retained earnings	-	27,125	-	(63,155)	-	63,155	27,125
At 31 December 2014	-	27,947	53,227	-	2,935,807	(8,316,147)	(5,299,166)
At 01 January 2015	**-**	**27,947**	**53,227**	**-**	**2,935,807**	**(8,316,147)**	**(5,299,166)**
Other comprehensive income for the year	**-**	**(726,867)**	**202,833**	**-**	**-**	**-**	**(524,034)**
At 31 December 2015	**-**	**(698,920)**	**256,060**	**-**	**2,935,807**	**(8,316,147)**	**(5,823,200)**

Net unrealised investment fair value reserve

This reserve comprise of fair value movements recognised on available-for-sale financial assets.

Net translation reserve

The net translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries.

Net other reserves

Net other reserves include statutory reserve, capital conservation reserve and net property revaluation reserve. These are described below:

Statutory reserve

This reserve represents transfers from retained earnings in accordance with the Banking Act 2004. A sum equal to not less than 15% of the profit for the year is transferred each year until the balance is equal to the amount paid as stated capital.

40. OTHER RESERVES (CONT'D)

Capital conservation reserve

It includes among others:

- The difference between the actual historical loss ratio and the statutory general provision of 1%, which is done through a transfer from Retained Earnings, in line with the Bank of Mauritius Guidelines on Credit Impairment Measurement and Income Recognition.

Net property revaluation reserve

The net property revaluation reserve is used to record increases in the fair value of land and buildings (net of deferred tax on the revalued asset) and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity.

Earnings reserve

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

Restructuring reserve

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

41. RISK MANAGEMENT

The Board of Directors and Senior Management are ultimately responsible for risk management. Boards approve the risk policies and sets prudential limits and risk tolerance limits, besides regulatory limits, within which the Group operates. The Senior Management monitors risks totally on an ongoing basis at regular intervals as necessary and is accountable to ensure its operations are within approved policies, prudential limits besides regulatory limits and risk appetite appoved framework. Any deviation and non-compliance are reported to Board Risk Committee who are responsible as over-sight role. The principal risks arising from financial instruments to which the Group is exposed include credit risk, liquidity risk, market risk, operational risk, strategic risk and reputational risk.

(a) (i) Categories of financial assets and liabilities

	The Group			The Company		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000	**31 December 2015 MUR 000**	31 December 2014 MUR 000	31 December 2013 MUR 000
Financial assets						
Loans and receivables	**108,375,988**	103,043,699	97,980,673	**3,966,582**	2,137,047	111
Available-for-sale	**21,688,980**	17,670,747	8,566,212	**7,768,419**	8,390,080	-
Fair value through profit or loss (Note 7)	**144,142**	205,223	249,571	**-**	-	-
	130,209,110	120,919,669	106,796,456	**11,735,001**	10,527,127	111
Financial liabilities						
Measured at amortised cost	**113,342,048**	103,181,752	91,842,707	**3,865,631**	3,607,127	-
Fair value through profit or loss (Note 7)	**120,781**	146,634	238,555	**-**	-	-
	113,462,829	103,328,386	92,081,262	**3,865,631**	3,607,127	-

41. RISK MANAGEMENT (CONT'D)

(a) (ii) Fair values

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

The Group	31 December 2015 Carrying Value MUR 000	31 December 2015 Fair Value MUR 000	31 December 2014 Carrying Value MUR 000	31 December 2014 Fair Value MUR 000	31 December 2013 Carrying Value MUR 000	31 December 2013 Fair Value MUR 000
Financial assets						
Cash and cash equivalents	9,174,135	9,174,135	8,194,125	8,194,125	7,044,347	7,044,347
Mandatory balances with Central banks	6,919,908	6,919,908	6,548,749	6,548,749	5,494,981	5,494,981
Loans to and placements with banks	1,208,945	1,208,945	702,133	702,133	932,428	932,428
Trading assets	144,142	144,142	205,223	205,223	249,571	249,571
Loans and advances to non-bank customers	68,784,195	68,712,121	67,434,536	67,447,362	69,630,171	69,528,510
Investment securities	37,375,824	37,018,354	30,369,883	30,358,167	18,176,133	17,965,487
Equity investments	6,066,176	6,066,176	6,721,917	6,721,917	4,189,429	4,189,429
Other assets	535,785	535,785	743,103	743,103	1,079,396	1,079,397
	130,209,110	129,779,566	120,919,669	120,920,779	106,796,456	106,484,150
Financial liabilities						
Deposits from banks	751,719	751,719	593,899	593,899	217,281	217,281
Deposits from non-bank customers	104,281,103	104,336,288	91,784,990	91,827,586	83,016,635	83,029,092
Other borrowed funds	2,132,497	2,132,497	5,113,005	5,113,005	6,110,051	6,110,051
Trading liabilities	120,781	120,781	146,634	146,634	238,555	238,555
Other liabilities	2,314,591	2,314,591	2,091,650	2,091,650	2,494,540	2,494,540
Subordinated debts	3,862,138	3,862,138	3,598,208	3,598,208	4,200	4,200
	113,462,829	113,518,014	103,328,386	103,370,982	92,081,262	92,093,719

The Company	31 December 2015 Carrying Value MUR 000	31 December 2015 Fair Value MUR 000	31 December 2014 Carrying Value MUR 000	31 December 2014 Fair Value MUR 000	31 December 2013 Carrying Value MUR 000	31 December 2013 Fair Value MUR 000
Financial assets						
Cash and cash equivalents	178,060	178,060	3,702	3,702	111	111
Investment securities	5,896,350	5,816,554	3,915,754	3,924,601	-	-
Equity investments	5,534,324	5,534,324	6,319,881	6,319,881	-	-
Other assets	126,267	126,267	287,790	287,790	-	-
	11,735,001	11,655,205	10,527,127	10,535,974	111	111
Financial liabilities						
Other liabilities	3,493	3,493	8,919	8,919	-	-
Subordinated debts	3,862,138	3,862,138	3,598,208	3,598,208	-	-
	3,865,631	3,865,631	3,607,127	3,607,127	-	-

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

Significant accounting estimates and judgements

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.

41. RISK MANAGEMENT (CONT'D)

(a) (iii) Fair value measurement hierarchy

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data.

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	The Group				The Company			
	Level 1 MUR 000	Level 2 MUR 000	Level 3 MUR 000	Total MUR 000	Level 1 MUR 000	Level 2 MUR 000	Level 3 MUR 000	Total MUR 000
31 December 2015								
Trading assets	-	144,142	-	144,142	-	-	-	-
Loans and advances at fair value	-	-	5,438	5,438	-	-	-	-
Investment securities - available-for-sale	13,469,821	-	2,152,983	15,622,804	-	-	-	-
Equity investments - available-for-sale	-	-	6,066,176	6,066,176	-	-	5,534,324	5,534,324
	13,469,821	144,142	8,224,597	21,838,560	-	-	5,534,324	5,534,324
Trading liabilities	-	120,781	-	120,781	-	-	-	-
31 December 2014								
Trading assets	28,478	176,745	-	205,223	-	-	-	-
Loans and advances at fair value	-	-	13,556	13,556	-	-	-	-
Investment securities - available-for-sale	9,873,491	-	1,075,340	10,948,831	-	-	-	-
Equity investments - available-for-sale	-	-	6,721,917	6,721,917	-	-	6,319,881	6,319,881
	9,901,969	176,745	7,810,813	17,889,527	-	-	6,319,881	6,319,881
Trading liabilities	-	146,634	-	146,634	-	-	-	-
31 December 2013								
Trading assets	2,635	246,936	-	249,571	-	-	-	-
Loans and advances at fair value	-	-	20,158	20,158	-	-	-	-
Investment securities - available-for-sale	3,919,793	-	456,990	4,376,783	-	-	-	-
Equity investments - available-for-sale	-	-	4,189,429	4,189,429	-	-	-	-
	3,922,428	246,936	4,666,577	8,835,941	-	-	-	-
Trading liabilities	-	238,555	-	238,555	-	-	-	-

41. RISK MANAGEMENT (CONT'D)

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

Reconciliation for Level 3 fair value measurements:

	The Group			The Company		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000	**31 December 2015 MUR 000**	31 December 2014 MUR 000	31 December 2013 MUR 000
Balance at start of year/period	**7,810,813**	4,666,577	3,342,158	**6,319,881**	-	-
Additions	**1,078,098**	250,327	1,074,954	**-**	6,319,881	-
Disposals	**-**	(66,282)	-	**-**	-	-
Transfer to Level 1	**-**	-	-	**-**	-	-
Transfer from subsidiary	**-**	1,270,386	-	**-**	-	-
Exchange difference	**(25)**	(26)	12	**-**	-	-
Movement in fair value	**(664,289)**	1,689,831	249,453	**(785,557)**	-	-
Balance at end of year/period	**8,224,597**	7,810,813	4,666,577	**5,534,324**	**6,319,881**	**-**

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

(b) Credit risk

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

(i) Maximum credit exposure

The maximum exposure to credit risk at the reporting date without taking account of any collateral held and other credit enhancements is as disclosed below:

	The Group			The Company		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000	**31 December 2015 MUR 000**	31 December 2014 MUR 000	31 December 2013 MUR 000
Fund-based exposures:						
Cash and cash equivalents	**6,987,190**	5,978,919	4,703,936	**178,060**	3,702	111
Mandatory balances with Central Banks	**6,919,908**	6,548,749	5,494,981	**-**	-	-
Loans to and placements with banks	**1,208,945**	702,133	932,428	**-**	-	-
Trading assets	**-**	28,478	2,635	**-**	-	-
Loans and advances to non-bank customers	**71,060,407**	67,617,045	70,899,969	**-**	-	-
Investment securities	**37,375,824**	30,369,883	18,176,133	**5,896,350**	3,915,754	-
Other assets	**535,785**	743,103	1,079,396	**126,267**	287,790	-
	124,088,059	111,988,310	101,289,478	**6,200,677**	4,207,246	111
Non-fund based exposures:						
Acceptances, guarantees, letters of credit, endorsements and other obligations on account of customers	**5,168,941**	6,025,492	6,121,226	**-**	-	-
Credit commitments	**7,472,081**	7,469,380	8,274,678	**-**	-	-
	12,641,022	13,494,872	14,395,904	**-**	-	-

41. RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

(ii) Credit quality

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

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

	The Group		
Grades:	**31 December 2015 MUR 000**	31 December 2014 MUR 000	31 December 2013 MUR 000
1 to 3 - Strong	**39,845,329**	42,047,396	42,456,637
4 to 6 - Satisfactory	**24,991,499**	25,083,713	26,965,636
7 to 10 (including unrated) - weak	**14,865,732**	11,711,268	13,677,285
	79,702,560	78,842,377	83,099,558

Grade 1 includes customers with low credit risk factors, strong financial conditions and excellent repayment capacities whereas grade 10 includes unrated customers which have been defaulted to 10 on a prudent basis.

The carrying amounts of loans and advances whose terms have been renegotiated during the year amounted to **MUR 5,558.9 million** (2014: MUR 4,969.0 million and 2013: MUR 3,523.6 million) for the Group.

All cash and cash equivalents, loans and placements with banks and loans and receivables – investment securities are held with financial institutions having grades 1 to 5.

(iii) Collateral and other credit enhancements

The use of credit risk mitigants is an integral part of the credit risk management process and is documented in the Group Credit Risk policy. The amount and type of collateral required depend on the counterparty's credit quality and repayment capacity. The principal collateral types taken include:
- Fixed / floating charge on assets of borrowers
- Pledge of deposits / securities / life insurance policy / shares
- Government guarantee / bank guarantee / corporate guarantee / personal guarantee
- Lien on vehicle
- Letter of comfort

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

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Up to 1 month	**150,012**	433,508	351,799
Over 1 month and up to 3 months	**136,115**	374,364	398,504
Over 3 months	**-**	-	260
	286,127	807,872	750,563

41. RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

(v) Impaired financial assets

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

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

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Loans and advances (Note 8d)	3,712,740	1,461,668	1,445,752
Specific allowance held in respect of impaired advances (Note 8d)	2,427,061	811,515	803,219
Fair value of collaterals of impaired advances	1,233,883	633,990	756,271

(vi) Credit concentration of risk by industry sectors

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

	The Group		
Portfolio	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Agriculture	-	-	2,821,745
Commerce	-	-	3,357,301
Tourism	-	-	6,088,113
	-	-	12,267,159

(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.

41. RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

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

The Group	Up to 1 month MUR 000	1-3 months MUR 000	3-6 months MUR 000	6-12 months MUR 000	1-3 years MUR 000	Over 3 years MUR 000	Total MUR 000
31 December 2015							
Financial Assets							
Cash and cash equivalents	9,167,244	6,891	-	-	-	-	9,174,135
Mandatory balances with Central Banks	585,398	197,283	150,731	339,774	426,776	5,219,946	6,919,908
Loans to and placements with banks	87,045	290,422	-	678,910	-	152,568	1,208,945
Loans and advances to non-bank customers	7,113,064	4,588,469	4,770,431	8,251,753	19,263,740	28,308,627	72,296,084
Investment securities	548,370	1,739,114	2,980,123	4,498,757	14,864,691	12,744,769	37,375,824
Other assets	535,785	-	-	-	-	-	535,785
Total financial assets	18,036,906	6,822,179	7,901,285	13,769,194	34,555,207	46,425,910	127,510,681
Financial liabilities							
Deposits from banks	751,719	-	-	-	-	-	751,719
Deposits from non-bank customers	8,946,447	3,032,474	2,364,255	5,287,340	6,242,419	78,408,168	104,281,103
Other borrowed funds	-	72,323	74,882	189,731	609,342	1,186,219	2,132,497
Subordinated debts	-	21,979	4,681	-	-	3,835,478	3,862,138
Other liabilities	2,314,591	-	-	-	-	-	2,314,591
Total financial liabilities	12,012,757	3,126,776	2,443,818	5,477,071	6,851,761	83,429,865	113,342,048
Liquidity Gap	6,024,149	3,695,403	5,457,467	8,292,123	27,703,446	(37,003,955)	14,168,633
31 December 2014							
Financial Assets	16,103,389	6,073,381	8,406,420	13,432,323	28,236,156	43,413,688	115,665,357
Financial liabilities	12,774,024	5,220,284	5,882,749	9,658,177	13,234,283	55,721,499	102,491,016
Liquidity Gap	3,329,365	853,097	2,523,671	3,774,146	15,001,873	(12,307,811)	13,174,341
31 December 2013							
Financial assets	16,422,094	9,547,794	6,196,766	11,538,153	23,995,451	35,864,019	103,564,277
Financial liabilities	13,664,078	4,371,391	5,521,317	7,326,230	14,590,990	45,987,926	91,461,932
Liquidity Gap	2,758,016	5,176,403	675,449	4,211,923	9,404,461	(10,123,907)	12,102,345

41. RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

The Company	Up to 1 month MUR 000	1-3 months MUR 000	3-6 months MUR 000	6-12 months MUR 000	1-3 years MUR 000	Over 3 years MUR 000	Total MUR 000
31 December 2015							
Financial Assets							
Cash and cash equivalents	178,060	-	-	-	-	-	178,060
Investment securities	36,940	-	515,382	718,858	1,556,797	3,068,373	5,896,350
Other assets	126,267	-	-	-	-	-	126,267
Total financial assets	341,267	-	515,382	718,858	1,556,797	3,068,373	6,200,677
Financial liabilities							
Subordinated debts	-	21,979	4,681	-	-	3,835,478	3,862,138
Other liabilities	3,493	-	-	-	-	-	3,493
Total financial liabilities	3,493	21,979	4,681	-	-	3,835,478	3,865,631
Liquidity Gap	337,774	(21,979)	510,701	718,858	1,556,797	(767,105)	2,335,046
31 December 2014							
Financial Assets	291,493	179,369	-	164,867	1,667,968	1,903,550	4,207,247
Financial liabilities	8,919	27,750	3,583	-	-	3,566,876	3,607,128
Liquidity Gap	282,574	151,619	(3,583)	164,867	1,667,968	(1,663,326)	600,119
31 December 2013							
Financial assets	125	-	-	-	-	-	125
Financial liabilities	-	-	-	-	-	-	-
Liquidity Gap	125	-	-	-	-	-	125

The expected timing of cash flows is based on management's estimates and the behavioural analysis of customer's deposits.

41. RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

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

The Group	On Demand MUR 000	Up to 3 months MUR 000	3-6 months MUR 000	6-12 months MUR 000	1-2 years MUR 000	Over 2 years MUR 000	Total MUR 000
Financial liabilities							
Deposits	85,159,719	6,250,160	1,882,957	5,011,228	4,677,494	1,607,132	104,588,690
Trading Liabilities	-	120,781	-	-	-	-	120,781
Other borrowed funds	-	72,008	82,822	191,975	321,868	1,522,235	2,190,908
Subordinated debts	-	43,125	28,083	71,208	142,416	4,592,684	4,877,516
Other liabilities	-	2,314,591	-	-	-	-	2,314,591
31 December 2015	85,159,719	8,800,665	1,993,862	5,274,411	5,141,778	7,722,051	114,092,486
31 December 2014	76,363,292	6,214,425	2,350,575	5,700,054	4,492,746	12,461,890	107,582,982
31 December 2013	67,448,428	8,053,084	1,821,132	3,735,337	5,850,211	5,109,455	92,017,647

The Company	On Demand MUR 000	Up to 3 months MUR 000	3-6 months MUR 000	6-12 months MUR 000	1-2 years MUR 000	Over 2 years MUR 000	Total MUR 000
Financial liabilities							
Subordinated debts	-	43,125	28,083	71,208	142,416	4,592,684	4,877,516
Other liabilities	-	3,493	-	-	-	-	3,493
31 December 2015	-	46,618	28,083	71,208	142,416	4,592,684	4,881,009
31 December 2014	-	53,919	21,454	66,454	132,908	4,434,769	4,709,504
31 December 2013	-	-	-	-	-	-	-

(d) Market risk

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

(i) Interest rate risk

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

41. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

(i) Interest rate risk (cont'd)

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

The Group	Up to 3 Months MUR 000	3-6 Months MUR 000	6-12 Months MUR 000	1-2 Years MUR 000	2-5 Years MUR 000	Over 5 Years MUR 000	Total MUR 000
31 December 2015							
Assets							
Cash and cash equivalents	1,537,714	-	-	-	-	-	1,537,714
Loans to and placements with banks	909,770	-	138,251	-	151,750	-	1,199,771
Loans and advances to non-bank customers	58,693,326	4,369,358	2,030,478	357,564	3,910,304	2,696,119	72,057,149
Investment securities	2,287,485	2,980,123	4,575,342	6,485,863	16,450,009	4,597,002	37,375,824
Total assets	63,428,295	7,349,481	6,744,071	6,843,427	20,512,063	7,293,121	112,170,458
Liabilities							
Deposits from non-bank customers	59,560,936	861,769	2,335,583	2,582,329	106,739	1,461	65,448,817
Other borrowed funds	667,499	1,420,423	43,485	-	-	-	2,131,407
Subordinated debts	1,500,000	2,335,479	-	-	-	-	3,835,479
Total liabilities	61,728,435	4,617,671	2,379,068	2,582,329	106,739	1,461	71,415,703
On balance sheet interest rate sensitivity gap	1,699,860	2,731,810	4,365,003	4,261,098	20,405,324	7,291,660	40,754,755
Off balance sheet interest rate sensitivity gap	507,882	-	(296,864)	(157,004)	(54,014)	-	-
	2,207,742	2,731,810	4,068,139	4,104,094	20,351,310	7,291,660	40,754,755
31 December 2014							
Total assets	68,056,829	5,373,394	6,677,842	5,018,999	14,712,980	3,126,636	102,966,680
Total liabilities	82,173,521	6,521,674	1,192,163	343,805	3,099,307	1,323	93,331,793
On balance sheet interest rate sensitivity gap	(14,116,692)	(1,148,280)	5,485,679	4,675,194	11,613,673	3,125,313	9,634,887
Off balance sheet interest rate sensitivity gap	610,242	-	9,924	(342,930)	(277,236)	-	-
	(13,506,450)	(1,148,280)	5,495,603	4,332,264	11,336,437	3,125,313	9,634,887
31 December 2013							
Total assets	70,030,517	3,060,532	3,940,051	3,285,523	9,236,723	1,248,167	90,801,513
Total liabilities	75,749,408	2,155,018	1,707,675	724,472	2,551,634	4,200	82,892,407
On balance sheet interest rate sensitivity gap	(5,718,891)	905,514	2,232,376	2,561,051	6,685,089	1,243,967	7,909,106
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	7,909,106

41. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

(i) Interest rate risk (cont"d)

The Company	Up to 3 Months MUR 000	3-6 Months MUR 000	6-12 Months MUR 000	1-2 Years MUR 000	2-5 Years MUR 000	Over 5 Years MUR 000	Total MUR 000
31 December 2015							
Assets							
Investment securities	36,940	515,382	718,858	1,190,377	1,162,455	2,272,338	5,896,350
Total assets	36,940	515,382	718,858	1,190,377	1,162,455	2,272,338	5,896,350
Liabilities							
Subordinated debts	1,500,000	2,335,479	-	-	-	-	3,835,479
Total liabilities	1,500,000	2,335,479	-	-	-	-	3,835,479
On balance sheet interest rate sensitivity gap	(1,463,060)	(1,820,097)	718,858	1,190,377	1,162,455	2,272,338	2,060,871
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-
	(1,463,060)	(1,820,097)	718,858	1,190,377	1,162,455	2,272,338	2,060,871
31 December 2014							
Total assets	179,369	-	164,867	915,772	2,340,030	315,716	3,915,754
Total liabilities	1,527,750	2,070,459	-	-	-	-	3,598,209
On balance sheet interest rate sensitivity gap	(1,348,381)	(2,070,459)	164,867	915,772	2,340,030	315,716	317,545
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-
	(1,348,381)	(2,070,459)	164,867	915,772	2,340,030	315,716	317,545
31 December 2013							
Total assets	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-
On balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-
Off balance sheet interest rate sensitivity gap	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

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.

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Increase/(decrease) in profit	**94,504**	(236,437)	(66,545)

41. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

(ii) Fair value hedges

The Group

The Group establishes fair value hedge accounting relationships for interest rate risk on some of its fixed rate customer loans. At 31 December 2015, the aggregate notional principal of interest rate swaps designated as fair value hedges was **MUR 540.6 million** (2014: MUR 626.7 million and 2013: MUR 792.3 million) with a net fair value liability of **MUR 6.5 million** (2014: MUR 13.1 million and 2013: MUR 19.3 million). The hedge was more than 85% effective in hedging the fair value exposure to interest rates movements and as a result the carrying amount of the loans being hedged was adjusted by MUR 5.4 million, which was included in the statement of profit or loss at the same time that the fair value of the interest rate swap was included.

(iii) Currency risk

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

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

The Group	USD MUR 000	GBP MUR 000	EURO MUR 000	INR MUR 000	Other MUR 000	Total MUR 000
31 December 2015						
Assets						
Cash and cash equivalents	3,342,364	395,527	1,893,417	4,752	359,776	5,995,836
Mandatory balances with Central Banks	513,494	78,870	210,953	-	-	803,317
Loans to and placements with banks	633,623	-	-	-	151,109	784,732
Trading assets	110,087	5,168	2,665	3,106	367	121,393
Loans and advances to non-bank customers	11,345,328	690	4,529,305	-	5,600	15,880,923
Investment securities	8,977,661	1,539,672	1,232,194	68,937	215,777	12,034,241
Other assets	53,812	6,457	24,539	-	2,078	86,886
Total monetary financial assets	24,976,369	2,026,384	7,893,073	76,795	734,707	35,707,328
Liabilities						
Deposits from customers	21,426,755	2,665,836	7,111,248	27	608,126	31,811,992
Other borrowed funds	1,001,113	-	1,087,834	-	-	2,088,947
Trading liabilities	41,943	10,118	7,476	1,717	39,083	100,337
Subordinated debts	2,340,159	-	-	-	-	2,340,159
Other liabilities	835,894	26,282	117,723	1,706	9,575	991,180
Total monetary financial liabilities	25,645,864	2,702,236	8,324,281	3,450	656,784	37,332,615
On balance sheet net position	(669,495)	(675,852)	(431,208)	73,345	77,923	(1,625,287)
Off balance sheet net position	952,898	620,230	43,305	(67,961)	(125,273)	1,423,199
Net currency position	283,403	(55,622)	(387,903)	5,384	(47,350)	(202,088)

41. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

(iii) Currency risk (cont'd)

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

The Group	USD MUR 000	GBP MUR 000	EURO MUR 000	INR MUR 000	Other MUR 000	Total MUR 000
31 December 2014						
Total monetary financial assets	20,175,036	2,421,279	7,156,482	9,712	1,329,995	31,092,504
Total monetary financial liabilities	20,253,760	2,468,783	7,485,577	8,036	1,265,992	31,482,148
On balance sheet net position	(78,724)	(47,504)	(329,095)	1,676	64,003	(389,644)
Off balance sheet net position	(309,363)	42,818	176,469	98,782	(64,111)	(55,405)
Net currency position	(388,087)	(4,686)	(152,626)	100,458	(108)	(445,049)
31 December 2013						
Total monetary financial assets	13,966,690	1,199,128	6,108,602	2,060	1,189,737	22,466,217
Total monetary financial liabilities	14,593,198	1,445,844	6,050,326	490	1,231,626	23,321,484
On balance sheet net position	(626,508)	(246,716)	58,276	1,570	(41,889)	(855,267)
Off balance sheet net position	1,100,854	219,041	(130,381)	(256)	66,604	1,255,862
Net currency position	474,346	(27,675)	(72,105)	1,314	24,715	400,595

The Company

The Company is exposed to currency risk only in USD in relation to investment securities (financial assets) amounting to **MUR 2,233 million** (2014: MUR 2,070 million) and subordinated debts (financial liabilities) amounting to **MUR 2,340 million** (2014: MUR 2,070 million).

Value-at-Risk Analysis

The Group uses Value-at-Risk (VAR) to estimate the potential foreign exchange loss arising from adverse movements in an ordinary market environment. To calculate VAR, the Group uses the historical method which assumes that historical changes in market values are representative of future changes. The VAR is based on the previous 12 months data. The Group calculates VAR using 10 days holding period and an expected tail-loss methodology, which approximates a 99% confidence level. This would mean that only once in every 100 trading days, the Group would expect to incur losses greater than the VAR estimates, or about two to three times a year. The use of 10 days holding period and a one-year historical observation period are in line with the Basel II recommendation.

The Group's VAR amounted to:

	The Group		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000
Minimum for the year	**207**	242	144
Maximum for the year	**2,771**	4,046	3,995
Year - end	**750**	1,271	880

41. RISK MANAGEMENT (CONT'D)

(d) Market risk (cont'd)

(iv) Equity price sentivity analysis

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

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

	The Group			The Company		
	31 December 2015 MUR 000	31 December 2014 MUR 000	31 December 2013 MUR 000	**31 December 2015 MUR 000**	31 December 2014 MUR 000	31 December 2013 MUR 000
Statement of comprehensive income	**303,309**	336,096	209,471	**276,716**	315,994	-
Statement of profit or loss	**-**	144	87	**-**	-	-
	303,309	336,240	209,558	**276,716**	315,994	-

(e) Accounting policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability and equity instruments are disclosed in the notes to the financial statements.

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42. SEGMENT INFORMATION - The Group

Accounting policy

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

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

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

The accounting policies of the operating segment are the same as those described in the notes to these financial statements.

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

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

	Banking MUR 000	Non-bank financial institutions MUR 000	Non financial institutions MUR 000	Other institutions MUR 000	Intersegment adjustments MUR 000	Group Total MUR 000
31 December 2015						
Interest income from external customers	6,174,133	(37)	461	249,758	-	6,424,315
Non interest income from external customers	1,753,246	105,268	2,448	170,936	-	2,031,898
Revenue from external customers	7,927,379	105,231	2,909	420,694	-	8,456,213
Interest income from internal customers	-	261	-	-	(261)	-
Non interest income from internal customers	-	-	-	2,446,711	(2,446,711)	-
Revenue from other segments of the entity	-	261	-	2,446,711	(2,446,972)	-
Total gross revenue	7,927,379	105,492	2,909	2,867,405	(2,446,972)	8,456,213
Interest and fee and commission expense to external customers	(2,067,640)	(60)	-	(133,220)	-	(2,200,920)
Interest expense to internal customers	(261)	-	-	-	261	-
	(2,067,901)	(60)	-	(133,220)	261	(2,200,920)
Operating income	5,859,478	105,432	2,909	2,734,185	(2,446,711)	6,255,293
Depreciation and amortisation	(160,763)	(99)	(171)	(502)	-	(161,535)
Other non interest expenses	(2,013,004)	(60,231)	(1,330)	(39,396)	5,045	(2,108,916)
Net impairment loss on financial assets	(1,934,708)	(2,132)	-	-	-	(1,936,840)
Operating profit	1,751,003	42,970	1,408	2,694,287	(2,441,666)	2,048,002
Share of profit of associate	-	-	-	-	-	-
Profit before income tax	1,751,003	42,970	1,408	2,694,287	(2,441,666)	2,048,002
Tax expense	(419,866)	(3,740)	(434)	(16,408)	-	(440,448)
Profit for the year attributable to equity holders of the parent	1,331,137	39,230	974	2,677,879	(2,441,666)	1,607,554
Segment assets	142,759,951	157,976	468,690	48,265,255	(55,489,781)	136,162,091
Segment liabilities	110,333,804	22,223	1,221	3,882,019	(265,539)	113,973,728
Additions to tangible and intangible assets	1,346,809	564	-	-	-	1,347,373

42. SEGMENT INFORMATION - The Group (CONT'D)

	Banking MUR 000	Non-bank financial institutions MUR 000	Non financial institutions MUR 000	Other institutions MUR 000	Intersegment adjustments MUR 000	Group Total (Restated) MUR 000
31 December 2014						
Interest income from external customers	6,420,937	29	649	29,631	-	6,451,246
Non interest income from external customers	1,937,772	48,552	80,226	173,222	-	2,239,772
Revenue from external customers	8,358,709	48,581	80,875	202,853	-	8,691,018
Interest income from internal customers	-	2,394	-	-	(2,394)	-
Non interest income from internal customers	61,904	13,394	899	6,798,314	(6,874,511)	-
Revenue from other segments of the entity	61,904	15,788	899	6,798,314	(6,876,905)	-
Total gross revenue	8,420,613	64,369	81,774	7,001,167	(6,876,905)	8,691,018
Interest and fee and commission expense to external customers	(2,397,441)	(62)	-	(32,650)	-	(2,430,153)
Interest expense to internal customers	(2,394)	-	-	-	2,394	-
	(2,399,835)	(62)	-	(32,650)	2,394	(2,430,153)
Operating income	6,020,778	64,307	81,774	6,968,517	(6,874,511)	6,260,865
Depreciation and amortisation	(165,833)	(52)	(137)	-	-	(166,022)
Other non interest expenses	(2,940,252)	(39,605)	(2,493)	(5,474)	1,382	(2,986,442)
Net impairment loss on financial assets	(630,353)	-	-	(6,319,881)	6,319,881	(630,353)
Operating profit	2,284,340	24,650	79,144	643,162	(553,248)	2,478,048
Share of profit of associate	-	62,993	-	-	-	62,993
Profit before income tax	2,284,340	87,643	79,144	643,162	(553,248)	2,541,041
Tax expense	(668,705)	(3,969)	33	-	-	(672,641)
Profit for the year attributable to equity holders of the parent	1,615,635	83,674	79,177	643,162	(553,248)	1,868,400
Segment assets	149,154,985	119,702	500,326	31,526,336	(55,699,087)	125,602,262
Segment liabilities	99,995,945	8,590	134,633	3,607,128	(217,697)	103,528,599
Additions to tangible and intangible assets	1,638,365	86	-	-	-	1,638,451

42. SEGMENT INFORMATION - The Group (CONT'D)

	Banking MUR 000	Non-bank financial institutions MUR 000	Non financial institutions MUR 000	Other institutions MUR 000	Intersegment adjustments MUR 000	Group Total (Restated) MUR 000
31 December 2013						
Interest income from external customers	9,318,754	15,111	-	-	-	9,333,865
Non interest income from external customers	2,361,730	175,099	813,142	-	-	3,349,971
Revenue from external customers	11,680,484	190,210	813,142	-	-	12,683,836
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	11,684,799	194,009	813,817	-	(8,789)	12,683,836
Interest and fee 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	8,218,694	189,744	813,817	-	(1,487)	9,220,768
Depreciation and amortisation	(281,386)	(1,557)	(96)	-	-	(283,039)
Other non interest expenses	(3,046,522)	(32,906)	(138)	-	1,573	(3,077,993)
Net impairment loss on financial assets	(742,224)	-	-	-	-	(742,224)
Operating profit	4,148,562	155,281	813,583	-	86	5,117,512
Share of profit of associate	-	141,671	-	-	-	141,671
Profit before income tax	4,148,562	296,952	813,583	-	86	5,259,183
Tax expense	(896,622)	(12,104)	(82)	-	-	(908,808)
Profit for the period attributable to equity holders of the parent	3,251,940	284,848	813,501	-	86	4,350,375
Segment assets	109,367,220	1,067,127	4,146,861	-	(2,720,485)	111,860,723
Segment liabilities	92,566,121	60,095	56	-	(108,735)	92,517,537
Additions to tangible and intangible assets	1,708,178	332	30,729	-	(30,572)	1,708,667

42. SEGMENT INFORMATION - The Group (CONT'D)

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

	Banking		
	Year ended 31 December 2015 MUR 000	Year ended 31 December 2014 MUR 000	18 months ended 31 December 2013 MUR 000
Revenue from external customers arising from the following products and services:			
Loans and advances to non-bank customers	5,215,410	5,481,890	8,346,900
Loans to and placements with banks	57,937	59,662	53,267
Exchange income	524,861	402,994	547,569
Card income	387,837	306,757	546,226
Trade finance services	197,067	192,733	305,331
Deposit and other products /services	136,637	153,264	189,772
	6,519,749	6,597,300	9,989,065

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

	Banking		
	Mauritius MUR 000	Other countries MUR 000	Total MUR 000
31 December 2015			
Revenue from external customers	6,052,500	1,874,881	7,927,381
Tangible and intangible assets	4,796,104	363,205	5,159,309
31 December 2014			
Revenue from external customers	5,508,280	2,850,429	8,358,709
Tangible and intangible assets	3,723,646	248,938	3,972,584
31 December 2013			
Revenue from external customers	8,816,456	2,864,028	11,680,484
Tangible and intangible assets	3,411,394	204,231	3,615,625

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MANAGEMENT
DISCUSSION & ANALYSIS

Performance 2015 against objectives and target 2016 - SBM Holdings Ltd

Indicator	Target for 2015	Perfomance 2015	Target for 2016
Profit for the year	To grow by more than 10 percent	As a result of the exceptionally high impairment charge for this financial year 2015, the Group recorded a profit after tax of only MUR1.61Bn and could not achieve the set target for 2015. However, in terms of operating income, the Group did fairly well with an increase of 6.31 percent compared to 2014 after excluding the one time gain of MUR377 million on disposal of equities posted in 2014.	The Group is forecasting a growth in profits of around 60 percent given the lower profit base for 2015 and a normalised impairment charge.
Return on average assets	To maintain around 3 percent	The Group registered an increase of 10.3 percent in average assets from 31 December 2014 to 31 December 2015 and coupled with a significantly lower profit its return on average assets was 1.23 percent in 2015.	The Group expects to catch up in 2016 with a return on average assets of at least 2 percent
Return on average equity	Target above 17 percent	As a result of lower profit level for 2015 and also due to increase in average equity arising from revaluation of properties and investments following the Group restructuring exercise in October 2014, return on average equity was 7.26 percent for 2015.	The Group's aim is to achieve better results and make optimum use of capital to generate more income in the coming five years. For 2016, the Group is expecting an improvement over 2015 results with a minimum return of 15 percent
Cost to Income ratio	Cost to income ratio not exceeding 45%	The cost to income ratio for 2015 was 52.58 percent mostly on account of higher impairment charges and system costs. Excluding impairment charges, the cost to income ratio for 2015 stood at 36.30 percent.	The cost to income ratio (excluding impairment) is expected to be contained below 42 percent as the Group is projecting an increase in operating costs with implementation of the full fledged technology Transformation Project planned for 2016 and also as the Group continues its investment in capacity-building in terms of human capital. However, the Group anticipates a gradual reduction in the coming years as it starts reaping the benefits of these investments.

Financial Review - SBM Holdings Ltd

Cautionary note: The analysis of the Group's financial information should be read in conjunction with the audited financial statements for the Group for the year ended 31 December 2015 presented on pages 38 to 127. 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.

