SBM HOLDINGS LTD

INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

Contents **Pages**

Management Discussion and Analysis

The management of SBM Holdings Ltd (the "Group") is pleased to present their Management Discussion and Analysis, in accordance with the Bank of Mauritius Guideline on Public Disclosure of Information for the six months ended 30 June 2020.

Financial Review

Group key financial highlights

Key Financial indicators	**Unaudited Six month ended 30 June 2020**	Unaudited Six month ended 30 June 2019	Audited Year ended 31 December 2019
Statement of Profit or Loss (MUR million)			
Net interest income	**3,365**	3,174	6,487
Operating income	**5,296**	4,498	9,443
Profit before credit loss expense	**2,398**	1,592	3,419
Credit loss expense on financial assets and memorandum items	**1,733**	151	2,996
Profit attributable to equity holders of the parent	**675**	1,218	15
Statement of Financial position (MUR million)			
Total assets	**284,692**	241,500	260,476
Total gross loans and advances to non bank customers	**132,746**	114,259	121,733
Deposits from non-bank customers	**207,188**	173,382	199,397
Tier 1 capital	**22,017**	21,939	19,915
Total regulatory capital	**32,118**	31,809	30,156
Risk weighted assets	**146,125**	122,219	136,690
Shareholders' equity	**26,545**	26,190	24,518
Share information			
Market price per share (MUR)	**3.9**	5.6	6.4
Earnings per share (Cents)	**26.1**	47.2	0.6
Efficiency Ratio (%)			
Cost to income	**54.7**	64.6	63.8
Performance Ratios (%)			
Capital adequacy ratio	**22.0**	26.0	22.1
Tier 1 capital adequacy ratio	**15.1**	18.0	14.6
Return on average shareholders' equity	**5.3**	9.8	0.1
Return on average assets	**0.5**	1.1	0.0
Return on average risk-weighted assets	**0.9**	2.0	0.0
Asset Quality Ratios (%)			
Gross impaired advances to gross advances	**13.6**	13.7	11.7
Net impaired advances to net advances	**5.4**	5.9	4.0
Provision coverage ratio	**64.7**	61.2	69.1
Liquidity Ratio (%)			
Credit to deposit ratio	**64.1**	65.9	61.1

Management Discussion and Analysis (continued)

Financial Review (continued)

Revenue

Net interest income for the period under review increased by MUR 191.2 million as compared to same period last year. The main increases are on account of loans and advances and investment securities.

Interest income has increased from MUR 5.1 billion to MUR 5.5 billion for the period under review. Gross Loans and advances from non bank customers have increased by MUR 18.5 billion compared to same period last year and which has resulted to an increase in interest income on loans and advances by MUR 193 million. Investment securities have also gone up from MUR 88.4 billion as at June 2019 to reach MUR 112.6 billion as at June 2020, resulting to an increase in interest income of MUR 314.1 million.

Interest expense has only increased by MUR 186.2 million with deposits from non-bank customers growing by MUR 33.8 billion from June 2019 to June 2020, mitigated by a fall in interest rates.

Non-interest income has increased by MUR 607.2 million as compared to same period last year. This includes an exchange loss of MUR 444.2 million made on the USD 140 million subbordinated debts held in the books of SBM Holdings Ltd. The main increases were on net gain on sale of securities amounting to MUR 883.6 million and on net fee and commission income of MUR 113.1 million.

The Group has made a profit before credit loss expense of MUR 2.4 billion for this period as compared to MUR 1.6 billion for same period last year.

Profit after tax for the six month stood at MUR 674.9 million.

Cost Control

Non-interest expense of the Group for the six months ended 30 June 2020 were MUR 2,898.3 million.

	Unaudited Six month ended 30 June 2020	Unaudited Six month ended 30 June 2019	Audited Year ended 31 December 2019
	MUR million	MUR million	MUR million
Personnel expenses	**1,430.7**	1,340.7	2,883.9
Depreciation of property and equipment	**209.3**	226.3	476.8
Amortisation of intangible assets	**281.7**	326.4	617.8
Other expenses	**890.9**	873.5	1,874.0
Bank levy	**85.7**	138.9	171.4
Non-interest expense	**2,898.3**	2,905.9	6,023.9

Overall non-interest expense has decreased by 0.3% as compared to same period last year. Depreciation of property and equipment and amortisation of intangible assets has decreased by MUR 61.8 million from the period June 2019 to the period June 2020, coupled with this decrease in other expenses, however the overall decrease has been mitigated by the rise in personnel expense by MUR 90 million due to annual increase in salary.

Credit Exposure

The Group regularly reviews the diversification of its credit portfolio and factors affecting the economic environment. As far as possible, the Group refrains from having concentrations of risk associated with large exposures, representing credit risk concentration through large advances to single or group of related clients. While being an important element in the management of risk exposure, the capital strength is a factor that quite often limits the appetite.

The Group's strategy is to achieve a right balance between growth, liquidity and profitability through a well-diversified portfolio spread over different sectors of the economy and is in line with the industry practice. The classification is provided in note 7(a).

Management Discussion and Analysis (continued)

Financial Review (continued)

Credit Quality

IFRS 9 addresses classification, measurement and derecognition of financial assets and liabilities, the impairment of financial assets measured at amortised cost or fair value through other comprehensive income and general hedge accounting.

Details on impairment of financial assets are provided in notes 6,7(b), 10 and 15.

Assets and Liabilities

Total assets have increased from MUR 260.5 billion as at December 2019 to MUR 284.7 billion as at June 2020, mainly on account of increase in investment securities, loans and advances as well as cash balances.

Investment in securities amounted to MUR 112.6 billion at 30 June 2020 compared to MUR 94.3 billion in December 2019; representing 39.5% of the total assets at 30 June 2020, an increase of MUR 18.3 billion over 31 December 2019.

Gross loans and advances to non bank customers stood at MUR 132.7 billion as at June 2020 compared to MUR 121.7 billion as at December 2019, representing an increase of MUR 11.0 billion (9.1%).

Deposits from non-bank customers have increased to stand at MUR 207.2 billion as at June 2020 as compared to MUR 199.4 billion as at December 2019. Increase in liabilities are mainly noted on other borrowed funds increasing by MUR 14.6 billion to arrive at MUR 30.2 billion as at June 2020.

Capital Structure

The Group has followed the Guidelines of the Bank of Mauritius and has implemented the Standardised Approach to the measurement of credit, market and operational risk.

The Group maintains its capital structure within prudential and supervisory limits and ensures it has adequate capacity for future development and growth.

The table below shows the components of Tier 1 and Tier 2 Capital for the Group and the resulting capital adequacy ratios which stood at 22.0% at 30 June 20 as compared to the statutory requirement of 15.1% including provision for Domestically Systemic Important Banks (D-SIBs) and Capital Conservation Buffer.

	Unaudited Quarter ended 30 June 2020	Unaudited Quarter ended 30 June 2019	Audited Year ended 31 December 2019
	MUR million	MUR million	MUR million
Capital Base			
Tier 1	**22,017**	21,939	19,915
Tier 2	**10,101**	9,870	10,241
	32,118	31,809	30,156
Risk Weighted Assets			
On balance sheet	**124,888**	104,350	116,812
Off balance sheet	**10,122**	6,568	8,211
Operational Risk	**10,525**	9,684	10,525
Market Risk	**590**	1,617	1,142
	146,125	122,219	136,690
Capital Adequacy Ratio (%)	**22.0**	26.0	22.1
Tier 1 Capital Adequacy Ratio (%)	**15.1**	18.0	14.6

The Capital Adequacy Ratio has decreased from 22.1% in December 2019 to 22.0% in June 2020.

Management Discussion and Analysis (Continued)

Financial Review (continued)

Capital Structure (continued)

Credit Risk

The Group applies the Guidelines issued by the Bank of Mauritius on Standardised approach to Credit Risk for its evaluation of the Capital requirements for Credit Risk. The regulatory credit risk capital requirement is determined by applying the appropriate risk weights provided in the guidelines to the credit based on its rating assigned by External Credit Assessment Institutions for risk weighted exposured, particularly for sovereign, Central banks of other countries as well as other banking institutions, to each credit exposure.

Risk Management Policies and Controls

The Group has a comprehensive risk management framework to identify, measure, monitor, evaluate and manage the risks assumed in conducting its activities.

The Group has adopted the Basel III recommendations and is compliant with the Bank of Mauritius guidelines.

The Group Risk Management team is responsible for the design and application of risk management framework, and is independent of business units.

The framework is integrated within the Group strategy and business planning processes. The effectiveness of this framework is enhanced by strong risk governance, which includes active participation of the Board of Directors, senior executives and business line management in the risk management process.

Credit Risk Concentration

The Group has complied with the Bank of Mauritius requirements on credit concentration limit and remains within the regulatory limits. 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 Banking Group to any one customer or group of closely-related customers for amounts aggregating more than 10% of its Tier 1 capital amounted to MUR 26.5 billion representing only 120.5% of its Tier 1 capital, well within the 800% allowed under the BOM guideline on credit concentration risk.

Related Party Transactions

The Group provides regular banking services to some of its related parties in the ordinary course of business which are at arm's length and are on terms similar to those offered to non-related parties.