The Group	**12 months December 2015**	12 months December[b] 2014	12 months December[b] 2013	18 months December[a] 2013	Year June[b] 2012	Year June[b] 2011
Key financial indicators (MUR M)						
Profit before income tax and net impairment loss on financial assets	**3,985**	3,108	3,745	5,860	3,398	2,712
Profit before income tax	**2,048**	2,541	3,276	5,259	3,123	2,424
Profit for the period	**1,608**	1,868	2,696	4,350	2,526	1,964
Total assets	**136,162**	125,602	111,861	111,861	98,824	94,443
Shareholders' equity	**22,188**	22,074	19,343	19,343	17,727	14,683
Tier 1 capital	**18,254**	20,376	12,633	12,633	11,637	10,515
Risk-weighted assets (including market and operational risks)	**83,935**	79,366	74,750	74,750	69,994	58,811
Average assets[c]	**130,882**	118,731	108,127	105,342	96,633	86,650
Average shareholders' equity[c]	**22,131**	20,708	18,645	18,535	16,205	14,228
Average working funds[c]	**135,841**	120,378	107,524	104,603	95,272	85,959
Average Tier 1 capital[c]	**19,315**	16,505	12,871	12,135	11,076	10,331
Key financial ratios (%)						
Risk adjusted return on capital (RAROC)[f]	**25.35**	31.24	50.21	53.87	52.45	48.02
Capital adequacy ratio	**28.26**	31.41	20.40	20.40	20.51	21.21
Tier 1 Capital adequacy ratio	**21.75**	25.67	16.90	16.90	16.63	17.88
Profit before income tax[f]/ average risk-weighted assets	**2.51**	3.30	4.39	4.83	4.85	4.68
Profit before income tax[f]/ average assets	**1.56**	2.14	3.03	3.32	3.23	2.80
Profit before income tax[f]/ average shareholders' equity	**9.25**	12.27	17.57	18.86	19.27	17.04
Profit before income tax[f]/ average Tier 1 capital	**10.60**	15.40	25.45	28.81	28.20	23.46
Return on average risk-weighted assets[f]	**1.97**	2.42	3.61	4.00	3.92	3.79
Return on average assets[f]	**1.23**	1.57	2.49	2.75	2.61	2.27
Return on average shareholders' equity[f]	**7.26**	9.02	14.46	15.60	15.59	13.81
Return on average Tier 1 capital[f]	**8.32**	11.32	20.94	23.83	22.80	19.01
Cost to income	**36.30**	50.35	39.39	36.45	32.89	34.92

Financial Review - SBM Holdings Ltd (cont'd)

The Group	12 months December 2015	12 months December[b] 2014	12 months December[b] 2013	18 months December[a] 2013	Year June[b] 2012	Year June[b] 2011
Share information (based on nominal of 1 cent each)[d]						
Earnings per share (cents)[f]	**6.23**	7.24	10.44	11.20	9.78	7.61
Dividend per share (cents)[e,f,g]	**4.00**	4.50	4.00	4.00	3.50	3.00
Net asset value per share (cents)	**85.94**	85.50	74.92	74.92	68.66	56.87
Share price to book value (times)	**0.83**	1.08	1.32	1.15	1.63	1.48
Dividend yield (%)[e,f]	**5.63**	4.41	3.85	3.85	4.27	3.13
Earnings yield (%)	**8.77**	7.09	10.04	10.77	11.93	7.93
Total Yield (cents)[e]	**(27.00)**	2.50	4.00	26.00	(10.50)	20.00
Cumulative Yield (cents)	**80.95**	107.95	105.45	127.45	101.45	111.95
Price earnings ratio (times)	**11.40**	14.09	9.96	9.28	8.38	12.62
Dividend cover (times)	**1.56**	1.61	2.61	2.81	2.79	2.54
Market capitalisation (MUR M)	**21,566**	30,982	31,589	31,589	24,907	29,159
Market price per share (cents)	**71.00**	102.00	104.00	104.00	82.00	96.00
Highest	**100.00**	106.93	129.70	129.70	98.50	101.00
Lowest	**69.31**	98.02	107.88	107.88	77.50	79.00
Average	**87.89**	102.60	123.25	123.25	84.28	90.37
Value of shares traded (MUR M)	**3,157.55**	2,288.58	1,873.83	2,439.12	1,120.89	980.24
Value of shares traded as a percentage of Market (%)	**17.55**	13.83	17.74	11.66	8.27	8.37
Other key data (end of period)						
Number of employees	**1,223**	1,179	1,168	1,168	1,176	1,185
Number of employees (Mauritius)	**1,117**	1,074	1,066	1,066	1,082	1,094
Number of employees (Overseas)	**106**	105	102	102	94	91
Number of service units	**52**	50	49	49	48	48
Exchange rate (USD : MUR)	**35.91**	31.78	30.00	30.00	30.93	28.52
Exchange rate (INR : MUR)	**0.543**	0.504	0.485	0.485	0.556	0.638
Exchange rate (100 MGA : MUR)	**1.124**	1.234	1.350	1.350	1.426	1.478

[a] Change in financial year end from June to December. Figures are not entirely comparable

[b] Restated

[c] Averages are calculated using period / year-end balances.

[d] On 1 March 2013, SBM share of nominal MUR 1 each was split into 100 shares of nominal 1 cent each. The share-related information presented for prior periods are restated based on the new number of shares.

[e] Including dividend declared after the reporting date but before the financial statements are authorised for issue.

[f] Figures for the 18 months to December 2013 have been annualised.

[g] Dividend per share for 2015 includes a final dividend of 1.10 cents payable in 2016.

Financial Review - SBM Holdings Ltd (cont'd)

Results

Summarised Statement of Profit or Loss for the year ended 31 December 2015 compared to corresponding year ended 31 December 2014 below:

The Group	2015 MUR M	2014 (Restated) MUR M
Interest income	6,424	6,451
Interest expense	(2,172)	(2,401)
Net interest income	4,252	4,050
Non-interest income	2,003	2,211
Operating income	6,255	6,261
Non-interest expense	(2,270)	(3,153)
Profit before net impairment loss on financial assets	3,985	3,108
Net impairment loss on financial assets	(1,937)	(630)
Operating profit	2,048	2,478
Share of profit of associates	-	63
Profit before tax	2,048	2,541
Tax expense	(440)	(673)
Profit after tax	1,608	1,868

SBM Group's profit after tax for the year ended 31 December 2015 amounted to MUR 1,608 million, compared to MUR 1,868 million for the corresponding year of 2014. The lower profits were mainly due to a substantial increase in credit impairment charges during the year under review amounting to MUR 1,937 million as compared to MUR 630 million in 2014. Profit for 2014 has also been restated downward by MUR 1,293 million mainly to reflect part of the expenditures incurred during the year 2014 which related to inefficiencies in the implementation of the Group's information technology project named as 'Flamingo' and costs in respect of business transformation initiatives which have been expensed as they did not meet the criteria for recognition as intangible assets under IAS 38. The earnings per share decreased from 7.24 cents for December 2014 to 6.23 cents for December 2015. The Group's net interest margin decreased from 3.54 percent in 2014 to 3.22 percent in 2015.

Revenue growth

SBM Group's operating income for the year ended 31 December 2015 stood at MUR 6,255 million as compared to the previous year which stood at MUR 6,261 million. The main drivers of revenues were net interest income and non-interest income. Net interest income increased by MUR 202 million or 4.99 percent while non-interest income decreased by MUR 208 million or 9.40 percent mainly due to an exceptional gain of MUR 377 million in the year 2014 relating to the disposal of some equity investments.

The ratio of non-interest income to average assets for SBM Bank Group (excluding dividend and profit on disposal of equity investments) increased to 1.45 percent for 2015 as compared to 1.35 percent for 2014, mirroring the increase in non-interest income and increase in average assets. Non-interest income as a percentage of operating income stood at 32.01 percent for 2015 (2014: 35.39 percent).

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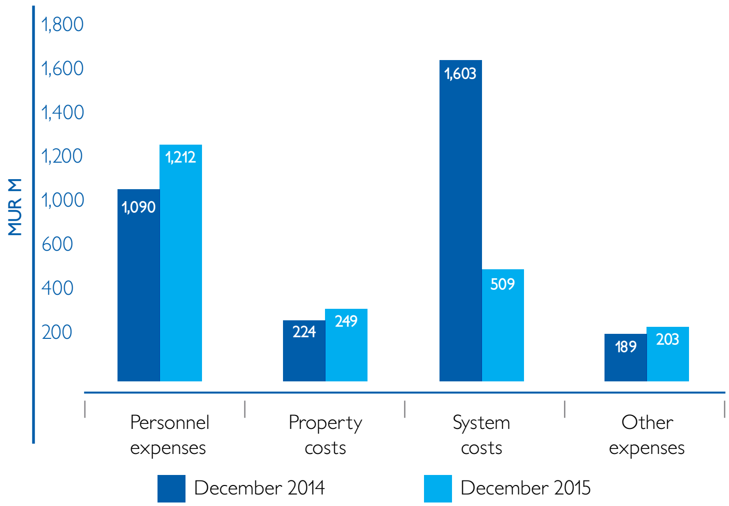
Financial Review - SBM Holdings Ltd (cont'd)

Non-Interest Expenses

Non-interest expenses amounted to MUR 2,270 million for the year ended 31 December 2015 as compared to MUR 3,153 million for the year ended 31 December 2014 representing a decrease of 27.98 percent. The decrease is mainly due to the prior year recognition of certain system cost as mentioned on note 32 on page 99 with regard to the Flamingo project and the business transformation initiatives. An amount of MUR 1,174 million has been expensed in the year 2014. The Group is continuing with the implementation of the technology transformation project of which the first phase went live in April 2013 while the existing systems continued to be in use, well supported by the technology partners via maintenance contracts secured to ensure uninterrupted service. Personnel expense increased by MUR 120 million (10.71 percent) driven by an increase in wages and salaries by MUR 70.8 million.

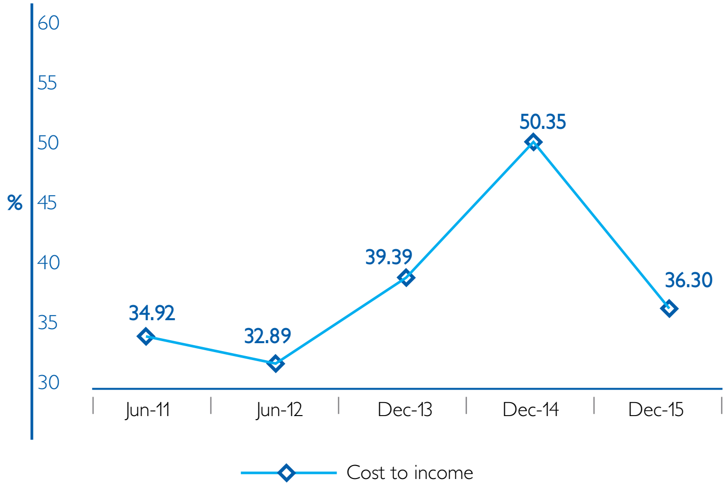
Breakdown of Non-Interest Expenses



Cost to income

The cost to income ratio decreased from 55.99 percent for the year ended December 2014 to 52.58 percent for the year ended December 2015. The restatement made for year 2014 on the system cost amounting to MUR 1,174 million impacted negatively on the cost to income ratio for the year 2014.

Cost to income ratio



2013 relates to 12 months period from 01 January to 31 December

Net Impairment Loss on Financial Assets

Net impairment loss on advances and other financial assets for the year ended 31 December 2015 amounted to MUR 1,937 million as compared to MUR 630 million for the year ended 31 December 2014. The increase in impairment is mainly on account of some corporate customers being classified as impaired during the year under review. The Group shall continue its recovery actions to realise collaterals and maximise recovery.

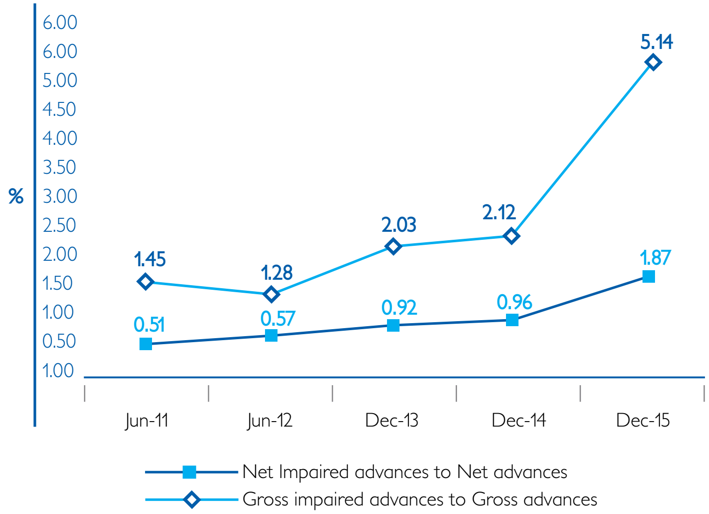
Financial Review - SBM Holdings Ltd (cont'd)

Loans and Advances

During the year 2015, SBM Group's gross advances increased by 4.62 percent to reach MUR 72,296 million as at 31 December 2015 (31 December 2014: MUR 69,107 million). SBM Group experienced an increase of 1.34 percent on mortgage loans increasing from MUR 17,043 million as at 31 December 2014 to MUR 17,271 million as at 31 December 2015 and international business witnessing an increase of 3.23 percent. The Mauritius Operations enjoyed a market share of around 21 percent in domestic advances excluding GBL as at end of December 2015. Indian Operations' loan book increased by 12.53 percent or MUR 153 million even though some write-off of advances were made during the year under review. Madagascar operations loan book decreased by MUR 70 million.

SBM Group advances to GBL and entities outside Mauritius, aggregated to nearly MUR 10,263 million at 31 December 2015, representing 14.20 percent of the total advances portfolio (2014: 15.35 percent). Further detailed analysis on the credit portfolio, including a breakdown by economic sectors and level of provisions held has been provided in Note 8 to the Financial Statements of SBM Holdings Ltd.

Gross Impaired to Gross advances



2013 relates to 12 months period from 01 January to 31 December

Impaired Advances and Allowance for Credit Impairment

Gross impaired advances increased from MUR 1,462 million at 31 December 2014 to MUR 3,712 million at 31 December 2015. The Group ensured adequate provisions were maintained as per the guidelines of the respective Central Banks and International Financial Reporting Standards. Specific allowance for credit impairment stood at MUR 2,427 million, representing a provision coverage ratio of 65.37 percent (31 December 2014: 55.52 percent).

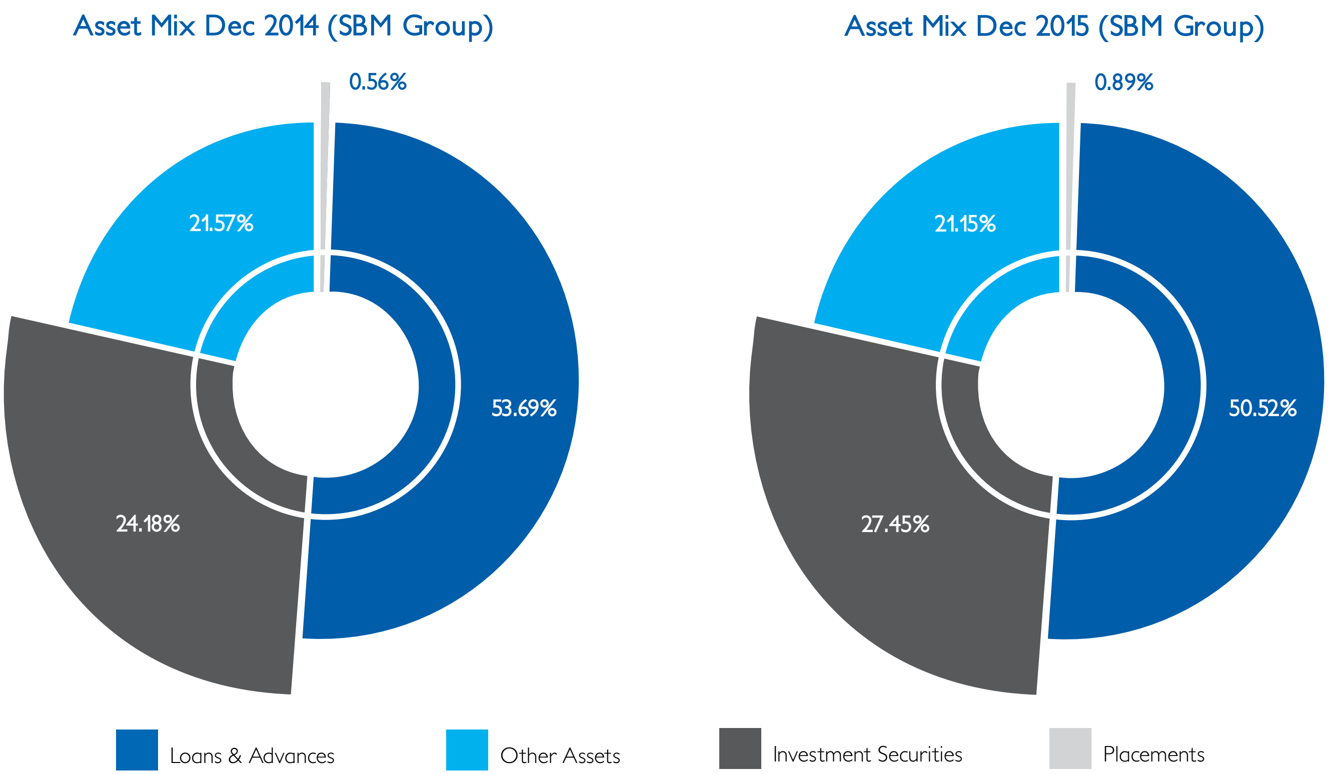
The portfolio provision has increased by nearly MUR 224 million as a result of an increase in gross advances during the year. The Group's gross impaired advances to gross advances ratio increased from 2.12 percent in 31 December 2014 to 5.14 percent in 31 December 2015 and the net impaired advances to net advances ratio increased from 0.96 percent to 1.87 percent.

Investment Securities and Equity Investments

Investment securities, which comprise fixed interest securities, grew by 23.07 percent from MUR 30,370 million as at 31 December 2014 to MUR 37,376 million as at 31 December 2015. The increase is mainly from higher investment in local and foreign corporate / bank bonds increasing by 48.85 percent (MUR 4,780 million) and increased investment in government securities by 10.81 percent (MUR 2,226 million) as a result of excess liquidity and limited lending opportunities. Corporates were also active in the capital market in 2015 raising funds on the market to take advantage of the low interest environment for refinancing of debts.

Financial Review - SBM Holdings Ltd (cont'd)

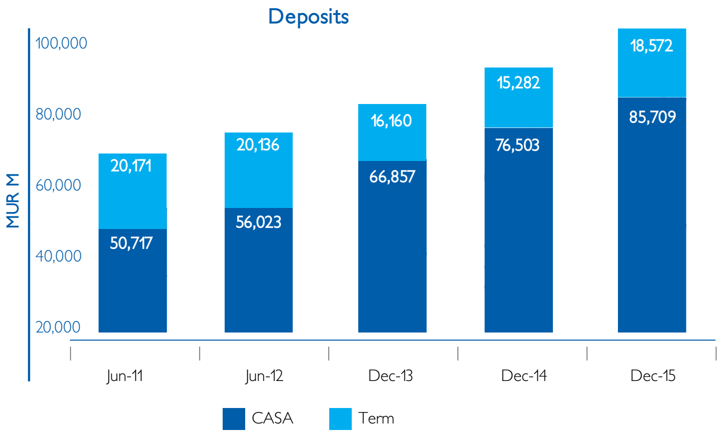
Assets Mix



Deposits

SBM Group's deposits from customers increased by 13.61 percent to reach MUR 104,281 million as at 31 December 2015 (December 2014: MUR 91,785 million) with lower cost demand and savings deposits growing by MUR 9,206 million (12.03 percent) accounting for 82.19 percent of total deposits as at 31 December 2015. Term deposits increased by 21.53 percent as compared to 31 December 2014. Deposits denominated in foreign currencies accounted for 32.50 percent of the total deposits (31 December 2014: 33.79 percent).

Financial Review - SBM Holdings Ltd (cont'd)



MUR 1,500 million and USD 65 million, respectively, were transferred along with matching investments to SBM Holdings Ltd as part of the approved restructure.

Shareholders' Equity

SBM Group shareholders' equity increased by 0.52 percent to reach MUR 22,188 million as at 31 December 2015 (31 December 2014: MUR 22,074 million) with the addition of the current period's profit of MUR 1,608 million, partly offset by dividend payment of MUR 955 million during the year and the prior year adjustments made to 2014 and 2013 financial figures. Return on average shareholders' equity stood at 7.26 percent for the year.

Further analysis on the capital structure and capital adequacy ratio is provided on page 200.

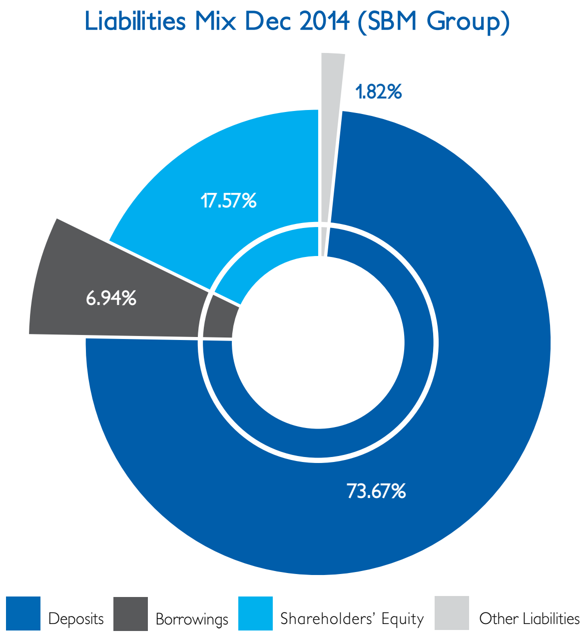
Borrowings

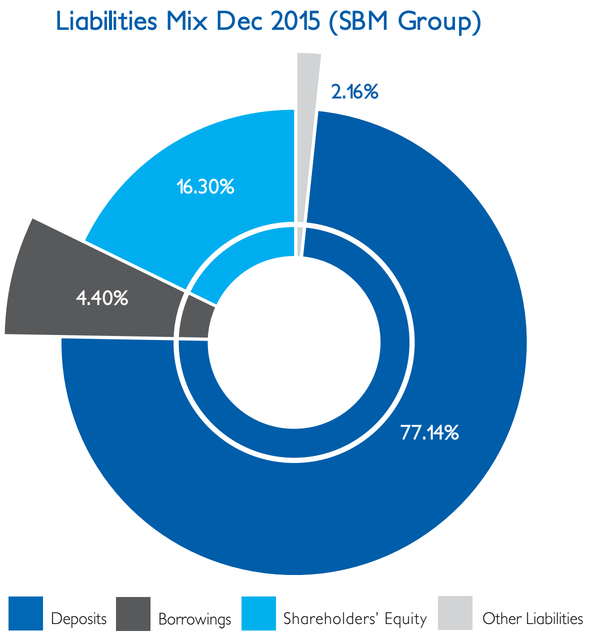
SBM Group's borrowings including the subordinated debts issued in 2024, stood at MUR 5,994 million as at 31 December 2015 (31 December 2014: MUR 8,711 million). The decrease is due to repayment of borrowings made by the Group.

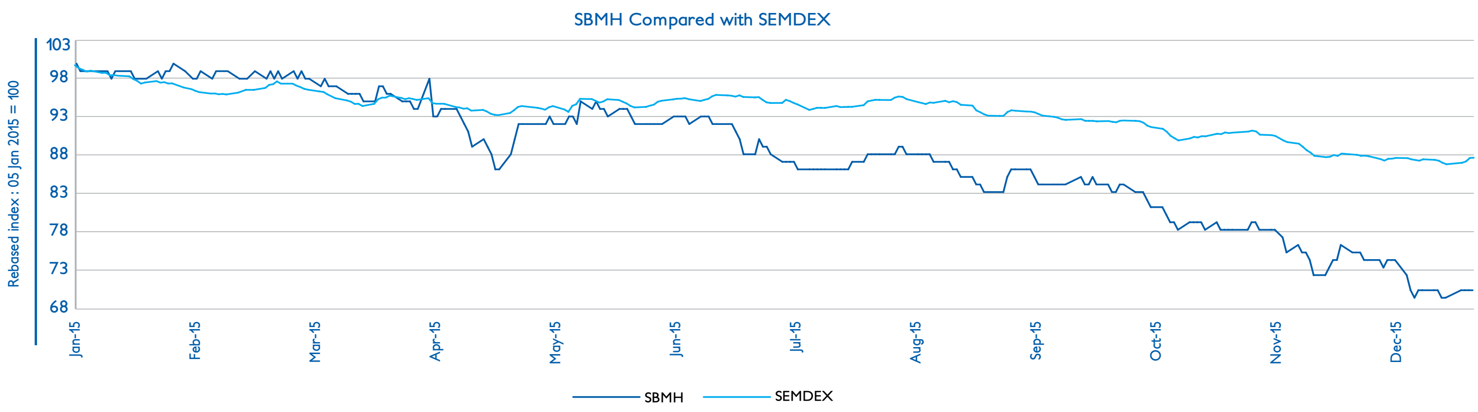
SBM Group made a public offer for the issue of subordinated senior unsecured multi-currency floating interest rate bonds. Class A 1 Series Bond of MUR 1,000 million opened on 20 December 2013, was oversubscribed and a maximum of MUR 1,500 million was retained with half yearly floating coupon payment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

Financial Review - SBM Holdings Ltd (cont'd)

Liability Mix







Performance 2015 against objectives and target 2016 - SBM Bank Group

Indicator	Target for 2015	Perfomance 2015	Target for 2016
Profit for the year	To grow by more than 15 percent	The SBM Bank Group has been hit by exceptionally high impairment charge for this financial year which had a major impact on the bottomline. As such SBM Bank Group attained a profit of only MUR1.36 Bn. SBM Bank Group did fairly well in terms of operating income, with an increase of 4.3 percent compared to 2014 after excluding the one time gain of MUR 377 million on disposal of equities posted in 2014 (See the section on Financial Review for a detailed performance analysis.)	SBM Bank Group is forecasting a growth in Profits of around 90 percent given the lower profit base for 2015 and a normalised impairment charge.
Return on Average Assets (ROA)	To maintain around 3 percent	SBM Bank Group registered an increase of 7.28 percent in average assets from 31 December 2014 to 31 December 2015 which coupled with a significantly lower profits resulted in ROA of only 1.14 percent for 2015.	SBM Bank Group expects to catch up in 2016 and attain an ROA of at least 1.9 percent
Return on Average Equity (ROE)	Target above 18 percent	As a result of lower profit level for 2015, Return on Average Equity was 9.55 percent.	For 2016, SBM Bank Group is expecting an improvement over 2015 results with a ROE of at least 15 percent.
Advances and Deposits	To grow average advances and deposits by 10.5 percent and 7.0 percent respectively	Average deposits went up by around 12 percent but SBM Bank Group could not attain the set objective as regards Average Advances which remained more or less at par with average balance for 2014. Though being constrainted by a situation of high liquidity in the market and low demand for credit, the Banking Group managed to post a growth of 4.6 percent in advances in terms of ending balance.	Objective for FY 2016 is to grow average loan book by at least 12 percent and average deposits by at least 9 percent.
Assets Quality	To maintain net impaired assets ratio below 1.2 percent	Net impaired ratio for 31 December 2015 stood at 1.87 percent compared to 0.96 percent for 2014. This increase was mainly on account of some corporates customers which have been classified as impaired during the year.	The Banking Group is expecting improvement in the assets quality for 2016 with a drop in the ratio to below 1.5 percent.
Cost to Income Ratio (CI)	To contain ratio below 45 percent	The cost to income ratio for 2015 was 55 percent on account of higher impairment charge. CI ratio excluding impairment stood at 36.94 percent for 31 December 2015.	The CI ratio (excluding impairment) is expected to be contained below 42 percent as SBM Bank Group is projecting an increase in operating costs with implementation of the full fledge Technology Transformation Platform and also as it continues investment in capacity-building in terms of human capital. The ratio is expected to gradually go down as SBM Bank Group will start reaping the full benefit of its investment in technology and resources.

Financial Review – SBM (Bank) Holdings Ltd

	12 months December 2015	12 months December[b] 2014	12 months December[b] 2013	18 months December[ab] 2013
Statement of profit or loss (MUR M)				
Net interest income	**4,136**	4,050	4,003	5,902
Non interest income	**1,749**	1,968	1,824	2,995
Non interest expense	**2,174**	3,106	2,401	3,328
Depreciation and amortisation	**161**	166	188	281
Profit before income tax and net impairment loss on financial assets	**3,711**	2,913	3,426	5,569
Profit before income tax	**1,777**	2,282	2,858	4,827
Profit for the period	**1,357**	1,614	2,290	3,930
Statement of financial position (MUR M)				
Total assets	**124,015**	114,763	107,151	107,151
Gross loans and advances to non-bank customers	**72,296**	69,107	71,125	71,125
Gilt-edged securities	**19,149**	18,739	15,041	15,041
Bank bonds	**9,219**	6,155	1,712	1,712
Other investments	**3,112**	1,560	1,821	1,821
Deposits from non-bank customers	**104,488**	91,940	83,127	83,127
Shareholders' equity	**13,737**	14,688	14,583	14,583
Tier 1 capital	**9,805**	12,990	11,646	11,646
Risk-weighted assets (including market and operational risks)	**75,746**	70,897	70,672	70,672
Statement of financial position (average MUR M)				
Average assets	**119,389**	110,957	101,752	101,752
Average loans and advances to customers	**70,702**	70,116	67,480	67,480
Average gilt-edged securities	**18,944**	16,890	13,615	13,615
Average bonds	**7,687**	3,934	1,808	1,808
Average deposits from non-bank customers	**98,214**	87,534	80,401	80,401
Average shareholders' equity	**14,212**	14,635	14,250	14,250
Average working funds	**124,237**	114,472	104,341	104,359
Average Tier 1 capital	**11,398**	12,318	11,425	11,425
Average interest earning assets	**105,543**	97,244	91,581	91,581
Average interest bearing liabilities	**102,017**	93,137	86,830	86,830

Financial Review – SBM (Bank) Holdings Ltd (cont'd)

	12 months December 2015	12 months December[b] 2014	12 months December[b] 2013	18 months December[ab] 2013
Efficiency ratios (%)				
Cost to income	**36.94**	51.61	41.20	37.40
Earnings per share (cents)[d]	**5.25**	6.25	8.87	10.12
Net asset value per share (cents)	**53.21**	56.89	56.48	56.48
Performance ratios (%)				
Risk adjusted return on capital (RAROC)[d]	**24.31**	30.93	56.89	56.88
Capital adequacy ratio	**14.96**	19.71	18.58	18.58
Tier 1 Capital adequacy ratio	**12.94**	18.32	16.48	16.48
Profit before income tax[d]/ average risk-weighted assets	**2.42**	3.22	4.17	4.68
Profit before income tax[d]/ average assets	**1.49**	2.06	2.81	3.15
Profit before income tax[d]/ average shareholders equity	**12.50**	15.60	20.06	22.52
Profit before income tax[d]/ average Tier 1 capital	**15.59**	18.53	25.02	28.09
Return on average risk-weighted assets[d]	**1.85**	2.28	3.34	3.81
Return on average assets[d]	**1.14**	1.45	2.25	2.57
Return on average shareholders' equity[d]	**9.55**	11.03	16.07	18.34
Return on average Tier 1 capital[d]	**11.90**	13.10	20.05	22.87
Asset quality ratios (%)				
Gross impaired advances to gross advances	**5.14**	2.12	2.03	2.03
Net impaired advances to net advances	**1.87**	0.96	0.92	0.92

[a] Change in financial year end from June to December. Figures are not entirely comparable
[b] Restated
[c] Averages are calculated using period / year-end balances.
[d] Annualised

Financial Review – SBM (Bank) Holdings Ltd (cont'd)

Results

Summarised Statement of Profit or Loss for SBM Bank Group based on year ended 31 December 2015 compared to the corresponding year of 2014 is shown below:

Summarised Statement of Profit or Loss – SBM (Bank) Holdings Ltd

	Dec-15 MUR M	Dec-14 Restated MUR M
Interest income	6,174	6,421
Interest expense	(2,038)	(2,370)
Net interest income	**4,136**	4,051
Non-interest income	1,749	1,968
Operating income	**5,885**	6,019
Non interest expense	(2,173)	(3,106)
Profit before net impairment loss on financial assets	**3,712**	2,913
Net impairment loss on financial asset	(1,935)	(630)
Operating profit	**1,777**	2,283
Tax expense	(420)	(669)
Profit after tax	**1,357**	1,614

SBM Bank Group's profit dropped from MUR 1,614 million as at 31 December 2014 to MUR 1,357 million as at 31 December 2015 to reflect part of the expenditures incurred during the year 2014. The lower profit was mainly due to a substantial increase in credit impairment charges during the year under review amounting to MUR 1,935 million as compared to MUR 630 million in 2014. In addition, the SBM Bank Group has transferred some investment securities to the Group as payment of dividend in-specie in late 2014 and early 2015. This has lead to lesser interest income for the SBM Bank Group. Profit for year 2014 has also been restated downwards by MUR 1,293 million, to reflect part of the expenditure incurred during the year 2014 which related to inefficiencies in the implementation of Group's information technology project named as 'Flamingo' and business transformation initiatives which have been expensed. These expenditures represent Flamingo project cost overruns and business transformation initiatives that did not meet the criteria of intangible assets as per IAS 38. SBM Bank Group has remained profitable in spite of the challenging operating environment characterised by weak demand for credit, excess liquidity in the domestic market and increasing competition. The earnings per share went down to 5.25 cents for the year ended 31 December 2015 compared to 6.25 cents for the same period 2014. SBM Bank Group's net interest margin decreased from 3.70 percent in 2014 to 3.45 percent in 2015. SBM Bank Group has initiated corrective measures to improve the net interest margin.

Financial Review – SBM (Bank) Holdings Ltd (cont'd)

Revenue Growth

SBM Bank Group's operating income for the year ended 31 December 2015 stood at MUR 5,885 million as compared to 2014 which stood at MUR 6,019 million. The main drivers of revenues are net interest income and non interest income. Net interest income increased by MUR 85 million or 2.1 percent while non interest income decreased by MUR 219 million or 11.1 percent.

Net Interest Income

SBM Bank Group's interest income dropped by nearly 3.84 percent from MUR 6,421 million for the year ended 31 December 2014 to MUR 6,174 million in December 2015. SBM Bank Group has been able to grow its total assets from MUR 114.8 billion as at 31 December 2014 to MUR 124.0 billion as at 31 December 2015, increasing mainly in investment securities by 19 percent and loans and advances by 2 percent.

SBM Bank Group's net interest margin decreased from 3.70 percent in 2014 to 3.45 percent in 2015, as investment securities yielded less return.

Non-Interest Income

Non-interest income amounted to MUR 1,749 million for the year ended 31 December 2015 as compared to MUR 1,968 million for the same period last year. Net fee and commission income increased by 9.57 percent to reach MUR 953 million for the year ended 31 December 2015 as compared to MUR 870 million for 2014.

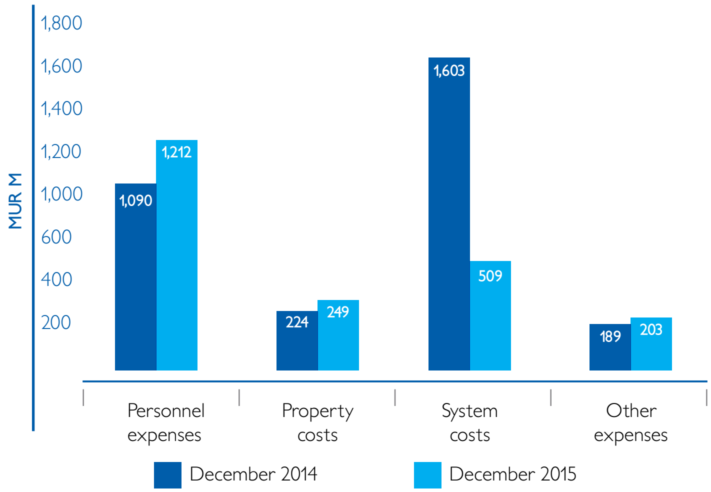
In the year 2014, SBM Bank Group made an exceptional one off gain of MUR 377 million on disposal of some equity investments. If same was adjusted, the non-interest income would have increased by MUR 158 million.

The ratio of non-interest income (excluding dividend and profit on disposal of equity investments) to average assets increased to 1.47 percent for December 2015 as compared to 1.38 percent for in 2014, mirroring the increase in non-interest income and increase in average assets. Non-interest income as a percentage of operating income stood at 29.72 percent for 2015 (2014: 32.70 percent).

Non-Interest Expenses

Non-interest expenses amounted to MUR 2,173 million for the year ended 31 December 2015 as compared to MUR 3,106 million for the year ended 31 December 2014 representing a decrease of 30 percent. The decrease is mainly due to the prior year recognition of certain system cost as mentioned in Note 39 to the financial statements with regard to the flamingo project and the business transformation initiatives. An amount of MUR 1,174 million has been expensed in the year 2014. The Group is continuing with the implementation of the technology transformation project of which the first phase went live in April 2013 while the existing systems continued to be in use, well supported by the technology partners via maintenance contracts secured to ensure uninterrupted service.

Breakdown of Non-Interest Expenses

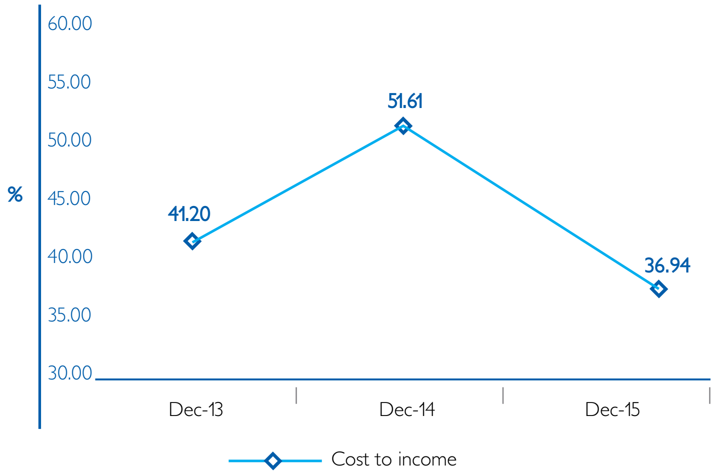


Financial Review – SBM (Bank) Holdings Ltd (cont'd)

Cost to Income

Cost to income ratio decreased from 51.61 percent for the year ended 31 December 2014 to 36.94 percent for the year ended 31 December 2015. The restatement made for year 2014 on the system cost amount to MUR 1,174 million impacted negatively on the cost to income ratio for the year 2014.

Cost to Income Ratio – SBM (Bank) Holdings Ltd



2013 relates to 12 months period from 01 January to 31 December

Net Impairment Loss on Financial Assets

Net impairment loss on advances and other financial assets for the year ended 31 December 2015 amounted to MUR 1,935 million as compared to MUR 630 million for the year ended 31 December 2014. The impairment is mainly due to some corporate customers classified as impaired during the year under review. The Group shall continue with recovery actions to realise collaterals and maximise recovery.

Loans and Advances

During the year 2015 SBM Bank Group's gross advances increased by 4.62 percent to reach MUR 72,296 million as at 31 December 2015 (31 December 2014: MUR 69,107 million). However, SBM Banking Group has experienced an increase of 1.34 percent on mortgage loans increasing from MUR 17,043 million as at 31 December 2014 to MUR 17,271 million as at 31 December 2015 and international business witnessing a decrease of 3.22 percent. SBM Bank (Mauritius) Ltd enjoys a market share of around 21 percent in domestic advances excluding GBL as at end of December 2015. Indian Operations' loan book increased by 12.53 percent or MUR 153 million even though some write-off advances were made during the year under review. Madagascar operations' loan book decreased by MUR 70 million. SBM Bank Group advances to GBL and entities outside Mauritius, aggregated to nearly MUR 10,263 million at 31 December 2015, representing 14.20 percent of the total advances portfolio (2014: 15.35 percent). Further detailed analysis on the credit portfolio, including a breakdown by economic portfolios and level of provisions held has been provided in Note 8 to the Financial Statements of SBM (Bank) Holdings Ltd.

Impaired Advances and Allowance for Credit Impairment

Gross impaired advances increased from MUR 1,462 million at 31 December 2014 to MUR 3,713 million at 31 December 2015. The Banking Group ensured adequate provisions were maintained as per the guidelines of the respective Central Banks and International Financial Reporting Standards. Specific allowance for credit impairment stood at MUR 2,427 million, representing a provision coverage ratio of 65.37 percent (31 December 2014: 55.52 percent). The loss reserve portfolio has increased by nearly MUR 224 million as a result of an increase in gross advances during the year. The Group's gross impaired advances to gross advances ratio increased from 2.12 percent in 31 December 2014 to 5.14 percent in December 2015 and the net impaired advances to net advances ratio increased from 0.96 percent to 1.87 percent.

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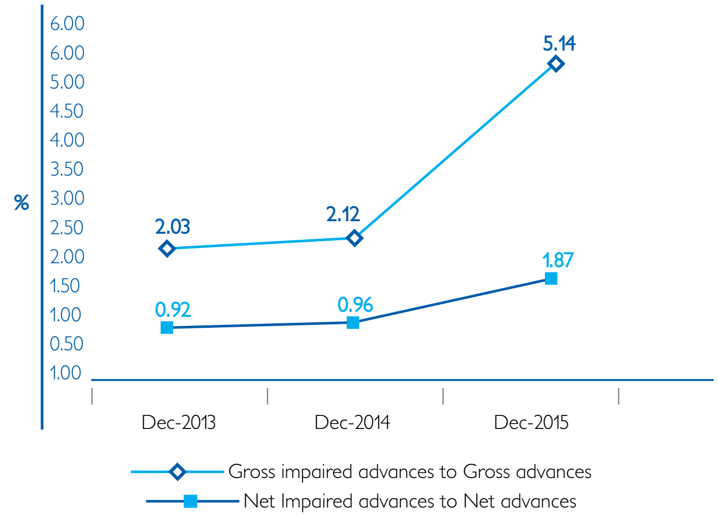
Financial Review – SBM (Bank) Holdings Ltd (cont'd)

Impaired Advances – SBM (Bank) Holdings Ltd



2013 relates to 12 months period from 01 January to 31 December

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

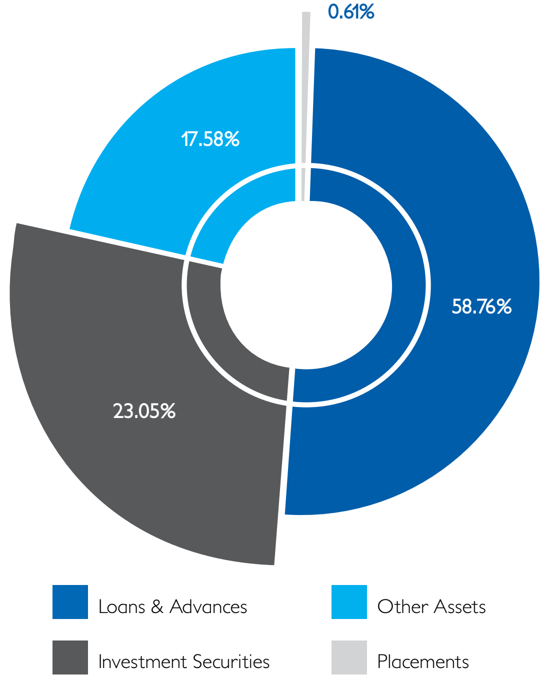
SBM BANK GROUP	Unit	Dec-15	Dec-14	Dec-13
Gross advances	MUR M	72,296	69,107	71,125
Impaired advances	MUR M	3,713	1,462	1,446
Specific provision held	MUR M	2,427	812	803
Net impaired advances	MUR M	1,286	650	643
Provision coverage ratio	%	65.37	55.52	55.56
Portfolio provision held	MUR M	1,085	860	692
Net impaired advances/ Net advances	%	1.87	0.96	0.92
Gross impaired advances/ Gross advances	%	5.14	2.12	2.03

Investment Securities and Equity Investments

Investment securities, which comprise mainly of fixed interest securities, grew by over 19 percent from MUR 26,454 million as at 31 December 2014 to MUR 31,479 million as at 31 December 2015. Investment in corporate and bank bonds increased by 59.83 percent (MUR 4,616 million) as a result of excess liquidity and limited lending opportunities. Corporates were active in the capital market in 2015 raising funds on the market to take advantage of the low interest environment for refinancing of debts.

Asset Mix – SBM (Bank) Holdings Ltd

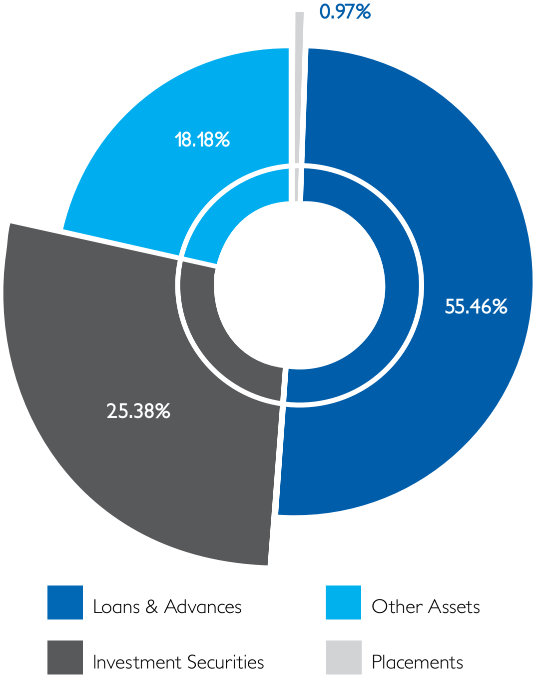
Asset Mix Dec 2014 (SBM Bank Group)



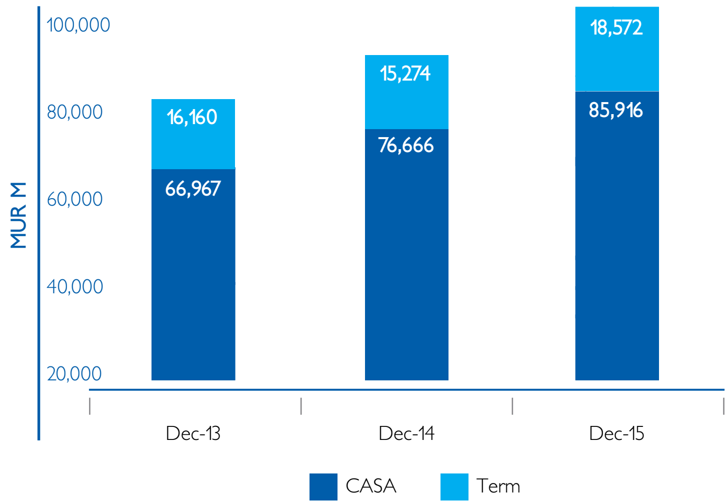
Financial Review – SBM (Bank) Holdings Ltd (cont'd)

Asset Mix – SBM (Bank) Holdings Ltd (cont'd)

Asset Mix Dec 2015 (SBM Bank Group)



Deposits



Deposits

SBM Bank Group's deposits from customers increased by 13.65 percent to reach MUR 104,488 million as at 31 December 2015 (31 December 2014: MUR 91,940 million) with lower cost demand and savings deposits growing by MUR 9,258 million (12.08 percent) compared to 31 December 2014 and accounting for 82.22 percent of total deposits as at 31 December 2015 compared to 83.76 percent at 31 December 2014. Term deposits increased by 24.91 percent as compared to 31 December 2014. Deposits denominated in foreign currencies accounted for 32.70 percent of the total deposits (31 December 2014: 33.90 percent).

Borrowings

SBM Bank Group's borrowings which are mainly from refinancing sources, stood at MUR 2,132 million as at 31 December 2015 as compared to MUR 5,113 million as at 31 December 2014. The decrease is due to repayment of borrowings made by the Group.

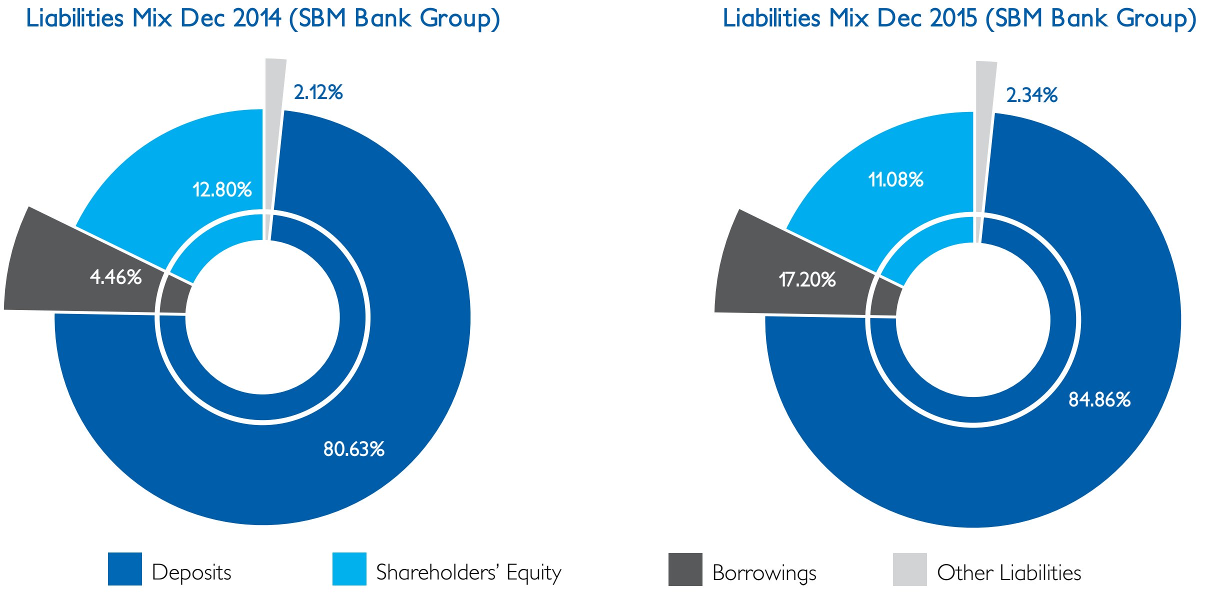
Shareholders' Equity

SBM Bank Group shareholders' equity decreased by 6.47 percent to reach MUR 13,737 million as at 31 December 2015 (31 December 2014 MUR 14,688 million) with the addition of the current period's profit of MUR 1,357 million, partly offset by dividend payment of MUR 2,423 million during the year and the prior year adjustments made to 2014 and 2013 financial figures. Return on average shareholders' equity stood at 9.55 percent for the year.

Further analysis on the capital structure and capital adequacy ratio is provided on page 200.

Financial Review – SBM (Bank) Holdings Ltd (cont'd)

Asset Mix – SBM (Bank) Holdings Ltd (cont'd)



Mauritius Operations

Operating environment

Despite the challenging economic conditions, the Mauritian economy continued to expand, albeit with sectors still operating with excess supply conditions. Economic growth for 2015 is estimated at 3.1 percent. The various sectors of economic activity appear to be weathering the global uncertainties well although, given the fragile external environment, some sectors continue to operate with some degree of spare capacity. All major economic sectors, to the exception of construction and sugar, contributed positively to the economic growth. The manufacturing, financial and insurance activities, accommodation and food service activities and wholesale and distributive trade sectors made the highest contribution to growth. On the flip side, following another contraction in 2014 the construction sector performed poorly in 2015 as a result of a slowdown in commercial and residential buildings expenditure.

Investment has been affected by soft economic conditions, muted business confidence, corporate indebtedness and slow recovery in key exports markets. Unemployment increased marginally to 7.9 percent. Inflation remained low by historical standards. The repo rate was reduced to 4.40 percent from 4.65 percent in November 2015. Domestic and external imbalances remained broadly contained. Credit growth evolution continued to be weak within a low interest rate environment and persistent excess liquidity.

Going forward, the economy could be expected to gather some pace with sectors like tourism gaining momentum.

Mauritius Operations (cont'd)

Financial performance

	Year ended 31 Dec 2015 MUR M	Year ended 31 Dec 2014 (Restated) MUR M
Net interest income	**3,812**	3,695
Net fee and commission income	**917**	850
Dividend income	**-**	62
Net trading income	**457**	342
Other operating income	**241**	630
Operating income	**5,427**	5,579
Non interest expense	**(1,979)**	(2,936)
Profit before net impairment loss on financial assets	**3,448**	2,643
Net impairment loss on financial assets	**(1,696)**	(394)
Profit before income tax	**1,752**	2,249
Tax expense	**(423)**	(678)
Profit after tax	**1,329**	1,571
Total assets	**117,702**	109,423
Gross loans and advances to customers	**68,010**	65,296
Deposits from non-bank customers	**98,596**	86,781
Total equity attributable to equity holders of the parent	**13,531**	14,661

Mauritius Operations (cont'd)

Financial performance (cont'd)

Total assets rose by 7.57 percent from MUR 109.42 billion as at 31 December 2014 to MUR 117.70 billion as at 31 December 2015 due to increase in loans and placements with banks of MUR 507 million; increase in loans and advances to customers of MUR 1.02 billion and increase in investment securities of MUR 4.60 billion. Deposits from non-bank customers increased by MUR 11.82 billion. Shareholders equity stood at MUR 13.53 billion (2014: MUR 14.66 billion).

Profit after tax decreased by 15.42 percent to MUR 1,329 million for the year ended 31 December 2015 as compared to MUR 1,571 million a year earlier. Operating income decreased by 2.72 percent (MUR 152 million). Last year, exceptional income of MUR 377 million was received from the sale of some equity investments. Net interest income increased by 3.15 percent (MUR 116 million) while net fee and commission income increased by 7.81 percent (MUR 66 million). Non-interest expense decreased by 32.58 percent (MUR 957 million) due to restatement made in 2014 for some expenditure amounting to MUR 1,148 million incurred during that year relating to the Group's Information Technology project named as "Flamingo" and Business Transformation Initiatives which have now been treated as revenue expenditure as opposed to capital expenditure. Net impairment increased in the year 2015 by MUR 1,302 million due to provision made in respect of some corporate customers both under Segment A and B.

Lines of business

Retail Banking

Offering an extensive range of products from savings accounts to mortgage/educational loans, debit and credit card products payment solutions like SBM Billpay, bancassurance, asset management, internet banking, and mobile banking solutions among many others, SBM Bank (Mauritius) Ltd boasts a wide distribution network and a strong franchise in the domestic retail banking landscape of which SBM has over 30 percent of market share. In FY 2015, SBM focused more on quality advances and maintaining market share to a reasonable level. The mortgage market has been very active with fierce competition from other financial institutions.

Despite a significant and unplanned growth in deposits following the collapse of a major financial group, SBM managed to contain the growth in interest expenses. Retail Banking seized this opportunity to channel the deposits towards asset management solutions offered by the Group. During the year, Retail Banking pursued efforts towards the setup of dedicated Bancassurance kiosks to support growth in non interest income, the setup of a dedicated Retail Treasury Desk to monitor and capture foreign currency transactions, bringing banking closer to the workplace, revamping its product offering to better cater for the needs of customers, redefining its focus on private banking and wealth management, and up skilling its human capital, among others. Enhancing customers' journey continues to be our priority and we have implemented a number of initiatives to improve customers' experience at SBM.

Corporate and Institutional Banking (CIB)

Domestic Corporate Banking

Aiming to adapt to the evolving market and growing demand for more sophisticated products, our CIB team has continued to make every effort to provide bespoke solutions suitable for our customer needs. Our product suite has expanded from traditional banking products to specialised trade finance solutions and adaptive project financing.

In the wake of a lacklustre credit appetite in the market, we have undertaken several initiatives to consolidate early steps into modern banking solutions. CIB reinforced the team with specialists in both trade finance and project finance. Over the year, several initiatives have been implemented to bolster the team capacity and new products have been released to our corporate clients.

Going forward, the unit is looking into further ground-breaking products and services to assist our clients into achieving greater dimensions in their future projects, ensuring that we serve as a one-stop shop for clients, from providing debt financing to trade financing and cash management.

Mauritius Operations (cont'd)

Global Business Banking

The share of our segment B business in the market is just under 2 percent. Our Global Business Banking team has expanded and endeavours to offer financial solutions in order to service the wide spectrum of international players in the market. Besides generic FCY account opening and transactional banking services, the team also acknowledges the growing traffic in international trade and therefore has engineered over the year brand new structured trade finance products and value-chain solutions. The Bank has developed and pursues development of a robust relationship network with a number of top tier financial institutions across the Asian and African continents to ensure that we service clients both in Mauritius and into these emerging markets. We continue to accompany our Mauritian corporates as they venture into new markets.

Throughout the year 2015 and in line with the Group's strategy to increase our global footprint, the team has carried out various missions across the Indian Ocean and the region and has successfully partnered with several Financial Institutions. We have actively pursued opportunities to expand our footprint in targeted geographies of Asia and East Africa and further leverage Mauritius's strategic location and its membership in the SADC and COMESA blocs.

SME Banking

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

SME Banking which covers some 5 percent of our total banking business, recorded a lukewarm performance amidst persisting challenges. The needs of customers remain varied and necessitate continuous development with regards to product offering and service levels. Thus, to better serve SME customers, the Group is working to revamp its strategy towards SMEs and restructure the SME banking division. As part of this effort, the Group established 6 SME hubs around the island in 2015 with the objective of nurturing proximity with customers to be able to accompany them in their daily banking needs in a more convenient manner.

Financial Institutions Group

Responsible for developing and managing relationships with banks, Non-Banking Financial Institutions, Multilateral Institutions, Development Financial Institutions, Sovereigns and Public Sector Enterprises, the Financial Institutions Group (FIG) uses a large network of correspondent banks and focuses on providing banking services to facilitate international trade and cross border payment operations.

Serving customers across geographical borders, FIG offers Trade Finance Solutions (LC Based Products, Trade Loans, and Guarantees & Risk Participation Products), Transaction Solutions (Payment, Liquidity, Cash Letter Solutions, INR Remittances), and Lending Solutions (Syndication Participation, Bilateral/Club Lending).

To support the growth agenda for Financial Institutions, the Group has recently signed partnership agreements with reputed financial institutions. It has also embarked on a strategy to offer banks in East Africa trade finance facilities to allow SBM to be a confirming and financing bank in either the primary market or the secondary market through risk participations it has signed with international banks operating in East Africa.

Mauritius Operations (cont'd)

Financial Markets

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

Financial Markets performed satisfactorily, recording good growth in exchange income as well as securities trading income. A number of initiatives supported performance including the introduction of new products such as structured products and exotic currency transactions, diversification of the revenue profile and the pursuit of independent retail treasury and Non-Resident Indians' desks.

Selected Products

Custody services

Since February 2014, SBM Group expanded its service offering with the provision of global custody services to its customers, safeguarding their financial assets across jurisdictions with access to both local as well as foreign markets. Custody services are broadly related to the safekeeping of client securities, including open cash and securities accounts, registration, trade settlement, income collection, reconciliation of assets, corporate action management as well as customised reports.

Bancassurance

In its pursuit to grow into a one-stop-shop for its customers, SBM Group, in partnership with established insurance companies, provides both life and general insurance solutions. Working with SICOM Ltd for life insurance products, SBM offers endowment plans, fast cash plans, angel plans and personal pension plans. For general insurance products, SBM offers motor insurance, household comprehensive insurance, health and travel insurance, fire and allied perils insurance, liability insurance and a host of other products with the collaboration of Jubilee Insurance, Mauritius Union Assurance, New India Assurances, SICOM General Insurance and Swan Insurance. Recently, the Bancassurance team has augmented its product range by offering Group Life Plans, Group Pension Schemes and Group Personal Accident Schemes to Corporate customers. At the end of last year, the Board has decided to 'export' the Bancassurance concept to our operations in India and Madagascar.

Card Issuing, POS and E Commerce

The year 2015 marked the integration of the Bank's card system with other systems in use at the Bank, which helped to enhance the existing card product offering. Besides, the Bank launched UPI cards, an important acquisition campaign to grow its card customer base, campaigned to facilitate and promote credit card usage, and undertook initiatives to activate dormant cards and raise card spending. The Group maintains its market position as the second-largest card issuer in the domestic market.

In 2015, transaction volumes on POS terminals rose as compared to the previous year. SBM Group upped efforts to safeguard its position as a preferred choice for merchants.

With a keen eye on mobility and technology, SBM Group is readying to transition to the mobile channel and has already partnered with key service providers to serve customers in an innovative way that allows for payment of transactions anywhere anytime via mobile banking at their fingertips. During 2015, initiatives focused on risk reduction, growing the acquiring business and building capacity, among others.

To crown efforts during the year, SBM Bank (Mauritius) Ltd was awarded "Best E-Commerce Bank East Africa 2015" and "Most Innovative Prepaid Card (SBM Smile Prepaid Cards) East Africa 2015" by the Global Banking and Finance Review Awards 2015.

India Operations

Operating environment

India made visible progress during 2015, to the extent of being described by the IMF's Managing Director as "a bright spot amid the economic woes faced by other major emerging market countries." Public investment driven by faster implementation of key projects, private investment driven by greater ease of doing business, private consumption driven by higher wages and purchasing power, and falling oil and commodity prices led to a gradual pick up in economic growth momentum, despite a poor monsoon-season rainfall and continued weakness in global demand. Though widening, the current account deficit is being largely financed by rising Foreign Direct Investment flows. Inflation eased sharply and the Reserve Bank of India cut interest rates four times during the year.

Sufficiently capitalised and well-regulated, the banking sector continues to be driven by strong economic growth, easier access to credit, positive business sentiment and improved consumer confidence. Even so, difficult conditions manifested in the form of non-performing loans and high leverage ratios for some companies. Going forward, India's economy and banking sector are expected to improve as a sense of optimism stems from the government's measures to raise India's profile as a business and investment destination.

Financial performance

	Year ended 31 Dec 2015 MUR M	Year ended 31 Dec 2014 (Restated) MUR M
Net interest income	**255**	265
Net fee and commission income	**27**	6
Net trading income	**-**	15
Other operating income	**31**	4
Operating income	**313**	290
Non interest expense	**(134)**	(106)
Profit before net impairment loss on financial assets	**179**	184
Net impairment loss on financial assets	**(177)**	(194)
Profit/(loss) before income tax	**2**	(10)
Tax credit	**14**	29
Profit after tax	**16**	19
Total assets	**8,217**	6,815
Gross loans and advances to customers	**3,779**	3,293
Deposits from non-bank customers	**4,982**	3,762
Total equity attributable to equity holders of the parent	**3,003**	2,769

Total assets rose by 21 percent from MUR 6.82 billion as at 31 December 2014 to MUR 8.22 billion as at 31 December 2015 due to increase in loans and advances to customers of MUR 397 million and increase in investment securities of MUR 865 million. Shareholders' equity stood at MUR 3.00 billion (2014: MUR 2.77 billion).

India Operations (cont'd)

Financial performance

Profit after tax decreased by 15 percent to MUR 15.86 million for the year ended 31 December 2015 as compared to MUR 18.67 million last year. Operating income increased by 8 percent (MUR 22.54 million). Net interest income decreased by 4 percent (MUR 10.23 million) while net fee and commission income increased by 334 percent (MUR 20.88 million) mainly on account of penalty charged to one client for not fulfilling its derivative transaction on due date. Other operating income increased by MUR 26.69 million due to higher profit on disposal of securities. Non-interest expense increased by 26 percent (MUR 27.79 million) while net impairment decreased by 9 percent (MUR 16.81 million). The decrease in tax credit of MUR 15 million is on account of reversal of excess provision of income tax made in 2014 in respect of previous years.

Madagascar Operations

Operating environment

Madagascar's economic environment remained challenging. Growth was weaker than expected on account of falling commodity prices, weather-related shocks and deep-rooted structural weaknesses. Investment, in turn, suffered from the unfavourable conditions prevailing. On a positive note, macroeconomic stability and debt sustainability were generally maintained and authorities reportedly intensified their reform agenda. 2016 promises a better outturn, driven by a pickup in agricultural production, recovery in textiles exports and a timid rise in infrastructure investment. The economy is expected to grow by 3.1 percent in 2016, compared to 2.9 percent in 2015.

Financial performance

	Year ended 31 Dec 2015 MUR M	Year ended 31 Dec 2014 MUR M
Net interest income	**68**	90
Net fee and commission income	**6**	13
Net trading income	**65**	45
Operating income	**139**	148
Non interest expense	**(60)**	(64)
Profit before net impairment loss on financial assets	**79**	84
Net impairment loss on financial assets	**(61)**	(42)
Profit before income tax	**18**	42
Tax expense	**(10)**	(19)
Profit after tax	**8**	23
Total assets	**1,085**	1,660
Gross loans and advances to customers	**507**	518
Deposits from non-bank customers	**920**	1,419
Total equity attributable to equity holders of the parent	**128**	179

Madagascar Operations (cont'd)

Total assets decreased by 35 percent from MUR 1.66 billion as at 31 December 2014 to MUR 1.09 billion as at 31 December 2015 due to decrease in loans and advances to customers of MUR 70 million and decrease in investment securities of MUR 442 million. A deliberate move to decrease deposits on parastatal bodies which we were highly concentrated have caused the investment securities to go down. Deposits from non-bank customers decreased by MUR 449 million. Shareholders equity stood at MUR 128 million (2014: MUR 179 million).

Profit after tax decreased by 64 percent to MUR 8.37 million for the year ended 31 December 2015 as compared to MUR 23.23 million a year earlier. Operating income decreased by 6 percent (MUR 8.33 million). Net interest income decreased by 24 percent (MUR 21.07 million) while net fee and commission income decreased by 51 percent (MUR 6.54 million). Non-interest expense decreased by 6 percent (MUR 3.58 million) while net impairment increased by 47 percent (MUR 19.62 million) due to provision made for a local customer.

SBM (NBFC) Holdings Ltd

Summarised Statement of Profit or Loss	Year ended Dec 2015 MUR 000	Year ended Dec 2014 MUR 000
Income		
Fees and commissions	**79,107**	45,841
Dividend income	**5,744**	2,931
Interest income	**224**	2,423
	85,075	51,195
Expense	**(62,108)**	(39,763)
Operating profit	**22,967**	11,432
Share of profit of associates	**-**	62,993
Profit before tax	**22,967**	74,425
Tax expense	**(3,683)**	(3,969)
Profit for the year	**19,284**	70,456

The non-banking financial cluster made a profit after tax of MUR 19.28 million for the year 2015 compared to a profit of MUR 70.46 million a year earlier. The decrease of MUR 51.72 million is mainly due to the fact that the Group ceased to have significant influence in an associate investment and therefore no share of profit from associate was accounted for in 2015. Total assets increased from MUR 114.02 million to MUR 144.66 million due to increase in investments.

SBM Mauritius Asset Managers Ltd

SBM Mauritius Asset Managers Ltd (SBM MAM) is the investment management arm of the SBM Group. It specialises in providing investment management services to both institutional and individual investors. SBM MAM is regulated by the Financial Services Commission and is licensed to act as Investment Adviser (Unrestricted), CIS Manager and Distributor of Financial Products. SBM MAM currently has over MUR 4.7 billion of assets under management. Its portfolio of clients includes mutual funds, pension funds, insurance and investment holding companies and retail investors.

The Company made a profit after tax of MUR 7.90 million for the year ended 31 December 2015 as compared to MUR 3.03 million for last year. Management and retrocession fees received grew from MUR 20.07 million to MUR 25.75 million (28.3 percent), which was a satisfactory performance. Commission income increased from MUR 3.73 million in the preceding year to MUR 6.83 million for the year ended 31 December 2015. Total Assets Under Management decreased from MUR 5,042 million at 31 December 2014 to MUR 4,740 million at 31 December 2015, a decrease of 6 percent. Expenses for the year ended 31 December 2015 amounted to MUR 23.11 million as compared to MUR 19.59 million for the preceding year, an increase of MUR 3.52 million (18 percent). This is mainly due to higher director fees, marketing expenses and product related expenses made in respect of new funds created.

SBM MAM's in-house funds' performance against their respective benchmarks are as follows:

Performance of in-house funds v/s benchmarks			
Fund Name	Fund Size	Dec 2015 (%)	Dec 2014 (%)
SBM Perpetual Fund	MUR 1.03 billion	4.09	4.42
Benchmark		4.09	4.33
SBM Universal Fund	MUR 397.2 million	0.18	9.26
Benchmark		0.05	3.17
SBM Yield Fund	MUR 75.7 million	2.46	3.25
Benchmark		5.13	5.38
SBM Global Fund	MUR 56.5 million	6.35	9.42
Benchmark		8.11	5.73
SBM India Fund	USD 2.7 million	0.21	56.95
Benchmark		-5.29	33.86

SBM Securities Ltd

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

The Company made a profit after tax of MUR 7.12 million for the year ended 31 December 2015 compared to MUR 4.37 million for the previous year. The Company's turnover for the year amounted to MUR 16.23 million compared to MUR 10.08 million for the previous year. Total income net of direct costs increased by MUR 7.49 million (55 percent). Expenses increased from MUR 8.86 million for the year ended 31 December 2015 to MUR 12.91 million for the last year.

SBM Fund Services Ltd

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

SBM Fund Services Ltd's turnover rose by 6.46 percent to MUR 5.60 million for the year ended 31 December 2015 as compared to MUR 5.26 million last year. Profit after tax increased to MUR 1.52 million from MUR 0.40 million. An exceptional income of MUR 0.77 million was received during the year from the ultimate holding company for the restructuring exercise. SBM Fund Services Ltd is reviewing its service level agreements in order to improve its profitability.

SBM (NFC) Holdings Ltd

Total assets decreased by MUR 146.32 million to MUR 354 million mainly due to decrease in fair value of investments and dividend payment to SBM Holdings Ltd.

The Company registered a profit after tax of MUR 1.14 million for the year ended 31 December 2015 as compared to an amount of MUR 82 million for the corresponding period last year, which was due to fall in dividend income, higher administrative expenses of MUR 1.33 million and no share of profit from associates accounted during the year since the Company ceased to have significant influence in an associate investment.

AMBITION

Innovation is change
that unlocks new values.

HUMAN
CAPITAL REPORT

Our approach

We aim to employ people that are the right fit for the organisation, and to create an environment and culture that allows employees to achieve personal goals in alignment with the Group's objectives. We strive to attract individuals who share our goals and objectives and support a culture of personal growth.

Our employee offer and experience set out the unique opportunities we provide as one of the leading financial services organisation in Mauritius. In return, we expect our employees to commit to our values and guiding principles in every engagement with customers, colleagues and our other stakeholders.

Employee engagement

Our aim is to create a culture and working environment that unlocks the potential of all our employees, connects them to our purpose and vision and places the customer firmly at the centre of everything we do. We encourage consistently high customer-focused performance from our employees by driving a culture of high employee engagement.

Code of Ethics

The code of ethics of SBM Holdings Ltd, sets out the guiding principles by which the Group expects its stakeholders, namely Directors, employees, customers, suppliers and shareholders to behave and interrelate on a daily basis. It is a clear written statement revealing the core values, which the Group stands for, and the standard of dealings that the public at large, can uncompromisingly expect. It also addresses the responsibilities of the Group towards the community as a whole. The Code is designed to help individuals at all levels to understand their responsibilities, carry out their duties with due diligence, honesty and integrity. This is fundamental to the reputation and success of SBM. The purpose of the different Codes is to achieve a number of organizational goals, both internally and externally. From an internal perspective, the Code establishes standard of morally acceptable behavior expected from employees, senior officers and Directors within the Group, provides guidance in decision-making and promotes organisational integration and coordination. From an external perspective, the Code informs, satisfies and establishes a trustworthy relationship with stakeholders by building awareness amongst consumers and society at large. Moreover, the Code of Ethics informs on the Group's commitment to moral responsibility and the values for which it stands namely; honesty, integrity and respect when dealing with customers, suppliers, employees and competitors at all times. It demonstrates openly the Bank's intention of avoiding malpractice or deviation from applicable laws.

SBMH Code of Ethics and Business Conduct are annexed to the contract of employment of all employees of the Group. An acknowledgement form is signed by the said employee confirming that the document has been read and understood and that he/she will adhere to the Code of Ethics and Business Conduct when handling the business of the Group. Both the Code of Conduct and the Code of Ethics and Business Conduct are published on the intranet portal for ease of access to all SBM employees.

Our workforce

Talent management

We aim at creating highly engaged and performing employees. We develop robust and pragmatic workforce planning scenarios to anticipate skill needs. Our talent management processes aim at managing the acquisition, growth and retention of talents in alignment with the Group's strategy. Our objective is to work and groom the next generation of leaders.

Diversity and inclusion

SBMH intends to have a long-standing commitment to attract and develop a diverse workforce and an inclusive work environment through focus and on gender diversity, ethnic diversity and disability. We promote and value diversity as a strategic imperative and strive to eliminate employment practices, which may result in unfair discrimination. Our diversity and inclusion statement of intent serves as a guiding principle and promote initiatives to improve the work environment.

Gender equity

SBM Group has adopted and applied an Equal Opportunity Policy, in line with the Equal Opportunity Act 2008, geared towards building an organization where the employees will make full use of their talents, skills, experience and competence and where the employees feel respected and valued regardless of their status, that is their age, caste, colour, creed, ethnic origin, impairment, marital status, place of origin, political opinion, race, sex or sexual orientation. SBM undertakes that selection for employment, promotion, transfer and training and access to benefits, facilities and services will be fair and equitable and based solely on merit. All employees are trained on the policy and policy is available on the intranet portal for consultation.

For the financial year 2015, women as a percentage of total staff were represented by 57.81 percent with 26 women in leadership (18 Service Leaders; 1 Divisional Leader; 1 Team Leader; 4 Senior Officers; 1 Human Resources Lead; 1 Head of Complaint Cells).

Performance management

Evaluating the contribution of our employees enables us to reward our people for superior performance and identify and address their development needs. Our approach to performance management is to ensure that employees have a common understanding of the Group's strategy and how it links to business unit and individual goals.

Performance management is integrated into our key development programmes to improve the ability of line managers to have open and honest performance discussions with their team members, particularly in relation to managing poor performance.

Skills development

We recognise that all employees possess unique skills and attributes that collectively contribute to the success of the Group. All employees can explore skills and career development opportunities through the performance management process.

Several trainings were provided during the year 2015 mainly:

1. Anti-Money Laundering & Counter Terrorist Financing which addresses the international standard and compliance issues on Anti-Money Laundering and essential tools in risk management;
2. Hedging Financial Risks which addresses strategies for managing financial risks and provide an in-depth analysis of hedging as a financial risk management tool;
3. Strategy, Talent & Leadership for Growth;
4. Forensic Investigations: Planning, Methodology & Conducting Investigations; and
5. Financial Crime Prevention Compliance.

Our workforce (cont'd)

Skills development (cont'd)

As per the practice, training was done as and when required and to allow staff to be familiar with new regulations or new market trends and enhance the performance of the Group. New recruits are unfailingly given a 4 full day induction course for a brief overview on the Group.

At the start of 2016, in order to align our training requirements to our business strategies, vision and mission and to develop and enhance employee competencies, Heads of all departments were invited to communicate their training needs in their respective department to the HR Department. The Training Need Analysis (TNA) will help us perform in-depth analysis to identify the specific training gap. The Group will be in better position to evaluate better outcomes with an optimum utilization of its resources, aligned with the SBM organizational objectives and goals. Moreover, it will help in building credibility amongst stakeholders.

Amount budgeted for staff training is as follows:

	2014 MUR	2015 MUR	Budget 2016 MUR
Total Training Expense	3,778,346	7,156,888	7,800,000

Employees sitting for the chartered Institute of Bankers exams, the Chartered Association of Certified Accountants as well as other relevant examinations at the discretion of Management are granted one week special leave with full pay (including the examination days) for the first sitting.

Since March 2010, Management has introduced a New Staff Study Loan Scheme at a preferential rate and conditions, which will financially ease and encourage staff to pursue further studies. Several fields of studies have been identified such as Banking & Corporate Law, Statistics, Risk Management, Accountancy, Management Studies, Business Studies, E-Business, Treasury, Economics, Finance, Computer Studies, Financial Analysis, Marketing, Media & Communications, Credit Management, Process Engineering and any other field relevant to Banking subject to the approval of Management.