Outstanding loans to executive officers of Group totalled MUR 212.6 million as at 30 June 2020.

On and off balance sheet exposures to related parties after set off amounted to MUR 2,305.4 million representing 5.8% of aggregate on and off balance sheet exposures and 38.0% of Tier 1 Capital, well within the limit of 60% as per Guideline on related party transactions.

There is no related party exposure which is non-performing as at the reporting date.

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.

A description of each market risk category is provided below:

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.

Management Discussion and Analysis (continued)

Risk Management Policies and Controls (continued)

Market risk (continued)

Interest rate risk (continued)

The Group actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk arising from Group's funding and investment activities is managed in accordance with established procedures which are designed to control the risk to income and economic value of shareholders' equity. The impact of the effect of a specified shift in interest rates on the Group's annual net income and the economic value are periodically assessed.

Equity risk

This is the risk of loss due to changes in the prices, volatility of individual equity instruments and equity indices.

Market risk is monitored consistently and reported to the senior management on a daily basis and to Group Asset and Liability Committee ("ALCO"). Movements of major currencies, trends and forecasts are analysed in ALCO. Furthermore, the matching of Group Assets and Liabilities is closely monitored through gap analysis between assets and liabilities.

Foreign Exchange risk

Foreign exchange risk is defined as the risk arising from movement in exchange rate from one currency to another. The Group mitigates this risk by exercising stringent control over its foreign currency exposure by setting prudential limits. The overall exposure to foreign exchange is reported by the Chief Risk Officer to the Group Risk Management Committee ("RMC").

Liquidity risk

Liquidity risk is the risk of 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 entity. Liquidity gap analysis is used to measure and monitor the mismatches by time buckets and currency under realistic and stress scenarios.

RMC provides senior management oversight of liquidity risk and meets on a monthly basis to review the Group's liquidity profile or more frequently if required.

Operational risk

Operational risk is the risk of loss, whether direct or indirect, to which the Group is exposed due to external events, human error, or the inadequacy or failure of processes, systems or controls. According to the Basel Committee, it is defined as: "the risk of loss resulting from inadequate or failed internal processes, people, systems or external events." Operational risk, in some form, exists in each of the Group's business and support activities, can result in financial loss, regulatory sanctions and damage to Group reputation.

The Group has developed policies, standards and assessment methodologies to ensure that operational risk is appropriately identified, managed and controlled.

Internal audit

The internal audit team directly reports to the Audit Committee. It performs an independent appraisal of the Group's compliance with internal control systems, accounting practices, information systems, providing assurance regarding the Group corporate governance, control systems and risk management processes. This function operates as per corporate governance practices.

Compliance

The Group is committed to the highest standards of business integrity, transparency and professionalism in its activities. The purpose of compliance function is to ensure that all business transactions and activities comply with appropriate laws, regulations, policies, guidelines and ethical standards.

The compliance function operates as per good corporate governance practices. This unit is fully operational and attends regularly all the Compliance Committees organised by the Bank of Mauritius. During the period under review, the Group has complied with all regulatory requirements, policies, guidelines and ethical standards.

Statement of Corporate Governance Practices

Company law requires the board to prepare financial statements for each financial period/year which indicates fairly the financial position, financial performance, changes in equity and cash flows of the Group and the Company. In preparing those financial statements, the Board shall:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting 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 Board confirms that the above requirements in preparing the financial statements have been respected and that these interim unaudited condensed financial statement have been prepared in accordance with IAS 34 Interim Financial Reporting.

The Directors of the Group are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Banking Act 2004 and the Companies Act 2001 as applicable. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors delegates the day to day running of the Group and Company to Management. The Board of Directors is made up of Non executive Members which are as follows:

		Appointment date	Resignation date	Independent/ Non independent
(1)	Mr. Abdul Sattar Adam Ali Mamode Hajee Abdoula - **Chairman**	11 Mar 20	-	Independent
(2)	Mr Jean Paul Emmanuel Arouff	11 Mar 20	-	Non-Independent
(3)	Mr. Andrew Bainbridge	12 Aug 19	27 Jul 20	Non-Independent
(4)	Ms. Shakilla Bibi Jhungeer	13 Mar 20	-	Independent
(5)	Mr. Roodesh Muttylall	30 Jun 15	-	Independent
(6)	Mr. Sarwansingh Purmessur	13 Mar 20	27 Jul 20	Non-Independent
(7)	Ms. Sharon Ramdenee	14 Dec 18	-	Independent
(8)	Mr. Patrice Georges Maxime Robert	29 Apr 20	27 Jul 20	Independent
(9)	Mr Visvanaden Soondram	11 Mar 20	-	Non-Independent
(10)	Mr. Subhas Thecka	23 Jun 17	-	Independent

The Committees reporting to the Board are as follows:

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

Membership of the committees is reviewed on an on-going basis.

Statement of Management's Responsibility for Financial Reporting

The Group's interim unaudited condensed financial statements have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards, as well as the requirements of the Banking Act 2004, the Companies Act 2001 and other applicable laws and regulations have been applied and management has exercised its Judgement and made best estimates as deemed necessary.

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

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

The Group's Internal Auditor, who has full and free access to the Audit Committee, conducts a well designed programme of internal audits in coordination with the Group's external auditor. In addition, the Group's compliance function maintains policies, procedures and programmes directed at ensuring compliance with regulatory requirements.

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

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

Approved by the Board on **13 August 2020** and signed on its behalf by:

Sattar HAJEE ABDOULA
Chairman

Subhas THECKA
Director

Deloitte.

7th-8th floor, Standard Chartered Tower
19-21 Bank Street
Cybercity
Ebène 72201
Mauritius

Review Report on the Interim Unaudited Condensed Financial Statements to the Board of Directors of SBM Holdings Ltd

Introduction

We have reviewed the accompanying interim unaudited condensed financial statements set out on pages 10 to 30 which comprise the interim unaudited condensed statement of financial position of **SBM Holdings Ltd ("the Company") and of its subsidiaries ("the Group")** as at 30 June 2020, and the related interim unaudited condensed statement of profit or loss and statement of other comprehensive income for the quarter and six months then ended, interim unaudited condensed statement of changes in equity, interim unaudited condensed statement of cash flows and other explanatory notes. The Board of directors and management are responsible for the preparation and presentation of these unaudited condensed interim financial statements in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on these interim unaudited condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements ("ISRE") 2410: "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim unaudited condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Other matter

The comparative interim unaudited condensed financial statements of the Group and the Company as of 30 June 2019 and as of 31 December 2019 and for the three months ended 30 June 2019, six months ended 30 June 2019 and year ended 31 December 2019 were respectively reviewed and audited by another auditor who issued an unqualified conclusion and opinion.

Deloitte

Chartered Accountants

Date: 13 August 2020

SBM HOLDINGS LTD
INTERIM UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	The Group			The Company		
		Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019	**Unaudited 30 June 2020**	Unaudited 30 June 2019	Audited 31 December 2019
		MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
ASSETS							
Cash and cash equivalents	5	**15,517,708**	14,586,167	18,181,126	**53,277**	41,631	178,632
Mandatory balances with central bank		**11,151,632**	10,073,974	10,680,287	**-**	-	-
Loans to and placements with banks	6	**7,436,653**	7,278,755	9,240,131	**-**	-	-
Derivative financial instruments		**1,155,236**	856,266	874,269	**-**	-	-
Loans and advances to non-bank customers	7	**118,652,418**	103,598,355	109,396,640	**-**	-	-
Investment securities	8	**112,605,100**	88,435,637	94,276,665	**1,697,701**	2,642,870	1,670,478
Equity investments		**6,019,110**	6,096,689	6,014,270	**4,227,683**	4,227,683	4,227,683
Investment in subsidiaries		**-**	-	-	**29,820,268**	28,730,768	29,899,918
Investment in associate		**1,505,386**	1,444,215	1,479,048	**1,272,977**	1,272,977	1,272,977
Property and equipment and right of use assets		**4,067,226**	3,737,121	4,088,213	**2,779**	4,718	3,865
Goodwill and other intangible assets		**2,523,777**	2,985,653	2,729,474	**1,020**	39	1,157
Deferred tax assets		**500,067**	93,401	355,992	**-**	-	-
Other assets		**3,558,143**	2,313,476	3,159,878	**163,380**	210,637	231,515
Total assets		**284,692,456**	241,499,709	260,475,993	**37,239,085**	37,131,323	37,486,225
LIABILITIES							
Deposits from banks		**833,798**	922,258	907,521	**-**	-	-
Deposits from non-bank customers	9	**207,187,607**	173,381,539	199,397,188	**-**	-	-
Other borrowed funds		**30,223,939**	23,723,436	15,670,968	**-**	-	-
Derivative financial instruments		**1,218,260**	739,550	881,176	**3,979**	-	-
Current tax liabilities		**106,457**	417,442	536,283	**-**	-	-
Deferred tax liabilities		**-**	107,498	-	**-**	-	-
Other liabilities		**8,095,119**	6,399,288	8,583,364	**124,501**	102,441	115,977
Pension liability		**240,694**	44,371	241,628	**1,148**	-	1,363
Subordinated debts		**10,241,235**	9,573,944	9,739,981	**10,241,235**	9,573,944	9,739,981
Total liabilities		**258,147,109**	215,309,326	235,958,109	**10,370,863**	9,676,385	9,857,321
SHAREHOLDERS' EQUITY							
Stated capital		**32,500,204**	32,500,204	32,500,204	**32,500,204**	32,500,204	32,500,204
Retained earnings		**1,405,840**	2,998,573	1,107,260	**64,862**	651,596	825,549
Other reserves		**(2,485,666)**	(4,433,363)	(4,214,549)	**(821,813)**	(821,831)	(821,818)
		31,420,378	31,065,414	29,392,915	**31,743,253**	32,329,969	32,503,935
Less: Treasury shares		**(4,875,031)**	(4,875,031)	(4,875,031)	**(4,875,031)**	(4,875,031)	(4,875,031)
Total equity attributable to equity holders of the parent		**26,545,347**	26,190,383	24,517,884	**26,868,222**	27,454,938	27,628,904
Total equity and liabilities		**284,692,456**	241,499,709	260,475,993	**37,239,085**	37,131,323	37,486,225
Contingent liabilities	10	**30,073,792**	22,218,644	24,629,940			

Approved by the Board of Directors and authorised for issue on **13 August 2020**.