Remuneration and benefits

Remuneration

Our remuneration philosophy and practices are designed to adequately motivate and reward performance, and meet developing regulatory requirements and stakeholder expectations, while maintaining market competitiveness and guarding against excessive risk-taking. The Group's salary structures is linked to our strategic objectives.

Equity and remuneration

We do not tolerate any form of unfair discrimination. We monitor income differentials within and across job bands and levels to ensure that our remuneration practices do not discriminate on the basis of race, gender or disability.

Employee benefits

We provide a range of market-competitive benefits to assist in the attraction, motivation and retention of employees. We aim to provide certain core benefits such as retirement benefits, medical aid or insurance benefits and parental leave across the Group; We also provide a fair range of recreational and leisure activities to the employees.

SBM Group Defined Contribution Fund was established on 17 January 2005 between the Principal employer and the Trustees of the Scheme, with the objective of providing retirement, withdrawal and death benefits to employees of its Banking and Non-Banking clusters as described in the Rules and Regulations.

Remuneration and benefits (cont'd)

Employee benefits (cont'd)

The fund is governed by a Board of trustees, Independent Administrators, Actuarial & Investment Consultant, to report on the financial conditions of the Fund and shall recommend the rate of contributions payable by the employers in order to meet the cost of the benefits provided under the Rules. Furthermore, the consultant will advise on the appropriate long term investment strategy of the Fund. The scheme is funded by the Employer calculated as a percentage of the basic salary; however employees have the option of enhancing their benefits through additional voluntary contribution.

SBM owns a Recreational and Learning Centre at La Vigie, Curepipe, known as SBM Park, a prestigious development, first of its kind, with a harmonious design blending with the surrounding green environment. The design considerations of the Centre were mainly based on a health club concept with lots of green space and landscaped areas espousing the varying topography of the site, and offering a good blend of sports and keep-fit activities. The Centre has been in operations since June 2002 for staff and their immediate family members ; spouse and children. SBM Park operates on a 7 days basis including public holidays.

SBM Park facilities are also offered to staff in the various branches. On the job training is also carried out in branches to enhance employees. Coaching is done amongst staff and service leader. Staff birthdays are celebrated and team building activities are also organized at branch level.

Amenities Provided

SBM Park comprises different buildings and areas as detailed below:

Learning Centre

The Learning Centre is a two storeyed building comprising of 2 lecture rooms, each having a seating arrangement for 40 persons, with a removable, collapsible, sound proof inter-partitions. The first Floor caters for a computer/training room and a library/information centre opened for staff members and their family.

Kids' Corner

Provision has been made for a kid's corner with internal playing area and an external covered playground area.

Sports Centre

The Sports Centre, which is the main building of SBM Park is a two-storeyed concrete building; the ground floor catering for a reception area, a squash court, a fitness centre; the fitness centre is equipped with range of high-tech cardio-vascular and other fitness gym equipment. The first floor caters for indoor games and a room where aerobic/meditation/yoga sessions are conducted by trained/qualified instructors. Annexed to the Sports Centre is a multi-purpose hall, with high pitched roofing and sports flooring catering for an internal common playground for basket-ball, volley ball and badminton. The Sports Centre is also interconnected with a pre-heated indoor swimming pool of a maximum height of 1.8m and catering for a dedicated area for kids.

Outdoor Playgrounds

As part of the outdoor activities, there is a football pitch with covered seating area, a common volley ball/basket-ball pitch, petanque pitch and 2 tennis courts.

Computer Centre

Besides, a Computer Center with a seating capacity of 100 persons has also been provided equipped with false flooring; same utilized for various sessions.

Staff are informed on a weekly basis through internal communication of the range of activities provided at the SBM Park. All activities are carried out under professional coaching.

Amenities Provided (cont'd)

Employee wellness

Our holistic approach to the wellness of our people enables us to manage workplace health risks and to build the resilience of our people by optimising physical health, as well as mental and social wellbeing, so that our employees remain sustainably engaged and productive. Our health and wellness framework is aligned to local and international best practice and aims to balance the rights and needs of the individual with those of the business. Our priority is to provide access to appropriate health and wellness services for all employees.

Tai-Chi and Yoga courses are provided to all staff on specific dates. The SBM canteen provides a range of food including diet food on a daily basis at a subsidized rate for all staffs. Once per year, SBM group organize a World Health Day during which all employees benefit from free of charge health check-up. Our partners were Edendale Distributors Ltd for Bone check-up, Dr Agarwal's Eye Hospital for Eye check-up, Soza Health Ltd for foot screening, Apollo Bramwell Hospital for breast cancer screening and Blood Donors Association for blood donation during FY 2015. The tagline for World health day done on 19 August 2015 was "Banking on a Sound Body for a Sound Mind". Staff is also informed via our internal communications on precautionary measures, on prevailing outbreaks, for example the case of Dengue Fever in the month of April 2015.

Free doctor's consultation is available to all staff twice per week. Furthermore, personal counselling is provided on a case to case basis.

Creating a safe place to work

We value and protect the health and safety of our employees and people who may be affected by our business activities. Our management systems and procedures are effective in preventing safety hazards, ill health and occupational diseases and incidents.

The Health & Safety policy has been designed and its objectives are to ensure compliance with the Occupational Safety & Health Act 2005 and adopt best practices in the field of Health & Safety. SBM Group Holdings Ltd, as a dedicated employer acknowledges that it has a duty under the current Occupational Safety Health Act 2005 to take all appropriate measures to ensure that the employees, stakeholders and contractors work in a conducive and safe environment. A Health & Safety Policy has been signed by the CEO to show the engagement and commitment of the senior management in ensuring a safe and healthy workplace for all the employees. The Group shall comply with the occupational Safety and Health Act 2005 and the related legislations.

Accidents involving property damage or injury shall be reported as soon as possible, but no later than 24 hours after occurrence. The head of department has the responsibility to report to the Health & Safety Officer every accident or injury which occurs to staff members, stakeholders and contractors which occur in the course of employment and within the SBMH premises.

The accidents or injuries will be investigated to determine the causes of the accident and remedial actions will be devised. Medical expenses for any accident or injury to staff members will be covered under personal accident cover.

An accident or injury report is sent to the Health and Safety (H&S) office. Accidents / Injuries are recorded in an excel log sheet which is under the responsibility of the health and safety officer. Mitigation measures are implemented to reduce occurrences of such incidents.

Half of our workforce has already been provided with Health and Safety Training. We are in the process of devising a training plan with Mauritius Employers Federation (MEF).

9 minor cases of injury were recorded for year 2015.

Several trainings such as induction, on the job training and specialised training have been considered to inform and educate staff members on health and safety issues.

Creating a safe place to work (cont'd)

All new recruits undergo health and safety training as part of their induction course. Specific training such as first aid and fire safety are delivered to designated staff members in order to ensure compliance with relevant Occupational Health and Safety Act 2005. Informal training such as use of Personal Protective Equipment, Safe Storage and Stacking are also provided as and when required. Training are duly recorded by the training section.

Details of training are as follows:

- Section 72 of Legislation as per OSHA 2005
- Chemistry of Fire
- Types of Fire
- Types of Fire extinguishers
- Principles of Fire fighting
- Role of Fire Wardens
- Fire Evacuation Procedures
- Access and Egress
- Do's and Don'ts in case of Fire
- Positioning when using a Fire extinguisher indoor and outdoor
- Manual handling of portable fire extinguisher
- Extinguishing a fire using DCP and CO2 Fire Extinguishers

Provident Fund and Catastrophe Cover are available to staff and their dependents. The scheme has been established under the SBM Group Provident Fund Association to provide reasonable financial assistance for hospitalization and medical expenses of its members and their registered dependents during a financial year.

Membership of the Scheme shall be confined to employee of the SBM Group whether on contract of indeterminate duration or on determinate duration, who resides in Mauritius or of Mauritian nationality deputed to work in other locations overseas if not covered by any other medical scheme.

New employees shall be eligible to join the Scheme as from commencement date of employment and upon application. The amount of the benefits payable shall be either the actual cost of the treatment undergone or the amount of benefits prescribed in the table or the amount of benefits prescribed as per scale of cost for inpatient treatment, whichever is lesser.

Catastrophe Cover Scheme through Mauritius Union Assurance Ltd is also provided to the employees. The benefits include Medical & Surgical benefits, assistance cover medical advice, medicalized transport, repatriation, legal assistance, accommodation and transport and hospitalisation.

Employee relations

Our employee relations philosophy takes its lead from our values and code of ethics. Our employee relations framework provides the governing mechanism for consistent and sound employee relations in compliance with relevant legislation and codes of good practice. It covers collective agreements and fostering constructive relationships with employees and labour organisations to ensure fair outcomes and practices.

Freedom of association

The role of the Trade Union is to represent their members' interest in the employment relationship. They negotiate over basic pay, work schedules and other terms and conditions of employment such as employees' benefits; for example education plan, pension scheme. They also assist in quick settlement of grievances.

The Collective Agreement between the Trade Union and The Bank is for a period of 2 years. Bilateral negotiation is initiated 6 months before the expiry of the actual Collective Agreement. If no consensus is reached, the case will be referred to the Employee Relations Tribunal (ERT).

Disciplinary action, disputes and grievances

Our policies and procedures for grievance handling, dispute resolution and disciplinary action are designed to ensure that matters are dealt with in a fair and just manner for both the Group and its employees, either individually or collectively. Procedures are in place for employees to challenge disciplinary sanction or who wish to lodge a grievance or complaint. All grievances are conveyed to either to the line managers, HOD, or Human Resources Division depending on the severity of the incident.

ENVIRONMENT

SUSTAINABILITY STATEMENT

Our approach

With increasing emphasis being laid on sustainable development and the adoption of new legislations, such as Energy Efficiency Act, Building Control Act for the use of renewable sources of energy and embracing concepts of green building, as a leading financial institution and responsible organisation, SBM Group is fully committed to apply sustainability practices at its workplace and the community at large.

Reducing Greenhouse Gas Emissions

We are committed to reduce the carbon emissions generated from our operations; this is being dealt in a phase-wise manner when equipment replacement is being carried out based on the asset life cycle and obsolescence.

Furthermore, as part of the air-conditioning replacement plan at SBM Tower, the design of the system has been reviewed to enable the installation of new equipment with the following sustainability characteristics:

- Soft start and enhanced components ensuring improved energy efficiency.
- Use of Non-CFC refrigerant which is harmless to the environment and compliant with local environmental regulations pertaining to ozone depleting substances and global warming gases.
- Modern computerized controls enabling the air-conditioning equipment to operate within optimum range.

We expect the new equipment to be fully operational by June 2017.

High-Energy Efficiency equipment

Procurement of goods and services are being effected paying particular attention to their energy efficiency characteristics and their low environmental impact over its lifetime. For instance, the new lift equipment currently being installed at SBM Tower are 20 percent more energy efficient with gearless drives, variable-frequency technology and regenerative drives that re-feed the power back into the system.

At our service units, consideration is being given to the replacement of air-conditioning equipment by inverter type ones, which are 25 percent more energy efficient.

New Project Works

Sustainable design is being incorporated in new property development projects and refurbishment of our premises encompassing the whole life cycle from construction stage through operations and management till final disposal of the facilities. For instance, during the recent refurbishment works carried out at our Flacq service unit, an energy-efficient and intelligent lighting control system equipped with presence and motion detectors has been installed in order to reduce energy consumption to an optimum level.

Clean Energy System

The installation of photovoltaic systems is being envisaged for the heating of the swimming pool at our Recreational and Learning Center, SBM Park at La Vigie. A feasibility study is underway and we are also exploring the possibility of installing solar panels at selected service units, an initiative spanned until June 2017.

Outsourced Services

Sustainability principles and practices are incorporated in the terms and conditions of our outsourced contracts; e.g. for the cleaning services, emphasis is laid on the use of eco-friendly chemicals/bio-degradable type, with right dosages in the daily activities in addition to the use of energy efficient equipment.

Moreover, service providers and suppliers are continuously coached and briefed on the necessity for the protection of environment, raising their awareness upon environmental issues and enhancing their environmental sustainability capabilities.

Waste Management

The concept of preventing, reducing, recycling and re-using waste is currently adopted for effective waste management e.g.

- Paperless Management & Board meetings through the use of ipads.
- Used oils emanating from servicing of generators and compressors are sent for recycling.
- Toners/Ink cartridges are recycled by scrap metal.
- Batteries – the maintenance contractor has an agreement with an established local battery supplier/dealer which has a safe, sound and environmentally-friendly approach to recycle or dispose such used materials.

Green Space

The setting up of green space areas is taken into account for new property development projects of the Group.

Besides, since 2004, SBM has been sponsoring and maintaining the landscaped areas at La Vigie Round-About and the adjoining lands along the motorway.

Conclusion

SBM reassures its customers, investors, stakeholders and the community at large of its commitment, dedication and engagement to reduce its environmental impact and thereby bringing positive and proactive contribution for a clean and sustainable environment for the future generations.

Creative thinking fuels
innovation.

MODERN

INFORMATION
TECHNOLOGY REPORT

Introduction

The SBM Technology Team was set-up in 1988 and is responsible for managing/supporting the Data Centres, Service Units, ATM Network, POS Network, Security Infrastructure, business stakeholders and over 1,000 users across the Group. The team is made-up of some 80 IT professionals assigned in 3 main sub-teams, namely Business Solution Team, Production Platform Management Team and the IT Security Team. The main responsibilities of the sub-teams are:

Business Solution Team: Responsible for End2End Delivery of Turnkey Solutions and Enhancements. The team prioritizes organizational wide enhancement releases in alignment with business strategies, pursues enhancement releases through established change management process and performs testing and deployment of regular enhancement releases.

Platform Production Management Team: Responsible for managing the production infrastructure and end-points for supporting the end-users through the SBM IT Service Desk which is a single point of contact for all IT Related Requests/issues across the Group. The Team is also responsible for Governance on Execution, Controls and Supplier performance, Monitoring of performance to Technology Balanced Scorecard, process improvement and adherence to established processes and policies.

IT Security Team: Responsible for conducting vulnerability assessment, penetration testing and compliance testing on all IT Systems in the Group. The team also tracks the remediation of all vulnerabilities and non-compliance identified to ensuring adherence to established policies.

The current technology platform was implemented in 2003 for Mauritius, 2004 for Madagascar and 2006 for India. Along the years, technology advancements have made this platform become outdated and reaching sunset / end-of-life stage. The platform includes the following:

- Core Platforms - Core Banking; E-Business – Cards; E-Commerce gateway;
- Product Processors: Asset Origination, Value Based Performance Management, Reporting & Analytics, Customer Relationship Management; and
- Technology Core: Platforms for critical Databases & Operating Systems.

The current technology is not able to maximize the Bank's business strategy due to the following:

- Not inter-operable: Leads to operational inefficiencies and need to over-manage risk of fraud, operational losses;
- Not scalable in line with Group's aspirations on market-share; and
- Not expandable to other geographies of operation.

IT Transformation

Due to the above, SBM embarked on a transformation journey to replace its technology platform which is no longer able to support SBM's future growth and expansion aspirations through a Strategic Sourcing Solution Model initiated back in 2008-2010. To support these aspirations, SBM required:

- Simplified and standardized platforms that can be leveraged across multiple countries;
- Ability to scale to support additional volumes;
- Market leading capabilities to provide seamless and differentiated services; and
- Robust platforms to avoid the issues around technology obsolescence.

The case for the Business Aligned Technology Transformation Program ('Flamingo') was kick-started in 2012 for the Group's next stage of growth to become a regional bank (Asia & mainland Africa) and eventually become a Global Bank by targeting markets where the Bank in not present.

The Flamingo implementation was intended to provide SBM with the technological pillar to achieve:

Competitiveness

- Ability to offer differentiated products from competitors
- Accelerated time to market
- Product innovation
- Integrated multi-channel offering
- Market Ready Rapid Deployment Options for new countries

Customer Centricity

- Best in class service excellence and delivery fulfillment
- Relationship based banking and pricing
- Customized offerings based on needs and preferences
- Consistent customer experience across channels

Risk Containment

- Execute Global standards for KYC and AML norms
- Enhanced operational and risk management capability
- Timely and effective adherence to all local and internal regulatory and compliance norms

Operational Efficiency

- Easy to operationalize – easier adaptation of users
- Process automation, STP
- Reduce Cost of operations
- Workflow based processes
- Scalable operations

From a business perspective, major benefits can be derived from the robust technological platform in terms of:

- E-Banking: To accelerate banking services and open opportunities in other geographic locations.
- Straight Through Processing (STP): For efficiency.
- Channels Modernization: Enhanced Internet and Mobile Banking to compete effectively with Regional and Global players.
- Analytics: To provide customer insights across differing customer groups, segments and regions.
- Strengthened Risk Management Capabilities: To match Global banks and adherence to compliance.
- Multi-X Capability: World Class Core System with multi-country, multi-language, multi-currency and multi entity capabilities and faster time to market.
- New & Integrated Customer Relationship Management (CRM) System: To provide enhanced and unified customer experiences across geographies.

IT Transformation (cont'd)

A Core banking engine replacement after 12 years, Flamingo is viewed as the vehicle through which SBM would achieve substantial business capabilities and propel itself to become a Global Bank across various business verticals and provide an uplift in customer satisfaction by:

- Providing customized offering based on needs and preferences through product eligibility dashBoards.
- Improving turnaround time and customer satisfaction through process automation and STP.
- Achieving seamless and consistent customer experience due to single source of customer data.
- Providing loyalty and reward program through high end analytics.
- Implementing differential pricing based on customer relationship.
- Bringing personalized experience: channel navigation, presentation, etc. and customized ATM screens based on preferred transactions.

Main Costs involved in the IT Transformation

The cost of the IT transformation program is expected to reach USD 154 million when the project is completed in September 2016. This includes the cost of hardware, software and the implementation of 26 applications. The inefficiencies which has arisen over the implementation of the project amounts to USD 26 million and has been expensed as a prior year adjustment. (Refer to note 39 - Prior years Adjustments on page 105). The residual balance of USD 128 million will be amortised in accordance to the Group's accounting policy.

The maintenance cost of the new technology platform would amount to USD 7 million per annum.

The Group intends to use this state of the art system to expand geographically, acquire and retain customers, uplift customer experience as well as stay relevant and competitive in the market.

IT Infrastructure

A secure, highly available and scalable IT Infrastructure sets the foundation for Flamingo's objectives to deliver a robust and state-of-the-art banking technological ecosystem in alignment with the Group's vision to grow and expand across other geographies.

Infrastructure Architecture

- With the imperative of an integrated, scalable and sustainable infrastructure, the Flamingo Program will leverage the capability of infrastructure as-a-service (provisioning of servers, databases, Operating Systems, Networks) to ease roll-outs of new products and services.
- The various application components will be interoperable with interfaces between products and applications using latest technology middleware.

Data Centre & Disaster Recovery

- All applications are being hosted in a centralized infrastructure with Data Centre (DC) and a Disaster Recovery Data Centre (DR).
- Those Data Centres are of Tier-III standards and comply with industry norms such as ISO 27001.

IT Service Continuity

- There will be 100 percent DR capabilities for all infrastructure applications with defined recovery point and time. This will be supported by data synchronization between Primary and Disaster Recovery. Automation of the failover will be built-in and validated by frequent DR Drills to achieve the recovery SLAs.

Back to contents

IT Infrastructure (cont'd)

Network

- Network connectivity between the Data Centres and the Bank's locations have been implemented through resilient routes to ensure high availability of DC and DR services.
- Encryption of the links has been implemented to protect data being transferred over the international link.

Operations & Support

- Fully automated monitoring processes and tools will be implemented with contractual SLAs.
- Service Delivery and Management Tools and Processes based on ITIL guidelines have been developed and will be deployed to support the business users.

Future Improvements w.r.t. IT Infrastructure

The delivery of the Flamingo Program will provide the Bank with the right technological platform and capabilities that will allow seamless adoption of emerging technologies, such as Digital Banking and Cloud depending on the Bank's needs and maturity of the technological solution.

IT Auditing and Compliance

All the IT systems are audited by the Group's Internal Audit team on a regular basis. Observations and ratings are submitted to IT team for immediate remedial actions. External audits are also conducted on all IT processes and IT systems in order to abide by all the latest regulatory guidelines and compliance requirements.

A governance framework has been established and several meetings (shown in Table below) scheduled to track the progress at different levels and targeted for different audience. Program risk and issues are closely monitored and discussed on a daily basis for remedial actions. Issues and concerns related to the adoption of IT standards, management of service provider relationships, performance metrics, progress reports and financials amongst others are raised and discussed for remediation. All main risk and issues are reported to the Risk Committee and the overall program reporting is to the Board.

	Meeting	Frequency	Attendees
1	IT Steering Committee	Monthly	Board Members, CE Banking, Flamingo Leadership
2	Monitoring Committee	Weekly	Three Board members, CE Banking, Flamingo Leadership, Senior Management representatives
3	Critical Risks & Issues Progress Review	Daily	Flamingo Leadership, Flamingo Vendor Partners, IT & Business representatives
4	Delivery Committee	Weekly	CE Banking, Flamingo Leadership, Flamingo Vendor Partners, Business heads

IT Steering Committee

The IT Steering Committee is monitoring the cost and progress of the project regularly to ensure that September go live is achieved.

Regulatory Environment

SBM operates in the Mauritian, Indian and Malagasy jurisdictions and each country has its own specific guidelines in terms of data confidentiality, privacy, regulatory requirements and compliance policies. Some of the guiding principles are as follows:

Mauritius

- BOM Guidelines on Outsourcing
- Data Protection Bill 2004
- Electronic Transaction Act 2000
- Copyright Act 1997
- Electronic Misuse & Cybercrime Act 2003
- Financial Intelligence Unit guidelines on Integrity of Financial Transactions

India

- RBI Guidelines on Outsourcing
- Information Technology and Cybercrime Act 2000/2004
- Data Protection Law of India 2002
- Copyright Act 1957

Madagascar

- Banque Centrale de Madagascar Guidelines on Outsourcing
- Commission Supervision Bancaire et Financiere guidelines on Audit & Oversight
- Samifin guidelines on integrity of financial transactions

Regulatory Environment (cont'd)

The Risk Management and Compliance Team from the Group is responsible to update the Group's processes, manuals and corresponding documents following updates to the regulatory clauses and compliance guidelines. This is then distributed to impacted departments for further action if any changes are required on system.

Risks around IT and the Controls in place

With technological advancement, the probability of risks being faced by IT and ultimately, the Group, is increasing at an alarming rate but the necessary prompt controls and mitigating actions have been put in place to counter those risks in order to minimise the impact on the Group's business.

Risks	Controls in Place
Network-based Attacks	Multilayer firewall, Network Intrusion prevention system, DMZ, Security Event Monitoring, Malware protection.
Data Transmission Interception	International WAN link is encrypted, SSL certificates is in use for internet facing applications.
Phishing attacks	Monitoring of SBM brands against phishing attacks and shutting down those fake websites.
Credit Card Leakage	Strong access control to Credit card information, card database is encrypted using wallet, Card application is not exposed to Internet, USB access is being restricted.

New Services

Mobile Banking

SBM was the first to introduce Mobile Banking service (SMS Banking Channel) in the country. The service was offered to Cellplus (Orange) users in March 2006 and to Emtel users in April 2007. The main objectives of the mobile banking service were to:

- Position the bank as a powerful innovator in the banking industry.
- Reduce the number of over-the-counter and ATM inquiries and mini-statements demand by shifting behaviour to the cheaper mobile channel.

The current mobile banking service at SBM offers customers the possibility to access their current and savings account through their mobile phones. Main services offered are Balance inquiry, View of last 5 transactions and notification message if their balance has changed.

The service was favourably adopted by customers with a total of around 107,000 registration till now. The Bank is targeting to widen the offering of its mobile banking service by offering more transactions and additional channels in the current system replacement as part of Flamingo. Browser-based channels and rich client applications for smartphones and tablets are the new channels being implemented in Flamingo while on the functionality side, new transactions will be offered. These new offerings and additional means to offer mobile banking service are expected to boost the service and more importantly increase usage and adoption while moving the Group further inside the digital banking space.

Orange Money

The service was launched in April 2012, being the first Mobile Payment facility in the market. While providing customers with the ease of remotely effecting payment for Utility Bills (Water, Electric and Phone) using their mobile phones, Orange Money also allowed its customers to make payment at registered merchants for goods

New Services (cont'd)

they purchased. While benefiting from the above mentioned convenience factor, customers even having the basic mobile phone (not necessarily smartphone) can avail of the service and there is no need to have internet connection. Orange Money will be enriched with additional services in terms of allowing funds transfer and 'Cash by code' (cardless withdrawal).

SMS Refill

ATM Top Up was launched in 2004 and SMS Top Up in 2009. SBM enjoyed the first mover advantage being the first Bank to launch the product in the market. The ATM Top Up service was successful since it offered both SBM and non-SBM customers to use an electronic channel to Top Up their mobile phone. SMS Top Up was even more popular due to the convenience factor of customers availing of this service from home. The Top Up product became more popular and attractive for customers through the SMS channel 5 years following the launch on ATM channel. The plan is to regroup Top Up and Orange Money under a single Mobile application.

E-Banking

The Bank's Internet Banking platform, most commonly named as SBMNET, has been launched in 1999 for Retail Banking customers and, in 2002, for Corporate clients. This was a premiere in the Mauritian market since the product combined both innovative features and state of the art technology. Out of the panoply of Internet Banking functions, the following features made the Bank's product attractive and famous both on the retail and corporate side: Funds transfer between SBM accounts and other local/international banks, Initiate/ Modify/Delete or view standing order instructions, Place Term deposit, Apply for guarantee & letter of credit, Bulk payment to suppliers and Salary processing for staff, among others.

Over and above the convenience factor, the Bank's Internet Banking platform offers many other benefits by allowing its customers to reap attractive tariffs and greater control over the transactions to be processed. Backed by a dedicated Internet Banking support team which ensures a close proximity to its customers, the SBMNET product provides peace of mind and flexibility anytime anywhere. SBMNET users can safely access their accounts online through any web-based application since the product is based on a highly secured platform making use of latest security standards and maker/checker principle. While the Bank's Internet Banking platform continues to attract new customers and satisfy the existing ones, SBM Bank (Mauritius) Ltd plans to come up with an enhanced version of its Internet Banking product by the end of 2016 for the continued delight of its customers.

IT Challenges

Prior to Flamingo, some of the challenges faced by IT were as follows:

- Technology platform can no longer support SBM aspirations in terms of expansion.
- System not flexible to be replicated to other new markets where SBM wants to do business.
- New requirements from business could not be addressed due to system limitations.
- No standard platforms and interfacing between all the applications being used in SBM.
- High maintenance costs in terms of licensing and support.
- Skills supporting those applications were becoming scarce.

Implementation of Flamingo has resolved the challenges mentioned above but has also introduced some new challenges for IT such as:

- Training and retention of IT staffs for the new applications.
- Adoption and usage of new systems by bank users.
- Relationship management with partner due to new Service Model.

The team has already started to address those challenges to minimize the impact to the Bank.

CORPORATE
SOCIAL RESPONSIBILITY

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

Our Group's projects focus on providing tools and opportunities to vulnerable groups so that they acquire the required skills to enhance their employability and thus become economically independent. In line with our philosophy to create a sustainable society, we are of the view that empowerment through education also requires a conducive environment. Thus, most of SBM Group's projects focus on providing the relevant tools and opportunities to vulnerable groups so that they are adequately equipped and skilled to enhance their employability to improve their current financial situation.

From left to right:

Late **Mr. Mangayah RAMANJOOLOO**, Trustee of The SBM Education Fund
Mr. André LAM, Chairman of The SBM Education Fund
Ms. Yonella LATOUCHE, scholarship beneficiary
Mr. Kee Chong LI KWONG WING, Chairman of SBM Holdings Ltd
Mr. Viraj SEETHIAH, scholarship beneficiary
Ms. Mushiirah Bibi PERSAND, scholarship beneficiary
Mr. Jairaj SONOO, Chief Executive of SBM Bank (Mauritius) Ltd
Mr. Komal GUJADHUR, Acting Head Marketing & Communications of SBM

SBM Scholarship Scheme for bright and needy students

Our priority areas of focus are based on Empowerment through Education. A unique **Scholarship Scheme for bright and needy students** was launched through **The SBM Education Fund** in 2010 which has culminated into its recognition at National Level when SBM won the award of the '**Overall Winner**' of the First Edition of the **BDO CSR Awards 2010** as well as the **Winner of the 'Education and Sports' category.**

The Group has moved a step further with the setting up of a special scheme for the Technical Vocational Education Training (TVET) sector in collaboration with the Mauritius Institute of Training and Development (MITD) and scholarships awarded to a first batch of students in 2011. As at December 2015, the Bank had awarded nearly 1,800 scholarships to needy students from Mauritius and Rodrigues who had performed well at Higher School Certificate exams to follow courses at tertiary level or vocational courses at the Mauritius Institute of Training & Development (MITD).

In the same wave, the Group donated some 400 refurbished PCs to several Non-Governmental Organisations and Associations as part of SBM IT project to help children of vulnerable groups to be versed with Information, Communication and Technology tools. This project was initiated through the E-Inclusion Foundation.

From left to right:
Mr. Komal GUJADHUR, Acting Head Marketing & Communications of SBM
Mr. Kee Chong LI KWONG WING, Chairman of SBM Holdings Ltd
Mrs. Rose Marie Franchette GASPARD-PIERRE LOUIS, Deputy Chief Commissioner of Rodrigues
Ms. Marie Prissila PIERRE LOUIS, scholarship beneficiary
Mr Eddirao BALLOO, Head of Sales, Branches & Private Banking of SBM
Mrs. Doris ROUSSETY, Branch Manager of SBM Rodrigues

In line with our Group's strategy of providing skills through education to combat poverty, SBM Group has carried out several other projects, mainly through its Banking entity, by supporting the following organisations:

ABAIM

ABAIM adopts a holistic approach to poverty alleviation, as well as empowerment and acquisition of skills through music, arts, culture and sports. SBM has been a partner of ABAIM since 2008. ABAIM is currently running services for around 120 underprivileged children and their parents and the Blind person's community.

Gandhian Basic School

The Gandhian Basic School (GBS), which functions under the aegis of the Mahatma Gandhi Institute (MGI), provides pre-vocational education to around 120 teenagers (having failed CPE and residing in the region of Moka). The partnership with GBS started in 2010 with the setting up of a hydroponics project and the provision of a balanced meal to some 120 needy students attending GBS. The latter has brought about a positive change in the attendance rate of students: from a low 35 percent before the start of the project to above 80 percent. SBM also helped GBS with an extension project to accommodate a multimedia room and library, a fashion and fabrics workshop and a demonstration room.

Teen Hope

DLD Teen Hope School Project, being under the responsibility of the Noyau Social Cité La Cure, has as mission to support poor children victims of neglect, violence to become responsible citizens, build up their self-confidence to find a job and contribute towards the development of society. The NGO works with deprived children of Cité La Cure who have not been able to complete the Primary Cycle.

Similar to GBS, this NGO caters for boys and girls aged between 12 to 16 years old not attending school (mainly those having failed CPE twice), aiming to give them a basic education in literacy, numeracy and life skills so that they become responsible citizens of society. SBM has given its support to Teen Hope by providing education facilities to more than 80 teenagers (including a daily breakfast to the students).

Sailing Pour Tous

Sailing Pour Tous is an NGO which aims at helping needy children to discover the pleasures of sailing in a secure environment. It operates since 2013 and mainly targets children of 7 to 14 years old from vulnerable groups. It has till now helped 420 children. The idea consists mainly of making sailing – an activity practiced mainly by the rich – accessible to the poor. The NGO furthermore educates these children about the necessary skills related to their training and increase their awareness about safety measures.

Social Entrepreneurship Award

SBM collaborated with the Ministry of Social Security, National Solidarity and Reform Institutions and the NGO Trust Fund to launch the first edition of the Social Entrepreneurship Award in 2015, which is a Business Plan Competition for NGOs. Social entrepreneurship is an innovative concept whereby entrepreneurship principles are applied to organise, create and manage a venture to bring about social change. This represents an opportunity for NGOs to ensure the economic empowerment of their beneficiaries and at the same time to diversify their income base and move from dependency to sustainability. There were 3 winners: Association Pour Personnes En Larmes (APPEL), Autisme Maurice and Groupe Elan.

From left to right:

Honourable **Mrs. Fazila JEEWA-DAUREEAWOO**, Minister of Social Security, National Solidarity and Reform Institutions

Two representatives of the NGO "Autisme Maurice"

Mr. Kee Chong LI KWONG WING, Chairman of SBM Holdings Ltd

From left to right:

Mr. Gérard HEBRARD, General Manager of CEB

Mr. Nayen Koomar BALLAH, Chairman of SBM Bank (Mauritius) Ltd

Mr. Kee Chong LI KWONG WING, Chairman of SBM Holdings Ltd

Mr. Seety NAIDOO, Chairman of CEB

Mr. Matthieu DISCOUR, Regional Director for Mauritius and Seychelles of "L'Agence Française de Développement"

Internal CSR

With a view to maintaining proximity with its customers, staff members of SBM Group are encouraged to volunteer their time and talent to support the community. Under the SBM 1:2 Matching Scheme, staff members are encouraged to organise fundraising activities in favour of NGOs/community organisations of their choice, with the Group topping up the amount by twice the proceeds raised, subject to a ceiling. Following the launch of the scheme, an increasing number of employees are getting involved in community development initiatives. The Group also brings its contribution to the blood bank by regularly organising blood donations activities throughout the island. These initiatives are supported by both employees and customers.

RISK MANAGEMENT REPORT

RISK PHILOSOPHY

SBM Group values a rigorous risk management as an integral part of its growth strategy across all lines of business. With a dynamic approach to risk management, the SBM Bank Group remains committed towards ensuring effective and efficient risk processes and optimal returns within set risk appetite.

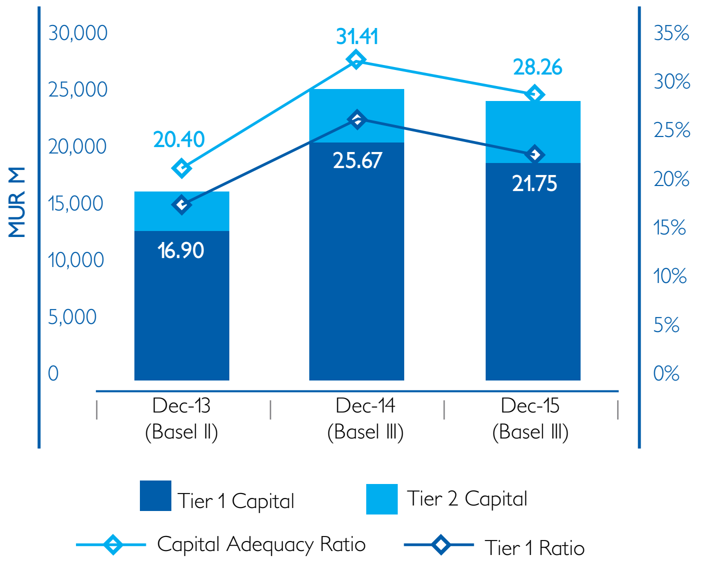
MISSION

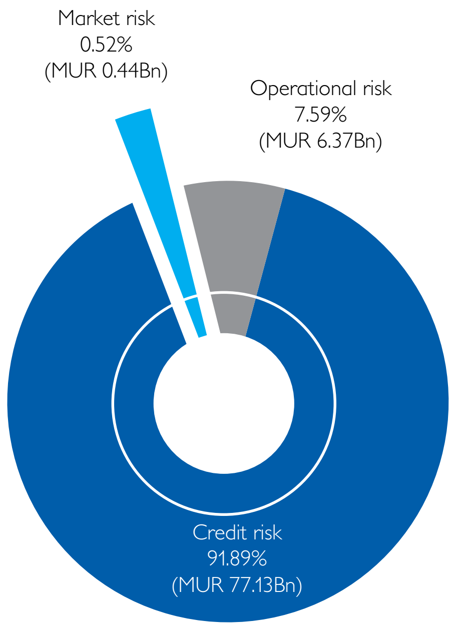
The Group is committed towards embedding a risk culture in its organisation and embraces risk management as a core competency that allows it to optimise risk-taking through objectivity and transparency.

Executive summary

In 2015, the domestic economy as well as global economy witnessed anemic growth rates coupled with increased market volatility and vigorous competition. Despite major challenges faced, our performance showed resilience and capabilities to withstand economic headwinds.

Strong Capital Position : Capital Adequacy Ratio and Risk Weighted Exposures



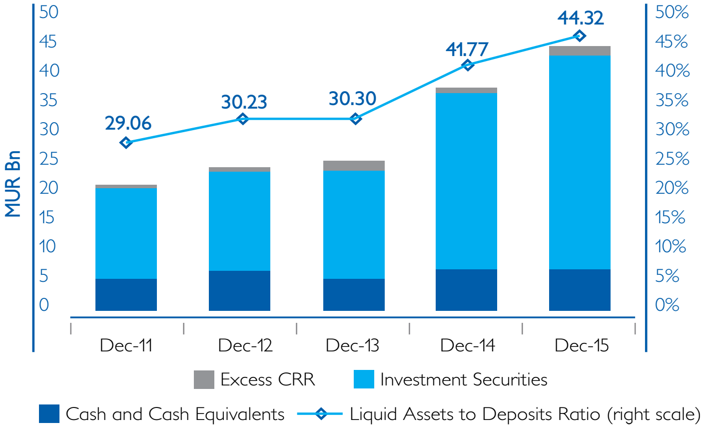


As on 31 December 2015, the Capital Base of the Group was MUR 23,718 million and the Capital Adequacy Ratio was 28.26 percent well above the minimum requirement of 10 percent. The organic capital accumulation was offset by payment of dividends to shareholders, increase in intangible assets and downward revaluation of certain investments.

Executive summary (cont'd)

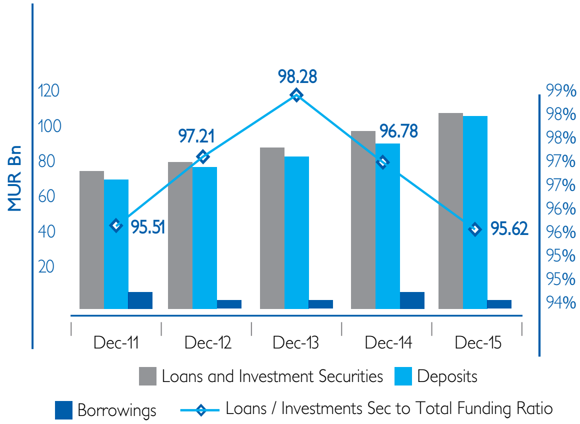
Liquidity Risk

SBM Group's liquidity and funding position is supported by its large and well diversified non-bank customer deposit base by type and maturity.



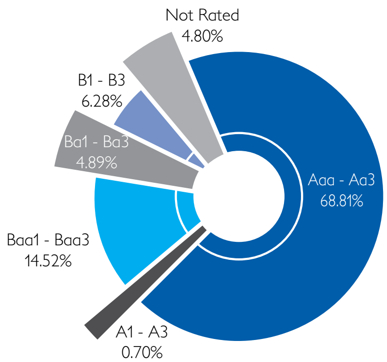
Funding Risk

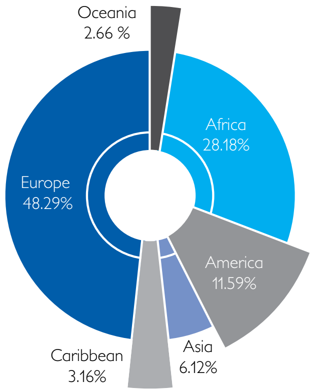
Customers' savings, current and call accounts accounted for 81.91 percent of the deposit base as at 31 December 2015 which is adequate to counterbalance the impact of a stressed funding environment.



Breakdown of Risk Weighted Exposures on countries (excluding Mauritius, India and Madagascar) by region and external rating.

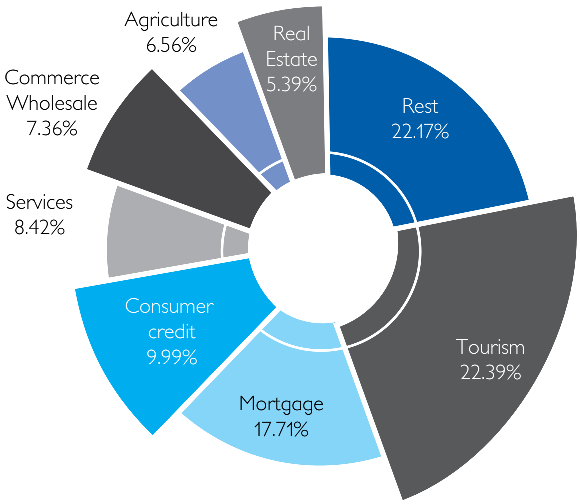
SBM Group managed country risk within an established framework that includes limits setting for each country. The Group has enhanced its framework to incorporate future strategy for expansion in African and Asian countries.





Executive summary (cont'd)

Diversified Credit Risk Profile - By Portfolio



Mauritius Operations represented 89.0 percent of the total risk weighted exposures for Group credit risk.

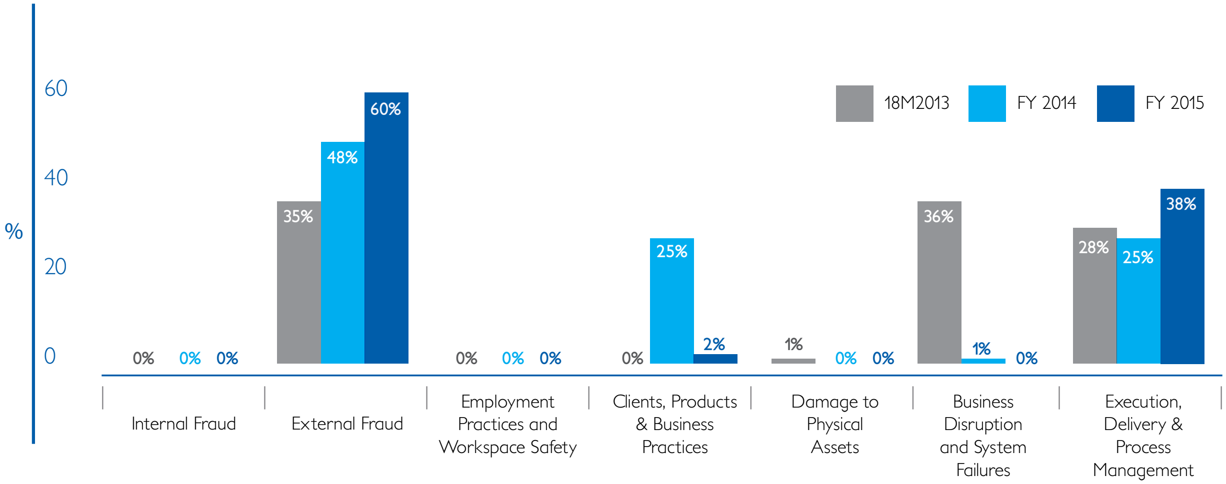
Note: Over 85 percent of the exposures are backed by eligible collaterals in line with the BOM Guideline on standardized Approach to Credit Risk.

The Group has a well-diversified portfolio of loans and advances with diversified income streams.

Portfolios are being monitored closely and future facilities for sectors experiencing challenging economic and financial conditions are subject to more vigilance.

Operational Loss Events by Risk Category percent of Total Loss Events by Value

A conducive control environment with robust operational risk policies, processes, systems as well as appropriate risk culture within the organisation contributed in maintaining a low operational loss experience over the years. The Group continues to take counter-measures to prevent recurrence of operational risk events.



1. Introduction

1. Risk Management Framework

The Group has an integrated and robust risk management framework in place to identify, assess, manage and report risks and risk adjusted returns in a reliable and consistent manner. The framework is based on transparency, management accountability and independent oversight, which, is comprehensive enough to capture all risks that the Group is exposed to and has flexibility to accommodate any changes in business activities. Key elements of the effective risk management framework are:

- Active Board and senior management oversight;
- Adequate policies, procedures and limits;
- Adequate risk measurement, monitoring and management information systems; and
- Comprehensive internal controls.

SBM Holdings Ltd's risk management framework is the foundation for comprehensive management of risks facing the Group. It outlines clear responsibilities and accountabilities for managing risk.

The Board and its Committees – (a) the Corporate Governance and Conduct Review Committee, (b) the Audit Committee, (c) the Risk Management Committee, (d) the Strategy Committee (e) the Remuneration Committee (f) the Credit Committee – have oversight responsibilities in relation to risk management, adherence to internal policies and compliance with prudential, regulatory and legal requirements.

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

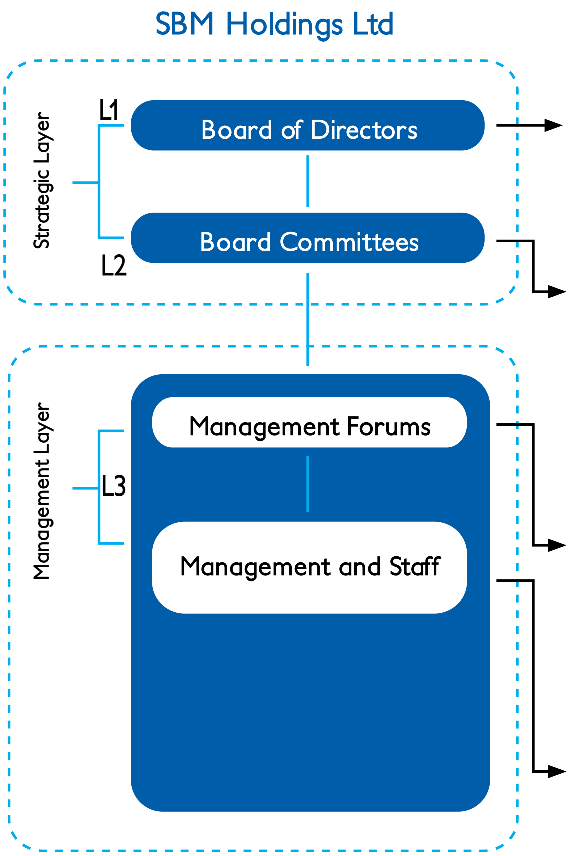
1. Introduction (cont'd)

1. Risk Management Framework (cont'd)

The executive management would be responsible for translating the high-level overall guidance from the Board into operational aspects and then monitoring and reporting them back periodically to the Board/Board Committees.

The chart below illustrates the inter-relationship among the Board, Board Committees and management Committees that have the majority of risk oversight responsibilities for the Group.

RISK MANAGEMENT FRAMEWORK



CONSTITUTION	ROLE	RESPONSIBILTIES
Executive, non-executive and independent Directors	Oversight	The Board is responsible to authorize management to maintain an effective Risk Framework, and oversees compliance with safe, ethical and sound banking practices.
A mixture of independent, experts and executive Directors wherever allowed.	Escalation	The Board Committees include Audit, Risk Management, Strategy, Corporate Governance and Conduct Review and Credit.
Key members of management including the Chief Executive	Ownership	Some of the forums are Executive Forum, Investment Forum, Risk Management Forums (Asset and Liability Management Committee, Operational Risk Forum, Portfolio and Credit Risk Forum), Management Credit Forum. The aggregate enterprise-wide risk profile and portfolio appetite are discussed at the respective Risk Management Forums
Credit Risk Team, Market Risk Team and Operational Risk Team	Coordination	The Team acts as a coordinator and facilitates the monitoring and reporting of significant risks across the Group.

Note: Where applicable, each entity within the Group has its own Board, Board Committees and Management Forums.

1. Introduction (cont'd)

1. Risk Management Framework (cont'd)

1.1 Risk Management Governance

The Group adopts the three lines of defence principle when it comes to risk taking where each line of defence has a clear responsibility;

	FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE
FUNCTION	Support/Business units	Corporate Oversight Functions	Audit
RESPONSIBILITY	Strategy, Performance and Risk Management	Policy and Monitoring	Independent Assurance
KEY ACTIVITIES	Identification and management of risks	Framework, Risk, Oversight and Reporting	Independent Challenge and Review of Adequacy and Effectiveness of Processes and Controls

Working closely with the support units, the business units are our first line of defence with a clear responsibility for risk. This includes identification of risks and the reporting of any changes in the risk profile of the clients or positions.

As a second line of defence, corporate oversight functions such as Risk Management and Compliance are responsible for developing, overseeing and reporting on risk frameworks. In addition, they are responsible for identifying individual and portfolio risk; approving transactions and trades, and ensuring that they are within approved limits; and monitoring and reporting on the portfolio, taking into account current and future potential developments through stress testing.

Finally, Audit represents the third line of defence, in providing an independent assessment and assurance to the Audit Committee on the robustness, adequacy and effectiveness of our internal controls related to processes, risk and control governance.

The Group bases its business operations on conscious and disciplined risk-taking. It believes that independent risk management, compliance and audit processes with proper management accountability are critical to the interests and concerns of its stakeholders.

1. Introduction (cont'd)

2. Risk Appetite Framework

SBM Holdings Ltd maintains a comprehensive Group-wide risk appetite framework, providing a robust foundation for risk appetite setting and management across the Group. A key element of the framework is a detailed statement of the Board-approved risk appetite which is aligned to the Group's financial and capital plans.

The framework also encompasses a suite of policies, processes, controls and systems for assessing the appropriate level of risk appetite required to constrain its overall risk profile. The framework is guided by the following strategic risk objectives:

- Maintaining Group-wide capital adequacy on both a regulatory basis and under stressed conditions;
- Promoting stability of earnings;
- Ensuring sound management of liquidity and funding risk;
- Minimizing reputational risk; and
- Managing and controlling business conduct risk.

Group-wide risk appetite is determined in conjunction with the financial and capital planning process on an annual basis, based on bottom-up forecasts that reflect planned risk-usage by the businesses and top-down, Board-driven strategic risk objectives and risk appetite. Scenario stress testing of financial and capital plans is an essential element in the risk appetite calibration process and is the means through which the Group's strategic risk objectives, financial resources and business plans are all aligned.

Allocations to each risk category are cascaded down to each entity's Board for approval. The following chart provides an overview of key Group-wide quantitative and qualitative aspects covered in its risk appetite statement for the Group and how they are cascaded.

RISK APPETITE

Financial Risk

Credit Risk

- Borrower
- Industry
- Country
- Bank
- NBFC
- Sovereign

Market Risk

- Trading Book
- Banking Book

Liquidity Risk

- Currency
- Legal Entity

Non-Financial Risk

Operational Risk

- Process
- People
- IT
- Compliance

Reputational Risk

Business and Strategic Risk

- Macroeconomic environment
- Competitive environment
- Regulatory environment

Other Risks

- Legal
- Model

RISK CONTROL MECHANISM

(It encompasses frameworks, guidelines including best practices and guiding principles, policies including contingency plans and limits based on the following components)

Risk Tolerance

Risk tolerance refers to the limits in operational terms such as concentration limits, stop loss limits, etc. to ensure that the risk is within the defined risk appetite. Any breach thereof would lead to a control and/or mitigation action. Banking Group's limits can be found in its prudential limits document.

Risk Targets

Risk Target is the optimal level of risk that the Banking Group wants to take in pursuit of a specific goal. Setting the risk target should be based on the desired return, on the risks implicit in trying to achieve those returns and on SBM's capability of managing those risks.

Risk Limits

Risk limit determines thresholds to monitor that actual risk exposure does not deviate too much from the desired optimum. Breaching risk limits will typically act as a trigger for corrective action at the process level.

Note: Breaching a risk tolerance level serves as a red alert for the management; the risk position must be reduced and preventive actions must be taken. Breaching a risk limit, however, acts more like an early warning signal, triggering corrective actions that are taken to maintain the current risk level.

1. Introduction (cont'd)

2. Risk Appetite Framework

2.1 Risk Controls

A core aspect of the Group's risk appetite framework is a sound system of integrated risk controls to maintain its risk profile within its overall risk appetite. The risk controls are intended to:

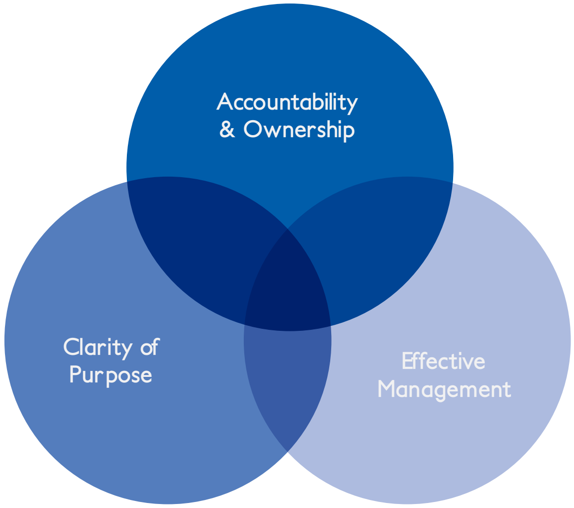
- limit overall risk-taking to the Group's risk appetite;
- trigger senior management discussions with the businesses involved, risk management and governance Committees in case of substantial change in the overall risk profile;
- ensure consistent risk measurement across businesses;
- provide a common framework for the allocation of resources to businesses; and
- provide a basis for protecting the Group's capital base and meet strategic risk objectives.

The Group has established a control structure which manages the Group's risk profile using multiple metrics, including concentration ratios against the allocated capital, Value-at-Risk (VaR), scenario analysis and various exposure limits at Group level. The overall risk limits are approved upon the recommendation of the Board Risk Committee.

2.2 Policy Governance

A top down approach has been adopted for the dissemination and implementation of the policies from the Board to the Management. Similarly, a top down approach is in place with respect to risk appetite, which the Board reviews and approves on an annual basis with the aim of ensuring that it is consistent with the Group's strategy, policies, business and regulatory environment and stakeholders' requirements besides competitive edge. The Board approves all the policies which have clear accountability and ownership and the management is responsible and accountable for the effective implementation and monitoring of risk appetite.

Policy Governance Principles



Key Objectives

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

The policies are designed with clarity or the intended effects to be produced, the intended recipients of those effects, and the intended worth of the effects. The policies are centrally managed and are in the custodianship of the Risk Management Team and any proposal for change must go through the Head of Risk Management who ensures that the approval process is followed.

1. Introduction (cont'd)

3. Risk Overview

In pursuing its goals and objectives the Group is confronted with various types of risks that cannot be addressed individually but require a holistic approach to risk management. These key risks can be categorized as follows:

Key Risks	Arising from	Measurement, monitoring and management of risk
Credit Risk		
Credit Risk is defined as the risk that the bank will suffer economic loss due to a bank borrower or counterparty failing to fulfil its financial or other contractual obligations	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: • **measured** as risk weighted exposures for performing and non-performing exposures; • **monitored** within regulatory and prudential limits by borrowers, portfolios, country and bank, approved by the Board within a framework of delegated authorities. Regular review of portfolio to proactively manage any delinquency and minimising any undue credit concentrations; and • **managed** through a robust risk control framework which outlines clear and consistent policies, principles and guidance.
Market Risk		
Market Risk is the risk of loss that arises due to changes in market conditions that may adversely impact the value of assets or liability, or otherwise negatively impact earnings.	Market risk losses arise from variations in the market value of trading and non-trading positions resulting from changes in interest rate risk, foreign exchange risk and price risk, and in their implied volatilities.	Market risk is: • **measured** in terms of value at risk, which is used to estimate potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence, augmented with stress testing to evaluate the potential impact on portfolio values of more extreme, though plausible, events or movements in a set of financial variables; • **monitored** using measures including the sensitivity of net interest income and the sensitivity of structural foreign exchange which are applied to the market risk positions within each risk type; and • **managed** using risk limits approved by the Board.

Key Risks	Arising from	Measurement, monitoring and management of risk
Funding and Liquidity Risk		
The inability to meet contractual and contingent financial obligations, on and off balance sheet as they may come due. Our primary liquidity objective is to provide adequate funding for our business throughout market cycles, including periods of financial stress.	Liquidity risk arises from mismatches in the timing of cash flows. Funding risk arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required.	Liquidity and funding risk is: • **measured** using internal metrics including stressed cash flow projections, coverage ratios and advances to core funding ratios; • **monitored** against the Group's liquidity and funding risk framework and overseen by the Asset and Liability Management Committees ('ALCO's) of different entities and the Board Risk Management Committee; and • **managed** on a stand-alone basis with no reliance on any Group entity.
Operational Risk		
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.	Operational risk arises from human error, inappropriate conduct, failures in systems, processes and controls or natural and man-made disasters. It is inherent to all products, activities, processes and systems and is generated in all business and support areas.	Operational risk is: • **measured** using the risk and control assessment process which allows identification and evaluation of risks and effectiveness of controls; • **monitored** through regular risk assessment procedures, key risk indicators and internal loss database; and • **managed** through a conducive control environment with robust operational risk policies, processes, systems as well as appropriate risk culture within the organisation which contribute in maintaining a low operational loss experience over the years.

1. Introduction (cont'd)

3. Risk Overview (cont'd)

Key Risks	Arising from	Measurement, monitoring and management of risk
Reputational Risk		
The potential that negative perceptions of the Bank's conduct or business practices may adversely impact its profitability or operations through an inability to establish new or maintain existing customer/client relationships.	Reputational risk arises from failure to meet stakeholder expectations as a result of any action, event or situation caused by SBM or its employees that can adversely impact SBM's reputation.	Reputational risk is: • **measured** by reference to our reputation as indicated by our dealings with all relevant stakeholders, including media, regulators, customers and employees; • **monitored** through analysis of root cause for justified complaints and reporting to appropriate forums/committee; and • **managed** through a framework where all employees are responsible for identifying and managing reputational risk that may occur within their respective areas of business. These responsibilities form part of SBM Code of Conduct.

Key Risks	Arising from	Measurement, monitoring and management of risk
Business and Strategic Risk		
The risk of loss resulting from incorrect assumptions about external or internal factors, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic or competitive environments.	Strategic risks are risks that affect or are created by an organization's business strategy and strategic objectives, which are critical to the growth and performance of the Group. Pursuing an unsuccessful business plan represents a possible source of loss to the Group.	Business and Strategic Risk is • **measured** by using several key internal indicators and metrics as a yardstick which enable the Group to track progress against fulfilling the objective; • **monitored** against our risk appetite set out by the Board whilst taking into consideration our internal capabilities and growth prospects; and • **managed** by the Board which sets the objectives for the Group in terms of growth orientation in consultation with our Strategy team.

It is important to both evaluate each risk type separately and assess their combined impact on the Group, which helps ensure that the overall risk profile remains within the Group-wide risk appetite. The primary evaluation methods used to assess Group-wide quantifiable risks include assessing the risk-bearing capacity through ICAAP and stress testing.

1. Introduction (cont'd)

3. Risk Overview (cont'd)

3.1 ICAAP Framework

SBM Group conducts an internal capital adequacy assessment process ('ICAAP') to determine a forward looking assessment of its capital requirements given the Group's business strategy, risk profile, risk appetite and capital plan. This process incorporates the Group's risk management processes and governance framework. A range of stress tests are applied to the base capital plan. These, coupled with risk management practices and contingency plans including the recovery plans are used to assess its internal capital adequacy requirements.

The purpose of the ICAAP is to ensure that each entity/segment maintains sufficient capital levels at all times to cover the risks associated with its business activities, for legal/regulatory compliance purposes and in accordance with the Basel II & III requirements, besides keeping a cushion for uncertainties and for supporting depositors' confidence. The framework for capital management is based on Pillar I, II and III requirements and the process is detailed as follows:

Internal capital adequacy assessment process (ICAAP)

Senior management oversight
- Understand nature and level of all material risks
- Set risk appetite and risk tolerance levels
- Assess and ensure capital adequacy
- Decide overall business strategy with regards to capital
- Lay out policies

Sound capital assessment
- Identification, measurement and reporting of all materials risks.
- Relating capital to risk
- Integration of risk with capital and business plans
- Management of capital

Comprehensive risk management process
- Credit Risk
- Market Risk
- Operational Risk
- Credit concentration Risk
- Liquidity Risk
- Interest Rate Risk in the Banking Book
- Reputational Risk
- Strategic & business risk

Stress testing
- Identification of stressed scenarios
- Development of methodology to assess the impact of stress scenarios
- Quantification of impact on capital and profitability
- Integration of stress testing results

Monitoring, reviewing results
- Reporting of ICAAP results to senior management and regulators.
- Internal and external review of the results

As part of the ICAAP, contingency plans including recovery plans are maintained to restore the Group's financial strength and viability during an extreme stress situation. The main purpose of these recovery plans is to outline how to respond to a financial stress situation that would significantly impact the Group's capital or liquidity position. Therefore, it lays out a set of defined actions aimed to protect the organisation, its customers and the markets, and prevent a potentially more costly resolution event.

1. Introduction (cont'd)

3. Risk Overview (cont'd)

3.2 Risk-Bearing Capacity and Stress Testing

The risk-bearing capacity analysis is a key part of overall bank management and the Group's Internal Capital Adequacy Assessment Process (ICAAP). The purpose is to ensure that sufficient capital is held for the risk profile of the Bank at all times. SBM Group complements its regular standardized risk reporting process with stress tests to capture the effect of exceptional but realistic events on capital and liquidity positions. It also provides insights on the degree of vulnerability of various business lines and portfolios to given scenarios and acts as an early warning signal in itself.

Key scenarios include significant movements in credit ratings, interest rates and foreign exchange rates, as well as adverse changes in counterparty default and recovery rates. Several stress tests are applied, whether scheduled or ad-hoc, in the form of both sensitivity and scenario analyses, either for a specific risk type or for SBM Group as a whole. The stress test can represent various economic situations from mild recession to extreme shock. Macroeconomic stress tests are used to check risk-bearing capacity in the face of assumed adverse changes in the economic environment. The underlying scenarios, which are the plausible and negative developments in the economy, are applied across all risk types.

Stress testing is conducted at least annually or at suitable intervals given the prevailing micro and macro-economic conditions. All stress tests are documented, including contingency plans, exit strategies and mitigating actions appropriate to different scenarios.

Ultimately, the Board Risk Committee annually reviews the Group's risk appetite and subsequently analyses the impacts of stress scenarios on the Group capital forecast in order to understand and manage the Group's projected capital adequacy.

2. Capital Management

SBM Group ensures that all its subsidiaries are adequately capitalised with a buffer over the regulatory minimum to provide sufficient flexibility for unexpected losses/impairment for future growth in consideration of the Group's risk appetite, the volatility of planning assumptions, the results from stress testing and contingency planning.

Capital management practices are designed to maintain a risk reward balance, while ensuring that businesses are adequately capitalised to absorb the impact of stress events.

Capital utilisation

The Group deploys capital to support sustainable, long-term revenue and net income growth. The growth can be through existing businesses by attracting new customers or through penetration in overseas markets and acquisitions. All major initiatives to deploy capital are subject to rigorous analysis, validation of business case assumptions, evaluation of expected benefits and approval of the Board of Directors. Key financial criteria include impact on earnings, capital ratios, return on invested capital and payback period.

Pursuant to the Group restructuring effective on 02 October 2014, SBM Holdings Ltd is the ultimate holding company of the SBM Group.

The main objectives of the restructuring exercise were:

(i) Segregation of banking operations from the non-banking and

(ii) Ring-fencing of capital at each operating entity level to avoid contagion effect.

SBM Holdings shall receive dividends from the operating entities in the Group which shall be utilized for:

(i) Payment of dividends to the shareholders in line with the policy of the Group and

(ii) Allocating capital/funds for business development/growth and investments.

During the financial year 2015, the banking entities within the Group maintained capital over and above the applicable regulatory requirement.

Capital ratios are a means to monitor the capital adequacy and the financial strength of banks. The primary regulatory risk-based capital ratios, CET 1, Additional Tier 1 and CAR, are determined by dividing capital components by risk-weighted assets. A strong capital base reduces the risk of bank failure by providing a cushion against potential losses.

Below table gives the definitions of CET 1, Additional Tier 1 and Tier 2 Capital:

Common Equity Tier 1	Additional Tier 1 capital	Tier 2 capital
• Common shares that meet the criteria for classification as common shares for regulatory purposes • Stock surplus (share premium) resulting from the issue of instruments included Common Equity Tier 1 • Retained earnings • Accumulated other comprehensive income and other disclosed reserves • Common shares issued by consolidated subsidiaries and held by third parties (i.e. minority interest) that meet the criteria for inclusion in Common Equity Tier 1 capital • Regulatory adjustments applied in the calculation of Common Equity Tier 1	• Instruments that meet the criteria for inclusion in Additional Tier 1 capital (and are not included in Common Equity Tier 1) • Stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 1 capital • Instruments issued by consolidated subsidiaries and held by third parties that meet the criteria for inclusion in Additional Tier 1 capital and are not included in Common Equity Tier 1 • Regulatory adjustments applied in the calculation of Additional Tier 1 Capital	• Instruments that meet the criteria for inclusion in Tier 2 capital (and are not included in Tier 1 Capital) • Stock surplus (share premium) resulting from the issue of instruments included in Additional Tier 2 capital • Instruments issued by consolidated subsidiaries and held by third parties that meet the criteria for inclusion in Tier 2 capital and are not included in Tier 1 capital • Certain loan loss provisions • Regulatory adjustments applied in the calculation of Tier 2 capital

The Group's CET 1 consists primarily of common shareholders' equity and regulatory deductions which include intangible assets (net of deferred tax liabilities), deferred tax assets and significant investments in the common equity of other financial institutions.

Tier 2 capital consists of revaluation reserves on fixed assets, subordinated bonds and eligible allowances for credit losses. In 2014 State Bank of Mauritius Ltd (renamed as SBM Bank (Mauritius) Ltd) issued MUR and USD Senior Subordinated Bonds amounting to MUR 1.5 billion and USD 65 million respectively. Following the restructuring exercise dated 2 October 2014, these bonds were transferred to SBM Holdings Ltd.

All components of capital provide support for banking operations and protect depositors.

As per the BoM guideline on Scope of Application of Basel III and Eligible Capital, with effect from 1 January 2016, CET 1 must be at least 6.5%, Tier 1 capital must be at least 8.0% and Total Capital (Tier 1 plus Tier 2 Capital) must be at least 10.0% of risk-weighted assets at all times.

2. Capital Management

Capital utilisation (Cont'd)

The Capital to Risk Weighted Assets Ratio (CAR) of the Group as on December 31, 2015 was 28.26% with a Tier 1 Capital ratio of 21.75%. The Group's capital base was MUR 23.72 billion as at end of December 2015, a decrease of 4.85% from the prior year. The profit generated for the financial year under review was partly offset by payment of dividends, increase in intangible assets, and downward revaluation of an equity investment. For its banking activities, the Group is following Standardised approach, Standardised Measurement approach and Alternative Standardised approach for measurement of capital charge in respect of credit risk, market risk and operational risk respectively. The on- and off-balance sheet exposures are weighted based on their perceived level of risks in order to derive the aggregated risk-weighted assets. To determine the relevant risk weights applicable to its claims on banks and sovereigns, ratings assigned by Standard & Poor's, Moody's Investors Service and Fitch are used and these rating companies has been approved by the BoM.

The following table depicts the levels and evolution of the capital and ratios for SBM Holdings Ltd:

	Basel III		Basel II
	12 months December 2015 MUR M	12 months December 2014 MUR M	12 months December 2013 MUR M
Capital Base			
Tier 1	**18,254**	20,376	12,633
Tier 2	**5,464**	4,551	2,613
Total Capital	**23,718**	24,927	15,246
Risk Weighted Assets			
Credit risk			
Weighted amount of on-balance sheet assets	**74,178**	69,681	65,420
Weighted amount of off-balance sheet exposures	**2,947**	3,317	3,522
Operational risk			
Weighted risk assets for operational risk	**6,370**	5,881	5,520
Market risk			
Weighted amount of Interest Rate contracts/Foreign Exchange Contracts	**246**	310	154
Aggregate net open foreign exchange position	**194**	177	134
Total Risk Weighted Assets	**83,935**	79,366	74,750
Common Equity Tier 1 capital ratio	**21.75**	25.67	16.90
Tier 1 capital ratio	**21.75**	25.67	16.90
Total capital ratio	**28.26**	31.41	20.40

Note: Effective 01 July 2014 CAR ratios are determined in accordance with Basel III rules. For prior period, Basel II rules have been used.

2. Capital Management (cont'd)

As at 31 December 2015, the risk weighted assets of the Group stood at MUR 83.94 billion for which the Banking entities contribute around 90 percent.

Table below illustrates the components of the capital base for the SBM Bank Group for financial years ended December 2013, 2014 and 2015:

	Basel III		Basel II
	12 months December 2015 MUR M	12 months December 2014 MUR M	12 months December 2013 MUR M
Common Equity Tier 1 Capital			
Share Capital[1]	**0.07**	0.08	304
Capital Contribution	**15,656**	15,656	-
Statutory Reserves	**592**	583	572
Retained Earnings	**(2,744)**	(965)	15,144
Accumulated other comprehensive income and other disclosed reserves	**(1,052)**	(121)	(872)
Other Reserve	**-**	(739)	-
Treasury (own) shares	**-**	-	(2,333)
Other Intangible Assets	**(2,370)**	(1,252)	(1,023)
Deferred Tax	**(277)**	(171)	(145)
Common Equity Tier 1 Capital	**9,805**	12,990	11,646
Additional Tier 1	**-**	-	-
Tier 1 capital (T1 = CET1 + AT1)	**9,805**	12,990	11,646
Tier 2 Capital			
Other Reserves	**578**	123	796
Portfolio Provision & Loan Loss Reserves	**947**	861	692
Tier 2 Capital	**1,525**	984	1,487
Capital Base	**11,330**	13,974	13,133

[1] The holding company of the Banking cluster is SBM (Bank) Holdings Ltd with a consolidated share capital of MUR 75,000 as from 02 October 2014 (appointed day of the Group restructure) compared to December 2013 where SBM (Bank) Mauritius Ltd (formerly known as State Bank of Mauritius Ltd) was the ultimate holding company with share capital of MUR 304 million.

2. Capital Management (cont'd)

Breakdown of On-Balance sheet and Off-Balance Sheet assets of the Banking Cluster:

SBM (Bank) Holdings Ltd - Credit risk-weighted assets

On-Balance Sheet assets	31 Dec 2015 Amount After CRM MUR M	31 Dec 2015 Weight %	31 Dec 2015 Risk Weighted Assets MUR M	31 Dec 2014 Risk Weighted Assets	31 Dec 2013 Risk Weighted Assets
Cash Items	2,335	0-20	30	42	49
Claims on Sovereigns	19,908	0-100	535	491	458
Claims on Central banks and International Institutions	8,681	0-100	447	344	245
Claims on Banks	17,486	20-100	6,831	5,353	2,004
Claims on Non-Central Government Public Sector Entities	812	0-100	524	788	940
Claims on Corporates	33,312	100	33,312	28,467	28,961
Claims included in the Regulatory Retail Portfolio	9,159	75	6,869	6,977	7,613
Claims secured by residential property	15,561	35-125	6,277	6,123	6,304
Claims secured by Commercial Real Estate	4,369	100-125	4,461	7,770	9,829
Past due claims	1,297	50-150	1,344	665	792
Other assets	5,778	100	5,778	4,522	4,362
Total On-Balance Sheet	**118,696**		**66,408**	**61,542**	**61,556**

Capital Base and Risk Weighted Assets are computed as per the prevailing guidelines existing at the year-ends. The 2015 & 2014 ratios are computed based on the Basel III methodology while year 2013 ratios are based on Basel II as advocated by the Bank of Mauritius.

2. Capital Management (cont'd)

Off-Balance Sheet assets	Credit Conversion Factor (%)	31 Dec 2015 Nominal Amt After CRM MUR M	31 Dec 2015 Credit Equivalent Amt MUR M	31 Dec 2015 Weight %	31 Dec 2015 Risk Weighted Assets MUR M	31 Dec 2014 Risk Weighted Assets MUR M	31 Dec 2013 Risk Weighted Assets MUR M
Direct Credit Substitutes	100	281	281	0 - 100	277	527	410
Transaction-Related Contingent items	50	4,240	2,120	0 - 100	2,009	2,261	2,277
Trade-Related Contingencies	20	925	185	0 - 100	175	205	192
Other Commitments	0 - 20	7,472	516	0 - 100	492	324	643
Total non-market-related risk-weighted assets		**12,919**	**3,103**		**2,953**	**3,317**	**3,522**
Interest Rate contracts	1 to 4	2,600	104	50	52	49	17
Foreign Exchange contracts	2 to 5	9,778	239	20 - 100	194	261	137
Total market-related risk-weighted assets		**12,378**	**343**		**246**	**310**	**154**
Total Off-Balance Sheet			**3,446**		**3,199**	**3,627**	**3,677**

Planning, managing and monitoring capital

The Board of Directors of SBM Holdings Ltd maintain an active oversight over the Group's capital adequacy levels. Capital is managed and monitored based on planned changes in the Group's strategy, identified changes in its operating environment or changes in its risk profile.

As part of the Group's comprehensive ICAAP, sources and uses of capital are continuously measured and monitored through financial metrics, including regulatory thresholds, and economic capital. Any potential business acquisitions, investments or strategic initiatives are reviewed and approved by the Group's Strategic Committee to ensure effective deployment of capital. SBM continues to maintain strong, high quality capital levels which position it well for future business growth.

3. Credit Risk

Credit risk remains one of our core risk areas and a significant part of our capital is allocated to this risk category. Credit risks vary with local and global macroeconomic environment together with concentration risks that may arise.

1. Definition

SBM Group defines credit risk as per the international norms, as the risk of potential loss arising from the inability or failure of a borrower or counterparty to meet its obligations towards the Group. The granting of credit is one of the Group's major sources of income and, as a significant risk, the Group dedicates considerable resources to its management.

2. Principles and Process of Credit Risk Management

The chart below details the principles of sound credit risk management that the Group has in place together with policies / practices related to the assessment of asset quality, the adequacy of provisions and reserves and the disclosure of credit risk.

Principles of sound Credit Risk Management

Establishing an appropriate credit risk environment

- Responsibility of the Board for approving and periodically reviewing the credit risk strategies and policies.
- Responsibility of senior management for implementing and developing the credit risk strategies and policies
- Identify and manage credit risk inherent in all products and activities

Operating under a sound credit granting process

- Operate withing sound, well-defined credit-granting criteria
- Establish overall credit limits at the level of individual borrowers and counterparties and groups of connected counterparties
- Clearly-established process for approving new credits as well as the amendment, renewal and re-funding of existing credits

Maintaining an appropriate credit administration, measurement and monitoring process

- Ongoing administration of various credit risk-bearing portfolios
- Monitoring the condition of individual credits, including determining the adequacy of provisions and reserves
- Develop and utilize an internal risk rating system in managing credit risk
- Information system and analytical techniques that enable management to measure the credit risk

Ensuring adequate controls over credit risk

- Establish a system of independent, ongoing assessment of the bank's credit risk management processes
- Ensure that the credit-granting function is being properly managed and that credit exposures are within levels consistent with prudential standards and internal limits
- Have a system in place for early remedial action on deteriorating credits, managing problem credits and similar workout situations

3. Credit Risk (cont'd)

2. Principles and Process of Credit Risk Management (Cont'd)

Effective credit risk management is a structured process to identify measure, control, monitor and manage credit risk on a consistent basis. This requires careful consideration of proposed extensions of credit, the setting of specific limits, monitoring during the life of the exposure, active use of credit mitigation tools and a disciplined approach to recognizing credit impairment.