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Sattar HAJEE ABDOULA
Chairman

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Subhas THECKA
Director

The notes on page 16 to 30 form an integral part of these financial statements.

SBM HOLDINGS LTD
INTERIM UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

		The Group					The Company				
	Notes	**Unaudited Quarter ended 30 June 2020**	Unaudited Quarter ended 30 June 2019	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019	**Unaudited Quarter ended 30 June 2020**	Unaudited Quarter ended 30 June 2019	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
		MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Interest income		**2,701,545**	2,632,095	**5,510,882**	5,133,519	10,644,090	**2,920**	20,261	**8,940**	45,106	68,079
Interest expense		**(1,048,545)**	(958,776)	**(2,146,058)**	(1,959,846)	(4,156,726)	**(118,697)**	(119,858)	**(236,932)**	(238,733)	(476,589)
Net interest income / (expense)	11	**1,653,000**	1,673,319	**3,364,824**	3,173,673	6,487,364	**(115,777)**	(99,597)	**(227,992)**	(193,627)	(408,510)
Fee and commission income		**394,574**	397,465	**865,868**	744,069	1,616,807	**-**	-	**-**	-	-
Fee and commission expense		**(13,111)**	(9,631)	**(26,093)**	(17,426)	(43,508)	**(1)**	(35)	**(140)**	(74)	(150)
Net fee and commission income / (expense)	12	**381,463**	387,834	**839,775**	726,643	1,573,299	**(1)**	(35)	**(140)**	(74)	(150)
Profit/(loss) arising from dealing in foreign currencies		**65,371**	150,611	**(143,770)**	259,940	381,611	**(97,072)**	(71,351)	**(461,008)**	(139,807)	(289,253)
Net gain on sale of securities	13	**702,031**	129,951	**1,119,839**	236,224	665,904	**1,524**	900	**1,507**	680	6,767
Dividend income		**74,826**	45,313	**76,327**	45,313	223,076	**40,000**	445,000	**75,000**	445,000	1,570,456
Net (loss)/gain from financial instruments	14	**(11,423)**	4,751	**39,690**	54,982	107,592	**29,625**	7,683	**19,859**	23,105	17,879
Other operating income		**(769)**	(78)	**(769)**	802	4,493	**-**	-	**-**	-	-
Non-interest income / (expense)		**1,211,499**	718,382	**1,931,092**	1,323,904	2,955,975	**(25,924)**	382,197	**(364,782)**	328,904	1,305,699
Operating income / (expense)		**2,864,499**	2,391,701	**5,295,916**	4,497,577	9,443,339	**(141,701)**	282,600	**(592,774)**	135,277	897,189
Personnel expenses		**(733,007)**	(674,683)	**(1,430,680)**	(1,340,720)	(2,883,912)	**(15,606)**	(23,128)	**(31,878)**	(45,424)	(82,994)
Depreciation of property and equipment and right-of-use assets		**(118,422)**	(127,834)	**(209,321)**	(226,341)	(476,839)	**(543)**	(532)	**(1,086)**	(1,063)	(2,142)
Amortisation of intangible assets		**(142,588)**	(144,245)	**(281,670)**	(326,442)	(617,833)	**(69)**	(3)	**(137)**	(5)	(208)
Other expenses		**(414,902)**	(479,158)	**(890,864)**	(873,542)	(1,873,960)	**(735)**	(3,101)	**(10,622)**	(15,761)	(49,096)
Impairment of investment in subsidiaries		**-**	-	**-**	-	-	**-**	-	**(124,000)**	-	-
Bank levy		**(42,842)**	(138,933)	**(85,685)**	(138,933)	(171,368)	**-**	-	**-**	-	-
Non-interest expense		**(1,451,761)**	(1,564,852)	**(2,898,220)**	(2,905,978)	(6,023,912)	**(16,953)**	(26,764)	**(167,723)**	(62,253)	(134,440)
Profit/(loss) before credit loss expense		**1,412,738**	826,849	**2,397,696**	1,591,599	3,419,427	**(158,654)**	255,836	**(760,497)**	73,024	762,749
Credit loss (expense) / income on financial assets and memorandum items	15	**(948,265)**	(252,582)	**(1,733,045)**	(151,288)	(2,996,142)	**-**	10	**(190)**	494	1,085
Operating profit / (loss)		**464,473**	574,267	**664,651**	1,440,311	423,285	**(158,654)**	255,846	**(760,687)**	73,518	763,834
Share of profit of associate		**51,064**	42,928	**55,421**	66,485	139,237	**-**		**-**	-	-
Profit/(loss) before income tax		**515,537**	617,195	**720,072**	1,506,796	562,522	**(158,654)**	255,846	**(760,687)**	73,518	763,834
Tax expense	16	**(20,729)**	(116)	**(45,135)**	(289,106)	(547,487)	**-**	7,913	**-**	(357)	(357)
Profit/(loss) for the quarter/period/year attributable to equity holders of the parent		**494,808**	617,079	**674,937**	1,217,690	15,035	**(158,654)**	263,759	**(760,687)**	73,161	763,477
Earnings per share:											
Basic (Cents)		**19.2**	23.9	**26.1**	47.2	0.6					
Diluted (Cents)		**19.2**	23.9	**26.1**	47.2	0.6					

The notes on page 16 to 30 form an integral part of these financial statements.

SBM HOLDINGS LTD
INTERIM UNAUDITED CONDENSED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	The Group					The Company				
	Unaudited Quarter ended 30 June 2020	Unaudited Quarter ended 30 June 2019	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019	**Unaudited Quarter ended 30 June 2020**	Unaudited Quarter ended 30 June 2019	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Profit/(loss) for the quarter/period/year attributable to equity holders of the parent	**494,808**	617,079	**674,937**	1,217,690	15,035	**(158,654)**	263,759	**(760,687)**	73,161	763,477
Other comprehensive income :										
Items that will not be reclassified subsequently to profit or loss:										
Increase in revaluation of property	-	-	-	-	255,148	-	-	-	-	-
Deferred tax on revaluation of property	-	-	-	-	(9,950)	-	-	-	-	-
Impact of change in deferred tax rate on revaluation of property	-	-	-	-	118,392	-	-	-	-	-
Remeasurement of defined benefit pension plan	-	-	-	-	(203,865)	-	-	-	-	-
Deferred tax on remeasurement of defined benefit pension plan	-	-	-	-	14,271	-	-	-	-	-
Impact of change in deferred tax rate on defined benefit pension plan	-	-	-	-	(7,923)	-	-	-	-	-
Share of associate-remeasurement of defined benefit pension plan	**(25,486)**	(32,283)	**(25,486)**	(32,283)	(31,105)	-	-	-	-	-
Share of other comprehensive (loss) / income of associate	**(3,437)**	63,236	**(16,689)**	78,360	76,112	-	-	-	-	-
Net gain on equity instruments designated at FVTOCI	**-**	-	-	45,278	45,277	-	-	-	-	-
	(28,923)	30,953	**(42,175)**	91,355	256,357	**-**	**-**	**-**	-	-
Items that may be reclassified subsequently to profit or loss:										
Exchange differences on translation of foreign operations	**(17,083)**	42,724	**195,587**	255,985	327,378	-	-	-	-	-
Exchange differences resulting from share of associate	**3,206**	21,754	**13,091**	23,494	25,496	-	-	-	-	-
Investment securities measured at FVTOCI										
Movement in fair value during the quarter/period/year	**2,327,049**	768,586	**1,980,941**	747,871	395,221	-	-	**5**	(9,158)	(9,145)
Fair value re-cycled on disposal	**(1,049,777)**	85,367	**(759,444)**	76,035	231,379	-	175	**-**		-
Movement in credit loss expense relating to debt instruments held at FVTOCI	**(20,125)**	8,658	**(35,474)**	(11,784)	(6,356)	-	-	**-**	-	-
Net loss on derecognition of financial instruments at fair value through other comprehensive income	-	(133,061)	-	**-**	**-**	**-**	**-**	**-**	-	-
	1,243,269	794,028	**1,394,701**	1,091,601	973,118	**-**	175	**5**	(9,158)	(9,145)
Total other comprehensive income / (loss)	**1,214,347**	824,981	**1,352,526**	1,182,956	1,229,475	**-**	175	**5**	(9,158)	(9,145)
Total comprehensive income / (loss) attributable to equity holders of the parent	**1,709,155**	1,442,060	**2,027,463**	2,400,646	1,244,510	**(158,654)**	263,934	**(760,682)**	64,003	754,332

The notes on page 16 to 30 form an integral part of these financial statements.