3. Credit Risk Governance & Oversight

SBM Group has in place a centralized risk management framework which is completely independent from other business divisions where credit decision standards are consistently applied in line with the Group credit risk policy. The Head of Risk Management leads the credit risk function and credit risk matters are discussed at the Portfolio and Credit Risk Forum and subsequently reported to the Risk Management Committee on a quarterly basis.

The Group credit Risk Management process is as follows:

Identify	Measure	Control	Monitor	Report
Identify and prioritise potential risk of losses from customers failing to repay their debts when the fall due	Make use of quantitative and qualitative tools to measure severity of risks, including credit risk mitigation instruments	Establish key control processes and best practices, including limit setting, early warning signals and classification of customers in watchlist	Independent monitoring of credit risk by the Risk Management Team	Ensure that top risks and issues are being highlighted to the management and Board

3. Credit Risk (cont'd)

4. Credit Risk Approval Process

The Group's credit processes are designed with the aim of combining an appropriate level of authority in its credit approval processes with timely and responsible decision making and customer services. Within the powers to act delegated by Board of Directors, credits are approved by decision making authorities at different levels in the organization depending on the risk categorization and the credit exposure of the customer. An overview of credit approval process and procedures is depicted below:

Credit Orgination

Sales Team :
- Initiate and manage sales of products
- Follow client-boarding standards
- Receive and check applications
- Assist customers with information
- Execute account - monitoring tasks

Credit Appraisal

Credit Underwriting Team:
- Initial screening of all applications forwarded by sales team
- Assessment of obligor
- Prepare a proposal for all approvals falling under Management Credit Forum and Board Credit Committee

Credit Approval

Credit Approval Authority:
- Board Credit Committee
- Management Credit Committee
- Credit Underwriting Team
- Decision making tool for certain retail exposures

Documentation & Disbursement

Credit Service Unit:
- Credit Administration
- Credit Documentation
- Credit Disbursement

Review & Monitoring

Credit Risk Management :
- Monitoring of both individual credit exposure and credit portfolio exposures

Recovery & Workout

Recovery and Workout :
- Ongoing management of impaired loans
- Recovery of loans and advances due by impaired borrowers

5. Internal Rating Systems

The Group employs a set of credit ratings for the purpose of internally rating counterparties to which we are exposed. Credit ratings are intended to reflect the risk of default of each counterparty. Ratings are assigned based on internally developed rating models and processes, which are subject to governance and internally independent validation procedures.

3. Credit Risk (cont'd)

5. Internal Rating Systems (cont'd)

The rating tools are as follows:

Rating Tools	
Moody's Risk Advisor	The MRA tool is used for **business banking** clients and it is based on borrower's financial condition, as well as outlook, industry and economic conditions, access to capital and management strengths.
Small Business Underwriting Matrix	The matrix is used for **Small and Medium Enterprises** and it is based on the borrower's financial position, repayment capacity and collateral strength.
Experian Transact	This tool is used to assess **consumer** credit risk on an individual basis

Note: Customers with rating category between 6 to 10 are closely monitored through watchlist and weak category exposures reporting.

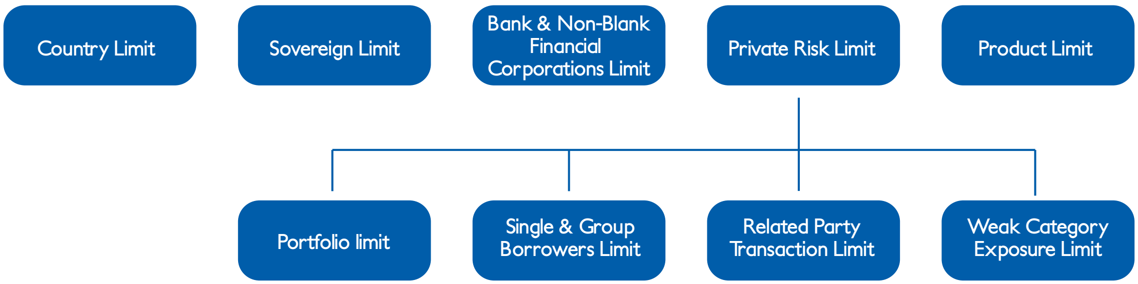
An upgrade to the Moody's Risk Advisor tool is expected in 2016 with an enhanced internal rating model to reflect better economic environment and market conditions while assessing a client.

6. Credit risk including country risk limits overview

Internal as well as regulatory credit limits are imposed to manage individual counterparty credit risk and to address concentration risk in the portfolio, including a comprehensive set of country limits and limits for certain products and industries.

The Risk Management team monitors credit concentration risks against a set of internal prudential limits which are reviewed annually to align with industry norms while adhering to regulatory limits. Any deviation from the tolerance limits would be brought to the attention of Management and reported to the Risk Management Committee for appropriate actions including revision of internal limits and the allocated internal capital to credit risk. The structure of the internal prudential limits is as follows:

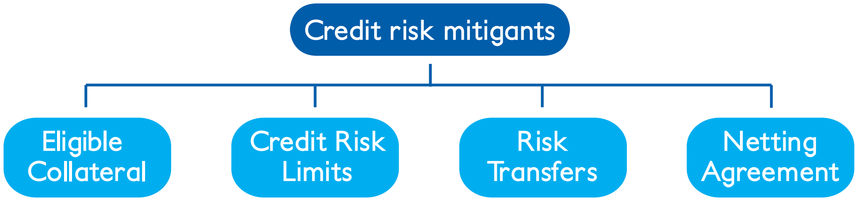
Enterprise–wide limit structure



3. Credit Risk (cont'd)

7. Credit Risk mitigation

Besides establishing the Group's risk appetite and credit quality, we make use of an arsenal of credit risk mitigation techniques in order to ease the impact of potential credit losses and they are normally in the form of:



Collateral refers to a security in the form of an asset, such as cash and marketable securities, which serves to mitigate the inherent risk of credit loss and to improve recoveries in the event of a default. The policies and processes for collateral valuation and management are driven by legal documentation that is agreed with our counterparties and an internally independent collateral management function.

8. Credit Risk Profile as at 31 December 2015

8.1. Country Risk

Country risk is the probability that changes in the economic and/or political environment in a particular country affects the ability of the counterparties including the relevant sovereign in that country to fulfil their obligations, resulting in a financial loss for the Group.

The following chart depicts the distribution of risk weighted exposures by rating on countries excluding Mauritius, India and Madagascar, countries where the Group has physical presence.

Chart: Rating-wise Risk-Weighted Exposures on countries (excluding Mauritius, India and Madagascar) as at 31 December 2015

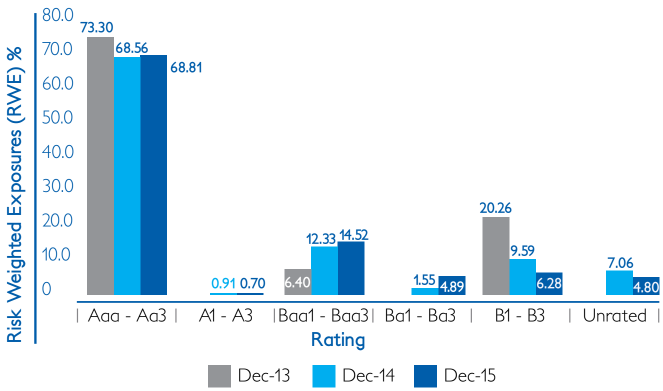


Chart: Breakdown of Risk Weighted Exposures on countries (excluding Mauritius, India and Madagascar) by region & operations;

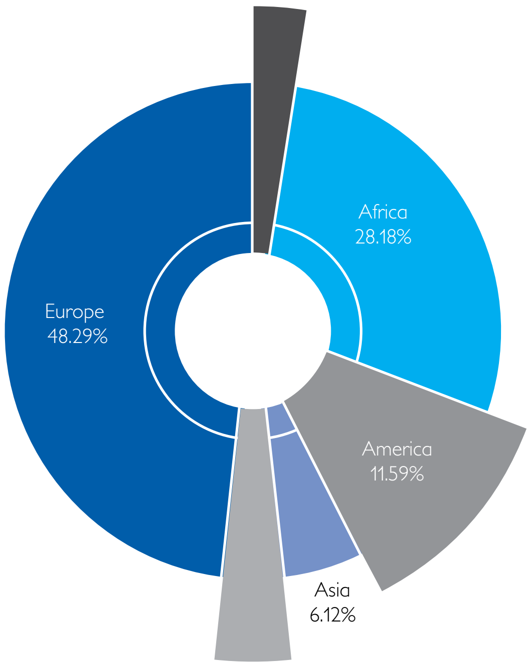
Operations	RWE to SBM Holdings Tier 1 (No. of times)
Mauritius	3.52
India	1.01
Madagascar	0.06
Other	0.81
Total	5.40

3. Credit Risk (cont'd)

8. Credit Risk Profile as at 31 December 2015 (cont'd)

8.1. Country Risk (cont'd)

Out of which, others comprise of the following regions:

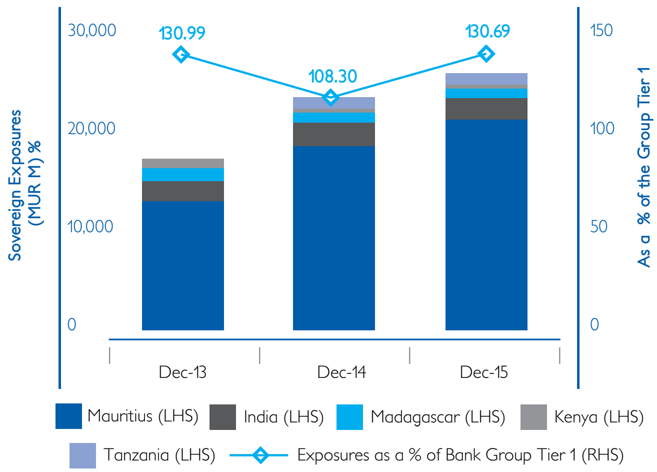


8.2. Sovereign Risk

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

The following chart depicts the distribution of sovereign risk exposures to SBM Group.

Breakdown of Sovereign Risk Exposures as at 31 December 2015



SBM Bank Group has exposures to governments mainly in countries where it has physical presence. As at 31 December 2015, total sovereign exposures stood at MUR 23.86 billion, representing 130.69 percent of the SBM Group Tier 1 capital (December 2014: MUR 22.07 billion, 108.30 percent), with the highest exposure pertaining to the Government of Mauritius amounting to MUR 17.29 billion. However, the exposures to Government of Mauritius carry a zero risk weight under Basel III requirements and BOM guidelines. On a risk-weighted basis, the sovereign Risk-Weighted Exposures were MUR 1.58 billion, representing 8.67 percent of SBM Group Tier 1 Capital.

3. Credit Risk (cont'd)

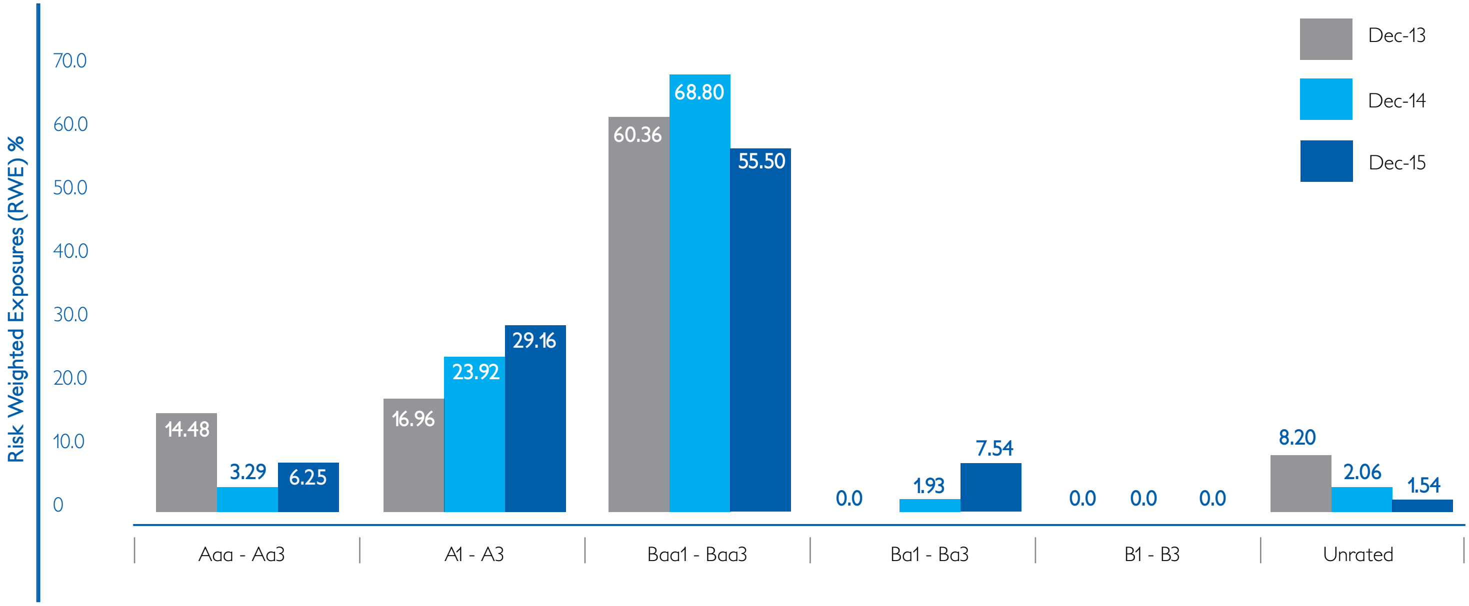
8. Credit Risk Profile as at 31 December 2015 (cont'd)

8.3. Bank Risk

Bank risk is the risk that a bank could default on its debt or other obligations.

The following chart depicts the distribution of bank risk weighted exposures to SBM Group:

Rating-Wise Bank Risk-Weighted Exposures by Rating as at 31 December 2015



As at 31 December 2015, total bank risk-weighted exposures stood at USD 546.88 million, representing 1.08 times of the SBM Group Tier 1 capital (December 2014: USD 464.45 million, 0.82 times).

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

3. Credit Risk (cont'd)

8. Credit Risk Profile as at 31 December 2015 (cont'd)

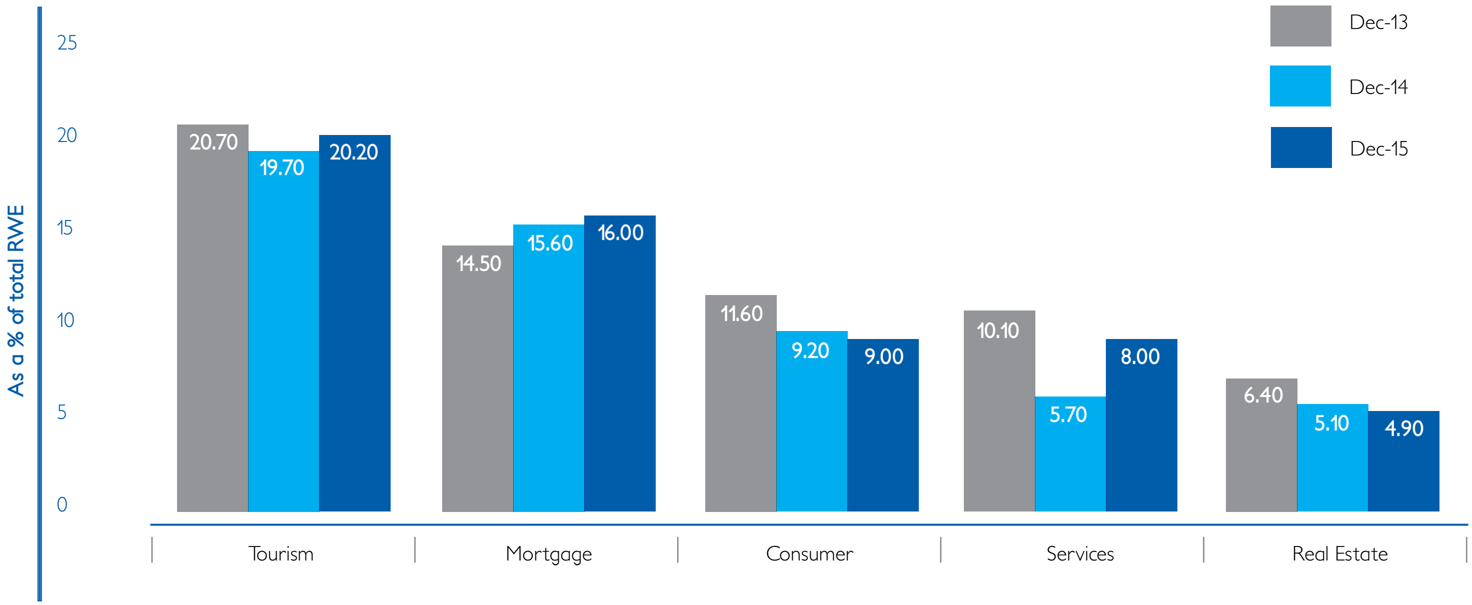
8.4. Private Risk

Portfolio Concentration

SBM Group maintains a well-diversified portfolio through internal portfolio limits set to ensure that the Group is not impacted drastically due to significant concentration in a particular portfolio.

The charts below shows risk weighted exposures of top 5 portfolios as a percent of total risk weighted exposure by country of operations:

Mauritius Operations – Top 5 Portfolios by Risk Weighted Exposure

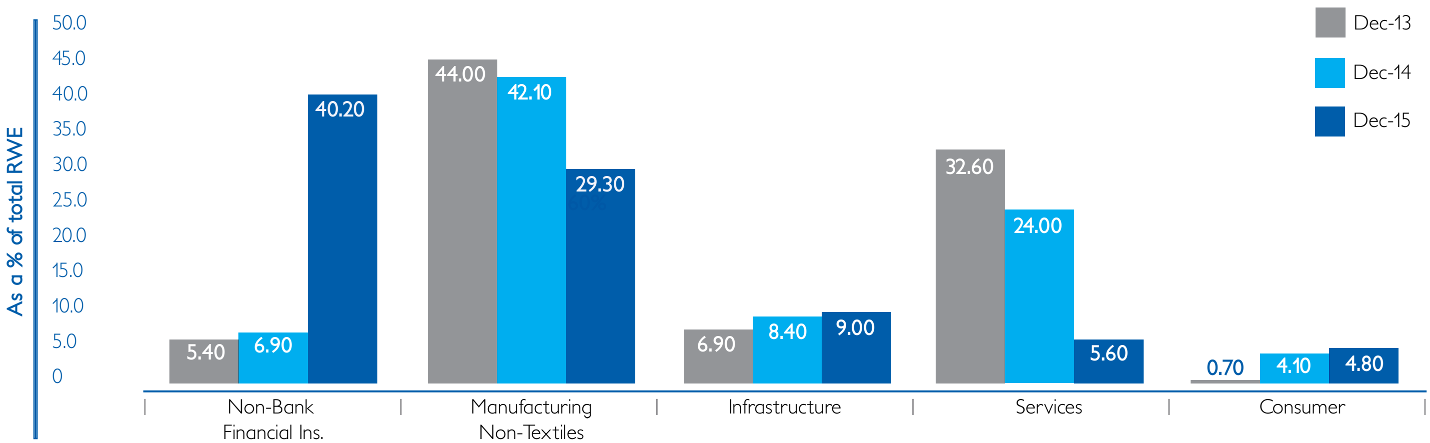


3. Credit Risk (cont'd)

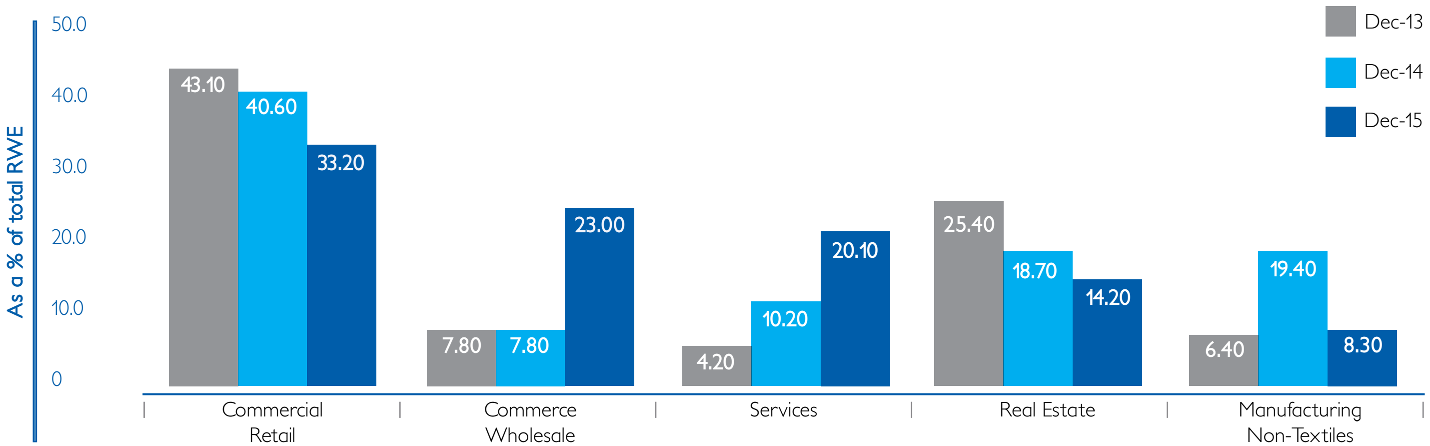
8. Credit Risk Profile as at 31 December 2015 (cont'd)

8.4. Private Risk (cont'd)

India Operations – Top 5 Portfolios by Risk Weighted Exposure



Madagascar Operations – Top 5 Portfolios by Risk Weighted Exposure



3. Credit Risk (cont'd)

8. Credit Risk Profile as at 31 December 2015 (cont'd)

8.4. Private Risk (cont'd)

Customer Concentration - Mauritius Operations

The Group monitors single large exposures, group of closely related exposures and aggregate of large exposures above 15 percent of capital base against regulatory limits (shown in Table below) as per the guidelines issued by the Bank of Mauritius. The Group is even more conservative in this aspect and set much stricter internal prudential limits than those set by the Bank of Mauritius while using Capital Allocated to Credit Risk instead of the Group's Capital base.

Regulatory Credit Concentration Limit – Mauritius Operations	As at 31 Dec 2015
Credit exposure to any single customer shall **not exceed 25 percent** of the Group's capital base	**10.10 percent**
Credit exposure to any group of closely-related customers shall **not exceed 40 percent** of the Group's capital base	**13.86 percent**
Aggregate large credit exposures to all customers and groups of closely related customers above 15 percent of Group's capital base shall **not exceed 800 percent** of Group's capital base	**Nil**

Related Party Transactions

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

(a) a person who has significant interest, that is owning directly or indirectly 10 percent or more of the capital or voting rights of the financial institution or the financial institution has significant interest in the person;

(b) a director or senior officer of the financial institution;

(c) close family members of (a) and (b) above;

(d) an entity that is controlled by a person described above;

(e) a person or class of persons who has been designated by the BOM as a related party.

As at 31 December 2015, the aggregate of non-exempted exposures to related parties represented 9.35 percent of SBM Group Tier 1 capital, which is within the regulatory limit of 150 percent (December 2014: 3.50 percent).

4. Market Risk

The Group has a sound and well-informed strategy to manage market risk. The objective of market risk management is to control market risk exposures to achieve an optimal return while maintaining risk at acceptable levels.

Market risk arises from both trading and non-trading business activities. The classification of assets into trading book and banking book portfolios determines the approach for analyzing the market risk exposure.

1. Market Risk Guiding Principles

The below diagram depicts the key principles of Market Risk Management

Principles of sound Market Risk Management

Establishing an appropriate market risk environment

- Responsibility of the Board for approving the Market Risk Strategies and Market Risk policy.
- Responsibility of the Senior Management for implementing the Market Risk Strategies and Market Risk Policy.
- Holding capital commensurate with the level of market risk it undertakes.

Operating under a sound market risk framework

- Adequate separation of duties in key elements of the risk management process to avoid potential conflicts of interest.
- Establish and enforce operating limits and other practices that maintain exposures within levels.
- It is essential that Banking Groups market risk procedures are clearly defined and consistent with the nature and complexity of their activities.

Maintaining an appropriate measurement and monitoring process

- Identifying the risks inherent in new products and activities and ensuring these are subject to adequate procedures and controls before being introduced or undertaken.
- Having market risk measurement systems that capture all material sources of market risk and that assess the effect of changes in the market in ways that are consistent with the scope of their activities.

Ensuring adequate controls over market risk

- Control functions with clearly defined duties that are sufficiently independent from position-taking functions of the Banking Group.
- Major hedging or risk management initiatives shall be approved in advance by the Board or its appropriate delegated committee.

4. Market Risk (cont'd)

2. Market Risk Governance & Oversight

The Board approves the market risk appetite taking into consideration the market risk capital set aside and then sets the strategy that balances with the Group's business goals. SBM defines its appetite for market risk in terms of the splits between domestic and international markets, foreign currency and interest rate exposures, percent exposure allocation for position-taking and percent target splits in terms of maturities of exposure.

In setting the market risk strategy and the limits, the Group considers the following:

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

The Group has an independent market risk team to identify, control and monitor the market risk exposures against a set of prudential limits approved by the Board. Product control procedures and analysis are made of changes in portfolios, in order to detect possible incidents for their immediate correction.

Business units must at all times comply with the limits approved. In the event of a limit being exceeded, the business units have to explain the reasons for the excess and provide the action plan to correct the situation, which in general can consist of reducing the position until it reaches the prevailing limits or set out the strategy that justifies an increase in limits.

3. Market Risk Measurement and Management

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

- Sensitivity analysis
- Value at Risk (VaR)
- Stress testing
- Limits of equivalent positions and/or nominal, limits aimed at reducing the volume of effective losses or protecting results generated during the period, loss triggers and Stop Losses.

In this way, the market risk area has a structure of limits sufficiently granular to conduct an effective control of the various types of market risk factors on which an exposure is maintained.

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

4. Interest Rate Risk

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

Interest Rate Risk Measurement and Management

The Group's interest rate risk management is aimed at maximizing the risk-adjusted net interest income within the tolerable level of interest rate risk and risk appetite. Excessive interest rate risk can engender significant threats to the Group's earnings and its capital base.

4. Market Risk (cont'd)

4. Interest Rate Risk (Cont'd)

Interest Rate Risk Measurement and Management (Cont'd)

As such, with a view to achieving its targets, the Group manages pro-actively its mismatched positions by controlling the impact of changes in interest rates on the Banking Group. The Group has established explicit and prudent currency-wise and time bucket-wise interest rate risk limits based on its overall risk profile. It takes into account strategic considerations and market conditions.

In line with the BOM Guideline on the Measurement and Management of Market Risk, the Group uses risk management techniques and methodologies, such as analysis of currency-wise repricing gaps and sensitivity analysis on earnings. The Group also avails of hedging instruments that minimise interest rate risk and that effectively manages the impact of interest rate changes on the Group's assets and liabilities.

Earnings-at-risk measures the sensitivity of net interest revenue arising out of plausible shocks in market rates over the ensuing 12 months. It highlights the exposure of the Group to various sensitivity factors such as changes in interest rates and pricing strategies on the Banking Group's earnings.

At 31 December 2015, a 25 basis points parallel rate change would have an impact of MUR 12 million on net interest income while for a 200-basis point parallel rate shock as required by the banking regulator, the impact would be MUR 94 million, representing 0.52 percent of the Banking Group's Tier 1 capital.

5. Foreign Exchange Risk

Foreign exchange risk is the likelihood that movements in exchange rates might adversely affect the foreign currency holdings in Mauritian Rupee terms thus impinging on the Banking Group financial condition.

Foreign exchange rates can be subject to large and unexpected sudden swings, and understanding and managing the risks associated with exchange rate volatility can be complex.

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

Investments in overseas branches and subsidiaries create capital resources denominated in foreign currency. Changes in the value of the investments due to currency movements are recorded in the currency translation reserve, resulting in movement in equity (as per accounting policies) if currency risk cover is not feasible or not available or not legally allowed.

5.1. Foreign Exchange Risk Measurement and Management

In order to manage transactional foreign currency exposures, banking operations operate within regulatory parameters and also within more conservative prudential limits approved by the Board including the intraday/overnight open position limits (both aggregate and currency-wise), deal size limit, and stop losses limits. Moreover, we manage the counterparty exposure arising from market risk on our OTC derivative contracts by using collateral agreements with the more risky counterparties.

For the financial year under review, the regulatory limit for Aggregate FX Open Position for Mauritius Operations and for Madagascar Operations was 15 percent and 20 percent of each operation's Tier 1 Capital respectively. For Indian Operations, the Reserve Bank of India has set a limit of INR 300 million.

Value at Risk (VaR)

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

4. Market Risk (cont'd)

exposure to plausible but low-probability events in abnormal market conditions.

The methodology used to calculate VaR is based on historical data and assumes that historical changes in market values are representative of future movements. The VaR is based on data for the previous 12 months period. VaR is computed by using a ten-day holding period and based on a 99 percent one-tailed confidence interval. This implies that only once in every 100 days, one would expect to incur losses greater than the VaR estimates, or about two to three times a year. The methodology of using a ten-day holding period and a one-year historical observation period are in accordance with Basel II recommendations on quantitative standards for Market Risk Measurement.

The VaR as detailed in the table below was insignificant relative to the Banking Group's Tier 1 capital, MUR 0.75 million as at 31 December 2015 (31 December 2014: MUR 1.27 million, 31 December 2013: MUR 0.88 million).

	As at 31 Dec 2015 MUR 000	As at 31 Dec 2014 MUR 000	As at 31 Dec 2013 MUR 000
Banking Group	750	1,271	880

The accuracy and robustness of the VaR methodology is evaluated using backtesting. This method involves comparing the daily VaR results against actual trading revenue. The Group also simulates for a one-day time horizon at 99 percent confidence level that would best reflect the market environment. The rationale behind this principle is that it is assumed open foreign currency positions can be liquidated in the market over one single day.

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

6. Price Risk

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

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

SBM Group's Investment Policy ensures that exposures are sufficiently diversified and within the 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.

At 31 December 2015, the Banking Group's trading book exposure was within the prudential limits set by the Board.

5. Funding and Liquidity Risk

Funding and Liquidity Management have been basic elements in SBM's business strategy and a fundamental pillar, together with Capital, in supporting its balance sheet strength.

Liquidity has gained importance in the last few years because of the tensions in financial markets against the backdrop of the global financial crisis. The liquidity risk framework remains robust and no material changes were brought to policies and practices for the management of liquidity and funding risks in 2015.

5. Funding and Liquidity Risk (cont'd)

Liquidity risk arises from the following:

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

1. Liquidity Risk Framework

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

The Group has devised written policies and procedures which have the threefold objectives of:

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

The policies have as prime purpose the handling of unanticipated falls or alterations in funding sources availability. These incorporate trimming down surplus funding concentration, by diversifying sources and profiles of funding. Such policies also aim at safeguarding a portfolio of superior quality and marketable debt securities. Overseas banking operations of branches and subsidiaries are also required to comply with their local regulators' liquidity requirements and to be self-sufficient for their local currency funding needs.

The Group's primary sources of funding include (i) deposits, which are its most stable and lowest cost source of long-term funding, (ii) long-term borrowings and (iii) shareholders' equity. These sources may be supplemented by short-term borrowings of desired levels and maturities. In order to avoid excess reliance on a particular category of customers or product type or currency, the Group has put in place a strategy which ensures diversification and undue concentration. A wide set of funding and depositors' concentration ratios are regularly monitored and reported to Senior Management regularly.

2. Liquidity Risk Management

The currency-wise gap analysis is the primary means to evaluate the disparity between assets and liabilities (both on- and off-balance sheet) that mature within a specific interlude. The Group maintained a strong liquidity position for the major currencies individually and on a consolidated basis. The funding base is mainly in MUR, USD and EUR. The long term liabilities comprise term deposits, term borrowings and a core portion of non-term deposits. Based on the behavioural analysis of non-term deposits, it has been observed that a major portion of the Group's deposits is stable and it is expected that these will remain with the Group over the long-term. An analysis of SBM Bank Group's consolidated Liquidity Gaps is provided in the Risk Management Disclosures Note 41 of the financial statement .

Scenario Analysis and Stress Testing

An array of liquidity scenarios, covering a series of explicit events, are developed, analysed, and reported to the ALCO and Market Risk Forum and to the Board Risk Management Committee. In the case of a potential or actual crisis, the Group has a formal

5. Funding and Liquidity Risk (cont'd)

contingency plan in place that clearly sets out the process, responsibilities and strategies for addressing liquidity shortfalls in unexpected situations. As at 31 December 2015, the Banking Group had a sound, positive liquidity gap and was amply capable of meeting future expected cash flows both in local currency and major foreign currencies.

3. Liquidity Risk Measurement

The Group uses multiple strategies and methodologies to monitor its liquidity risk.

The key aspects of liquidity in 2015 were as follows:

(a) High liquidity reserve.

The liquid asset ratio provides an assessment of the extent to which assets can be readily converted into cash or cash substitutes to meet financial commitments. The Group liquid assets echo a sound liquidity standing, adequate to counterbalance the impact of a stressed funding environment. It is capable of utilising its own resources extensively and to invest in higher yielding assets. It also strives to attain the right trade-off between liquidity and profitability.

Liquidity Ratios	December 2015	December 2014	December 2013	December 2012	December 2011
Liquid Asset Ratio	44.32%	41.77%	30.30%	30.23%	29.06%
Loans to Total Deposits	65.49%	73.00%	83.65%	83.47%	84.70%
Loans to Total Funding	61.95%	66.71%	77.93%	78.32%	76.65%

(b) Basel III Liquidity Ratios

The Mauritius and Indian Banking Operations were in compliance with Basel III Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), well ahead of schedule. The minimum requirement has been set initially at 60 percent by BCBS and would rise in equal steps to reach 100 percent in 2019. The LCR is designed to ensure banks maintain an adequate level of unencumbered cash and highly liquid securities that can be converted to cash to meet liquidity needs under an acute 30-day stress scenario.

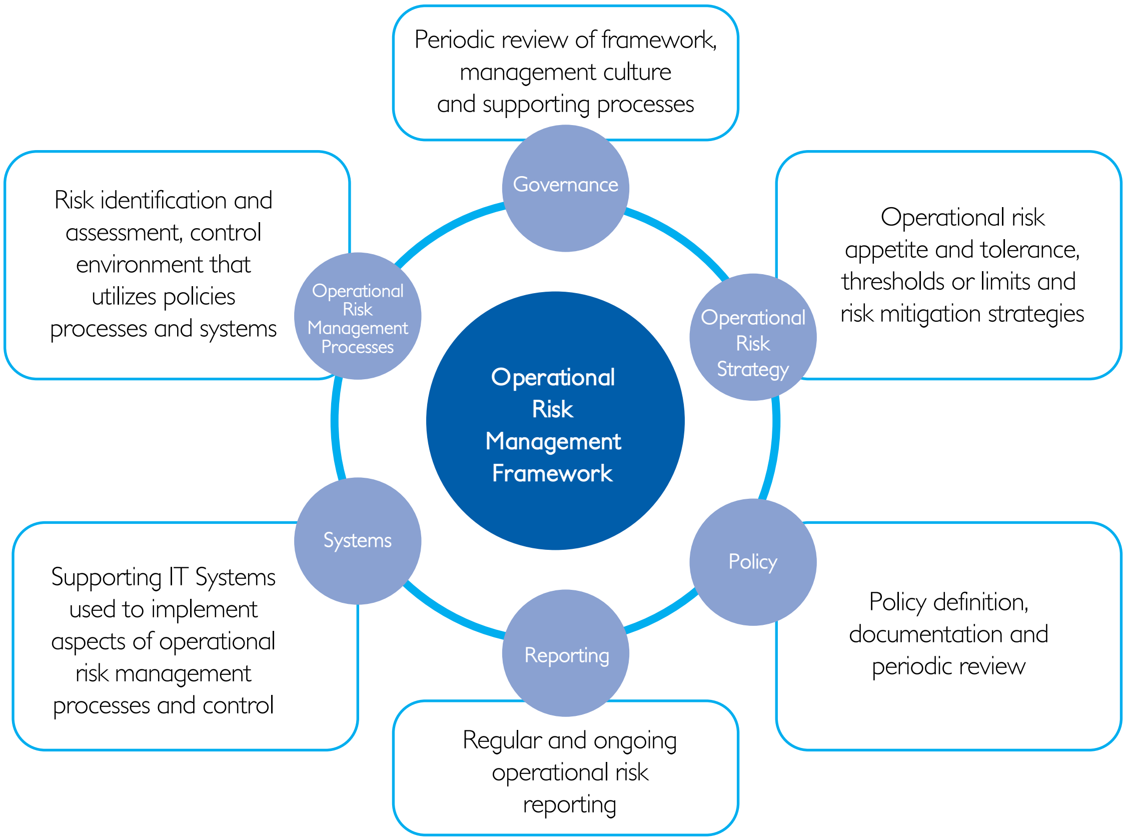
Under the LCR guidelines, the estimated LCR was 132.76 percent as at 31 December 2015 (31 December 2014: 118.17 percent, 31 December 2013: 132.42 percent) for Mauritius Operations and 1253.88 percent as at 31 December 2015 (31 December 2014: 660.49 percent) for Indian Ops. The net stable funding ratio (NSFR), on the other hand, is a longer term measurement of a bank's funding capability over a one-year horizon. As at 31 December 2015, the NSFR stood at 107.04 percent (31 December 2014: 101.15 percent, 31 December 2013: 123.79 percent) for the Mauritius Operations, which was already above the Basel III requirement of 100 percent.

6. Operational Risk

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

The Group has a robust operational risk management framework with the objective to ensure that operational risks within the Group are identified, monitored, managed and reported in a structured, systematic and consistent manner. The various risks that SBM Group is exposed to are actively monitored and it strives to mitigate those risks that it has influence upon to ensure that those risks are within the defined risk appetite. Moreover, the Group is subject to external events beyond its control e.g. political intervention, natural calamities, or other rare unpredictable events, strives to be responsive to these events.

Figure 1: Operational Risk Management Framework



6. Operational Risk (cont'd)

The details of the framework are set out as below:

- Governance will help establish, approve and periodically review various aspects of the Operational Risk Management framework. It is also responsible for establishing a management culture, and supporting processes for Operational Risk Management.
- Operational Risk Management Processes lay out a mechanism for Risk Identification & Assessment using the various risk assessment tools and activities, such as, Business Line Mapping, Risk Control Self-Assessment (RCSA), Internal Loss Data, Risk Register, KRI and Risk Register Heat map. The processes also include setting up the Control Environment to manage the risks which have been identified earlier.
- Operational Risk Strategy leverages Risk Identification and Assessment to formalise the Operational Risk Appetite & Tolerance, Thresholds or Limits for inherent and residual risk, and Risk Mitigation Strategies and Instruments.
- Policy helps define and document the operational risk within SBM Bank and provide guidelines for compliance during periodic audits.
- Systems form part of the supporting technology landscape used to implement aspects of Operational Risk Management processes and controls.
- Reporting helps monitor operational risk profile and material exposures to losses through relevant Management Information Systems (MIS).

As part of the 2015 self-assessment process, the following key operational risks have been identified:

1. Information Technology (IT) Risk

The Group is conscious that IT is a key enabler for achieving its business objectives and strategies including reaching out to and meeting customer needs. It is expected that 2016 will witness a major business-aligned technology transformation which is a timely response to refresh its technology and accommodate future aspirations including geographical expansion. In a project of such scale involving implementation of 27 key IT systems including the Core Banking System replacement, the Change Management team plays a vital role ensuring the effective management of the project resources and the transition to the new technology platforms.

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

These include:

- To have a comprehensive IT Security awareness training programme, extended to new and existing staff and contractors.
- To deploy security solutions at the data, application, database, operating systems and network layers to monitor and contain the various forms of cyber-attacks.
- To deploy strong access control and authentication mechanisms to protect its premises and systems (including customer data and transactions).
- The testing of its Disaster Recovery infrastructure and Business Contingency Procedures (DR/BCP) to minimise the duration and impact of business disruptions. This includes the implementation of a data backup and periodic testing strategy for the storage of critical information.
- To assess compliance with standards and procedures.
- To work closely with IT sourcing partner and to ensure that the risks associated with reliance on third party are mitigated.
- To track risk and performance metrics to identity and mitigate system security and performance risks promptly.

6. Operational Risk (cont'd)

2. Regulatory Compliance Risk

The Group continuously monitors and accommodates regulatory changes and failure to comply with applicable laws and regulations could result in regulatory sanctions, financial loss or damage to the reputation of the Group. The Group has an independent Regulatory Compliance team for each country of operations which assesses compliance risk and, also, manages the risk of breaches and sanctions relating to Anti-Money Laundering and Combatting the Financing of Terrorism. The Regulatory Compliance team in Mauritius acts as a contact point within the Group and delivers timely advice in relation to compliance queries.

3. Fraud Risk

All the employees within the Group are expected to act with integrity at all times to safeguard Group's reputation, protect customers and company resources. The Group Fraud Management Policy framework consists of four major phases – Deterrence, Detection, Mitigation and Response to fraud. The various elements of an effective anti-fraud strategy are all closely interlinked and each plays a significant role in combating fraud.

- Fraud deterrence shall be Group's major thrust as the aftermath of fraud is costly, time consuming and at times, disruptive.
- Fraud detection shall list the actions and activities intended to identify and locate a fraud prior to it happening.
- Fraud mitigation begins after a fraudulent activity is detected and stops it from happening or reoccurring.
- SBM Group's integrity is safeguarded by documenting the procedures the Group shall adopt in case fraud happens.

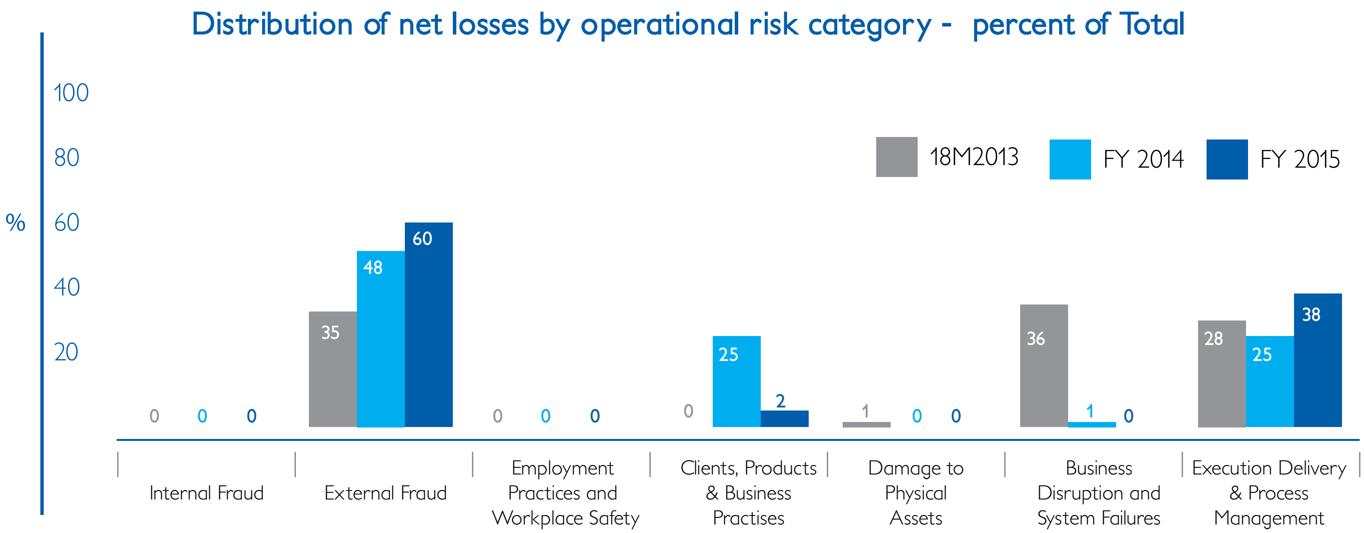
The Group shall have a consistent and comprehensive action plan to combat suspected and detected incidents of fraud. The action plan ensures that fraud is taken seriously and all fraud incidents will undergo thorough investigation by an independent fraud risk department, recently set up in 2015. The Head of Fraud Risk has direct access to the Board Audit Committee without interference from Management and has been tasked with upgrading the fraud risk framework.

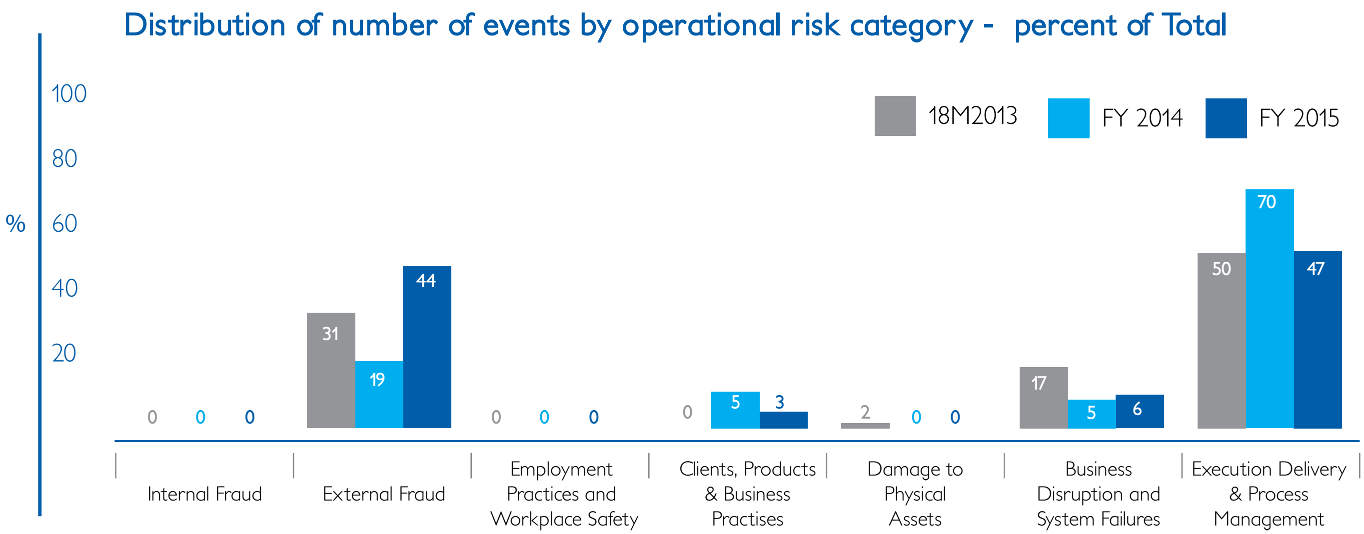
SBM Group follows the following key guiding principles:

- A zero tolerance towards staff fraud
- Stringent control procedures
- Timely disclosure of fraudulent activities
- Training and awareness programme
- Risk based approach to non-staff fraud
- Whistleblowing
- Human resource policy including code of ethics and business conduct and conflict of interest. The evolution of losses by category shows an increase in external fraud both in number and value in 2015 (refer to chart on distribution of net losses by operational risk category). This increase is primarily on account of electronic fraud and the Group continued improving the security of customers in the usual operations, while enhancing processes and technology.

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

6. Operational Risk (cont'd)





6. Operational Risk (cont'd)

3. Fraud Risk (Cont'd)

The proportion of net losses in respect of Execution, Delivery and Process Management has increased to 38 percent (2014: 28 percent) although the actual number of events has in fact decreased to 47 percent (2014: 70 percent).

External Fraud with 60 percent (2014: 48 percent), is the category with the highest proportion of losses by amount where high volume events are consistent with industry experience, driven by an increase in the number of incidents to 44 percent (2014: 19 percent) related primarily to card skimming and email spoofing of clients where clients have been victims.

The Group has mitigation measures in response to the main risk sources and these measures are turned into action plans. The Group aims at continuous improvement in the security of its customers and some of the measures in place include:

- The use of chip cards (EMV standard)
- Continued to encourage 3D Secure mechanism that enable authentication of on-line shopping transactions
- More robust protocols to validate cards when used on ATMs and for purchases
- Improved security in ATMs including the use of anti-skimming devices
- Coverage of our premises with CCTV cameras
- 24/7 proactive risk management team for real-time monitoring of transactions worldwide
- Customer awareness campaign
- 24/7 hotline
- Call back customers in case of suspicious transaction

Internal audit and assurance

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

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

6. Operational Risk (cont'd)

An evolving regulatory environment coupled with market pressure and rapidly changing business conditions are creating the need for the internal audit function to be more of a value creation entity within the Group rather than a box-ticking unit. Hence, as a start up in the new role, risk based auditing approach based on internally developed Risk Control metrics adapted to the constantly changing business environment is the main tool to guide senior management in the building of a robust Risk Control environment to achieve the Organization's goal and objectives with confidence. The Audit Software, Pentana is expected to enhance the audit process, increase visibility of audit progress, reduce wastage and duplication effort, as well as providing a central library for Risks, Controls and Tests. This flexible structure will enable the easy analysis and summarisation of risk assessments to show which audits or reviews would give the optimum risk coverage.

EVOLUTION

Imagination plus innovation
equals realisation.

CORPORATE
GOVERNANCE REPORT

Statement on Corporate Governance

Introduction

Corporate governance is the method by which a corporation is directed, administered or controlled. Corporate governance includes the laws and customs affecting that direction, as well as the goals for which the corporation is governed. It involves a set of relationships between a broad group of stakeholders including the Board of Directors, management, employees, shareholders, regulators, customers, creditors, auditors, suppliers and the community. Governance provides the structure through which corporations set and pursue their objectives, while reflecting the context of the social, regulatory and market environment.

Corporate governance is central to the Group's approach to the enhancement of shareholder value and the protection of shareholders' funds. This also ensures that the interests of all shareholders (majority as well as minority shareholders) are safeguarded. It ensures that all shareholders fully exercise their rights and that the organisation fully recognises their rights.

The Code of Corporate Governance for Mauritius ('the Code'), provides SBM Holdings Ltd ('SBMH') with a robust framework within which it ensures a strong culture of good governance, transparency and accountability.

SBM's Governance Framework

The Board of Directors of SBMH ('the Board') is fully committed to ensuring that its policies and practices in the critical areas of financial reporting, remuneration reporting and corporate governance meet high levels of disclosure and compliance with the aim of maximising long-term value creation for the shareholders. This is ensured through group-wide awareness of its code of ethics and regular monitoring by the Board that management is running the business in accordance with set objectives and policies. In addition to business and financial issues, it must deal with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics. In accordance with the law and the constitution of SBMH, the approval of the shareholders is sought for major decisions.

It is the responsibility of the entire Board of Directors to ensure that good corporate governance is in place in SBMH and that it is continually improved upon by bringing in the best global practices. The Board sets out the strategic direction and establishes the procedures and practices for effective capital and internal controls alongside ensuring adherence by SBMH and its subsidiaries to relevant legislation and policies.

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Statement of Compliance

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

Name of Public Interest entity ('the PIE'): SBM Holdings Ltd (SMBH)
Reporting Period: 01 January 2015 to 31 December 2015

We, the Directors of SBM Holdings Ltd, confirm to the best of our knowledge that SBM Holdings Ltd has complied with the obligations and requirements under the Code of Corporate Governance in all material aspects, save with respect to the requirement to appoint Executive Directors. The Board of SBMH is actively seeking to recruit a Group Chief Executive and it is expected that this position will be filled in the near future. This is further explained in the Coporate Governance Report on page 252.

Kee Chong LI KWONG WING, *G.O.S.K.,*
Chairman

Vidianand LUTCHMEEPARSAD
Chairman – Corporate Governance & Conduct Review Committee

24 March 2016

Board Governance Structure

The Board is the link between shareholders and SBMH and as such, SBMH should be headed by an effective Board which can both lead and manage the Group. The Board's primary responsibility is to promote the long-term success of the Group and deliver sustainable shareholder value. The Board has ultimate responsibility for the management, direction and performance of the Group, and leads and controls the Group's business. The Board is also responsible for ensuring that appropriate resources are in place to achieve its strategy and deliver sustainable performance. Through authorities delegated to its Committees, the Board directs and reviews the Group's operations within an agreed framework of controls, allowing risks to be assessed and managed within agreed parameters.

The Board is collectively accountable to SBMH's shareholders for the proper conduct and success of the business and, each year, SBMH holds an Annual Meeting at which the Directors must provide a report to shareholders on the performance of SBMH and the Group, what its future plans and strategies are and also submit themselves for re-election to the Board. In addition to business and financial issues, the Board must deal with challenges and issues relating to corporate governance, corporate social responsibility and corporate ethics.

As a result of the Group restructuring exercise under Section 32(A) of the Banking Act, SBMH became the apex holding company of the Group effective 02 October 2014. The Board of Directors of SBMH was re-constituted at the last Annual Meeting held on 30 June 2015 and presently comprises eight non-executive Directors out of which six are independent non-executive Directors.

The Board functions effectively and efficiently and is considered to be of an appropriate size for the Group, taking into account, among other considerations, the need to have a sufficient number of Directors to structure Board Committees appropriately, regulatory requirements as well as the need to adequately address the Board's succession plans. Non-executive Directors bring diverse perspectives to Board deliberations, and are encouraged to constructively challenge the views of management. A clear division of responsibilities at the Board level ensures that no one Director has unfettered powers in decision-making. The Board members' collective experience and expertise provide for a balanced mix of attributes to fulfil its duties and responsibilities. The breadth of experience on the Board includes retail and investment banking, risk management, legal and regulatory, finance and accountancy, and public sector experience.

The eight current Directors of SBMH were appointed during the reporting period. Mrs Kalindee Bhanji and Messrs Shakeel Summun and Rohit Ramnawaz resigned as Directors on 31 December 2014 and Professor Andrew Scott resigned from the Board effective 01 January 2015. Mr Medha GUNPUTH and Dr Jameel KHADAROO were appointed on 04 February 2015 and Mr Kee Chong LI KWONG WING, G.O.S.K. on the 14 April 2015. The following Directors retired from the Board at SBMH's Annual Meeting in June 2015 namely Mr Muni Krishna T. REDDY, G.O.S.K., F.S.I.D. Mr Dheerendra Kumar DABEE, S.C., G.O.S.K., Mr Aakash KALACHAND, Mr Alain REY and Mr Regis YAT SIN, C.S.K., G.O.S.K. Mr Maxime HARDY, Mr Vidianand LUTCHMEEPARSAD, Mr Ramprakash MAUNTHROOA, Mr Roodesh MUTTYLALL and Mr Oumar Shankar OCHIT were appointed on the Board of SBMH on 30 June 2015.

Mr Kee Chong LI KWONG WING, G.O.S.K. was appointed as Chairman of the Board effective 30 June 2015. The new Board extended its appreciation to the outgoing Directors for their dedicated service over the years.

Succession Planning

Board members with diverse skills and backgrounds foster debate and discussion in the decision-making process. Well-thought-out succession planning can improve the composition and effectiveness of Boards.

The Board of SBMH ensures effective succession planning, that is, at the time a Director retires, the Board ascertains that candidates with sufficient skills and experience are identified to ensure that the Board's competence and balance is either maintained or enhanced, taking into account the Group's current and future needs. SBMH's Board is in the process of appointing a Group CEO in line with SBMH Group's expansion and strategy initiatives. Until this process is completed, the Board of Directors of SBMH, had at its meeting held on 18 June 2015, temporarily appointed Mr Jairaj Sonoo, C.S.K as Acting Group CEO.

Appointments to the Board are made in a formal and transparent manner and are a matter for the Board as a whole.

Section 14.1 of the Constitution of SBMH requires that 'the number of Directors shall not be less than ***Seven (7)*** nor more than ***Eleven (11)***'.

Section 14.2 of the Constitution of SBMH requires that:

- 'No Director shall be required to hold shares in the Company to qualify him for appointment/election'.
- 'No person shall however be qualified for appointment/election as a Director (or alternate Director) unless he holds a degree or an equivalent qualification from a recognized University or Institution'.
- 'No person shall if he does not qualify to be a fit and proper person as per the criteria laid down in the relevant BOM guideline and/or has ever been convicted of an offence relating to financial crime or other criminal acts shall be eligible for election or appointment as a Director on the Board of Directors of the Company'.

Section 14.3 of the Constitution of SBMH requires that 'Each Director shall be elected by a separate resolution at the Annual Meeting of Shareholders, for a period not exceeding three years and maybe re-elected for a second term not exceeding three years and thereafter shall be eligible for re-election after a cooling period of two years or as permitted by the Bank of Mauritius. [''Year'' shall mean in the present context any period between two Annual Meetings].'

In addition to the candidate's experience, availability and background, the Board also considers the individual's other directorships and commitments to ensure that they will have sufficient capacity to discharge their roles. Candidates must also satisfactorily meet the fit and proper test, as required by the Bank of Mauritius Guidelines on Fit and Proper Persons.

Profile of the Board of Directors of SBM Holdings Ltd

Holder of the National Laureateship, Mr Kee Chong LI KWONG WING, G.O.S.K., LLM, BSc (Econ) is an economist who graduated from the London School of Economics. Mr Kee Chong LI KWONG WING, G.O.S.K. is the founder of the Mauritius International Trust Co. Ltd, one of the first professional services firms licensed to provide financial services to international private and institutional clients.

Kee Chong LI KWONG WING, *G.O.S.K., LLM, BSc (Econ)*
Chairman of SBM Holdings Ltd

During his career, he has served as Lecturer in Public Finance at the University of Mauritius, Project Manager at the Mauritius Cooperative Bank, and Advisor to the Minister of Finance in fiscal and monetary matters. He set up the first Mutual Fund in Mauritius, which was also the first Fund authorised by Government to make investments in global markets. He also launched the first Property Unit Trust of Mauritius.

Furthermore, he was Chairman of the Stock Exchange Commission (the predecessor of the Financial Services Commission), the State Investment Corporation Management Ltd and the National Advisory Council on Prices and Consumer Protection. He also served on several Statutory Boards such as the State Trading Corporation, the National Remuneration Board, the National Economic and Social Council and the University of Mauritius. Mr Kee Chong LI KWONG WING, G.O.S.K. was also Consultant to the United Nations Economic Commission for Africa (UNECA), the U.N. Industrial Development Organisation (UNIDO) and the Finance and Investment Sector Coordinating Unit (FISCU) of the Southern African Development Community (SADC) Council Of Finance Ministers. Mr Kee Chong LI KWONG WING, G.O.S.K. was an external lecturer on the MBA Programme of the University of Surrey School of Management (UK) and has published numerous reports and articles on cooperative banking, project management, development finance, structural adjustment and fiscal planning issues. In 2010 - 2014, Mr Kee Chong LI KWONG WING, G.O.S.K. was Member of Parliament, responsible for Finance and Economic Matters on the Opposition bench. Mr Kee Chong LI KWONG WING, G.O.S.K. was elected as a Director of the Board of Directors of SBM Holdings Ltd in June 2015 and was designated as Chairman by the Board of Directors of SBM Holdings Ltd. Mr Kee Chong LI KWONG WING, G.O.S.K. is an independent non-executive Director.

Profile of the Board of Directors of SBM Holdings Ltd (cont'd)

Mr Medha GUNPUTH

Mr Gunputh is the Permanent Secretary to the Private Office of the Prime Minister's Office as from January 2015. He has completed a BSc (General) at the University of Punjab, India and a Diploma in Public Administration & Management at the University of Mauritius. He started his career in the Government Service in 1977 and has worked in several Ministries and within the Prime Minister's Office. Mr Gunputh has also acted as Chairman of several Boards such as Sugar Planters Mechanical Pool Corporation, Tobacco Board, Town and Country Planning Board, Farmers' Service Centre and SSR Botanical Garden. He has also served as a member of the Board of Tourism Authority and of the Mahatma Gandhi Institute. He is currently a Director of the Mauritius Post Ltd. He joined the Board of SBM Holdings Ltd on 04 February 2015 and is a non-executive Director.

Mr Maxime HARDY

Mr Hardy is a Fellow Member of the Association of Accounting Technicians, UK. Mr Hardy has experience in the accounting and finance field, having spent several years in the sugar, beverage, textile and car dealer industries. He has spent some 7 years at the GML head office and reached the position of financial controller. In 2008, he moved into the newly created real estate development arm of the GML having within its portfolio at that time, responsibility for companies holding the properties now earmarked for development. He was elected as Director of the Board of SBM Holdings Ltd on 30 June 2015 and is an independent non-executive Director.

Dr Jameel KHADAROO

Dr Jameel Khadaroo is currently an Associate Professor of Economics at the University of Mauritius and was formerly Head of the Department of Economics and Statistics from 2010 to 2012. He was the Second Deputy Governor and Monetary Policy Committee Member of the Bank of Mauritius from 2007 to 2010. From 2008 to 2011, he was also a member on the Board of Afrexim Bank. Dr Khadaroo has widely published in international refereed journals and his consultancy services have been extended to the World Bank, Commonwealth Secretariat, UNDP, Government of Mauritius and banks. He joined the Board on 04 February 2015 and is an independent non-executive Director.

Profile of the Board of Directors of SBM Holdings Ltd (cont'd)

Mr Vidianand LUTCHMEEPARSAD

Mr Lutchmeeparsad holds a Master in Business Administration from the University of Mauritius. He also holds post graduate qualifications from universities in Australia and India. Mr Lutchmeeparsad is currently the Permanent Secretary, Ministry of Finance and Economic Development. He has a long experience in the Government Administration from 1988 to date. He was elected as Director of the Board of SBM Holdings Ltd on 30 June 2015 and is a non-executive Director.

Mr Ramprakash MAUNTHROOA

Mr Ramprakash Maunthrooa is Senior Adviser at the Prime Minister's Office. He also serves on the Boards of Air Mauritius, Board of Investment and the Financial Services Promotion Agency.

Mr R Maunthrooa has formerly assumed the responsibility of Director General of the Mauritius Port Authority (MPA), and CEO of the Board of Investment. He has also served as a member of the Board of Air Mauritius Ltd and Board of Investment. He was elected as Director of the Board of SBM Holdings Ltd on 30 June 2015 and is an independent non-executive Director.

Mr Roodesh MUTTYLALL

Mr Muttylall is currently the Financial Controller of a Global Business Company and has several years of experience in similar positions in the hotel sector. He worked for the SBM Group between 2000 and 2001. Mr Muttylall is a Fellow Member of the Association of Chartered Certified Accountants, UK and an Associate Member of the Institute of Chartered Secretaries and Administrators, UK. He also holds a Master's Degree in Finance from the University of Mauritius. He joined the Board of SBM Holdings Ltd on 30 June 2015 and is an independent non-executive Director.

Profile of the Board of Directors of SBM Holdings Ltd (cont'd)

Mr Ouma Shankar OCHIT

Mr. Ochit is the Senior Partner of Nexia Baker & Arenson, a member of Nexia International. He is a fellow of the Association of Chartered Certified Accountants and holds a Master of Business Administration, with specialisation in Finance, from the University of Mauritius. He was also the Managing Director of Halifax Management Limited, a management company licensed by the Financial Services Commission, and a member of the COMESA Infrastructure Fund Interim Advisory Board. Prior to joining Nexia Baker & Arenson, he worked for Coopers & Lybrand, International Financial Services Ltd and the University of Mauritius. He currently sits on the Board of the Tertiary Education Commission. He joined the Board of SBM Holdings Ltd on 30 June 2015, as an independent non-executive Director.

The below six Members qualify as Independent Directors in accordance with the Code:

- Mr Kee Chong LI KWONG WING, G.O.S.K.
- Mr Maxime Hardy
- Dr Jameel Khadaroo
- Mr Roodesh Muttylall
- Mr Ouma Shankar Ochit
- Mr Ramprakash Maunthrooa

Roles and responsibilities of the Board

The roles and responsibilities of the Board include the following:

- Devising long term strategy and vision for SBMH and the Group and at the same time ensuring the Group is complying with the set goals and objectives;
- Overseeing the proper functioning of the SBMH and the Group and striving consistently to ensure that the financial goals and objectives are appropriately monitored and managed;
- Ensuring that SBMH has in place an effective management team and that Board Committees are adequately equipped to actively participate in the development of management planning;
- Ensuring that policies, procedures and a healthy and robust risk management framework benchmarked to international practices appropriate to financial listed institutions and system of internal controls are in place to safeguard the Group's assets and reputation;
- Ensuring that SBMH and its subsidiaries comply with the relevant laws, rules, regulations, policies, codes and best business practice, and establishing mechanisms by which breaches of policies, laws, controls and good corporate governance practices are reported and acted upon;
- Approving the interim and audited financial statements of SBMH and the Group; and
- Determine the level of Board fees for Directors for onward recommendation to the shareholders.

Profile of the Board of Directors of SBM Holdings Ltd (cont'd)

Roles and responsibilities of the Directors

The Board of SBMH currently has eight Non-Executive Directors.

The roles of the Non-Executive Directors are as follows:

- They constructively challenge and help develop proposals on strategy.
- They scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
- They satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.
- They are responsible for determining appropriate levels of remuneration of some key personnel, and have a prime role in appointing, and where necessary removing key personnel and in succession planning.

Independent Director

A Director who is non-executive and who:

(a) is not a representative or member of the immediate family (spouse, child, parent, grandparent or grandchild) of a shareholder who has the ability to control or significantly influence the Board or management. This would include any Director who is appointed to the Board (by virtue of a shareholders' agreement or other such agreement) at the instigation of a party with a substantial direct or indirect shareholding in the company;

(b) has not been employed by the company or the Group of which the company currently forms part, in any executive capacity for the preceding three financial years;

(c) is not a professional advisor to the company or the Group other than in a Director capacity;

(d) is not a significant supplier to, debtor or creditor of, or customer of the company or group, or does not have a significant influence in a group related company in any one of the above roles;

(e) has no significant contractual relationship with the company or group;

(f) is free from any business or other relationship which could be seen to materially impede the individual's capacity to act in an independent manner;

(g) in the case of banks, the Bank of Mauritius' definition of independent applies.

Key Management Personnel

No personnel is currently employed under SBM Holdings Ltd ("SBMH"). However there are recharges made in between SBMH and SBM Bank (Mauritius) Ltd to ensure smooth running of the business.

Focus for the year ahead

- Embedding the Board succession plans and ensuring and enhancing the effective functioning of the Board as a cohesive unit;
- Continuing to monitor the implementation of the approved IT governance framework;
- Measuring progress against strategic objectives and monitoring the Group's operational and financial performance;
- Partnering with management in ensuring that the culture of talent development is embedded across the Group.

Board Committees

The Board is the focal point of the corporate governance system and is ultimately accountable and responsible for the performance and affairs of SBMH. Board Committees are a mechanism to assist the Board and its Directors in discharging their duties through a more extensive evaluation of specific issues, followed by well-considered recommendations to the Board.

SBMH's Board has established eight Board Committees to help it in discharging its duties and responsibilities as detailed below. The Committees report to the Board through their respective Chairpersons and minutes of all Committee meetings are submitted to the Board. In addition, Committee Chairpersons must be prepared to answer appropriate and legitimate questions pertaining to the Committee's work to the Board. The Board Committees of SBMH are as follows:

- Audit Committee
- Investment & Credit Committee
- Corporate Governance & Conduct Review Committee
- IT Steering Committee
- Regional Expansion Committee
- Remuneration Committee
- Risk Management Committee
- Strategy Committee

All nominations are taken care by the Board of SBM Holdings Ltd.

The composition of the Board Committees of SBMH has been provided at page 260 of the Annual Report. The Board reviews each Committee's mandate at least once a year. Mandates set out the role, responsibilities, scope of authority, composition, terms of reference and procedures for each committee. The Board ensures that SBMH and its subsidiaries are being managed in line with the Group's objectives through the deliberations and reporting of its various Committees.

Board Committees (cont'd)

The terms of reference of the Board Committees of SBMH are listed below:

AUDIT COMMITTEE

Chairman
Mr Ouma Shankar OCHIT

Members
Mr Maxime HARDY
Dr Jameel KHADAROO
Mr Roodesh MUTTYLALL

Terms of Reference

Financial Reporting

- Provide assurance that financial disclosures made by Management reasonably portray the Company and its subsidiaries financial conditions, results of operations and long term commitments.
- Review critically the draft financial and interim reports, prospectus and other financial circulars/documents.
- Consider the appropriateness of the accounting policies applied and whether they are prudent and consistent with prior practice and comply with regulations and legal requirements.
- Consider the validity of any changes in accounting treatment or disclosure by comparing with the previous year.
- Review critical accounting issues.
- Review significant estimates based on judgment which are included in the financial statements.
- Review adequacy of provisions including provision for credit impairment losses.
- Consider any difference of opinion between auditors and management on the level of provisions, on accounting treatment or on disclosure.
- Consider the quality of financial information disclosed to the shareholders and other stakeholders.
- Review the financial reporting process with a view to ensuring the company's compliance with accounting standards and financial matters and the applicable laws and regulations.

External Audit

- Make recommendations for the appointment and retention of the external auditors.
- Review and discuss the scope of the audit and audit plan, including for the subsidiaries.
- Consider differences of opinion between management and the external auditor.
- Evaluate the performance, objectivity and independence of the external auditor.
- Review the nature and extent of non-audit services provided by the external auditors.
- Obtain assurance from the auditors that adequate accounting records are maintained.

Internal Audit

- Review the objectives of the internal audit function and the annual plan of action.
- Review the scope of internal audit and the audit plan.
- Assess the adequacy and performance of the internal audit function and the adequacy of available resources.
- Review significant matters reported by the internal auditor.
- Review significant differences between Management and the internal auditors.
- Review the cooperation and coordination between the internal and external auditors.

Board Committees (cont'd)

Internal Control Systems

- Review the systems of internal controls to ascertain its adequacy and effectiveness.
- Review and discuss any previously identified material weaknesses in controls and deficiencies in system.
- If considered necessary, recommend additional procedures to enhance the system of internal controls.
- Review internal and external auditors' reports (management letter) and management's response thereto and consider status of actions taken by management.
- Identify any change necessary to the agreed audit scope or to other services as a result of any weaknesses or deficiencies revealed.

Focus on the year ahead

- Continue to monitor the maturity of internal financial controls.
- Continue to monitor key financial accounting and reporting developments that are likely to impact the Group.
- Continue to monitor the activities of external audit, internal audit, compliance and financial crime control as they pertain to the regulatory and internal control environment of the Group.
- Continue to monitor regulatory developments, feedback from the Group's response to interaction with regulators.
- Review reports relating to financial crime, material incidents, mitigation strategies and remedial actions.
- Review reports from management.

CORPORATE GOVERNANCE & CONDUCT REVIEW COMMITTEE

Chairman
Mr Vidianand LUTCHMEEPARSAD

Members
Mr Medha GUNPUTH
Mr Maxime HARDY
Mr Ramprakash MAUNTHROOA
Mr Roodesh MUTTYLALL

Terms of Reference

- Advise the Board on all aspects of corporate governance and recommend the adoption of best practices as appropriate for the Company and the Group.
- Determine and develop the Company's general policy on corporate governance in accordance with applicable Code of Corporate Governance and international best practices.
- Review the Group's policies, such as related party policy and conflict of interest policy amongst others, and procedures annually to ensure their continuing adequacy and enforcement.
- Recommend to the Board any closed period during which the Directors and any other persons in the company who are privy to price sensitive information shall not be permitted to trade in shares or securities of the company.
- Review the corporate governance report to be published in the company's annual report.
- Ensure that disclosures are made in the Annual Report in compliance with the Companies Act, Code of Corporate Governance and SEM Listing Rules and any other applicable laws.
- Report any breach of the Code of Corporate Governance to the Board of SBM Holdings Ltd for actions to be taken.
- Review any statements on ethical standards or requirements for the company and assist in developing such standards and requirements.

Board Committees (cont'd)

CORPORATE GOVERNANCE & CONDUCT REVIEW COMMITTEE (CONT'D)

Terms of Reference (Cont'd)

- Give recommendations on situations involving any breach of the company's Code of Ethics.
- Review all proposed significant related party transactions and situations involving a Board member's or affiliate's potential or actual conflict of interest. Any member of the Committee who is a party to or has a potential conflict of interest in a proposed transaction, or who has a material interest in any related party transaction or is a party to a related party transaction, must not attend any part of a meeting during which the matter is discussed or participate in any vote on the matter, except where the Committee has expressly determined that it is appropriate for him or her to do so.
- Reviews and recommends credit exposures to related parties / Directors to the relevant forum.
- Reviews all proposed material transactions and practices of the Company to ensure that any transaction with the related parties that may have a material effect on the stability and solvency of the Company are identified and dealt with in a timely manner.
- Fulfill its oversight responsibilities with regards to the size, composition and structure of the Board and its Committees.
- Monitor developments in the area of corporate governance and recommend initiatives to maintain the highest standards of corporate governance.
- Provide all Directors with appropriate continuing training opportunities so as to maintain and/or enhance their skills and abilities as Directors.

Focus for the year ahead

- Evaluate the adequacy, efficiency and appropriateness of the governance framework and practices across the Group on an on-going basis.
- Ensure corporate governance best practice and statutory compliance.
- Review Related Party Transactions.

IT STEERING COMMITTEE

Chairman

Mr Kee Chong LI KWONG WING, G.O.S.K.

Members

Mr Philip Ah-CHUEN
Mr Nayen Koomar BALLAH
Mr Mahmadally Tayoob BURKUTOOLA
Mr Rajakrishna CHELLAPERMAL (Appointed 12 May 2016)
Mr Medha GUNPUTH (Appointed 26 January 2016)
Dr Jameel KHADAROO
Mr Vivekanand LOCHUN
Mr Vidianand LUTCHMEEPARSAD
Mr Ramprakash MAUNTHROOA
Mr Jairaj SONOO, C.S.K

Terms of Reference

- Established in 2012 under the delegation of the Board of Directors to monitor the implementation of the Flamingo Project.

REGIONAL EXPANSION COMMITTEE

Chairman

Mr Kee Chong LI KWONG WING, G.O.S.K.

Members

Dr Jameel KHADAROO
Mr Vidianand LUTCHMEEPARSAD
Mr Ramprakash MAUNTHROOA

Board Committees (cont'd)

Terms of Reference

- Define strategies coupled with intent for geographical expansion in the above defined markets.
- Target and identify appropriate and suitable acquisitions/Joint Venture partners, as the case may be, aligning and to achieve with the strategic intent of our Bank/Group.
- Take suitable steps/decisions regarding appointing competent teams/firms, with regards to diligencies of accounting, legal and valuation including recommendations, valuations of identified and targeted business/company that is aligning with the strategic intent as also negotiations.
- Take a decision from time to time, with regards to negotiations with the appropriate target(s) in terms of acquisition and/or the joint partner(s) and to make final recommendations to the Board for approval.
- Take such other steps as may be incidental with the objective of geographical expansion as also with the strategic intent and/ or such other decisions as may be necessary from time to time, in this connection.