The Group	Stated capital MUR' 000	Treasury shares MUR' 000	Statutory reserve MUR' 000	General reserve MUR' 000	Retained earnings MUR' 000	Fair value reserve on financial instruments recognised in OCI MUR' 000	Net property revaluation reserve MUR' 000	Net translation reserve MUR' 000	Net other reserve MUR' 000	Restructure reserve MUR' 000	Total equity MUR' 000
At 01 January 2019	32,500,204	(4,875,031)	597,074	-	2,270,280	(837,132)	63,146	(66,526)	(94,669)	(5,380,340)	24,177,006
Profit for the period	-	-	-	-	1,217,690	-	-	-	-	-	1,217,690
Credit loss expense relating to debts instruments held at FVTOCI	-	-	-	-	-	(11,784)	-	-	-	-	(11,784)
Share of OCI of associate	-	-	-	-	-	78,360	-	23,494	-	-	101,854
Other comprehensive (loss)/income for the period	-	-	-	-	(32,283)	869,184	-	255,985	-	-	1,092,886
Total comprehensive income for the period	-	-	-	-	1,185,407	935,760	-	279,479	-	-	2,400,646
Reclassification of associate to their respective reserve	-	-	-	-	-	(76,784)	-	(17,885)	94,669	-	-
Transfer to retained earnings	-	-	-	-	20,155	-	(19,081)	(1,074)	-	-	-
Transfer to statutory reserve	-	-	90,000	-	(90,000)	-	-	-	-	-	-
Dividend (Note 16)	-	-	-	-	(387,269)	-	-	-	-	-	(387,269)
At 30 June 2019	32,500,204	(4,875,031)	687,074	-	2,998,573	21,844	44,065	193,994	-	(5,380,340)	26,190,383
At 01 January 2019	32,500,204	(4,875,031)	597,074	-	2,270,280	(837,132)	63,146	(66,526)	(94,669)	(5,380,340)	24,177,006
Profit for the year	-	-	-	-	15,035	-	-	-	-	-	15,035
Credit loss expense relating to debts instruments held at FVTOCI	-	-	-	-	-	(6,356)	-	-	-	-	(6,356)
Share of OCI of associate	-	-	-	-	-	76,112	-	25,496	-	-	101,608
Other comprehensive (loss)/income for the year	-	-	-	-	(228,622)	671,877	363,590	327,378	-	-	1,134,223
Total comprehensive income for the year	-	-	-	-	(213,587)	741,633	363,590	352,874	-	-	1,244,510
Reclassification of associate to their respective reserve	-	-	-	-	-	(76,785)	-	(17,884)	94,669	-	-
Transfer to statutory reserve	-	-	90,000	-	(90,000)	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	44,199	-	(43,121)	(1,078)	-	-	-
Dividend (Note 16)	-	-	-	-	(903,632)	-	-	-	-	-	(903,632)
At 31 December 2019	32,500,204	(4,875,031)	687,074	-	1,107,260	(172,284)	383,615	267,386	-	(5,380,340)	24,517,884
At 01 January 2020	**32,500,204**	**(4,875,031)**	**687,074**	**-**	**1,107,260**	**(172,284)**	**383,615**	**267,386**	-	**(5,380,340)**	**24,517,884**
Profit for the period	**-**	**-**	**-**	**-**	**674,937**	**-**	**-**	**-**	**-**	**-**	**674,937**
Credit loss expense relating to debts instruments held at FVTOCI	**-**	**-**	**-**	**-**	**-**	**(794,918)**	**-**	**-**	**-**	**-**	**(794,918)**
Share of OCI of associate	**-**	**-**	**-**	**-**	**(25,486)**	**(16,689)**	**-**	**13,091**	**-**	**-**	**(29,084)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**1,980,941**	**-**	**195,587**	**-**	**-**	**2,176,528**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**649,451**	**1,169,334**	**-**	**208,678**	**-**	**-**	**2,027,463**
Reclassification from translation reserve to revaluation reserve			**-**	**-**	**-**	**-**	**2,019**	**(2,019)**	**-**	**-**	**-**
Transfer from revaluation reserve to retained earnings	**-**	**-**	**-**	**-**	**25,629**	**-**	**(25,629)**	**-**	**-**	**-**	**-**
Transfer from retained earnings to statutory reserve	**-**	**-**	**2,531**	**-**	**(2,531)**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer from retained earnings to general reserve	**-**	**-**	**-**	**373,969**	**(373,969)**	**-**	**-**	**-**	**-**	**-**	**-**
At 30 June 2020	**32,500,204**	**(4,875,031)**	**689,605**	**373,969**	**1,405,840**	**997,050**	**360,005**	**474,045**	-	**(5,380,340)**	**26,545,347**

The notes on page 16 to 30 form an integral part of these financial statements.

The Company	Stated capital MUR' 000	Treasury shares MUR' 000	Retained earnings MUR' 000	Net unrealised investment fair value reserve MUR' 000	Total equity MUR' 000
At 01 January 2019	32,500,204	(4,875,031)	965,704	(812,673)	27,778,204
Profit for the period	-	-	73,161	-	73,161
Other comprehensive loss for the period	-	-	-	(9,158)	(9,158)
Total comprehensive income/(loss) for the period	-	-	73,161	(9,158)	64,003
Dividend (Note16)	-	-	(387,269)	-	(387,269)
At 30 June 2019	32,500,204	(4,875,031)	651,596	(821,831)	27,454,938
At 01 January 2019	32,500,204	(4,875,031)	965,704	(812,673)	27,778,204
Profit for the year	-	-	763,477	-	763,477
Other comprehensive loss for the year	-	-	-	(9,145)	(9,145)
Total comprehensive income / (loss) for the year	-	-	763,477	(9,145)	754,332
Dividend (Note16)	-	-	(903,632)	-	(903,632)
At 31 December 2019	32,500,204	(4,875,031)	825,549	(821,818)	27,628,904
At 01 January 2020	**32,500,204**	**(4,875,031)**	**825,549**	**(821,818)**	**27,628,904**
Loss for the period	**-**	**-**	**(760,687)**	-	**(760,687)**
Other comprehensive income for the period	**-**	**-**	**-**	**5**	**5**
Total comprehensive (loss) / income for the period	**-**	**-**	**(760,687)**	**5**	**(760,682)**
At 30 June 2020	**32,500,204**	**(4,875,031)**	**64,862**	**(821,813)**	**26,868,222**

The notes on page 16 to 30 form an integral part of these financial statements.

		The Group			The Company		
	Note	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
		MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Net cash (used in)/generated from operating activities		**(17,016,683)**	(9,427,746)	2,560,472	**(205,005)**	480,359	2,465,688
Net cash generated from/(used in) financing activities		**14,552,971**	8,975,350	73,684	-	(226,002)	(903,632)
Net cash (used in)/from investing activities		**(265,077)**	(894,430)	(488,656)	**79,650**	(245,616)	(1,416,314)
Net change in cash and cash equivalents		**(2,728,789)**	(1,346,826)	2,145,500	**(125,355)**	8,741	145,742
Net foreign exchange difference		**65,371**	279,478	382,111	**-**	-	-
Cash and cash equivalents at beginning of period/year		**18,181,126**	15,653,515	15,653,515	**178,632**	32,890	32,890
Cash and cash equivalents at period/year end	5	**15,517,708**	14,586,167	18,181,126	**53,277**	41,631	178,632

The notes on page 16 to 30 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 is listed on the Stock Exchange of Mauritius as from 03 October 2014 pursuant to the 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. The interim unaudited condensed financial statements are presented in Mauritian Rupee, which is the Company's functional and presentation currency. All values are rounded to the nearest thousand (MUR'000), except where otherwise indicated.

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

In the current period, the Group has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 01 January 2020.

(a) *New and revised IFRSs and IFRICs*

The following standards have been adopted by the Group for the first time for the financial year beginning on 01 January 2020 and have no material effect on the Group:

IAS 1 Presentation of Financial Statements - Amendments regarding the definition of material
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of material

IFRS 3 Business Combinations - Amendments to clarify the definition of a business
IFRS 7 Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform
IFRS 9 Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform

Other standards, amendments and interpretations, which are effective for the quarter beginning on 01 January 2020, are not relevant to the Group.

(b) *New and revised IFRSs and IFRICs in issue but not yet effective*

IAS 1 Presentation of Financial Statements - Amendments regarding classification of liabilities (effective 1 January 2023)

IAS 16 Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective 01 January 2022)
IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous (effective 1 January 2022)
IFRS 3 Business Combinations - Amendments updating a reference to the Conceptual Framework (effective 1 January 2022)

IFRS 9 Financial Instruments - Amendments resulting from Annual Improvements to IFRS Standards 2018 - 2020 (fees in the '10 per cent' test for derecognition of financial liabilities) (effective 1 January 2022)
IFRS 16 Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification (effective 1 June 2020)

The directors anticipate that these amendments will be adopted in the financial statements for the annual periods beginning on the respective dates as indicated above. The directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

3 Accounting policies

These interim unaudited condensed financial statements do not include all the information and disclosures contained in the annual audited financial statements, and should be read in conjunction with the Group's annual audited financial statements as at 31 December 2019.

(a) <u>Basis of preparation</u>

These interim unaudited condensed financial statements for the period ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies adopted in the preparation of the interim unaudited condensed financial statements for the period ended 30 June 2020 are consistent with those followed in the preparation of the Group's audited financial statements for the year ended 31 December 2019, except for the adoption of new standards and interpretations effective as from 01 January 2020. The nature and the effect of these changes are disclosed above in 2(a).

3 Accounting policies (Continued)

(b) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of prior year. An additional charge is applicable in respect of Corporate Social Responsibility and Special Levy on Banks.

Deferred tax is provided in full for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

The principal temporary differences arise from depreciation of property, plant and equipment, provision for impairment on loans and advances, gains/(losses) on revaluation of foreign currency forward contracts, provisions for pension and other post-retirement benefits, tax losses carried forward and revaluation surplus. The rates enacted or substantively enacted at the reporting date are used to determine deferred income tax.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(c) Expenses

Cost incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

4 Significant accounting judgements and estimates

The preparation of interim unaudited condensed financial statements requires the directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim unaudited condensed financial statements, the significant judgements made by the directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2019.

5 Cash and cash equivalents

	The Group			**The Company**		
	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019	**Unaudited 30 June 2020**	Unaudited 30 June 2019	Audited 31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Cash in hand	**1,437,130**	2,752,010	2,884,293	**-**	-	-
Foreign currency notes and coins	**1,121,689**	93,211	33,579	**-**	-	-
Unrestricted balances with central banks	**6,418,675**	1,427,745	4,480,589	**-**	-	-
Loans and placements with banks	**2,113,308**	2,917,886	2,215,105	**-**	-	-
Balances with banks	**4,432,490**	7,396,480	8,572,409	**53,277**	41,631	178,632
	15,523,292	14,587,332	18,185,975	**53,277**	41,631	178,632
Less expected credit loss allowance	**(5,585)**	(1,165)	(4,849)	**-**	-	-
	15,517,707	14,586,167	18,181,126	**53,277**	41,631	178,632

6 Loans to and placements with banks

	The Group			**The Company**		
	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019	**Unaudited 30 June 2020**	Unaudited 30 June 2019	Audited 31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Loans to and placements with banks						
- In Mauritius	**1,475,317**	2,167,811	3,257,096	**-**	-	-
- Outside Mauritius	**5,989,591**	5,148,828	6,008,516	**-**	-	-
	7,464,908	7,316,639	9,265,612	**-**	-	-
Less expected credit loss allowance	**(28,255)**	(37,884)	(25,481)	**-**	-	-
	7,436,653	7,278,755	9,240,131	**-**	-	-

6 Loans to and placements with banks (Continued)

Gross carrying amount for loans to and placements with banks based on the Group's internal credit and stage classification:

	Unaudited 30 June 2020				Unaudited 30 June 2019	Audited 31 December 2019
	Stage 1	Stage 2	Stage 3	Total	Total	Total
Internal rating grade	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing						
High grade	-	-	-	-	387,452	2,003,522
Standard grade	5,490,509	-	-	5,490,509	5,198,141	5,242,219
Sub-standard grade	1,974,399	-	-	1,974,399	1,731,046	2,019,871
Past due but not impaired	-	-	-	-	-	-
Non-performing						
Individually impaired	-	-	-	-	-	-
	7,464,908	-	-	7,464,908	7,316,639	9,265,612

An analysis of changes in the gross carrying amount and the corresponding ECL allowances by staging is as follows:

	Unaudited 30 June 2020				Unaudited 30 June 2019	Audited 31 December 2019
	Stage 1	Stage 2	Stage 3	Total	Total	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Gross carrying amount as at 1 January	9,265,612	-	-	9,265,612	11,127,328	11,127,328
New assets originated or purchased	2,969,205	-	-	2,969,205	2,613,263	6,833,114
Assets derecognised or repaid (excluding write offs)	(5,042,674)	-	-	(5,042,674)	(6,561,708)	(8,850,201)
Exchange adjustment	272,765	-	-	272,765	137,756	155,371
	7,464,908	-	-	7,464,908	7,316,639	9,265,612

	Unaudited 30 June 2020				Unaudited 30 June 2019	Audited 31 December 2019
	Stage 1	Stage 2	Stage 3	Total		
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
ECL allowance as at 1 January	25,481	-	-	25,481	36,967	36,967
New assets originated or purchased	13,731	-	-	13,731	11,624	5,801
Assets derecognised or repaid (excluding write offs)	(10,890)	-	-	(10,890)	(10,707)	(17,394)
Exchange adjustment	(67)	-	-	(67)	-	107
	28,255	-	-	28,255	37,884	25,481

7 Loans and advances to non-bank customers

	The Group			The Company		
	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019	**Unaudited 30 June 2020**	Unaudited 30 June 2019	Audited 31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Government	**8,121**	9,267	8,515	-	-	-
Retail customers	**40,830,873**	37,127,858	39,586,963	-	-	-
- Credit cards	**468,253**	596,221	584,532	-	-	-
- Mortgages	**26,206,998**	23,748,957	25,507,821	-	-	-
- Other retail loans	**14,155,623**	12,782,680	13,494,610	-	-	-
Corporate customers	**48,639,452**	44,629,642	46,543,416	-	-	-
Entities outside Mauritius (including offshore / Global Business Licence Holders)	**43,267,400**	32,492,482	35,594,084	-	-	-
Gross Loans and advances	**132,745,847**	114,259,249	121,732,978	-	-	-
Less expected credit loss allowance	**(14,093,429)**	(10,660,894)	(12,336,338)	-	-	-
Net Loans and advances	**118,652,418**	103,598,355	109,396,640	-	-	-

(a) Gross advances by sectors

	The Group			The Company		
	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019	**Unaudited 30 June 2020**	Unaudited 30 June 2019	Audited 31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Agriculture and fishing	**4,936,900**	4,687,107	4,166,340	-	-	-
Manufacturing	**10,142,016**	6,163,776	8,088,393	-	-	-
of which EPZ	***1,870,008***	*1,313,743*	*1,811,884*	-	-	-
Tourism	**13,639,456**	11,135,319	12,064,542	-	-	-
Transport	**3,904,983**	4,196,417	3,755,615	-	-	-
Construction	**10,669,613**	8,264,893	9,939,747	-	-	-
Financial and business services	**13,185,780**	11,846,966	9,854,807	-	-	-
Traders	**14,875,666**	17,847,193	15,350,812	-	-	-
Personal	**41,379,597**	37,196,353	39,864,948	-	-	-
of which credit cards	***501,474***	*762,962*	*584,575*	-	-	-
Professional	**179,589**	551,118	179,854	-	-	-
Global Business Licence holders	**10,375,970**	6,179,069	10,108,784	-	-	-
Others	**9,456,277**	6,191,038	8,359,136	-	-	-
	132,745,847	114,259,249	121,732,978	-	-	-

7 NOTES TO THE INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS (CONTINUED)

(b) **Gross carrying amount**

Internal rating grade	Unaudited 30 June 2020 Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Unaudited 30 June 2019 Total	Audited 31 December 2019 Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing						
High grade	42,469,168	1,984,949	-	44,454,117	36,696,224	39,466,703
Standard grade	44,085,161	6,028,415	416,159	50,529,735	38,820,671	41,177,935
Sub-standard grade	10,750,564	8,313,332	-	19,063,896	20,180,854	18,010,429
Past due but not impaired	103,189	971,233	-	1,074,422	650,638	7,064,523
Non-performing						
Individually impaired	-	-	17,623,677	17,623,677	17,910,862	16,013,388
	97,408,082	17,297,929	18,039,836	132,745,847	114,259,249	121,732,978

Gross carrying amount	Unaudited 30 June 2020 Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Unaudited 30 June 2019 Total	Audited 31 December 2019 Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR' 000	MUR' 000
As at 1 January	82,236,579	23,117,345	16,379,054	121,732,978	112,545,330	112,426,043
New assets originated or purchased	16,545,075	2,059,001	165,272	18,769,348	21,763,705	39,236,106
Assets derecognised or repaid (excluding write offs)	-	-	280,869	280,869	(19,755,008)	(31,457,219)
Assets impaired during the year	(8,901,487)	(2,013,692)	(2,998,887)	(13,914,066)	-	757,439
Transfers to Stage 1	7,690,367	(7,709,224)	18,857	-	-	-
Transfers to Stage 2	(3,782,503)	3,799,971	(17,468)	-	-	-
Transfers to Stage 3	(43,762)	(2,549,551)	2,593,313	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	1,040,931	34,294	561,391	1,636,616	(691,591)	119,311
Amounts written off			(245,742)	(245,742)	-	(1,438,755)
Foreign exchange adjustments	2,622,882	559,785	1,303,177	4,485,844	396,813	2,090,053
	97,408,082	17,297,929	18,039,836	132,745,847	114,259,249	121,732,978