REMUNERATION COMMITTEE

Chairman
Mr Medha GUNPUTH

Members
Mr Maxime HARDY
Mr Kee Chong LI KWONG WING, G.O.S.K.
Mr Ramprakash MAUNTHROOA

Terms of Reference

- Review annually the remuneration policy and HR related policies of the Company and its subsidiaries.
- Review and approve performance based remuneration by reference to the Group's goals and objectives and review Key Performance Indicators (KPI).
- Review and approve the content of the Director's Remuneration Report in the annual report and accounts.
- Promotion to Team Leader level and above and to approve the remuneration, benefits and other terms and conditions of the service contracts of such officers.
- Recommend to the Board the terms and conditions of service contracts of other Directors both executive and non-executive, if any, including compensation benefits for those services.
- Review the reward policy to ensure that the Company's executives are fairly rewarded for their efforts to the Group's overall performance and also to demonstrate to all the stakeholders in the business that the remuneration of the Senior Executives is done objectively.
- Review and recommend to the Board productivity bonus policy for employees.
- Review and recommend to the Board salary revisions and service conditions of other employees of the Company and its subsidiaries, taking into consideration the demands of Trade Unions.
- Review and recommend to the Board policy on staff welfare and fringe benefits.
- Determine the level of Board fees for Directors to be recommended to shareholders.
- Ensure that no Director or Senior Executive is involved in deciding their own remuneration.
- Ensure that remuneration for employees in risk management, compliance and audit functions is determined independently of other business areas.

Focus for the year ahead

- Ensure proper succession planning for Directors;
- Ensure adequate training are provided to the Directors.

Board Committees (cont'd)

RISK MANAGEMENT COMMITTEE

Chairman
Dr Jameel KHADAROO

Members
Mr Medha GUNPUTH
Mr Kee Chong LI KWONG WING, G.O.S.K.
Mr Ouma Shankar OCHIT
Mr Vidianand LUTCHMEEPARSAD

Terms of Reference

- Ensure that the Group has a solid and effective risk management infrastructure in place, in terms of people, systems, policies, controls and reporting.
- Adopt the risk appetite for the Group, as recommended to and approved by the Board, in the context of capital adequacy and the Group's strategy.
- Establish and review the adequacy of risk management control techniques and methodologies and monitor their effectiveness, particularly in the areas of credit, market, liquidity and operational risks.
- Monitor the Group's risk profile - its on-going and potential exposure to risks of various types.
- Review the Group's risk profile in particular to the risk trends, risk concentrations, key performance indicators and the performance versus the risk appetite.
- Examine risk aggregation across sub-holdings into Group risk and assess risk transmission between sub-holdings.
- Monitor Management performance in controlling risk, in light of the established policies, procedures and limits of authority, and approve any departure from the acceptable prudential norms.
- Evaluate the stress-testing scenarios and risk implications with regards to the Group's strategic and other material investments.
- Receive and act upon relevant reports from the regulators, and Internal and External Auditors, in respect of Risk Management guidelines and specific risk events.
- Review adequacy of insurance coverage, material outsourcing arrangements, the Disaster Recovery Plan and Business Continuity Plan.
- Monitor material legal cases brought against the Group and its subsidiaries and major events of fraud and irregularities, together with the legal advisers, where necessary.
- Review and recommend to the Board the 'Risk Management Report' published in the Annual Report.
- Review policy for management of risks particularly in the areas of Credit, Market, Interest, Liquidity, Operational and Technological risks, namely:
  (a) ensure adequate credit policies and procedures with clear credit concentration limits, approval limits, exposure limits, credit risk mitigation techniques and credit diversification.
  (b) ensure adequate interest rate risk management policies including management of asset and liability position within specified limits.
  (c) ensure appropriate methodologies and systems are in place to identify and adequately assess and manage operational risks.
- Ensure that relevant training is given to Directors and senior management to develop a robust understanding of the nature of the business, the nature of the risks associated with the business activities, the consequences of risks being inadequately managed and the techniques for managing the risks effectively.
- Review and assess the enterprise-wide risk, portfolio risk profile and the portfolio management plan and recommend improvements, where appropriate.
- Discuss, review and recommend to the Board any other matter or issue which is relevant to the Risk Management of the Group.

Board Committees (cont'd)

RISK MANAGEMENT COMMITTEE (CONT'D)

Focus for the year ahead

- Continue to monitor the current and future risk profile of the Group to ensure that the Group is managed within risk appetite relative to the strategy.
- Monitor and review the Group's progress with its risk data aggregation and risk reporting programme.
- Continue to monitor new and emerging risk trends and their potential impact on the Group.
- Continue to monitor industry-wide operational risk trends and incidents to ensure proactive response by the Group.
- Continue to monitor the capital adequacy of the Group and review the impact of significant transactions on capital.

STRATEGY COMMITTEE

Chairman
Mr Kee Chong LI KWONG WING, G.O.S.K.

Members
Mr Medha GUNPUTH
Dr Jameel KHADAROO
Mr Vidianand LUTCHMEEPARSAD
Mr Ramprakash MAUNTHROOA
Mr Ouma Shankar OCHIT

Terms of Reference

- Review and recommend the Group strategy, business plans, annual budget and capital structure to Board of Directors.
- Review and Recommend strategic investments or divestments in strategic assets to the Board of Directors.
- Review and recommend the delegation of authority to management committee.
- Oversee the business strategy of the Group.
- Advise on Key Performance Indicators and targets for business and geographies.
- Recommend investments, capital expenditure and expenses that exceed the limits that can be authorised by the Management Committee and are strategic in nature to the Board of Directors.
- Provide recommendation on large projects to the Board of Directors and monitor large projects.
- Ensure that capital is fully optimised through a proper capital management.
- Provide recommendation to the Board on new businesses and geographies to be explored.
- Provide recommendation to the Board of Directors on raising of funds.
- Review and recommend manpower requirements provided by different reporting executive business forum.
- Discuss, review and recommend to the Board any such matter or issues which pertains to the strategic planning of the Group.

Board Committees (cont'd)

STRATEGY COMMITTEE (CONT'D)

Focus for the year ahead

- Ensure the strategic investments or divestments made are in line with the Group strategy.
- Recommend to the Board any large projects for consideration.

Board and Board Committee Meetings

Board and Board Committee Meetings are held at least once quarterly to enable Directors to discharge their responsibilities to control the Group's overall situation, strategy and policy and to monitor the exercise of any delegated authority and so that individual Directors can report on their particular areas of responsibility. The Audit Committee members meet separately with the external auditors at the start of each meeting in the absence of management and internal auditors, followed by a separate session with the internal auditors in the absence of management and external auditors.

The Executive Management is invited to attend the Board and Board Committee meetings as and when required.

Independence of Board Committees

SBMH's Board is supported by the sub-Committees as mentioned on Page 240 above. The majority of the Members of each committee are independent Directors.

Board Committees (cont'd)

Attendance of the Board/Board Committees of SBM Holdings Ltd ('SBMH')

The table below shows the Board attendance of the Directors of SBMH for the period 01 January 2015 to 31 December 2015:

		Board	Corporate Governance & Conduct	Strategy	Audit	Risk Management	Remuneration	Regional Expansion	IT Steering Committee	Sub Committee	AGM
No. of meetings held		**23**	**2**	**2**	**6**	**3**	**3**	**2**	**12**	**3**	**1**
Directors	Note										
Mr Kee Chong Li Kwong Wing, *G.O.S.K.* [2]	a	12	-	2	-	2	2	2	7	-	-
Mr Aakash K. Kalachand [3]	a	9	-	-	3	-		-	5	-	1
Mr Alain Rey [3]	a	10	-	-	4	-	1	-	5	3	1
Mr Dheerendra Kumar Dabee, SC, *G.O.S.K.*. [3]	b	4	-	-	-	1		-	-	-	-
Mr Jameel Khadaroo [1]	a	19	-	2	6	2		2	11	-	1
Mr Joel Rault [3]	a	7	-	-	-	-	1	-	2	3	-
Mr Maxime Hardy [4]	a	9	2	-	2	-	2	-		-	-
Mr Medha Gunputh [1]	b	20	2	1	-	1	3	-	4	3	1
Mr Muni Krishna T Reddy, *G.O.S.K.*., F.S.I.D. [3]	a	11	-	-	-	1	-	-	5	3	-
Mr Ouma Shankar Ochit [4]	a	9		2	2	2	-	-	-	-	-
Mr Ramprakash Maunthrooa [4]	a	8	2	1	-	-	2	-	6	-	-
Mr Regis Yat Sin, *C.S.K., G.O.S.K.*. [3]	a	9	-	-	-	-	1	-	5	3	1
Mr Roodesh Muttylall [4]	a	11	2	-	2	-	-	-		-	-
Mr Vidianand Lutchmeeparsad [4]	b	12	2	2	-	2	-	2	5	-	-

Board Committees (cont'd)

Attendance of the Board/Board Committees of SBM Holdings Ltd ('SBMH') (cont'd)

The table below shows the Board attendance of the Directors of SBMH for the period 01 January 2015 to 31 December 2015 (cont'd):

		Board	Corporate Governance & Conduct	Strategy	Audit	Risk Management	Remuneration	Regional Expansion	IT Steering Committee	Sub Committee	AGM
No. of meetings held		**23**	**2**	**2**	**6**	**3**	**3**	**2**	**12**	**3**	**1**
In Attendance :	Note										
Mr P Ah-Chuen[5]	-	-	-	-	-	-	-	-	7	-	-
Mr C Appadoo[6]	-	18	1	1	2	-	1	1	4	-	1
Mr N Koomar Ballah[5]	-	-	-	-	-	-	-	-	4	-	-
Mr M Burkutoola[5]	-	-	-	-	-	-	-	-	4	-	-
Mr V Lochun[5]	-	-	-	-	-	-	-	-	7	-	-
Mr S Parianen[6,7]	-	-	-	-	-	-	-	-	2	-	-
Mr J Sonoo[6]	-	19	2	2	2	2	3	2	12	-	1

a - Independent Non-Executive Director - b - Non Executive Director

Note:

1 Appointed on 04 February 2015

2 Appointed on 14 April 2015

3 Retired on 30 June 2015

4 Appointed on 30 June 2015

5 Director of SBM Bank (Mauritius) Ltd appointed as Member of IT Steering Committee

6 SBM Executive Management

7 Retired on 30 September 2015

Board Committees (cont'd)

Directors orientation and continuous training

Induction and training programs for Directors are a fundamental tool to improve the effectiveness of corporate governance. SBMH ensures that an induction course is provided to the new Directors to enable them to be acquainted with the vision, business, strategic direction, financial matters, values, code of ethics and conduct, as well as best Corporate Governance practices and other key policies and practices of the Group.

SBMH also ensures that every new Director is instructed on the Corporate Governance policies of the Group and actively participates in the induction process. From time to time and during formal sessions, the Board receives presentations about the businesses and operations, as well as their strategic plans, financial, accounting, legal and risk management matters, and adjustment programs. These periodic presentations also cover Corporate Governance matters, trust obligations and responsibilities of the Directors, legal and regulatory development, as well as any other topic deemed relevant by the Board.

The Directors are also kept abreast of applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the Group and its operations. Additionally, the Directors may participate in external training organised by SBMH.

Board evaluation

The Chairman is responsible for ensuring that the Group has an effective Board. Good governance requires Directors to be assessed both individually, and collectively as a Board. Both the Code of Corporate Governance and BOM Guidelines require that the Board develops appropriate mechanisms for the annual review/evaluation of its performance, its Committees and individual Directors.

The Group has designed a self-evaluation questionnaire to evaluate the performance of its Board, Board Committees and individual Directors. The questionnaire has been reviewed by the Chairman of the Corporate Governance & Conduct Review Committee. Each Director is requested to give his score in confidence to a set of parameters for the Board and Board Committees on which he serves on an annual basis. The score of each of the parameters are consolidated and these results are presented to the Board and their respective Committees.

In response to recommendations from the 2015 Board evaluation process, the Board will develop and implement action plans to enhance the overall self-assessment process.

The Board of SBMH has enlisted the services of McKinsey and Company, a global strategy consultancy firm to review Board and management structures and provide a five year business plan and strategy plan. The Report from the consultant was tabled and approved at the Board Meeting of November 2015. A project management team has been set up to drive the report initiative.

Disclosure of Interest

Section 148 of the Companies Act 2001 requires that a Director who has a personal financial interest in respect of a matter to be considered at a meeting of the Board or knows that a related person has a personal financial interest, to disclose the interest and its general nature, withdraw themselves and not take part in the decision making process on that matter.

Directors' interest and dealings in SBM shares

The Directors of SBMH confirm that they have followed the absolute prohibition principles and notification requirements of the model code for securities transactions by Directors as detailed in Appendix 6 of the Stock Exchange of Mauritius Listing Rules. All new Directors are required to notify the Company Secretary in writing of any holdings in the Group's securities.

The table below outlines the interests of the Directors in SBMH and its Group at 31 December 2015.

Director	Direct shareholding	Indirect shareholding
Mr Kee Chong LI KWONG WING, *G.O.S.K.*	-	263,100

Apart from the above mentioned Director, no other Director had an equity stake in SBMH or the Group either direct or indirect as at 31 December 2015.

The Company Secretary maintains a register of Directors' interests and ensures that the Group complies with the provisions of the Companies Act in this regard.

Directors' emoluments

The following table relates to the emoluments of Directors of SBMH and its subsidiaries during the financial year.

	2015			2014		
	SBM Holdings Ltd	SBM Bank (Mauritius) Ltd	Other Subsidiaries	SBM Holdings Ltd	SBM Bank (Mauritius) Ltd	Other Subsidiaries
Name of Non-Executive Directors	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000	MUR 000
Mr Kee Chong LI KWONG WING, G.O.S.K., Chairman	1,010	-	1,645	-	-	-
Mr Dheerendra Kumar DABEE, S.C., G.O.S.K.	-	390	-	-	780	-
Mr Medha GUNPUTH	425	475	100	-	-	-
Mr Maxime HARDY	250	-	-	-	-	-
Mr Aakash K. KALACHAND	-	540	-	-	630	-
Mr Jameel KHADAROO	475	350	100	-	-	-
Mr Vidianand LUTCHMEEPARSAD	475	-	-	-	-	-
Mr Ramprakash MAUNTHROOA	450	-	200	-	-	-
Mr Roodesh MUTTYLALL	250	-	-	-	-	-
Mr Ouma Shankar OCHIT	375	-	100	-	-	-
Mr Joel RAULT	-	420	-	-	-	-
Mr M. K. T. REDDY, G.O.S.K., F.S.I.D. - Former Chairman	-	74,239	-	-	73,262	-
Mr Alain A. J. G. R. REY	-	645	-	-	1,260	-
Mr Regis YAT SIN, C.S.K., G.O.S.K.	-	570	-	-	1,140	-
	3,710	77,629	2,145	-	77,072	-

Remuneration of Executives Directors of SBMH Susidiaries	2015 MUR 000
	Remuneration
Mr Jairaj SONOO, C.S.K – Chief Executive of SBM Bank (Mauritius) Ltd / Executive Director of the Bank and other Subsidiaries of SBMH	17,945
Mr Chandradev APPADOO – Divisional Leader of SBM Bank (Mauritius) Ltd / Executive Director of the Bank and other Subsidiaries of SBMH	9,894
Ms Pauline SEEYAVE – Divisional Leader of SBM Bank (Mauritius) Ltd / Director of SBMH Subsidiaries	9,768
Mr Deeagarajen SOONDRAM – Acting Head of SBM (NBFC) Holdings Ltd / Director of SBMH Subsidiaries	4,262
Total	41,869

Executive Directors are not paid any Director's allowance for serving on the Board of subsidiaries or investee companies where the Group holds shares.

Separation of the roles of Chairman and Group Chief Executive

The separation of the Chairman and CEO roles increases the Board's independence from management and thus leads to better monitoring and oversight.

Mr Kee Chong LI KWONG WING G.O.S.K. was appointed as the Chairman of SBM Holdings Ltd effective 30th June 2015. He is an independent non-executive Director responsible for leading the Board, ensuring its effective functioning and setting its agenda, in consultation with the secretary, the chief executive and the Directors. He ensures that the Board observes the highest standards of integrity and good governance. The Chairman has the respect and confidence of the Board, which are vital to the effective performance of his role.

SBM Holdings Ltd is in process of appointing a Group Chief Executive ('Group CEO'), who will be an executive Director on its Board. He/She will be responsible for fostering a corporate culture that promotes sustainable ethical practices, encourages individual integrity and fulfils social responsibility objectives and imperatives, while ensuring all employees maintain a commercial mind-set and drive the business forward. SBMH has until then temporarily appointed Mr Jairaj Sonoo, C.S.K as Acting Group CEO effective from 18 June 2015.

Service contracts

Mr Muni Krishna T Reddy, G.O.S.K., F.S.I.D, the former Chairman, had a service contract with the Bank and the Group as Advisor to the Board in matters relating to good governance, risk management practices, value management practices, strategic direction, strategic issues and executives' development, placement and their compensation besides the succession plans for executives and such other cognate areas as reasonably arose therefrom. Mr Reddy was paid as per his service contract in the year 2015 a total remuneration of MUR 74.24 million (2014: MUR 73.26 million) which included the bonuses, expatriate benefits such as fully maintained house, car, travel, medical and gratuity of 25 percent of his annual emoluments in lieu of family life-long pension for his past services as Chief Executive of SBM Bank (Mauritius) Ltd for 17 years.

His service contract also stated that in the event of early termination by SBM Bank (Mauritius) Ltd for any reason other than gross misconduct, Mr Reddy would be entitled to a maximum of half of the yearly fee, net of all taxes.

Mr Reddy retired as Director of SBM Holdings Ltd at the last Annual Meeting held in June of last year.

There were no other service contracts between SBM Holdings Ltd and its Directors during the year.

Significant Contracts

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

- SBM Bank (Mauritius) Ltd
- Banque SBM Madagascar SA
- SBM Mauritius Asset Managers Ltd
- SBM Securities Ltd
- SBM Fund Services Ltd
- SBM Capital Management Limited
- SBM Asset Management Limited
- Two segmental SPVs, namely (a) SBM (Bank) Holdings Ltd and (b) SBM (NBFC) Holdings Ltd as well as with the single investor SPVs.

Directors and Officers Liability Insurance

The Group has subscribed to appropriate insurance cover in respect of legal action or liability against its Directors and officers.

Donations

An amount of MUR 1,867,116 was donated to the SBM Staff Children Education Trust and the Council of Religions during the reporting period.

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

Related party transactions

For the Related Party Transactions, please refer to Note 36 of the Financial Statements.

Role & Function of the Company Secretary

The Secretary of the Board and Committees is Mrs Dayawantee Ramjug Chumun

- The company secretary plays a key role in the application of corporate governance in the Company.
- She ensures that the company complies with its Constitution and all relevant statutory and regulatory requirements, codes of conduct and rules established by the Board.
- The company secretary provides the Board as a whole and Directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the company.
- The company secretary is the central source of guidance and advice to the Board on matters of ethics and good governance.
- The company secretary is the focal point of contact within the company for institutional and other shareholders.
- The company secretary was subjected to a fit and proper test of suitability in the same manner recommended for a new Director.

Shareholder information and communication

Building and maintaining good stakeholder relationships help an entity to manage and respond to expectations, minimise reputational risk and form strong partnerships, all of which support commercial sustainability.

The Board of SBMH is committed to providing a high standard of communication to its shareholders and other investors so they have all information reasonably required to make informed assessments of SBMH and the Group's value and prospects. Shareholders as well as other stakeholders are kept abreast of developments at the Group level through appropriate communication channels.

In addition to official press communiqués and occasional letters to shareholders, the website, hosted at www.sbmgroup.mu, is regularly updated with shares related information, past and present interim and audited financial statements, products and corporate events among others. The shareholders are apprised on the Group results for the period under review and initiatives/projects at the Annual Meeting.

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

Material clauses of the Constitution of SBMH ('the Company')

Object of the Company

The Company shall be a non-operating financial investments holding company. In carrying out its role as a non-operating financial investments holding company:

Material clauses of the Constitution of SBMH ('the Company') (Cont'd)

Object of the Company (Cont'd)

(i) The Company shall invest not less than 90 percent [Ninety percent] of the capital and reserves and borrowings of the Company in the banking investments at all times.

(ii) The Company is authorized to raise or borrow money which shall be used in accordance with (i) above. The Company is authorized to invest only in the existing segmental conduits which have been specially set up for this purpose, which shall thereafter be routed into the operating companies through conduits which have been specially set for this purpose.

(iii) Notwithstanding the above the Company shall be allowed to maintain investments which have been made by the Company in SICOM and Mauritius Telecom prior to the reorganization of the Group however once the Company has divested from these Companies they shall not be allowed to make any investment except those allowed under (ii) above.

(iv) Subject to the above (i) and (ii), the Company shall have full capacity to acquire and hold either by itself or its subsidiaries any share, debenture, bond, security or any interest in any Company in Mauritius and/or outside Mauritius, to do any act, or enter into any transaction which shall be within the ambit of the objectives of a financial investments holding company and in accordance under the Companies Act.

(v) The Company also has the power to do all such things which are incidental to or the conduct, promotion or attainment of the objects of the Company.

Limitation of Share Ownership

No shareholder shall hold individually, jointly or in concert, directly or indirectly more than three percent of the issued share capital of the Company with voting rights by an individual, jointly, or in concert or without previous authorisation of the Board of Directors of the Company. Save a shareholder who has been issued on the reorganisation of the Group a portion of the share capital which is superior to 3 percent shall be entitled to continue to hold that higher percentage. In the event those shareholders who have been allowed to hold more than 3 percent of the share capital wish to divest in the Company, once they have divested, they shall not be allowed to increase their shareholding to more than 3 percent For the purpose of this document "in concert" shall mean such situation where persons who pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company. For avoidance of doubt a manager of a Collective Investment Scheme may not acquire and hold more shares as it has been expressly specified herein, whether singly, jointly or in concert unless with the approval of the Board of Directors.

Share capital

Register Date	:	31 December 2015
Issued Shared Capital	:	30,374,022,300 shares (including Treasury shares of 4,556,103,300)

Large shareholders

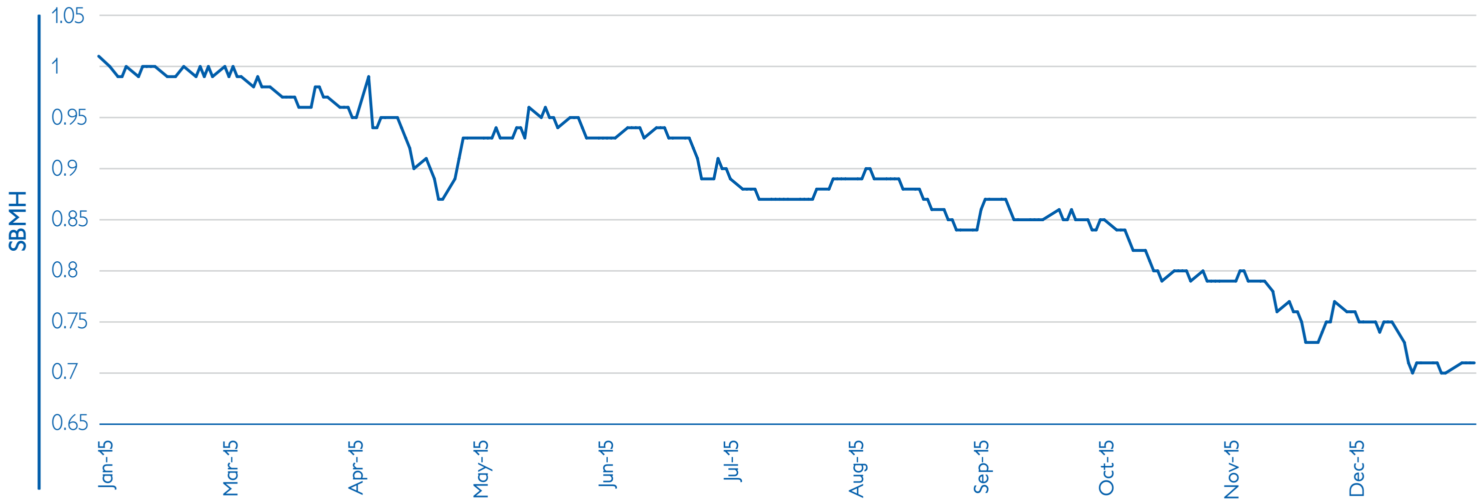
The tables below show the top 10 shareholders, shareholders spread and split between local and foreign shareholders of SBMH as at 31 December 2015.

Top 10 Shareholders	
Name of shareholder	No of Shares Held
National Pension Fund	5,903,676,019
SBM Holdings Ltd – Treasury Shares	4,556,103,300
State Insurance Company of Mauritius Ltd	4,444,405,000
Government of Mauritius	1,495,261,500
National Savings Fund	802,793,437
Swan Life Fund	611,693,716
Development Bank of Mauritius Ltd	577,950,000
Pictet Europe A/C Blakeney L.P	538,841,548
State Investment Corporation Ltd	425,390,900
NTGS Lux A/C The Africa Emerging Markets Fund	408,646,640

Shareholders' Spread				
Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-50,000	7,318	40.55	158,224,207	0.52
50,001-100,000	5,074	28.12	445,929,940	1.47
100,001-500,000	3,832	21.23	953,760,601	3.14
500,001-1,000,000	797	4.42	595,736,060	1.96
1,000,001-5,000,000	765	4.24	1,607,836,310	5.29
5,000,001-10,000,000	99	0.55	676,701,481	2.23
10,000,001-25,000,000	71	0.39	1,147,432,593	3.78
25,000,001-50,000,000	42	0.23	1,556,069,839	5.12
50,000,001-100,000,000	20	0.11	1,365,698,359	4.50
>100,000,000	29	0.16	21,866,632,910	71.99
Total	**18,047**	**100**	**30,374,022,300**	**100**

Local and Foreign Shareholders				
	No. of Shareholders	% of shareholders	No. of Shares	% of shares
Foreign	357	1.98	3,848,104,640	12.67
Local	17,690	98.02	26,525,917,660	87.33
Total	**18,047**	**100**	**30,374,022,300**	**100**

SBMH share performance



Dividend policy

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

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

Shareholder diary

Financial year 2015

Financial year-end	31 December 2015
Dividend payment	February 2016
Annual Meeting	June 2016

Financial year 2016

Financial year-end	31 December 2016
Unaudited quarterly earnings report	within 45 days from the quarter ending March, June and September
Audited Financial Statement for the year ending 31 December 2016	within three months from end of December 2016
Dividend payment	Quarterly
Annual Meeting	June 2017

Audit Fees and Fees for Other Services

In line with good governance and following the concern expressed by the shareholders at previous Annual Meetings for a rotation of the statutory auditors, the Board of Directors of SBM Holdings Ltd decided to issue a Request for Proposal ('RFP') to three reputable auditing firms registered with the Financial Reporting Council namely (i) Ernst & Young, (ii) PriceWaterHouse Coopers ('PwC') and (iii) KPMG in 2015. The Board deliberated and recommended to the shareholders the appointment of Ernst & Young as Statutory Auditors for the financial year ending 31 December 2015. The proposal was approved at the shareholders' meeting held in June of last year.

The table below shows the fees paid to the statutory auditors for the reporting period:

	2015 Audit MUR 000
Ernst & Young	
SBM Holdings Ltd	
Statutory Audit - December 2015	350
Other services	-
SBM (Bank) Mauritius Ltd & Other Subsidiaries	
Statutory Audits and quarterly reviews	7,099
Deloitte	
SBM (Bank) Mauritius Ltd & Other Subsidiaries	
Statutory Audits and quarterly reviews	173
Other assurance services	889
Other auditors	
SBM Bank (Mauritius) Ltd (Indian Operations)	
- GD Apte & Co	202
Banque SBM Madagascar SA	
- Delta Audit Deloitte Associates	42
- Mazars Fivoarana	42

Risk Management

The risk management framework of SBMH is covered in the Risk Management Report at pages 190 to 227 of the Annual Report.

Creative thinking empowers our people by adding strength to their natural abilities, improves teamwork and generates innovation.

INNOVATIVE

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COMPOSITION OF BOARD COMMITTEES FOR SBM HOLDINGS LTD

Corporate Governance & Conduct Review Committee

Mr Vidianand LUTCHMEEPARSAD (Chairman)

Mr Medha GUNPUTH

Mr Maxime HARDY

Mr Ramprakash MAUNTHROOA

Mr Roodesh MUTTYLALL

Audit Committee

Mr Ouma Shankar OCHIT (Chairman)

Mr Maxime HARDY

Dr Jameel KHADAROO

Mr Roodesh MUTTYLALL

Strategy Committee

Mr Kee Chong LI KWONG WING, *G.O.S.K.* (Chairman)

Mr Medha GUNPUTH

Dr Jameel KHADAROO

Mr Vidianand LUTCHMEEPARSAD

Mr Ramprakash MAUNTHROOA

Mr Ouma Shankar OCHIT

Risk Management Committee

Dr Jameel KHADAROO (Chairman)

Mr Medha GUNPUTH

Mr Kee Chong LI KWONG WING, *G.O.S.K.*

Mr Vidianand LUTCHMEEPARSAD

Mr Ouma Shankar OCHIT

Remuneration Committee

Mr Medha GUNPUTH (Chairman)

Mr Maxime HARDY

Mr Kee Chong LI KWONG WING, *G.O.S.K.*

Mr Ramprakash MAUNTHROOA

Regional Expansion Committee

Mr Kee Chong LI KWONG WING, *G.O.S.K.* (Chairman)

Dr Jameel KHADAROO

Mr Vidianand LUTCHMEEPARSAD

Mr Ramprakash MAUNTHROOA

IT Steering Committee

Mr Kee Chong LI KWONG WING, *G.O.S.K.* (Chairman)

Mr Philip AH-CHUEN

Mr Nayen Koomar BALLAH

Mr Mahmadally Tayoob BURKUTOOLA

Mr Rajakrishna CHELLAPERMAL (Appointed 12 May 2016)

Mr Medha GUNPUTH (Appointed 26 January 2016)

Dr Jameel KHADAROO

Mr Vivekanand LOCHUN

Mr Vidianand LUTCHMEEPARSAD

Mr Ramprakash MAUNTHROOA

Mr Jairai SONOO, *C.S.K.*

Investment & Credit Committee

Mr Kee Chong LI KWONG WING, *G.O.S.K.* (Chairman)

Mr Medha GUNPUTH

Mr Ramprakash MAUNTHROOA

Mr Roodesh MUTTYLALL

Mr Ouma Shankar OCHIT

Banking Segment

SBM (Bank) Holdings Ltd[1]

(1) Mr Nayen Koomar BALLAH (Chairman)
(2) Mr Chandradev APPADOO
(3) Mr Jameel KHADAROO
(4) Mr Ramprakash MAUNTHROOA
(5) Mr Jairaj SONOO, *C.S.K.*

SBM Bank (Mauritius) Ltd[2]

(1) Nayen Koomar BALLAH (Chairman)
(2) Mr Philip AH-CHUEN
(3) Mr Chandradev APPADOO
(4) Mr Mahmadally Tayoob BURKUTOOLA
(5) Mr Rajakrishna CHELLAPERMAL
(6) Mr Rishikesh HURDOYAL
(7) Mr Vivekanand LOCHUN
(8) Mr Jairaj SONOO, *C.S.K.*

Banque SBM Madagascar SA

(1) Mr Kee Chong LI KWONG WING, *G.O.S.K.* (Chairman)
(2) Mr Leckram DAWONAUTH
(3) Mr Frederic RASAMOELY
(4) Mr Jairaj SONOO, *C.S.K.*
(5) Mr Maurice Jean Marc ULCOQ

Global Services

SBM 3S Ltd[3]

(1) Mr Kee Chong LI KWONG WING, *G.O.S.K.* (Chairman)
(2) Mr Chandradev APPADOO
(3) Mr Jean Marie Gaetan LAN HUN KUEN
(4) Mr Vivekanand LOCHUN
(5) Ms Pauline SEEYAVE
(6) Mr Deeagarajen SOONDRAM

[1] Formerly 'SBM bk Holdings Ltd' and 'SPV-SBM (Bank) Holdings Ltd'
[2] Formerly 'State Bank of Mauritius Ltd'
[3] Formerly 'SBM Global Services Ltd' and 'SBM Global 3S Ltd'

Non-Banking Financial Segment

SBM (NBFC) Holdings Ltd

(1) Mr Kee Chong LI KWONG WING, *G.O.S.K.* (Chairman)
(2) Mr Thierry HUGNIN
(3) Mr Pierre MARRIER D'UNIENVILLE
(4) Mr Ramprakash MAUNTHROOA
(5) Mr Ouma Shankar OCHIT
(6) Mr Roshan RAMOLY
(7) Mr Deeagarajen SOONDRAM

SBM Securities Ltd

(1) Mr Roshan NATHOO (Chairman)
(2) Mr Amal Arpun AUTAR
(3) Mr Lim Tit Chong LIM LIT SIONG
(4) Ms Pauline SEEYAVE
(5) Mr Deeagarajen SOONDRAM

SBM Asset Management Limited

(1) Ms Pauline SEEYAVE (Chairman)
(2) Mr Deeagarajen SOONDRAM

SPV-SBM E-Business Ltd

(1) Mr Kee Chong LI KWONG WING, *G.O.S.K.* (Chairman)
(2) Ms Pauline SEEYAVE
(3) Mr Deeagarajen SOONDRAM

SBM Mauritius Asset Managers Ltd

(1) Mr Chandra Kumar GUJADHUR (Chairman)
(2) Mr Lam Thuon Mine LIM CHAN KWONG
(3) Mr Pierre MARRIER D'UNIENVILLE
(4) Ms Pauline SEEYAVE
(5) Mr Deeagarajen SOONDRAM

Non-Banking Financial Segment (cont'd)

SBM Fund Services Ltd

(1) Mr Hemraz Oopuddhye JANKEE (Chairman)
(2) Mr Kushiramsingh DOORGA
(3) Ms Pauline SEEYAVE
(4) Mr Deeagarajen SOONDRAM

SBM Capital Management Limited

(1) Mr Kee Chong LI KWONG WING, *G.O.S.K.* (Chairman)
(2) Ms Pauline SEEYAVE
(3) Mr Deeagarajen SOONDRAM

SBM E-Business Ltd

(1) Ms Pauline SEEYAVE (Chairman)
(2) Mr Deeagarajen SOONDRAM

Non Financial Segment

SBM (NFC) Holdings Ltd

(1) Mr Soondrassen MURDAY (Chairman)
(Appointed 15 March 2016)
(2) Mr Kee Chong LI KWONG WING, *G.O.S.K.* (Chairman)
(Resigned 12 March 2016)
(3) Mr Chandradev APPADOO
(4) Mr Medha GUNPUTH
(5) Ms Pauline SEEYAVE
(6) Mr Jairaj SONOO, *C.S.K.*
(7) Mr Gooroodeo SOOKUN

SBM Holdings Ltd

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

Banking Operations

SONOO Jairaj, *C.S.K.*, MBA
Chief Executive, Banking (Indian Ocean Islands)

Mr Sonoo joined SBM on 14 September 2012 as Chief Executive, Banking (Indian Ocean Islands), and holds a Masters in Business Administration (MBA) from University of Surrey, UK. He has 36 years' experience in banking and had previously spent more than 33 years at SBM in various positions amongst which Executive Vice-President (Indian Operations) before heading the Retail Banking Division. He resigned from the Bank in February 2010 to take up the position of Chief Executive of one of the local commercial banks. Mr Sonoo is an executive Director of the Board of Directors of SBM Bank (Mauritius) Ltd.

APPADOO Chandradev, *FCCA, ACIB*
Chief Financial Officer

Mr Appadoo is a fellow of the Association of Chartered Certified Accountants (FCCA) and is also an Associate of the Chartered Institute of Bankers (ACIB). He has worked for over 30 years at SBM Group at various divisions and levels including Retail, Corporate Banking, Finance, Legal, Compliance, Risk Management, Operations Management, and Group Company Secretary. He is currently heading the Finance and Facilities Management. He is a Non-Executive Director of SME Partnership Fund and NRF Equity Investment Ltd. He joined the Board of SBM Bank (Mauritius) Ltd in December 2011 as an executive Director. He reports to the Chief Executive.

SEEYAVE Pauline Sybille Cheh, *MA (Cantab), ACA*
Head of Credit Underwriting

Ms Seeyave was previously managing a portfolio of clients in Audit and Business Assurance in an international firm of Chartered Accountants in London before joining the SBM Group in 2002. She has previously headed various functions within the SBM Group including Corporate Banking, Risk Management, Value Based Performance Management, and Finance. She was 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. She is currently an executive Director on the board of several SBM Group subsidiaries.

SBM Holdings Ltd (cont'd)

Non-Banking Financial Operations

SOONDRAM Deeagarajen M.
Acting Head, Non-Banking Financial Cluster

Mr Deeagarajen M. (Sanda) Soondram has over 20 years of experience at international level in the Investment Banking and Corporate Finance fields. He was exposed to the International Market while working for a renowned UK based Investment Bank regulated by the Financial Conduct Authority ("FCA") where he was responsible for identifying and evaluating project risks, developing valuation models suitable for different projects, IPOs, appraising and advising clients on opportunities, offering corporate restructuring and management advice, capital raising etc. He has extensive experience in the fields of Mergers and Acquisitions, Equity and Debt structuring in Mauritius and UK across various industries including financial services. He has strong relationships with international fund management and investment banking firms in UK, Africa, Middle East and India.

He joined SBM Group as Head of Value Based Performance Management in 2013. He is currently the Head of the Non-Banking Financial Cluster of SBM Group responsible for the Asset Management, Stock Broking, Private Equity and Corporate Finance Advisory. Sanda was the Vice President and Program Chair for the CFA Institute in Mauritius from 2003 to 2007 and had also taught at the University of Mauritius from 2004 to 2006 in the fields of International Business, Foreign Exchange Market, Corporate Finance and Business & Company Valuation. Sanda holds a BSc Econ (Hons) Financial Economics and MSc Finance from Birkbeck College, University of London. He is also Associate Member of the Chartered Institute of Management Accountant (ACMA) and Chartered Global Management Accountant (CGMA). He has an MBA and is a regular member of the CFA Institute. He is currently an executive Director on the boards of several SBM Group subsidiaries.

GROUP ADDRESSES

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Non-Financial Entity

SBM (NFC) Holdings Ltd

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