ECL allowance	Unaudited 30 June 2020 Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Unaudited 30 June 2019 Total	Audited 31 December 2019 Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR' 000	MUR' 000
As at 1 January	725,919	1,944,110	9,666,309	12,336,338	10,317,868	10,317,868
New assets originated or purchased	291,393	496,061	61,179	848,633	1,148,139	5,685,503
Assets impaired during the period	-	-	1,819,856	1,819,856	-	-
Assets derecognised or repaid (excluding write offs)	(309,205)	(47,965)	(646,326)	(1,003,496)	(615,202)	(1,323,442)
Transfers to Stage 1	214,452	(205,849)	(8,603)	-	-	-
Transfers to Stage 2	(12,888)	18,298	(5,410)	-	-	-
Transfers to Stage 3	7,561	(695,510)	687,949	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	(14,038)	(867)	196,614	181,709	(872,433)	5,449
Changes to models and inputs used for ECL calculations	-	-	(35,451)	(35,451)	-	(24,944)
Impact of ECL on transfers	-	-		-	-	(362,267)
Recoveries	-	-	(238,192)	(238,192)	-	(840,365)
Amounts written off	-	-	(7,133)	(7,133)	474,520	(1,423,620)
Foreign exchange adjustments	3,300	9,773	178,092	191,165	208,002	302,156
	906,494	1,518,051	11,668,884	14,093,429	10,660,894	12,336,338

8 Investment securities

	The Group			The Company		
	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019	**Unaudited 30 June 2020**	Unaudited 30 June 2019	Audited 31 December 2019
Measured at:	**MUR' 000**	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Amortised cost	**42,041,114**	25,047,273	27,760,701	**1,031,011**	2,072,432	1,072,340
Fair value through other comprehensive income	**63,088,400**	50,995,435	54,687,282	**-**	-	-
Fair value through profit or loss	**7,631,982**	12,626,934	11,995,117	**667,437**	571,582	598,699
	112,761,496	88,669,642	94,443,100	**1,698,448**	2,644,014	1,671,039
Less allowance for credit losses	**(156,396)**	(234,005)	(166,435)	**(747)**	(1,144)	(561)
	112,605,100	88,435,637	94,276,665	**1,697,701**	2,642,870	1,670,478

Note: All investment securities are classified under Stage 1 in the ECL model.

9 Deposits from non-bank customers

	The Group			The Company		
	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019	**Unaudited 30 June 2020**	Unaudited 30 June 2019	Audited 31 December 2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Retail	**100,914,135**	93,766,151	93,578,219	**-**	-	-
Corporate	**92,015,986**	69,577,499	86,186,795	**-**	-	-
Government	**14,257,486**	10,037,889	19,632,174	**-**	-	-
	207,187,607	173,381,539	199,397,188	**-**	-	-

10 Contingent liabilities

Acceptance, guarantees, letter of credit, endorsements and other obligations on account of customers

	The Group			The Company		
	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019	**Unaudited 30 June 2020**	Unaudited 30 June 2019	Audited 31 December 2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Acceptances on account of customers	**916,356**	326,926	792,774	**-**	-	-
Guarantees on account of customers	**11,123,631**	7,696,983	8,037,776	**-**	-	-
Letters of credit and other obligations on account of customers	**863,318**	766,258	760,345	**-**	-	-
Undrawn credit facilities	**15,730,813**	11,284,600	13,675,505	**-**	-	-
Other contingent items	**(7,400)**	-	185,584	**-**	-	-
	28,626,718	20,074,767	23,451,984	**-**	-	-

Others

	The Group			The Company		
	Unaudited 30 June 2020	Unaudited 30 June 2019	Audited 31 December 2019	**Unaudited 30 June 2020**	Unaudited 30 June 2019	Audited 31 December 2019
	MUR'000	MUR'000	MUR'000	**MUR'000**	MUR'000	MUR'000
Inward bills held for collection	**211,482**	176,506	195,680	**-**	-	-
Outward bills sent for collection	**1,235,592**	1,967,371	982,276	**-**	-	-
	1,447,074	2,143,877	1,177,956	**-**	-	-
Total	**30,073,792**	22,218,644	24,629,940			

10 Contingent liabilities (Continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification.

	Unaudited 30 June 2020				Unaudited 30 June 2019	Audited 31 December 2019
Internal rating grade	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Performing						
High grade	18,107,935	77,781	-	18,185,716	7,574,606	10,245,576
Standard grade	4,449,815	289,064	-	4,738,879	7,390,225	6,088,219
Sub-standard grade	5,477,855	1,670,477	-	7,148,332	7,252,808	8,295,140
Non-performing						
Individually impaired	-	-	865	865	1,005	1,005
	28,035,605	2,037,322	865	30,073,792	22,218,644	24,629,940

An analysis of changes in the outstanding exposures and the corresponding ECL allowances is as follows:

	Unaudited 30 June 2020				Unaudited 30 June 2019	Audited 31 December 2019
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total	Total
Outstanding exposure	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000	MUR' 000
As at 1 January	22,370,435	2,258,500	1,005	24,629,940	20,454,774	20,466,776
New exposures	14,541,348	365,830	-	14,907,178	9,187,630	13,824,846
Exposure derecognised or matured/lapsed (excluding write offs)	(8,775,202)	(867,445)	(140)	(9,642,787)	(7,526,360)	(9,807,982)
Transfers to Stage 1	625,155	(625,155)	-	-	-	-
Transfers to Stage 2	(902,473)	902,473	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-	-
Amounts written off	-	-	-	-	-	-
Foreign exchange adjustments	176,342	3,119	-	179,461	102,600	146,300
	28,035,605	2,037,322	865	30,073,792	22,218,644	24,629,940

	Unaudited 30 June 2020				Unaudited 30 June 2019	Audited 31 December 2019
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total	Total	Total
ECL allowance	MUR'000	MUR'000	MUR'000	MUR'000	MUR' 000	MUR' 000
As at 1 January	136,059	15,508	8,455	160,022	179,700	179,700
New exposures	56,978	10,701	-	67,679	91,868	88,314
Exposures derecognised or matured (excluding write offs)	(74,935)	(2,678)	(2,802)	(80,415)	(69,530)	(163,288)
Transfers to Stage 1	2,962	(2,962)	-	-	-	-
Transfers to Stage 2	(4,235)	4,235	-	-	-	-
Transfers to Stage 3	-	-	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-	47,881
Foreign exchange adjustments	1,770	250	-	2,020	1,445	7,415
	118,599	25,054	5,653	149,306	203,483	160,022

11 Net interest income/(expense)

	The Group					The Company				
	Unaudited Quarter ended 30 June 2020	Unaudited Quarter ended 30 June 2019	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019	**Unaudited Quarter ended 30 June 2020**	Unaudited Quarter ended 30 June 2019	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	MUR'000	MUR'000	**MUR' 000**	MUR' 000	MUR' 000	**MUR'000**	MUR'000	**MUR' 000**	MUR' 000	MUR' 000
Interest income on financial instruments at amortised cost										
Cash and cash equivalents	**32,583**	49,657	**72,109**	113,376	265,370	**-**	-	**-**	-	-
Loans to and placements with banks	**48,944**	59,143	**89,524**	132,256	231,923	**-**	-	**-**	-	-
Loans and advances to non bank customers	**1,573,970**	1,590,774	**3,324,822**	3,131,931	6,461,861	**-**	-	**-**	-	-
Investment securities	**774,864**	637,733	**1,472,838**	1,202,537	2,529,390	**13,410**	21,864	**26,560**	47,620	77,863
	2,430,361	2,337,307	**4,959,293**	4,580,100	9,488,544	**13,410**	21,864	**26,560**	47,620	77,863
Interest income on financial instruments at fair value										
Investment securities	**286,419**	295,829	**616,331**	572,563	1,222,307	**-**	-	**-**	-	-
Derivative financial instruments	**(15,235)**	(15,480)	**(64,742)**	(39,818)	(66,761)	**(10,490)**	(1,603)	**(17,620)**	(2,514)	(9,784)
Other	**-**	14,439		20,674	-	**-**	-	**-**	-	-
	271,184	294,788	**551,589**	553,419	1,155,546	**(10,490)**	(1,603)	**(17,620)**	(2,514)	(9,784)
Total interest income	**2,701,545**	2,632,095	**5,510,882**	5,133,519	10,644,090	**2,920**	20,261	**8,940**	45,106	68,079
Interest expense										
Deposits from banks			-	-	-			-	-	-
Deposits from non-bank customers	**(658,178)**	(730,484)	**(1,465,966)**	(1,405,975)	(2,971,919)	**-**	-		-	-
Other borrowed funds	**(271,670)**	(109,228)	**(443,161)**	(315,138)	(708,218)	**-**	-		-	-
Subordinated debts	**(118,697)**	(119,064)	**(236,931)**	(238,733)	(476,589)	**(118,697)**	(119,858)	**(236,932)**	(238,733)	(476,589)
Total interest expense	**(1,048,545)**	(958,776)	**(2,146,058)**	(1,959,846)	(4,156,726)	**(118,697)**	(119,858)	**(236,932)**	(238,733)	(476,589)
Net interest income/(expense)	**1,653,000**	1,673,319	**3,364,824**	3,173,673	6,487,364	**(115,777)**	(99,597)	**(227,992)**	(193,627)	(408,510)

12 Net fee and commission income

	The Group					The Company				
	Unaudited Quarter ended 30 June 2020	Unaudited Quarter ended 30 June 2019	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December	**Unaudited Quarter ended 30 June 2020**	Unaudited Quarter ended 30 June 2019	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	MUR'000	MUR'000	**MUR' 000**	MUR' 000	MUR' 000	**MUR'000**	MUR'000	**MUR' 000**	MUR' 000	MUR' 000
Fee and commission income										
Retail banking customer fees	**74,982**	85,046	**168,268**	181,130	406,573	**-**	-	**-**	-	-
Corporate banking customer fees	**106,272**	144,655	**255,606**	248,879	556,093	**-**	-	**-**	-	-
Brokerage income	**35,713**	10,472	**35,713**	10,472	44,272	**-**	-	**-**	-	-
Assets Management fees	**7,733**	41,696	**39,521**	47,706	42,956	**-**	-	**-**	-	-
Card income	**72,517**	88,663	**174,220**	176,351	411,385	**-**	-	**-**	-	-
Other	**97,357**	26,933	**192,540**	79,531	155,528	**-**	-	**-**	-	-
Total fee and commission income	**394,574**	397,465	**865,868**	744,069	1,616,807	**-**	-	**-**	-	-
Fee and commission expense										
Interbank transaction fees	**(9,531)**	(3,300)	**(12,347)**	(8,374)	(18,719)	**-**	-	**-**	-	-
Subordinated liabilities			**-**	-	(2,344)	**-**	-	**-**	-	-
Other	**(3,580)**	(6,331)	**(13,746)**	(9,052)	(22,445)	**(1)**	(35)	**(140)**	(74)	(150)
Total fee and commission expense	**(13,111)**	(9,631)	**(26,093)**	(17,426)	(43,508)	**(1)**	(35)	**(140)**	(74)	(150)
Net fee and commission income	**381,463**	387,834	**839,775**	726,643	1,573,299	**(1)**	(35)	**(140)**	(74)	(150)

13 Net gain on sale of securities

	The Group					The Company				
	Unaudited Quarter ended 30 June 2020	Unaudited Quarter ended 30 June 2019	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019	**Unaudited Quarter ended 30 June 2020**	Unaudited Quarter ended 30 June 2019	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	MUR'000	MUR'000	**MUR' 000**	MUR' 000	MUR' 000	**MUR'000**	MUR'000	**MUR' 000**	MUR' 000	MUR' 000
Net (loss) /gain on derecognition of financial assets measured at fair value through other comprehensive income	**515,339**	(651)	**805,672**	1,777	231,379	**-**	433	**-**	410	371
Net gain on derecognition of financial assets measured at amortised cost	**41,166**	5,935	**63,694**	12,123	27,110	**1,524**	467	**1,524**	270	6,396
Net gain on derecognition of financial assets at fair value through profit or loss	**145,527**	124,667	**250,473**	222,324	407,415	**-**	-	**(17)**	-	-
	702,032	129,951	**1,119,839**	236,224	665,904	**1,524**	900	**1,507**	679	6,767

14 Net gain from financial instruments

	The Group					The Company				
	Unaudited Quarter ended 30 June 2020	Unaudited Quarter ended 30 June 2019	**Unaudited Six months 30 June 2020**	Unaudited Six months 30 June 2019	Audited Year ended 31 December 2019	**Unaudited Quarter ended 30 June 2020**	Unaudited Quarter ended 30 June 2019	**Unaudited Six months 30 June 2020**	Unaudited Six months 30 June 2019	Audited Year ended 31 December 2019
	MUR'000	MUR'000	**MUR' 000**	MUR' 000	MUR' 000	**MUR'000**	MUR'000	**MUR' 000**	MUR' 000	MUR' 000
Net gain from trading instruments	**45,309**	9,687	**140,069**	36,665	103,454	**-**	-	**-**	-	-
Investment securities at fair value through profit or loss	**(56,732)**	21,832	**(100,375)**	45,078	26,402	**29,625**	**7,683**	**19,859**	23,105	17,879
Other	**-**	(26,768)	**(4)**	(26,761)	(22,264)	**-**	-	**-**	-	-
	(11,423)	4,751	**39,690**	54,982	107,592	**29,625**	**7,683**	**19,859**	23,105	17,879

15 Credit loss expense on financial assets

	The Group					
	Unaudited Six months ended 30 June 2020				Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total	Total
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	MUR' 000	MUR' 000
Loans and advances to non bank customers	**177,275**	**(435,833)**	**2,105,260**	**1,846,702**	733,575	3,974,849
Loans and placements with banks	**3,526**	**-**	**-**	**3,526**	(41,267)	(50,129)
Debt instruments measured at amortised cost	**(4,352)**	**-**	**-**	**(4,352)**	(9,360)	28,213
Other receivables	**-**	**-**	**-**	**-**	-	284
Loan commitments	**(40,982)**	**-**	**-**	**(40,982)**	4,294	42,834
Off balance sheet items (Guarantees, Letters of credit, Acceptances)	**21,750**	**9,297**	**(2,802)**	**28,245**	(33,649)	(117,807)
Total credit loss under IFRS 9	**157,217**	**(426,536)**	**2,102,458**	**1,833,139**	653,593	3,878,244
Write off				**235,469**	3,865	-
Recoveries				**(335,563)**	(506,170)	(882,102)
Total credit loss/(income)	**157,217**	**(426,536)**	**2,102,458**	**1,733,045**	151,288	2,996,142

15 Credit loss expense on financial assets (Continued)

	The Company					
	Six months ended 30 June 2020				Six months ended 30 June 2019	Year ended 31 December 2019
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total	Total
	MUR' 000	**MUR' 000**	**MUR' 000**	**MUR' 000**	MUR' 000	MUR' 000
Debt instruments measured at amortised cost	**(190)**	**-**	**-**	**(190)**	494	1,085
Total credit loss under IFRS 9	**(190)**	**-**	**-**	**(190)**	494	1,085

16 Taxation

	The Group					The Company				
	Unaudited Quarter ended 30 June 2020	Unaudited Quarter ended 30 June 2019	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019	**Unaudited Quarter ended 30 June 2020**	Unaudited Quarter ended 30 June 2019	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	MUR'000	MUR'000	**MUR' 000**	MUR' 000	MUR' 000	**MUR'000**	MUR'000	**MUR' 000**	MUR' 000	MUR' 000
Income tax										
Income tax expense	**54,628**	27,720	**143,921**	316,331	805,287	**-**	(7,413)	**-**	(503)	(503)
Movement in deferred tax	**(53,776)**	(39,641)	**(139,163)**	(51,975)	(301,792)	**-**	-	**-**	-	-
Corporate social responsibility contribution	**17,209**	10,781	**35,182**	22,108	43,597	**-**	(500)	**-**	860	860
Withholding tax	**2,668**	1,256	**5,195**	2,642	395	**-**	-	**-**	-	-
	20,729	116	**45,135**	289,106	547,487	**-**	(7,913)	**-**	357	357

(a) Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

(b) Prior to the enactment of Finance Act 2018, income tax used to be calculated at 15% Segment A and 3% for Segment B. Under new tax regime, the provision in the Income Tax Act stipulates that there is no distinction between segment A and segment B income and the chargeable income of banks will be taxable either at 5% applicable on chargeable income less or equal to MUR 1.5 billion or at 15% on chargeable income exceeding MUR 1.5 billion if certain predetermined conditions are not satisfied. The applicable tax rates for the foreign banking subsidiaries range between 20% and 43.26%. A deemed tax credit of 80% is applicable for Segment B income, reducing the effective income tax rate to 3%.

(c) Corporate social responsibility (CSR) was legislated by the Government of Mauritius in July 2009. In terms of the legislation,SBM Bank (Mauritius) Ltd is required to allocate 2% of its Segment A chargeable income of the preceding financial year to government approved CSR NGOs.

17 Dividend

	The Group			The Company		
	Unaudited Six months ended 30 June 2020	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019	**Unaudited Six months ended 30 June 2020**	Unaudited Six months ended 30 June 2019	Audited Year ended 31 December 2019
	MUR' 000	MUR' 000	MUR' 000	**MUR' 000**	MUR' 000	MUR' 000
Dividend declared during the period/year	**-**	387,269	903,632	**-**	387,269	903,632
Less: dividend	**-**	(387,269)	(903,632)	**-**	(387,269)	(903,632)
Dividend payable	**-**	-	-	**-**	-	-

18 Segment Information

	The Group 30 June 2020				
	Banking MUR' 000	**Non-bank financial institutions MUR' 000**	**Non financial institutions MUR' 000**	**Intersegment adjustments MUR' 000**	**Group Total MUR' 000**
Revenue from external customers	**7,711,841**	**225,567**	**(469,341)**	**-**	**7,468,067**
Revenue from other segments of the entity	**-**	**56,588**	**115,000**	**(171,588)**	**-**
Total gross revenue	**7,711,841**	**282,155**	**(354,341)**	**(171,588)**	**7,468,067**
Operating income	**5,777,294**	**286,229**	**(591,272)**	**(176,335)**	**5,295,916**
Profit after tax	**1,219,723**	**204,839**	**(760,761)**	**11,136**	**674,937**
Segment assets	**302,477,946**	**4,076,766**	**37,883,367**	**(59,745,623)**	**284,692,456**
Segment liabilities	**248,103,344**	**1,381,266**	**10,371,643**	**(1,709,144)**	**258,147,109**

	The Group 30 June 2019				
	Banking MUR' 000	Non-bank financial institutions MUR' 000	Non financial institutions MUR' 000	Intersegment adjustments MUR' 000	Group Total MUR' 000
Revenue from external customers	5,935,191	162,028	377,630	-	6,474,849
Revenue from other segments of the entity	893,242	18,758	-	(912,000)	-
Total gross revenue	6,828,433	180,786	377,630	(912,000)	6,474,849
Operating income	5,082,200	191,372	138,897	(914,892)	4,497,577
Profit after tax	1,916,235	114,355	74,828	(887,728)	1,217,690
Segment assets	258,769,696	2,991,559	37,818,380	(58,079,926)	241,499,709
Segment liabilities	205,986,884	1,099,248	9,677,202	(1,454,007)	215,309,326

	The Group 31 December 2019				
	Banking MUR' 000	**Non-bank financial institutions MUR' 000**	**Non financial institutions MUR' 000**	**Intersegment adjustments MUR' 000**	**Group Total MUR' 000**
Revenue from external customers	13,402,798	281,225	(40,450)	-	13,643,573
Revenue from other segments of the entity	1,327,875	144,743	1,417,849	(2,890,467)	-
Total gross revenue	14,730,673	425,968	1,377,399	(2,890,467)	13,643,573
Operating income	11,000,601	403,928	900,811	(2,862,001)	9,443,339
Profit after tax	315,686	218,851	763,493	(1,282,995)	15,035
Segment assets	278,248,224	4,159,936	38,137,215	(60,069,382)	260,475,993
Segment assets	226,416,712	1,590,353	9,858,199	(1,907,154)	235,958,109

19 Financial Assets And Financial Liabilities

The Group	**Unaudited 30 June 2020**		Unaudited 30 June 2019		Audited 31 December 2019	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
	MUR'000	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets						
Cash and cash equivalents	**15,517,708**	**15,517,708**	14,586,167	14,586,167	18,181,126	18,181,126
Mandatory balances with Central banks	**11,151,632**	**11,151,632**	10,073,974	10,073,974	10,680,287	10,680,287
Loans to and placements with banks	**7,436,653**	**7,436,653**	7,278,755	7,278,755	9,240,131	9,240,131
Derivative financial instruments	**1,155,236**	**1,155,236**	856,266	856,266	874,269	874,269
Loans and advances to non-bank customers	**118,652,418**	**118,486,231**	103,598,355	110,175,996	109,396,640	109,151,966
Investment securities	**112,605,100**	**112,565,709**	88,435,637	88,681,936	94,276,665	94,922,762
Equity investments	**6,019,110**	**6,019,110**	6,096,689	6,096,689	6,014,270	6,014,270
Other assets	**2,984,075**	**2,984,075**	2,096,154	2,096,154	2,750,495	2,750,495
	275,521,932	**275,316,354**	233,021,997	239,845,937	251,413,883	251,815,305
Financial liabilities						
Deposits from banks	**833,798**	**833,798**	922,258	922,258	907,521	907,521
Deposits from non-bank customers	**207,187,607**	**207,220,461**	173,381,539	173,522,282	199,397,188	199,396,303
Other borrowed funds	**30,223,939**	**30,223,939**	23,723,436	23,723,436	15,670,968	15,670,968
Derivative financial instruments	**1,218,260**	**1,218,260**	739,550	739,550	881,176	881,176
Other liabilities	**6,811,032**	**6,811,032**	3,235,975	3,235,975	7,350,644	7,350,644
Subordinated debts	**240,694**	**240,694**	9,573,944	9,573,944	9,739,981	9,739,981
	246,515,330	**246,548,184**	211,576,702	211,717,445	233,947,479	233,946,595

The Company	**Unaudited 30 June 2020**		Unaudited 30 June 2019		Audited 31 December 2019	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
	MUR'000	**MUR'000**	MUR'000	MUR'000	MUR'000	MUR'000
Financial assets						
Cash and cash equivalents	**53,277**	**53,277**	41,631	41,631	178,632	178,632
Investment securities	**1,697,701**	**1,297,560**	2,642,870	2,796,685	1,670,478	2,070,619
Equity investments	**4,227,683**	**4,227,683**	4,227,683	4,227,683	4,227,683	4,227,683
Other assets	**162,955**	**162,955**	210,637	210,637	231,000	231,000
	6,141,616	**5,741,475**	7,122,821	7,276,636	6,307,792	6,707,933
Financial liabilities						
Trading Liabilities	**3,979**	**3,979**	-	-	-	-
Other liabilities	**123,028**	**123,028**	102,441	102,441	114,880	114,880
Subordinated debts	**1,148**	**1,148**	9,573,944	9,573,944	9,739,981	9,739,981
	128,155	**128,155**	9,676,385	9,676,385	9,854,861	9,854,861

- For loans and advances to non-bank customers, all the fixed loans and advances maturing after one year has been fair valued based on the current prevailing lending rate and are classified as level 2 assets.

- For investment securities, all the government bonds and BOM bonds have been fair valued based on the latest weighted yield rate and are classified as level 2 assets.

- For deposits from non-bank customers, all the term deposits maturing after one year has been fair valued based on the current prevailing savings rate and are classified as level 2 assets..

19 Financial assets and financial liabilities (Continued)

Fair value measurement hierachy

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

The determination of fair values, estimated by discounting future cash flows and by determining the relative interest rates, is subjective. The estimated fair value was calculated according to interest rates prevailing at the reporting date and does not consider interest rate fluctuations. Given other interest rate assumptions, fair value estimates may differ.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

	Unaudited			
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
30 June 2020	MUR' 000	MUR' 000	MUR' 000	MUR' 000
Derivative financial assets	-	1,155,236	-	1,155,236
Debt securities mandatorily measured at FVTPL	6,447,281	-	1,184,701	7,631,982
Debt securities at FVTOCI	62,545,008	-	543,392	63,088,400
Total assets	68,992,289	1,155,236	1,728,092	71,875,618
Derivative financial liabilities	-	1,218,260	-	1,218,260
Total liabilities	-	1,218,260	-	1,218,260

	Unaudited			
	Level 1	Level 2	Level 3	Total
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
30 June 2019				
Derivative financial assets	-	856,266	-	856,266
Debt securities mandatorily measured at FVTPL	12,479,627	-	147,307	12,626,934
Investments at FVTOCI (debt and equity instruments)	50,818,358	-	177,077	50,995,435
Total assets	63,297,985	856,266	324,384	64,478,635
Derivative financial liabilities	-	739,550	-	739,550
Total liabilities	-	739,550	-	739,550

19 Financial assets and financial liabilities (Continued)

	Audited			
	Level 1	**Level 2**	**Level 3**	**Total**
	MUR' 000	MUR' 000	MUR' 000	MUR' 000
31 December 2019				
Derivative financial assets	-	874,269	-	874,269
Debt securities mandatorily measured at FVTPL	11,445,809	-	549,308	11,995,117
Investments at FVTOCI (debt and equity instruments)	54,062,816	-	624,466	54,687,282
Total assets	65,508,624	874,269	1,173,774	67,556,667
Derivative financial liabilities	-	881,176	-	881,176
Total liabilities	-	881,176	-	881,176

There was no transfer between levels

20 COVID-19

COVID-19 has shaken the World since the beginning of this year. The economic impact of the virus on the Group in particular is difficult to ascertain at this stage. The Group has however proactively built up a significant liquidity cushion and undertaken a detailed review of its asset portfolio. The asset review has been based on three scenarios of increasing severity to assess the impact on profitability, liquidity, capital adequacy and asset quality. The results of the stress testing have been presented and agreed by the board.

As at June 2020, the increase in the overall credit risk has been factored into the Group's six months results which have resulted in an increase in the provisioning levels.

The environment remains very dynamic and any new information available is fed in our scenarios. The updated results are then reviewed by management and communicated to the board on a regular basis.

21 Subsequent event after reporting period

The Board has approved the exit of SBM Bank (Seychelles) Limited in the Seychelles. The group has received the approval of the Central Bank of Seychelles on 30 July 2020. Business will continue as normal until the cessation date which will be communicated at a later stage.